



Customer Meeting

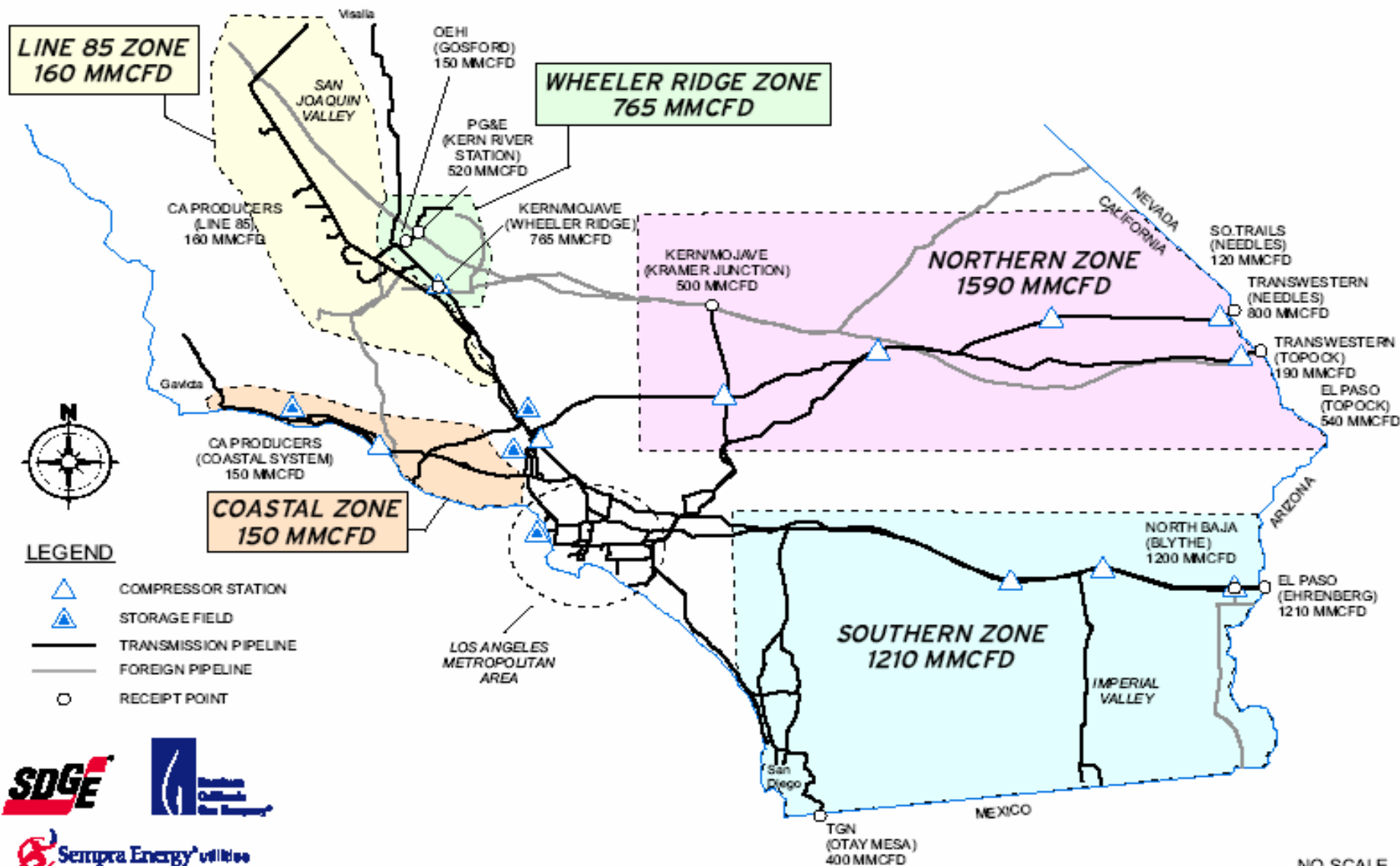
FAR-OFF

Bakersfield
Feb 19, 2008

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

RECEIPT POINT & TRANSMISSION ZONE FIRM CAPACITIES



What Are The Transmission Zones And Receipt Points?

Transmission Zone	Specific Points of Access (MMcfd)
Southern (1210)	EPN Ehrenberg - 1210 TGN Otay Mesa - 400 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



Firm Access Rights (FAR)

- ❖ FAR creates firm paths for receipt and delivery, which:
 - Firm Access has a higher priority for gas deliveries into the transmission system than interruptible rights
 - 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
 - One RPAC Contract per Receipt Point
 - Demand charge

What is 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.
- ❖ Interruptible rights have lower priority for gas deliveries.
- ❖ Volumetric Charge

