

ATTACHMENT A

TO

**DECISION ADOPTING JUNE 25, 2009 SETTLEMENT
AND APPROVING OF THE CONTRACTUAL ARRANGEMENT
BETWEEN APPLICANTS.**

RMD
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U904G), Pacific Gas and Electric Company (U39E), and Southwest Gas Corporation (U905G) for Approval of Wholesale Transportation and Exchange Agreements and Related Relief.

Application 08-12-006
(Filed December 15, 2008)

**JOINT MOTION FOR COMMISSION APPROVAL AND ADOPTION
OF THE ALL-PARTY SETTLEMENT AGREEMENT**

I. INTRODUCTION

In accordance with Rule 1.6, subsection (d), of the California Public Utilities Commission ("Commission") Rules of Procedure and Practice ("Rule"), the Division of Ratepayer Advocates ("DRA") is filing this Joint Motion on behalf of all the parties of record in this matter ("Parties"), as follows:

- Pacific Gas and Electric Company (U39E) ("PG&E");
- Southern California Gas Company (U904G) ("SoCalGas");
- Southwest Gas Corporation (U905G) ("Southwest");¹ and
- DRA.

The signature of DRA's attorney at the end of this Motion certifies that the signer has been fully authorized by the Parties stated above to sign and tender this Motion and to make on their behalf the representations stated in Rule 1.6, subsection (b).

In accordance with Rule 12.1, subsection (a), the Parties jointly and severally move that the Commission approve and accept the following:

¹ SoCalGas, PG&E, and Southwest are hereafter collectively referred to as the "Applicants."

1. The proposed Settlement Agreement ("Settlement") (attached) in complete and final resolution of the issues of fact and law related to this proceeding;
2. The new Wholesale Transportation Agreement between SoCalGas and Southwest ("New Southwest Agreement") and the new Southwest Exchange Gas Delivery Agreement between SoCalGas and PG&E ("New SEGDA"), as amended pursuant to this Settlement as set forth in Attachments 1 and 2 thereof;²
3. The Pisgah Meter Station Upgrade ("PMSU" or "Pisgah Upgrade") estimated as totaling \$1.3 million and intended to upgrade the Pisgah Station to serve as an alternate redelivery point in addition to the Kern River Station; and
4. Proposed changes to SoCalGas's rate-schedule, GW-SWG, to reflect recovery of the PMSU capital-related charges, the related Operations and Maintenance ("O&M") charges, and the Storage Balancing Cost Adder, in accordance with the New SEGDA and the New Southwest Agreement as amended pursuant to this Settlement.

Rule 12.1, subsection (b), is inapplicable, because all the Parties in this matter have met and agreed to the Settlement, and no other party of record requires notice and opportunity to discuss the Settlement.³

II. BACKGROUND

A. The Chronology

A chronology of events and the issues in this matter are set forth in the attached Settlement at section 2, "Background" *et seq.*, pages 2 to 5. The Parties incorporate by reference as if fully stated here that "Background." Both the Settlement and this Motion

² See *infra* note 6.

³ According to that Rule 12.1(b), the settling parties must convene at least one conference with notice and opportunity to participate provided to all parties for the purpose of discussing settlements in the proceeding.

are to advise the Commission of the scope of the Settlement and the grounds on which adoption is urged.

B. Issues

In its Report on the Application of Southern California Gas Company, Pacific Gas & Electric Company, and Southwest Gas Corporation for Approval of Wholesale Transportation and Exchange Agreements and Related Relief ("Report") served on May 12, 2009, DRA opposed the following two requests of the Applicants:

- The increase of the Exchange Fee from \$0.25 per decatherm ("Dth") to an estimated \$0.4233/Dth in 2009 and \$0.4201 in 2010; and
- SoCalGas' proposed capital improvements at the Pisgah Meter Station currently estimated to cost \$1.3 million.

The Exchange Fee consists of two elements: a "Local Transmission" rate and "Backbone Line 300" rate. DRA did not oppose the Local Transmission rate of \$0.1013/Dth, but disagreed on the Backbone Line 300 rate of \$0.3220/Dth used to calculate the proposed Exchange Fee, which together would result in a total proposed Exchange Fee of \$0.4233/Dth.

The Pisgah Meter Station Charges are comprised of two parts: (i) a capital-related charge of approximately \$16,116 per month; and (ii) an estimated Operations and Maintenance ("O&M") charge of approximately \$12,408 per year.⁴ Southwest has agreed to pay "this entire [Pisgah] upgrade cost of approximately \$1.3 million, together with related O&M charges." Further, the \$1.3 million Pisgah Meter Station capital improvement costs will be trued-up to reflect actual expenditures once the upgrade is complete.⁵

⁴ Jt Appl. at 5 ("Pisgah Meter Station Charges"). These amounts are based on a 15-year amortization of the estimated \$1.3 million Pisgah Upgrades. The amortization period and the Pisgah Upgrade Charges will change in accordance with the executed amendments of the New SFGDA and the New Southwest Agreement that are attached to the Settlement. See *infra* note 6 below.

⁵ Jt. Appl. at 5 & n.10.

In response to the DRA Report, SoCalGas, Southwest, and PG&E submitted rebuttal testimony providing further support and clarification regarding the two issues raised by DRA.

III. THE SETTLEMENT

A. The Exchange Fee

In settlement of the issues raised by DRA in this proceeding, the Applicants proposed to reduce the total Exchange Fee for 2009 from \$0.4233/Dth to \$0.4081/Dth; and from \$0.4201/Dth to \$0.4048/Dth for 2010.⁶ After 2010 and for the remaining term of the New SEGDA, the Applicants will not include the Usage Charge component of the Backbone Line 300 rate as set forth in PG&E's Rate Schedule G-AFT for the Baja Path, when calculating the Exchange Fee under the New SEGDA.⁷ The Applicants have given DRA a copy of the executed amendments to the New SEGDA and the New Southwest Agreement that conform to the Settlement. DRA has no objections to them. As directed by Commission Resolution ("Res.") G-3428, the Parties also move for Commission approval and adoption of these amendments, and other matters stated above in Section I.⁸

B. The Pisgah Meter Station Charges

DRA supports Commission approval and adoption of the Application's proposal for \$1.3 million of capital improvements at the Pisgah Meter Station and related capital charges, O&M charges, and rate base treatment as explained below. As part of the application and settlement processes, the Applicants have clarified the scope, content, and need for the Pisgah Meter Station capital improvements and related Pisgah Meter Station Charges to the satisfaction of DRA. In particular, the estimated \$1.3 million of proposed capital improvements at the Pisgah Meter Station — metering and regulation equipment

⁶ See Settlement, Attachment 1, "Amendment to 2008 SEGDA, art. 5: "Exchange Fee"; and Exhibit 2 thereof, Table "Calculation of Exchange Fee," signed by SoCalGas VP Richard M. Morrow (June 19, 2009) and PG&E VP Robert T. Howard (June 15, 2009).

⁷ See *id* at Exhibit 2, subsec. (a) ("the Usage Charge is not include[d]").

⁸ Res. G-3428 (dated Nov. 21, 2008), Ord. Paras. 2 and 3, http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/94296.PDF; and *supra* at note 6 above.

and associated piping, instrumentation, upgrade of electrical service, and communication device for measurement purposes — will render Pisgah capable of serving as an alternate redelivery point, in addition to the Kern River Station normally used for deliveries between SoCalGas and PG&E. Applicants also clarified that since they are a utility asset, the Pisgah Meter Station capital improvements will be placed in rate base and SoCalGas will recover the cost in transportation rates over the 39-year book life of the assets. These costs will be fully offset by payments from Southwest over the term of the New Southwest Agreement in accordance with the amendments attached to the Settlement.

Further, the New SEDGA now requires that PG&E receive the exchange gas from SoCalGas on a daily basis. In order to do so, PG&E must effectively withdraw gas from its gas storage field(s) or otherwise “loan” the exchange gas to SoCalGas if SoCalGas is not able to provide the exchange gas through Kern River Station. This is necessary to avoid interruption of natural gas service to Southwest’s core customers under such circumstances. Even though daily delivery via displacement at the Kern River Station has worked well for many years under the Original SEGDA, recent volatilities of demand and price for natural gas now necessitate an alternate delivery point at Pisgah over the 15-year term of the New SEGDA.

Another key consideration for settling this issue is the Applicants’ agreement to have Southwest pay for the Pisgah Meter Station Charges in the first full month following the month when SoCalGas designates the Pisgah Meter Station capital improvements as in-service, *i.e.*, the “Pisgah In-Service Date. The amortization period for payment of the PMSU is adjusted accordingly.²

Based on the facts stated above and in the Settlement and to avoid the uncertainty, expense, and protraction of time that an evidentiary hearing may cause, the Parties have entered into this Settlement.

² *E.g.*, *id.* at Settlement, Attach. 2, sec. 4(c) (“Pisgah In-Service Date”).

IV. CONCLUSION

The Parties respectfully request that the Commission approve and adopt the proposed all-party Settlement as reasonable in light of the whole record, consistent with law, and in the public interest. The Applicants have agreed to a reduction of the Exchange Fee for 2009 and 2010 and to a change in the calculation in subsequent years to exclude the G-AFT Usage Charge for the Baja Path.

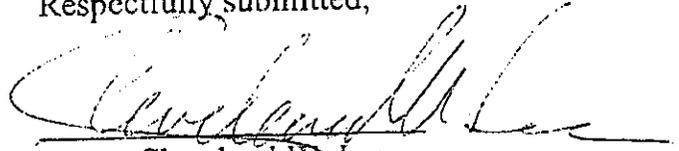
The estimated \$1.3 million of Pisgah Meter Station capital improvements (to be trued-up) and related Pisgah Meter Station Charges appear to DRA as reasonable and commensurate with scope and scale of the PMSU. The Applicants have agreed to have Southwest begin paying for the Pisgah Meter Station capital improvements after they are placed in-service and to adjust amortization of the Pisgah Meter Station capital costs accordingly.

In addition, the Settlement provides for certain data reports to DRA, such as a statement of the Pisgah in-service date and an itemized accounting of the actual Pisgah Meter Station capital improvement costs with any supporting work papers, accounts, or other papers provided to Southwest.

Therefore, DRA joins the Applicants in moving for: Commission approval and adoption of the proposed Settlement. The Parties further request that the Commission admit into evidence Applicants' Prepared Direct and Rebuttal Testimonies, supporting exhibits thereof, and DRA's Protest and Report; authorize the Applicants to modify their rates, charges, and services for wholesale transportation and exchange delivery service under the New Southwest Agreement and New SEGDA, as amended by and consistent with the attached Settlement; and grant such other and further relief as the Commission finds just and reasonable.

[signature page follows]

Respectfully submitted,



Cleveland W. Lee
Staff Counsel

Attorney for Division of Ratepayer
Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco CA 94102
Phone: (415) 703-1792
Fax: (415) 703-2262

June 25, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U904G), Pacific Gas and Electric Company (U39E), and Southwest Gas Corporation (U905G) for Approval of Wholesale Transportation and Exchange Agreements and Related Relief.

Application 08-12-006
(Filed December 15, 2008)

SETTLEMENT AGREEMENT

I. INTRODUCTION

- 1.1. In accordance with Rule 12.1 of the California Public Utilities Commission ("Commission") Rules of Procedure and Practice, the parties of record ("Parties") in the proceeding stated above enter into this Settlement Agreement ("Settlement") on the date adjacent to each Party's signature as indicated below.
- Pacific Gas and Electric Company ("PG&E");
 - Southern California Gas Company ("SoCalGas");
 - Southwest Gas Corporation ("Southwest"); and
 - Division of Ratepayer Advocates of the Commission ("DRA").
- 1.2. SoCalGas, PG&E, and Southwest are hereafter collectively referred to as the "Applicants."
- 1.3. In the related and attached Motion, the Parties jointly and severally move that the Commission approve and adopt this proposed Settlement in complete and final resolution of the issues of fact and law related to this proceeding.

2. BACKGROUND

- 2.1. In 1993, the Commission approved the California Wholesale Gas Transportation and Storage Services Agreement (“Original Southwest Agreement”) between SoCalGas and Southwest and the Southwest Exchange Gas Delivery Agreement between SoCalGas and PG&E (“Original SEGDA”) (collectively, the “Original Agreements”).¹
- 2.2. For the past 16 years, SoCalGas has provided Southwest wholesale gas transportation services under the Original Southwest Agreement. Under the Original SEGDA, some of the gas volumes under the Original Southwest Agreement are delivered to Southwest via PG&E’s intrastate pipelines. SoCalGas pays PG&E an “Exchange Fee” for such transportation service.
- 2.3. The first term of the Original Southwest Agreement was for 15 years, which expired on July 31, 2008. Unless terminated or amended, the Original Southwest Agreement continues in effect from year-to-year. The Original SEGDA ends “conterminously” with termination of the Original Southwest Agreement.
- 2.4. On July 16, 2008, SoCalGas filed Advice Letter (“AL”) 3882 to establish by August 1, 2008, the “Southwest Gas Exchange Fees Memorandum Account” for tracking the difference between the old and new SEGDA rates provided for in amendments to the Original Agreements. The Commission had not approved the proposed changes to the Exchange Fee or the Original Agreements.
- 2.5. On November 21, 2008, in Resolution (“Res.”) G-3428, the Commission denied AL 3882, holding, *inter alia*, that the memorandum account could not be authorized when the Applicants had not sought prior Commission approval in an application or advice letter to changes in the Original Agreements. The Commission ordered the Applicants to continue operating under the terms of the

¹ *Southwest et al.*, Commission Decision (“D.”) 93-07-052 (dated July 21, 1993), 1993 Cal. PUC LEXIS 572, at *20 (Ordering Paragraphs 1-5).

Original Agreements until the Applicants had obtained such Commission approval.

2.6. Accordingly, on December 15, 2008, the Applicants filed the Application of Southern California Gas Company, Pacific Gas & Electric Company, and Southwest Gas Corporation for Approval of Wholesale Transportation and Exchange Agreements and Related Relief (“Joint Application”) in this matter for Commission approval of the following:

- The new Wholesale Transportation Agreement between SoCalGas and Southwest (“New Southwest Agreement”);
- The new Southwest Exchange Gas Delivery Agreement between SoCalGas and PG&E (“New SEGDA”);
- SoCalGas’ proposed capital improvements at the Pisgah Meter Station -- currently estimated to cost \$1.3 million, and generally consisting of metering and regulation equipments and associated piping, instrumentation, upgrade of electrical service, and communication device for measurement purposes -- and related Operations and Maintenance (“O&M”) charges;
- Proposed changes to SoCalGas’ rate-schedule, GW-SWG, to reflect recovery of the new Pisgah Meter Station Charges and Storage Balancing Cost Adder; and
- Any other relief that may be necessary to effectuate the intent of the Application.²

2.7. On December 15, 2008, the Applicants served their respective Prepared Direct Testimonies.³

² Joint Application at 10. The New Southwest Agreement is Attachment A to the testimony of SoCalGas witness Sharon Pope. The New SEGDA is Attachment A to the testimony of PG&E witness Roger Graham. *See id.* at 1, n.1.

³ *E.g.*, PG&E witness Roger Graham sponsors the New SEGDA and SoCalGas witness Gary Lenart sponsors the New Southwest Agreement and the Storage Balancing Cost Adder (“SBCA”).

