

SoCalGas is providing a courtesy reminder to Transportation-only customers and California Producers that now is the time to prepare for the upcoming winter season.

Weather conditions can impact deliveries to non-core end-use customers. Deliveries to non-core end-use customers may be curtailed if demand is forecast to exceed the capacity on a local transmission or distribution system or diverted if projected supply is insufficient to meet core customer demand. This document provides informational background for Balancing Agents and non-core customers to prepare for and understanding the potential impacts from a potential interruption of natural gas supply if curtailments are needed to maintain system reliability and safety.

For the most current information regarding system conditions and flow orders, please refer to SoCalGas' Electronic Bulletin Board (EBB), SoCalGas ENVOY® (Envoy), located at socialgasenvoy.com.

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Glossary

Low Operational Flow Order

A Low Operational Flow Order (Low OFO) is used to protect the operational integrity of the pipeline system. SoCalGas may issue a Low OFO if, 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. A simultaneous OFO may be called under certain conditions when both a High OFO and Low OFO occur during the same Gas Day. A Low OFO requires shippers to take action to balance

their supply with their customers' usage on a daily basis within a specified Daily Imbalance Tolerance (tolerance band).

Emergency Flow Order

An Emergency Flow Order (EFO) is used when actual or forecasted supply and/or capacity shortages threaten deliveries to end-use customers. During an EFO, end-use customers' usage must be less than or equal to supply.

Customers

Non-core end-use customers, Core Aggregation Transportation customers.

Curtailement

Curtailement is a utility-initiated suspension of natural gas service. Consistent with [SoCalGas Tariff Rule 23](#), the Utility may temporarily reduce the quantity of natural gas it will transport or deliver or may terminate service entirely for certain service categories as needed to meet operational requirements.

Suppliers or Balancing Agents

Contracted Marketers, Agents, Self-balancing non-core end-use customers, Core Transport Agents, Wholesale customers, California Producers, Utility Gas Procurement Department.

Low Operational Flow Order (Low OFO)

- The Utility System Operator's protocol for declaring a Low OFO is described in Tariff Rule 41. All Low OFO declarations will be identified by a stage, a tolerance band, and a noncompliance charge per the table below.
- SoCalGas will issue a Low OFO if, on a day prior to this 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. When a Low OFO is issued, customers financially responsible for managing and clearing transportation imbalances (Balancing Agents) will be

required to balance supply and demand on a daily basis within a specified tolerance band or be subject to charges for noncompliance. SoCalGas may elect not to issue a Low OFO for a Gas Day if the system forecast for the following Gas Day indicates the use of storage withdrawal used for system balancing will return to reasonable levels without the assistance of a Low OFO.

- SoCalGas will provide Low OFO calculation details on SoCalGas Envoy.
- SoCalGas may issue a Low OFO, associated with a specific stage, tolerance band, and noncompliance charge. A Low OFO will

normally be ordered with at least a 12 hour notice prior to the beginning of the Gas Day as dictated by operating conditions. Charges for the first day of the Low OFO event will not be imposed if notice is given after 8:00 p.m. Pacific Time the day prior to the start of the Low OFO event. Low OFO noncompliance charges for the Gas Day will be waived when the confirmation process limiting nominations to system capacity cuts previously scheduled Backbone Transportation Service (BTS) nominations during any of the Intraday 1-3 Cycles.

Low OFO Noncompliance Charges

Stage	Daily Imbalance Tolerance	Noncompliance Charge (\$/therm)
1	Up to -25%	0.025
2	Up to -20%	0.10
3	Up to -15%	0.50
3.1	Up to -15%	1.00
3.2	Up to -15%	1.50
3.3	Up to -15%	2.00
4	Up to -10%	2.50
5	Up to -5%	2.50 plus Rate Schedule G-IMB Daily Balancing Standby Rate
EFO	Zero	5.00 plus Rate Schedule G-IMB Daily Balancing Standby Rate

Balancing Agent

- Balance supply and usage on a daily basis.
- When a Low OFO is issued, the Balancing Agent will be required to balance supply and demand on a daily basis within a specified tolerance band or be subject to charges for noncompliance.

Notes

- Non-core customers with Automated Meter Charges for the first day of the Low OFO event will not be imposed if notice is given after 8:00 p.m. Pacific Time the day preceding to the start of the Low OFO event.
- SoCalGas Envoy provides a history of OFOs.

Emergency Flow Order (EFO)

Issue

SoCalGas may issue an EFO if deliveries to end-use customers are threatened due to supply and/or capacity shortages. An EFO normally follows a Low OFO, but may be invoked without a prior OFO occurrence.

SoCalGas Action

There shall be no minimum notice period for EFOs; however, SoCalGas will attempt to provide as much notification to customers as practicable under the circumstances.

Noncompliance Charge

\$5.00 for each therm of usage in excess of

scheduled supply plus the Schedule G-IMB Daily Balancing Standby Rate. (G-IMB Standby charge is not a sale of gas. Balancing Agent is still responsible for usage shortfall.)

