



J. Steve Rahon
Director
Tariffs & Regulatory Accounts

8315 Century Park Ct.
San Diego, CA 92123-1550
Tel: 858.654.1773
Fax 858.654.1788
srahon@SempraUtilities.com

November 1, 2006

Advice No. 3675
(U 904 G)

Public Utilities Commission of the State of California

Subject: Gas OIR Phase II Compliance Filing

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown on Attachment B.

Purpose

This filing is in compliance with Ordering Paragraph (OP) 27 of Decision No. (D.) 06-09-039, in Rulemaking (R.) 04-01-025, which directs SoCalGas to file an advice letter by November 1, 2006 to implement the revised tariff specifications as shown in OP 17 through 22. Additionally, this filing submits the standardized Interconnection Agreement and Operational Balancing Agreement described and modified in Section V of D.06-09-039 pursuant to OP 14, and revises Rule No. 39 to provide SoCalGas' average cost per Dth to odorize gas from existing interstate sources in compliance with OP 15.

Proposed Tariff Revisions

The Commission issued D.06-09-039 on September 21, 2006 in Phase 2 of its Order Instituting Rulemaking to Establish Policies and Rules to Ensure Reliable, Long-Term Supplies of Natural Gas to California. The following describes the changes proposed herein:

Rule No. 30

OP 17 through 22 of D.06-09-039 direct SoCalGas to file a revised Rule 30 tariff that contains the following specifications:

- Minimum Wobbe Index of 1279
- Maximum Wobbe Index of 1385
- Minimum Heating Value of 990 Btu/scf
- Maximum Heating Value of 1150 Btu/scf
- Changes to hydrogen sulfide, mercaptan sulfur, total sulfur, water vapor, hydrocarbon dew point, liquids, merchantability, landfill gas, and biogas specifications contained in Exhibit 101, Prepared Testimony of Joseph W. Bronner, Attachment 2.

Section I, Gas Quality, is renamed "Gas Delivery Specifications", and sub-section I.3. is revised to incorporate the before mentioned specifications. In addition, new sub-sections I.5. through I.8 are added to incorporate OP 24 through 26 and OP 28 of D.06-09-039. These provisions relate to defining potential deviations for California producers and interstate pipelines from the new gas quality specifications.

The opening paragraph of Rule No. 30 is deleted as the language is no longer applicable.

Rule No. 39

Rule No. 39 is revised herein to comply with OP 15 which states:

"Those entities providing gas from new sources of supply shall pay for any odorization costs in excess of those faced by the utility in treating gas from other sources. The utilities shall file advice letters within 60 days of the effective date of this decision in which they provide estimates of the average amount they are spending, per mmBtu, to odorize gas from existing interstate sources, and modifying the Interconnection Agreements accordingly."

Pursuant to OP 15, Section A.8. is added to Rule No. 39 as follows:

"As defined in the IA, the Interconnector shall pay all costs associated with the odorant of the delivered natural gas less the historical costs, on a per unit basis; the Utility has paid for odorant required for existing interstate supplies being delivered as of the date of D.06-09-039. The historical cost is \$0.0003 per Dth."

Additional minor text changes have been made to correct references to the before mentioned Agreements.

Submission of Revised Agreements:

OP 14 of D.06-09-039 states:

"The standardized Interconnection Agreement and Operational Balancing Agreement described and modified in Section V of this decision are approved."

These modified agreements are filed herein in order to incorporate them in SoCalGas' current and effective tariff book.

Interconnection Agreement

Form No. 6450 – This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the physical interconnection between the Interconnector's pipeline facilities and SoCalGas' existing utility system. It includes Exhibit A, Interconnector's Facilities; Exhibit B, Interconnection Point and SoCalGas' Facilities; and Exhibit C, Interconnector's Payment for SoCalGas' Operation and Maintenance Fee.

Form No. 6430 – Exhibit D, Interconnect Collectible System Upgrade Agreement. This Agreement sets forth the terms and conditions under which SoCalGas agrees to design, engineer and construct gas facilities including pipelines, meters, regulators and appurtenant facilities and related system upgrades in order to provide the Interconnect Capacity from Interconnector's pipeline facilities to SoCalGas' existing utility system.

Operational Balancing Agreement

Form 6435 – This Agreement sets forth the terms and conditions governing the treatment of operational imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all natural gas delivered by Interconnector to SoCalGas for the account of itself or third party shippers at the Interconnection Point.

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date this advice letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jjr@cpuc.ca.gov) and Honesto Gatchalian (ijn@cpuc.ca.gov) of the Energy Division. A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-Mail: snewsom@semprautilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition and therefore respectfully requests that this advice letter become effective December 1, 2006, which is 30 days after the date filed.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the interested parties in R.04-01-025.

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY/ U 904 G**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: snewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3675

Subject of AL: Gas OIR Phase II Compliance Filing

Keywords (choose from CPUC listing): Capacity, Compliance, Contracts, Core, Non-Core, Rules

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.06-09-039

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Resolution Required? Yes No

Requested effective date: 12/1/06 No. of tariff sheets: 13

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Rules 30 and 39, Sample Form Contracts and TOCs

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Southern California Gas Company

Attention: Sid Newsom

555 West Fifth Street, ML GT14D6

Los Angeles, CA 90013-4957

snewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3675

(See Attached Service Lists)

Aglet Consumer Alliance
James Weil
jweil@aglet.org

Alcantar & Kahl
Elizabeth Westby
egw@a-klaw.com

Alcantar & Kahl
Kari Harteloo
klc@a-klaw.com

Ancillary Services Coalition
Jo Maxwell
jomaxwell@ascoalition.com

Ancillary Services Coalition
Terry Rich
TRich@ascoalition.com

BP Amoco, Reg. Affairs
Marianne Jones
501 West Lake Park Blvd.
Houston, TX 77079

Barkovich & Yap
Catherine E. Yap
ceyap@earthlink.net

Beta Consulting
John Burkholder
burkee@cts.com

CPUC
Consumer Affairs Branch
505 Van Ness Ave., #2003
San Francisco, CA 94102

CPUC
Energy Rate Design & Econ.
505 Van Ness Ave., Rm. 4002
San Francisco, CA 94102

CPUC
Pearlie Sabino
pzs@cpuc.ca.gov

CPUC - DRA
Galen Dunham
gsd@cpuc.ca.gov

CPUC - DRA
R. Mark Pocta
rmp@cpuc.ca.gov

CPUC - DRA
Jacqueline Greig
jnm@cpuc.ca.gov

California Energy Market
Lulu Weinzimer
luluw@newsdata.com

Calpine Corp
Avis Clark
aclark@calpine.com

City of Anaheim
Ben Nakayama
Public Utilities Dept.
P. O. Box 3222
Anaheim, CA 92803

City of Azusa
Light & Power Dept.
215 E. Foothill Blvd.
Azusa, CA 91702

City of Banning
Paul Toor
P. O. Box 998
Banning, CA 92220

City of Burbank
Fred Fletcher/Ronald Davis
164 West Magnolia Blvd., Box 631
Burbank, CA 91503-0631

City of Colton
Thomas K. Clarke
650 N. La Cadena Drive
Colton, CA 92324

City of Long Beach, Gas & Oil Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806

City of Los Angeles
City Attorney
200 North Main Street, 800
Los Angeles, CA 90012

City of Pasadena - Water and Power
Dept.
Robert Sherick
rsherick@cityofpasadena.net

City of Riverside
Joanne Snowden
jsnowden@riversideca.gov

City of Vernon
Daniel Garcia
dgarcia@ci.vernon.ca.us

Commerce Energy
Chet Parker
CParker@commerceenergy.com

Commerce Energy
Glenn Kinser
gkinser@commerceenergy.com

Commerce Energy
Gary Morrow
GMorrow@commerceenergy.com

Commerce Energy
Monica Hawkins
MHawkins@commerceenergy.com

Commerce Energy
Tony Cusati
TCusati@commerceenergy.com

Commerce Energy
Pat Darish
pdarish@commerceenergy.com

Commerce Energy
Lynelle Lund
llund@commerceenergy.com

County of Los Angeles
Stephen Crouch
1100 N. Eastern Ave., Room 300
Los Angeles, CA 90063

Crossborder Energy
Tom Beach
tomb@crossborderenergy.com

Culver City Utilities
Heustace Lewis
Heustace.Lewis@culvercity.org

DGS
Henry Nanjo
Henry.Nanjo@dgs.ca.gov

Davis Wright Tremaine, LLP
Christopher Hilen
chrishilen@dwt.com

Davis Wright Tremaine, LLP
Edward W. O'Neill
One Embarcadero Center, #600
San Francisco, CA 94111-3834

Davis, Wright, Tremaine
Judy Pau
judypau@dwt.com

Dept. of General Services
Celia Torres
celia.torres@dgs.ca.gov

Douglass & Liddell
Dan Douglass
douglass@energyattorney.com

Douglass & Liddell
Donald C. Liddell
liddell@energyattorney.com

Downey, Brand, Seymour & Rohwer
Ann Trowbridge
atrowbridge@downeybrand.com

Downey, Brand, Seymour & Rohwer
Dan Carroll
dcarroll@downeybrand.com

Dynegy
Joseph M. Paul
jmpa@dynegy.com

Gas Purchasing
BC Gas Utility Ltd.
16705 Fraser Highway
Surrey, British Columbia, V3S 2X7

General Services Administration
Facilities Management (9PM-FT)
450 Golden Gate Ave.
San Francisco, CA 94102-3611

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
J. H. Patrick
hpatrick@gmssr.com

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
James D. Squeri
jsqueri@gmssr.com

Hanna & Morton
Norman A. Pedersen, Esq.
npedersen@hanmor.com

Imperial Irrigation District
K. S. Noller
P. O. Box 937
Imperial, CA 92251

JBS Energy
Jeff Nahigian
jeff@jbsenergy.com

Jeffer, Mangels, Butler & Marmaro
2 Embarcadero Center, 5th Floor
San Francisco, CA 94111

Kern River Gas Transmission Company
Janie Nielsen
Janie.Nielsen@KernRiverGas.com

LADWP
Nevenka Ubavich
nevenka.ubavich@ladwp.com

LADWP
Randy Howard
P. O. Box 51111, Rm. 956
Los Angeles, CA 90051-0100

LS Power (took over Duke Energy)
A Hartmann
AHartmann@LSPower.com

Law Offices of Diane I. Fellman
Diane Fellman
diane_fellman@fpl.com

Law Offices of William H. Booth
William Booth
wbooth@booth-law.com

Luce, Forward, Hamilton & Scripps
John Leslie
jleslie@luce.com

MRW & Associates
Robert Weisenmiller
mrw@mrwassoc.com

Manatt Phelps Phillips
Randy Keen
rkeen@manatt.com

Manatt, Phelps & Phillips, LLP
David Huard
dhuard@manatt.com

March Joint Powers Authority
Lori Stone
PO Box 7480,
Moreno Valley, CA 92552

Matthew Brady & Associates
Matthew Brady
matt@bradylawus.com

National Utility Service, Inc.
Jim Boyle
One Maynard Drive, P. O. Box 712
Park Ridge, NJ 07656-0712

PG&E Tariffs
Pacific Gas and Electric
PGETariffs@pge.com

Pacific Gas & Electric Co.
John Clarke
jpc2@pge.com

Praxair Inc
Rick Noger
rick_noger@praxair.com

Questar Southern Trails
Lenard Wright
Lenard.Wright@Questar.com

R. W. Beck, Inc.
Catherine Elder
celder@rwbeck.com

Regulatory & Cogen Services, Inc.
Donald W. Schoenbeck
900 Washington Street, #780
Vancouver, WA 98660

