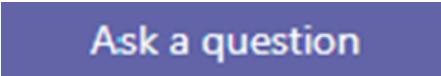


# 2023 CUSTOMER FORUM

May 10, 2023

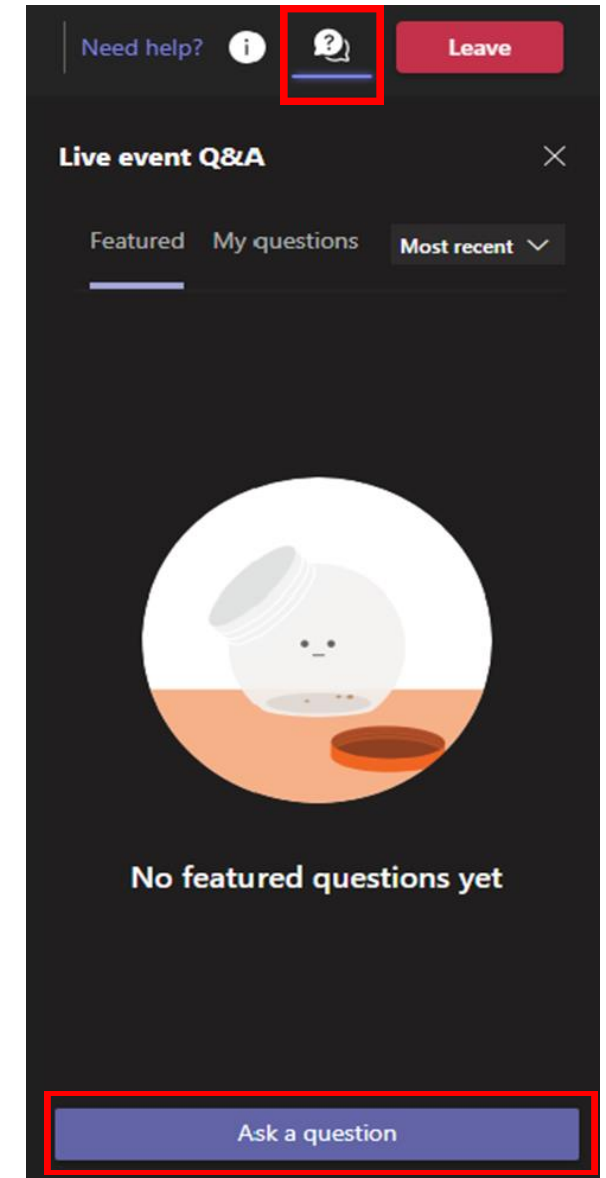
# Participation Instructions

## » Webinar Attendees

- During the duration of the presentation webinar attendees will be muted
- If you have a question, select the  icon
- Click on  and type it in
- We will go over questions at the end of each topic

## » In Person Attendees

- We will go over questions at the end of each topic



# Agenda

- Introductions
- Antitrust Disclaimer
- High OFO Review
- Low OFO Review
- Scheduled Quantity Adjustment Trading Review
- System Reliability Support Activity Results
- Forum Proposals
- Post Forum Report / Next Steps
- Envoy Updates
- Operational Updates
- Regulatory Updates

**Recording of this Customer  
Forum  
is prohibited**

# Antitrust Disclaimer

## AMERICAN GAS ASSOCIATION ANTITRUST COMPLIANCE GUIDELINES

### Introduction

The American Gas Association and its member companies are committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our operations and activities. Our commitment includes strict compliance with federal and state antitrust laws, which are designed to protect this country's free competitive economy.

### Responsibility for Antitrust Compliance

Compliance with the antitrust laws is a serious business. Antitrust violations may result in heavy fines for corporations, and in fines and even imprisonment for individuals. While the General Counsel's Office provides guidance on antitrust matters, you bear the ultimate responsibility for assuring that your actions and the actions of any of those under your direction comply with the antitrust laws.

### Antitrust Guidelines

In all AGA operations and activities, you must avoid any discussions or conduct that might violate the antitrust laws or even raise an appearance of impropriety. The following guidelines will help you do that:

- **Do** consult counsel about any documents that touch on sensitive antitrust subjects such as pricing, market allocations, refusals to deal with any company, and the like.
- **Do** consult with counsel on any non-routine correspondence that requests an AGA member company to participate in projects or programs, submit data for such activities, or otherwise join other member companies in AGA actions.
- **Do** use an agenda and take accurate minutes at every meeting. Have counsel review the agenda and minutes before they are put into final form and circulated and request counsel to attend meetings where sensitive antitrust subjects may arise.
- **Do** provide these guidelines to all meeting participants.

- **Do not, without prior review by counsel,** have discussions with other member companies about:
  - ♦ your company's prices for products, assets or services, or prices charged by your competitors
  - ♦ costs, discounts, terms of sale, profit margins or anything else that might affect those prices
  - ♦ the resale prices your customers should charge for products or assets you sell them
  - ♦ allocating markets, customers, territories products or assets with your competitors
  - ♦ limiting production
  - ♦ whether or not to deal with any other company
  - ♦ any competitively sensitive information concerning your own company or a competitor's.
- **Do not** stay at a meeting, or any other gathering, if those kinds of discussions are taking place.
- **Do not** discuss any other sensitive antitrust subjects (such as price discrimination, reciprocal dealing, or exclusive dealing agreements) without first consulting counsel.
- **Do not** create any documents or other records that might be misinterpreted to suggest that AGA condones or is involved in anticompetitive behavior.

