

SAMPLE FORMS: CONTRACTS
On-Bill Financing Loan Agreement With State of California
Form No. 7150-B (11/2012)

N
N
N

(See Attached Form)

N

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4422
DECISION NO.

ISSUED BY
Lee Schavrien
Senior Vice President

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 9, 2012
EFFECTIVE Nov 9, 2012
RESOLUTION NO. _____



A  Semptra Energy utility

ON-BILL FINANCING LOAN AGREEMENT With State of California

The undersigned customer, the State of California (the "State") will install energy efficiency equipment and services (the "Work"), either by using the undersigned contractor hired independently by the State (the "State Contractor") or using the State's internal maintenance and facility staff. Subject to the conditions herein (including the process for Adjustment) set forth in the next paragraph, Southern California Gas Company ("SCG") shall extend a loan (the "Loan") to the State in the amount of the loan balance (the "Loan Balance") pursuant to the terms of this On-Bill Financing Loan Agreement ("Loan Agreement" or "Agreement") and Rule No. 40 (the "Rule"). The State Contractor shall provide the Work as described in the On-Bill Financing Application ("Application") and associated rebate/incentive program application(s). Any contract between the State and the State Contractor shall be attached to the Application.

The estimated Loan Balance is set forth below. However, the total cost of the Work as installed, Incentive, Loan Balance, monthly payment, and loan term specified in this Loan Agreement may be adjusted, if necessary, after the Work and the post-installation inspection described in the Application and/or herein are completed (the "Adjustment"). The Adjustment will be calculated using the actual total cost of the Work, as installed, and estimated energy savings (as described in the Application) of such Work. In no event will the Loan Balance be increased without the State's written consent, even if the State is eligible for such increased Loan Balance. Moreover, in no event will the Loan Balance exceed the maximum loan amount stipulated in the Application. The State understands that in order to be eligible for an on-bill financing loan, the initial Loan Balance for Work may not fall below the minimum loan amount, nor may the payback period exceed the maximum payback period. **Accordingly, if after the Adjustment, the Loan Balance falls below the minimum loan amount or if the simple payback period exceeds the program maximum payback period, each as described in the Application, SCG shall have no obligation to extend the Loan, as the Work would not meet program requirements.** The Adjustment described in this paragraph will be communicated to the State and State Contractor in writing and will automatically become part of this Loan Agreement, except that any proposed increase in the Loan Balance will only become part of this Loan Agreement upon the State's written consent to such increase. Collectively the Application and associated rebate/incentive program application(s), this Loan Agreement (including any Adjustment hereunder) and the Rule comprise the "Agreement". In the event of any conflict among the foregoing components of the Agreement, the following order of priority shall apply: 1. the Rule; 2. this Loan Agreement; 3. the Application and 4. associated rebate/incentive program application(s).

To the extent authorized by law and subject to appropriation by the State Legislature, the State shall indemnify and hold harmless SCG, its affiliates, and their respective owners, officers, directors, employees and agents thereof, from and against all claims, demands, liabilities, damages, fines, settlements or judgments which directly arise from or are caused by (a) any breach of the Agreement, or (b) the wrongful or negligent acts or omissions of State's duties under the terms of this Agreement, or (c) any claims made by the State Contractor against SCG.

The State acknowledges that SCG is providing it with money in the form of a loan and that SCG has no liability in connection with, and is making no warranty, express or implied, with respect to the Work. The State has independently hired the State Contractor to perform work on behalf of the State in order to qualify for the loan. It

is agreed that the State Contractor is not a third party beneficiary to any agreement between the State and SCG. In no event shall State Contractor be deemed a co-obligor, surety or guarantor of State's obligations to repay the Loan Balance under this Agreement.

The State agrees and acknowledges that it will look only to the State Contractor for any claims related to the installed equipment (including its performance or lack thereof) and that SCG shall have no responsibility or liability with respect to such claims. Further, State will include a provision in its agreement(s) with State Contractor whereby the State Contractor will acknowledge that SCG has no responsibility or liability with respect to claims related to the installed equipment and the State Contractor will covenant not to make any claims against SCG related to its contract with the State.

The State represents and warrants that (a) the State is receiving this Loan for Work obtained in connection with the State's business, and not for personal, family or household purposes; (b) the State has full power and authority to enter into this Agreement and to carry out the provisions of this Agreement. The State is duly qualified and in good standing to do business in all jurisdictions where such qualification is required; (c) this Loan Agreement has been duly authorized by all necessary proceedings, has been duly executed and delivered by the State and is a valid and legally binding agreement of the State duly enforceable in accordance with its terms; (d) no consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over the State is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Loan Agreement, and the performance of the transactions contemplated by this Loan Agreement; (e) the execution and delivery of this Loan Agreement by the State hereunder and the compliance by the State with all provisions of this Loan Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any loan agreement or other contract or agreement under which the State is an obligor or by which its property is bound; (f) all factual information furnished by the State to SCG is true and accurate; and (g) the On-Bill Financing Program ("Program") was a determining factor in its decision to have the Work performed.

The Application must include the Federal Tax Identification Number or Social Security Number of the party who will be the recipient of the check for the loan amount. Loan checks may be issued directly to the State or the State Contractor or both, for the benefit of the State, as specified below. The State and the State Contractor each understand that SCG will not be responsible for any tax liability imposed on the State or State Contractor in connection with the transactions contemplated under the Agreement, whether by virtue of the Loan contemplated under the Agreement, or otherwise. To the extent authorized by law and subject to appropriation by the State Legislature, the State shall indemnify SCG for any tax liability imposed upon SCG as a result of the transactions contemplated under the Agreement.

