SCHEDULE NO. G-PAC

Schedule No. G-PAC
PACKAGED STORAGE SERVICE

APPLICABILITY

Applicable for unbundled inventory, injection, and withdrawal storage services to noncore transportation customers, wholesale customers, contracted marketers, and marketers/agents; and to core transportation customers; core aggregators, and the Utility's gas supply department for any storage capacity that is additional to their allocated core storage rights. All qualified eligible participants are collectively referred to herein as "customers" unless otherwise specified.

Packaged Storage Service (PAC) is a defined combination of storage capacity comprised of 0.0076 decatherm (dth) per day of firm injection and 0.0296 dth per day of firm withdrawal for each dth of inventory capacity. The storage packages are offered for a one-year or multiple-year term. Prior to the beginning of each storage year (April 1), the Utility will hold an open season to auction the one-year package. During the initial open season for the first one-year package, the Utility will also auction the multiple-year package, which will be available for a term up to two years beginning April 1, 2004.

TERRITORY

Applicable for gas stored by the Utility within its service territory.

RATES

Storage service rates under Schedule G-PAC consist of Reservation Charges and Variable Charges. T D

Reservation Charge

Firm Storage Service

The annual reservation charge for PAC shall be 70.606¢/dth. The reservation charge under this schedule is applicable whether the service is used or not. D

Variable Storage Charges

Variable charges are specified below, and are effective year-round. Variable injection charges will be assessed when a customer's net scheduled storage activity results in the customer's injection and the total system is in the injection mode on a gas flow day. Variable withdrawal charges will be assessed when a customer's net scheduled storage activity results in the customer's withdrawal and the total system is in the withdrawal mode on a gas flow day. D,N N | N

(Continued)

Schedule No. G-PAC
PACKAGED STORAGE SERVICE

(Continued)

RATES (Continued)

Variable Storage Charges (Continued)

For Injection

In-Kind Energy Charge (applied to injection quantity)

Rate, percent reduction 2.440%

O&M Injection Charge (applied to injection quantity less In-Kind Energy Charge)

Rate, per therm ..... 0.123¢

For Withdrawal

O&M Withdrawal Charge (applied to withdrawal quantity)

Rate, per therm ..... 0.172¢

Billing Adjustments

Billing adjustments may be necessary to reflect changes in quantities applicable under this schedule or changes in costs used in prior period's storage charges.

SPECIAL CONDITIONS

General

1. The definitions of the principal terms used in this rate schedule and the Utility's other tariff schedules are contained in Rule No. 1.
2. Service under this schedule shall be restricted in accordance with the provisions of Rule No. 23.
3. All terms and conditions of Rule No. 30, Rule No. 40, and Schedule No. G-IMB shall apply to the storage services provided under this schedule.

(Continued)

Schedule No. G-PAC Sheet 3
PACKAGED STORAGE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued) L

General (Continued)

4. As a condition precedent to service under this schedule, an executed Master Services Contract and Schedule L, Packaged Storage Service Agreement (Form Nos. 6597 and 6597-16) are required (referred to in this schedule as the "Contract"). All contracts, rates and conditions are subject to revision and modification as a result of Commission order.

5. The contract term for service under this schedule shall be set forth in the customer's contract.

6. For customers under this schedule, any storage gas remaining in inventory at the conclusion of the customer's storage Contract term shall be considered an imbalance subject to the provisions of Schedule No. G-IMB, unless the customer obtains sufficient inventory capacity rights for the period immediately following the expiration of the Contract. L

7. In the event the customer's storage contract is terminated, for whatever reason, prior to the completion of the term of such contract, the Utility may at its option immediately purchase any remaining inventory quantities from such customer at the applicable Buy-Back Rate stated in Schedule No. G-IMB. The Buy-Back purchase amount paid to the customer may be reduced by any outstanding amounts owed by the customer for any other services provided by the Utility.

8. Prior to and while taking service under this tariff, a customer must meet the Utility's applicable creditworthiness requirements. L

9. Firm injection and withdrawal services are subject to reductions for seasonal maintenance work. N

Storage Nominations L

10. G-PAC customers may designate an agent to act on their behalf for the purpose of making storage nominations for their service under this schedule. L,D L,T.D

Monthly Imbalance Trading L

11. Customers may use their available storage inventory capacity and quantities to (1) offset the customer's own monthly transportation imbalances, or (2) trade with other customers for their monthly transportation imbalances. L,T,D L L,T,D

(Continued)

Schedule No. G-PAC Sheet 4
PACKAGED STORAGE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

Monthly Imbalance Trading (Continued)

12. For injections and withdrawals performed through imbalance trading, the customer shall not be required to have storage injection or withdrawal rights but shall be assessed the variable charges (In-Kind Energy and O&M charges) set forth herein for such storage operations. For such imbalance trading, the storage transaction shall be considered as occurring at the time the imbalance trade is completed by the Utility.

13. *This Special Condition number is reserved.*

Storage Inventory Transfers

14. Storage customers may mutually request to transfer gas in inventory from one customer's storage account to another. Such requests must be made by both parties to the inventory transfer and are limited to the inventory quantity available for transfer and the available inventory capacity of the receiving customer at the time the transfer is completed by the Utility. Variable storage charges are not applicable to storage inventory transfers. All transfers may be accepted or rejected, in whole or in part, by the Utility and shall not be deemed accepted until such time as the Utility notifies both customers of the completion of the transfer.

Secondary Market Transactions

15. Subject to the conditions below, through the remainder of the term of the Comprehensive Gas OII Settlement Agreement (the "CS") (D.01-12-018), storage customers will be allowed to transfer to any qualified person, whether or not an end-user or wholesale customer of Utility, all or any portions of their storage contract rights (inventory, injection, and withdrawal rights may be transferred independently) for any period of time up to the remaining term of their contracts. Storage contract rights may be re-transferred any number of times under the same rules applicable to transfers by persons who originally obtained the rights directly from Utility.

(Continued)

Schedule No. G-PAC Sheet 5
PACKAGED STORAGE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

Secondary Market Transactions (Continued)

16. Until the Utility is able to implement its electronic trading system, all transfers will be performed manually, and therefore, certain transfer restrictions will be in effect. Transferors must provide Utility with written notice two hours in advance of the first nomination cycle for the effective flow date of the rights transferred. Written notice must be on Form 1790. Notices received by Utility on a non-business day or after 2:30 p.m. Pacific time on a business day will be processed on the next business day. Utility holidays are considered non-business days and will be posted on Utility's EBB. These transfer restrictions will be abolished as soon as Utility's electronic trading system is implemented. During the period of manual trading, SoCalGas agrees to sell its own storage only over the same period and under the same conditions as allowed for other parties reselling their own storage. L T T T

17. Prior to any notice of transfer for specific storage rights being submitted, potential transferees must have a valid executed Master Services Contract with the Utility and must have approved credit per Utility's applicable creditworthiness requirements. Until the complete implementation of the CS: (i) Utility will bill the reservation charges to the transferee only if the transfer of storage rights is a complete assignment of the entire storage contract for the remaining term of the contract; (ii) if the transfer is a partial assignment of the storage rights under the contract, or a transfer of the entire contract for a period of time less than the remaining term of the contract, Utility will continue to bill the reservation charges to the transferor and will bill the variable and transmission charges to the transferee under its existing storage agreement. If the transferee has no existing storage agreement, then a G-TBS agreement will be established for the transferred capacity. N

18. Information regarding secondary market transfer transactions (currently, the ~~names of parties~~ price, term of transfer, and amount of capacity transferred; and the ~~price~~ names of parties only if the transferor and transferee authorize the Utility to divulge it) will be posted by Utility on its EBB on a periodic basis as required in the CPUC's decision approving with modifications the Comprehensive Gas OII Settlement Agreement (the "CS") (D.01-12-018) or as may be required by subsequent CPUC action. N

SCHEDULE NO. G-PAL

Schedule No. G-PAL Sheet 1
OPERATIONS PARK AND LOAN SERVICES

APPLICABILITY

This rate schedule applies to firm or interruptible gas parking and gas loaning services ("Operations Park and Loan Services") to any qualified creditworthy party, referred herein as "Customer", using Utility System capacity not designated to Utility's Gas Acquisition Department. Gas parking is the temporary storage of gas on the Utility System and gas loaning is the temporary lending of gas from the Utility System.

TERRITORY

The receipt and delivery points of service are entirely within the state of California, and are specified in the Operations Park and Loan Services Agreement (Schedule O of the Master Services Agreement).

RATES

Rates for service will be negotiated on an individual transaction basis and shall depend on current market conditions. The rates shall fall within the following range:

Minimum Rate (per transaction) ..... $50 minimum

The minimum rate reflects the incremental administrative and overhead costs necessary to carry out an Operations Parking or Operations Loaning Transaction.

There will be no price ceilings for Operations Parking and Loaning Transactions under this schedule. The price will be established between Customer and Utility on a transactional basis dependent upon market conditions.

(Continued)

Schedule No. G-PAL Sheet 2
OPERATIONS PARK AND LOAN SERVICES

(Continued)

SPECIAL CONDITIONS

General

1. As a pre-requisite to the service under this schedule, an executed Master Services Agreement and Schedule O, Operations Park and Loan Services Agreement (Form Nos. 6597 and 6597-20) are required (referred to in this schedule as the "Agreement"). All Agreements, rates and conditions are subject to revision and modification as a result of Commission order.