### We're Here to Help

Whenever you have any question about whether particular AGA activities might raise antitrust concerns, contact the General Counsel's Office, Ph: (202) 824-7072; E-mail: [GCO@aga.org](mailto:GCO@aga.org), or your legal counsel.

American Gas Association  
Office of General Counsel  
Issued: December 1997  
Revised: December 2008

# High OFO Review

# OFO Noncompliance Structure for Report Period

| OFO Noncompliance Structure<br>Effective Year-Round |                              |                                                  |
|-----------------------------------------------------|------------------------------|--------------------------------------------------|
| Stage                                               | Daily Imbalance<br>Tolerance | Noncompliance Charge<br>(\$/Dth)                 |
| 1                                                   | Up to +/- 25%                | 0.25                                             |
| 2                                                   | Up to +/- 20%                | 1.00                                             |
| 3                                                   | Up to +/- 15%                | 5.00                                             |
| 3.1                                                 | Up to +/- 15%                | 10.00                                            |
| 3.2                                                 | Up to +/- 15%                | 15.00                                            |
| 3.3                                                 | Up to +/- 15%                | 20.00                                            |
| 4                                                   | Up to +/- 10%                | 25.00                                            |
| 5                                                   | Up to +/- 5%                 | 25.00 plus G-IMB daily<br>balancing standby rate |
| EFO                                                 | Zero                         | 50.00 plus G-IMB daily<br>balancing standby rate |

- » Decision (D.) 22-04-042 of the California Public Utilities Commission extended the SoCalGas Rule 30 Operational Flow Order Winter Noncompliance Charge Structure to year-round for SoCalGas and SDG&E
- » The Winter Noncompliance Charge structure was first adopted in D.19-05-030 and extended by D.21-11-021

# High Operational Flow Order (High OFO)

- » A High OFO is declared if, on a day prior to the Gas Day, in the sole judgment of Gas Control, the system forecast of storage injection used for balancing exceeds the injection capacity allocated to the balancing function

# Scheduled Quantities Used for OFOs

| Cycle                      | Scheduled Quantity<br>Used for OFO<br>Calculations |
|----------------------------|----------------------------------------------------|
| Evening Cycle<br>(Cycle 2) | Timely Cycle<br>(Cycle 1)                          |
| Intraday 1<br>(Cycle 3)    | Evening Cycle<br>(Cycle 2)                         |

- On High OFO days, SoCalGas will confirm nominations up to the total net system capacity during Intraday 1 (Cycle 3), Intraday 2 (Cycle 4), and Intraday 3 (Cycle 5)
- On non-OFO days, SoCalGas will confirm nominations up to the total net system capacity during Intraday 3 (Cycle 5)

# High OFO Comparison

## 2022 Forum Report

|         |     |
|---------|-----|
| Cycle 2 | 88  |
| Cycle 3 | 21  |
| <hr/>   |     |
| Total   | 109 |

## 2023 Forum Report

|         |    |
|---------|----|
| Cycle 2 | 75 |
| Cycle 3 | 21 |
| <hr/>   |    |
| Total   | 96 |

# High OFO Stage Comparison

## High OFO Stages Declared Last Report Period (April 2021 – March 2022)

|           |     |
|-----------|-----|
| Stage 1   | 0   |
| Stage 2   | 5   |
| Stage 3   | 50  |
| Stage 3.1 | 51  |
| Stage 3.2 | 3   |
| Stage 3.3 | 0   |
| Stage 4   | 0   |
| Stage 5   | 0   |
| <hr/>     |     |
| Total     | 109 |

## High OFO Stages Declared This Report Period (April 2022 – March 2023)

|           |    |
|-----------|----|
| Stage 1   | 0  |
| Stage 2   | 4  |
| Stage 3   | 21 |
| Stage 3.1 | 67 |
| Stage 3.2 | 3  |
| Stage 3.3 | 0  |
| Stage 4   | 1  |
| Stage 5   | 0  |
| <hr/>     |    |
| Total     | 96 |

## Tolerance Percentages Declared

- » High OFO's during the April 2022 – March 2023 Report Period were declared with daily imbalance tolerances ranging from 1% to 15%

# Low OFO Review

## Low Operational Flow Order (Low OFO)

- » A Low OFO is declared if, on a day prior to the Gas Day, in the sole judgment of Gas Control, the system forecast of storage withdrawal used for balancing exceeds the withdrawal capacity allocated to the balancing function

## Low OFO Comparison

### 2022 Forum Report

|         |    |
|---------|----|
| Cycle 2 | 29 |
| Cycle 3 | 2  |

---

|       |    |
|-------|----|
| Total | 31 |
|-------|----|

### 2023 Forum Report

|         |    |
|---------|----|
| Cycle 2 | 62 |
| Cycle 3 | 5  |

---

|       |    |
|-------|----|
| Total | 67 |
|-------|----|

### Contributing factors include:

- » Cold Winter temperatures and higher gas prices

# Low OFO Stage Comparison

## Low OFO Stages Declared This Report Period (April 2021 – March 2022)

|           |    |
|-----------|----|
| Stage 1   | 19 |
| Stage 2   | 6  |
| Stage 3   | 5  |
| Stage 3.1 | 1  |
| Stage 3.2 | 0  |
| Stage 3.3 | 0  |
| Stage 4   | 0  |
| Stage 5   | 0  |