Richard Hairston & Co.
Richard Hairston
hairstonco@aol.com

Southern California Edison Co
Fileroom Supervisor
2244 Walnut Grove Ave., Rm 290, GO1
Rosemead, CA 91770

Southern California Edison Co
Karyn Gansecki
601 Van Ness Ave., #2040
San Francisco, CA 94102

Southern California Edison Co.
Colin E. Cushnie
Colin.Cushnie@SCE.com

Southern California Edison Co.
Kevin Cini
Kevin.Cini@SCE.com

Southern California Edison Co.
John Quinlan
john.quinlan@sce.com

Southern California Edison Company
Michael Alexander
Michael.Alexander@sce.com

Southwest Gas Corp.
John Hester
P. O. Box 98510
Las Vegas, NV 89193-8510

Suburban Water System
Bob Kelly
1211 E. Center Court Drive
Covina, CA 91724

Sutherland, Asbill & Brennan
Keith McCrea
kmccrea@sablaw.com

TURN
Marcel Hawiger
marcel@turn.org

TURN
Mike Florio
mflorio@turn.org

The Mehle Law Firm PLLC
Colette B. Mehle
cmehle@mehlelaw.com

Western Manufactured Housing
Communities Assoc.
Sheila Day
sheila@wma.org

ALCANTAR & KAHL, LLP
MICHAEL P. ALCANTAR
mpa@a-klaw.com

GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP
JEANNE B. ARMSTRONG
jarmstrong@gmssr.com

CALIF PUBLIC UTILITIES COMMISSION
Joyce Alfton
alf@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Nilgun Atamturk
nil@cpuc.ca.gov

SEMPRA ENERGY
GEORGETTA J. BAKER
gbaker@sempra.com

CROSSBORDER ENERGY
TOM BEACH
tomb@crossborderenergy.com

MC CARTHY & BERLIN, LLP
C. SUSIE BERLIN
sberlin@mccarthyllaw.com

BERLINER LAW PLLC
ROGER BERLINER
roger@berlinerlawpllc.com

SOUTHWEST GAS CORPORATION
ANDY BETTWEY
andy.bettwey@swgas.com

FERRIS & BRITTON
W. LEE BIDDLE
lbiddle@ferrisbritton.com

LAW OFFICES OF WILLIAM H. BOOTH
WILLIAM H. BOOTH
wbooth@booth-law.com

BRADY & ASSOCIATES
MATTHEW BRADY
matt@bradylawus.com

BRIGGS LAW CORPORATION
CORY J. BRIGGS
cory@briggslawcorp.com

ENERGY MINERALS & NATURAL
RESOURCES DEPT
DAVID K. BROOKS
david.brooks@state.nm.us

BETA CONSULTING
JOHN BURKHOLDER
burkee@cts.com

TECHNICAL SERVICES MANAGER
JIM CAMPION
Jim.Campion@conservation.ca.gov

DOWNEY BRAND, LLP
DAN L. CARROLL
dcarroll@downeybrand.com

NATURAL RESOURCES DEFENSE
COUNCIL
SHERYL CARTER
scarter@nrddc.org

COUNTY OF LOS ANGELES
HOWARD CHOY
hchoy@isd.co.la.ca.us

SACRAMENTO MUNICIPAL UTILITY
DISTRICT
STEVEN COHN
scohn@smud.org

GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP
BRIAN T. CRAGG
bcragg@gmssr.com

TRANSCANADA PIPELINES LIMITED
MARGARET CROSSEN
margaret_crossen@transcanada.com

CALIF PUBLIC UTILITIES COMMISSION
Eugene Cadenasso
cpe@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Andrew Campbell
agc@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Laurence Chaset
lau@cpuc.ca.gov

GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP
MICHAEL B. DAY
mday@gmssr.com

DOUGLASS & LIDDELL
DANIEL W. DOUGLASS
douglass@energyattorney.com

SEMPRA ENERGY
JOHN R. ELLIS
jellis@sempra.com

CALIF PUBLIC UTILITIES COMMISSION
David R. Effross
dre@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Roy Evans
rle@cpuc.ca.gov

REED SMITH LLP
MARK FOGELMAN
mfogelman@reedsmith.com

CALIF PUBLIC UTILITIES COMMISSION
David K. Fukutome
dkf@cpuc.ca.gov

SOUTHWEST GAS CORPORATION
RANDALL P. GABE
randy.gabe@swgas.com

LATINO ISSUES FORUM
ENRIQUE GALLARDO
enriqueg@lif.org

ENERGY SERVICES&INVESTMENTS,
LLC
WILLIAM S. GARRETT, JR.
wgarrettesi@aol.com

CALIFORNIA DEPARTMENT OF
WATER RESOURCES
JACQUELINE GEORGE
jgeorge@water.ca.gov

SEMPRA ENERGY
DAVID J. GILMORE
dgilmore@sempra.com

CALIFORNIA ENERGY COMMISSION
KEN GLICK
kglick@energy.state.ca.us

CORAL ENERGY RESOURCES, L.P.
AMY GOLD
agold@coral-energy.com

CALIFORNIA ENERGY COMMISSION
JAIRAM GOPAL
jgopal@energy.state.ca.us

DISTRIBUTED ENERGY STRATEGIES
STEVEN A. GREENBERG
steveng@destrategies.com

CALIF PUBLIC UTILITIES COMMISSION
Belinda Gatti
beg@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Jacqueline Greig
jnm@cpuc.ca.gov

SOUTHWEST GAS CORPORATION
ANITA HART
anita.hart@swgas.com

THE UTILITY REFORM NETWORK
MARCEL HAWIGER
marcel@turn.org

DAVIS WRIGHT TREMAINE, LLP
CHRISTOPHER HILEN
chrishilen@dwt.com

STOEL RIVES
SETH HILTON
sdhilton@stoel.com

MANATT, PHELPS & PHILLIPS, LLP
DAVID L. HUARD
dhuard@manatt.com

COMMUNITY ENVIRONMENTAL
COUNCIL
TAMLYN M. HUNT
thunt@cecmil.org

CALIF PUBLIC UTILITIES COMMISSION
Martin Homec
mxh@cpuc.ca.gov

SOUTHERN CALIFORNIA EDISON
COMPANY
GLORIA M. ING
gloria.ing@sce.com

ADAMS BROADWELL JOSEPH &
CARDOZO
MARC D. JOSEPH
mdjoseph@adamsbroadwell.com

OFFICE OF STATE SENATOR MARTHA
ESCUTIA
BILL JULIAN
bill.julian@sen.ca.gov

ALCANTAR & KAHL, LLP
EVELYN KAHL
ek@a-klaw.com

DORSEY AND WHITNEY LLP
JOE KARP
jkarp@whitecase.com

WINSTON & STRAWN LLP
JOSEPH M. KARP
jkarp@winston.com

MANATT PHELPS & PHILLIPS, LLP
RANDALL W. KEEN
pucservice@manatt.com

SHUTE, MIHALY & WEINBERGER LLP
DEBORAH L. KEETH
keeth@smwlaw.com

ELLISON, SCHNEIDER & HARRIS, LLP
DOUGLAS K. KERNER
dkk@eslawfirm.com

DOUGLASS & LIDDELL
GREGORY KLATT
klatt@energyattorney.com

PACIFIC GAS AND ELECTRIC
COMPANY
KERRY C. KLEIN
kck5@pge.com

EL PASO CORPORATION
STEPHEN G. KOERNER
steve.koerner@elpaso.com

CALPINE CORPORATION
AVIS KOWALEWSKI
kowalewskia@calpine.com

CALIF PUBLIC UTILITIES COMMISSION
Sepideh Khosrowjah
skh@cpuc.ca.gov

LUCE, FORWARD, HAMILTON &
SCRIPPS, LLP
JOHN W. LESLIE
jleslie@luce.com

DOUGLASS & LIDDELL
DONALD C. LIDDELL
liddell@energyattorney.com

PACIFIC GAS AND ELECTRIC
COMPANY
FRANK R. LINDH
frl3@pge.com

CALIF PUBLIC UTILITIES COMMISSION
Diana L. Lee
dil@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Kelly C. Lee
kcl@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
James Loewen
loe@cpuc.ca.gov

CITY OF PALO ALTO
RAVEEN MAAN
raveen_maan@city.palo-alto.ca.us

SOUTHERN CALIFORNIA EDISON
COMPANY
WALKER A. MATTHEWS
walker.matthews@sce.com

MODESTO IRRIGATION DISTRICT
CHRISTOPHER J. MAYER
chrism@mid.org

SUTHERLAND, ASBILL & BRENNAN
KEITH MCCREA
keith.mccrea@sablaw.com

PACIFIC GAS AND ELECTRIC
COMPANY
ROBERT B. MCLENNAN
rbm4@pge.com

DUANE MORRIS LLP
JAMES W. MCTARNAGHAN
jwmctarnaghan@duanemorris.com

SAN DIEGO GAS AND ELECTRIC
BETH MUSICH
bmusich@semprautilities.com

CALIF PUBLIC UTILITIES COMMISSION
Kim Malcolm
kim@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Harvey Y. Morris
hym@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Richard A. Myers
ram@cpuc.ca.gov

JBS ENERGY, INC.
JEFF NAHIGIAN
jeff@jbsenergy.com

CALIFORNIA LEAGUE OF FOOD
PROCESSORS
ROB NEENAN
rob@clfp.com

STEVEN C. NELSON
snelson@sempra.com

CALIFORNIA DEPARTMENT OF
WATER RESOURCES
JOHN PACHECO
jpacheco@water.ca.gov

DYNEGY LIQUIDS MARKETING
JOE PAUL
joe.paul@dynegy.com

HANNA AND MORTON LLP
NORMAN A. PEDERSEN
npedersen@hanmor.com

PACIFIC GAS AND ELECTRIC
COMPANY
JONATHAN D. PENDLETON
j1pc@pge.com

ASPEN ENVIRONMENTAL GROUP
SUSANNE PHINNEY, D.ENV.
Sphinney@aspenev.com

CANADIAN ASSN. OF PETROLEUM
PRODUCERS
MARK PINNEY
pinney@capp.ca

ANDERSON & POOLE
EDWARD G. POOLE
epoole@adplaw.com

SOUTHERN CALIFORNIA EDISON
COMPANY
DOUGLAS PORTER
douglas.porter@sce.com

CALIFORNIA ENERGY COMMISSION
MIKE PURCELL
mpurcell@energy.state.ca.us

CALIF PUBLIC UTILITIES COMMISSION
Wendy M. Phelps
wmp@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Robert M. Pocha
rmp@cpuc.ca.gov

SAN DIEGO GAS & ELECTRIC
COMPANY
STEVE RAHON
srahon@semprautilities.com

ASSEMBLY COMMITTEE/UTILITIES
AND COMMERC
EDWARD RANDOLPH
edward.randolph@asm.ca.gov

SEMPRA LNG
WILLIAM D, RAPP
wrapp@sempra.com

EXXON MOBIL CORPORATION
DOUGLAS W. RASCH
douglas.w.rasch@exxonmobil.com

WESTERN STATES PETROLEUM
ASSOCIATION
CATHY REHEIS-BOYD
creheis@wspa.org

SPURR
MICHAEL ROCHMAN
Service@spurr.org

REGULATORY & COGENERATION
SERVICES, INC.
JAMES ROSS
jimross@r-c-s-inc.com

CALIF PUBLIC UTILITIES COMMISSION
Ramesh Ramchandani
rxr@cpuc.ca.gov

PACIFIC GAS AND ELECTRIC
COMPANY
KEITH T. SAMPSON
kts1@pge.com

BERNARDINO COUNTY
CHARLES SCOLASTICO
cscolastico@cc.sbcounty.gov

DANIEL P. SELMI
dselmi@aol.com

AIR RESOURCES BOARD
DEAN SIMEROTH
dsimerot@arb.ca.gov

SEMPRA ENERGY
AIMEE M. SMITH
amsmith@sempra.com

KERN RIVER GAS TRANSMISSION
COMPANY
RICHARD N. STAPLER, JR.
richard.stapler@kernrivergas.com

