



Firm Access Rights and Off System Delivery (aka FAR OFF)

**Energy Markets Customer Meeting
Marriot Hotel
Manhattan Beach, CA
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What Is Far Off ?

FAR is the system of firm receipt point rights in which customers can receive gas into and transport across the SoCalGas backbone transmission system on a firm basis.

OFF is the capability to deliver gas off-system the SoCalGas system to the PG&E delivery point.

The new **POOLING** service is designed to improve and facilitate gas sales, trading and exchanges at a city gate delivery point.

A Little History

- ❖ Originated in 1998 with the “Promising Options” identified by the CPUC
- ❖ Comprehensive Settlement Agreement was negotiated and filed
- ❖ Energy Crisis in 2000/2001 again focused the need on a system of firm rights on the SoCalGas system
- ❖ Comprehensive Settlement Agreement was approved but not implemented
- ❖ CPUC issued the Natural Gas Market OIR which included establishment of FAR
- ❖ Focus was again placed on establishing a system of firm rights with potential LNG projects on the horizon
- ❖ CPUC approved the FAROFF proposal of SoCalGas and SDG&E

Firm Access Rights (FAR)

- ❖ FAR creates firm paths for receipt and delivery, which:
 - Provides new options and opportunities for customers
 - Establishes equal access and ability to obtain firm deliveries
 - Places control over entry into SDG&E/SoCalGas system under CPUC regulation
 - Stimulates city gate market
 - Increases gas-on-gas competition
 - Encourages new long-term supply
 - Can drive economical new receipt point expansions (i.e. LNG supplies and the recent Kern River Expansion announcement)

Off-System Delivery Service (OFF)

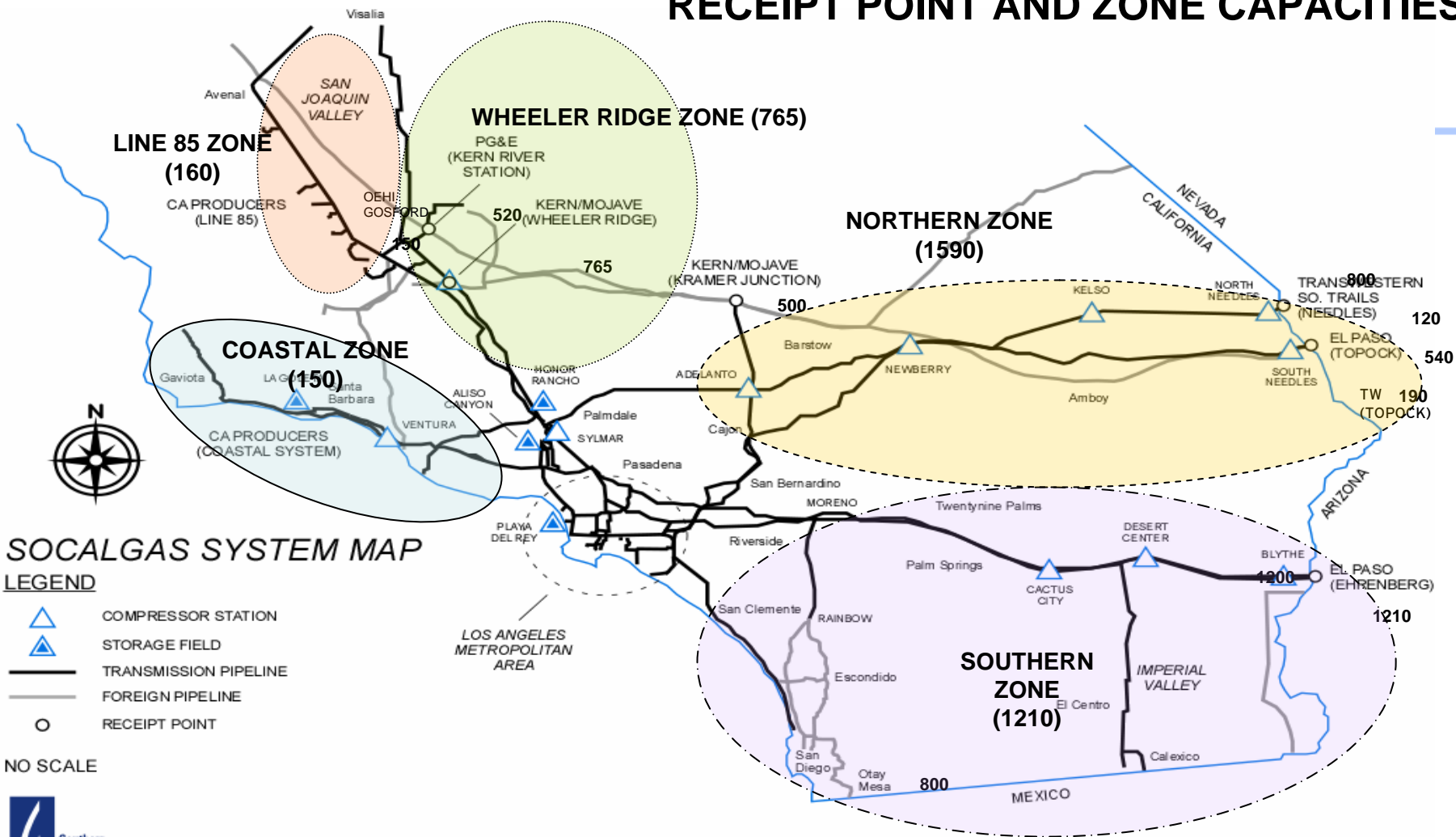
- ❖ Off-system deliver services is the ability of suppliers to deliver gas already on our system to other markets:
 - Establishes interruptible (displacement) off-system service to PG&E
 - Allows for running an open season for firm off-system delivery service to PG&E
 - Allows for filing for off-system services to other points in May 2008
 - Allows for gas to be sold from the southern California system to PG&E
 - Allows for LNG deliveries to reach Northern California
 - Allows for a greater opportunity for storage to be provided to off-system customers