2. The definitions of principal terms used in this rate schedule are contained in Rule No. 1 and in the Agreement.

3. Utility is under no obligation to accept any bids or make any offers for Park or Loan services.

4. Service under this schedule shall be restricted in accordance with the provisions of Rule No. 23.

5. All terms and conditions of Rule No. 30, Rule No. 40, and Schedule No. G-IMB shall apply to the services provided under this schedule.

6. The length of term for service under this schedule shall be set forth in Agreement.

7. In the event Agreement is terminated, for whatever reason, prior to the completion of the term of such Agreement, Utility may at its option immediately purchase any remaining inventory quantities from Customer at the applicable Buy-Back Rate stated in Schedule No. G-IMB. The Buy-Back purchase amount paid to Customer may be reduced by any outstanding amounts owed by Customer for any other services provided by the Utility.

8. Prior to and while taking service under this tariff, Customer must meet the Utility's applicable creditworthiness requirements.

9. Any bids or offers discussed by the parties and Agreement terms shall remain confidential except as required for reporting or disclosure by governmental agencies acting within their scope of authority.

Transaction Imbalances

10. An Under-Performance Imbalance is created when Customer uses less service than specified in Agreement. In the event of an Under-Performance Imbalance, Customer is responsible for any charges applicable for unused capacity, unless otherwise specified in Agreement or agreed to between Utility and Customer.

(Continued)

Schedule No. G-PAL Sheet 3
OPERATIONS PARK AND LOAN SERVICES

(Continued)

SPECIAL CONDITIONS (Continued)

Transaction Imbalances (Continued)

11. An Unauthorized-Use Imbalance occurs when Customer uses more service than specified in Agreement. In the event of an Unauthorized-Use Imbalance, Customer shall be charged the maximum rate applicable to the services used, unless otherwise specified in Agreement or agreed to between Utility and Customer.

12. A Park Imbalance occurs when Customer leaves gas in Utility System beyond the date specified in Agreement. In the event of a Park Imbalance, Utility may at its option purchase, at any time, any remaining inventory quantities from Customer at the applicable Buy-Back Rate stated in Schedule No. G-IMB or charge Customer for Unauthorized Use, unless otherwise specified in Agreement or agreed to between Utility and Customer. If the Park Imbalance results from Utility interrupting withdrawal service for an interruptible park transaction, then the term of the park transaction will be extended by the number of days of curtailment of interruptible withdrawal capacity.

13. A Loan Imbalance occurs when Customer returns less gas to Utility than specified in Agreement. In the event of a Loan Imbalance, Utility may replace the gas at a price reasonable for the Agreement's Point of Receipt consistent with the amount of notice provided by Customer, or, at Utility's sole option, choose not to replace the gas. Where Utility has replaced the gas, Customer shall be charged Utility's cost for gas and transport to the Agreement's Point of Receipt, unless otherwise specified in Agreement or agreed to between Utility and Customer. Where Utility has chosen not to replace the gas, Customer shall be charged the daily price, as determined by the method specified in Agreement, applicable to the days for which an imbalance exists multiplied by the daily imbalance amount, unless otherwise specified in Agreement or agreed to between Utility and Customer.

SCHEDULE NO. G-POOL

Schedule No. G-POOL
POOLING SERVICE

APPLICABILITY

Utility will provide Pooling Services on the SoCalGas system to parties meeting the qualifications set forth herein (hereinafter "Pooler").

TERRITORY

Applicable throughout the service territory.

RATES

Transfer Charges

Rate, per pool-to-pool transfer *..... $0.00

* No Transfer Charges upon implementation of this tariff and for six months thereafter.

SoCalGas reserves the right to review the status of Transfer Charges no earlier than six months following the effective date of this tariff. SoCalGas will host discussions with interested parties regarding Transfer Charges. SoCalGas may, after the meeting, file an Advice Letter to institute Transfer Charges for pool-to-pool transfers.

SPECIAL CONDITIONS

GENERAL

1. Pooling Services, as defined in Rule No. 1, allows for the aggregation and disaggregation of natural gas.

2. As a condition precedent to service under this schedule, Poolers are required to meet the requirements for and execute both the Master Service Contract (hereinafter "MSC") and MSC Schedule K, Pooling Services Agreement. All contracts, rates and conditions are subject to revision and modification as a result of California Public Utilities Commission Order or rules.

3. Only one pool contract will be allowed for each Pooler conducting business on the SoCalGas system. One pool contract may be used for all Receipt Point pools or a citygate pool. Pooling service cannot be assigned to another party.

(Continued)

Schedule No. G-POOL Sheet 2
POOLING SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

GENERAL (Continued)

4. Locations for Pooling Services will be at all receipt points specified in Schedule G-BR, Backbone Transmission Receipt Access, except for California production identified as "Other", which will not have Pooling Service.

5. Pools will be required to balance during each scheduling cycle, each day. Pool balancing will be conducted during Utility's confirmation process using the "lesser of" rule and a pool ranking mechanism as described in Rule 30, Transportation of Natural Gas.

ESTABLISHMENT OF CREDIT

6. The Pooler shall be required to establish and maintain creditworthiness in accordance with Utility's applicable credit requirements.

NOMINATIONS

7. Pooling service shall be subject to the applicable transportation provisions as contained in Utility's Rule No. 30, Transportation of Natural Gas. Pooling Services shall be an optional service and is not mandatory. Gas may be nominated as follows without using pooling services:

FROM	TO
Pipeline/CA Producer	Backbone Receipt Contract
Backbone Receipt Contract	End User, Contracted Marketer, ESP
Backbone Receipt Contract	Storage Account
Storage Account	End User, Contracted Marketer, ESP
Storage Account	Storage Account

There shall be no transfer charge for these types of transactions.

BILLINGS

8. The Pooler's bill is due and payable in accordance with Rule No. 9 and the MSC.

(Continued)

Schedule No. G-POOL
POOLING SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

TERMINATION OF SERVICE

9. If a payment is not received in accordance with Rule No. 9, the Pooler's participation in the program may be subject to immediate termination. In addition, if the Utility receives any information that the Pooler has filed, is contemplating filing, or has been served with or may be served with papers in bankruptcy, or an assignment for the benefit of creditors, or is closing, changing or ceasing the operation of its business, the Pooler's participation may be terminated immediately.

   Upon termination of a Pooler's participation:

   (a) Termination notices will be sent to the Pooler;

   (b) All fees, charges and other obligations of Pooler in favor of Utility shall be immediately payable without further notice of demand; and,

   (c) The Pooler may be suspended from the Utility's electronic communication network, the Utility's EBB service, as defined in Rule No. 33.

   At the time of termination, if the Pooler has not paid Utility billings, any deposits held on any of the Pooler's accounts with Utility may be applied to unpaid bills and any security held pursuant to Utility's applicable credit rules may be applied.

   After termination, a Pooler will not be allowed to participate in the Pooling Service again until the Pooler has 1) reimbursed the Utility for all outstanding charges and all operating, maintenance, legal, and uncollectible expenses incurred by the Utility as a result of the Pooler's participation in the program being terminated and 2) met and demonstrated the ability to maintain all current credit requirements.

SCHEDULE NO. G-TBS

Schedule No. G-TBS Sheet 1
TRANSACTION BASED STORAGE SERVICE

APPLICABILITY

Applicable for unbundled inventory, injection, and withdrawal storage services to noncore transportation customers, wholesale customers, contracted marketers, and marketers/agents; and to core transportation customers; Core Transport Agents (CTAs), and the Utility's gas supply department for any storage capacity that is additional to their allocated core storage rights. All eligible participants are collectively referred to herein as "customers" unless otherwise specified. N

The storage service package and associated charges shall be negotiated on a transactional basis between the customer and the Utility dependent on market conditions and customer needs. The Utility is not required to accept any bid or make any offer under Schedule G-TBS.

TERRITORY

Applicable for gas stored by the Utility within its service territory.

RATES

Storage service rates under Schedule G-TBS consist of Reservation Charges and Variable Charges. T D

Reservation Charges

Firm Storage Service

The reservation charge, or price, for G-TBS storage service will be established between the customer and the Utility on a transactional basis dependent upon market conditions and the specific storage service to be provided to the customer. For new contracts effective after March 31, 2004, there will no ceiling price, but the floor price will be the short-run marginal cost of providing that product (i.e., inventory, injection, withdrawal). The price shall be set forth in the Contract. T D D

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(Continued)

Schedule No. G-TBS Sheet 2
TRANSACTION BASED STORAGE SERVICE

(Continued)

RATES (Continued)

Interruptible and As-Available Injection and Withdrawal

Reservation charges for interruptible injection and withdrawal shall be negotiated on an individual transaction basis and shall fall within the range of the charges allowed for firm capacity. Reservation charges for as-available injection and withdrawal capacity provided under this schedule shall not be applicable unless otherwise established in the Contract.

Variable Storage Charges

Variable charges are specified below, and are effective year-round. Variable injection charges will be assessed when a customer's net scheduled storage activity results in the customer's injection and the total system is in the injection mode on a gas flow day. Variable withdrawal charges will be assessed when a customer's net scheduled storage activity results in the customer's withdrawal and the total system is in the withdrawal mode on a gas flow day.