- 2.8. On January 16, 2009, DRA protested the Joint Application and called for an evidentiary hearing. On March 12, 2009, a Prehearing Conference was held. On April 2, 2009, the Assigned Commissioner's Scoping Memo and Ruling was issued. The Scoping Memo scheduled DRA's service of its Testimony on May 12, 2009; Applicants' service of their Rebuttal Testimony on May 27, 2009; and evidentiary hearings from June 4 to 5, 2009.
- 2.9. On May 12, 2009, DRA served its Report on the Joint Application, raising the following two issues:
- The Pisgah Meter Station Charges, which consist of two components: (i) a capital-related charge of approximately \$16,116 per month; and (ii) an estimated O&M charge of approximately \$12,408 per year, which are based on a 15-year amortization period under the New Southwest Agreement⁴; and
 - The increase of the Exchange Fee from \$0.25 per Decatherm ("Dth") to an estimated \$0.4233/Dth in 2009 and similar changes thereafter under the New SEGDA.
- 2.10. On May 22, 2009, the Parties met, conferred, and agreed to a settlement of the two issues stated above and all remaining items in the Joint Application. Subsequently and on behalf of all the Parties, DRA requested a suspension of the scheduled hearings until further notice. In order to facilitate settlement discussions, Applicants provided DRA with a draft of their Rebuttal Testimonies prior to the May 22, 2009 settlement conference.
- 2.11. On May 27, 2009, the Applicants served their respective Rebuttal Testimonies.
- 2.12. On June 1, 2009, the assigned Administrative Law Judge ("ALJ") Regina DeAngelis took the June 4 and 5 hearings off-calendar. The Parties indicated

⁴ Joint Application at 5. Southwest has agreed to pay "this entire [Pisgah] upgrade cost of approximately \$1.3 million, together with related O&M charges." *Id.* "The current capital cost estimate of \$1.3 million for the Pisgah upgrade will be trued up to reflect actual expenditures once the upgrade is complete." *Id.* at n.10.

that their Settlement and related Motion would be filed sometime between June 11 and 25, 2009.

2.13. On June 8, 2009, ALJ DeAngelis notified the Parties of a one-day, evidentiary hearing to be held on July 1, 2009, beginning at 11:00 a.m., for the Parties to explain on the record their Settlement.

2.14. On June 22, 2009, the Applicants provided DRA with a copy of the executed amendments to the New Southwest Agreement and the New SEGDA made according to the Settlement. These amendments are attached to this Settlement and incorporated by reference as if stated here.⁵

3. AGREEMENT

Now therefore, in exchange for the commitments stated herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties jointly and severally agree as follows:

3.1. The Exchange Fee

3.1.1. The Applicants will not include the "G-AFT Usage Charge,"⁶ when calculating the Exchange Fee according to Article 5 and Exhibit 2 of the New SEGDA as amended pursuant to this Settlement.⁷

3.1.2. Consistent with Res. G-3428, the Parties hereby submit for Commission approval the amendment of the New SEGDA made pursuant to this Settlement and attached hereto.⁸

⁵ Settlement, Attachment 1, "Amendment to 2008 SEGDA, Art. 5, "Exchange Fee." and Exhibit 2 thereof, Table "Calculation of Exchange Fee," signed by SoCalGas VP Richard M. Morrow (June 19, 2009) and PG&E VP Robert T. Howard (June 15, 2009); Attachment 2, Amendment to Master Services Contract, Sch. A-Attachment A, New Southwest Agreement between Southwest and SoCalGas, sec. 4(c) *et seq.*, "Pisgah Meter Station Charges," signed by Southwest V.P. William N. Moody (June 16, 2009) and SoCalGas V.P. Richard M. Morrow (June 22, 2009).

⁶ The term "Usage Charge" is defined by PG&E's Tariff, Gas Schedule G-AFT-Annual Firm Transportation On-System, for the Baja Path, Sheet 2, item 2, "Usage Charge," dated Dec. 23, 2008, effective Jan. 1, 2009.

⁷ See *supra* note 5 above, Attachment 1.

⁸ *Id.*

3.1.3. As a result of the Settlement, the Applicants, with the concurrence of DRA, are submitting for Commission approval an Exchange Fee for 2009 of \$0.4081/Dth, instead of the originally proposed \$0.4233/Dth; and for 2010, \$0.4048/Dth, instead of the originally proposed \$0.4201/Dth.² After 2010 and for the remaining term of the New SEGDA, the Applicants will not include the G-AFT Usage Charge in the calculation of the Exchange Fee.¹⁰

3.2. The Pisgah Meter Station Charges

3.2.1. In consideration for this Settlement, DRA supports as reasonable, consistent with the law, and in the public interest the Applicants' request for Commission approval of an estimated \$1.3 million of proposed capital improvements at the Pisgah Meter Station and related capital charges, O&M charges, and their rate base treatment as explained below at section 3.2.3.

3.2.2. In accordance with the amendment to the New Southwest Agreement made pursuant to this Settlement, Southwest will begin paying for Pisgah Meter Station Charges in the first full month following the month when SoCalGas designates the Pisgah Meter Station capital improvements as in-service, *i.e.*, the "Pisgah In-Service Date."¹¹

3.2.3. Southwest's payments as stated above will be based on a true-up of the Pisgah Meter Station capital improvement costs to account for the difference between the estimated and the actual construction costs of the Pisgah Meter Station capital improvements.¹² Since they are a utility asset, the Pisgah Meter Station capital improvements will be placed in ratebase and SoCalGas will recover the cost in transportation rates over the 39-year book life of the assets. These costs will be fully offset by payments from Southwest over the

² See *id.*, Attachment 1 at Exhibit 2, Table "Calculation of Exchange Fee."

¹⁰ *Id.* at Art. 5 and Exhibit 2.

¹¹ *Supra* note 5 above, Attachment 2.

¹² *Id.*, Attachment 2 at sec. 4.(c), subsec. 1(ii).

term of the New Southwest Agreement in accordance with the attached amendment.

3.2.4. Concurrently with providing Southwest with the following data, or as soon thereafter as is practical, SoCalGas will also provide DRA:

3.2.4.1. An itemized accounting of the actual Pisgah Meter Station capital improvement costs with any supporting work papers, accounts, or other papers that are provided to Southwest;

3.2.4.2. A schedule of the estimated capital-related and O&M Pisgah Meter Station Charges to be paid by Southwest over the remaining term of the New Southwest Agreement, including dates and amounts of each Southwest payment; and

3.2.4.3. A statement of the Pisgah In-Service Date.

3.2.5. The Applicants will send electronically or by hardcopy the information described above to DRA Kelly Lee, at 505 Van Ness Avenue, San Francisco CA 94102.

3.3. Other Provisions and the Record of Evidence

3.3.1. As for other provisions of the of the New Southwest Agreement and the New SEDGA that are not affected by this Settlement, DRA supports Commission approval of them as long as their implementation is not inconsistent with the amendments attached to this Settlement.

3.3.2. The Parties stipulate to the admission into evidence the Applicants' Prepared Direct and Rebuttal Testimonies and supporting exhibits; DRA's Protest and Report; and this Settlement with the attached amendments.

6. OTHER TERMS AND CONDITIONS

- 6.1. *Commission's Primary Jurisdiction.* The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies pertaining to this Settlement, as provided by California Constitution, article XII, section 8. No Party may bring an action pertaining to this Settlement in any local, State, or Federal court or administrative agency without having first exhausted its administrative remedies at the Commission.
- 6.2. *Further Actions.* The Parties acknowledge that this Settlement is subject to approval by the Commission. As soon as practicable after all the Parties have signed the Settlement, the Parties through their respective attorneys will execute a Motion for Commission Approval and Adoption of the Settlement. The Parties will furnish such additional information, documents, and/or testimony as the Commission may require to grant the Motion and adopt this Settlement.
- 6.3. *Non-Severability.* The provisions of this Settlement are severable. If any Party fails to perform its respective obligations under this Settlement, the Settlement will be regarded as rescinded. Further, if the Commission or any court of competent jurisdiction overrules or modifies any material provision of this Settlement as legally invalid, this Settlement shall be deemed rescinded as of the date of such ruling or decision or when the modification becomes final.

- 6.4. *Voluntary and Knowing Acceptance.* The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Party. Each Party hereby acknowledges that it has read and fully understands its rights, privileges, and duties under this Settlement, including its right to discuss this Settlement with its legal counsel, which the Parties have exercised to the extent deemed necessary.
- 6.5. *No Modification.* This Settlement constitutes the entire Agreement among the Parties regarding the matters set forth herein, which may not be altered, amended, or modified in any respect except in writing and with the express written and signed consent of all the Parties hereto. All prior agreements and understandings, oral or in writing, regarding the matters set forth herein are expressly waived and are of no further force or effect.
- 6.6. *No Reliance.* No Party has relied or presently relies on any statement, promise or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.
- 6.7. *Counterparts.* This Settlement may be executed in separate counterparts by the different Parties and all so executed will be binding on the Parties and have the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and together constitute one and the same Settlement, notwithstanding that the signatures of all the Parties and/or the Parties' attorney or other representative do not appear on the same page of this Settlement or the related Motion.

- 6.8. *Binding Effect.* This Settlement shall become effective and binding on the Parties as of the date when it is fully executed. It shall be binding upon the Parties hereto, their successors, subsidiaries, affiliates, and their respective representatives, agents, officers, directors, employees, and personal representatives, whether past, present, or future. The Parties agree and acknowledge that the Commission may reassert jurisdiction of this matter after issuance of a decision to approve and adopt the Settlement, if it is necessary to enforce the terms and conditions of this Settlement.
- 6.9. *Finality.* This Settlement fully and finally settles any and all disputes in this matter between the Applicants and DRA.
- 6.10. *No Admission.* Nothing in this Settlement or related negotiations may be construed as an admission of any law or fact by any Party, or as precedential or binding on any Party in any other proceeding, whether before the Commission or in a court of law.
- 6.11. *Authority to Sign.* Each Party who executes this Settlement represents and warrants to each other Party that the individual signing this Settlement or the related Motion has the legal authority to do so.
- 6.12. *Future Admissibility.* Each Party signing this Settlement agrees and acknowledges that this Settlement will be admissible in a Commission proceeding for the sole purpose of enforcing the terms and conditions of this Settlement.

6.13. *Rescission.* In the event the Commission rejects or materially alters any provision of the Settlement, the Settlement will be deemed rescinded by the Parties and of no legal effect on the date of issuance of the Commission decision rejecting or materially altering the Settlement. The Parties may negotiate in good faith regarding whether they want to accept the Commission changes and resubmit a revised Settlement.

7. CONCLUSION

The Parties below named have executed this Settlement as of the date appearing below adjacent to each individual Party's signature.

[signature pages follow]

Dated: 1/27/01

DIVISION OF RATEPAYER ADVOCATES

By: [Signature]

DANA APPLING, DIRECTOR

By: [Signature]

CLEVELAND LEE

Attorney for the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave
San Francisco CA 94102
Phone: (415) 703-1792
Fax: (415) 703-2262
E-mail: cwl@cpuc.ca.gov

Dated: _____

PACIFIC GAS AND ELECTRIC COMPANY

By: _____

KEITH SAMPSON

Attorney for Pacific Gas and Electric Company
P.O. Box 7442
San Francisco CA 94120
Phone: (415) 973-5443
E-mail: kts1@pge.com

Dated: _____

SOUTHERN CALIFORNIA GAS COMPANY

By: _____

MICHAEL R. THORP

Attorney for Southern California Gas Company
555 West Fifth Street Suite 1400
Los Angeles California 90013-1011
Phone: (213) 244-2981
Fax: (213) 629-9620
E-mail: mthorp@sempra.com

Dated: _____

DIVISION OF RATEPAYER ADVOCATES

By: _____

DANA APPLING, DIRECTOR

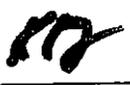
By: _____

CLEVELAND LEE

Attorney for the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave
San Francisco CA 94102
Phone: (415) 703-1792
Fax: (415) 703-2262
E-mail: cwl@cpuc.ca.gov

Dated: 6/25/09

PACIFIC GAS AND ELECTRIC COMPANY

By: 

KEITH SAMPSON

Attorney for Pacific Gas and Electric Company
P.O. Box 7442
San Francisco CA 94120
Phone: (415) 973-5443
E-mail: kts1@pge.com

Dated: _____

SOUTHERN CALIFORNIA GAS COMPANY

By: _____

MICHAEL R. THORP

Attorney for Southern California Gas Company
555 West Fifth Street Suite 1400
Los Angeles California 90013-1011
Phone: (213) 244-2981
Fax: (213) 629-9620
E-mail: mthorp@sempra.com

Dated: _____

DIVISION OF RATEPAYER ADVOCATES

By: _____

DANA APPLING, DIRECTOR

By: _____

CLEVELAND LEE

Attorney for the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave
San Francisco CA 94102
Phone: (415) 703-1792
Fax: (415) 703-2262
E-mail: cwl@cpuc.ca.gov

Dated: _____

PACIFIC GAS AND ELECTRIC COMPANY

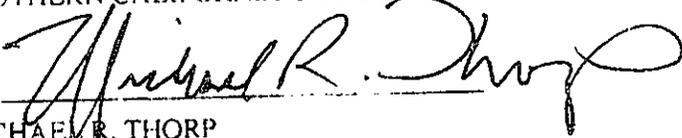
By: _____

KEITH SAMPSON

Attorney for Pacific Gas and Electric Company
P.O. Box 7442
San Francisco CA 94120
Phone: (415) 973-5443
E-mail: kts1@pge.com

Dated: June 25, 2009

SOUTHERN CALIFORNIA GAS COMPANY

By: 

MICHAEL R. THORP

Attorney for Southern California Gas Company
555 West Fifth Street Suite 1400
Los Angeles California 90013-1011
Phone: (213) 244-2981
Fax: (213) 629-9620
E-mail: mthorp@sempra.com

Dated: 06/25/09

SOUTHWEST GAS CORPORATION

By:  _____

KEITH A. BROWN

Attorney for Southwest Gas Corporation

5241 Spring Mountain Road

Las Vegas Nevada 89150-0002

Phone: (702) 876-7157

Fax: (702) 252-7283

E-mail: keith.brown@swgas.com

ATTACHMENT 1

Amendment to 2008 Southwest Exchange Gas Delivery Agreement (SEGDA)
between
Pacific Gas and Electric Company
and
Southern California Gas Company

In accordance with the terms of the Settlement Agreement in Application 08-12-006, Pacific Gas and Electric Company ("PG&E") and Southern California Gas Company ("SoCalGas") hereby agree to the following Amendment of the 2008 Southwest Exchange Gas Delivery Agreement (dated December 8, 2008) filed on December 15, 2008 in Application 08-12-006.

Section 5.1 and Exhibit 2 of the SEGDA are deleted in their entirety and replaced with the following:

ARTICLE 5
EXCHANGE FEE

5.1 First Two(2) Year's Exchange Fee In addition to SoCalGas' daily delivery of an equivalent quantity of gas to PG&E as set forth in Article 3, SoCalGas shall pay each month an exchange fee ("Exchange Fee") per Decatherm of gas PG&E delivers to Southwest during the month. The Initial Exchange Fee of this Agreement shall be as follows:

Year	Exchange Fee \$/Dth
2009	\$ 0.4081
2010	\$ 0.4048 ¹ est.

¹The Exchange fee for 2010 will be calculated based on the PG&E rates in effect January 1, 2010, respectively, and per the calculation methodology in Exhibit 2 to this Agreement.