What Are The Transmission Zones And Receipt Points?

Transmission Zone	Specific Points of Access (MMcfd)
Southern (1210)	EPN Ehrenberg - 1210 TGN Otay Mesa - 800 NBP Blythe - 1200
Northern (1590)	TW North Needles - 800 TW Topock - 190 EPN Topock - 540 QST North Needles - 120 KR Kramer Junction - 500
Wheeler (765)	KR/MP Wheeler Ridge - 765 PG&E Kern River Station - 520 OEHI Gosford - 150
Line 85 (160)	California Supply
Coastal (150)	California Supply
Other	California Supply



RECEIPT POINT AND ZONE CAPACITIES



SOCALGAS SYSTEM MAP

- LEGEND**
- ▲ COMPRESSOR STATION
 - ▲ STORAGE FIELD
 - TRANSMISSION PIPELINE
 - FOREIGN PIPELINE
 - RECEIPT POINT

NO SCALE



A Sempra Energy utility



What Are The Rates For Far Off Service ?

Rate	Firm or Interruptible	Term	Rate Structure	Reservation Rate (per Dth/Day)	Volumetric Rate (per Dth)
G-RPA1	Firm	3 Years*	100% Reservation	\$0.05	
G-RPA2**	Firm	3 to 20 Years	100% Reservation	Cost Based at Each Receipt Point	
G-RPAN	Short Term Firm	Up to 3 Years	100% Reservation	Market based up to \$0.05	
G-RPAI	Interruptible	Up to 3 years	100% Volumetric		Market based up to \$0.05
G-OSDI	Interruptible	Up to 3 years	100% Volumetric		\$0.05
G-OSDF	Firm	Up to 3 years	TBD in Open Season		Cost to be determined in open season

*Terms are available for up to 20 years during Steps 3A and 3B open

** Customer taking service under G-RPA2 will also pay the G-RPA1 rate.

How Will My Rates Be Impacted By FAR OFF ?