For Injection

In-Kind Energy Charge (applied to injection quantity)

Rate, percent reduction 2.440%

O&M Injection Charge (applied to injection quantity less In-Kind Charge)

Rate, per therm ..... 0.123¢

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(Continued)

Schedule No. G-TBS Sheet 3
TRANSACTION BASED STORAGE SERVICE

(Continued)

RATES (Continued)

Variable Storage Charges (Continued)

For Withdrawal

O&M Withdrawal Charge (applied to withdrawal quantity)

Rate, per therm ..... 0.172¢

Billing Adjustments

Billing adjustments may be necessary to reflect changes in quantities applicable under this schedule or changes in costs used in prior period's storage charges.

SPECIAL CONDITIONS

General

1. The definitions of the principal terms used in this rate schedule and the Utility's other tariff schedules are contained in Rule No. 1.
2. Service under this schedule shall be restricted in accordance with the provisions of Rule No. 23.
3. All terms and conditions of Rule No. 30, Rule No. 40, and Schedule No. G-IMB shall apply to the storage services provided under this schedule.
4. As a condition precedent to service under this schedule, an executed Master Services Contract and Schedule I, Transaction Based Storage Service (Form Nos. 6597 and 6597-11) are required (referred to in this schedule as the "Contract"). All contracts, rates and conditions are subject to revision and modification as a result of Commission order.
5. The contract term for service under this schedule shall be set forth in the customer's Contract. The parties may agree to any term up to a maximum term of three years. All contracts for a term greater than three years shall be filed by advice letter for CPUC approval. Any contract, which is entered into and effective before September 1, 2006 (the end of the term of the Comprehensive Gas OII Settlement Agreement as approved in D.01-12-018) with a term of three years or less need not be filed for approval. All firm storage rights will have the same priority regardless of the length of their contracts.

(Continued)

Schedule No. G-TBS Sheet 4
TRANSACTION BASED STORAGE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

General (Continued)

6. For customers under this schedule, any storage gas remaining in inventory at the conclusion of the customer's storage Contract term shall be considered an imbalance subject to the provisions of Schedule No. G-IMB, unless the customer obtains sufficient inventory capacity rights for the period immediately following the expiration of the Contract. L

7. In the event the customer's storage contract is terminated, for whatever reason, prior to the completion of the term of such contract, the Utility may at its option immediately purchase any remaining inventory quantities from such customer at the applicable Buy-Back Rate stated in Schedule No. G-IMB. The Buy-Back purchase amount paid to the customer may be reduced by any outstanding amounts owed by the customer for any other services provided by the Utility.

8. Prior to and while taking service under this tariff, a customer must meet the Utility's applicable creditworthiness requirements.

9. Any offers or counter-offers discussed by the parties and contract terms shall remain confidential except to government agencies acting within the scope of their authority or for the quarterly reports filed with the CPUC and posted on Utility's EBB by the Utility as required by the Comprehensive Gas OII Settlement Agreement (the "CS")(D.01-12-018). Such Quarterly Report will include storage quantities, ~~and~~ terms of contract, ~~but~~ and price, ~~and~~ but contracting party name will not be included. D,N N,T L

Storage Nominations

10. Customers may designate an agent to act on their behalf for the purpose of making storage nominations for their service under this schedule. L,T L

Monthly Imbalance Trading

11. Customers may use their available storage inventory capacity and quantities to (1) offset the customer's own monthly transportation imbalances, or (2) trade with other customers for their monthly transportation imbalances. L L,D L,T L,D

12. For injections and withdrawals performed through imbalance trading, the customer shall not be required to have storage injection or withdrawal rights but shall be assessed the variable charges (including in-Kind Energy and O&M charges) set forth herein for such storage operations. For such imbalance trading, the storage transaction shall be considered as occurring at the time the imbalance trade is completed by the Utility. L

(Continued)

Schedule No. G-TBS Sheet 5
TRANSACTION BASED STORAGE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

13. *This Special Condition number is reserved.*

Storage Inventory Transfers

14. Storage customers may mutually request to transfer gas in inventory from one customer's storage account to another. Such requests must be made by both parties to the inventory transfer and are limited to the inventory quantity available for transfer and the available inventory capacity of the receiving customer at the time the transfer is completed by the Utility. Variable storage charges are not applicable to storage inventory transfers. All transfers may be accepted or rejected, in whole or in part, by the Utility and shall not be deemed accepted until such time as the Utility notifies both customers of the completion of the transfer.

Interruptible Injection and Withdrawal Service

15. Interruptible (IT) injection and withdrawal service is available under this rate schedule. IT service will be scheduled after firm service in accordance with Rule No. 30. The scheduling rank within the IT category shall be determined by price. As-available service is considered the lowest priority of IT service.

16. Customers with Contracts in effect prior to the effective date of this tariff may utilize the Utility's as-available injection and withdrawal service to the extent customer's inventory space exists for injections and customer's inventory gas remains for withdrawals.

17. At any time during the month, the Utility may reduce or eliminate the amount of as available injection or withdrawal capacity made available under this schedule.

(Continued)

Schedule No. G-TBS Sheet 6
TRANSACTION BASED STORAGE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

Secondary Market Transactions

18. Subject to the conditions below, through the remainder of the term of the CS, storage customers will be allowed to transfer to any qualified person, whether or not an end-user or wholesale customer of Utility, all or any portions of their storage contract rights (inventory, injection, and withdrawal rights may be transferred independently) for any period of time up to the remaining term of their contracts. Storage contract rights may be re-transferred any number of times under the same rules applicable to transfers by persons who originally obtained the rights directly from Utility. T

19. Until the Utility is able to implement its electronic trading system, all transfers will be performed manually, and therefore, certain transfer restrictions will be in effect. Transferors must provide Utility with written notice two hours in advance of the first nomination cycle for the effective flow date of the rights transferred. Written notice must be on Form 1790. Notices received by Utility on a non-business day or after 2:30 p.m. Pacific time on a business day will be processed on the next business day. Utility holidays are considered non-business days and will be posted on Utility's EBB. These transfer restrictions will be abolished as soon as Utility's electronic trading system is implemented. During the period of manual trading, SoCalGas agrees to sell its own storage only over the same period and under the same conditions as allowed for other parties reselling their own storage. T T T

20. Prior to any notice of transfer for specific storage rights being submitted, potential transferees must have a valid executed Master Services Contract with the Utility and must have approved credit per Utility's applicable creditworthiness requirements. Until the complete implementation of the CS: (i) Utility will bill the reservation charges to the transferee only if the transfer of storage rights is a complete assignment of the entire storage contract for the remaining term of the contract; (ii) if the transfer is a partial assignment of the storage rights under the contract, or a transfer of the entire contract for a period of time less than the remaining term of the contract, Utility will continue to bill the reservation charges to the transferor and will bill the variable and transmission charges to the transferee under its existing storage agreement. If the transferee has no existing storage agreement, then a G-TBS agreement will be established for the transferred capacity. N | |

21. Information regarding secondary market transfer transactions (currently, the ~~names of parties~~ price, term of transfer, and amount of capacity transferred; and the ~~price~~ names of parties only if the transferor and transferee authorize the Utility to divulge it) will be posted by Utility on its EBB on a periodic basis as required in the CPUC's decision approving with modifications the CS (D.01-12-018) or as may be required by subsequent CPUC action. N

RULE NO. 23

Rule No. 23 Sheet 1

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

A. GENERAL

The Utility will exercise reasonable diligence and care to furnish and deliver service to its customers, and to avoid any interruption of same. The Utility shall not be liable for damages or otherwise for any failure to deliver gas or provide service to its customers, which failure in any way or manner results from an event of Force Majeure (as defined in Rule No. 1).

B. CURTAILMENT

1. Effectuation of Curtailment

When in the judgment of the Utility, operating conditions on the local transmission and/or distribution systems require curtailment of service to end-use customers, such curtailment shall be effectuated in the order and manner described below, unless otherwise specified in this rule.

a. All interutility service provided under Schedule No. GIT.

b. All interruptible local transportation service according to the percentage of default rate paid, as defined in Rule No. 1, with customers paying the lowest percentage of default curtailed first. Customers paying the same percentage of default shall be curtailed on a pro rata basis (by equal percentage) with the exception that all UEG service shall be curtailed before cogeneration service where such service is at the same percentage of default.

c. All firm local transportation service on a rotating basis as described in Section B.2 herein.

d. All Priority 2A service on a pro rata basis.

e. All Priority 1 non-residential service on a pro rata basis.

f. All Priority 1 residential service on a pro rata basis.

(Continued)

Rule No. 23
CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

B. CURTAILMENT (Continued)

2. Curtailment of Firm Local Transportation Service

Firm local transportation service curtailment shall be effectuated by customer rotation. For determining the order of such curtailment, customers shall be separated into two firm service curtailment lists. The first list shall be for UEG and cogeneration customers and the second list shall be for all other firm service customers. Each curtailment list shall be ordered by individual customer as described in Section B.1. The order of customers for the two lists was established by lottery or other non-discriminatory means prior to the implementation date of the CPUC's Capacity Brokering Rules. The customer distribution for the two lists shall be maintained for the ten-year period beginning on the date of such implementation. During the ten-year period, new customers to firm service shall be randomly assigned a position on the appropriate list.