**Southwest Exchange Gas Delivery Agreement (SEGDA)
Between Pacific Gas and Electric Company
And
Southern California Gas Company**

EXHIBIT 2

Exhibit Date: _____

Calculation Methodology of Exchange Fee

To calculate the Exchange Fee in paragraphs 5.1 and 5.2, PG&E shall use the following:

- a) The backbone transmission rate component of the blended exchange rate is equal to the annual firm SFV transportation service reservation rate (under schedule G-AFT- Annual Firm Transportation On-System Reservation Rate) for on-system service on the Baja Path, converted to a volumetric rate using a 100% load factor (the Usage Charge is not include),
- b) The local transmission rate component of the blended exchange rate is equal to the local transmission default tariff rate component for Schedule G-WSL listed under PG&E's Gas Preliminary Statement B - Default Tariff Rate Components, and
- c) The weighted percentages of PG&E backbone taps on Line 300 and local transmission taps on Line 313 and Line 314 shall be based on the average of historical annual deliveries to Southwest at the Southwest Delivery Points for the prior two years.

PG&E will recalculate a new Exchange Fee commencing January 1, 2011 and thereafter, such that any tariff rate changes that affect the rate components in the calculation of the Exchange Fee will result in PG&E's recalculation of the new fee to SoCalGas. If the new applicable tariff rates specified in this calculation are not yet approved by the CPUC, then the current Exchange Fee being billed will continue until such time PG&E's new applicable tariff rates become effective. Once the new Exchange Fee is calculated, it shall become effective and will be charged to SoCalGas on the first day of the 2nd month following the CPUC approval of the newly applicable tariff rates.

Tariff Rates

	Column A	Column B
Year	Backbone Rate (G-AFT-Baja-on) (\$/per Dth)	LT Rate component (\$/per Dth)
2009	0.3066	0.1543
2010	0.3035	0.1540 est.

* To calculate the average backbone transmission charge for the G-AFT-SFV rate, at its full contract quantity, at 100% load factor, convert the Reservation Rate (\$/Dth/Month) to a volumetric rate (\$/Dth/day). The Usage Charge is not included.

Calculation of Exchange Fee

	Column C	Column D	
2009	0.3066	0.1015	0.4081
2010	0.3035	0.1013 est.	0.4048 est.

The Exchange fee for 2010 will be calculated based on the PG&E rates in effect January 1, 2010, respectively, and per the calculation methodology in Exhibit 2.

	300	1,221
Harper Lake	300	7,006
Daggett/Airport (Barstow I)	300	22,547
Barstow C (Hwy 58)	300	168,083
Daggett (Barstow F)	300	77,373
Needles	300	156,036
Barstow B	300	253,459
Lenwood (Barstow D)	300	313,483
Barstow A (Barstow Rd)	300	60
NEBO Marine Base (Barstow H)	300	193
Martino Ranch	300	161
Woods Ranch	300	483
Massamini Ranch	300	8,214
Mt. View Rd	300	18,682
Marks Rd	300	1,027,001
Line 300 Total:		0.3421
1.300 % of SWG annual total:		17,689
Rabbit Springs (V V E)	313	81
7255 Camprock Rd	313	81
7535 Camprock Rd	313	81
9351 Camprock Rd	313	81
9922 Camprock Rd	313	81
7701 Camprock Rd	313	157
11710 Camprock Rd	313	983,929
Big Bear B	313	24,995
Big Bear A (note 3)	313	1,027,175
Line 313 Total:		0.3421
1.313 % of SWG annual total:		81
Stoddard Wells (V V G)	314	81

Victorville F (Oro Grande)	314	28,221
Victorville D (LaDelta)	314	2,286
Zackey Farm	314	3,772
Hinkley (Barstow E)	314	29,391
Victorville C (Central Rd)	314	884,522
Line 314 Total:		948,273
L314 % of SWG annual total:		0.23%
Total Quantities to SWG		3,002,449

Initial quantities provided by Southwest. Subsequent quantities shall be the average of the actual deliveries for the two years prior to the recalculation of the Exchange Rate.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Amendment.

SOUTHERN CALIFORNIA GAS COMPANY



By

Richard M. Morrow

Printed Name

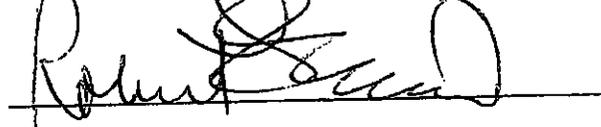
Vice President

Title

6-19-09

Date

PACIFIC GAS AND ELECTRIC COMPANY



By

Robert T. Howard

Printed Name

Vice President, Gas Transmission & Distribution

Title

6/15/09

Date

ATTACHMENT 2

**Amendment to Master Services Contract
Schedule A - Attachment A
between
Southwest Gas Corporation
and
Southern California Gas Company**

In accordance with the terms of the Settlement Agreement in Application 08-12-006, Southwest Gas Corporation ("Customer") and Southern California Gas Company ("Utility") hereby agree to the following amendment of the Master Services Contract, Schedule A, Attachment A (dated December 10, 2008) ("SWG Agreement") filed on December 15, 2008 in Application 08-12-006.

Section 4 (c) (Pisgah Meter Station Charges) of the SWG Agreement is deleted in its entirety and replaced with the following:

4. (c) Pisgah Meter Station Charges

There are two charges associated with the Pisgah Meter Station upgrade: an upgrade charge ("Upgrade Charge") and an operations and maintenance charge ("O&M Charge"). The Upgrade Charge will be billed monthly beginning the first full month following the month the Pisgah Meter Station upgrade is designated in-service by Utility ("Pisgah In-Service Date"). The cost of the upgrade will be fully amortized over the number of months remaining in the Initial Term of this SWG Agreement, beginning with the first full month following the Pisgah In-Service Date ("SWG Amortization Period"). The Upgrade Charge is further described in subsection (1) below. The O&M Charge will be billed as a monthly charge as further described in subsection (2) below.

(1) Upgrade Charge

- i. Initial Upgrade Charge: The cost to upgrade the Pisgah Meter Station to serve the Customer includes costs for construction of all pipeline facilities, interconnection facilities, regulation, and metering necessary for the upgrade (collectively "Pisgah Upgrade"). The current cost of the Pisgah Upgrade is estimated to be equal to one million three hundred thousand dollars (\$1,300,000.00), in 2009 dollars, to be true-up at a later date as described in subsection (ii) below. The Upgrade Charge shall be set at the levelized monthly amount necessary for Utility to recover the same present value over the SWG Amortization Period as would be charged should this asset be placed in ratebase and recovered over the authorized book life required at that time. The present value will be calculated utilizing the CPUC-authorized rate of return in effect for Utility on the Pisgah In-Service Date (e.g. the Utility's authorized rate of return as of the date of this amendment is 8.68 percent).
- ii. Upgrade Charge True-Up: Utility shall have an opportunity to true-up the difference between the estimated and the final actual construction costs after all the Pisgah Upgrade costs have been determined and reconciled. The true-up charge ("True-up Charge") shall be calculated as the per month Upgrade Charge amount for each one million three hundred thousand dollars (\$1,300,000.00) of the true-up amount. After Utility determines the True-up Charge, Customer shall promptly pay a lump-sum amount equal to the True-up Charge times the number of months from the month following the Pisgah In-Service Date until the date of the true-up. For example, assuming an estimated cost of \$1.3 million, a final actual cost of \$1.5 million, and a monthly Upgrade Charge of \$17,000, if it takes fourteen months to true-up the final actual costs, then Customer's True-up Charge will be $(\$17,000 * (\$1.5 \text{ MM} - \$1.3 \text{ MM}) / \$1.3 \text{ MM}) = \$2,615$ per month, and the lump-sum true-up payment will

equal $\$2,615 * 14 = \$36,610$. After the payment of the lump-sum amount, the True-up Charge shall thereafter be added to the Upgrade Charge (e.g. $\$17,000 + \$2,615 = \$19,615$) for the remaining months of the SWG Amortization Period or fewer months if fully amortized prior to the Termination Date. Utility shall provide reasonable documentation support for Customer to verify that the costs are reasonable and have been incurred. If the SWG Agreement is terminated for any reason prior to Customer fully paying the Upgrade Charge, Customer shall pay Utility the remaining balance of the Upgrade Charge in a single lump sum payment within sixty (60) calendar days of such termination, or as otherwise mutually agreed by the Parties.

(2) O&M Charge

The O&M Charge shall be one thousand and seventy-two dollars (\$1,072.00) per month commencing the first month following the month of the Pisgah In-Service Date and continuing for the duration of this SWG Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Amendment.

SOUTHWEST GAS CORPORATION

SOUTHERN CALIFORNIA GAS COMPANY

William N. Moody

Richard M. Morrow

By

By

William N. Moody

Richard M. Morrow

Printed Name

Printed Name

Vice President/Gas Resources

Vice President

Title

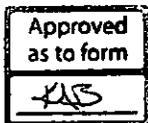
Title

6/16/09

6/22/09

Date

Date



CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of Joint Motion For Commission Approval and Settlement in A. 08-12-006 by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on June 25, 2009 at San Francisco, California.

/s/ NANCY SALYER

Nancy Salyer

NOTICE

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

Service List
A0812006

keith.brown@swgas.com
dakinports@semprautilities.com
cwl@cpuc.ca.gov
j3ls@pge.com
kts1@pge.com
mthorp@sempra.com

ldri@pge.com
sls@a-klaw.com
cem@newsdata.com
regrelcpuccases@pge.com
mrw@mrwassoc.com
sas@a-klaw.com
wmc@a-klaw.com
tyr@cpuc.ca.gov
fcc@cpuc.ca.gov
kcl@cpuc.ca.gov
rmd@cpuc.ca.gov

(END OF ATTACHMENT A)

ATTACHMENT B

TO

**DECISION ADOPTING JUNE 25, 2009 SETTLEMENT
AND APPROVING OF THE CONTRACTUAL ARRANGEMENT
BETWEEN APPLICANTS.**

MASTER SERVICES CONTRACT

SCHEDULE A

INTRASTATE TRANSMISSION SERVICE

This Agreement is entered into by and between Southern California Gas Company ("Utility") and Southwest Gas Corporation ("Customer") as of the 10 day of **December, 2008**. This Agreement shall be deemed attached to and incorporated as a Schedule in the Master Services Contract ("MSC") executed by the Parties.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth herein, the parties agree as follows:

Section 1 - Scope

A. Intent

This Agreement sets forth the general terms and conditions under which Utility will transport gas, or transport and procure gas, for Customer in California pursuant to Utility's applicable Tariff Rate Schedules and Tariff Rules ("Tariffs") on file with the Public Utilities Commission of the State of California ("CPUC"), as are in effect from time to time .

To the extent not inconsistent herewith, the provisions of the MSC are incorporated by reference in this Agreement. All transmission services by Utility shall be paid for by Customer at the rates specified in the applicable Tariffs, except as otherwise specified herein. Nothing in this Agreement shall be construed as preventing Utility and Customer from mutually agreeing to conditions which are more stringent than set forth in the Tariffs.

B. Effective Date/Term

- (1) The Effective Date of this Agreement shall be as of 12:00 AM on: **See Special Conditions (Section 7E)**.
- (2) The initial term of this Agreement shall end on: **See Special Conditions (Section 7E)**.
- (3) Billing Schedule Sequences for terms less than the initial term of this Agreement may be amended or renewed upon expiration as permitted or required in the applicable Tariffs on file with the CPUC. In the event any such Billing Schedule Sequences are not amended or renewed by the Customer, an available Tariff Service that allows a month term may be provided.

At the end of the initial term, this Agreement shall continue thereafter on a month to month basis unless terminated by written notice from one party to the other given not less than twenty (20) days prior to the last day of the initial term or any month thereafter.

Section 2 - Services Provided and Redelivery Locations

Customer has requested and agreed to pay for, and Utility has determined that Customer is qualified for transmission services to the following locations (the data provided will be utilized by Utility in determinations regarding curtailment):

Facility A

Facility Name: Southwest Gas Co.
Account Number: 150-923-4300
Address: 12100 Rancho Road
Adelanto, CA 92301

Mail copy of Bill to this Facility: NO

Facility Mailing Address: _____

Supplemental Facility Account Number(s):

GNN	GNN Service Address
<u>1368927840</u>	<u>3290 Wagon Train Road, Hesperia, CA 92345</u>
<u>1095885799</u>	<u>9850 Whitehaven Street, Hesperia, CA 92344 - 797</u>
<u>1515544750</u>	<u>19000 Dale Evans Parkway, Tap, Apple Valley, CA</u>
<u>864595713</u>	<u>30001 Exeter Street, Lucerne Valley, CA 92356</u>
<u>31964</u>	<u>10501 Baldy Mesa Road, Phelan, CA 92371</u>
<u>33693</u>	<u>12181 Baldy Mesa Road, Phelan, CA 92371</u>
<u>237</u>	<u>17071 Gas Line Road, Adelanto, CA 92301</u>
<u>234</u>	<u>0 Transmission Line 4000, Apple Valley, CA 92301</u>
<u>33692</u>	<u>16900 Bellflower Road, Adelanto, CA 92301</u>
<u>1290</u>	<u>1 Los Flores Road, Adelanto, CA 92301</u>
<u>1380</u>	<u>475 Rancho Road, Adelanto, CA 92301</u>
<u>20876</u>	<u>12100 Rancho Road, Adelanto, CA 92301</u>

Full Requirements: YES (Noncore only)

Facility Customer Contacts

Operations		Emergency	
Name:	Mr. Mark A. Porterfield	Name:	Mr. Mark A. Porterfield
Title:	Supervisor / Technical Service	Title:	Supervisor / Technical Service
Address:	13471 Mariposa Road Victorville, CA 92393	Address:	13471 Mariposa Road Victorville, CA 92393
Tel. No.:	(760) 951-4030	Tel. No.:	(760) 951-4030
Fax No.:	(760) 951-4150	Fax No.:	(760) 951-4150

Customer shall notify Utility in the event of any change in the gas requirements or notification designations for this facility.

BILLING SCHEDULE SEQUENCE 01				
Rate Schedule	Priority	Net Billed	Transmission Rates Tariff/Negotiated	Otherwise Applicable Rate
GT-F9	FIRM	N/A	-TARIFF-	

The term of this sequence is for 15 Years.

MONTHLY SCHEDULED QUANTITY (THERMS)			
January	17,503,902	July	3,948,811
February	12,586,896	August	4,166,462
March	12,811,060	September	4,467,540
April	8,440,860	October	6,308,686
May	5,561,493	November	12,784,770
June	3,993,780	December	15,020,182

Annual Quantity **107,594,442**

Use or Pay Aggregator (Yes/No) **NO**

Customer's regular days for operations under this sequence are:

M x T x W x Th x F x Sat x Sun x

Section 3 - Other Existing Transportation/Exchange Arrangements

- (1) Customer has existing intrastate transportation/exchange arrangements with Utility: **No**
- (2) Date of Arrangement: _____
- (3) Term of Arrangement: _____
- (4) This Agreement shall have no impact on such existing arrangement except: _____

Section 4 - Transportation Services

Customers "Order Control Code" (OCC) for gas transportation by Utility is: **S87**

In the event Customer has elected Transportation Services herein, a Transportation Services Addendum must be completed to indicate the specific account to which any applicable imbalance charges pursuant to imbalance service provided under Tariff Schedule G-IMB shall be applied. Additional elections may be made by the customer, including but not limited to the use of Agent or Contracted Marketer services. Any elections, or changes thereto, made on the Transportation Services Addendum shall be applicable to all Customer Agreements and facilities utilizing the same Order Control Code.

Section 5 - Billing and Payment

Billing and Payment for services hereunder shall be as provided in Utility's Tariff Rule No. 9. Any special billing instructions should be noted in Section 7(E).