- ❖ Reduction in end-use transportation rates
- ❖ Revenue reduction based on 5 cents times higher of:
 1. Actual contracted capacity from open season; or
 2. 2008 Cold-Year Forecast (2821 MMcfd)
- ❖ All revenues collected from FAR balanced in the FAR Charge
- ❖ Guarantees at least a reduction of 5 cents to end-use transportation rates
- ❖ All revenues collected from OFF will credited such to further reduce end-use transportation rates

Who Is Eligible To Buy Firm Rights ?

- ❖ SoCalGas Gas Acquisition Department
- ❖ SDG&E Gas Acquisition Department
- ❖ End-use transportation customers of SoCalGas, SDG&E, Southwest Gas, and Long Beach
- ❖ Wholesale Customers of SoCalGas
- ❖ California Producers
- ❖ Contracted Marketers
- ❖ Core Aggregators
- ❖ Storage Customers
- ❖ Any creditworthy party

Will New Contracts And Forms Be Required For The New Far Off Services?

- ❖ **RPMA - (Receipt Point Master Agreement)** – Master umbrella agreement between the customer and Utility for receipt point access service.
- ❖ **RPAC - (Receipt Point Agreement)** – defines the terms of purchase and sale of receipt point transaction including points, quantity and price. Most, if not all, of these will be done electronically.
- ❖ **OSD - (Off System Delivery Agreement)** – defines the terms of off system delivery services.
- ❖ **Pooling Services Contract** – agreement to provide pooling services.
- ❖ **Nomination and Trading Authorization Form** – Allows a customer to designate an agent to nominate or trade on customer's behalf.

What Options Do I Have As An End-use Customer ?

- ❖ Accept, reject or accept partial set-asides as applicable
- ❖ Bid for rights during applicable open season process
- ❖ Choose not to buy firm rights and buy gas supplies at the city gate
- ❖ Designate your marketer or agent to bid/purchase/manage firm rights
- ❖ Exchange receipt points during re-contracting period and thereafter
- ❖ Buy firm rights after open season from SoCalGas
- ❖ Buy firm rights in the secondary market
- ❖ Use interruptible rights

How Will Firm Rights Be Allocated Initially ?

Step 1	SET-ASIDES: Pre-Open Season
Step 2	OPEN SEASON: Preferential Bidding
Step 3A	OPEN SEASON: Long Term Existing
Step 3B	OPEN SEASON: Long Term Expansion/Existing

STEP 1

SET-ASIDES: Pre-Open Season

- ❖ Reserved firm rights for the following specific customers:
 - SoCalGas Gas Acquisition
 - SDG&E Gas Acquisition
 - Other Wholesale Customers (Core Loads Only)
 - Core Transportation Aggregators
 - California Producers
 - Certain Long Term Transmission Contract Holders
 - PG&E G-XF Contracts
 - Parties that fund receipt point capacity either on displacement or expansion under Rule No. 39
- ❖ See Attachments A for more details on set-asides

STEP 2

OPEN SEASON: Preferential Bidding

- ❖ Participants
 - End-Use Customers of SoCalGas and SDG&E, including noncore
 - End-Use Customers of Wholesale Customers
 - SoCalGas Gas Acquisition
 - SDG&E Gas Acquisition
 - Core Transportation Aggregators
- ❖ Online Bidding Platform
- ❖ All receipt point capacity remaining after Step 1 Set-Aside will be made available for Step 2
- ❖ 3 Rounds of Bidding (whatever capacity remains after each round of bidding will be made available for the next round)
- ❖ Max Bidding Rights per Customer
- ❖ Rate Schedule G-RPA1
- ❖ Term: 3 Years

STEP 2

OPEN SEASON: Maximum Bidding Rights

- ❖ **Maximum Bidding Rights include a base load maximum, plus a monthly peaking maximum over a Base Period***
 - Base load maximum bidding rights will be determined based on the customer's average daily historical consumption during the Base Period less any set-aside elected by the customer under an end use transportation agreement.
 - The months the customer uses more than its average base load, the customer's maximum bidding rights will be set equal to its historical usage in those particular months during the Base Period less any set-aside elected.
- ❖ **Bidding rights may be adjusted if future consumption is expected to exceed historical usage**
- ❖ **New customers may establish bidding rights through use-or-pay obligations**