Once the order of the customers is established for each firm service curtailment list, the Utility shall aggregate customers with peak-day usage under 20 MMcfd into "blocks" of approximately 20 MMcfd, to the extent possible. Such aggregation shall be accomplished in the order of the listed customers for each list. Customers with peak-day usage of 20 MMcfd or more shall remain separately listed and shall be considered as one curtailment block. In the event firm service customers are added or deleted from the curtailment lists over the ten-year period, the Utility shall adjust the aggregation of the customer blocks as necessary.

In the event of a firm service curtailment, the Utility shall curtail, in unison, that number of customer blocks necessary to provide for a sufficient level of curtailment. The customer blocks curtailed shall be established by (1) selecting the first customer block from one firm service list, (2) then selecting the first customer block from the other firm service list, and (3) continuing such alternating selections down the two lists until that level of curtailment is reached that is operationally necessary. At the conclusion of the curtailment of the initially curtailed customer blocks, additional customer blocks shall be curtailed, if necessary, using the same alternating method beginning with the customer block immediately following the last block selected. Once all customers on a particular firm service list have been selected for curtailment, the alternating rotation process for such list shall continue at the beginning of the list.

In the event the curtailment of the last customer block selected would result in exceeding the level of curtailment operationally necessary, then the customers within that block shall be selected for curtailment based on the customer order within the block. Those customers not selected shall be treated as a separate block in succeeding curtailment rotations. If the curtailment of an individual customer would result in exceeding the level of curtailment necessary, then such customer shall be curtailed only to the level of curtailment which is necessary.

(Continued)

Rule No. 23 Sheet 3

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

B. CURTAILMENT (Continued)

2. Curtailment of Firm Local Transportation Service (Continued)

For the UEG and cogeneration customer firm service list, UEG customers shall be listed before cogeneration customers. For each curtailment episode, UEG customers must be curtailed at least once using the alternating rotation process described above before beginning the curtailment order of cogeneration customers.

3. Transfers of Intrastate Curtailment

Firm and interruptible local transportation customers may make arrangements among themselves to transfer curtailment requirements in the event the Utility curtails service. Through such arrangements, responsibility for the curtailment imposed by the Utility shall be transferred from the original customer to be curtailed ("original curtailment assignee") to another customer or group of customers ("curtailment transferee") who would not otherwise be curtailed. All of the customers involved in the curtailment transfer must execute and provide to the Utility a Notice of Intrastate Curtailment Transfer (Form No. 6600). Because localized curtailment will affect only customers within specific geographic locations, implementation of transfers of intrastate curtailment between customers in different locations may not be possible.

In the event the Utility provides curtailment notification to the original curtailment assignee less than 48 hours prior to initiation of the curtailment of such customer, the Utility must receive the Notice of Intrastate Curtailment Transfer, executed by all customers involved in the transfer arrangement, within 24 hours of the Utility's notification to the original curtailment assignee. In the event the Utility provides more than 72 hours notice to the original curtailment assignee, the Utility must receive the Transfer Notice, signed by all involved customers, no later than 48 hours prior to the scheduled initiation of curtailment of the original curtailment assignee. In the event of a curtailment, parties involved in a transfer of intrastate curtailment shall have their authorized curtailment quantity (ACQ) adjusted to reflect the transfer. The original curtailment assignee shall have its authorized curtailment quantity increased and the curtailment transferee shall have their authorized curtailment quantity decreased. Any penalties and charges assessed to either the original curtailment assignee or the curtailment transferee, due to either parties' failure to curtail, will be based upon transfer-adjusted ACQ's for each party.

For the purpose of facilitating transfers of intrastate curtailment, as described in Section B.3, the Utility shall maintain a curtailment list by customer facility, as defined in Rule No. 1, for interruptible and firm local transportation service with the exception that for UEG customers, the curtailment order shall be listed by all service for an individual UEG customer for a particular level of service (firm or interruptible) and by percentage of default for interruptible service. The Utility shall make the curtailment list available to firm and interruptible end-use customers upon request.

(Continued)

Rule No. 23 Sheet 4

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

B. CURTAILMENT (Continued)

4. Operating Emergency Declared By A Customer

In the event of an operating emergency as declared by a customer at the customer's facility, service may be made available out of the normal curtailment pattern order, if in the judgment of the Utility it is possible to do so. Out-of-pattern deliveries will be provided to critical customers, as defined in Rule No. 1, whenever they declare an operating emergency. In such an event, subsequent out-of-pattern curtailment may be imposed on the customer in order to balance the amount of curtailment with other customers at the same level on the curtailment order.

5. Restoration of Service

When curtailment of service is to be decreased, restoration of service shall be made (a) in the same manner as described in Section B.1, but inversely to the order given, and (b) to the level of service which in the judgment of the Utility can be provided. However, the Utility reserves the right to restore firm local transportation service in such order as it deems necessary irrespective of the curtailment rotation list described in Section B.2 herein.

C. CURTAILMENT VIOLATIONS

The Utility shall read the meter of the curtailed customer at the beginning and end of each curtailment period for the applicable service curtailed. For other than a customer operating emergency as set forth in Section B.4, customers failing to curtail on request will be assessed a curtailment violation charge of $1.00 per therm for the initial 5 hours of the Customer's operating day, $3.00 per therm for hours 6 through 8, and $10.00 per therm for hours 9 through the end of the curtailment episode. The curtailment violation charge applies to all gas quantities determined by the Utility to be in violation of curtailment. All other charges associated with such usage will apply. Any customer failing to curtail after 48 hours will be immediately reassigned to a core rate schedule for a minimum period of one year. Curtailment violations will be determined as follows:

1. Usage Exceeding Authorized Curtailment Quantity

For curtailment of interruptible or firm local transportation service, customers whose consumption under their applicable service schedule exceeds their authorized curtailment quantity during the curtailment period for such service will be in violation of curtailment.

2. Authorized Curtailment Quantity

The authorized curtailment quantity used to determine a customer's compliance with curtailment shall be established on the basis of the monthly contract billing quantities set forth in the Customer's Master Services Contract, Schedule A, Local Transportation Services (Form Nos. 6597 and 6597-1).

(Continued)

Rule No. 23 Sheet 5
CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

C. CURTAILMENT VIOLATIONS (Continued)

2. Authorized Curtailment Quantity (Continued)

The customer's total authorized curtailment quantity for the applicable period of curtailment shall be equal to the sum of the authorized curtailment quantities for each of the customer's services that are not subject to curtailment during such period. For each such service, the authorized curtailment quantity shall be equal to the monthly contract quantity divided by the customer's actual number of operating days for such service during the month in which the curtailment occurs, multiplied by the customer's actual number of operating days during the curtailment period.

The customer's actual operating days for the month shall be determined based on the operating-day information set forth in the customer's contract. For service designated as operating seven days per week, the operating days shall be all calendar days in the month. For service designated as less than seven operating days per week, the operating days shall be all designated days in the month excluding national holidays. Customers with non-uniform operating schedules for any particular month shall be required to designate in the contract the actual operating-day schedule for such months. The customer may request a change to the operating schedule on a month-to-month basis. All operating schedules shall be subject to the Utility's acceptance and the Utility may adjust such schedules as it deems necessary based on the customer's operations.

D. OUT OF SEQUENCE CURTAILMENT

Curtailments may be effected in certain localized areas due to local transmission and/or distribution system capacity restrictions or emergencies. In such cases, curtailments will generally be made based on the order established herein to the extent it is operationally feasible to do so. In the event of a localized curtailment, customers in unconstrained areas may receive service while other customers of equal or higher priority are curtailed.

E. DIVERSION OF BACKBONE SUPPLIES

In the event insufficient gas supply or capacity is available on its backbone transmission system for the Utility to meet the requirements of its core customers, the Utility may effectuate involuntary diversions of supply originally intended for the Utility's noncore customers.

Prior to a diversion hereunder, the Utility will:

1. Call a Stage 2 OFO as defined in Utility's Rule 40; and

2. Eliminate all interruptible storage withdrawals.

Prior to a diversion hereunder, Utility's Core Acquisition Department will:

(Continued)

Rule No. 23 Sheet 5

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

1) Use all their own firm backbone capacity, to the extent gas supply is available;

2) Use any interruptible backbone capacity on the system at any receipt point to the extent gas supply is available;

3) Use all other reasonable market opportunities, including buying in the open market to alleviate the problem.

The Utility shall notify the CPUC within one business day in the event of any involuntary diversion of customer gas.

All customers with Backbone Receipt Contracts (Schedule N to the Master Services Contract) whose gas supply is involuntarily diverted will receive a $25 per decatherm Involuntary Diversion Credit for gas volumes diverted. In addition, such Involuntary Diversion Credit will also apply to involuntary diversion of scheduled firm storage withdrawal supplies.

(Continued)

Rule No. 23 Sheet 6
CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

E. DIVERSION OF BACKBONE SUPPLIES (Continued)

Unauthorized use of involuntarily diverted supply (calculated at the imbalance account level) will be assessed an additional charge of $25 per decatherm. The additional Involuntary Diversion Charge shall be assessed to the Balancing Entity for all such unauthorized use. Additionally, any OFO charges as specified in Schedule No. G-IMB and Rule No. 40 will be assessed to the Balancing Entity. The Utility shall identify when unauthorized use of diverted backbone supplies occurs. In such cases, unauthorized use of involuntarily diverted supply will disqualify the party from receiving the above-described $25 per decatherm Involuntary Diversion Credit.