---

|       |    |
|-------|----|
| Total | 31 |
|-------|----|

## Low OFO Stages Declared This Report Period (April 2022 – March 2023)

|           |    |
|-----------|----|
| Stage 1   | 20 |
| Stage 2   | 1  |
| Stage 3   | 8  |
| Stage 3.1 | 19 |
| Stage 3.2 | 8  |
| Stage 3.3 | 5  |
| Stage 4   | 5  |
| Stage 5   | 1  |

---

|       |    |
|-------|----|
| Total | 67 |
|-------|----|

## Tolerance Percentages Declared

- » Low OFO's during the April 2022 - March 2023 Report Period were declared with a daily imbalance tolerance of -5%

# Aliso Canyon Withdrawal Protocol (ACWP)

» CPUC Authorized four conditions for making Aliso Canyon withdrawal capacity available:

1. Preliminary Low OFO calculations result in a Stage 2 or higher Low OFO
2. Aliso Canyon inventory is above 70% of its maximum authorized inventory during February or March
3. Low inventory at Honor Rancho and/or La Goleta from November through March
4. Emergency Conditions are encountered that can be mitigated by Aliso Canyon withdrawals

# ACWP

|                                                                                 | ACWP Events | Low OFOs Declared |
|---------------------------------------------------------------------------------|-------------|-------------------|
| Condition Met (Total)                                                           | 109         | 54                |
|                                                                                 |             |                   |
| Condition 1 – Cycle 1                                                           | 83          | 41                |
| Condition 1 – Cycle 2                                                           | 16          | 5                 |
| Condition 1 – Cycle 3                                                           | 10          | 8                 |
| There were no ACWP events for Conditions 2, 3, and 4 during this Report Period. |             |                   |

## ACWP Impact on Low OFOs

- » The ACWP likely helped SoCalGas and SDG&E customers avoid Low OFOs on 55 out of the 109 days when Condition 1 was met.
- » There were 54 ACWP event days when a Low OFO was not avoided.
  - » For 7 of these events, a Low OFO had already been declared.
  - » For the remaining 47 events, customer imbalances were too high to be fully mitigated by the availability of Aliso Canyon's withdrawal capacity.

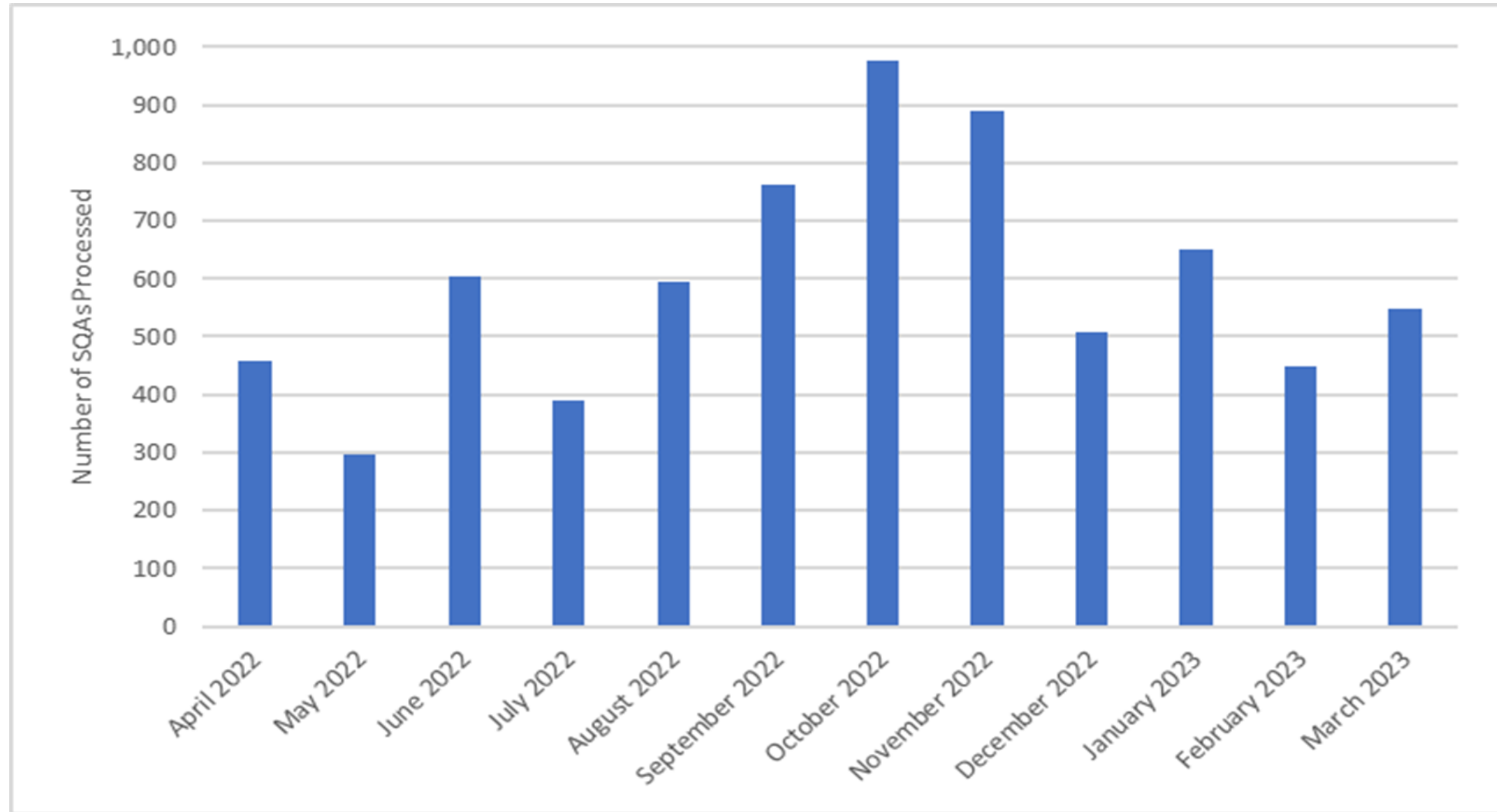
# Scheduled Quantity Adjustment Trading Review