* Defined as the 36 consecutive months of consumption data ending 4 months prior to the start of the process to assign/award Receipt Point rights

STEP 2

OPEN SEASON: Maximum Bidding Rights

❖ Other Wholesale Customer Options

- SDG&E noncore transportation customers are eligible to participate directly in open season; SDG&E must provide historical annual average usage to establish maximum bidding rights
- Other wholesale customers may elect to have their noncore customers participate directly in open season and must provide a list of participating customers along with historical annual average usage to establish maximum bidding rights
- Wholesale customers not electing to have their noncore customers participate directly will be provided maximum bidding rights for their noncore loads

STEP 2

OPEN SEASON: Maximum Bidding Rights

❖ Third party tolling agreements

- In the case of a customer that has tolling agreement with a third party for its plants operations, the third party will be afforded maximum bidding rights based on the historical usage under the tolling agreements and subsequently the plant operator's maximum bidding rights will be reduced accordingly

STEP 2

OPEN SEASON: Bidding Process

- ❖ Bidder must have an executed RPMA in place and must have satisfied Utility's applicable credit requirements
- ❖ Bids must be submitted through On-line Bidding system
- ❖ Bids submitted on a Receipt Point and Quantity basis only
- ❖ Customers may submit bids based on base load and/or monthly bids

STEP 2

OPEN SEASON: Bidding Process

- ❖ Customers may not bid in aggregate more than its annual total of maximum bidding rights
- ❖ An end-use customer who is already in good standing for credit with the Utility prior to Step 2 will be deemed creditworthy up to their specified maximum bidding rights
- ❖ All bids, once submitted, cannot be withdrawn

STEP 2

OPEN SEASON: Bid Evaluation

- ❖ Bids for monthly capacity rights will be given a lower priority relative to bids for base load capacity.
- ❖ If more quantity is bid for at a particular receipt point or transmission zone than is available, all bidders will be awarded rights on a pro-rata basis to the amounts they bid for that point. Bids will be prorated first at a particular receipt point and then at the transmission zone if needed.
- ❖ Successful bidders are contractually liable for all awarded firm receipt point rights and will be assigned a unique contract number.

STEP 3A

OPEN SEASON: Long Term Existing

- ❖ Participants: Any Creditworthy Party
- ❖ Online Bidding Platform
- ❖ 1 Round
- ❖ Rate Schedule G-RPA1
- ❖ Bids Annual Base Load
- ❖ Term: 3 to 20 Years

STEP 3B

OPEN SEASON: Long Term Expansion/Existing

- ❖ Participants: Any Creditworthy Party
- ❖ 1 Round
- ❖ Expansion Capacity
- ❖ Rate Schedule G-RPA2, Plus Applicable G-RPA1
- ❖ G-RPA2 Rate based on cost of expansion of a receipt point
- ❖ Bids Annual Base Load
- ❖ Term: 3 to 20 Years
- ❖ ROFR Rights

Interruptible Receipt Point Rights

- ❖ Unutilized firm receipt capacity will be made available on an interruptible basis at the G-RPAI rate to any creditworthy party.
- ❖ Customers taking interruptible service will be required to execute one contract, which will provide interruptible service from all receipt points.
- ❖ SoCalGas may also offer daily interruptible volumetric charges below the G-RPAI rate for all interruptible receipt point service or just for a particular receipt point. In such case, SoCalGas will post the daily rate on its EBB.

Online Bidding System

❖ Will be Available at www.socalgas.com

❖ Online Bidding System

- User Friendly
- Used for entire open season process, including set-asides
- Customer registers (executed RPMA, logon ID required)
- Views bidding rights
- Submits bids
- Check bid status
- E-mail confirmation of submitted bids and awards
- Electronic contracts for RPAC
- Initial Exchange of Receipt Points

Can I Exchange My Receipt Points On My Contract ?

