



REQUEST FOR OFFERS

**SOUTHERN CALIFORNIA GAS COMPANY
SOUTHERN SYSTEM RELIABILITY
December 1, 2008**

SOUTHERN CALIFORNIA GAS COMPANY

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Purpose: Southern California Gas Company System Operator (SoCalGas) referred to as the “Utility” is issuing this request for offers (RFO) for proposals enabling the Utility to manage its minimum flow requirements to its Southern System delivery points, defined as at either the El Paso SoCal Ehrenberg delivery point or at the TGN Otay Mesa delivery point (“Southern System”) for system reliability.

The Utility, in its sole discretion, may enter into transactions with one or more respondents submitting offers that will provide the best value to Utility and its customers based upon the Utility’s evaluation criteria.

This RFO is not a binding offer by the Utility to enter into a contract for any product(s) or service(s). Utility reserves the right to reject any or all offers submitted in response to this RFO. Utility may seek regulatory authority to execute and/or make effective definitive agreements memorializing the offers submitted in response to this RFO. If the regulatory authority the Utility receives is not acceptable to the Utility in its sole discretion, the proposed transaction shall not become effective.

Offer Due Date: All offers must be submitted to GTom@semprautilities.com by 5:00 pm Pacific Time on December 19, 2008. All offer materials and information submitted shall be subject to the confidentiality provisions of this RFO.

Term: April 1, 2009 through March 31, 2010, with potential rollovers for comparable future periods by mutual agreement. Respondents may offer services for all or a portion of this term.

Quantities: Minimum of 10,000 Dth/day to a maximum of 500,000 Dth/day when called upon by Utility

Type of Service: Service offerings may include (1) gas exchange agreements whereby Respondent would deliver an amount of gas to SoCalGas’ Southern System, in exchange for a like amount of gas delivered to Respondent at the SoCalGas Citygate when called upon by Utility, prior to a specified time, for monthly baseload gas or for next-day gas, (2) gas delivery agreements whereby Respondent would deliver an amount of cycle 2, 3, or 4 gas at Southern System for injection into SoCalGas storage when called upon by Utility (prior to a specified time before the cycle nomination deadline); stored gas may be withdrawn at Respondent’s discretion within a certain time period of no more than 30 days, (3) a peaking service whereby Respondent would deliver an amount of cycle 2, 3, or 4 gas, for Utility purchase, at Southern System when called upon by Utility (prior to a specified time before the cycle nomination deadline), and (4) other means of allowing Utility to meet its minimum flow requirements at Southern System.

Bid Content: Utility requires that all offers submitted pursuant to this RFO contain the information shown in the attachment corresponding to the type of offer:

- Attachment 1 – Baseload/Next-day Gas Exchange
- Attachment 2 – Cycle 2,3,or 4 Delivery for Gas Storage
- Attachment 3 – Peaking Service Gas Delivery
- Attachment 4 – Other Offers

The Utility reserves the right to request additional information from respondents at any time.

- Level of Service:** Service offerings must provide for assurances of firm physical deliveries.
- Selection Criteria:** Offers will be evaluated and selected based on ability to meet defined requirements and overall price. Utility reserves the right to reject any and all offers.
- Short-List Date:** Utility will notify all respondents that have been short-listed for negotiation by 5:00 p.m. Pacific Time on January 9, 2009.
- Regulatory Approval:** Any contract will be conditioned on Utility obtaining the prior approval by the California Public Utilities Commission (CPUC) acceptable to Utility.
- Non-Binding Offers:** Respondent's offers are considered non-binding until agreement is reached between Respondent and Utility to make the offer binding for an agreed upon term, or until the CPUC issues an order approving a mutually agreeable definitive agreement memorializing the terms and conditions of the transaction between the respondent and the Utility in which case the agreement between the parties shall become effective.
- RFO Schedule:** Utility reserves the right to revise this schedule at Utility's sole discretion. The current RFO Schedule is as follows:

Date	Event
12/1/2008	Issue RFO for proposals to manage Southern System minimum flow requirements
12/19/2008	RFO proposals due
1/9/2009	Notify short listed bidders and begin negotiating binding offers and final agreements
by 2/2/2009	File Advice Letter to approve Southern System minimum flow agreements
4/1/2009	CPUC approval and Southern System minimum flow agreements in place

- Reservation of Rights:** Utility reserves the right at any time, in its sole discretion, to abandon this RFO, to change any dates specified in this RFO, to change the basis for the evaluation of offers, to terminate further participation in this process by any party, to accept any offer or to enter into any definitive agreement, to evaluate the qualifications of any counterparty and/or the terms and conditions of any offer, to reject any or all proposals or offers, to prohibit or limit mutually exclusive offers, to consider additional products, to change any form, document, term or condition used in this RFO at any time during the RFO process, or waive any irregularities, all without notice and without assigning any reasons and without incurring liability of Utility, or any of their respective subsidiaries, affiliates, or representatives to any other party. The Utility shall have no obligation to consider any offer submitted. The Utility will not reimburse any bidder for its expenses related to this RFO under any circumstances, regardless of whether the bidding process proceeds to a successful conclusion or is abandoned. The Utility shall not be deemed to have accepted any Offer, and shall not be bound by any term thereof, unless and until an authorized representative of the Utility executes a definitive agreement with the counterparty.