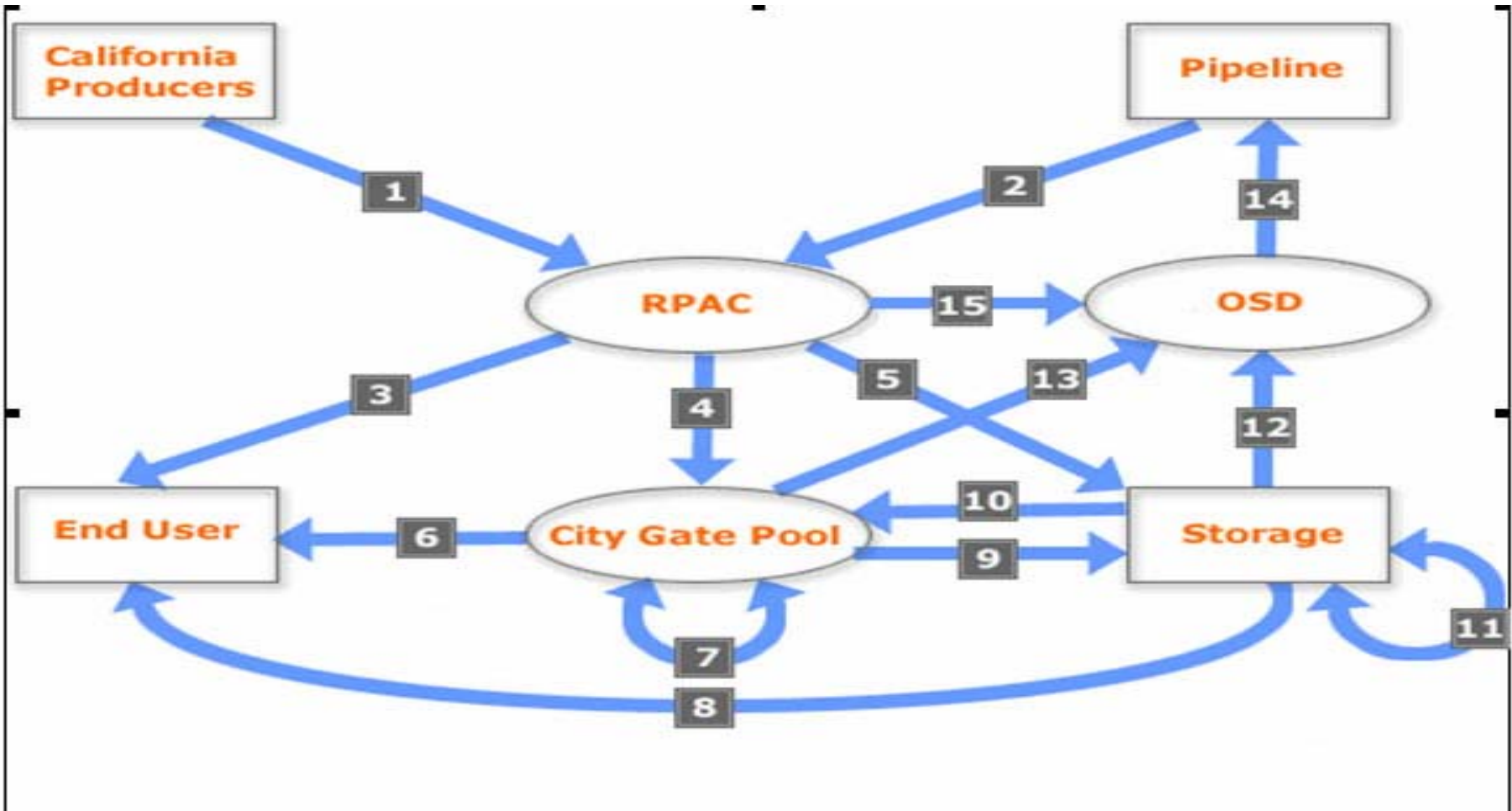
Off-System Delivery Service (OFF)

- ❖ Off-system delivery 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

Pooling

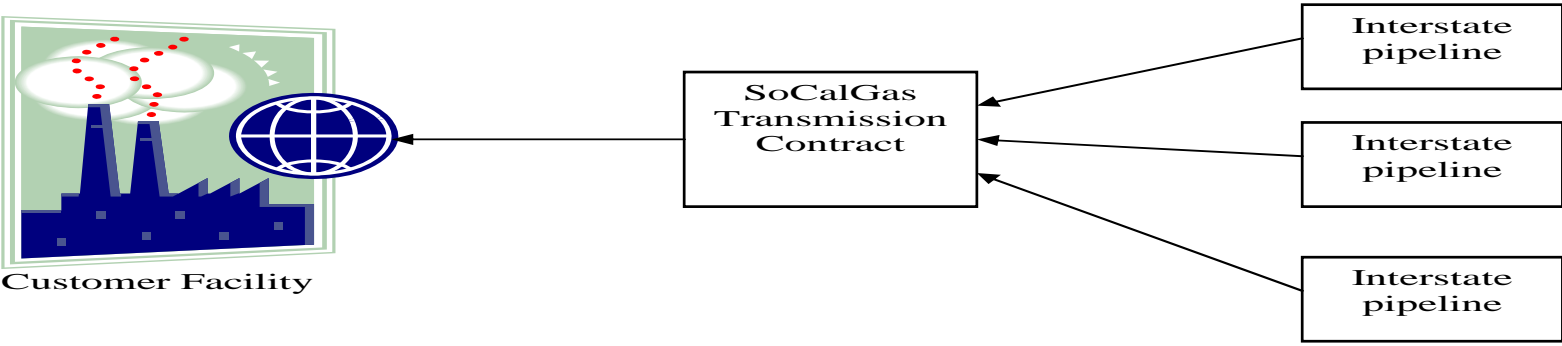
The new **POOLING** service is designed to improve and facilitate gas sales, trading and exchanges at a city gate delivery point.