- ❖ 2 week re-contracting period after the Open Season
- ❖ Available on a “first-come, first-serve” basis

Can I Sell Or Trade My Firm Rights ?

- ❖ Firm rights may be traded via EBB
- ❖ Buyers must be creditworthy, unless seller agrees to waive buyer's creditworthiness requirements
- ❖ Max rate is 125% of G-RPA1
- ❖ Trading agent is optional

Can I Have Some Other Party Manage My Rights For Me ?

- ❖ End-use customer may opt to designate one and only one **nominating agent** or **trading agent** to manage your receipt point contracts

Customer Information

- ❖ SoCalGas will hold informational meetings and customer training in the coming months to assist customers in understanding and participating in this new program
- ❖ New FAR OFF website will be launched in December 2007 that will provide detailed information, including Frequently Asked Questions.

Tariff Approval Status

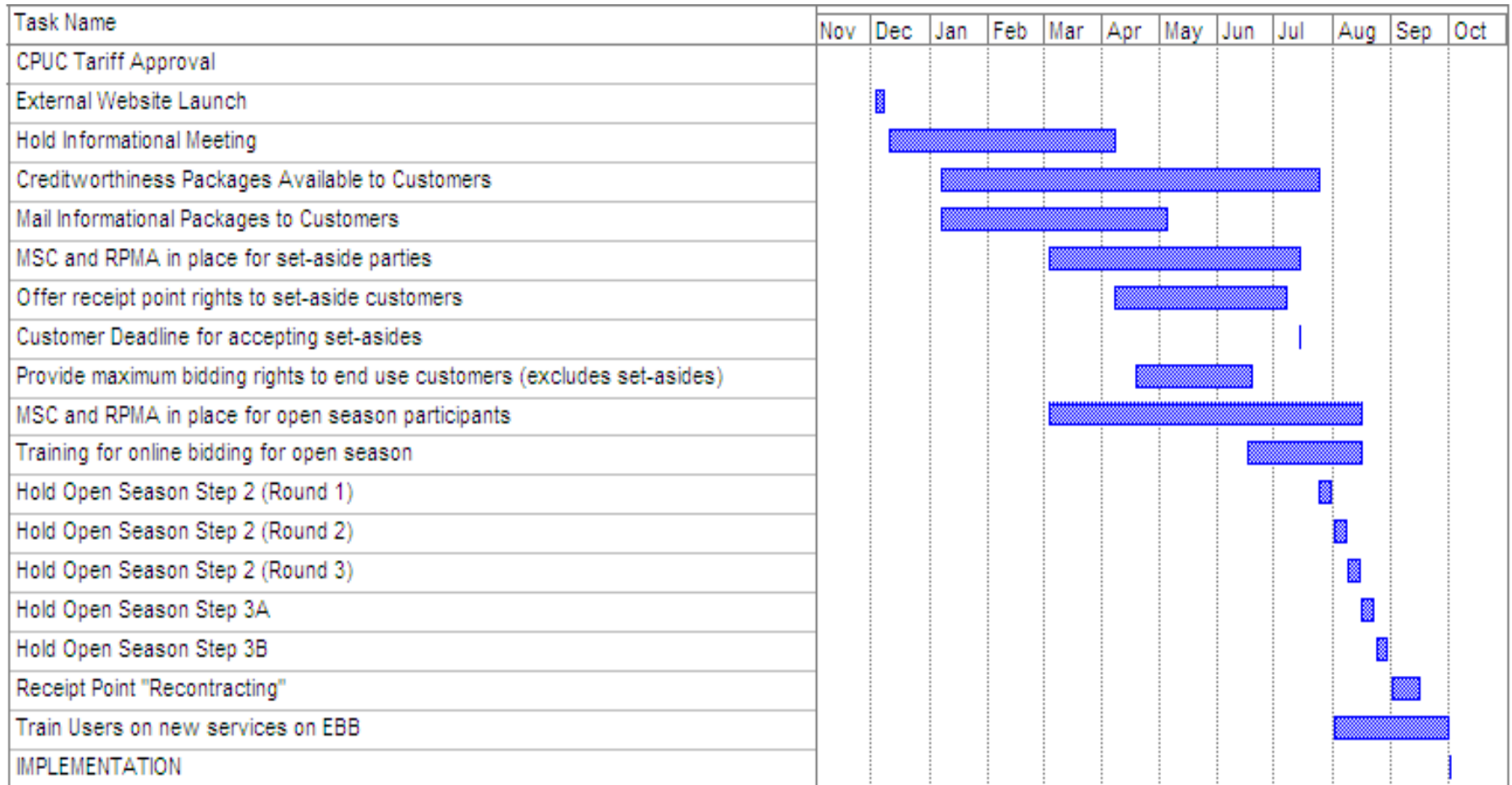
- ❖ Awaiting CPUC approval of final tariff changes
- ❖ Expect last approval in November or December