HANNA AND MORTON, LLP
ALANA STEELE
asteel@hanmor.com

SEMPRA ENERGY
MICHAEL THORP
mthorp@sempra.com

ARCLIGHT ENERGY PARTNERS FUND
I, LP
JOHN TISDALE
jtisdale@arclightcapital.com

CALIF PUBLIC UTILITIES COMMISSION
Laura J. Tudisco
ljt@cpuc.ca.gov

CALIFORNIA DEPARTMENT OF
WATER RESOURCES
ANDREW ULMER
aulmer@water.ca.gov

SEMPRA ENERGY
LISA G. URICK
lurick@sempra.com

ALCANTAR & KAHL LLP
ELIZABETH WESTBY
egw@a-klaw.com

ELLISON, SCHNEIDER & HARRIS, LLP
GREGGORY L. WHEATLAND
glw@eslawfirm.com

SOUTH COAST AIR QUALITY
MANAGEMENT DISTR
KURT R. WIESE
kwiese@aqmd.gov

DEFENSE ENERGY SUPPORT CENTER
SHYLETHA A. WILLIAMS
swilliams@desc.dla.mil

CALIF PUBLIC UTILITIES COMMISSION
Steven A. Weissman
saw@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
John S. Wong
jsw@cpuc.ca.gov

CALIFORNIA AIR RESOURCES BOARD
GARY M. YEE
gyee@arb.ca.gov

ATTACHMENT B
Advice No. 3675

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 41165-G	Rule No. 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, Sheet 1	Revised 29531-G
Revised 41166-G	Rule No. 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, Sheet 9	Revised 29787-G
Revised 41167-G	Rule No. 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, Sheet 10	Revised 29788-G
Revised 41168-G	Rule No. 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, Sheet 11	Revised 29789-G
Revised 41169-G	Rule No. 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, Sheet 12	Revised 29789-G
Original 41170-G	Rule No. 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, Sheet 13	Revised 29602-G
Revised 41171-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 1	Revised 29602-G
Original 41172-G	SAMPLE FORMS - CONTRACTS, Interconnection Agreement (Form 6450, 11/2006)	Original 39739-G
Original 41173-G	SAMPLE FORMS - CONTRACT, Exhibit D - Interconnect, Collectible System Upgrade Agreement (Form 6430, 11/2006)	
Original 41174-G	SAMPLE FORMS - CONTRACTS, Operational Balancing Agreement (Form 6435, 11/2006)	
Revised 41175-G	TABLE OF CONTENTS	Revised 41157-G
Revised 41176-G	TABLE OF CONTENTS	Revised 41158-G
Revised 41177-G	TABLE OF CONTENTS	Revised 41151-G

Rule No. 30

Sheet 1

TRANSPORTATION OF CUSTOMER-OWNED GAS

The general terms and conditions applicable whenever the Utility transports customer-owned gas over its system are described herein.

A. General

1. Subject to the terms, limitations and conditions of this rule and any applicable CPUC authorized tariff schedule, directive, or rule, the customer will deliver or cause to be delivered to the Utility and accept on redelivery quantities of customer-owned gas which shall not exceed Utility's capability to receive or redeliver such quantities. Utility will accept such quantities of gas from the customer or its designee and redeliver to the customer on a reasonably concurrent basis an equivalent quantity, on a therm basis, to the quantity accepted.
2. The customer warrants to the Utility that the customer has the right to deliver the gas provided for in the customer's applicable service agreement or contract (hereinafter "service agreement") and that the gas is free from all liens and adverse claims of every kind. The customer will indemnify, defend and hold the Utility harmless against any costs and expenses on account of royalties, payments or other charges applicable before or upon delivery to the Utility of the gas under such service agreement.
3. The point(s) where the Utility will receive the gas into its intrastate system (point(s) of receipt, as defined in Rule No. 1) and the point(s) where the Utility will deliver the gas from its intrastate system to the customer (point(s) of delivery, as defined in Rule No. 1) will be set forth in the customer's applicable service agreement. Other points of receipt and delivery may be added by written amendment thereof by mutual agreement. The appropriate delivery pressure at the points of delivery to the customer shall be that existing at such points within the Utility's system or as specified in the service agreement.

B. Quantities

1. The Utility shall as nearly as practicable each day redeliver to customer and customer shall accept, a like quantity of gas as is delivered by the customer to the Utility on such day. It is the intention of both the Utility and the customer that the daily deliveries of gas by the customer for transportation hereunder shall approximately equal the quantity of gas which the customer shall receive at the points of delivery. However, it is recognized that due to operating conditions either (1) in the fields of production, (2) in the delivery facilities of third parties, or (3) in the Utility's system, deliveries into and redeliveries from the Utility's system may not balance on a day-to-day basis. The Utility and the customer will use all due diligence to assure proper load balancing in a timely manner.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3675
DECISION NO. 06-09-039

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 1, 2006
EFFECTIVE Jun 7, 2007
RESOLUTION NO. _____

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

H. Accounting and Billing (Continued)

1. (Continued)

- a. First, to satisfy any minimum quantities under existing agreements.
 - b. Second, after complete satisfaction of (a), then to any supply or exchange service arrangements with the customer.
 - c. Third, after the satisfaction of (a) and (b), then to any subsequently executed service agreement.
2. The customer agrees that it shall accept and the Utility can rely upon, for purposes of accounting and billing, the allocation made by customer's shipper as to the quality and quantity of gas, expressed both in Mcf and therms, delivered at each point of receipt during the preceding billing period for the customer's account. If the shipper does not make such an allocation, the customer agrees to accept the quality and quantity as determined by the Utility. All quality and measurement calculations are subject to subsequent adjustment as provided in the Utility's tariff schedules or applicable CPUC rules and regulations. Any other billing correction or adjustment made by the customer or third party for any prior period shall be based on the rates or costs in effect when the event occurred and accounted for in the period they are reconciled.
3. The Utility shall render to the customer an invoice for the services hereunder showing the quantities of gas, expressed in therms, delivered to the Utility for the customer's account, at each point of receipt and the quantities of gas, expressed in therms, redelivered by Utility for the customer's account at each point of delivery during the preceding billing period. The Customer shall pay such amounts due hereunder within nineteen (19) calendar days following the date such bill is mailed.
4. Both the Utility and the customer shall have the right at all reasonable times to examine, at its expense, the books and records of the other to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to service hereunder. The Utility and the customer agree to keep records and books of account in accordance with generally accepted accounting principles and practices in the industry.

I. Gas Delivery Specifications

- 1. The natural gas stream delivered into the Utility's system shall conform to the gas quality specifications as provided in any applicable agreements and contracts currently in place between the entity delivering such natural gas and the Utility at the time of the delivery. If no such agreement is in place, the natural gas shall conform to the gas specifications as defined below.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3675
 DECISION NO. 06-09-039

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Lee Schavrien
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TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

I. Gas Delivery Specifications (Continued)

- 2. Gas delivered into the Utility's system for the account of a customer for which there is no existing contract between the delivering pipeline and the Utility shall be at a pressure such that the gas can be integrated into the Utility's system at the point(s) of receipt.
- 3. Gas delivered, except as defined in I.1 above, shall conform to the following quality specifications at the time of delivery:
 - a. Heating Value: The minimum heating value is nine hundred and ninety (990) Btu (gross) per standard cubic foot on a dry basis. The maximum heating value is one thousand one hundred fifty (1150) Btu (gross) per standard cubic foot on a dry basis.
 - b. Moisture Content or Water Content: For gas delivered at or below a pressure of eight hundred (800) psig, the gas shall have a water content not in excess of seven (7) pounds per million standard cubic feet. For gas delivered at a pressure exceeding of eight hundred (800) psig, the gas shall have a water dew point not exceeding 20 degrees F at delivery pressure.
 - c. Hydrogen Sulfide: The gas shall not contain more than twenty-five hundredths (0.25) of one (1) grain of hydrogen sulfide, measured as hydrogen sulfide, per one hundred (100) standard cubic feet (4 ppm). The gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products in the gas stream.
 - d. Mercaptan Sulfur: The gas shall not contain more than three tenths (0.3) grains of mercaptan sulfur, measured as sulfur, per hundred standard cubic feet (5 ppm).
 - e. Total Sulfur: The gas shall not contain more than seventy-five hundredths (0.75) of a grain of total sulfur compounds, measured as sulfur, per one hundred (100) standard cubic feet (12.6 ppm). This includes COS and CS₂, hydrogen sulfide, mercaptans and mono, di and poly sulfides.
 - f. Carbon Dioxide: The gas shall not have a total carbon dioxide content in excess of three percent (3%) by volume.
 - g. Oxygen: The gas shall not have an oxygen content in excess of two-tenths of one percent (0.2%) by volume, and customer will make every reasonable effort to keep the gas free of oxygen.
 - h. Inerts: The gas shall not contain in excess of four percent (4%) total inerts (the total combined carbon dioxide, nitrogen, oxygen and any other inert compound) by volume.
 - i. Hydrocarbons: For gas delivered at a pressure of 800 psig or less, the gas hydrocarbon dew point is not to exceed 45 degrees F at 400 psig or at the delivery pressure if the delivery pressure is below 400 psig. For gas delivered at a pressure higher than 800 psig, the gas hydrocarbon dew point is not to exceed 20 degrees F measured at a pressure of 400 psig.

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Rule No. 30

Sheet 11

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

I. Gas Delivery Specifications (Continued)

3. (Continued)

- j. Merchantability: The gas shall not contain dust, sand, dirt, gums, oils and other substances injurious to Utility facilities or that would cause gas to be unmarketable.
- k. Hazardous Substances: The gas must not contain hazardous substances (including but not limited to toxic and/or carcinogenic substances and/or reproductive toxins) concentrations which would prevent or restrict the normal marketing of gas, be injurious to pipeline facilities, or which would present a health and/or safety hazard to Utility employees and/or the general public.
- l. Delivery Temperature: The gas delivery temperature is not to be below 50 degrees F or above 105 degrees F.
- m. Interchangeability: The gas shall have a minimum Wobbe Number of 1279 and shall not have a maximum Wobbe Number greater than 1385. The gas shall meet American Gas Association's Lifting Index, Flashback Index and Yellow Tip Index interchangeability indices for high methane gas relative to a typical composition of gas in the Utility system serving the area.

Acceptable specification ranges are:

- * Lifting Index (IL)
IL <= 1.06
- * Flashback Index (IF)
IF <= 1.2
- * Yellow Tip Index (IY)
IY >= 0.8

- n. Liquids: The gas shall contain no liquids at or immediately downstream of the receipt point.
- o. Landfill Gas: Gas from landfills will not be accepted or transported.
- p. Biogas: Biogas refers to a gas made from anaerobic digestion of agriculture and/or animal waste. The gas is primarily a mixture of methane and carbon dioxide. Biogas must be free from bacteria, pathogens and any other substances injurious to utility facilities or that would cause the gas to be unmarketable and it shall conform to all gas quality specifications identified in this Rule.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3675
 DECISION NO. 06-09-039

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

K. Regulatory Requirements

1. Any gas transported by the Utility for the customer which was first transported outside the State of California shall have first been authorized under Federal Energy Regulatory Commission (FERC) regulations, as amended. Both parties recognize that such regulations only apply to pipelines subject to FERC jurisdiction, and do not apply to the Utility. The customer shall not take any action which would subject the Utility to the jurisdiction of the FERC, the Economic Regulatory Administration or any succeeding agency. Any such action shall be cause for immediate termination of the service arrangement between the customer and the Utility.
2. Transportation service shall not begin until both parties have received and accepted any and all regulatory authorizations necessary for such service.

