

SAMPLE FORMS - CONTRACTS
Operational Balancing Agreement (Form 6435, 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. _____

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 __.