# Scheduled Quantity Adjustments

- » Balancing Agents can trade scheduled quantities with other Balancing Agents for any gas day
- » California Producer pools can trade delivery quantities with other California Producer pools for any gas day
- » A scheduled quantity adjustment (SQA, or scheduled quantity trade) is not an imbalance trade. Imbalances are calculated at the end of the month by comparing billing quality meter usage to the final scheduled quantities for each day
- » SQAs for a given gas day must be submitted by both counterparties no later than 9 PM Pacific Time the next business day after the close of Cycle 6
- » Adjustments into or out of storage contracts are not allowed

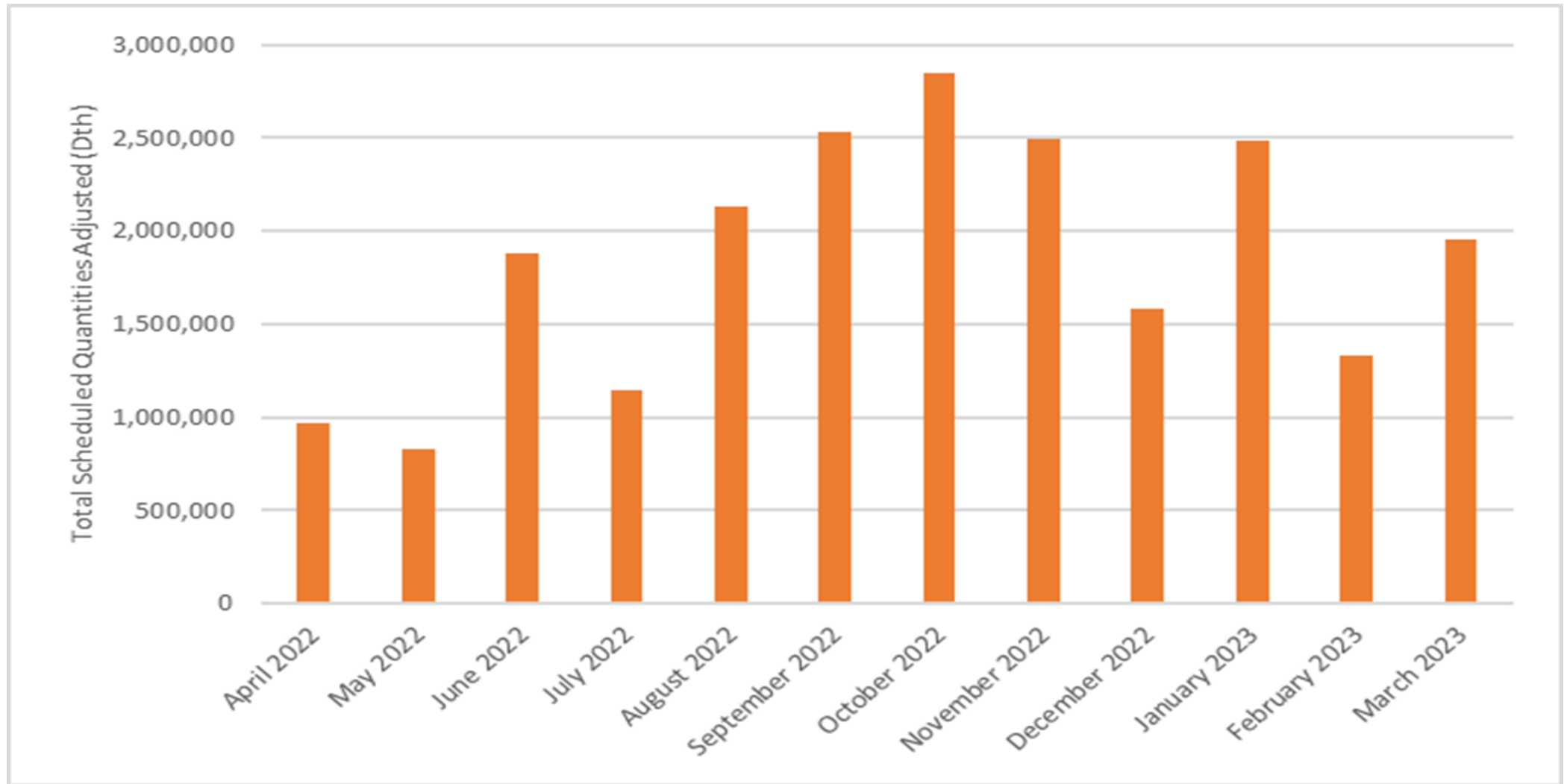
# Scheduled Quantity Adjustments

(Number of SQAs Processed)