L. Warranty and Indemnification

1. The customer warrants to the Utility that the customer has the right to deliver gas hereunder and that such gas is free from all liens and adverse claims of every kind. Customer will indemnify, defend and save Utility harmless against all loss, damage, injury, liability and expense of any character where such loss, damage, injury, liability or expense arises directly or indirectly out of any demand, claim, action, cause of action or suit brought by any person, association or entity asserting ownership of or any interest in the gas tendered for transportation hereunder, or on account of royalties, payments or other charges applicable before or upon delivery of gas hereunder.
2. The customer shall indemnify, defend and save harmless Utility, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of the customer or the Utility), or for loss or damage to property (including the property of the customer or the Utility), which occurs or is based upon an act or acts which occur while the gas is deemed to be in the customer's control and possession or which results directly or indirectly from the customer's performance of its obligations arising pursuant to the provisions of its service agreement and the Utility's applicable tariff schedules, or occurs based on the customer-owned gas not meeting the specifications of Section I of this rule.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 3675
DECISION NO. 06-09-039

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ISSUED BY

Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Nov 1, 2006
EFFECTIVE Jun 7, 2007

RESOLUTION NO. _____

ACCESS TO THE SOCALGAS PIPELINE SYSTEM

The Utility shall provide nondiscriminatory open access to its system to any party (hereinafter "Interconnector") for the purpose of physically interconnecting with the Utility and effectuating the delivery of natural gas, subject to the terms and conditions set forth in this Rule and the applicable provisions of the Utility's other tariff schedules including, but not limited to, the gas quality requirements set forth in Rule No. 30, Section I. None of the provisions in this Rule shall be interpreted so as to unduly discriminate against or in favor of gas supplies coming from any source.

A. Terms of Access

1. The interconnection and physical flows shall not jeopardize the integrity of, or interfere with, normal operation of the Utility's system and provision of service to its customers.
2. The Interconnector and Utility must execute Form No. 6450, Interconnection Agreement (IA) and Form No. 6435, Operational Balancing Agreement (OBA).
3. The Interconnector shall pay for all equipment necessary to effectuate deliveries at point of interconnection, including, but not limited to, valves, separators, meters, quality measurement, odorant and other equipment necessary to regulate and deliver gas at the interconnection point. The Interconnector shall also pay for computer programming changes to the Utility's Electronic Bulletin Board (EBB) scheduling system, if any, required to add the Interconnector's new interconnection point. The Interconnector and Utility must execute Form No. 6430, Exhibit D, Interconnect Collectible System Upgrade Agreement.
4. The point of interconnection shall be established as a transportation scheduling point, pursuant to the provisions of Rule No. 30, if the Interconnector abides by the standards of the North American Energy Standards Board.
5. The maximum physical capacity of the interconnection will be determined by the sizing of the point of receipt, including the metering and odorization capacities, but is not the capacity of the Utility's pipeline system to transport gas away from the interconnection point and is not, nor is it intended to be, any commitment by Utility of takeaway capacity.
6. The available receipt capacity for any particular day may be affected by physical flows from other points of receipt, physical pipeline and storage conditions for that day, and end-use demand on the Utility's system.
7. The Utility will expand its receipt point capacity at the request and expense of a supply source or an interconnecting pipeline. The Interconnector and Utility must execute a Collectible System Upgrade Agreement (Form 6420) prior to any work being completed.
8. As defined in the IA, the Interconnector shall pay all costs associated with the odorant of the delivered natural gas less the historical costs, on a per unit basis; the Utility has paid for odorant required for existing interstate supplies being delivered as of the date of D.06-09-039. The historical cost is \$0.0003 per Dth.

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(TO BE INSERTED BY UTILITY)
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Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Nov 1, 2006
 EFFECTIVE Jun 7, 2007
 RESOLUTION NO. _____

SAMPLE FORMS - CONTRACTS
Interconnection Agreement (Form 6450, 11/2006)

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(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3675
DECISION NO. 06-09-039

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 1, 2006
EFFECTIVE Jun 7, 2007
RESOLUTION NO. _____

INTERCONNECTION AGREEMENT

between

and

SOUTHERN CALIFORNIA GAS COMPANY

This INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into by and between _____, a _____, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this ___ day of _____ 200_. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

RECITALS

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector has constructed or intends to construct and will operate its pipeline facilities to an Interconnection Point specified in Exhibits A and B attached hereto and incorporated herein by this reference (hereinafter referred to as “Interconnection Point”); and

WHEREAS, SoCalGas may construct facilities at the Interconnection Point subject to and conditioned upon the execution of an Interconnect Collectible System Upgrade Agreement with Interconnector concerning such facilities, terms of construction and cost responsibility for such facilities consistent with CPUC rules and regulations and attached as Exhibit D; and

WHEREAS, the Parties desire to provide such facilities for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

SECTION 1

SCOPE OF AGREEMENT

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the Interconnect Capacity from Interconnector’s pipeline facilities near _____ in _____, California to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to this Agreement and an Operational Balancing Agreement (“OBA”) between the Parties, for the

account of Interconnector or third party shippers for transport on SoCalGas' pipeline system in California. This Agreement does not provide for or address in any way any right of Interconnector to receive firm access rights on SoCalGas' system at the Interconnection Point. Attached hereto as Exhibit A and incorporated by reference herein is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B, and incorporated by reference herein.

(b) Term – This Agreement is effective as of the date first written above and shall remain in effect for a primary term of _____ (___) years from the date thereafter gas first flows through the Interconnection Point (the “Commencement Date”) and year to year thereafter; provided, however, either Party may terminate this Agreement at the end of the primary term, or thereafter by providing thirty (30) days prior written notice to the other Party. Either Party may terminate this Agreement on thirty (30) days prior written notice in the event any pipeline system construction necessary to complete Interconnector's Facilities or SoCalGas' Facilities is not completed on or before _____.

(c) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) “SoCalGas' Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the State of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) “CPUC” shall mean the Public Utilities Commission of the State of California.

(iii) “Gas” or “natural gas” for purposes of this Agreement shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane that is of general merchantable quality.

(iv) “In-Service Date” is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnection Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnection Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) “Interconnect Capacity” shall be the metering and odorization minimum daily capacity of SoCalGas' Facilities but is not necessarily the capacity of SoCalGas Gas pipeline facilities to transport Gas away from the Interconnection Point and is not, nor is it intended to be, any commitment by SoCalGas of takeaway capacity. The Interconnect Capacity shall be _____ MMcfd.

(vi) “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) “Interconnector’s Facilities” shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by Interconnector up to the Interconnection Point.

(c) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption to the Natural Gas Act (15 U.S.C. §717(c)). SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector’s Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas’ sole opinion could reasonably raise a question regarding SoCalGas’ retention of its Hinshaw Exemption.

SECTION 2

CONDITIONS PRECEDENT

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Governmental Authorizations:

(i) Interconnector: On or before _____ [date], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction, if any, and operation of Interconnector’s Facilities.

(ii) SoCalGas: On or before commencement of flows through the Interconnection Point, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) the proper approvals required for SoCalGas to dispense its duties under this Agreement from any other governmental or local agency, if necessary in SoCalGas’ sole judgment.

(c) Notification - Each Party shall notify the other in writing whenever in its sole opinion the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain the right to waive in writing conditions (b)(i), and SoCalGas shall retain the right to waive in writing conditions (b)(ii).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) days following such date to discuss in good faith whether or

not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) days thereafter by mutual consent obtained on or before such forty-fifth (45th) day, or (ii) be terminated if any Party, within fifteen (15) days thereafter, gives ten (10) days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Party as is reasonable under the circumstances, and keep the other Party advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

SECTION 3

OPERATION AND MAINTENANCE FEES

(a) Fees – Interconnector shall pay to SoCalGas each month an Operation and Maintenance Fee (“O&M Fee”) as determined from time to time by SoCalGas associated with the operation and maintenance of the metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas’ normal procedures and governmental regulations. The methodology for calculating the O&M Fee is set forth in Exhibit C attached hereto and incorporated herein.

(b) Maintenance of Physical Facilities – At the Interconnection Point where SoCalGas owns and operates the metering equipment and other related facilities, SoCalGas shall have the right to (i) replace or upgrade from time to time such equipment as is necessary to measure, regulate, odorize, monitor, control or otherwise effectuate deliveries of Gas volumes up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment necessary to transmit electronic measurement data on a current basis; (ii) shall install, at Interconnector’s sole cost and expense and after giving notice to Interconnector, such additional equipment either new or upgraded from time to time, as it deems necessary in its sole judgment to have the capability to receive at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment to receive electronic measurement data and equipment to odorize the Gas received at the Interconnection Point.

(c) Statements - On or before the fifteenth (15th) day of each month, SoCalGas shall provide Interconnector with a statement setting forth the applicable O&M Fee for the previous month. On or before the twenty-fifth (25th) day of the month or the tenth (10th) day following receipt of SoCalGas’ statement, whichever is later, Interconnector shall pay such statement in full in immediately available U. S. funds. Any payments or statements due to either Interconnector or SoCalGas on a day during which Federal Reserve banks in New York City are not open for business shall be due upon the next succeeding day upon which such banks are

open. Any payments not timely made by either Party to the other shall accrue interest at the rate defined in SoCalGas Rule No. 8 for Interest on Deposits.

SECTION 4

GAS DELIVERIES

(a) Quality:

- (i) Right of Refusal: SoCalGas shall have the continuing right at any time in its sole discretion to refuse to accept delivery of any Gas that does not meet SoCalGas' Gas quality specifications, including its current Tariff Rule 30 Gas quality specifications or other applicable Tariff Rule specifying Gas quality requirements. SoCalGas shall provide notice to Interconnector as soon as commercially practicable after any decision is made not to accept deliveries.
- (ii) Change in Specifications: Nothing in this Agreement shall be deemed to prohibit Interconnector from challenging or seeking to modify any Gas quality specifications. If both Parties mutually agree to a deviation from the Gas quality tariff specifications or requirements for purposes of this Agreement, SoCalGas shall seek and obtain CPUC approval of such deviation by Advice Letter prior to incorporating and implementing such deviation as part of this Agreement.

(b) Uniform Flow - The Parties intend that the quantity of Gas actually delivered each day at each Interconnection Point will be delivered on a uniform hourly basis and equal the Scheduled Quantities for that Interconnection Point. For purposes of this Agreement, a "uniform hourly basis" shall mean that deliveries should approximately equal $1/24^{\text{th}}$ (+/- 5%) of the total daily Scheduled Quantities for a particular gas flow day. If the daily Scheduled Quantities change as a result of changes made for a subsequent nomination cycle for that gas flow day, the uniform hourly basis should change as well so that gas flows for each hour remaining in the gas flow day are consistent with the new Scheduled Quantities. If Interconnector is not abiding by this provision, then SoCalGas reserves the right to (a) suspend service until such time appropriate actions have been taken to ensure compliance with this provision and/or (b) install or require Interconnector to install upstream of the Interconnection Point an automated flow control device at the Interconnection Point at Interconnector's sole cost and expense.

(c) Pressure - Interconnector shall deliver Gas to SoCalGas at the Interconnection Point at a delivery pressure sufficient to enter the SoCalGas system, but not more than the then current Maximum Allowable Operating Pressure ("MAOP") of SoCalGas' Facilities.

(d) Metering - SoCalGas shall install equipment necessary to measure deliveries from Interconnector at the Interconnect Point. Interconnector may install or cause to be installed and operate check meters at its sole option and expense to check SoCalGas' meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by

SoCalGas' meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by SoCalGas.