Section 6 - Transfer of Rights

Subject to Section 7(A), this Agreement and the rights and obligations hereunder shall only be transferred or assigned with the prior written consent of Utility which shall not be withheld unreasonably, provided that any successor first establishes its "creditworthiness" and assumes such contractual rights and obligations in writing.

Section 7 - Miscellaneous

A. Use or Pay Aggregator: N/A

Use or Pay Aggregators will automatically be authorized to access Customer's meter usage. To the extent applicable, appropriate authorization by Customer (including the the terms and conditions thereof) has been executed and incorporated by reference (as supplemented from time to time) in this Agreement.

B. Contacts/Notices:

Any written notices from one party to the other affecting this Agreement shall be sent to the following locations (unless changed by seven days prior written notice):

Customer
Southwest Gas Co.
5241 Spring Mountain Road
Las Vegas, NV 89150
Attn: Mr. John Olenick
Title: Mgr/Gas Purchases & Trans.

Utility
Southern California Gas Company
555 W. Fifth Street
Los Angeles, CA 90013-1011
Attn: Mr. Oliver Harris
Title: Account Manager

C. Definitions:

All definitions set forth in the Tariffs, including without limitation Utility Rule No. 1, are incorporated herein by reference as if set forth in full.

D. Miscellaneous Legal Provisions:

This Agreement incorporates by reference all terms and conditions of the MSC.

E. Special Conditions: The following special conditions of service are applicable hereto: See Attachment A – Dated December 10, 2008, “Gas Transportation Agreement for Southwest Gas.”

(Signatures appear on the following page.)

WITNESS WHEREOF, the authorized representatives of the parties have executed two duplicate original copies hereof.

Customer

Southwest Gas Corporation

Signature: William N. Moody

Name: William N. Moody

Title: Vice President/Gas Resources

Mo

Utility

Southern California Gas Company

Signature: Richard M. Morrow

Name: Richard M. Morrow

Title: Vice President - Customer Services



MASTER SERVICES CONTRACT

SCHEDULE A

Attachment A – Dated December 10, 2008 (“Effective Date”)

GAS TRANSPORTATION AGREEMENT FOR SOUTHWEST GAS

7.E. Special Conditions: The following special conditions of service are for service to Southwest Gas Corporation and incorporated into Schedule A of the Master Services Contract (“MSC”) previously entered into by and between Southwest Gas Corporation (“Customer”) and Southern California Gas Company (“Utility”). The agreement for this service as set forth in Schedule A and Attachment A shall be hereinafter referenced as the “SWG Agreement.”

1. CPUC Approval and Modifications

(a) SEGDA – Service under this SWG Agreement is subject to and conditioned upon CPUC approval of a Southwest Exchange Gas Delivery Agreement (“SEGDA”) between Utility and Pacific Gas and Electric Company (“PG&E”) regarding the cost and terms to serve Customer's Points of Delivery that are served via PG&E's taps that is acceptable to Utility and PG&E. In the event of any termination or material change in SEGDA because of regulatory or other action the Parties shall meet and attempt to maintain service and the relative economic positions of the Parties hereunder. To the extent that the Parties are unable to mutually agree, either Party may terminate this SWG Agreement on thirty (30) days prior written notice.

(b) CPUC Authorization of SWG Agreement – CPUC authorization of this SWG Agreement is required. Except as provided in Section 2, this SWG Agreement will not become effective unless and until it is approved by the CPUC.

(c) CPUC Application – Utility and Customer will file an application seeking CPUC approval of this SWG Agreement no later than sixty (60) calendar days after execution (or such additional time as Utility and Customer may agree to in writing). The Parties anticipate that Utility and PG&E will seek approval of a new SEGDA at the same time.

(d) CPUC Modifications Prior to Approval – If the CPUC requires substantive changes or modifications to this SWG Agreement, Utility and Customer shall each have the option to notify the other within ten (10) business days after the relevant CPUC decision or order that it is withdrawing, without prejudice or penalty, from this SWG Agreement, and this SWG Agreement shall then be of no further force or effect. Any such withdrawal must be based on commercially reasonable criteria involving materially adverse conditions. In the event a Party notifies the other of its withdrawal because of materially adverse conditions, such notice shall include the specific reasons therefor.

(e) Delay in Approval – If the CPUC does not issue a decision or final order within twelve (12) months after the application for approval of this SWG Agreement is filed, Utility and Customer shall each have the option to withdraw, without prejudice or penalty, from this SWG Agreement, and upon such withdrawal this SWG Agreement shall be of no further force or effect.

(f) Assistance – Each Party will use commercially reasonable efforts to work cooperatively to help the other party obtain all necessary regulatory approvals on a satisfactory basis and to execute and deliver such written instruments as reasonably required from time to time to carry out the intent and terms of this SWG Agreement.

(g) CPUC Modifications After Approval – This SWG Agreement is subject at all times to modification by the CPUC. If, at any time, the CPUC modifies or conditions this SWG Agreement, SEGDA, or the regulations of the intrastate systems of either Party or PG&E, such

that there is a material impact on this SWG Agreement that is reasonably unacceptable to a Party, then the Parties reserve the right to renegotiate this SWG Agreement, or failing such attempts to renegotiate, then, upon not less than thirty (30) days prior written notice, the Party may terminate this SWG Agreement without prejudice or penalty.

2. Term

The provisions of Section 1 are effective on the Effective Date. The remaining provisions of this SWG Agreement shall become effective on the first day of the month immediately following the later of the approval by the CPUC of: (a) this SWG Agreement, reasonably acceptable to each Party; or (b) SEGDA, reasonably acceptable to Utility and PG&E ("Commencement Date"). This SWG Agreement shall be null and void if the CPUC does not approve this SWG Agreement and SEGDA on or before November 15, 2010. The initial term shall end fifteen (15) years after the first April 1st that occurs on or after the Commencement Date ("Initial Term"). This SWG Agreement shall extend automatically for one year terms thereafter unless and until either party has provided the other with a minimum of twelve (12) months prior written notice of termination to be effective at the end of the Initial Term or any subsequent one-year extension, except as set forth in this SWG Agreement.

3. Pisgah Meter Station

Utility will make commercially reasonable efforts to upgrade the Pisgah Meter Station no later than twelve (12) months from the Commencement Date of this SWG Agreement to facilitate daily delivery of exchange quantities of gas into PG&E's system for subsequent redelivery to Customer through Points of Delivery served by PG&E. Pursuant to Section 4(c), Customer shall pay the actual cost of the Pisgah Meter Station upgrade, including all applicable taxes. In the event that use of the Pisgah Meter Station becomes infeasible, Utility shall provide written notice to Customer as soon as reasonably possible. Unless otherwise agreed, Customer shall be responsible for the actual costs, including taxes and Tax Gross-Ups, necessary to develop a replacement facility for the daily delivery of exchange quantities into the PG&E system. If replacement facilities are operationally or economically infeasible, then either party may terminate this SWG Agreement upon thirty (30) days written notice to the other Party.

4. Rates

(a) Points of Delivery served by Utility

For gas quantities redelivered through taps at Utility Points of Delivery, the rate shall be the adopted rate for Customer as determined by any Utility rate-setting proceeding and subsequently filed and published in the GW-SWG or successor tariff schedule ("Standard Rate").

(b) Points of Delivery served by PG&E

For gas quantities redelivered through taps at PG&E Points of Delivery, the rate shall be the exchange fee specified in SEGDA ("Exchange Fee"), as it may be changed or amended from time to time, plus the System Balancing Cost Adder ("SBCA"). For purposes of this SWG Agreement, the Exchange Fee plus the SBCA shall be the "Exchange Rate".

SBCA is defined as the sum of Utility's total storage load balancing costs and Utility's total company use gas storage load balancing costs divided by Utility's total forecasted average year throughput as approved from time to time by the CPUC in the Utility's cost allocation procedure or such other rate as is approved by the CPUC for such balancing service in Utility's Biennial Cost Allocation Proceeding ("BCAP") or other applicable ratesetting proceeding. The initial SBCA should be \$0.0136 per Dth, based on the assumption that the as-filed components in the Utility's 2009 BCAP Errata filed on October 6, 2008 will be approved.

SEGDA will control and be determinative of the Exchange Fee for service through PG&E Points of Delivery. The calculation methodology for the Exchange Fee is described in Exhibit 2 of SEGDA. Any newly calculated Exchange Rates under this SWG Agreement (whether because of

a change in the Exchange Fee or the SBCA or both) will become effective and will be charged to SWG on the first day of the second month following CPUC approval of the applicable changes. Neither the implementation of Utility's firm access rights program, nor Customer's purchase of such rights, will have any effect on the calculation of the Exchange Rate. In no event shall the calculation methodology in SEGDA be changed or altered without prior written notice to Customer and opportunity for Customer to participate in any CPUC application or advice letter requesting review, change or alteration.

The amount billed to Customer for the Exchange Rate shall include, if applicable, any surcharges or taxes, including a gross-up for franchise fees based on the factor most recently adopted by the CPUC.

(c) Pisgah Meter Station Charges

There are two charges associated with the Pisgah Meter Station upgrade; an upgrade charge ("Upgrade Charge") and an operations and maintenance charge ("O&M Charge"). The Upgrade Charge will be billed monthly so that it is amortized over one hundred eighty (180) months as further described in subsection (1) below. The O&M Charge will be billed as a monthly charge as further described in subsection (2) below.

(1) Upgrade Charge

The Upgrade Charge shall be sixteen thousand one hundred and sixteen dollars (\$16,116.00) per month based on the estimated cost of one million three hundred thousand dollars (\$1,300,000.00) for construction of all pipeline facilities, interconnection facilities, regulation, and metering necessary to upgrade the Pisgah Meter Station to serve the Customer (collectively "Pisgah Upgrade"). Utility shall have an opportunity to true-up the difference between the estimated and the final actual construction costs after all the Pisgah Upgrade costs have been determined and reconciled. The true-up charge ("True-up Charge") shall be calculated as $\$16,116$ per month for each one million three hundred thousand dollars (\$1,300,000.00) of the true-up amount. After Utility determines the True-up Charge, Customer shall promptly pay a lump-sum amount equal to the True-up Charge times the number of months from the Commencement Date until the date of the true-up. For example, assuming an estimated cost of \$1.3 million and a final actual cost of \$1.5 million, if it takes fourteen months to true-up the final actual costs, then Customer's True-up Charge will be $(\$16,116 * (\$1.5 \text{ MM} - \$1.3 \text{ MM}) / \$1.3 \text{ MM} = \$2,479$ per month, and the lump-sum true-up payment will equal $\$2,479 * 14 = \$34,706$. After the payment of the lump-sum amount, the True-up Charge shall thereafter be added to the Upgrade Charge (Ex. $\$16,116 + \$2,479 = \$18,595$) for the remainder of the one hundred eighty months of the amortization period or less than 180 months if fully amortized prior to the Termination Date. Utility shall provide reasonable documentation support for Customer to verify that the costs are reasonable and have been incurred. If the SWG Agreement is terminated for any reason prior to Customer fully paying the Upgrade Charge, Customer shall pay Utility the remaining balance of the Upgrade Charge in a single lump sum payment within sixty (60) calendar days of such termination, or as otherwise mutually agreed by the Parties. All dollar amounts in this section are based on 2009 dollars.

(2) O&M Charge

The O&M Charge shall be one thousand and thirty-four dollars (\$1,034.00) per month for the duration of this SWG Agreement.

5. PG&E Local Curtailment, EFO and EFO/Diversion Charges

In the event that PG&E notifies Utility that it is experiencing system problems, Utility may request Customer curtail its noncore customers at some or all of the PG&E Points of Delivery in the then-current Exhibit 1. Customer agrees to curtail noncore load to levels required by PG&E pursuant to PG&E's Rule 14 and abide by other applicable rules either to meet local curtailment

requirements and/or to make gas quantities available for Diversion to avoid EFO/Diversion charges. Utility shall inform Customer as soon as reasonably possible after Utility is aware that PG&E's system is subject to an Emergency Flow Order ("EFO") and/or an EFO Diversion. Utility's notice shall include the amount of supply that Utility scheduled into PG&E's system on behalf of Customer for deliveries prior to, and on the day an EFO and/or an EFO/Diversion event is called. Customer will be responsible for paying all applicable charges pursuant to PG&E's Rule 14 when Utility's commercially reasonable efforts to deliver quantities of gas to PG&E during critical periods when PG&E's system is subject to EFO or EFO/Diversion charges are insufficient to avoid the assessment of EFO and/or Diversion charges if Customer has been unable to curtail noncore load to levels required by PG&E either to meet local curtailment requirements or to make gas quantities available for Diversion to avoid EFO/Diversion charges. In the event Customer's supply is involuntarily diverted by PG&E, Customer shall receive a diversion credit, in an amount equal to that received by Utility from PG&E, in accordance with PG&E's Rule 14 Section G.3 as amended from time to time. A diversion by PG&E shall not be interpreted as an event that would trigger or result in Utility paying Customer a Service Interruption Credit pursuant to Section L of Utility's Rule 23 or its successor.

6. Points of Delivery

The Points of Delivery where Utility shall deliver to Customer directly, or by exchange through PG&E Delivery Points, are listed in Exhibit 1 attached hereto and made part of this SWG Agreement, as such Exhibit 1 is subsequently amended from time to time. All deliveries are subject to the conditions specified for any particular Delivery Point in the then-current Exhibit 1, such as, but not limited to, the maximum gas quantities and delivery pressures at such location on any given day, as set forth therein.

Under its normal current operations, Utility can provide the Minimum Operating Pressures (MinOP) identified for the Utility Points of Delivery, but Utility does not guarantee these MinOPs. However, Utility will use commercially reasonable efforts to provide MinOPs at Utility's Points of Delivery at the levels set forth in Exhibit 1 as of the Commencement Date of this SWG Agreement or as may be subsequently amended from time to time. In the event additional costs are necessary to maintain MinOPs at the Utility Points of Delivery, Customer will be solely responsible for all said costs. The Parties will meet annually to update Exhibit 1 with regard to the Utility Points of Delivery, and to the extent feasible, Utility will promptly notify Customer in advance if a change to any MinOP or maximum allowable operating pressure ("MAOP") is planned or anticipated for Utility's Points of Delivery.

Utility will notify Customer of any changes in the minimum delivery pressures at the PG&E Points of Delivery listed in the then-current Exhibit 1 when Utility is notified of any such changes pursuant to Sections 4.4 and 4.5 of SEGDA. Customer shall respond in a timely manner to Utility requests for information regarding such PG&E notifications to Utility, and Customer shall make timely decisions regarding new or modified facilities that may be required to maintain minimum delivery pressures at the PG&E Points of Delivery. Customer will be solely responsible for all costs, including taxes and Tax Gross-Ups, of such new or modified facilities, whether the facilities are owned by PG&E, Utility or Customer, unless otherwise agreed upon among the parties. Customer acknowledges and agrees that Customer's failure to promptly respond to Utility requests for information, or Customer's failure to make timely decisions regarding new or modified facilities, may result in PG&E reducing such minimum delivery pressures at the PG&E Points of Delivery and Exhibit 1 shall be amended to reflect the new lower minimum delivery pressures.

7. Service Exhibits

It is anticipated that the various Exhibits specifying the services to be provided hereunder may be modified or superseded from time to time during the term hereof. Each such modifying or superseding Exhibit shall have an effective date, and be executed by an authorized representative of each of the parties hereto.