# Scheduled Quantity Adjustments

(Total Scheduled Quantities Traded)



# System Reliability Support Activity Results

# System Reliability Tools

» SoCalGas and SDG&E maintains Southern System reliability utilizing five (5) tools:

1. Spot purchases and sales
2. Seasonal baseload purchases and sales
3. Discounted BTS contracts
4. Memorandum in Lieu of Contract (MILC) between System Operator and Gas Acquisition
5. Request for Proposals (RFPs) to seek additional tools

# Southern System Reliability (SSR) Purchases and Interruptible BTS Discounts

- » Extended maintenance outages on the El Paso Natural Gas (EPNG) system reduced customer deliveries to the SoCalGas Southern system
- » SoCalGas used spot transactions and the MILC to manage System Reliability during this period
- » SoCalGas purchased and sold approximately 4.1 MMDth to support SSR this Report Period
- » Persistent cold weather contributed to higher Southern System minimums
- » Gas costs in December 2022 were high across the Western US
  - » A Commission investigation (I.23-03-008) is underway to determine the reasons

# SSR Purchases and Interruptible BTS Discounts

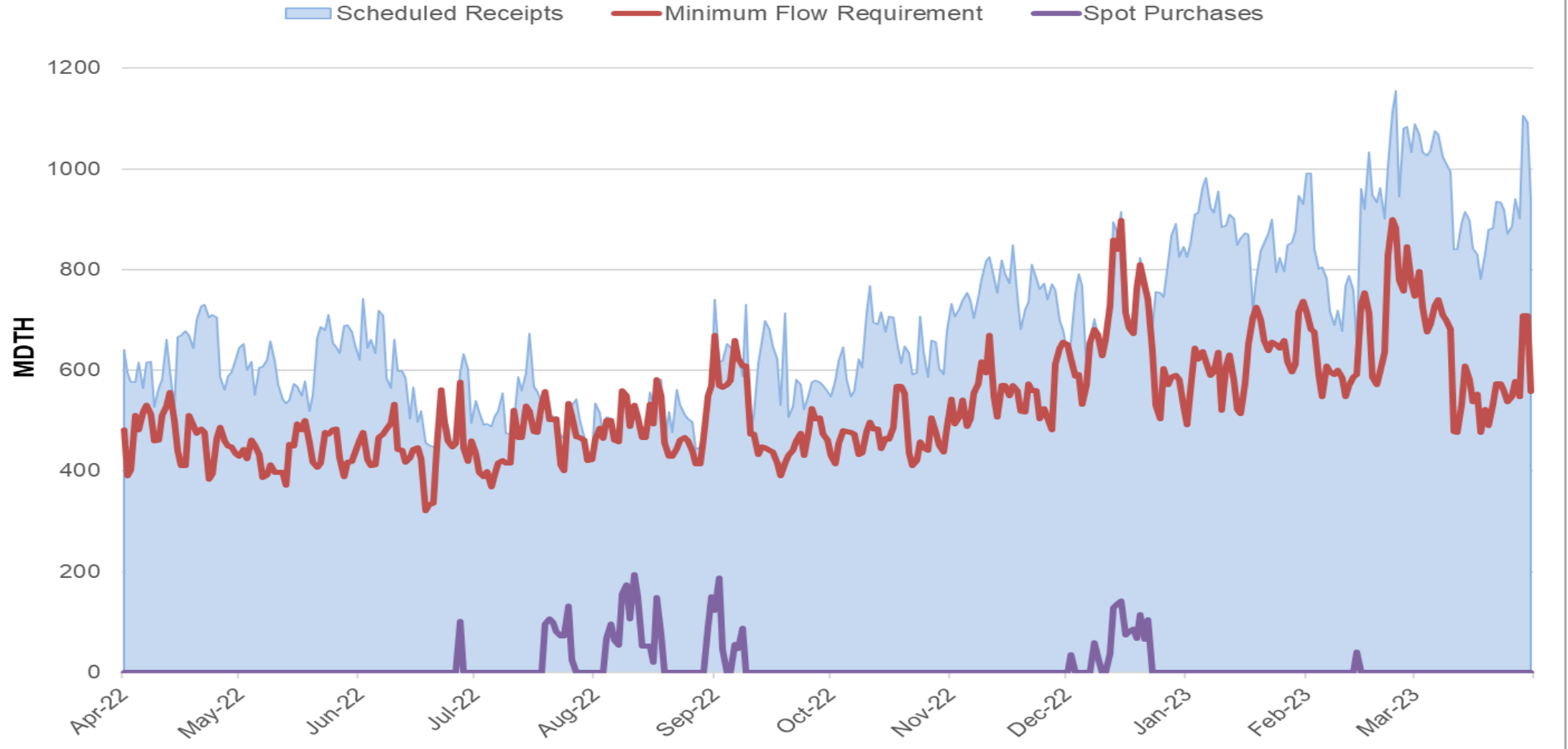
|                            | 2016-<br>2017 | 2017-<br>2018 | 2018-<br>2021 | 2021-<br>2022 | 2022-<br>2023 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Purchases<br>(MDth)        | 45,349        | 13,354        | 0             | 555           | 4,124         |
| Net Cost<br>(\$/Dth)       | 0.20          | 0.07          | 0             | 15.53         | 7.52          |
| SRMA<br>Cost<br>(\$MM)     | 9.1           | 0.9           | 0             | 8.6           | 31            |
| BTS<br>Discounts<br>(\$MM) | 0.1           | 0             | 0             | 0             | 0             |
| Total<br>(\$MM)            | 9.2           | 0.9           | 0             | 8.6           | 31            |