Method to Determine Noncompliance Charges for Low OFOs and EFOs

- Non-core customers with Automated Meter Reading (AMR): noncompliance charges are based on actual daily metered use for the specified date.
- Non-core customers without AMR: noncompliance charges are based on Average Daily Quantity (ADQ) from the customer's Natural Gas Service Agreement (NGSA), or actual daily usage, whichever results in a lesser noncompliance charge.
- For core Transport Agents, their Daily Contract Quantity will be used as a proxy for daily usage.
- For a California Producer with an effective California Producer Operational Balancing Agreement, Form 6452, compliance with a Low OFO and EFO and calculation of any noncompliance charges will be based on the difference between scheduled receipts and measured receipts for each day of an event.
- Low OFO and EFO compliance for a California Producer with an existing access agreement will be treated consistent with the terms of that access agreement.

Notification Method

- SoCalGas Envoy system is the primary method of notification for all customers. Contact your SoCalGas Account Representative for this service. Other methods of notification are secondary.
- Non-core end-use customers who do not have SoCalGas Envoy access may rely primarily on email notification.
- Email and SoCalGas Envoy are methods of notification available to all customers.

Curtailement

- Curtailement is a utility-initiated suspension of natural gas service. The Utility may temporarily reduce the quantity of natural gas it will transport or deliver or may terminate service entirely for certain service categories as needed for operational requirements.

The Utility System Operator's protocol for executing a curtailement is defined in Tariff Rule 23.

- When in the judgment of the Utility, operating conditions require curtailement of service within one or more Local Service Zones, as defined in Tariff Rule 1, or within a sub-zonal area, such curtailement shall be effectuated in the order and manner described in [Tariff Rule 23](#). To the extent operationally feasible, if a capacity constraint can be addressed by curtailing multiple zones while minimizing individual customer impacts, the Utility will curtail multiple zones or subsets thereof.
- SoCalGas may find it necessary to implement curtailements if demand is projected to exceed the capacity on a local gas transmission or distribution system. During periods of unusually cold weather, local non-core end-use customers may be required to curtail gas usage in order to ensure that local core demand is met. Curtailements may also be implemented when a pipeline has been damaged and supply deliveries are threatened, or when ongoing pipeline safety work or pressure reductions have constrained pipeline capacity. Curtailements are intended to reduce physical demand on the affected pipeline system. Unless Involuntary Diversions are in effect at the same time, a customer's supply will not be diverted.

Curtailement Types

- Localized Curtailement
- System-wide Curtailement
- Emergency Curtailement

Curtailement Criteria

SoCalGas determines which non-core customers are asked to curtail usage during Local Curtailements based on the following criteria:

- The local transmission or distribution systems affected. These systems are segmented into local gas curtailement zones.
- Volume of non-core gas usage allowed.
- Severity of the conditions.
- Need for additional load reduction or curtailement in additional zones.

Noncompliance Charge

Customers failing to curtail on request will be charged \$5.00 per therm plus the daily balancing standby rate defined in Schedule G-IMB for the duration of the curtailment episode.

Non-core End-Use Customers and Curtailment

Customers who choose non-core service must sign a Natural Gas Service Agreement with SoCalGas. Non-core end-use customers may be required to decrease or fully curtail their gas usage. To be prepared for possible curtailments, non-core end-use customers should review and understand the following:

- SoCalGas' system is designed to meet the needs of core customers during abnormal peak day conditions; therefore, non-core end-use customers may be required to fully curtail if operation conditions warrant.
- SoCalGas will notify affected non-core end-use customers with specific instructions on how much gas they are allowed to use.
- SoCalGas will provide timely information to curtailed customers regarding the curtailment status via SoCalGas Envoy.
- Noncompliance during curtailments may result in SoCalGas discontinuing service at the non-core end-use customer's meter while the curtailments are in effect.

Balancing Agents and Curtailment

While Local Curtailments are directed at non-core end-use customers, Balancing Agents are also affected, particularly regarding balancing. In consideration of the supplier role during curtailments, the following information may be helpful:

- SoCalGas will announce curtailments via SoCalGas Envoy.
- SoCalGas will provide individual Balancing Agents with the names of their non-core end-use customers affected by curtailments.
- SoCalGas encourages Balancing Agents and curtailed non-core end-use customers to be in communication before, during, and after curtailments so that Balancing Agents shall be aware that the volume of gas supply is sufficient for the allowed burn.
- Because the potential exists for a Balancing Agent's non-core end-use customers to be out of compliance with curtailments,

Balancing Agents should work closely with their customers to avoid any circumstance that might create an imbalance between usage and supply during curtailments.

- Tariff Rules 30 and 23 and Rate Schedule G-IMB provisions govern monthly balancing, OFO, EFO and Involuntary Diversions.
- SoCalGas does not divert gas supplies from non-core end-use customers due to curtailments. However, if Involuntary Diversions are in effect during curtailments, non-core end-use gas supplies may be subject to diversion to core customers.