8. Changes in Deliveries, and Incremental and New Facilities

(a) Yearly Planning – On or before February 1 of each calendar year, Customer will provide to Utility, for Utility's planning purposes, the Customer's estimate of peak day, monthly and annual core and noncore gas requirements, respectively, for the next three (3) years, for each Point of Delivery. In addition, if at any time Customer determines that its peak daily demand is expected to increase above the contracted amount listed in the then-current Exhibit 1 for any Point of Delivery, Customer will notify Utility of this fact as soon as possible.

(b) Winter Assessment For Points of Delivery – On, or before, August 1st of each year, Customer shall provide to Utility an estimate of its peak hour deliveries for the coming winter and the percentage of core customer load for each Point of Delivery listed on the then-current Exhibit 1.

(c) Assessment of Incremental Facility Needs – Utility and Customer will mutually assess whether or not new or modified facilities will be needed to serve any incremental load or to increase delivered pressure or MinOP, if possible, at any Point of Delivery above the contracted amounts existing as of the Commencement Date of this SWG Agreement and when such facilities need to be in place. To the extent any such facilities are needed, the Parties will mutually determine the manner and method of satisfying such need.

(d) Utility Facilities for Incremental Load and Delivered Pressure Increases – To the extent Utility agrees to build incremental facilities or modifies existing facilities on its system to accommodate Customer's requests to serve incremental load or to increase the delivered pressure or MinOP, if possible, at a Point of Delivery, the costs for such investments shall be recovered through CPUC-approved rate and cost recovery mechanisms acceptable to Utility.

(e) Ownership of Facilities – All facilities made available by either Party under this SWG Agreement shall be and remain the property of such Party.

(f) Sufficient Lead Time for Incremental Facilities – In the event that Customer determines that Customer's usage may increase to the point that additional or new facilities may be required as mutually agreed, above, Customer shall provide a minimum of twenty-four (24) months prior written notice to Utility for it to begin necessary planning and construction of new or incremental facilities. Service to Customer in excess of the contracted quantities prior to the end of such twenty-four (24) month period will be on an interruptible basis only, unless the parties mutually agree on an earlier date.

(g) Notice to Customer of Changes in Utility's Delivery Capability – Subject to Section 8(c), Utility shall promptly notify Customer of any planned or actual pressure deviations below the MinOPs or above the MAOPs which would affect the daily delivery capability of the facilities made available under this SWG Agreement either due to Customer additions on Utility's system or changes in Utility's load requirements by existing customers.

9. PG&E Facilities

(a) New, Additional or Relocated Facilities – Utility may request in writing that PG&E construct new, additional or relocated facilities for deliveries to Customer. Such facilities shall only serve Southwest Gas customers within Customer's CPUC approved service territory boundaries.

(b) Engineering and Cost Estimates – Upon receipt of a written request for new, additional, or relocated facilities, the Parties understand that PG&E would proceed under its standard process, as described briefly below. Upon receipt of the location, size and other necessary and applicable

information requested by PG&E from Utility concerning the requested facilities, PG&E would provide an informational review at no cost. The informational review will provide the availability of capacity, advise whether reinforcement to PG&E's pipeline to provide capacity for a requested service change is necessary, including a description of required facilities, identify the resulting effect of new load pressures at existing Customer taps, if applicable, and specify the applicable size and type of the meter, meter piping, and regulator. If Utility chooses to proceed with the project based on the results of the informational review, PG&E would provide a reasonable estimate of the cost for a preliminary engineering study. The preliminary engineering study would provide the estimated cost of the requested facilities, including but not limited to, the cost of all studies, engineering, permitting, materials and construction. Utility shall provide the results of the informational review, cost estimate, and contract terms to Customer. Customer shall provide Utility with written notice within the time frames established by PG&E or Utility if it wishes to proceed with either the preliminary engineering study or construction of the PG&E facilities. After receipt and confirmation of Customer's wishes, Utility would provide PG&E a written notice to proceed as instructed by Customer. Utility and PG&E would then enter into a separate conforming agreement for such work requested through Utility.

(c) Payment of Costs – The actual costs of any requested PG&E facilities for Customer for which there is a notice to proceed, including engineering costs for studies or estimates, shall be paid for by Customer. Customer agrees to pay to Utility the actual costs for the requested work including an amount equal to income tax on the amount of the payment calculated at the applicable tax rate for PG&E as authorized in its tariffs. The payments by Utility to PG&E under this SWG Agreement are considered to be a taxable event to PG&E (these taxes are referred to collectively as "Tax Gross-Up"). Prior to the commencement of any work to be performed by PG&E, Customer shall pay to Utility a cash advance for the estimated cost of the work requested. The cost estimate for the requested work shall consist of PG&E's good faith cost estimate of the actual costs that PG&E will incur in performing the requested work (including normal overhead costs and Tax Gross-Up). This estimate is a good faith estimate and in no way limits Customer's obligation to reimburse Utility for the actual costs charged by PG&E.

10. Continuing Obligation

Any cancellation, termination or expiration of this SWG Agreement, or assignment or conveyance or other transfer of any right or interest in this SWG Agreement, shall not relieve Customer of liability for payment for any costs incurred prior to receipt of notice of such cancellation, termination or expiration for requested new, additional or relocated facilities for which there is a notice to proceed.

11. Monthly Usage Data for PG&E Points of Delivery

By the 23rd day of the subsequent month after the flow month, Customer shall provide to Utility and PG&E the metered usage for each PG&E Delivery Point that is owned or controlled by Customer as listed in Exhibit 1 to this SWG Agreement. The total billable monthly quantity of the Harper Lake tap will be the total measured quantity less the monthly measured quantity for LUZ Solar Partners, LTD. VIII ("LUZ"). Customer will provide Utility by the 23rd day of each subsequent month the monthly measured quantity for the preceding month for LUZ.

12. Measurement and Testing

(a) Measurement Equipment – As of the effective date of this SWG Agreement, Customer owns and controls certain measuring devices to measure gas deliveries from PG&E to Customer. Industry standard meters and other Customer or Utility measurement equipment shall be in compliance with the most recent version of the applicable CPUC general order, American National Standards Institute ("ANSI") or American Gas Association ("AGA") Reports that support the particular type of metering equipment and manufacturers recommendations in effect from time to time. The Party owning the measurement facility shall be responsible for carrying out measurement activities as provided for in this Section 12 unless otherwise mutually agreed.

(b) Testing – Each Party 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 the other Party's measurement equipment used in measuring deliveries from Utility or PG&E. The non-owning party shall have the right to request a test of any meter or other piece of equipment at any reasonable time. Each Party shall give to the other Party sufficient advance notice of the time of all such tests so that the other Party may conveniently have its representatives present. The methods of testing shall be agreed upon by the Parties. However, if any such requested test shows that the meter was registering within one percent (1%) of rated full scale meter capacity, then the cost of such requested test shall be borne by the non-owning Party. If Customer requests Utility to have a PG&E meter or other equipment tested and such requested test shows that the meter was registering within one percent (1%) of rated full scale meter capacity, then the cost of such requested test shall be borne by Customer. Additional tests for gas quality requested by the non-owning Party shall be performed at the non-owning Party's expense. Test results shall be shared between the Parties. The records from such measuring equipment shall remain the property of their owner, but upon request each Party will make available to the other during normal business hours copies of such records and charts, together with calculations therefrom, or inspection and verification.

(c) Incorrect Constant Value – When a measurement inaccuracy of measurement equipment is the result of using incorrect constant values in the flow equation, the quantity of delivered gas shall be recalculated using the correct values. Examples of incorrect constant values include, but are not limited to, basing calculations on the incorrect meter tube size, static pressure range, Heating Value, and constants of gas constituents. Such constant value inaccuracy shall be corrected back to the date reasonably determined that such constant value error first occurred. For purposes of this SWG Agreement, "Heating Value" shall mean the quantity of heat, measured in Btu, produced by the complete combustion of one (1) Standard Cubic Foot of anhydrous gas. The Heating Value shall be the gross or higher heating value that is obtained when all of the products of combustion are cooled to standard conditions of sixty degrees Fahrenheit (60°F) and 14.73 psia, and the latent heat of the water vapor formed during combustion is reclaimed.

(d) Measurement Accuracy – If, upon testing, the measurement equipment is found to be in error by not more than one percent (1%), previous recordings of such equipment shall be considered accurate in computing deliveries, but such equipment shall be adjusted at once to record accurately.

(e) Measurement Inaccuracy – If, upon testing, the measurement equipment shall be found to be inaccurate by an amount exceeding one percent (1%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period that is known definitely or agreed upon. In case the period is not known or agreed upon, such correction shall be for a period equal to the lesser of one-half of the time elapsed since the date of the last test or one (1) month.

(f) Out of Service Meter – In the event a meter is out of service or registering inaccurately, the quantity of gas delivered shall be determined:

- i. By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations; or in the absence of i., then
- ii. By using the registration of any check meter or meters, if installed and accurately registering; or in the absence of both i. and ii., then
- iii. By estimating the quantity of delivery during periods under similar conditions when the meter was registering accurately.

(g) Check Meters – The non-owning Party may install or cause to be installed and operate check meters at its option and expense to check the owning Party's meters, but measurement of gas for the purpose of this SWG Agreement shall be by the owning Party's meters. Such check meters

and equipment shall be installed so as not to interfere with the operation of the meters and measuring equipment now existing or to be installed by the owning Party.

13. Additional Provisions

(a) Conflict and Control – To the extent any term or condition of the MSC or Utility's tariffs conflicts with these Special Conditions, then the terms and provisions of these Special Conditions will control.

(b) Hinshaw Exemption – All gas delivered hereunder shall be for use only within the State of California and the sale and redelivery of all gas to third parties shall conform to all applicable regulation and tariffs of the CPUC. Neither Party shall take any action which subjects the other Party to the jurisdiction of the Federal Energy Regulatory Commission ("FERC") or any succeeding agency, or otherwise affects the continuation of the other Party's "Hinshaw Exemption" under Section 1(c) of the Natural Gas Act. Any violation of this Section 13(b) shall be cause for immediate termination of this SWG Agreement.

(c) Government Action – If at any time during the term hereof, any governmental authority having jurisdiction shall take 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 the Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this SWG Agreement, the Parties shall negotiate in good faith to modify this SWG Agreement so that performance by both Parties is sustainable and the balance of benefits and burdens established hereunder is preserved to the extent possible under the changed circumstances. If the Parties cannot mutually agree on appropriate changes to this SWG Agreement then either Party may, upon thirty (30) days written notice to the other Party, terminate this SWG Agreement without further liability or obligation of either Party to the other, except as to any money or gas due and payable as provided in this SWG Agreement.

(d) Early Termination for Cause – If either Party breaches the terms of this SWG Agreement, or fails to observe and comply with all applicable laws, rules, orders, ordinances, codes and regulations in any material way, and does not after written notice of said breach or noncompliance, proceed with due diligence to correct the situation, the other Party shall have the right to cease performance hereunder and may, upon delivery of ten (10) days prior written notice, terminate this SWG Agreement as it applies to an individual Point of Delivery or this SWG Agreement as a whole. Such termination shall not relieve any Party from the obligation to pay monies, correct any imbalance or otherwise discharge any obligation arising prior to such termination.

(e) Force Majeure – In the event that either Party is rendered unable, wholly or in part, by force majeure (as defined in the applicable Gas Tariffs and Rules of the Party claiming Force Majeure) to carry out their respective obligations under this SWG 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 practicable with all reasonable dispatch.

(f) Entire Agreement – This SWG Agreement, including Exhibit 1 and subsequent updates to this exhibit, 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. This SWG Agreement, and any subsequent modifications or

amendments, may be executed in counterpart, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Audits – At its own cost, each party or its designated representatives shall retain its own accounting records, and have reasonable access to the accounting records maintained by the other Party, which directly relate to this SWG Agreement, for two (2) years after the date of delivery of gas hereunder, which right survives after any termination of this SWG Agreement.

(h) Assignment – Except for a transfer to a CPUC approved successor in interest acquiring substantially all the assets of either party, this Agreement (and any rights or obligations related thereto) shall not be assigned without the prior written consent of the other party, which consent shall not be withheld unreasonably; provided, however, that the non-assigning party may require that any assignee confirm in writing its express assumption of all rights and obligations hereunder and establish the assignee's creditworthiness to perform and discharge such rights and obligations. Assignment shall be permitted only of the entire SWG Agreement, and not any portion thereof (or rights related to a portion of this SWG Agreement).

(i) Representations – As of the execution date and Commencement Date each party represents and warrants to the other party that:

- i. It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- ii. The execution, delivery and performance of this SWG Agreement is within its power, have been duly authorized by all necessary action (other than the regulatory approvals set forth in Section 1) and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any applicable laws;
- iii. This SWG Agreement constitutes its legally binding obligation enforceable against it in accordance with its terms.

(j) Termination of Previous Wholesale Agreement – As of the Commencement Date, the California Wholesale Gas Transportation and Storage Service Agreement between Utility and Customer, entered into as of March 4, 1993, as amended, is terminated and shall have no further force or effect.

[Signature Page to Follow]

IN WITNESS WHEREOF, the authorized representatives of the parties have executed two (2) duplicate original copies of this SWG Agreement as of the Effective Date.

Southwest Gas Corporation

By: William N. Moody

Name: William N. Moody

Title: Vice President/Gas Resources

Southern California Gas Company

By: Richard M. Morrow

Name: Richard M. Morrow

Title: Vice President - Customer Services



EXHIBIT 1
POINTS OF DELIVERY
 Exhibit Date: 12/08/2008
PG&E TAPS/POINTS OF DELIVERY

NAME (TAPS/POINTS OF DELIVERY)	PG&E Line	SWG Peak GPM	SWG Peak Demand (MGD)	Line Capacity Total Percentage	Average Daily Demand (MGD)	PG&E Pipeline Demand Pressure (MG)	Minimum Pipeline Delivery Pressure (SWG Peak Demand Per Hour Using Column A (PSIG))	SWG Maximum Pressure Requested (PSIG)	Asset Owned	Primary Working Set Point (SWG) (PSIG)	Estimated Maximum Differential Pressure Drop Across PG&E Meter/Regulator Station
			Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I
Harper Lake	300	955	57	100	230	400	400	550	PG&E	550	33
Daggett/Airport (Barstow I)	300	84	5	100	43	400	400	30	PG&E	30	33
Barstow C (Hwy 58)	300	272	17	100	144	400	400	40	PG&E	37	33
Daggett (Barstow F)	300	1376	65	35	796	400	400	115	PG&E	115	33
Needles	300	955	57	100	335	400	400	200	PG&E	185	33
Barstow B	300	1669	98	89	1070	400	400	115	PG&E	115	33
Lenwood (Barstow D)	300	2787	171	97	1552	400	400	115	PG&E	115	33
Barstow A (Barstow Rd)	300	3795	234	98	1732	400	400	115	PG&E	115	33
NEBO Marine Base	300	2	1	100	1	400	400	682	SWG	NA	NA
Martino Ranch	300	2	1	100	1	400	400	682	SWG	NA	NA
Woods Ranch	300	2	1	100	1	400	400	682	SWG	NA	NA
Massamini Ranch	300	6	1	100	1	400	400	682	SWG	NA	NA
Mt. View Rd	300	100	6	100	34	400	400	861	SWG	NA	NA
Marks Rd	300	226	14	100	62	400	400	573	SWG	NA	NA
Hinkley (Barstow E)	300/314	356	22	100	215	400	400	861	SWG	NA	NA
Rabbit Springs (V V E)	313	234	14	100	59	90	90	40	PG&E	35	33
7255 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
7535 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
9351 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
9922 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA

EXHIBIT 1
POINTS OF DELIVERY (Cont.)
 Exhibit Date: 12/08/2008
SoCalGas TAPS/POINTS OF DELIVERY

SoCalGas Taps/Points of Delivery	SoCalGas Line	SWG Peak Dth. per Day	SWG Peak Dth. per Hour	Peak Hour Core Load Percentage	SWG Daily January Loss Dths. per Day	SoCalGas Pipeline Design Minimum Operating Pressure (psig)	SWG Maximum Pressure Requested (psig)	Regulation Owned By
Adelanto Tap	235	16,972	978	91	5,870	475	832	SWG
Gas Line Rd	235	27,374	1,515	81	13,950	475	832	SWG
Bellflower Road	235	133	8	100	36	475	832	SWG
Dale Evans	235	362	22	100	108	475	936	SWG
Rancho Tap	235	1,243	74	99	669	475	832	SWG
Proposed Station – Baldy Mesa Road and Mesquite Road	1185	2,821	169	99	N/A	450	782	SCG
Duncan Tap	1185	194	12	100	1	450	860	SWG
Smoke Tree	1185	998	60	100	444	450	782	SWG
Whitehaven	1185	387	23	100	118	450	782	SWG
Las Flores (Hesperia)	4000	9,130	547	99	5,091	400	791	SWG
Roundup Way	4000	26,374	1487	85	10,515	450	824	SWG
Wagon Train	4000	4	1	100	3	410	722	SWG
Exeter Road	4000	6,680	338	100	2,470	450	824	SCG

*January 2008 data.