(e) Meter Maintenance – SoCalGas will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to SoCalGas' standard practices, procedures and methods associated with the installed measurement equipment. Interconnector or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with SoCalGas' measuring equipment used in measuring deliveries from Interconnector to SoCalGas. SoCalGas shall give written, fax, or electronic mail notice to Interconnector prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to Interconnector at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of SoCalGas, but upon request SoCalGas shall make available to Interconnector (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. SoCalGas will perform unscheduled and episodic tests of its measuring equipment upon Interconnector's request, where such tests can be operationally executed to verify metering integrity/accuracy. SoCalGas will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be reached, the calculated combined error amount shall be applied to ½ of the period extending back to the date of the last test/calibration where the combined meter error was shown to be less than one percent (1%). If any Interconnector request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by Interconnector. In the event that any test of the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by SoCalGas.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by SoCalGas according to SoCalGas' recommended equipment maintenance schedules. Transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of +/- one-tenth of one percent (0.10%). Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3rd) month of this period). All transmitter verifications and calibrations shall meet or exceed the requirements defined in the then current approved applicable API standard. SoCalGas shall make available to Interconnector on as current basis as reasonably feasible any electronic measurement data if compatible with Interconnector's electronic files (not "hard copy") that SoCalGas obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the

circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Methods of determining accuracy of electronic measurement, and procedures for calibration of electronic equipment shall be subject to mutual agreement, giving due consideration to methods and procedures accepted by a significant portion of the natural gas industry. Each Party shall be responsible for the cost, compatibility and operation of its own electronic systems.

(g) Measurement Calculation - The Mcf and Btu values determined by SoCalGas shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in accordance with the most recent version of the applicable AGA standards and SoCalGas' measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph approved by the CPUC and SoCalGas that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

Alternate Language for Section 4(d) – (g) if “Measurement Meter” is owned by the Interconnector

(d) Metering – Interconnector has installed or shall install equipment that meets all SoCalGas specifications and is necessary to measure deliveries to SoCalGas at the Interconnect Points. SoCalGas may install or cause to be installed and operate check meters at its sole option and expense to check Interconnector's meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by Interconnector's meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by Interconnector.

(e) Meter Maintenance – Interconnector will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to Interconnector's standard practices, procedures and methods associated with the installed measurement equipment. SoCalGas or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with Interconnector's measuring equipment used in measuring deliveries from Interconnector to SoCalGas. Interconnector shall give written, fax, or electronic mail notice to SoCalGas prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to SoCalGas at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of Interconnector, but upon request Interconnector shall make available to SoCalGas (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. Interconnector will perform unscheduled and episodic tests of its measuring equipment upon SoCalGas' request, where such tests can be operationally executed to verify metering integrity/accuracy. Interconnector will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be

reached, the calculated combined error amount shall be applied to ½ of the period extending back to the date of the last test/calibration where the combined meter error was shown to be less than one percent (1%). If any SoCalGas request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by SoCalGas. In the event that any test of the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by Interconnector. In the event that there is a conflict between this provision and Interconnector's FERC approved tariff, Interconnector's tariff shall prevail.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by Interconnector according to Interconnector's recommended equipment maintenance schedules. Transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of +/- one-tenth of one percent (0.10%). Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3rd) month of this period). All transmitter verifications and calibrations shall meet or exceed the requirements defined in the then current approved applicable API standard. Interconnector shall make available to SoCalGas on as current basis as reasonably feasible any electronic measurement data compatible with Interconnector's electronic files (not "hard copy") that Interconnector obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Methods of determining accuracy of electronic measurement, and procedures for calibration of electronic equipment shall be subject to mutual agreement, giving due consideration to methods and procedures accepted by a significant portion of the natural gas industry. In the event that there is a conflict between this provision and Interconnector's FERC approved tariff, Interconnector's tariff shall prevail.

(g) Measurement Calculation - The Mcf and Btu values determined by Interconnector shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in accordance with the most recent version of the applicable AGA standards and Interconnector's measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

(h) Odorant - In the event that Gas delivered by Interconnector at the Interconnection Point is required by SoCalGas to be odorized, the odorant shall be a commercially available odorant blend agreed to by SoCalGas and the odorant concentration shall conform to DOT 192.625 and as otherwise required by SoCalGas. Interconnector shall provide

SoCalGas a minimum of thirty (30) days written notice prior to making any changes in the quality or quantity of odorant in the gas stream.

(i) Suspension of Deliveries/Receipts –

(i) Either Party may suspend deliveries or receipts immediately, and at any time, in the event that:

- (1) there is any system or pipeline operations or other action or inaction, that could impair the safety or reliability of either Party's facilities or systems, could impair the deliverability of the Gas to be delivered through the Interconnection Point, or would constitute a material default of this Agreement,
- (2) there is no OBA in effect governing the resolution of imbalances between the quantities of Gas confirmed and scheduled, and the quantities of Gas delivered, to the Interconnection Point, or
- (3) the CPUC, or any other administrative agency with jurisdiction over the subject matter hereof, materially changes, alters or modifies this Agreement, such that a Party is deprived of its benefits anticipated herein.

(ii) The Party suspending deliveries or receipts will provide notice to the other Party of such suspension and the cause, to the extent identifiable, as soon as commercially reasonable. In the event such suspension continues for a period of six (6) months without either resolution of the underlying situation, or a mutually agreed upon written plan of resolution, either Party may terminate this Agreement at any time thereafter upon providing an additional thirty (30) days written notice.

SECTION 5

ASSIGNMENT

(a) Assignment - Assignment or transfer of the entire rights and obligations of any Party hereunder shall only be permitted under the following circumstances:

(i) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to the respective interconnection facilities of Interconnector or SoCalGas, as the case may be, including without limitation an assignment to a parent, affiliate or subsidiary of a Party hereto; or

(ii) When any Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed

or may execute hereafter; however, in such event the other Parties shall be provided prior written notice thereof; or

(iii) When the Party assigning shall have first obtained the consent in writing of the other Party hereto which consent shall not be unreasonably withheld.

(iv) Notwithstanding the above, no assignment or other transfer of utility property subject to California Public Utilities Code §851 will occur without having secured prior CPUC authorization.

SECTION 6

NOTICES

(a) Form of Notice - All notices including invoices provided for herein shall be given in writing, and either hand delivered, or sent by prepaid priority courier, or sent by telephone facsimile (“telefax”) with original to follow by regular mail. In the case of courier delivery, delivery shall be deemed to occur three (3) business days after delivery to the courier by the sending Party and in the case of telefax the following business day after telephonic confirmation that the message was sent and received. Unless changed as set forth below, the addresses and telefax number of the Parties for purposes of this Section 6 are as follows:

Interconnector:

Mailing Address:
Telefax Number:

SoCalGas:

Mailing Address: Southern California Gas Company
Box 3249 ML 22E1
Los Angeles, California 90051-1249
Telefax Number: (213) 244-_____

(b) Telephone Contacts - At any time a telephone call is required to confirm the sending and receipt of any telefax notices, the following telephone numbers shall be utilized:

Interconnector:

Confirmation Telephone:

Contact:

SoCalGas:

Confirmation Telephone: (213) 244-_____

Contact:

(c) Changes - The designated contact, address and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) days written notice.

SECTION 7

LIMITED WARRANTY

(a) SoCalGas Services - SoCalGas warrants to Interconnector that any work performed by SoCalGas hereunder will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work. Interconnector disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(c) Limitations - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement.

(d) Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other Party for or assessed pursuant to Section 9 or otherwise any special, punitive, consequential, incidental, or indirect damages arising under this Agreement, whether in contract or tort, for any actions or inactions related hereto.

SECTION 8

INDEMNITY

(a) Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

SECTION 9

DISPUTE RESOLUTION

(a) Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

Alternate language for Section 9 if Parties agree.

SECTION 9

ARBITRATION

(a) The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall, unless subject to the exclusive jurisdiction of the FERC or the CPUC, be submitted to binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) Within fifteen (15) days after the commencement of arbitration, an arbitrator shall be selected under expedited rules of the American Arbitration Association. The selected arbitrator shall have over fifteen (15) years of diverse professional experience in various segments of the natural gas industry. The selected arbitrator shall not have been previously or currently employed by any Party (or a Party's parent, subsidiaries or affiliates). Finally, the selected arbitrator shall not own, either directly or indirectly, a material interest in any Party, this Agreement or the subject matter of the dispute. Such arbitration shall be held at a location to be mutually agreed or failing agreement in San Diego, California.

(c) Notwithstanding any other provision hereof, no Party shall be assessed in arbitration or otherwise any special, punitive, consequential, incidental, or indirect damages, whether in contract or tort, for any actions or inactions related hereto.

SECTION 10

MISCELLANEOUS

(a) Choice of Law - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. Either Party shall provide notice to the other Party prior to filing any request for a change to its tariffs that would affect this Agreement.

(c) Force Majeure - In the event a Party is rendered unable, wholly or in part, by force majeure (as defined in SoCalGas' tariff or if the Interconnector is the Party experiencing the force majeure event and has a tariff defining force majeure, such tariff definition shall apply) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such force majeure in writing or by telecopy or by telephone (and confirmed in writing within seventy-two [72] hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the effects of the cause, and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch.

(d) Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

(e) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(f) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

(g) Credit - SoCalGas reserves the right to require the Interconnector from time to time to demonstrate creditworthiness. Creditworthiness may be demonstrated by providing audited financial statements of recent date and, if necessary, other adequate assurances of performance as requested by SoCalGas.

(h) No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

(i) Attorney's Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(j) Regulation - This contract shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may from time to time direct in the exercise of its jurisdiction.

(k) Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2(a), 2(b), 2(c), and so on.

(l) Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 7, 8 and 10 shall survive.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in two (2) copies by their authorized representatives as of the day and year first written above.

[Company Name]

By: _____

Title: _____

SOUTHERN CALIFORNIA GAS COMPANY

By: _____

Title: _____

EXHIBIT A

To the Interconnection Agreement
between

_____ and
Southern California Gas Company
Dated: _____, 200_

INTERCONNECTOR'S FACILITIES

EXHIBIT B

To the Interconnection Agreement
between

and
Southern California Gas Company
Dated: _____, 200_

INTERCONNECTION POINT AND SOCALGAS' FACILITIES

EXHIBIT C

INTERCONNECTOR'S PAYMENT FOR SOCALGAS' **OPERATION AND MAINTENANCE FEE**

SoCalGas' "Operation and Maintenance Fee" as used herein shall be calculated based on SoCalGas' actual cost of SoCalGas' ongoing expenses to operate, maintain and modify SoCalGas' metering facilities necessary to accept Interconnector's Gas in accordance with current industry practice, SoCalGas' normal procedures and governmental regulations. The methodology for calculating such Operation and Maintenance Fee is described below, and is based on the following principles:

- Derivation of actual costs from fully loaded labor rates.
- Charging of Interconnector directly for odorant and other site-specific costs.
- Charging of Interconnector for the actual number of visits to individual receipt meters.
- Charging for replacement or change of facilities consistent with SoCalGas practice.

Calculation of Operation and Maintenance Fees

The methodology for calculating Operation and Maintenance Fees is composed of one basic cost component, which utilizes site-specific costs and is dependent on the location of and the volume received at each meter at the location.