During a diversion the Balancing Entity is responsible for contacting its customers to reduce demand such that total usage falls within adjusted scheduled volumes for that day. The Utility will also contact Balancing Entities and use all reasonable means to contact end-users, including posting a notice on its Electronic Bulletin Board for end-use customers to view, ensuring that all parties are aware that a diversion is occurring on the SoCalGas system. Both should be aware that such diversion may impact their deliveries to their account and to manage their total usage in order to not exceed the adjusted scheduled volumes. SoCalGas is in no way obligated to determine which Balancing Entity or end-use customer is actually having supplies diverted.

The ~~Involuntary Diversion Credit does not apply when the diversion is the result of Force Majeure (Rule No. 1). However, the~~ Involuntary Diversion Credit will apply for a diversion resulting from high demand due to weather conditions.

In the event the Utility diverts gas supply, the Utility shall not be responsible for any interstate or intrastate pipeline transmission charges associated with diverted gas. The Utility's total cost responsibility for the diverted gas supply shall be equal to the Involuntary Diversion Credit times the volume of gas diverted.

Involuntary diversion of backbone transmission receipt access supplies and scheduled firm storage withdrawal shall be made in the following order to the extent the Utility deems such order operationally feasible:

1. Interruptible backbone transmission receipt access service: Diversion shall take place according to the price paid for such capacity, with those paying the least diverted first;

2. Firm backbone transmission receipt access service: Diversion shall be implemented on a pro rata basis among all receipt points, to the extent operationally feasible;

3. Scheduled firm storage withdrawal: Diversion shall be implemented on a pro rata basis to the extent operationally feasible.

Backbone transmission service and firm storage withdrawals that are identified as being for service to core end-use customers are not subject to involuntary diversions under this Rule.

(Continued)

Rule No. 23 Sheet 7

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

F. CURTAILMENT/DIVERSION DUE TO EMERGENCY CONDITIONS

At a time when there is a threatened or actual shortage creating an emergency condition for a short duration in the Utility's ability to meet the demands of Priority 1 and 2A customers, or the Utility's ability to meet contractual commitments to firm noncore local transportation service customers, the Utility may, during such emergency period, curtail and/or divert service of all customers, or a portion of such customers, in the most reasonable and practicable manner possible. Further, in such event, the Utility shall have the right to shut off, discontinue, re-establish, or continue service for all customers or a portion of such customers, irrespective of the priority or preference provisions set forth herein or in the tariff schedules, contracts, or rules and regulations applicable to such service. In such emergency situations, curtailments shall generally be made based on the customer's level of demand and transfers of curtailment responsibility, as provided for in Section B.3 herein, shall not be allowed.

The Utility may also, during any national crisis, give preference, as between all customers, to facilities directly engaged in the production of food supplies and the production of national government requirements, when the discontinuance of service to such customers would stop, or materially diminish, the output of said plants.

G. SYSTEM MAINTENANCE AND REPAIR

The Utility, whenever it finds necessary for the purpose of making repairs or improvements to its system, will have the right to suspend temporarily the delivery of gas, but, in all such cases, as reasonable notice thereof as circumstances will permit will be given to customers, and the making of such repairs or improvements will be prosecuted as rapidly as may be practicable, and, if practicable, at such times as will cause the least inconvenience to the customers.

In the event such interruption of service affects more than one customer, interruption of service shall be made in the order established herein only to the extent it is operationally feasible to do so.

(Continued)

CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

(Continued)

H. UTILITY ELECTRIC GENERATION SERVICE

The Utility shall accommodate, subject to the capability of its existing physical facilities and the requirements of higher priority customers, requests by its retail and wholesale customers for reallocation of deliveries for use in electric generating plants deviating from the normal pattern of deliveries by the Utility (a) of an emergency nature to avoid actual electric load curtailment, and/or (b) based on requirements to minimize particularly adverse air pollution impacts expected to be of short duration. Such deviations in deliveries must be approved by the Utility and shall be in accordance with the agreements between the Utility's retail and wholesale customers relating to such reallocations and providing for compensation between such customers. In no event, however, will the Utility's total deliveries for electric generation requirements imposed on the Utility exceed in the aggregate the deliveries which would have been scheduled absent the reallocation agreements between Utility's customers. Customers requesting the Utility to redirect deliveries hereunder shall notify the CPUC promptly after each occurrence of the problem occasioning such request.

I. WHOLESALE SERVICE EXCLUDING SDG&E

Wholesale customers, excluding SDG&E, will receive Priority 1 and 2A service from the Utility in proportion to such customers' Priority 1 and 2A loads. Service to wholesale customers' loads shall be curtailed in the same manner as that for the Utility's retail customers. Wholesale customers may, however, negotiate with the Utility regarding the timing and extent of curtailments for their noncore loads with the condition that such loads shall be subject to curtailments which are proportionate to the curtailment of the Utility's noncore customers.

J. WHOLESALE SERVICE TO SDG&E

The Utility and SDG&E shall operate as independent gas systems to the extent operationally feasible. The Utility shall curtail its noncore customers only to the extent necessary to maintain service to its own core customers. Likewise, SDG&E shall curtail service to its noncore customers only to the extent necessary to maintain service to its own core customers. Neither the Utility nor SDG&E shall curtail its noncore customers to serve the core requirements of the other except as expressly provided by a mutual assistance agreement between the two utilities.

RULE NO. 30

Rule No. 30 Sheet 1

TRANSPORTATION OF CUSTOMER-OWNED GAS

This Rule describes the general terms and conditions applicable whenever the Utility transports Customer-Owned Gas over its system. Customers who wish to transport gas must sign the applicable Agreements.

A. GENERAL

1. Nature of Service

Customers or their designated Agent, Contracted Marketer (CM) or Energy Service Provider (ESP) will deliver equivalent quantities of gas, on a Btu-for-Btu basis, to the Customer's Delivery Point. The gas that the Utility delivers to the Customer will not necessarily be the gas that the Customer, Agent, CM or ESP delivered to the Utility.

2. Gas Specifications

Unless otherwise agreed to by both parties, the gas delivered to the Utility must meet the quality specifications detailed in Section G, below. The minimum and maximum heating value and the pressure of the gas must be such that the gas can be integrated into the Utility's system at the Receipt Point(s).

B. QUANTITIES OF GAS

1. In-Kind Shrinkage Allowance

The in-kind shrinkage quantities represent the Utility fuel use attributable to the volume of natural gas received by Utility for transmission transportation service. The in-kind charge for transmission fuel is 0.39% for volumes transported on the Utility's system, as referenced in Schedule No. G-BR.

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

(Continued)

Rule No. 30
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

B. QUANTITIES OF GAS (Continued)

2. The gas to be transported hereunder shall be delivered and redelivered as nearly as practicable at uniform hourly and daily rates of flow. Utility may refuse to accept fluctuations in excess of ten percent (10%) of the previous day's deliveries, from day to day, if in the Utility's opinion receipt of such gas would jeopardize other operations. Customers may make arrangements acceptable to the Utility to waive this requirement.

3. The Utility does not undertake to redeliver to the Customer any of the identical gas accepted by the Utility for transportation, and all redelivery of gas to the Customer will be accomplished by substitution on a therm-for-therm basis.

4. Transportation customers, contracted marketers, and aggregators will be provided monthly balancing services in accordance with the provisions of Schedule No. G-IMB and Rule No. 40.

5. Unless authorized by the Commission, Gas shall be transported hereunder for use only by the Customer within the state of California, and not for delivery or resale to a third party.

C. ELECTRONIC BULLETIN BOARD

1. Utility prefers and encourages customers to use its electronic bulletin board (EBB) to submit their transportation nominations to the Utility. Charges for EBB are set forth in Rule No. 33. Use of EBB is not mandatory for transportation only Customers.

2. Transportation nominations may be submitted manually (by means other than EBB such as a fax), a processing charge of $11.87 shall be assessed. No processing charge will apply to an EBB subscriber for nominations submitted by fax at a time the EBB system is unavailable for use by the subscriber.

D. OPERATIONAL REQUIREMENTS

1. Customer Representation

The customer must provide to the Utility the name(s) of agents ("agent") used by the Customer for delivery of gas to the Utility for transportation service hereunder and their authority to represent Customer.

A Customer may choose only one of the following gas supply arrangements: 1) one Contractor, 2) one or multiple Agents, or 3) itself for purposes of nominating to its end-use account (OCC).

(Continued)

Rule No. 30 Sheet 3
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

D. OPERATIONAL REQUIREMENTS (Continued)

2. Receipt Points

Utility accepts nominations from transportation Customers or their representatives at the following receipt points into the SoCalGas system:

Topock (El Paso, Transwestern)
Ehrenberg (El Paso)
North Needles (Transwestern, Southern Trails)
Wheeler Ridge (Kern River, Mojave, PG&E and Occidental)
Hector Road (Mojave)
Kramer Junction (Kern River/Mojave)
California Production:
a. Line 85
b. North Coastal
c. Other
Storage

3. Receipt Point Capacity

Each day, receipt point capacities will be set at their physical operating maximums under the operating conditions for that day. The Utility will use the following rules to limit the nominations to the receipt point maximums. Nominations with firm primary access rights will have first priority, followed by firm secondary access rights for delivery to that same receipt point, followed by volumes using interruptible capacity rights. Firm primary rights have priority over volumes scheduled with secondary rights or interruptible rights. Firm secondary rights will have priority over volumes scheduled with interruptible rights through Intraday 1. Scheduling of interruptible capacity will be prioritized by price. Notice of scheduled volumes to bumped parties will be provided via the Transactions module in EBB. Scheduled volumes in Intraday 1 and Intraday 2 are subject to the elapsed prorata rules.