ATTACHMENT C

TO

**DECISION ADOPTING JUNE 25, 2009 SETTLEMENT
AND APPROVING OF THE CONTRACTUAL ARRANGEMENT
BETWEEN APPLICANTS.**

2008 Southwest Exchange Gas Delivery Agreement (SEGDA)
between
Pacific Gas and Electric Company
and
Southern California Gas Company

This Southwest Exchange Gas Delivery Agreement ("Agreement") is made and entered into as of December 8, 2008 ("Effective Date") by and between Pacific Gas and Electric Company, a California corporation ("PG&E"), limited for all purposes hereunder to its Gas Transmission and Distribution function, and Southern California Gas Company, a California corporation ("SoCalGas"). PG&E and SoCalGas may be referred to individually as a "Party" or collectively as the "Parties."

WHEREAS, PG&E 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"); and

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 CPUC; and

WHEREAS, SoCalGas provides wholesale gas service to its customer Southwest Gas Corporation ("Southwest" or "SWG") under its authorized tariffs and agreements; and

WHEREAS, Southwest is physically interconnected to and receives gas flow from various tap points on the PG&E pipeline system located in or near Southwest's service territory ("Southwest Delivery Points"); and

WHEREAS, the Parties desire to implement this Agreement in order to set forth the terms and conditions under which (1) SoCalGas shall make daily deliveries of gas to PG&E; (2) PG&E shall concurrently complete an exchange by making equivalent daily gas deliveries to Southwest at Southwest Delivery Points; (3) operations and systems management shall be facilitated on the Parties' respective systems; and (4) all gas delivered or exchanged pursuant to this Agreement shall be accounted for and any resulting imbalances that may occur shall be cleared.

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

Except in those instances where this Agreement expressly provides otherwise, the following capitalized terms when used in this Agreement shall have the following meanings:

- 1.1 **British Thermal Unit or Btu** – The standard unit for measuring a quantity of thermal energy exactly defined as equal to 1,055.05585262 joule, rounded to 1,055.056 joule. (A joule is equal to one watt-second.)
- 1.2 **CPUC** – The Public Utilities Commission of the State of California or any successor regulatory body.
- 1.3 **Decatherm** – A unit of energy equal to ten therms, or one million Btu.

- 1.4 Exchange Interconnect – An interconnection point between the PG&E pipeline system and the SoCalGas pipeline system for the daily delivery of gas from SoCalGas to PG&E.
- 1.5 Facilities – The gas pipelines, taps, valves, quantity and quality measurement equipment, communication equipment and other related equipment installed and/or owned by a Party and which are necessary to deliver gas to, or receive gas from the other Party.
- 1.6 Heating Value – The quantity of heat, measured in Btu, produced by the complete combustion of one (1) Standard Cubic Foot of anhydrous gas. The Heating Value shall be the gross or higher heating value that is obtained when all of the products of combustion are cooled to standard conditions of sixty degrees Fahrenheit (60°F) and 14.73 psia, and the latent heat of the water vapor formed during combustion is reclaimed.
- 1.7 MAOP – Maximum Allowable Operating Pressure.
- 1.8 Psia – Pounds per square inch absolute.
- 1.9 Psig – Pounds per square inch gauge.
- 1.10 Southwest Delivery Points – The points at which Southwest Facilities and PG&E Facilities interconnect as specified in Exhibit 1.
- 1.11 Standard Cubic Foot/Feet – When used in the context of natural gas, the quantity of gas which occupies one (1) cubic foot when such gas is at a temperature of sixty degrees Fahrenheit (60°F) and fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia).

ARTICLE 2

TERM

- 2.1 Effective Date and Term – The provisions of paragraphs 10.1, 10.2, 10.3 and 10.7 are effective on the Effective Date. The remaining provisions of this Agreement shall become effective on the first day of the month immediately following the later of the date of approval by the CPUC of: (a) this Agreement reasonably acceptable to each Party; or (b) the wholesale agreement between SoCalGas and Southwest (“Wholesale Agreement”) reasonably acceptable to SoCalGas (“Commencement Date”). This Agreement shall be null and void if the CPUC does not approve this Agreement and the Wholesale Agreement on or before November 15, 2010. The initial Term shall be fifteen (15) years from the first April 1st that occurs on or after the Commencement Date (“Initial Term”). The Agreement shall extend automatically for one year terms thereafter unless and until either party has provided the other with a minimum of twelve (12) months prior written notice of termination to be effective at the end of the Initial Term or any subsequent one-year extension, except as set forth in paragraph 3.3, Article 10 and paragraph 14.4. If the Wholesale Agreement between SoCalGas and Southwest terminates for any reason, gas deliveries under this Agreement shall cease as of the date of termination of the Wholesale Agreement, and this Agreement shall terminate sixty (60) days after the date of the termination of the Wholesale Agreement to permit the Parties to make any final payments, clear any gas imbalances or otherwise discharge any obligation arising under this Agreement prior to the termination of gas deliveries hereunder. SoCalGas shall provide PG&E notification twenty-five (25) days prior to the date of termination of the Wholesale Agreement.

ARTICLE 3
NOMINATIONS AND DELIVERIES FROM SOCALGAS TO PG&E

- 3.1 Daily Nominations from SoCalGas to PG&E** – SoCalGas shall place daily nominations to PG&E for the estimated gas quantities to be concurrently delivered by PG&E to Southwest for that gas day. These nominations shall have priority over other nominations from SoCalGas to PG&E. All daily nominations, confirmations, and other operating matters shall be conducted based on existing practices and procedures between the Parties or as specified in this Agreement. In the event of any inconsistency, the terms of this Agreement shall be deemed to control. The Parties shall cooperate and communicate each day concerning nominations, delivery of gas or other matters applicable to this Agreement.
- 3.2 Primary Point of Deliveries from SoCalGas to PG&E** – The primary point of daily physical deliveries of exchange gas nominated from SoCalGas to PG&E as set forth in paragraph 3.1, shall be by displacement at PG&E's Kern River Station ("KRS"). These daily displacement quantities will continue to be included as a credit nomination for capacity purposes against scheduled, forward haul deliveries from PG&E to SoCalGas at KRS.
- 3.3 Secondary Point of Deliveries from SoCalGas to PG&E** – During periods when displacement capability at KRS is limited or not available due to the lack of gas flowing from PG&E to SoCalGas at KRS, delivery of gas shall be accomplished through physical delivery from SoCalGas to PG&E's Line 300 at the Exchange Interconnect at Pisgah. PG&E shall determine the amount of daily available receipt capacity at Pisgah and shall communicate such receipt capacity to SoCalGas' Gas Operations department. SoCalGas shall make commercially reasonable efforts to ensure that gas deliveries to PG&E at Pisgah are reliable, coordinated with PG&E's Gas Operations department, and match as closely as practicable to the nominated quantities in order to avoid imbalances. SoCalGas agrees to take commercially reasonable measures to make Pisgah operational within twelve (12) months of the approval of this Agreement by the CPUC. In the event that either Party determines that Pisgah is not operational or that Pisgah will no longer be available or able to fulfill the terms of this Agreement, including for purposes of allowing SoCalGas to make daily physical deliveries to PG&E when required, that Party shall provide written notice to the other Party and to Southwest as soon as reasonably possible. Upon delivery of notice, the Parties shall then enter discussions with the intent of selecting another mutually agreeable Exchange Interconnect or other alternative point that would allow delivery to PG&E, per the provisions of this Agreement. If the parties cannot mutually agree upon an alternative delivery point within thirty (30) calendar days of the date that notice relating to the failure of Pisgah was first provided, then either Party may terminate this Agreement with thirty (30) calendar days written notice to the other Party and to Southwest.
- 3.4 Delivery Pressure at Pisgah** – Gas physically delivered by SoCalGas to Pisgah shall be at sufficient pressure to enter PG&E's system which may be up to, but shall not exceed, the then current maximum operating pressure at Pisgah, which as of the effective date is six hundred eighty-two (682) psig.
- 3.5 Delivery Pressure at Exchange Interconnects** – Gas physically delivered by SoCalGas to an Exchange Interconnect other than Pisgah shall be at sufficient pressure to enter PG&E's system which may be up to, but shall not exceed, the then current maximum operating pressure at the Exchange Interconnect.

ARTICLE 4
EXCHANGE DELIVERIES FROM PG&E TO SOUTHWEST GAS

- 4.1 **Points of Delivery from PG&E to Southwest** – The Southwest Delivery Points for PG&E's exchange gas deliveries to Southwest, maximum daily quantities, and the applicable PG&E minimum pipeline delivery pressures and maximum delivery pressures, among other things, are listed on Exhibit 1 attached to and incorporated into this Agreement. Exhibit 1 shall be updated pursuant to paragraph 4.4, 4.5, and 14.16, or from time to time as necessary to reflect added or deleted delivery points or other changes.
- 4.2 **Service Priority** – By September 1st of each year, SoCalGas shall provide to PG&E an estimate of Southwest peak hour deliveries for the coming winter and the percentage of core Southwest customer load for each Southwest Delivery Point listed on Exhibit 1. Gas deliveries to Southwest Delivery Points for core customers shall be in parity with PG&E's core customers for curtailment purposes. To the extent that PG&E is experiencing system problems, PG&E may request that SoCalGas request Southwest to curtail its noncore customers at some or all of the Southwest Delivery Points on Exhibit 1.
- 4.3 **Supply Shortages** – If SoCalGas does not deliver the estimated Southwest gas quantity to PG&E for exchange deliveries to Southwest Delivery Points during critical periods when PG&E's system is experiencing supply shortages and has called an Emergency Flow Order (EFO) or Diversion (as described in PG&E's Gas Rule 14), then PG&E Diversion and EFO Rules as set forth in PG&E's Gas Rule 14, or its successor, shall be applicable to deliveries to Southwest Delivery Points and SoCalGas shall pay the applicable charges pursuant to Gas Rule 14, or its successor. During an EFO, SoCalGas will be required to supply a quantity of gas equal to the lower of the Average Daily January Use as shown in Exhibit 1, or the actual metered use for the day. On those days when SoCalGas is delivering exchange gas to PG&E at Pisgah, or another mutually agreed upon Exchange Interconnect pursuant to 3.3, and PG&E cannot provide adequate receipt capacity for SoCalGas to deliver sufficient supplies to PG&E, PG&E will waive any charges otherwise owed or incurred pursuant to Gas Rule 14.
- 4.4 **Minimum Pipeline Delivery Pressure** – The minimum pipeline delivery pressure available in PG&E's pipeline main serving a Southwest Delivery Point upstream of metering or regulation shall be the pressure listed in Column E of the then-current Exhibit 1. These minimum pipeline delivery pressures shall be provided to Southwest Gas exclusively for the peak hour decatherms ("Dths") per hour set forth in Column A of the then-current Exhibit 1. If, at any time, an actual peak hour Dths quantity exceeds the usage figure set forth in Column A of the then-current Exhibit 1, then the corresponding minimum pipeline delivery pressure identified in Column E of the then-current Exhibit 1 may not be available to the relevant Southwest Delivery Point(s). The peak hour Dths per hour quantity for each Southwest Delivery Point appearing in Column A of the then-current Exhibit 1 may be revised as necessary by SoCalGas, but shall require the written approval of PG&E. Such approval shall take the form of an amended Exhibit 1, that shall be negotiated and executed by both PG&E and SoCalGas through a letter agreement, and that reflects the revised effective date and peak hour quantities for the amended Exhibit 1. If PG&E and SoCalGas cannot reach agreement on an amended Exhibit 1, then the relevant contents of the then-current Exhibit 1 shall remain in effect.
- 4.5 **New Load Affecting Minimum Pipeline Delivery Pressure** – The Parties recognize that increased future customer demand on the PG&E pipeline delivering to the Southwest Delivery Points will affect the minimum pipeline delivery pressure set forth in Column E of Exhibit 1 available to the Southwest Delivery Points. Therefore, if a customer submits a formal application for gas service approved by PG&E ("Formal Application") for service that would cause the minimum pipeline delivery pressure for a Southwest Delivery Point(s), as set forth in 4.4 above, to be reduced below the pressure identified in Column E of the then-current Exhibit 1, then PG&E will notify SoCalGas within fifteen (15) business days that PG&E has received such Formal Application. The notice from PG&E shall list the Southwest Delivery Point(s) that it anticipates will be affected by the new gas service request, as well as the expected or estimated new pressure at the potentially affected Southwest Delivery Point(s) ("Estimated

New Minimum Pipeline Delivery Pressure"). SoCalGas shall have sixty (60) calendar days after receipt of such notice to request PG&E to estimate the cost of constructing the facilities, as outlined in paragraph 7.3, that would be necessary to maintain the pressure(s) listed in Column E of the then-current Exhibit 1 ("Mitigating Facilities"). Within forty-five (45) calendar days of receiving a request for an estimate from SoCalGas, PG&E shall provide to SoCalGas the estimated cost of constructing the Mitigating Facilities.