Within sixty (60) calendar days of written confirmation of completion of Work and submission of final invoices by the State or the State Contractor to SCG On-Bill Financing Program Administrator at address listed below, SCG will (a) conduct a post installation inspection and project verification, including review of invoices, receipts and other documents as required by SCG to verify the correctness of any amounts claimed by the State; (b) adjust, if necessary, the total cost, Incentive, Loan Balance, monthly payment, and Loan term as stated above and, (c) issue the Loan check(s) (the "Check(s)") for all amounts SCG approves for payment in accordance with the Agreement. The State shall give SCG reasonable access to its premises and the Work. The date of the issuance of the Check(s) shall be the "Issuance Date". The Check(s) shall be issued if (1) the Work conforms to all requirements of the Agreement including, without limitation, the Application and the associated rebate/incentive program

application(s), and (2) all amounts claimed by the State as Work costs are substantiated to SCG's reasonable satisfaction. If the Check(s) are made payable to the State, the State shall be responsible to pay the amount thereof to State Contractor if the Work is to be completed by the State Contractor. If the Check(s) are less than the amount due from the State to State Contractor, the State shall be responsible for the excess. The State shall repay the Loan Balance to SCG as provided in this Loan Agreement irrespective of whether or when the Work is completed, or whether the Work is in any way defective or deficient.

The State agrees to repay to SCG the Loan Balance, in the number of payments listed below and in equal installments (with the final installment adjusted to account for rounding), by the due date set forth in each SCG utility bill rendered in connection with the State's account (identified by the number set forth below) ("Account"), commencing with the bill which has a due date falling at least thirty (30) calendar days after the Issuance Date. Amounts due under this Loan Agreement shall be deemed to be amounts due under each bill to the Account, and a default under this Loan Agreement shall be treated as a default under the Account. Although a late payment fee may be assessed for delinquent payment of a utility bill, however, no late payment fee will be assessed for delinquent Loan repayment. If the State is unable to make a full utility bill payment in a given month, payment arrangements may be made at SCG's discretion. Any partial utility bill payments will be applied to energy charges before payment of the Loan Balance. Further payment details are set forth below. Any notice from SCG to the State regarding the Program or the transactions contemplated under the Loan Agreement may be provided within any such bill, and any such notices may also be provided to the State at the addresses below or as elsewhere specified in the Loan Agreement, and shall be effective five (5) calendar days after they have been mailed. The monthly payments will be included by SCG on the Account's regular energy service bills. The Loan Balance shall not bear interest. There are no pre-payment penalties; however, the State agrees to notify the On-Bill Financing Program Staff of pre-payment amounts at the time of payment by telephoning the toll free phone number listed on the bill and by sending written notice to SCG On-Bill Financing Program Administrator at the address listed below. Accelerated payments that are received from the State without SCG's prior approval may, at SCG's sole discretion, be applied proportionally to subsequent energy charged and Loan repayments and SCG shall have no obligation to apply accelerated payments exclusively to reduction of the outstanding Loan. The entire outstanding Loan Balance will become immediately due and payable, and shall be paid by the State within thirty (30) calendar days if: (a) the Account is closed or terminated for any reason; (b) the State defaults under the Agreement and has not cured the default within ninety (90) calendar days of receiving notice from SCG of the default; or (c) the State sells the equipment forming part of the Work to any third party. The State understands that without limiting any other remedy available to SCG against State Contractor or the State, failure to repay the Loan Balance in accordance with the terms of the Agreement could result in shut-off of utility energy service, adverse credit reporting, and collection procedures, including, without limitation, legal action.

The State acknowledges that the cost incurred pursuant to this Agreement will be part of the monthly bill for natural gas use. All payment obligations and Work replacement obligations of the State under this Agreement or any related agreement or application is subject to appropriation by the State Legislature.

Notwithstanding any other provision in this Agreement SCG acknowledges that nothing in this Agreement shall constitute a mortgage, charge, assignment, transfer, pledge, lien or encumbrance upon either the Work or any part of the buildings, structures or related facilities in which the Work is constructed, installed or situated (collectively, the "Related Facilities"). Accordingly, SCG agrees it will not record or file any instrument that would indicate or imply it has a security interest in the Related Facilities, including but not limited to a UCC-1.

In addition to the preceding paragraph, if this Agreement were ever construed or deemed to create any such encumbrance, then: (i) this Agreement shall be junior and subordinate and subject in all respects to the terms and conditions of any and all leases, and indentures related to lease revenue bonds issued by the State Public Works Board of the State of California or any other issuer of bonds on behalf of the state concerning the Related Facilities entered into in the past, the present or the future (the "Senior Security Documents"); and (ii) any term or condition of this Agreement relating to any right, title or interest in the Related Facilities or other benefits derived there from shall be in all respects junior and subordinate to, and subject to the terms of, the Senior Security Documents.

\$ _____	\$ _____	\$ _____	\$ _____	_____ Months	_____
Total Cost	Incentive	Loan Balance	Monthly Payment	Term	Number of Payments

Check Made Payable to Contractor \$ _____ The State \$ _____

Federal Tax ID

Federal Tax ID or Social Security #, Contractor

Southern California Gas Company Account #

Account Name, the State

Name, Contractor

Service Address, the State

Address, Contractor

Name & Title, Authorized Representative of the State

Name & Title, Authorized Representative of State Contractor

Signature of Authorized Representative of the State

Signature of Authorized Representative of State Contractor

Date

Date

ACCEPTED: Southern California Gas Company

By _____

SCG On-Bill Financing Program Administrator

Date

Address: PO Box 513249, Los Angeles, CA 90051-1249
scgobf@semprautilities.com