» Purchased Quantities were significantly higher (7.4x) this period

» Net costs per Dth were approximately 50% lower

» Total costs reached an all time high; previous high was \$23.4 million for 2013-14

# April 2022 - March 2023 Southern System Receipts



# Forum Proposals?

# Post-Forum Report / Next Steps

# Post-Forum Report / Next Steps

- » The Post-Forum Report will summarize the matters discussed here; identify action items, tariff changes, and procedural modifications that are agreed to be necessary; include descriptions of proposals presented by forum participants
- » Any proposals made that are rejected by SoCalGas will be included in the Post-Forum Report
- » A draft Post-Forum Report will be issued on Envoy to the forum participants for review by May 31, 2023 with a revised draft to be issued on Envoy by June 14, 2023.
- » The Post-Forum Report will be filed by July 9, 2023.

# Envoy Updates

# Envoy Enhancements

- » Security Enhancements
- » More responsive Web Design for Public Site.
- » Improved navigation for Desktop, Mobile, and Tablet Versions
- » Backbone Transmission Service (BTS) enhancement for renewable gas producers
- » Implementing July 1
- » A webinar will be scheduled to review the changes prior to implementation

# Envoy Security Enhancements

- » Effective July 1, Two-Factor Authentication (2FA) for access to Envoy will be available
- » It will not be required until a later yet to be determined date
- » 2FA is a security feature that requires a user to enter an Authentication Code in addition to a password upon login
- » Envoy users will have three 2FA methods to choose from: Authenticator App, Text, and Email

# BTS Enhancement

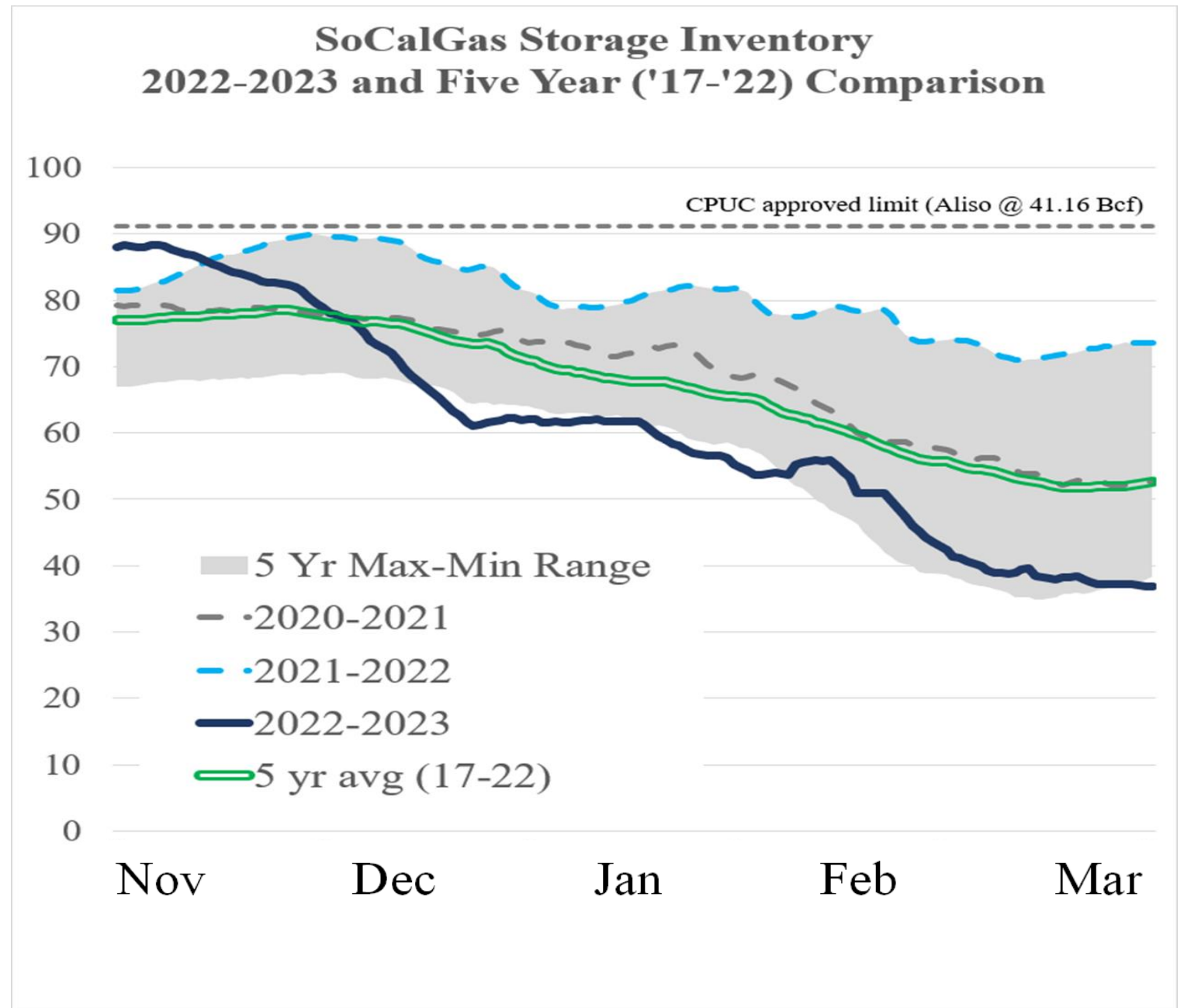
New California Producer (CP Receipt Points) are being added to each major Transmission Zone