Contained within the cost component are the following:

- All labor associated with routine calibrations, inspections, gas samples, etc. for each meter. Calculation utilizes a fully loaded labor rate.
- Odorant costs shall be included on a volumetric basis, and shall be derived from the previous year's receipts at the meter, unless special circumstances (e.g. new production) warrant otherwise. Based upon the actual cost of odorant, currently \$2.20/lb, and the target odorant usage rate, currently 0.40 lb/MMcf, the volumetric charge is currently \$0.88/MMcf less the average per unit odorization costs for interstate supplies entering the SoCalGas system as specified in SoCalGas' Rule 39. This may change in the future to reflect price changes, introduction of new odorants, or changes in usage rates.
- Site-specific costs shall be charged back to individual meters. Typical costs include permits for certain air districts, special calibration requirements, and costs associated with providing CARB waivers.
- Additional costs due to H₂S monitoring equipment shall be included in the base charges. Meters where the gas stream is monitored continuously for H₂S shall be charged an additional monthly fee that is currently \$224/month. This may be modified based on increased additional costs. This is due to the increased labor and materials to maintain this additional equipment on site.
- For visits outside normal business hours, the labor rate shall reflect an overtime rate with a four (4) hour minimum charge.
- Costs associated with an individual site such as calibration, testing or inspection of specialized equipment, including specialized gas monitoring equipment, or calibrations required by an agency in excess of the frequency

required by SoCalGas procedures, shall be charged directly to that meter. This includes any non-standard work which must be performed due to permit conditions, and appropriate labor charges.

- To the extent facilities are replaced or changed as a result of malfunction, obsolescence, consistency with utility practices, or new technology, the actual cost of the new facilities will be charged to Interconnector. The parties may agree on a mutually acceptable payment period not to exceed ___ months for capital expenses.

Initial Payment, Redetermination and Notification

Each month of a Contract Year, Interconnector agrees to pay SoCalGas:

- Commencing in the Month of first deliveries hereunder, the amount as billed by SoCalGas for the Interconnection Point. The Operation and Maintenance Fee for each Interconnection Point shall be calculated each month using the methodology as described in this Exhibit, to reflect changes in the Cost Component based on the actual costs incurred each month.
- Interconnector shall make payments as provided in the Agreement within thirty (30) days of date of invoice.

SAMPLE FORMS - CONTRACT
Exhibit D - Interconnect
Collectible System Upgrade Agreement (Form 6430, 11/2006)

N
N
N

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3675
DECISION NO. 06-09-039

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 1, 2006
EFFECTIVE Jun 7, 2007
RESOLUTION NO. _____

EXHIBIT D

INTERCONNECT
COLLECTIBLE SYSTEM UPGRADE AGREEMENT

This Agreement (“Agreement”) is entered into as of _____[date] by and between Southern California Gas Company (“SoCalGas”) and _____[company name], a _____[type] company (“Interconnector”). SoCalGas and Interconnector may be referred to herein severally as a “Party,” or jointly as “Parties.”

WHEREAS, SoCalGas is a public utility regulated by the California Public Utilities Commission and is involved in the receipt and redelivery of natural gas to its customers; and

WHEREAS, Interconnector is a _____[company type] and would benefit from SoCalGas being capable of receiving Gas at the Interconnection Point for redelivery to customers; and

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

SECTION 1

SCOPE OF AGREEMENT

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to design, engineer and construct Gas facilities including pipelines, meters, regulators and appurtenant facilities and related system upgrades in order to provide the Interconnect Capacity from Interconnector’s pipeline facilities near _____ in _____, California to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to the Interconnection Agreement (“IA”) and Operational Balancing Agreement (“OBA”) between the Parties dated _____[date], for the account of itself or third party shippers for transport on SoCalGas’ pipeline system in California. Interconnector agrees to pay the actual costs for SoCalGas’ Facilities constructed by SoCalGas hereunder. Payment by Interconnector does not imply that Interconnector is entitled to receive firm access rights at the Interconnection Point under this Agreement. Attached hereto as Exhibit A and incorporated by reference herein is a map on which the Interconnector’s Facilities are indicated generally. The Interconnection Point and SoCalGas’ Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B, and incorporated by reference herein.

(b) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas’ system in the state of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas.

(ii) “CPUC” shall mean the Public Utilities Commission of the State of California.

(iii) “Gas” or “natural gas” for purposes of this Agreement shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality.

(iv) “In-Service Date” is that date when SoCalGas’ Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnection Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnection Capacity downstream of the outlet of SoCalGas’ Facilities at the Interconnection Point.

(v) “Interconnect Capacity” shall be as defined in the IA. _____ Interconnect Capacity does not reflect SoCalGas’ ability to provide takeaway capacity from the outlet of SoCalGas’ Facilities at the Interconnection Point.

(vi) “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) “Interconnector’s Facilities” shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by Interconnector up to the Interconnection Point.

(c) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector’s Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas’ sole opinion could reasonably raise a question regarding SoCalGas’ retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)).

SECTION 2

CONDITIONS PRECEDENT

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Conditions:

(i) Governmental Authorizations:

1. Interconnector: On or before _____[date], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction and operation of Interconnector's Facilities.

2. SoCalGas: On or before commencement of construction, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) from any other governmental or local agency, if necessary in SoCalGas' sole judgment, the proper approvals required for SoCalGas to dispense its duties under this agreement.

(ii) Interconnector Commitments: On or before commencement of construction, Interconnector shall have paid SoCalGas for SoCalGas' total estimated expenditures/investments related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

(iii) SoCalGas Commitments: On or before commencement of construction, SoCalGas shall have accepted payment by Interconnector of the total estimated expenditures/investments related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein

(c) Notification - Each Party shall notify the others in writing whenever in its sole opinion any of the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain the right to waive conditions (b)(i)(2) and SoCalGas shall retain the right to waive conditions (b)(i)(1) and (b)(ii) (but no such condition may be waived except in writing).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a

restructuring within forty-five (45) days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) days thereafter by mutual consent obtained on or before such 45th day, or (ii) be terminated if any Party, within fifteen (15) days thereafter, gives ten (10) days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Parties as is reasonable under the circumstances, and keep the other Parties advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

(f) Termination Charges - In the event that this Agreement is terminated under Subsection 2(d), Interconnector shall pay SoCalGas the actual costs of that portion of SoCalGas' Facilities constructed to date plus any other costs already incurred and other unavoidable costs incurred or to be incurred by SoCalGas arising out of SoCalGas' performance pursuant to this Agreement.

SECTION 3

CONSTRUCTION, PAYMENT, AND OPERATIONS

(a) Description of Interconnection Facilities - Interconnector's Facilities shall interconnect with the SoCalGas' Facilities at the Interconnection Point. All deliveries of Gas by Interconnector to SoCalGas for transport shall occur at the Interconnection Point.

(b) Installation of Facilities - At the Interconnection Point, Interconnector shall install such piping, regulators, valves, meters, separators, quality measurement, odorant or other equipment as the Parties mutually agree are necessary to measure, regulate and deliver gas at the Interconnection Point, Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed) at a delivery pressure sufficient to enter the SoCalGas system but not to exceed the MAOP of the SoCalGas transmission system at the Interconnection Point. SoCalGas shall design, engineer, acquire permits and rights-of-way, and, if necessary, construct, and install such piping, regulators, valves, meters, separators, quality measurement, odorant or other equipment, as it deems necessary to have the capability to measure, regulate, receive from the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed). All Interconnector's and SoCalGas' equipment shall meet SoCalGas' minimum specifications for materials, installation, testing and acceptance.

(i) No SoCalGas Facilities which are to be paid for by Interconnector shall be designed, engineered or constructed by SoCalGas without Interconnector's prior written approval of the total estimated cost, as set forth in Exhibit C. Interconnector acknowledges that the total estimated cost is an estimate only and that

Interconnector will be responsible for SoCalGas' actual costs including, but not limited to, its labor, procurement, permits and associated fees, indirect costs and internal overheads, of designing, engineering, installing and constructing any facilities described in Exhibit C, including any related income tax liability thereon, whether or not such costs are above or below advance payments made or detailed cost estimates provided to Interconnector by SoCalGas.

(ii) SoCalGas shall submit to Interconnector, as available from time to time, any proposal regarding the scope of services to be performed, and schedules for construction (including ordering materials) and estimated costs related to implementing such Interconnection Capacity as defined in Exhibit C, based on the mutually agreed date projected as the In-Service Date (as determined in good faith from time to time);

(iii) Interconnector shall, within a reasonable period of time given the nature of any such proposal, accept or reject any such proposal in writing;

(iv) Interconnector shall be solely responsible hereunder for any failure by SoCalGas to timely complete SoCalGas' Facilities at the Interconnection Point delaying the In-Service Date including all costs resulting therefrom, which failure is solely attributable to Interconnector's delay or refusal in approving any reasonable proposal by SoCalGas; and

(v) Prior to SoCalGas making any financial commitment hereunder, SoCalGas, in its sole discretion, shall be satisfied that Interconnector has the financial capability of performing fully any payment obligations to SoCalGas that may arise in connection therewith.

(c) Payment by Interconnector - Interconnector shall advance SoCalGas' total estimated costs set forth within the scope of an approved Exhibit C. After a final accounting has been made by SoCalGas but in no event later than _____[date], Interconnector shall reimburse SoCalGas for its actual costs above the prepaid estimated costs, including indirect costs and overheads, carrying costs, designing, engineering, installing, permitting and constructing SoCalGas' Facilities set forth in an approved Exhibit C, and including any related income, CIAC, or other tax liability thereon, even if such costs are above cost estimates provided to Interconnector by SoCalGas within thirty (30) days of invoice from SoCalGas. After a final accounting has been made by SoCalGas but in no event later than _____[date], any advances paid, which are in excess of SoCalGas' actual costs, shall be returned to Interconnector.

1. Interconnector may request and SoCalGas shall agree to Interconnector's audit by a certified public accountant of the accounting records applicable to the construction of SoCalGas' Facilities installed and owned by SoCalGas hereunder at Interconnector's expense. Such audit may be conducted during the term hereof or for a period of up to one year after termination.

(d) Interconnector Guaranty - In the event that on or before, _____, the In-Service Date has not occurred, SoCalGas shall invoice Interconnector and Interconnector shall within ninety (90) days following receipt of the invoice, reimburse SoCalGas for the actual costs unpaid to date (including indirects, overheads, and carrying costs if applicable) of all SoCalGas' Facilities constructed and services provided pursuant to this Agreement.

(e) Coordination - The Parties shall cooperate together and establish such procedures as may be deemed appropriate by the Parties to coordinate the design, planning, construction and completion by the In-Service Date of Interconnector's and SoCalGas' Facilities at the Interconnection Point.

(f) General Indemnity - As between SoCalGas on the one hand, and Interconnector on the other hand, each Party shall be solely responsible for, and shall indemnify, defend and hold the other Party and its officers, shareholders, employees, agents, representatives, successors and assigns harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses including without limitation, reasonable attorneys fees (including fees and disbursements of in-house and outside counsel) of any kind whatsoever to the extent resulting from the indemnifying Party's negligent performance of its obligations pursuant to this Agreement.

(g) Specific Indemnity - As to the actual "tying-in" of the respective facilities constructed by the Parties under this agreement, SoCalGas shall be solely responsible for performing the "tie-in".

SECTION 4

ASSIGNMENT

Assignment - Assignment or transfer of the entire rights and obligations of any Party hereunder shall only be permitted under the following circumstances:

(a) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to the respective interconnection facilities of Interconnector or SoCalGas, as the case may be, including without limitation an assignment to a parent, affiliate or subsidiary of a Party hereto; or

(b) When any Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Parties shall be provided prior written notice thereof; or

(c) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, which consent shall not be unreasonably withheld.

(d) Notwithstanding the above, no assignment or other transfer of utility property subject to California Public Utilities Code §851 will occur without having secured prior CPUC authorization.