The Utility will accept scheduled volumes for each receipt point to the maximum operating capacity of that individual point. The maximum operating capacity is defined as the facility design or contractual limitation to deliver gas into Utility's system adjusted for operational constrains (i.e. maintenance, localized restrictions, upstream delivery pressures) as determined each day.

(Continued)

Rule No. 30 Sheet 4
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

D. OPERATIONAL REQUIREMENTS (Continued)

4. Nominations

The Customer shall be responsible for submitting gas service nominations to the Utility no later than the deadlines specified below.

Each nomination shall include all information required by the Utility's normal nomination procedures. Nominations received by the Utility will be subject to the conditions specified in the service agreements with the Utility. The Utility may reject any nomination not conforming to the requirements in these rules or in applicable service agreements. The Customers shall be responsible for making all corresponding upstream nomination/confirmation arrangements with the interconnecting pipeline(s) and/or operator(s).

Evening and Intraday nominations may be used to request increases or decreases, changes to receipt points or delivery points.

Intraday nominations do not roll from day to day.

Timely Cycle nominations will automatically roll from cycle-to-cycle and day-to-day until the end date is modified by the nominating entity.

Nominations may be made to and from Receipt Point pools, Backbone Intrastate Transmission Contracts, Citygate Pools and Storage.

Refer to Schedule No. G-POOL for nominating Receipts and Deliveries for Pooling Services.

Refer to Schedule No. G-BR for backbone intrastate transmission firm and interruptible receipt point rights.

5. Storage Nominations and Capacity Rights

a. Proration to System Storage Injection or Withdrawal Capacities

All three classes of firm rights (core, noncore storage, and noncore balancing) will be prorated to the total system capacity available on a daily basis. Customer nominations will be limited to these prorated amounts on that day.

(Continued)

Rule No. 30 Sheet 5
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

D. OPERATIONAL REQUIREMENTS (Continued)

5. Storage Nominations and Capacity Rights (Continued)

a. Proration to System Storage Injection or Withdrawal Capacities (Continued)

A second prorationing step is applicable for the unbundled noncore storage class. After the total class amount is prorated based on allocated costs (classes), individual noncore Customer rights may be reduced in order to not exceed the total in the first step. The methodology for allocation will be based on the following: firm rights have the highest priority followed by interruptible ("IT") rights, which are ranked by price. Any capacity cuts required within these categories will be prorated according to rights nominated.

b. Interruptible Injections and Withdrawals

IT injections and withdrawal will be scheduled in space not used by the firm shippers within the same Customer class of rights on a cycle-by-cycle basis consistent with the NAESB elapsed prorata rules. For example, noncore IT injections will only be scheduled within the daily noncore storage rights that are not being nominated firm and any unused noncore balancing rights. IT noncore storage nominations cannot be scheduled in the space not used by the core storage Customers. The formulas below define these limits.

Total scheduled noncore withdrawal (Firm and IT) < System capability - W_R
Total scheduled noncore injection (Firm and IT) < System capability – I_R
Where:
W_R = current days core firm withdrawal rights
I_R = current days core firm injection rights

Noncore storage withdrawals and injections will include any Operations Park and Loan transactions occurring on that day. Current contracts that provide as-available injection and withdrawal service will now be considered IT and be ranked as the lowest priority IT service.

c. Classification of Secondary Market Rights

If any customer in the Core class buys storage rights in the secondary market or from the noncore storage program, those rights will be considered Core and treated as such during any proration. The same will hold for any noncore Customer buying capacities from the Core, those rights will be deemed noncore for proration and scheduling of IT requests.

(Continued)

Rule No. 30 Sheet 6
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

D. OPERATIONAL REQUIREMENTS (Continued)

6. Timing

All times referred to below are in Pacific Clock Time.

a. Timely Cycle

Transportation nominations submitted via EBB for the Timely Nomination cycle must be received by the Utility by 9:30 a.m. one day prior to the flow date. Nominations submitted via fax must be received by the Utility by 8:30 a.m. one day prior to the flow date. Timely nominations will be effective at 7:00 a.m. the following morning.

b. Evening Cycle

Nominations submitted via EBB for the Evening Nomination cycle must be received by the Utility by 4:00 p.m. one day prior to the flow date. Nominations submitted via fax must be received by the Utility by 3:00 p.m. one day prior to the flow date. Evening nominations will be effective at 7:00 a.m. the following morning.

c. Intraday 1 Cycle

Nominations submitted via EBB for the Intraday 1 Nomination cycle must be received by the Utility by 8:00 a.m. on the flow date. Nominations submitted via fax must be received by the Utility by 7:00 a.m. on the flow date. Intraday 1 nominations will be effective at 3:00 p.m. the same day.

d. Intraday 2 Cycle

Nominations submitted via EBB for the Intraday 2 Nomination cycle must be received by the Utility by 3:00 p.m. on the flow date. Nominations submitted via fax must be received by the Utility by 2:00 p.m. on the flow date. Intraday 2 nominations will be effective at 7:00 p.m. the same day.

7. Confirmation and Ranking Process

A ranking must be received by the Utility at the time the nomination or the confirmation is submitted. The nominating party will rank its supplies and the confirming party will rank its markets. The Utility will then balance the pipeline system using the "lesser of" rule and the rankings submitted.

The ranking will automatically roll from cycle-to-cycle and day-to-day until the end date is modified by the nominating entity.

(Continued)

Rule No. 30 Sheet 7
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

D. OPERATIONAL REQUIREMENTS (Continued)

7. Confirmation and Ranking Process (Continued)

If no ranking is submitted at the time the nomination is submitted, the Utility will use lowest ranking.

The Utility will compare the nominations received for each transaction and the "lesser of" the two nominated quantities will be the quantity confirmed by the Utility.

Subject to the utility receiving notification of confirmed transportation from the applicable upstream pipeline(s) and/or operator(s), the Utility will provide scheduled quantities on EBB.

8. As between the Customer and the Utility, the Customer shall be deemed to be in control and possession of the gas to be delivered hereunder and responsible for any damage or injury caused thereby until the gas has been delivered at the point(s) of receipt. The Utility shall thereafter be deemed to be in control and possession of the gas after delivery to the Utility at the point(s) of receipt and shall be responsible for any damage or injury caused thereby until the same shall have been redelivered at the point(s) of delivery, unless the damage or injury has been caused by the quality of gas originally delivered to the Utility, for which the Customer shall remain responsible.

9. Any penalties or charges incurred by the Utility under an interstate or intrastate supplier contract as a result of accommodating transportation service shall be paid by the responsible Customer.

10. Customers receiving service from the Utility for the transportation of Customer-Owned Gas shall pay any costs incurred by the Utility because of any failure by third parties to perform their obligations related to providing such service.

E. INTERRUPTION OF SERVICE

1. The Customer's transportation service priority shall be established in accordance with the definitions of Core and Noncore service, as set forth in Rule No. 1, and the provisions of Rule No. 23, Continuity of Service and Interruption of Delivery.

2. The Utility shall have the right, without liability (except for the express provisions of the Utility's Service Interruption Credit as set forth in Rule No. 23), to interrupt the acceptance or redelivery of gas whenever it becomes necessary to test, alter, modify, enlarge or repair any facility or property comprising the Utility's system or otherwise related to its operation. When doing so, the Utility will try to cause a minimum of inconvenience to the Customer. Except in cases of unforeseen emergency, the Utility shall give a minimum of ten (10) days written notice of such activity.

(Continued)

Rule No. 30 Sheet 8
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

F. ACCOUNTING AND BILLING

1. The Customer and the Utility acknowledge that on any operating day during the Customer's applicable term of transportation service, the Utility may be redelivering quantities of gas to the Customer pursuant to other present or future service arrangements. In such an event, the Utility and Customer agree that the total quantities of gas shall be accounted for in accordance with the provisions of Rule No. 23. If there is no conflict with Rule No. 23, the quantities of gas shall be accounted for in the following order:

   a. First, to satisfy any minimum quantities under existing agreements.

   b. Second, after complete satisfaction of Section a., above, then to any supply or exchange service arrangements with the Customer.

   c. Third, after the satisfaction of Sections a. and b., above, then to any subsequently executed service agreement.

2. The Customer agrees that it shall accept and the Utility can rely upon, for purposes of accounting and billing, the allocation made by Customer's shipper as to the quality and quantity of gas, expressed both in Mcf and therms, delivered at each point of receipt during the preceding billing period for the Customer's account. If the shipper does not make such an allocation, the Customer agrees to accept the quality and quantity as determined by the Utility. All quality and measurement calculations are subject to subsequent adjustment as provided in the Utility's tariff schedules or applicable CPUC rules and regulations. Any other billing correction or adjustment made by the Customer or third party for any prior period shall be based on the rates or costs in effect when the event occurred and accounted for in the period they are reconciled.

3. The Utility shall render to the Customer an invoice for the services hereunder showing the quantities of gas, expressed in therms, delivered to the Utility for the customer's account, at each point of receipt and the quantities of gas, expressed in therms, redelivered by Utility for the customer's account at each point of delivery during the preceding billing period. The Customer shall pay such amounts due hereunder in accordance with Rule No. 9.