When Will Far Off Be Implemented ?

Planned Implementation Date

October 1, 2008

FAR-Off Implementation Timeline





QUESTIONS ?



Attachment A - Set-Asides

Set-Aside Rights

❖ SoCalGas Gas Acquisition and SDG&E Gas Acquisition

- Equal to the average daily quantity of the qualifying upstream contracts (those exceeding 18 months during the applicable three-year period) for core loads.
- Based on actual commitments in place three months before any three-year open season
- G-RPA1 rate

Set-Aside Rights

- ❖ **California Producers (including Exxon Mobil's production at Santa Ynez)**
 - Equal to the producer's peak month's daily average over the most recent three-year period
 - Peak month is defined as the month with the highest average daily volume
 - Bidding rights may be increased if the specific production is likely to increase and forecasted increase can be justified by the producer
 - May elect all or portion of set-aside quantity
 - Applies to all "native gas" production
 - Occidental of Elk Hill's will be provided a similar set-aside for 90 MMcfd at OEHI Gosford receipt point
 - G-RPA1 rate



Set-Aside Rights

❖ Other Wholesale Customer Core Loads

- Equal to the average daily quantity of the qualifying upstream contracts (those exceeding 18 months during the applicable three-year period)
- Based on actual commitments in place three months before any three-year open season
- Not required to select set-aside option
- G-RPA1 rate

Set-Aside Rights

❖ Core Transportation Aggregators

- Equal to the average daily quantity of the qualifying upstream contracts (those exceeding 18 months during the applicable three-year period)
- Based on actual commitments in place three months before any three-year open season
- Not required to select set-aside option
- G-RPA1 rate

Set-Aside Rights

❖ Customers with Long Term Transportation Contracts

- Equal to the higher of the customer's Tier 1 contract quantities or the most recent average daily usage, for access at those specified receipt points.
- End -use customers under Commission-approved transportation LTK in effect on Dec. 14, 2006 specifying firm deliveries at a particular Utility receipt point
- May increase set-aside quantity based on justified increase in consumption.
- G-RPA1 rate

Set-Aside Rights

❖ PG&E G-XF Contracts

- Applicable to City of Glendale, City of Pasadena, Ulster Petroleum LTD, Talisman (Rigel), and U.S. Gypsum with effective Commission-approved contracts for delivery at PG&E Kern River under PG&E G-XF Rate Schedule in effect at the time of implementation.
- Set-aside option for access rights at PG&E Kern River Station
- G-RPA1 rate

Set-Aside Rights

- ❖ **Parties Funding Displacement Or Expansion Receipt Point Capacity Under Rule No. 39**
 - Set-aside option available following completion of the facilities for first and all subsequent open seasons
 - Shall equal the quantity of the increase in receipt point capacity funded
 - Set-aside quantity at Otay Mesa limited to 700 MMcfd of displacement receipt point capacity
 - G-RPA1 rate

Pro-Ration of Set-Asides

- ❖ If total amount of set-asides exceed available capacity at a particular receipt point or Transmission Zone, set-asides for core customers, including the core loads of wholesale customers provided set-aside options, will be provided first and all other set-asides are subject to being pro-rated to the extent that the total amount of set-asides selected exceed the available capacity of the applicable Transmission Zone or a particular receipt point.