SECTION 5

NOTICES

(a) Form of Notice - All notices including invoices provided for herein shall be given in writing, and either hand delivered, or sent by prepaid priority courier, or sent by telephone facsimile (“telefax”) with original to follow by regular mail. In the case of courier delivery, delivery shall be deemed to occur three (3) business days after delivery to the courier by the sending Party and in the case of telefax the following business day after telephonic confirmation that the message was sent and received. Unless changed as set forth below, the addresses and telefax number of the Parties for purposes of this Section 5 are as follows:

Interconnector:

Mailing Address:
Telefax Number:

SoCalGas:

Mailing Address: Southern California Gas Company
Box 3249 ML 22E1
Los Angeles, California 90051-1249

Telefax Number: (213) 244-

(b) Telephone Contacts - At any time a telephone call is required to confirm the sending and receipt of any telefax notices, the following telephone numbers shall be utilized:

Interconnector:

Confirmation Telephone:

Contact:

SoCalGas:

Confirmation Telephone: (213) 244-

Contact:

(c) Changes - The designated contact, address and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) days written notice.

SECTION 6

LIMITED WARRANTY

A. Services - SoCalGas warrants to Interconnector that the work performed by SoCalGas will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

B. Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. SoCalGas shall not be liable in contract, in tort (including active and passive negligence) or otherwise for damage or loss of the Interconnector as a result of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

SECTION 7

MISCELLANEOUS

(a) Laws - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

b) Force Majeure - In no event shall SoCalGas be liable for breach of this Agreement if it cannot perform its obligations under this Agreement because of forces not under its control including, but not limited to, acts of God, labor disputes or strikes (whether involving SoCalGas' or its subcontractor's workforce), shortages of parts or materials, civil unrest, war, inability to obtain governmental approvals or permits, or government orders. In the event of such delay, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

(c) Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

(d) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(e) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

(f) Disputes - Any dispute or need for interpretation arising out of this Agreement, which cannot be resolved after a reasonable period of time of good faith negotiation, will be submitted to the CPUC for resolution.

(g) Term - This Agreement shall become effective on the date provided at the beginning of this Agreement and, unless terminated earlier, continue until the "In Service Date" for Interconnector's Facilities.

(h) Credit - SoCalGas reserves the right to require the Interconnector from time to time to demonstrate creditworthiness. Creditworthiness may be demonstrated by providing audited financial statements of recent date and, if necessary, other adequate assurances of performance as requested by SoCalGas.

(i) Attorney's Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(j) Regulation - This contract shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may from time to time direct in the exercise of its jurisdiction.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in two (2) copies by their authorized representatives as of the day and year first written above.

[Company Name]

By: _____

Title: _____

SOUTHERN CALIFORNIA GAS COMPANY

By: _____

Title: _____

EXHIBIT A

To the Interconnect Collectible System Upgrade Agreement
between

_____ and
Southern California Gas Company
Dated: _____, 200_

INTERCONNECTOR'S FACILITIES

EXHIBIT B

To the Interconnect Collectible System Upgrade Agreement
between

and
Southern California Gas Company
Dated: _____, 200_

INTERCONNECTION POINT AND SOCALGAS' FACILITIES

EXHIBIT C

To the Interconnect Collectible System Upgrade Agreement
between

_____ and
Southern California Gas Company
Dated: _____, 200_

SCOPE OF SERVICES

SAMPLE FORMS - CONTRACTS
Operational Balancing Agreement (Form 6435, 11/2006)

N
N

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3675
DECISION NO. 06-09-039

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 1, 2006
EFFECTIVE Jun 7, 2007
RESOLUTION NO. _____

OPERATIONAL BALANCING AGREEMENT
between

and
SOUTHERN CALIFORNIA GAS COMPANY

THIS OPERATIONAL BALANCING AGREEMENT (“Agreement”) is made and entered into by and between _____, a _____, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this ___ day of _____ 200_. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the Parties.”

RECITALS

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, the Parties desire to provide for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement and the Interconnection Agreement; and

WHEREAS, Interconnector and/or SoCalGas have entered, or may enter, into one or more agreements with third party Service Requesters (hereinafter referred to as “Service Requester(s)”) for the transportation of gas to the delivery point Interconnection Point(s) or from the receipt point Interconnection Point(s) on their respective systems as shown in Exhibit 1 (said agreements hereinafter referred to as “Service Requester Agreements”); and

WHEREAS, from time to time, the quantities of gas confirmed and scheduled by the Parties to be delivered to or received at the Interconnection Point (said quantities hereinafter referred to as the “Scheduled Quantities”) may be greater or less than the quantities of gas which are actually delivered at the Interconnection Point, resulting in over-or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement this Agreement in order to facilitate more efficient operations, accounting, and systems management at the Interconnection Point and on the Parties’ respective systems, and to provide for certain terms and conditions under which gas will be delivered by Interconnector and accepted by SoCalGas, for the account of Service Requester(s) and/or their designees at the Interconnection Point.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

SECTION I: SCOPE OF AGREEMENT

1.1 Scope – This Agreement sets forth the terms and conditions governing the treatment of operational imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all natural gas delivered by Interconnector to SoCalGas for the account of itself or third party shippers at the Interconnection Point as set forth below and incorporating herein the provisions of the Recitals above. The Parties have and will have executed an Interconnection Agreement and its execution and performance is a condition precedent to the obligations herein. No action or inaction of SoCalGas will or shall relieve Interconnector of this obligation.

1.2 Term – This Agreement is effective as of the date first written above and shall remain in effect for a primary term of _____ (__) years from the date gas first flows through the Interconnection Point (the “Commencement Date”), and from year to year thereafter; provided, however, either Party may terminate this Agreement at the end of the primary term, or thereafter by providing thirty (30) days prior written notice to the other Party. In the event an Interconnection Agreement has not been fully executed by _____, or any pipeline system construction that is necessary to begin Gas deliveries or receipts at the Interconnection Point is not completed on or before _____, either Party may terminate this Agreement on thirty (30) days prior written notice.

1.3 Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

- 1.3.1 “Interconnector’s Facilities” shall mean those Gas pipeline facilities as defined in the Interconnection Agreement. Interconnector’s Facilities shall be owned and operated by Interconnector.
- 1.3.2 “Interconnection Agreement” shall mean an agreement executed between the Parties that provides the terms and conditions governing the operations at the Interconnection Point between Interconnector’s Facilities and SoCalGas’ Facilities.
- 1.3.3 “Gas” or “natural gas” for purposes of this Agreement shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality.
- 1.3.4 “Interconnect Capacity” shall be as defined in the Interconnection Agreement.
- 1.3.5 “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect

for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as described in the Interconnection Agreement.

- 1.3.6 “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point as defined in the Interconnection Agreement, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas.
- 1.3.7 “Operational Imbalance” shall mean actual physical deliveries of Gas less Gas quantities that are scheduled to be delivered. Therefore, Operational Imbalance shall be positive for over-deliveries, i.e., deliveries greater than scheduled deliveries. Operational Imbalance shall be negative for under-deliveries, i.e., deliveries less than scheduled quantities.

1.4 Regulatory Jurisdiction

- 1.4.1 Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the Federal Energy Regulatory Commission under the Hinshaw Exemption to the Natural Gas Act (15 U.S.C. §717(c)). SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector’s Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption.
- 1.4.2 FERC Jurisdiction - This Agreement is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the FERC as a “natural gas company” under the provisions of the Natural Gas Act. If, at any time, it is determined by FERC that such balancing activities do result in such regulation, then this Agreement shall immediately terminate, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) days after termination of this Agreement, pursuant to this Agreement.
- 1.4.3 CPUC Jurisdiction – If the CPUC or any other regulatory body, at any time, shall assert that Interconnector as a result of delivery of Gas hereunder, is a public utility or subject to regulation as such or that such regulatory body may prevent SoCalGas from complying

with this Agreement in any respect, then within thirty (30) days of such assertion either Party may, upon written notice to the other Party, terminate this Agreement effective thirty (30) days after such written notice, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) days after termination of this Agreement, pursuant to this Agreement.

SECTION II: SCHEDULING

2.1 Nominations, Confirmations and Scheduling - Prior to the date and time of flow at the Interconnection Point, the Parties shall nominate, confirm and schedule volumes of Gas which will be delivered or received at the Interconnection Point. Such nominations and confirmations between the Parties shall be made electronically or in writing, unless otherwise mutually agreed to by the Parties. Such nominations, confirmations and scheduling by the Interconnector will be in compliance with the North American Energy Standards Board (“NAESB”) standards with the exception of nominations and scheduling of the Otay Mesa Interconnection Point as stated in Section 2.2 below.

2.2 For the Otay Mesa Interconnection Point, neither SoCalGas nor the Interconnector will confirm or schedule a decrease in the nominations and scheduled quantities of more than: 1) 50 MMcfd from the Timely nomination cycle to the Evening nomination cycle (“Evening reduction”); 2) 33 MMcfd (less the amount of the Evening reduction) from the Evening nomination cycle to the Intraday 1 nomination cycle (“Intraday 1 reduction”); or 3) 24 MMcfd (less the amount of the Evening and Intraday 1 reductions) from the Intraday 1 nomination cycle to the Intraday 2 nomination cycle, in the aggregate of all nominations and scheduled quantities for a cycle. Upon request of the Interconnector and on a best efforts basis, the SDG&E/SoCalGas system operator may, for a given gas flow day, increase any of the three limits stated above. Any such increased limit(s) will be communicated solely by posting on SoCalGas’ EBB.

2.3 Operational Imbalance – The Parties intend that the quantity of Gas actually delivered each day at each Interconnection Point will be delivered on a uniform hourly basis as defined in Section 4(b) of the Interconnection Agreement. Any imbalance created, because the actual physical flow is different than the Scheduled Quantities, will be the “Operational Imbalance,” which will be the responsibility of the Interconnector to eliminate pursuant to this Agreement. For Gas accounting purposes, all daily Scheduled Quantities as scheduled for flow day shall be deemed to be delivered regardless of the actual volume of Gas delivered. Any imbalance shall be eliminated as soon as practicable, using the same Interconnection Point, by mutually agreeable arrangements between Interconnector and SoCalGas. If, at any Interconnection Point other than the Otay Mesa Interconnection Point as provided in Section 2.4 below, the cumulative imbalance exceeds plus or minus ten percent ($\pm 10\%$) of the Interconnect Capacity (_____ Dth), the Parties shall immediately confer and agree on arrangements to reduce the cumulative imbalance to zero within a period not to exceed thirty (30) days from the time the cumulative imbalance first exceeded the plus or minus ten percent ($\pm 10\%$) of the Interconnect Capacity (hereinafter “Payback Period”). If, however, the

Parties cannot agree on a specific Payback Period, the Payback Period shall be seven (7) days. Further, if the payback of the imbalance does not occur as agreed at any time during the Payback Period, SoCalGas may restrict receipts from Interconnector into its system in the case of over-deliveries and may adjust downward the scheduled quantities in the case of under-deliveries that are confirmed by SoCalGas for delivery by Interconnector until such time as the cumulative imbalance is reduced to zero (0). SoCalGas will notify Interconnector of its intentions as soon as reasonably practicable. The Parties may mutually agree to waive the balancing provisions of this Agreement and to permit an imbalance to arise, in which case such imbalance shall be reduced to or below a specified Dth as soon as practicable according to a mutually agreed upon schedule.

2.4 For the Otay Mesa Interconnection Point, if under-deliveries total more than 50 MMcf on any gas flow day (or more than such increased limit greater than 50 MMcf/d posted on SoCalGas' EBB pursuant to Section 2.2 for that gas flow day), Interconnector will be subject to an immediate cash-out charge equal to 150% of California/Arizona border spot price (for delivery into SoCalGas) as reported by Platt's *Gas Daily* (or its legal successor) for that day. If, for any reason, *Gas Daily* ceases to be available for that day, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties. Under-deliveries that total less than 50 MMcf/d (or that total less than such increased limit posted pursuant to Section 2.2), and over-deliveries, shall be treated in accordance with the provisions of Section 2.3.