4. Both the Utility and the Customer shall have the right at all reasonable times to examine, at its expense, the books and records of the other to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to service hereunder. The Utility and the Customer agree to keep records and books of account in accordance with generally accepted accounting principles and practices in the industry.

(Continued)

Rule No. 30 Sheet 9

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

G. GAS QUALITY

1. The gas stream delivered by the Customer into the Utility's system shall conform to the gas quality specifications as provided in any applicable agreements, contracts, service contracts and tariff schedules in effect between the delivering interstate or intrastate pipeline and the Utility at the time of the delivery.

2. All gas delivered into the Utility's system for the account of the Customer for which there is no existing contract between the delivering pipeline and the Utility shall be at a pressure such that the gas can be integrated into the Utility's system at the point(s) of receipt and shall conform to the following minimum specifications:

   a. Heating Value: The minimum heating value is nine hundred and seventy (970) Btu (gross) per standard cubic foot on a dry basis. The maximum heating value is one thousand one hundred fifty (1150) Btu (gross) per standard cubic foot on a dry basis.

   b. Moisture Content or Water Content: For gas delivered at or below a pressure of eight hundred (800) psig, the gas shall have a water content not in excess of seven (7) pounds per million standard cubic feet. For gas delivered at a pressure exceeding of eight hundred (800) psig, the gas shall have a water dew point not exceeding 20F at delivery pressure.

   c. Hydrogen Sulfide: The gas shall not contain more than twenty-five hundredths (0.25) of one (1) grain of hydrogen sulfide per one hundred (100) standard cubic feet. The gas shall not contain any entrained hydrogen sulfide treatment chemical (solvent) or its by-products in the gas stream.

   d. Mercaptan Sulfur: The mercaptan sulfur is not to exceed three-tenths (0.3) grains per hundred standard cubic feet.

   e. Total Sulfur: The gas shall not contain more than seventy-five hundredths (0.75) of a grain of total sulfur compounds per one hundred (100) standard cubic feet. This includes COS and CS2, hydrogen sulfide, mercaptans and mono, di and poly sulfides.

   f. Carbon Dioxide: The gas shall not have a total carbon dioxide content in excess of three percent (3%) by volume.

   g. Oxygen: The gas shall not at any time have an oxygen content in excess of two-tenths of one percent (0.2%) by volume, and Customer will make every reasonable effort to keep the gas free of oxygen.

   h. Inerts: The gas shall not at any time contain in excess of four percent (4%) total inerts (the total combined carbon dioxide, nitrogen, oxygen and any other inert compound) by volume.

(Continued)

Rule No. 30 Sheet 10
TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

G. GAS QUALITY (Continued)

2. (Continued)

i. Hydrocarbons: For gas delivered at a pressure of 800 psig or less, the gas hydrocarbon dew point is not to exceed 45F at 400 psig or at the delivery pressure if the delivery pressure is below 400 psig. For gas delivered at a pressure higher than 800 psig, the gas hydrocarbon dew point is not to exceed 20F at a pressure of 400 psig.

j. Dust, Gums and Other Objectionable Matter: The gas shall be commercially free from dust, gums and other foreign substances.

k. Hazardous Substances: The gas must not contain hazardous substances (including but not limited to toxic and/or carcinogenic substances and/or reproductive toxins) concentrations which would prevent or restrict the normal marketing of gas, be injurious to pipeline facilities, or which would present a health and/or safety hazard to Utility employees and/or the general public.

l. Delivery Temperature: The gas delivery temperature is not to be below 50F or above 105F.

m. Interchangeability: The gas shall meet American Gas Association's Wobbe Number, Lifting Index, Flashback Index and Yellow Tip Index interchangeability indices for high methane gas relative to a typical composition of gas in the Utility system near the points of receipt. Acceptable specification ranges are:

Wobbe Number (W for receiving facility)*
(WP for producer)*
0.9 <= WP< = 1.1 W

Lifting Index (IL)*
IL <= 1.06

Flashback Index (IF)*
IF <= 1.2

Yellow Tip Index (IY)*
IY >= 0.8

* Specifications are in relation to a typical composition of gas serving the area to be supplied by the new source.

3. The Utility, at its option, may refuse to accept any gas tendered for transportation by the Customer or on his behalf if such gas does not meet the specifications as set out in G. 1 and G. 2 above, as applicable.

(Continued)

Rule No. 30 Sheet 11

TRANSPORTATION OF CUSTOMER-OWNED GAS

(Continued)

H. TERMINATION OR MODIFICATION

1. If the Customer breaches any terms and conditions of service of the Customer's service agreement or the applicable tariff schedules and does not correct the situation within thirty (30) days of notice, the Utility shall have the right to cease service and immediately terminate the Customer's applicable service agreement.

2. If the contract is terminated, either party has the right to collect any quantities of gas or money due them for transportation service provided prior to the termination.

I. REGULATORY REQUIREMENTS

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

2. Transportation service shall not begin until both parties have received and accepted any and all regulatory authorizations necessary for such service.

J. WARRANTY AND INDEMNIFICATION

1. The Customer warrants to the Utility that the Customer has the right to deliver gas hereunder and that such gas is free from all liens and adverse claims of every kind. Customer will indemnify, defend and save Utility harmless against all loss, damage, injury, liability and expense of any character where such loss, damage, injury, liability or expense arises directly or indirectly out of any demand, claim, action, cause of action or suit brought by any person, association or entity asserting ownership of or any interest in the gas tendered for transportation hereunder, or on account of royalties, payments or other charges applicable before or upon delivery of gas hereunder.

2. The Customer shall indemnify, defend and save harmless Utility, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of the Customer or the Utility), or for loss or damage to property (including the property of the Customer or the Utility), which occurs or is based upon an act or acts which occur while the gas is deemed to be in the Customer's control and possession or which results directly or indirectly from the Customer's performance of its obligations arising pursuant to the provisions of its service agreement and the Utility's applicable tariff schedules, or occurs based on the Customer-Owned Gas not meeting the specifications of Section G of this rule.

RULE NO. 40

Rule No. 40
BALANCING SERVICES AND OPERATIONAL FLOW ORDERS (OFOs)

A. GENERAL

This Rule shall apply to customers (including but not limited to Utility's Gas Acquisition Department, core transport agents (CTA), noncore transportation customers, wholesale customers, contracted marketers, marketers/agents) taking balancing services from the Utility.

B. BALANCING SERVICES

The Utility offers two default balancing services to its customers. The default balancing service for core customers (including CTAs) is the Core Balancing Service. The default balancing service for noncore customers (including wholesale customers) is the Noncore Default Balancing Service. Tolerance bands / levels and balancing capacities vary depending on the balancing service, and are listed below.

	Monthly Tolerance Band	OFO Day Tolerance Level	Normal Inventory Rights (BCF)	Normal Injection Rights (MMcfd)	Normal Withdrawal Rights (MMcfd)
Core Default Balancing Service	±0%	±*	70	327	1935
Noncore Default Balancing Service	±10%	±10%	5.3	250	250

* The lesser of 10% of customer's forecast usage on that day or any unused storage rights.

Tolerance levels during a normal OFO day are as shown above. Section C describes the balancing rights for core and noncore classes when their respective inventory capacities are fully depleted or fully utilized.

Injection and withdrawal rights for core, unbundled storage, and noncore balancing will be prorated to the total system capacity available on those days when the system injection capacity is below 803 MMcfd and/or system withdrawal capacity is below 3125 MMcfd. Core and noncore OFOs will be called based on the lower prorated rights on that day. Any penalties, however, will still be based on whether an individual customer is within its tolerance level. The capacities for core balancing service will be modified by storage transactions that occur in the primary or secondary markets.

The capacities for the Core Balancing Service may be revised by the CTA's rejection/acceptance of allocated non-reliability storage capacities. Such revisions shall be posted by the Utility on its Electronic Bulletin Board (EBB).

~~For providing the default noncore balancing service, an in-kind fuel charge of 2.44% shall be levied on the gas remaining in a noncore customer's imbalance account immediately after each monthly imbalance trading period.~~

(Continued)

Rule No. 40
BALANCING SERVICES AND
OPERATIONAL FLOW ORDERS (OFOs)
(Continued)

C. OPERATIONAL FLOW ORDER (OFO)

In order to protect the integrity of its pipeline system, the Utility will issue and implement OFOs. The Utility will issue a Stage 1 OFO for the core and/or noncore customer class on a Gas Day if, on the day prior to this Gas Day, the Utility's forecasted imbalance of the core and/or noncore customer class exceeds the storage balancing capacities of that particular class of customers. The following criteria will be used to determine whether a Stage 1 OFO condition exists for either the core or noncore classes:

- (Withdrawal Balancing Rights) $\leq$ (Supply – Forecasted Demand) $\leq$ (Injection Balancing Rights)

For the purpose of above calculations, "Supply" includes scheduled deliveries (i.e., flowing supplies) plus scheduled withdrawals from storage for the Gas Day.

If the imbalance (supply – forecasted demand) estimated/calculated for the Gas Day for a particular class falls outside of the balancing rights of the class, a Stage 1 OFO will be declared for that class. For the noncore customer class, the nominal balancing injection and withdrawal rights, unless prorated, are 250 MMcfd and 250 MMcfd, respectively. For the core customer class, the injection balancing rights are core's injection rights for that day less core's scheduled injections; and the withdrawal balancing rights are core's withdrawal rights for that day less core's scheduled withdrawals.