- » CP – South Desert (Southern Zone)
- » CP – North Desert (Northern Zone)
- » CP – Wheeler Ridge (Wheeler Ridge Zone)

# Operational Updates

# System Update

- » Winter 2022-2023 season ending storage inventory was 37 billion cubic feet (BCF)
  - 37 BCF lower than Winter 2021-2022
- » Northern Zone capacity increased to 1,250 MMcfd in October 2021
- » CPUC authorized Aliso Canyon Storage Field inventory to increase to 41.16 BCF in November 2021
  - System-wide maximum inventory of 92 BCF



# Cold Winter 2022-2023

- » For SoCalGas this past winter was the coldest based on recorded heating degree days (HDDs) since Winter 1984-1985
  - An HDD is equal to the difference between 65°F and the daily mean temperature below 65°F
  - The total number of HDDs recorded was 1,436; which exceeds the forecast HDDs (1,233) for the 5-month period under a 1-in-35 Cold Condition for the SoCalGas system
- » For SDG&E it was the coldest winter over the past 50 years (1972-2023)
  - The total number of HDDs recorded was 1,495; which exceeds the forecast HDDs (1,141) for the 5-month period under a 1-in-35 Cold Condition for the SDG&E system

# Regulatory Updates / Other Items

# EPNG Line 2000 Outage

- » On August 15, 2021, EPNG Line 2000 ruptured near Coolidge, Arizona
- » The NTSB opened Investigation PLD21FR003 into the incident
- » EPNG Line 2000 system returned to service on February 15, 2023
- » On April 27, 2023, the NTSB issued its pipeline investigation report (NTSB/PIR-23-01) concerning the EPNG Line 2000 incident

# North Baja Xpress Project CPCN

- » On April 21, 2022, the Federal Energy Regulatory Commission (FERC) issued a CPCN to North Baja Pipeline Company to construct and operate the North Baja Xpress project.
- » The project will enable North Baja to provide 495,000 Dth/day of firm transportation service to Sempra LNG from the EPNG system at Ehrenberg for export to Mexico
- » The project is expected to be in service this year

# Gas Planning Rulemaking (R.20-01-007)

- » Two recent developments from the July 2022 Decision (D.22-07-002)
- » Pending operation of North Baja Xpress and ECA Liquefaction Project
  - Commission has sharpened concerns that the 5 tools available to SoCalGas to manage SSR will be sufficient to maintain reliability with the pending operation of these two projects
  - Staff may revisit the adequacy of these tools as these projects commence operations
- » Implementation of a Citation Program
  - SoCalGas and PG&E are required to maintain a minimum quantity of backbone transmission capacity subject to penalty if not resolved after 9 months
  - Minimum capacity for SoCalGas is based on the average demand in a forecast cold dry year (currently 2549 Mdth/day)

# SB380 Proceeding Update

- » On April 19 SoCalGas and SDG&E filed a Joint Petition for Modification (PFM) which proposes to modify Decision 21-11-008 issued in November 2021 which set the interim range of Aliso Canyon storage capacity at zero to 41.16 Bcf.
  - The PFM proposes that the Commission should take expedited action to increase the inventory at Aliso Canyon to 68.6 Bcf, a limit deemed safe by the California Geologic Management Division for the upcoming summer season and 2023-2024 winter season, in order to mitigate against similar price spikes in the future and impacts to customers, and to preserve reliability.
- » SoCalGas also submitted a letter recommending the Commission eliminate the Aliso Canyon Withdrawal Protocol (ACWP), which describes the criteria required before making a withdrawal from Aliso Canyon, to mitigate against potential price volatility.