2.5 Receipt Point Capacity Limitation - To the extent the SDG&E/SoCalGas system operator determines that the physical operation of a receipt point jeopardizes the safe operation of the SDG&E/SoCalGas system, SoCalGas reserves the right to reduce the receipt point to a level which ensures safe and reliable operation of the system. SoCalGas will post notification of any such receipt point reduction prior to nomination Cycle 1 for the affected flow day or prior to the next available nomination cycle if the reduction is determined after Cycle 1.

2.6 Measurement Correction - Operational Imbalances that may arise from time to time as the result of a measurement correction for a prior month shall be resolved as follows: (i) on an "in-kind" basis, (ii) on a "cash-out" basis, or (iii) by some other mutually agreed to method. The Parties shall endeavor to resolve such Operational Imbalance through the "in-kind" basis, provided however, that in the event the Parties cannot agree within thirty (30) days after the occurrence of such Operational Imbalance as to the method to be used for the resolution of the Operational Imbalance, the "cash-out" basis shall be utilized. The cash-out rate will be equal to the average California/Arizona border spot price (for delivery into SoCalGas) as reported by Platt's *Gas Daily* (or its legal successor) for that prior month. If, for any reason, *Gas Daily* ceases to be available for a particular imbalance period, the cash out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties.

2.7. Daily Balancing

2.7.1 Estimated operating quantities flowing at the Interconnection Point shall be used during any current period to determine the estimated Operational Imbalance at such Interconnection Point, with physical

flow adjustments to be made during that current period to minimize the Operational Imbalance. Interconnector and SoCalGas shall cooperate in order to minimize the daily over- and under-deliveries. In this regard, Interconnector's and SoCalGas' Gas control and scheduling personnel shall be in contact each day in order to balance daily delivered quantities of Gas with Scheduled Quantities of Gas. For the purpose of this Agreement, delivery or receipt of any Gas to resolve an Operational Imbalance is not subject to transportation charges by either Party.

- 2.7.2 The actual measured quantity of Gas at the Interconnection Point each month shall be determined and communicated by SoCalGas by facsimile, electronic interface system, or in writing to Interconnector in accordance with NAESB Standard 2.3.7. The actual measured quantity shall be determined pursuant to the applicable provisions of SoCalGas' measurement procedures and standard methodologies consistent with standard industry practices. In accordance with NAESB Standard 3.3.14, SoCalGas shall provide Interconnector, by the 9th business day, an Allocation Statement (as defined by NAESB) showing the total quantity of Gas scheduled and delivered at the Interconnection Point during the previous month. This allocation statement shall also provide the ending cumulative imbalance quantity. The operational imbalances shall be deemed to be agreed to unless either Party notifies the other Party that it believes there is an error by the last business day of the following month in which the allocation statement was rendered. The delivery of such allocation statement shall not constitute a waiver of either Party's rights under NAESB Standard 2.3.14. In the event that Interconnector owns and operates the metering facilities at the Interconnection Point, the measurement procedures/methodologies and allocation statement procedures shall be in accordance with the Interconnector's FERC approved tariffs, if applicable, or NAESB standards if Interconnector does not have any applicable FERC approved tariffs.
- 2.7.3 All imbalances shall be recorded on a Decatherm basis for accounting purposes.
- 2.7.4 If over a period of any consecutive twelve (12) months it is found that (a) cumulative over-deliveries of more than ten percent (10%) of the Scheduled Quantities occur on more than three (3) OFO (as defined in SoCalGas' Tariff) days in a 12-month period, then SoCalGas reserves the right to install or require Interconnector to install upstream of the Interconnection Point an automated flow

control device at the Interconnection Point at Interconnector's sole cost and expense.

2.8 Disputed Calculations - All reasonable efforts shall be made by the Parties to resolve any disputed computations. Either Party may pursue resolution of a dispute as to computations or imbalances owed hereunder in accordance with the provisions of this Agreement; however, unless the Parties mutually agree otherwise, delivery of the entire imbalance due including any disputed imbalance, shall be made to the respective Party notwithstanding such dispute resolution. Delivery of the disputed imbalance(s) shall not be deemed a waiver of any rights to recoup any imbalance amount in dispute.

SECTION III: DEFAULT

3.1 Waiver - A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character. Furthermore, no consent or waiver, expressed or implied, by any Party of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any other obligation of the other Party. Failure on the part of any Party to complain of any act or failure to act by the other Party or to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

3.2 Regulatory Impairment - This Agreement shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may from time to time direct in the exercise of its jurisdiction. Notwithstanding the other provisions of this Agreement, if at any time during the term hereof, any governmental authority having jurisdiction: (a) changes or modifies the terms of this Agreement that are unacceptable to a Party; or (b) takes any action whereby either Party's delivery, receipt, and/or use of Gas hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or limits that in the reasonable judgment of a Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, then such Party shall have the unilateral right to terminate this Agreement at any time upon thirty (30) days written notice to the other Party, without further performance due or liability hereunder, except as to redelivery of any outstanding Gas imbalances. Nothing herein shall prevent the Parties through mutual agreement from modifying this Agreement in lieu of termination.

3.3 Sole Remedy - Each Party agrees that its sole remedy for nonperformance by the other Party or other default by the other Party in the performance of its obligations under this Agreement shall be as specified in this Agreement. Both Parties agree to use commercially reasonable actions to correct nonperformance on their respective systems in a timely manner.

3.4 Reconciliation - Upon the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within thirty (30) days of termination. If the negative imbalance (i.e., under-deliveries) is not resolved within such thirty (30) days, any remaining imbalance

shall be reduced to zero (0) by cash-out at the highest daily rate reported during this 30-day imbalance payback period by *Gas Daily* in its table entitled "Daily Price Survey" for delivery into the SoCalGas system at the California/Arizona border. If the positive imbalance (i.e., over-deliveries) is not resolved within such thirty (30) days, any remaining imbalance shall be reduced to zero (0) by cash-out at the lowest daily rate reported during this 30-day imbalance Payback Period by *Gas Daily* in its table entitled "Daily Price Survey" for delivery into the SoCalGas system at the California/Arizona border. If, for any reason, *Gas Daily* ceases to be available for this particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed in writing by the Parties.

SECTION IV: NOTICES

Any notice, request, or statement provided pursuant to this Agreement shall be in writing and shall be considered as having been given, if delivered personally, when delivered, or, if either electronically communicated, mailed, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when received, at the following:

AGREEMENT NOTICES AND OTHER CORRESPONDENCE

Interconnector	Southern California Gas Company 555 W. Fifth Street Los Angeles, California 90013-1011
Telephone:	Telephone: (213) 244-
Telecopier:	Telecopier: (213) 244-8449
Attn:	Attn: M.L.

DISPATCHING AND NOMINATIONS

Interconnector	Southern California Gas Company 555 W. Fifth Street Los Angeles, California 90013-1011
Dispatch Telephone:	Gas Control: (323) 266-5888
Telecopier:	Scheduling Fax: (213) 244-8281
Nominations:	Nominations: (213) 244-3900
Attn:	Attn: Gas Scheduling M.L. 22E1

ALLOCATION STATEMENTS

Interconnector	Southern California Gas Company 555 W. Fifth Street Los Angeles, California 90013-1011
Telephone:	Telephone: (213) 244-3812
Telecopier:	Telecopier: (213) 244-8281
Attn:	Attn: Scheduling Manager, M.L. GT22E1

Changes to the above addresses shall be effectuated by a Party notifying the other Party in writing of the modification.

SECTION V: INDEMNITY

5.1 Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

5.2 Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages occurring on SoCalGas' side of the Interconnection Point.

5.3 Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other party for or assessed pursuant to Section VI or otherwise any special, punitive, consequential, incidental, or indirect damages from this Agreement, whether in contract or tort, for any actions or inactions related hereto.

SECTION VI: DISPUTE RESOLUTION

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

Alternate language for Section VI if Parties agree.

SECTION VI: DISPUTE RESOLUTION - ARBITRATION

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall, unless subject to the exclusive jurisdiction of the FERC or the CPUC, be submitted to binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

6.2 Within fifteen (15) days after the commencement of arbitration, an arbitrator shall be selected under expedited rules of the American Arbitration Association. The selected arbitrator shall have over fifteen (15) years of diverse professional experience in various segments of the natural gas industry. The selected arbitrator shall not have been previously or currently employed by any Party (or a Party's parent, subsidiaries or affiliates). Finally, the selected arbitrator shall not own, either directly or indirectly, a material interest in any Party, this Agreement or the subject matter of the dispute. Such arbitration shall be held at a location to be mutually agreed or failing agreement in San Diego, California.

6.3 Notwithstanding any other provision hereof, no Party shall be assessed in arbitration or otherwise any special, punitive, consequential, incidental, or indirect damages, whether in contract or tort, for any actions or inactions related hereto.

SECTION VII: ASSIGNMENT

7.1 Assignment - Assignment or transfer of the entire rights and obligations of any Party hereunder shall only be permitted under one of the following circumstances:

7.1.1 When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to the respective interconnection facilities of Interconnector or SoCalGas, as the case may be, including without limitation an assignment to a parent, affiliate or subsidiary of a Party hereto; or

7.1.2 When any Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

7.1.3 When the Party assigning shall have first obtained the consent in writing of the other Party hereto, which consent shall not be unreasonably withheld.

7.1.4 Notwithstanding the above, no assignment or other transfer of utility property subject to California Public Utilities Code §851 will occur without having secured prior CPUC authorization.

SECTION VIII: MISCELLANEOUS

8.1 No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

8.2 Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

8.3 Force Majeure - In the event a Party is rendered unable, wholly or in part, by force majeure (as defined in SoCalGas' tariff or if the Interconnector is the Party experiencing the force majeure event and has a tariff defining force majeure, such tariff definition shall apply) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such force majeure in writing or by telecopy or by telephone (and confirmed in writing within seventy-two [72] hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the effects of the cause, and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch.

8.4 Choice of Law - As to all matters of construction and interpretation, this Agreement shall be interpreted in accordance with the laws of California, excluding any choice of law or rules, which direct the application of laws of another jurisdiction.

8.5 Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith (specifically excepting the Interconnection Agreement, which is not affected by this Agreement) and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

8.6 Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2.1, 2.2, 2.3, and so on.

8.7 Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 3, 5 and 8 shall survive.

8.8 Credit - Either Party reserves the right to require the other Party from time to time to demonstrate creditworthiness. Creditworthiness may be demonstrated by providing audited financial statements of recent date and, if necessary, other adequate assurances of performance as requested by the Party requiring the demonstration of creditworthiness.

8.9 Attorney's Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

8.10 Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. Either Party shall provide notice to the other Party prior to filing any request for a change to its tariffs that would affect this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

INTERCONNECTOR

SOUTHERN CALIFORNIA GAS
COMPANY

By:

By:

Printed Name:

Printed Name:

Title:

Title:

Date:

Date:

EXHIBIT 1

To the Operational Balancing Agreement
between

and

Southern California Gas Company

Dated: _____, 200_

SYSTEM MAP

EXHIBIT 2

To the Operational Balancing Agreement
between

and

Southern California Gas Company

Dated: _____, 200_

SOCALGAS' FACILITIES

EXHIBIT 3

To the Operational Balancing Agreement
between

and

Southern California Gas Company

Dated: _____, 200_

LOCATION

<u>D-U-N-S® NUMBER</u>	<u>RECEIPT/DELIVERY DESIGNATION</u>	<u>PROPRIETARY GAS TRANSACTION POINT CODE</u>	<u>DRN NO.</u>	<u>DESCRIPTION</u>
	Delivery			Interconnection between the facilities of _____ and Southern California Gas Company located at County: Section __ Township: __; Range __.

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 3675
 DECISION NO. 06-09-039

ISSUED BY

Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Nov 1, 2006
 EFFECTIVE Jun 7, 2007
 RESOLUTION NO. _____

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|
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