Under the following extenuating circumstances, a Stage 1 OFO will be declared for a particular class even if its imbalance (supply – forecast) falls within the balancing rights of the class:

1. A Stage 1 OFO will be declared for the noncore class if the inventory capacity allocated for noncore-balancing services is fully utilized or fully depleted.

2. A Stage 1 OFO will be declared if core's inventory capacity is fully utilized or fully depleted.

Scheduling limitations, as described in Rule No. 30, will be instituted to ensure that core cannot use noncore storage assets to balance. Similarly, scheduling restrictions will also ensure that noncore customers cannot use core storage assets to balance.

The Utility will endeavor to issue Stage 1 OFOs before 7:30 A.M. on the day prior to the day of flow. However, Utility reserves the right to issue a Stage 1 OFO at any time but at least one hour prior to the next nomination cycle. A Stage 2 OFO will be issued when the forecasted total system deliveries exceed the system capacities, and will be applicable to all customers. When a Stage 2 OFO is declared, the Utility will reduce nominations across the backbone capacity in Cycle 4 (i.e., Intraday Cycle 2), if necessary. A Stage 2 OFO will supersede a Stage 1 OFO. Normally, a Stage 1 OFO will be issued before a Stage 2 OFO. However, a Stage 2 OFO may be declared to protect system integrity even if a Stage 1 OFO had not been previously declared. If customers fail to adequately respond to the Stage 2 OFO, the Utility reserves the right to institute such other measures it deems necessary to alleviate the operating condition.

(Continued)

Rule No. 40
BALANCING SERVICES AND
OPERATIONAL FLOW ORDERS (OFOs)
(Continued)

C. OPERATIONAL FLOW ORDER (OFO) (Continued)

During an OFO event, customers must balance within the tolerance level for their respective balancing service to avoid OFO noncompliance charges as specified in Schedule G-IMB. Normally, customers will be permitted to be either over- or under-delivered during an OFO event as long as their imbalance is within their daily tolerance level. However, when the inventory capacity allocated to noncore balancing services is either fully utilized or fully depleted, the balancing rights for the noncore class will be zero for injection (when its inventory is fully utilized) or zero for withdrawal (when its inventory is fully depleted). Similarly, when the inventory capacity allocated to the core class is either fully utilized or fully depleted, the balancing rights for the core class will be zero for injection (when its inventory is fully utilized) or zero for withdrawal (when its inventory is fully depleted). The Utility will post on its EBB when the balancing rights will be restricted to zero.

Refer to Schedule No. G-BR for information on the Blyth MFO (minimum flow order).

D. OFO COMPLIANCE CRITERIA

The OFO compliance criteria will be based on the following:

1. For noncore end-use customers with automated meter reading (AMR) devices, compliance during the OFO event will be based on the actual daily-metered usage.

2. For noncore end-use customers without AMR devices (or without functioning AMR devices), compliance during an OFO event will be based on the maximum or minimum daily quantity (MDQ or MinDQ) as specified in the customer's service agreement to approximate usage.

3. For CTAs and the Utility's Gas Acquisition Department, compliance during an OFO event will be based on the first 24-hour forecast available each day.

E. TRADING OF OFO IMBALANCE RIGHTS

OFO Imbalance Rights are equal to the difference in decatherms between an OFO day imbalance and the applicable tolerance level. OFO Imbalance Rights correspond to a specific OFO date and may only be traded to offset OFO noncompliance charges from the same date. Storage rights are not eligible to offset OFO noncompliance charges after the fact.

Customers may sell OFO Imbalance Rights to another customer seeking to reduce or avoid an OFO noncompliance charge. OFO imbalance trading can occur only within the class (core or noncore) for which an OFO has been called on a particular day. However, if an OFO is called on the same day for both core and noncore classes, then OFO Imbalance Rights can be traded between as well as within the two classes for that day.

(Continued)

Rule No. 40
BALANCING SERVICES AND
OPERATIONAL FLOW ORDERS (OFOs)
(Continued)

E. TRADING OF OFO IMBALANCE RIGHTS (Continued)

To facilitate trading, OFO Imbalance Rights shall be converted into "Chips" at the rate of one Chip per decatherm. Chips are positive (black) for those entities whose imbalances are within the tolerance level. Chips are negative (red) for those entities that are outside the tolerance level, and are subject to noncompliance charges. Therefore, if on a particular day there is a Stage 1 OFO for only one customer class (either core or noncore), then a black Chip can offset a red Chip, but a red Chip cannot offset another red Chip. However, if on a particular day there is a Stage 1 OFO for both customer classes and both customer classes are either under a "high" OFO situation (over-delivered) or under a "low" OFO situation (under-delivered), then a black Chip can offset a red Chip from the same class or from a different class. In this situation a red Chip cannot offset a red Chip from the same class or from a different class. A unique situation occurs if on a particular day there is a Stage 1 OFO for both customer classes and one customer class is under a "high" OFO situation while the other customer class is under a "low" OFO situation. In this situation, a black Chip can offset a red Chip from the same class but not a red Chip from a different class. On the other hand, a red Chip can offset a red Chip from a different class but not a red Chip from the same class.

An OFO Imbalance Rights statement for an OFO will appear on the customer's bill in the subsequent month. The Chip (OFO Imbalance Rights) trading will be concurrent with the monthly imbalance trading period specified in the section below. A customer may accumulate unlimited black Chips, but the accumulation of red Chips will be limited by the customer's credit limit for Chip trading.

OFO noncompliance charges will be calculated after the Chip trading period ends and after any purchased Chips are assigned to the purchaser. OFO noncompliance charges will be applied to any remaining red chips for each OFO day. Trading Chips will not change the customer's cumulative monthly imbalance since physical gas is not exchanged with Chip trading.

Accounting adjustments under Schedule G-IMB that are made after the Chip trading period will not create new Chips for trading or impact the results from trading. In the event there are any accounting adjustments affecting OFO day imbalances which are made subsequent to any Chip trading for that OFO day, the Utility shall not be responsible for any loss, costs, expenses or damages that may result from Chip trading or payments related thereto.

(Continued)

Rule No. 40
BALANCING SERVICES AND
OPERATIONAL FLOW ORDERS (OFOs)
(Continued)

F. TREATMENT OF MONTHLY IMBALANCES

Customers may trade their monthly imbalances with other customers or into their available storage account per G-IMB. Customer's cumulative imbalances will be stated on the customer's monthly bill. The customer's bill will serve as notice of current imbalances. Beginning at 12:01 a.m., Pacific Clock Time (PCT), on the 25th calendar day in the month of notification, customers may enter SoCalGas' EBB to trade imbalances with other customers. Customers may trade any quantity desired, subject to their respective credit limits for imbalance purchases and their respective deliveries for imbalance sales. However, all quantities remaining after the trading period ends, which are outside of the Customer's tolerance band, shall be assessed the monthly charges specified in Schedule G-IMB. The trading period will end at 11:59 p.m. PCT on the 30th calendar day of the same month. During the month of February, the trading period begins at 12:01 a.m. PCT on the 23rd of the month and ends at 11:59 p.m. PCT on the 28th calendar day of the month.

Each month, a true up will be performed for Gas Acquisition and CTA accounts by comparing the amount of gas actually consumed by their customers and their forecast of gas consumption. Any difference will be carried forward into the month after the true up determination, with at least ten days notice, as an adjustment to the cumulative monthly forecast.

G. INITIAL OFO REVIEW

Any person with a sufficient interest to qualify to intervene in a Commission proceeding on the subject shall be permitted to participate in the OFO Forum. The Utility shall undertake a review of the number of OFOs in the first two months starting the effective date of Rule 40. If there were more than eight (8) OFO days during this first two-month period, and if any customer or shipper is found to have been responsible for causing (or significantly contributing to) more than 25 percent of the OFOs in this period (i.e., an "offending party"), the following steps shall be triggered:

1. The Utility shall convene an "OFO Forum" on the 10th day of the following month.
2. The Forum shall agree upon measures to impose upon the offending party(ies).
3. Such measures shall be implemented effective on the 1st day of the subsequent month.
4. The measures in this initial review for all offending parties shall remain in effect until the end of the next succeeding summer season.

(Continued)

Rule No. 40
BALANCING SERVICES AND
OPERATIONAL FLOW ORDERS (OFOs)
(Continued)

H. ANNUAL OFO REVIEW

If, over the immediately preceding summer period, the Utility has called more OFOs than there were OFO events during the corresponding previous summer period, the Utility will convene an "OFO Forum" within thirty (30) days after the end of the period.

1. At least five (5) days prior to the OFO Forum, the Utility will propose measures that are likely to reduce the number of systemwide OFOs.

2. If any customer or shipper has been found to be the cause for (or a significant contributor to) more than 25 percent of the OFOs during the summer, and the OFOs average at least four per month, the Utility will propose to the Forum measures that are likely to reduce the likelihood that that particular customer or shipper will continue to be a contributor to the OFOs in the following summer period (either on a seasonal or monthly basis). The measures offered by the Utility shall include procedures and penalties, which would limit the daily deliveries of the customer or shipper into the Utility's system on non-OFO days for the following summer period(s).

3. The Forum (through the Utility) will propose to the CPUC (through an advice letter) one or more measures intended to reduce the number of systemwide OFOs, per agreement of the Forum. The Forum must propose such measures within sixty (60) days after the Forum first convenes.