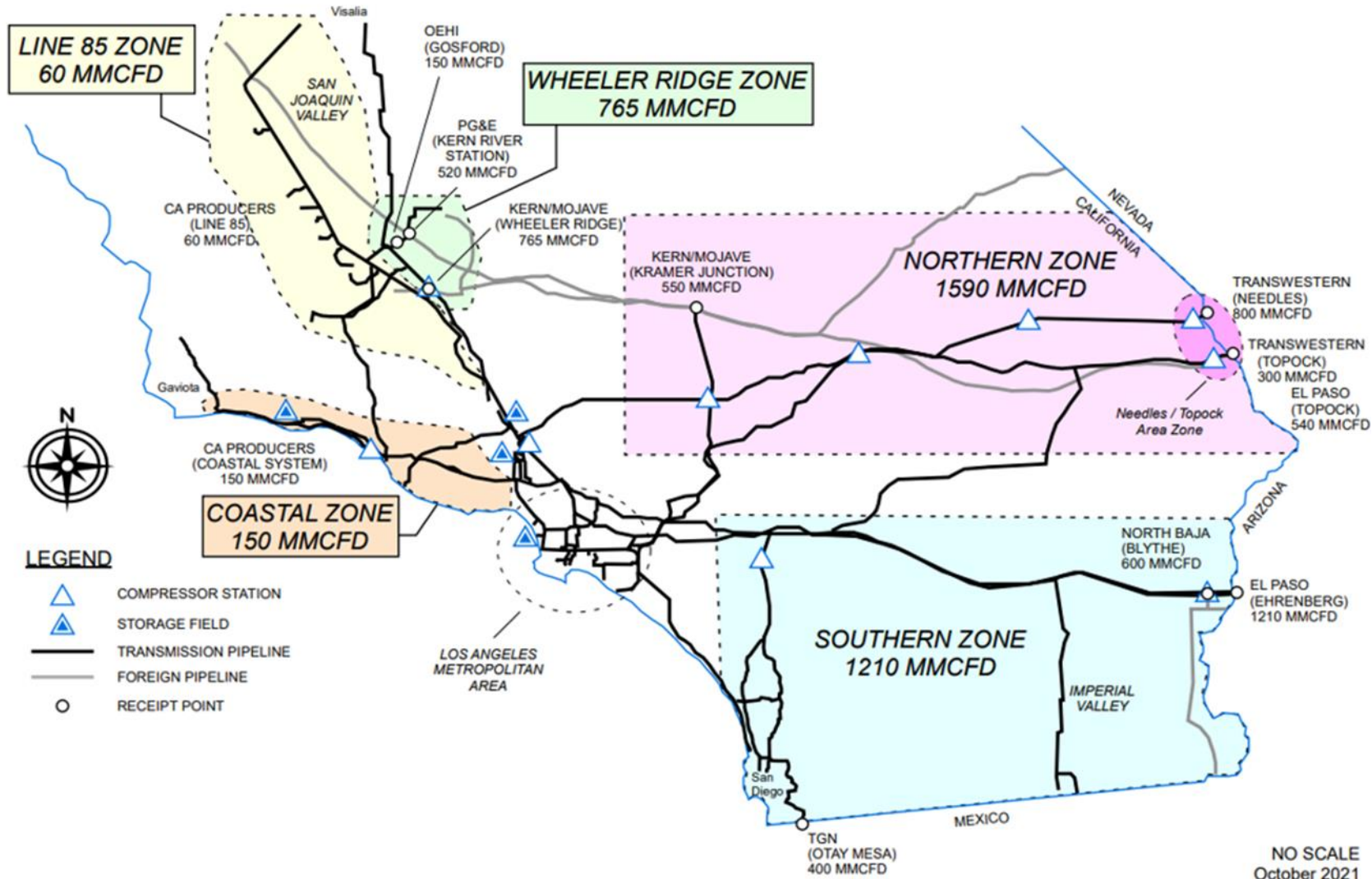
# 2024 Cost Allocation Proceeding (CAP) (A.22-09-015) - BTS Credit Mechanism

- » 2020 TCAP decision ordered SoCalGas and SDG&E to work with the BTS customers to finalize the specifics of a BTS reservation charge credit mechanism
- » AL 5680 proposing credit mechanism was filed on August 26, 2020
- » Proposal was protested; Resolution G-3581 was issued postponing consideration to pending cost allocation proceeding (CAP)
- » SoCalGas filed proposals for Commission consideration (Chapter 11 testimony)
- » Commission decision not expected before January 2024

# Questions?

# Appendices

# RECEIPT POINT & TRANSMISSION ZONE FIRM CAPACITIES



# July 23, 2019, Aliso Canyon Withdrawal Protocol (ACWP)

- » On July 23, 2019, the Commission's Energy Division issued a revised ACWP replacing the November 2, 2017, version in its entirety. The revised ACWP authorizes SoCalGas to withdraw gas from Aliso Canyon only if any of the following conditions are met:
1. Preliminary low Operational Flow Order (OFO) calculations for any cycle result in a Stage 2 low OFO or higher for the applicable gas day;
  2. Aliso Canyon is above 70% of its maximum allowable inventory between February 1 and March 31; in such case, SoCalGas may withdraw from Aliso Canyon until inventory declines to 70% of its maximum allowable inventory;
  3. The Honor Rancho and/or La Goleta fields decline to 110% of their month-end minimum inventory requirements during the winter season; and/or
  4. There is an imminent and identifiable risk of gas curtailments created by an emergency condition that would impact public health and safety or result in curtailments of electric load that could be mitigated by withdrawals from Aliso Canyon