Waiver: Except as expressly set forth herein, by submitting an offer in response to this RFO, respondent agrees: to waive any and all rights it may have to assert any claim concerning or related to the RFO or any documents in the RFO; that the sole forum in which it may assert any challenge with respect to the RFO is at the CPUC; that the sole basis for any such challenge shall be that the Utility allegedly failed in a material respect to conduct the solicitation in accordance with the RFO; and that the exclusive remedy available to respondent is an order of the CPUC that the Utility again conduct any portion of the solicitation that the CPUC determines was not previously conducted in accordance with the RFO. Respondent expressly waives any and all other remedies, including, without limitation, compensatory and/or exemplary damages, restitution, injunctive relief, interest, costs and/or attorneys' fees.

Representations, Warranties, & Covenants By submitting an offer in response to the RFO, respondent represents, warrants, and covenants to the Utility that it:

1. has read, understands and agrees to be bound by all terms, conditions and other provisions of the RFO.
2. has had the opportunity to seek independent legal and financial advice of its own choosing with respect to the RFO.
3. acknowledges and agrees that, in the Utility's evaluation of offers in response to this RFO, the Utility reserves the right to disqualify a respondent that is unwilling or unable to meet the Utility's credit or other requirements.
4. has obtained all necessary authorizations, approvals and waivers, if any, required by respondent as a condition of submitting its offer.
5. is submitting its offer subject to all applicable laws and regulations.
6. has not engaged, and covenants that it will not engage, in any communications with any other actual or potential participant in the RFO concerning participation in, or the terms of this solicitation, pricing terms in respondent's Offer, or related matters, and has not engaged in collusion or other unlawful or unfair business practices in connection with this RFO.
7. has submitted information in response to this RFO that is true and accurate as of the date of submission and that respondent promptly will update such information upon any material change thereto.
8. agrees that the Utility may rely upon all statements, representations, warranties, and covenants submitted by respondent
9. agrees and acknowledges that information provided by it to the Utility pursuant to this RFO will be subject to the disclosure requirements of the CPUC.

Credit: The Utility has the unilateral right to evaluate and determine the ability of the respondent to perform relative to this project. The Utility will review and may utilize all information submitted by a respondent including any information identified as "confidential." All credit support arrangements (e.g., parent guarantee, performance bond, subordinated security interest, letter of credit) must be negotiated prior to contract execution. Model credit support documents will be provided to short-listed Respondents.

Confidentiality: Except with the prior written consent of the Utility, respondents may not disclose their participation in this RFO and may not disclose, collaborate on, or discuss with any other respondent, offer strategies or the substance of offers, including without limitation the price or any other terms or conditions of any indicative or final offer. The Utility will use the higher of the same standard of care it uses with respect to its own proprietary or confidential information or a reasonable standard of care to prevent disclosure or unauthorized use of respondent's confidential and proprietary information that is labeled as "proprietary and confidential" on the offer page on which the proprietary information appears ("Confidential Information"). Respondent shall summarize the elements of the offer(s) it deems

confidential. The summary must identify clearly the confidential information. Confidential information may be made available on a “need to know” basis to the Utility’s directors, officers, employees, agents and advisors (“Representatives”) for the purpose of evaluating respondent’s offer, but such Representatives shall be required to observe the same care with respect to disclosure as the Utility.

Notwithstanding the foregoing, the Utility may disclose any of the Confidential Information to comply with any law, rule, or regulation or any order, decree, subpoena or ruling or other similar process of any court, securities exchange, control area operator, governmental agency or governmental or regulatory authority at any time even in the absence of a protective order, confidentiality agreement or non-disclosure agreement, as the case may be, without notification to the respondent and without liability or any responsibility of the Utility to the respondent.

It is expressly contemplated that the Utility may provide the CPUC any and/or all materials submitted by respondent in response to this RFO. The Utility will seek confidential treatment pursuant to applicable law. The Utility, however, cannot ensure that the CPUC will afford confidential treatment. The Utility and its Representatives and any of their subsidiaries disclaim any and all liability to a respondent for damages of any kind resulting from disclosure of any of respondent’s Confidential Information.

- No Firm Access Rights** Neither the submission of an offer in response to this RFO nor the execution of a mutually agreeable, definitive agreement that is approved by the CPUC shall establish any firm access rights for respondent at Otay Mesa or any other Utility Delivery and/or Scheduling Point
- Proposal Costs:** The Utility will not reimburse respondents for any of their expenses for developing responses hereto under any circumstances, regardless of whether the RFO process proceeds to a successful conclusion or is abandoned by the Utility in its sole discretion.
- Communication:** All questions or other communications regarding this RFO should be submitted via e-mail to GTom@semprautilities.com.