- (a) Within thirty (30) calendar days of receiving such a Mitigating Facilities estimate from PG&E, SoCalGas shall provide written notice to PG&E indicating whether or not PG&E should proceed with the construction of the Mitigating Facilities. If, within thirty (30) calendar days, SoCalGas does not indicate whether PG&E should undertake construction of the Mitigating Facilities described in PG&E's estimate, PG&E will presume that SoCalGas does not wish to pursue construction of any Mitigating Facilities, and the Estimated New Minimum Pipeline Delivery Pressure shall be considered approved and accepted by SoCalGas, effective immediately. PG&E shall revise the then-current Exhibit 1 effective date and Column E with the Estimated New Minimum Pipeline Delivery Pressure, and shall forward a copy to SoCalGas.
- (b) In the event that, within thirty (30) calendar days, SoCalGas provides written notice to PG&E to proceed with construction of Mitigating Facilities, PG&E shall proceed to construct the Mitigating Facilities, as set forth in paragraphs 7.3 and 7.4, and shall continue to provide the pressure(s) set forth in Column E of the then-current Exhibit 1 up to the in-service date of the Mitigating Facilities.
- (c) In the event that, within thirty (30) calendar days, SoCalGas notifies PG&E that it does not want PG&E to proceed with construction of the Mitigating Facilities and also provides PG&E with assurance that it will undertake its own construction of facilities in lieu of Mitigating Facilities, PG&E agrees to maintain the then existing Minimum Pipeline Delivery Pressure(s) for two (2) Winter Seasons, unless SoCalGas indicates to PG&E its approval, in writing, to a shorter period. By the end of the second winter season, PG&E shall revise the then-current Exhibit 1 effective date and Column E with the Estimated New Minimum Pipeline Delivery Pressure, and shall forward a copy to SoCalGas.
- (d) In the event that, within thirty (30) calendar days, SoCalGas notifies PG&E that it does not want PG&E to proceed with construction of the Mitigating Facilities and also provides PG&E with written confirmation that Southwest will be installing facilities in lieu of Mitigating Facilities to allow the Southwest system to operate at the Estimated New Minimum Pipeline Delivery Pressure, then the Estimated New Minimum Pipeline Pressure will take effect on April 1st after the passage of two (2) Winter Seasons, unless SoCalGas indicates to PG&E its approval, in writing, to a shorter period. PG&E shall revise the then-current Exhibit 1 effective date and Column E with the Estimated New Minimum Pipeline Delivery Pressure, and shall forward a copy to SoCalGas.
- (e) In the event that, within thirty (30) calendar days, SoCalGas notifies PG&E that it does not want PG&E to proceed with construction of Mitigating Facilities and fails to provide PG&E with either a commitment to install its own facilities in lieu of the Mitigating Facilities or a commitment that Southwest Gas will install its own facilities in lieu of Mitigating Facilities, as described above, PG&E will presume that SoCalGas does not wish to pursue construction of any Mitigating Facilities, and the Estimated New Minimum Pipeline Delivery Pressure shall be considered approved and accepted by SoCalGas, effective immediately. PG&E shall revise the then-current Exhibit 1 effective date and Column E with the Estimated New Minimum Pipeline Delivery Pressure, and shall forward a copy to SoCalGas.

For purposes of this Agreement, a Winter Season is defined as the time period between November 1 and March 31.

ARTICLE 5
EXCHANGE FEE

5.1 First Three (3) Year's Exchange Fee – In addition to SoCalGas' daily delivery of an equivalent quantity of gas to PG&E as set forth in Article 3, SoCalGas shall pay each month an exchange fee ("Exchange Fee") per Decatherm of gas PG&E delivers to Southwest during the month. The Initial Exchange Fee of this Agreement shall be as follows:

Year	Exchange Fee \$Dth
2008	\$ 0.4172
2009	\$ 0.4233 ¹ est.
2010	\$ 0.4201 ¹ est.

¹The Exchange fee for 2009 and 2010 will be calculated based on the PG&E rates in effect January 1, 2009 and January 1, 2010, respectively, and per the calculation methodology in Exhibit 2 to this Agreement.

5.2 Subsequent Exchange Fee – Any newly calculated Exchange Fee under this Agreement will become effective and will be charged to SoCalGas on the first day of the 2nd month following CPUC approval of the tariff changes. For years beginning January 1, 2011, and thereafter, any tariff rate changes that affect the rate components in the calculation of the Exchange Fee will result in PG&E's recalculation of the new fee to SoCalGas by using the methodology set forth in specificity in Exhibit 2.

ARTICLE 6
ACCOUNTING

6.1 Accounting Party – PG&E shall be responsible for all accounting and billing under this Agreement ("Accounting Party"). Each month the Accounting Party shall prepare, complete, and provide to the other Party a monthly accounting summary for gas quantities, billing, balancing, or other information hereunder.

6.2 Monthly Usage Data – By the 23rd day of the subsequent month after the flow month, SoCalGas, or its customer, Southwest, shall provide to PG&E the metered usage for each Southwest Delivery Point listed in Exhibit 1 attached to this Agreement that is owned or controlled by Southwest. The total billable monthly quantity of the Harper Lake tap will be the total measured quantity less the monthly measured quantity for LUZ Solar Partners, LTD. VIII ("LUZ"). SoCalGas will provide PG&E by the 23rd day of each subsequent month the monthly measured quantity for the preceding month for LUZ.

6.3 Monthly Imbalances – Imbalances between nominated gas quantities from SoCalGas to PG&E and actual metered usage by Southwest, as well as imbalances, if any, between nominated gas quantities and actual delivered quantities from SoCalGas to PG&E shall be netted against all other imbalances outstanding between the Parties including the Master Exchange Gas Delivery Agreement between the Parties, and shall be paid back in-kind under the Parties' usual operating protocol and procedures. The

Parties intend that the daily deliveries of gas from SoCalGas and concurrent deliveries by PG&E to Southwest, shall be kept in balance.

- 6.4 Audits – Each Party and/or its designated representatives shall, at its own cost, have reasonable access to the accounting records maintained by the other Party, which directly relate to the quantity or quality of gas exchanged or delivered under this Agreement, for two (2) years after the date of delivery of gas hereunder, which right survives after any termination of this Agreement. Such accounting records shall include metering data, meter error adjustments, and maintenance records for delivery meters owned and controlled by Southwest.

ARTICLE 7 **FACILITIES**

- 7.1 Ownership of Facilities – All Facilities made available by either Party under this Agreement shall be and remain the property of such Party.
- 7.2 New, Additional or Relocated Facilities – SoCalGas may request in writing, that PG&E construct new, additional or relocated Facilities for deliveries to Southwest. PG&E shall accommodate such requests if operationally feasible, however, requests for new, additional, or relocated Facilities shall only serve Southwest customers within Southwest's CPUC approved service territory boundaries.
- 7.3 Engineering and Cost Estimates – Upon receipt of a written request for new, additional, or relocated Facilities, PG&E shall proceed under its standard process, as described briefly below. Upon receipt of the location, size and other necessary and applicable information requested by PG&E from SoCalGas concerning the requested Facilities, PG&E shall provide an informational review at no cost. The informational review will provide the availability of capacity, advise whether reinforcement to PG&E's pipeline to provide capacity for a requested service change is necessary, identify the resulting effect on pressures at existing Southwest Delivery Points, if applicable, and specify the applicable size and type of the meter, meter piping, and regulator. If SoCalGas chooses to proceed with the project based on the results of the informational review, PG&E shall provide a reasonable estimate of the cost for a preliminary engineering study. The preliminary engineering study would provide the estimated cost of the requested Facilities, including but not limited to, the cost of all studies, engineering, permitting, materials and construction. SoCalGas shall provide PG&E a written notice to proceed if it wants PG&E to go forward with either the preliminary engineering study or construction of the Facilities and the Parties shall then enter into a separate agreement for such requested work.
- 7.4 Payment of Costs – The actual costs of any requested Facilities for which there is a notice to proceed, including engineering costs for studies or estimates, shall be paid for by SoCalGas. SoCalGas agrees to pay to PG&E the actual costs for the requested work including an amount equal to income tax on the amount of the payment calculated at the applicable tax rate for PG&E as authorized in its tariffs. The payments by SoCalGas to PG&E under this Agreement are considered to be a taxable event to PG&E (these taxes are referred to collectively hereinafter as "Tax Gross-Up"). Prior to the commencement of any work to be performed by PG&E, SoCalGas shall pay to PG&E a cash advance for the estimated cost of the work requested. The cost estimate for the requested work shall consist of PG&E's good faith cost estimate of the actual costs that PG&E will incur in performing the requested work (including normal overhead costs and Tax Gross-Up). This estimate is a good faith estimate and in no way limits SoCalGas' obligation to reimburse PG&E for the actual costs incurred by PG&E.
- 7.5 Continuing Obligation – Any cancellation, termination or expiration of this Agreement, or assignment or conveyance or other transfer of any right or interest in this Agreement, shall not relieve SoCalGas of liability for payment for any costs incurred prior to receipt of notice of such cancellation, termination or expiration for requested new, additional or relocated Facilities for which there is a notice to proceed.

- 7.6 **No Firm Obligation** – Notwithstanding the other provisions of this Article 7, this Agreement does not obligate either Party to construct or install any additional Facilities (including measuring Facilities) or modify any existing Facilities to provide Southwest with gas deliveries.
- 7.7 **Dedication of Facilities** – Nothing herein shall be construed as a dedication by either Party of its respective Facilities to the other Party, or to or for the benefit of any third party. Both PG&E and SoCalGas may each construct Facilities on their respective systems as they may deem necessary or appropriate in their sole discretion.

ARTICLE 8

GAS QUALITY / MEASUREMENT

- 8.1 **Gas Quality** – Gas physically delivered by SoCalGas to PG&E at the Exchange Interconnects shall meet or exceed SoCalGas' Gas Rule 30 gas quality specifications. Gas delivered by PG&E to Southwest Delivery Points shall be of a merchantable gas quality consistent with PG&E's tariff gas quality rules. Each Party retains the right unilaterally to take whatever action it deems necessary to comply with all applicable state and federal laws and regulations concerning gas quality, including the refusal of gas at either the Southwest Delivery Points and/or the Exchange Interconnects.
- 8.2 **Measurement Equipment** – Unless otherwise agreed to by the Parties, the Party delivering gas shall install, own, operate, maintain, verify, and calibrate suitable measuring devices and necessary related instrumentation at each location where gas is delivered for the purpose of measuring the quantity of all gas delivered. Industry standard meters and other measurement equipment shall be in compliance with the most recent version of the applicable CPUC general order, American National Standards Institute ("ANST") or American Gas Association ("AGA") Reports that support the particular type of metering equipment and manufacturers recommendations in effect from time to time. The Party owning the measurement facility shall be responsible for carrying out measurement activities as provided for in this Article 8 unless otherwise mutually agreed. SoCalGas shall contractually require that existing measurement devices owned and controlled by Southwest at various Southwest Delivery Points to measure deliveries from PG&E to Southwest customers to be in compliance with the most recent version of the applicable CPUC general order, ANSI or AGA Reports that support the particular type of Southwest metering equipment and manufacturer's recommendations in effect from time to time.
- 8.3 **Quantity** – The units of quantity for purposes of measurement shall be the Standard Cubic Foot at 14.73 psia and 60° Fahrenheit and in Decatherms.
- 8.4 **Gas Analysis** – Relative density, carbon dioxide, nitrogen, heating value and other gas constituents shall be continuously measured and recorded or determined from composite samplers on a monthly basis by the owner of the meter and other measurement equipment. Analysis shall be performed by gas chromatograph or other equipment acceptable in the gas industry or as mutually agreed to by the Parties. Composition, heating value and relative density shall be determined in compliance with the methods specified in the Gas Processors Association Bulletin GPA 2145 and GPA 2172 and AGA Report No. 5 "Energy Determination" as these reports may be revised from time to time.
- 8.5 **Gas Compressibility** – The owner of the meter and other measurement equipment shall calculate gas compressibility at the flowing pressure and temperature in accordance with the recommendations contained in the AGA Report No. 8, "Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gases", as revised from time to time.
- 8.6 **Atmospheric Pressure** – The average atmospheric pressure shall be the barometric pressure calculated at the elevation which the Parties will agree on for each measurement location.

ARTICLE 9
TESTING / MEASUREMENT ACCURACY

- 9.1** Testing – Each Party 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 the other Party's measurement equipment used in measuring deliveries and redeliveries hereunder. The non-owning Party shall have the right to request a test of any meter or other piece of equipment at any reasonable time. Each Party shall give to the other Party sufficient advance notice of the time of all such tests so that the other Party may conveniently have its representatives present. The methods of testing shall be agreed upon by the Parties. However, if any such requested test shows that the meter was registering within one percent (1%) of rated full scale meter capacity, then the cost of such requested test shall be borne by the non-owning Party. Additional tests for gas quality requested by the non-owning Party shall be performed at the non-owning Party's expense. Test results shall be shared between the Parties. The records from such measuring equipment shall remain the property of their owner, but upon request each Party will make available to the other during normal business hours copies of such records and charts, together with calculations therefrom, or inspection and verification.
- 9.2** Incorrect Constant Value – When a measurement inaccuracy of PG&E or Southwest measurement equipment is the result of using incorrect constant values in the flow equation, the quantity of delivered gas shall be recalculated using the correct values. Examples of incorrect constant values include, but are not limited to, basing calculations on the incorrect meter tube size, static pressure range, Heating Value, and constants of gas constituents. Such constant value inaccuracy shall be corrected back to the date reasonably determined that such constant value error first occurred.
- 9.3** Measurement Accuracy – If, upon testing, the PG&E or Southwest measurement equipment is found to be in error by not more than one percent (1%), previous recordings of such equipment shall be considered accurate in computing deliveries, but such equipment shall be adjusted at once to record accurately.
- 9.4** Measurement Inaccuracy – If, upon testing, the PG&E or Southwest measurement equipment shall be found to be inaccurate by an amount exceeding one percent (1%), at a recording corresponding to the average hourly rate of flow for the period since the last preceding test, then any previous recordings of such equipment shall be corrected to zero error for any period that is known definitely or agreed upon. In case the period is not known or agreed upon, such correction shall be for a period equal to the lesser of one-half of the time elapsed since the date of the last test or one (1) month.
- 9.5** Out of Service Meter – In the event a meter is out of service or registering inaccurately, the quantity of gas delivered shall be determined:
- i. By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculations; or in the absence of i., then
 - ii. By using the registration of any check meter or meters, if installed and accurately registering; or in the absence of both i. and ii., then
 - iii. By estimating the quantity of delivery during periods under similar conditions when the meter was registering accurately.
- 9.6** Check Meters – The non-owning Party may install or cause to be installed and operate check meters at its option and expense to check the owning Party's meters, but measurement of gas for the purpose of this Agreement shall be by the owning Party's meters. Such check meters and equipment shall be installed so as not to interfere with the operation of the meters and measuring equipment now existing or to be installed by the owning Party.

ARTICLE 10
REGULATORY PROVISIONS

- 10.1** CPUC Authorization Required – CPUC authorization of this Agreement is necessary. Other than the provisions of paragraphs 10.1, 10.2, 10.3 and 10.7, this Agreement will not become effective unless and until it is approved by the CPUC in a manner reasonably acceptable to both Parties.
- 10.2** CPUC Application – SoCalGas and PG&E will file an application seeking CPUC approval of this Agreement no later than sixty (60) calendar days after execution of this Agreement (or such additional time as SoCalGas and PG&E may mutually agree to in writing). The Parties anticipate that SoCalGas and Southwest will seek approval of the Wholesale Agreement at the same time.
- 10.3** Changes by the CPUC – If the CPUC requires substantive modifications to this Agreement, each Party shall have the option to notify the other Party within ten (10) business days after the relevant CPUC decision or order making such modifications that it is withdrawing, without prejudice or penalty from the Agreement and the Agreement shall then be of no further force or effect.
- 10.4** Hinshaw Exemption – All gas delivered hereunder shall be for use only within the State of California and the sale and redelivery of all gas to third parties shall conform to all applicable regulation and tariffs of the CPUC. Neither Party shall take any action which subjects the other Party to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) or any succeeding agency, or otherwise affects the continuation of the other Party’s “Hinshaw Exemption” under Section 1(c) of the Natural Gas Act. Any violation of this paragraph 10.4 shall be cause for immediate termination of the Agreement.
- 10.5** Government Action – If at any time during the term hereof, any governmental authority having jurisdiction shall take 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 the Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, the Parties shall negotiate in good faith to modify this Agreement so that performance by both Parties is sustainable and the balance of benefits and burdens established hereunder is preserved to the extent possible under the changed circumstances. If the Parties cannot mutually agree on appropriate changes to this Agreement then either Party may, upon thirty (30) days written notice to the other Party, terminate this Agreement without further liability or obligation of either Party to the other, except as to any money or gas due and payable as provided in the Agreement.
- 10.6** Service Territories – Nothing in this Agreement shall be construed as providing a basis, directly or indirectly, for changing the boundaries of either Party’s service territory as otherwise established. Nothing in the Agreement shall be construed as providing, directly or indirectly, for the establishment of public utility gas service by either Party within the system of the other. Service under any provision of the Agreement by one Party for the other shall not constitute the dedication of the utility system or any portion thereof, of either Party to the public.
- 10.7** Regulatory Assistance – Each Party will use commercially reasonable efforts to work cooperatively to help the other Party obtain all necessary regulatory approvals on a satisfactory basis and to execute and deliver such written instruments as reasonably required from time to time to carry out the intent and terms of this Agreement.