Communication Between Supplier and End-use Customer

Customers or their agents should always endeavor to ensure that daily gas deliveries match daily gas usage. Communication between non-core end-use customers and their Balancing Agents is essential to keep the gas supply and usage in balance. It is advantageous to establish a protocol in advance outlining the actions you should take in the event a curtailment is implemented. For example, if your end-use facility is required to curtail usage during an event, you should notify your supplier immediately.

Your Balancing Agent can take steps to adjust supply to match the reduced load, if necessary.

Involuntary Diversion

Issue

- Involuntary Diversions may occur when supply is insufficient to meet forecast core demand.
- When deliveries to core customers are threatened, SoCalGas may divert non-core gas supplies to core customers in order to meet the forecast core demand. An Emergency Flow Order (EFO) is also in effect during Involuntary Diversions.
- Tariff Rule 23, Section D, lists provisions for Involuntary Diversions.

Utility Gas Procurement Department and Core Transport Agent Actions

If conditions are such that supply is insufficient to meet core demand, it may become necessary for SoCalGas to implement Involuntary Diversions. To avoid the need for SoCalGas to divert non-core supply, Core Transport Agents and SoCalGas' Utility Gas Procurement Department, on behalf of

their core customers, should first attempt to secure and deliver additional supply sufficient to meet forecast core demand.

Core Transport Agents and SoCalGas' Utility Gas Procurement Department can use the following sources based on availability:

- Their firm backbone transmission capacity.
- As-available backbone transmission capacity on the system at any receipt point.
- Gas supply at the Citygate.
- Gas supply or backbone transmission capacity made available from non-core end-use customers or backbone transmission system customers pursuant to voluntary supply diversion arrangements.

Which Non-core Gas Supplies Will Be Diverted?

If Involuntary Diversions are necessary in order to meet forecast core demand, SoCalGas will determine the volume of non-core gas supply that must be diverted from backbone transmission system gas supplies. Supply destined for the core market will not be diverted. Non-core gas supplies will be diverted in the following order:

- Supply scheduled to non-core end-use customers under Interruptible BTS will be diverted in order of increasing transmission contract price and on a pro-rata basis for all volumes transported under the same price. However, supply under scheduled deliveries from storage will be treated as the highest priority Firm transmission service.
- Supply scheduled to non-core end-use customers under Firm BTS is diverted on a pro-rata basis.
- Scheduled deliveries from storage will be treated as the highest priority Firm BTS and will be diverted on a pro-rata basis.

How is Compliance with an Involuntary Diversion Determined?

During Involuntary Diversions, customers whose usage exceeds their post-diverted supply will be assessed noncompliance charges. Compliance will be based on the following:

- Non-core end-use customers with AMR: actual daily metered usage and post-diverted supply.
- Non-core end-use customers without AMR: actual usage and post diverted supply.

Involuntary Diversion Compliance and Charges

- All customers who use more gas during an Involuntary Diversion than their post-diverted supply, whether or not their gas is subject to an Involuntary Diversion, will be assessed Involuntary Diversion charges.
- Those customers will be deemed to be receiving involuntarily diverted supply, and therefore will be assessed a \$5.00 per therm diversion usage charge, in addition to the EFO noncompliance charge.

Diversion Credits

BTS customers whose supply is diverted during Involuntary Diversions receive the following compensation:

- G-BTS4 Interruptible customers: a credit based on the current market price of the diverted supply on the day of the diversion. Please refer to Tariff Rule 23 for the calculations used to determine the market price.
- G-BTS1 and G-BTS2 Firm BTS customers: a credit of \$5.00 per therm.

SoCalGas Actions During an Involuntary Diversion

When Involuntary Diversions are called, SoCalGas will notify gas Balancing Agents via the same methods used for OFO notification. SoCalGas will take the following actions:

- SoCalGas will notify gas Balancing Agents that an Involuntary Diversion is in effect.
- Once the processing of nominations is complete and scheduled deliveries with interconnecting pipelines are finalized, SoCalGas will determine which backbone transmission supplies will be diverted. Diverted quantities may be modified after each nomination cycle's schedule process.

How Balancing Agents Can Prepare for an Involuntary Diversion

It is crucial that Balancing Agents understand their role during Involuntary Diversions. The following information and suggestions may be helpful in preparing for these events:

- Discuss with non-core end-use customers the potential that their supply may be diverted depending on the type of transmission service under which the supply is flowing.
- Be familiar with the usage needs of each individual non-core end-use customer.

- SoCalGas is not required to inform individual non-core end-use customers that their supply has been diverted. SoCalGas may contact non-core customers, providing them with post-diverted supply, and monitor use for system integrity.
- Prepare an Involuntary Diversion notification plan for each customer. Include a 24-hour customer contact/alternate contact list designating the person in your company who will perform notifications. Include the method of notification to be used, such as phone or email.
- Plan in advance which customers should reduce usage in order to maintain a balance between total usage and total post-diverted supply.
- Be prepared to notify non-core customers of the date, time, and duration of the involuntary diversion and how supplies to that customer may be affected.

Questions?

If you have additional questions regarding preparation for the winter season, please contact your SoCalGas Account Representative.



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