ARTICLE 11
INDEMNIFICATION / LOSS OF GAS

- 11.1 **Indemnification** – Each Party shall indemnify and hold harmless the other Party, including its officers, Board of Directors, agents, contractors, and employees, against all losses, damages, costs and expenses (including 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 other Party.
- 11.2 **Loss of Gas** – Title to and ownership of all gas delivered and/or exchanged hereunder shall pass at the Southwest Delivery Points or Exchange Interconnects, and risk of loss for any quantities of gas delivered or exchanged hereunder shall follow title.

ARTICLE 12
INFORMATION ACCESS / FORCE MAJEURE

- 12.1 **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, neither Party shall be required to provide the other Party with information that, prior to the request was deemed to be confidential, proprietary, or where disclosure of the requesting Party would violate the rules and regulations of either FERC or CPUC.
- 12.2 **Force Majeure** – In the event SoCalGas is rendered unable, wholly or in part, by force majeure (as defined in the Gas Tariffs and Rules of SoCalGas) or PG&E is rendered unable, wholly or in part, by force majeure (as defined in the Gas Tariffs and Rules of PG&E) to carry out their 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 practicable with all reasonable dispatch.

ARTICLE 13
NOTICE

- 13.1 **Notice** – 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, postage prepaid, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when sent, to the following:

Agreement Notices And Other Correspondence

Southern California Gas Company
555 W. Fifth Street, ML 22E1

Pacific Gas and Electric Company
77 Beale Street

Los Angeles, CA 90013-1040
Telephone: (213) 244-2844
Telecopier: (213) 244-8449
Attn: Interconnect Account Manager

P.O. Box 770000, Mail Code B16A
San Francisco, CA 94177
Telephone: (415) 973-3214
Telecopier: (415) 973-1521
Attn: Gas System Operations

Any notice of termination, as well as any notice under paragraph 3.3, shall also be delivered in writing to:

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89150-0002

Operations

Southern California Gas Company
555 W. Fifth Street, ML 22E1
Los Angeles, CA 90013-1011
Gas Control: (323) 266-5888
Scheduling Telecopier: (213) 244-8281
Attn: Gas Scheduling

Pacific Gas and Electric Company
77 Beale Street
P.O. Box 770000, Mail Code B16A
San Francisco, CA 94177
Telephone: (415) 973-3214
Telecopier: (415) 973-1521
Attn: Gas Control

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

ARTICLE 14 **ADDITIONAL PROVISIONS**

- 14.1 Mutual Exchange Agreement – Subject to the netting provision provided in paragraph 6.3 herein this Agreement is an independent, separate arrangement from the "Master Exchange Gas Delivery Agreement" between the Parties dated March 1, 1990.
- 14.2 No Third Party Rights – Although deliveries of gas will be made to Southwest under this Agreement, this Agreement is solely intended to be between and for the benefit of PG&E and SoCalGas, and not for the benefit of any third party, including Southwest.
- 14.3 Relationship of Parties – The duties, obligations and liabilities of the Parties hereto are intended to be several and not joint or collective, and nothing in this Agreement shall be construed to create an association, joint venture, trust or partnership or impose a trust or partnership duty, obligation or liability on or with regard to either Party.
- 14.4 Early Termination for Cause – If either Party breaches the terms of this Agreement, or fails to observe and comply with all applicable laws, rules, orders, ordinances, codes and regulations in any material way, and does not after written notice of said breach or noncompliance, proceed with due diligence to correct the situation, the other Party shall have the right to cease performance hereunder and may immediately terminate this Agreement as it applies to an individual Southwest Delivery Point or Exchange Interconnect, or the Agreement as a whole. Such termination shall not relieve any Party from the obligation to pay monies, clear any imbalance or otherwise discharge any obligation arising prior to such termination.

- 14.5 **Choice of Law** – This Agreement shall be governed by, and interpreted in accordance with, the laws of the STATE OF CALIFORNIA, without giving effect to principles of conflicts of law.
- 14.6 **Waiver** – A waiver by any Party of any one or more breaches or 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.
- 14.7 **Entire Agreement** – This Agreement, including Exhibits 1 and 2 and subsequent updates to these exhibits, 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. This Agreement cannot be assigned in whole or in part by either Party without the prior written consent of the other.
- 14.8 **Intent** – This Agreement was jointly negotiated, and any ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against either Party, but shall be construed in a manner which most accurately reflects the intent of the Parties when this Agreement was executed.
- 14.9 **Amendments** – This Agreement may be amended only by an instrument in writing executed by both Parties hereto and, if required by law or regulation, as approved by the CPUC. The Parties agree that changes ordered by the CPUC to any of the operating procedures established under this Agreement shall be implemented and made in writing as an amendment to this Agreement within sixty (60) days of such order(s).
- 14.10 **Necessity** – 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.
- 14.11 **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 paragraph 11.1 shall, unless otherwise indicated, include paragraph 11.1.a, 11.1.b, 11.1.c, and so on.
- 14.12 **Headings** – The descriptive headings of all paragraphs of this Agreement are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any such paragraphs.
- 14.13 **Validity** – 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.
- 14.14 **Damages** – No Party under this Agreement shall be assessed any special, punitive, consequential, incidental, or indirect damages, whether in contract or tort, for any actions or inactions arising from or related to this Agreement.
- 14.15 **References to PG&E** – Unless expressly noted, references to “PG&E” in this Agreement shall not be to PG&E’s Core Procurement Department and Electric Fuels Supply Department (or successor

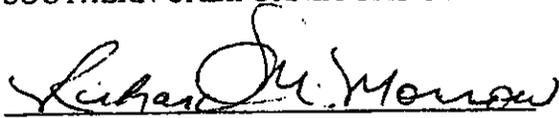
departments), which purchases gas and transports gas as a shipper on interstate pipelines and in PG&E's gas service territory.

14.16 Exhibits – The Parties will meet annually to update the Exhibits to reflect changed conditions.

14.17 Termination of 1993 SEGDA – As of the Commencement Date, the Southwest Exchange Gas Delivery Agreement between PG&E and SoCalGas, dated as of June 11, 1993, is terminated and shall have no further force or effect.

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

SOUTHERN CALIFORNIA GAS COMPANY



By

Richard M. Morrow

Printed Name

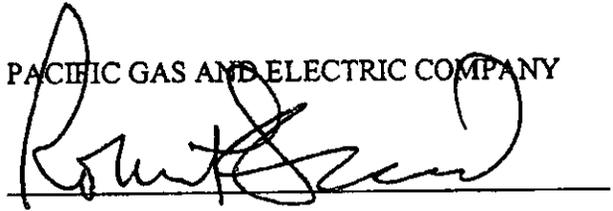
Vice President

Title

12/3/08

Date

PACIFIC GAS AND ELECTRIC COMPANY



By

Robert T. Howard

Printed Name

Vice President, Gas Transmission & Distribution

Title

12/4/08

Date

**Southwest Exchange Gas Delivery Agreement (SEGDA)
Between Pacific Gas and Electric Company
And
Southern California Gas Company**

EXHIBIT 1

Exhibit Date: 12/08/2008

Southwest Delivery Points	PG&E Tare	SWG Peak Dthx Per Day Usage	SWG Peak Dthx Per Hour Usage	Current Customer Load Percentage	Average Daily January Use Dthx per Day	PG&E Pipeline Design Pressure (psig)	Minimum Pipeline Delivery Pressure at SWG Peak Dthx Per Hour Usage In Column A (psig)	SWG Maximum Pressure Requested (psig)	Reg. Owned By	Primary Working Regulator Set Point In SWG (psig)	Estimated Maximum Differential Pressure Drop Across PG&E Meter/Regulator Station
			Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I
Harper Lake	300	955	57	100	230	400	400	550	PG&E	550	33
Daggett/Airport (Barstow I)	300	84	5	100	43	400	400	30	PG&E	30	33
Barstow C (Hwy 58)	300	272	17	100	144	400	400	40	PG&E	37	33
Daggett (Barstow I)	300	1376	65	35	796	400	400	115	PG&E	115	33
Needles	300	955	57	100	335	400	400	200	PG&E	185	33
Barstow B	300	1669	98	89	1070	400	400	115	PG&E	115	33
Lenwood (Barstow I)	300	2787	171	97	1552	400	400	115	PG&E	115	33
Barstow A (Barstow Rd)	300	3795	234	98	1732	400	400	115	PG&E	115	33
NI:BO Marine Base	300	2	1	100	1	400	400	682	SWG	NA	NA
Martino Ranch	300	2	1	100	1	400	400	682	SWG	NA	NA
Woods Ranch	300	2	1	100	1	400	400	682	SWG	NA	NA
Massamini Ranch	300	6	1	100	1	400	400	682	SWG	NA	NA
Mt. View Rd	300	100	6	100	34	400	400	861	SWG	NA	NA
Marks Rd	300	226	14	100	62	400	400	573	SWG	NA	NA
Hinkley (Barstow I)	300/ 314	356	22	100	215	400	400	861	SWG	NA	NA
Rabbit Springs (V V E)	313	234	14	100	59	90	90	40	PG&E	35	33

7255 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
7535 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
9351 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
9922 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
7701 Camprock Rd	313	1	1	100	1	90	90	573	SWG	NA	NA
11710 Camprock Rd	313	2	1	100	1	90	90	573	SWG	NA	NA
Big Bear B	313	10350	500	79	6013	90	225	333	PG&E	333	33
Big Bear A (Emergency Standby Only) **	313	NA	NA	NA	NA	90	NA	325	PG&E	290	NA
Stoddard Wells (V V G)	314	7	1	100	1	90	90	40	PG&E	31	33
Victorville F (Oro Grande)	314	348	21	100	182	90	110	120	PG&E	110	33
Victorville D (LaDelta)	314	28	2	100	13	90	90	861	SWG	NA	NA
Zackey Farm	314	51	3	100	1	90	90	861	SWG	NA	NA
Victorville C (Central Rd)	314	9133	527	91	5410	90	268	240	PG&E	230	33
Victorville B (Emergency Standby Only) **	314	NA	NA	NA	NA	90	NA	240	PG&E	205	NA

*January 2008 data.

** This tap valve shall only be opened with the permission of PG&E.

**Southwest Exchange Gas Delivery Agreement (SEGDA)
Between Pacific Gas and Electric Company
And
Southern California Gas Company**

EXHIBIT 2

Exhibit Date: 12/08/2008

Calculation Methodology of Exchange Fee

To calculate the Exchange Fee in paragraphs 5.1 and 5.2, PG&E shall use the following:

- a) The backbone transmission rate component of the blended exchange rate is equal to the annual firm SFV transportation service rate (under schedule G-AFT- Annual Firm Transportation On-System) for on-system service on the Baja Path, converted to a volumetric rate using a 100% load factor,
- b) The local transmission rate component of the blended exchange rate is equal to the local transmission default tariff rate component for Schedule G-WSL listed under PG&E's Gas Preliminary Statement B - Default Tariff Rate Components, and
- c) The weighted percentages of PG&E backbone taps on Line 300 and local transmission taps on Line 313 and Line 314 shall be based on the average of historical annual deliveries to Southwest at the Southwest Delivery Points for the prior two years.

PG&E will recalculate a new Exchange Fee commencing January 1, 2011 and thereafter, such that any tariff rate changes that affect the rate components in the calculation of the Exchange Fee will result in PG&E's recalculation of the new fee to SoCalGas. If the new applicable tariff rates specified in this calculation are not yet approved by the CPUC, then the current Exchange Fee being billed will continue until such time PG&E's new applicable tariff rates become effective. Once the new Exchange Fee is calculated, it shall become effective and will be charged to SoCalGas on the first day of the 2nd month following the CPUC approval of the newly applicable tariff rates.

Tariff Rates

	Column A	Column B
Year	Backbone Rate (G-AFT Baja-on) (\$/per Dth)	LT Rate component (\$/per Dth)
2008	0.3252	0.1398
2009	0.3220	0.1540 est.
2010	0.3188	0.1540 est.

* To calculate the average backbone transmission charge for the G-AFT-SFV rate, at its full contract quantity, at 100% load factor, convert the Reservation Rate (\$/Dth/Month) to a volumetric rate (\$/Dth/day) and add it to the Usage Rate.

Calculation of Exchange Fee

	Column C	Column D	
Year	100% of Taps from Exhibit 2, multiplied by Backbone Rate (Column A above) (\$/per Dth)	(L313 Taps % + L314 Taps % from Exhibit 2) multiplied by L1 Rate (Column B above) (\$/per Dth)	Total Exchange Fee (Column C + Column D) (\$/per Dth)
2008	0.3252	0.0920	0.4172
2009	0.3220	0.1013 est.	0.4233 ¹ est.
2010	0.3188	0.1013 est.	0.4201 ¹ est.

¹ The Exchange fee for 2009 and 2010 will be calculated based on the PG&E rates in effect January 1, 2009 and January 1, 2010, respectively, and per the calculation methodology in Exhibit 2.

PG&E Taps	PG&E Line	SWG Annual Deliveries in Dth ² (Two Year Average)
Harper Lake	300	1,221
Daggett/Airport (Barstow I)	300	7,006
Barstow C (Hwy 58)	300	22,547
Daggett (Barstow F)	300	168,083
Needles	300	77,373
Barstow B	300	156,036
Lenwood (Barstow D)	300	253,459
Barstow A (Barstow Rd)	300	313,483
NEBO Marine Base (Barstow H)	300	60
Martin's Ranch	300	193
Woods' Ranch	300	161
Massamini Ranch	300	483
Mt. View Rd	300	8,214
Marks Rd	300	18,682
Line 300 Total:		1,027,001
L300 % of SWG annual total:		0.202
Rabbit Springs (V V E)	313	17,689
7255 Camprock Rd	313	81
7535 Camprock Rd	313	81
9351 Camprock Rd	313	81
9922 Camprock Rd	313	81
7701 Camprock Rd	313	81
11710 Camprock Rd	313	157
Big Bear B	313	983,929
Big Bear A (note 3)	313	24,995
Line 313 Total:		1,027,175
L313 % of SWG annual total:		0.202
Stoddard Wells (V V G)	314	81

Victorville F (Oro Grande)	314	28,221
Victorville D (LaDelta)	314	2,286
Zackey Farm	314	3,772
Hinkley (Barstow E)	314	29,391
Victorville C (Central Rd)	314	884,522
Line 314 Total:		948,273
L314 % of SWG annual total:		
Total Quantities to SWG		3,002,449

Initial quantities provided by Southwest. Subsequent quantities shall be the average of the actual deliveries for the two years prior to the recalculation of the Exchange Rate.