FAR-OFF Gas Transportation Model

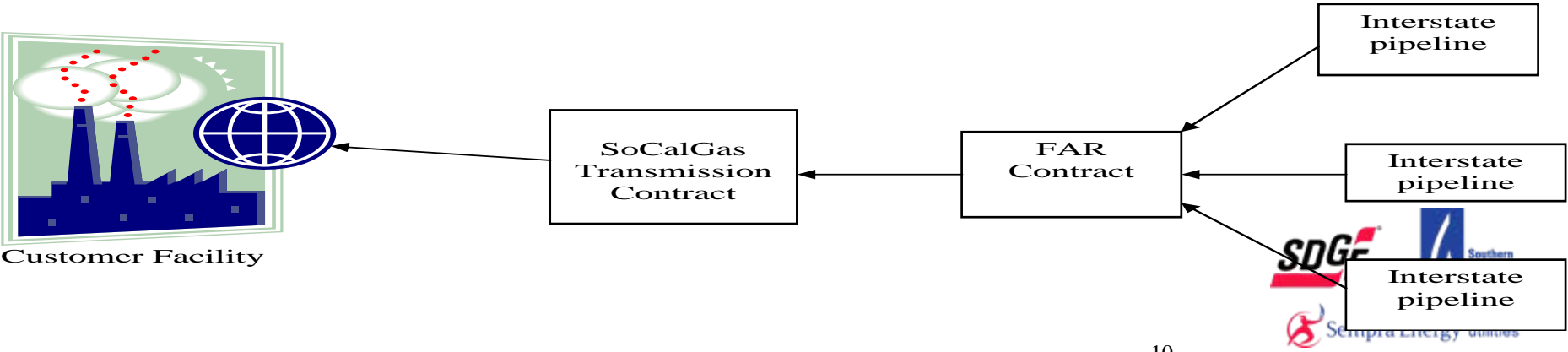


What's different?

Current Transportation Contracting



Firm Rights Transportation Contracting



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

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

*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.

What you need to know!

How will customer rates be impacted by FAR-OFF ?

- ❖ Reduction in end-use transportation rates of 5 cents per Dtherm per day through at least 2009
- ❖ All revenues collected from OFF service will be credited such to further reduce end-use transportation rates
- ❖ Rates will be adjusted in 2010.

What Options Do End-Use Customers Have?

- ❖ Choose not to buy firm rights and let their marketer handle the gas transportation. This probably will result in a charge from the marketer for the 5 cents transportation charge they will have to pay.
- ❖ Bid for firm rights during the applicable open season process - 3-year term contract
- ❖ Buy interruptible rights - any term with end date not to exceed September 30, 2011.
- ❖ Assign/relinquish their bidding rights to a 3rd party - must assign using FAR-OFF Assignment Form (to be submitted for CPUC approval)
- ❖ Buy firm rights after open season from SoCalGas - any term with end date not to exceed September 30, 2011.
- ❖ Buy firm rights in the secondary market - any term with end date not to exceed September 30, 2011.

Can A Third Party Manage Customer Rights?

- ❖ End-use customer may opt to designate one and only one nominating agent and/or trading agent to manage their receipt point contracts
- ❖ The [Nomination and Trading Authorization Form](#) - Allows a customer to designate an agent to nominate or trade on customer's behalf.

Can Firm Rights Be Sold Or Traded?

- ❖ Firm rights may be traded via EBB after the Open Season
- ❖ Buyers must be creditworthy
- ❖ Max rate is 125% of G-RPA1
- ❖ Trading agent is optional

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.
- ❖ **[Pooling Services Contract](#) (*Optional*)** – agreement to provide pooling services.
- ❖ **FAR-OFF Election Form** – form in which customer elects to participate or not to participate.
- ❖ **FAR-OFF Assignment Form** to assign bidding rights to a third party for open season process.
- ❖ **[Nomination and Trading Authorization Form](#)** – Allows a customer to designate an agent to nominate or trade on customer's behalf.

Open Season

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**

* The 36 consecutive months of consumption data from March 1, 2005 thru February 29, 2008

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: Bidding Process

- ❖ Bidder must have an executed RPMA in place and must have satisfied Utility's applicable credit requirements
- ❖ 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
- ❖ Bids must be submitted through On-line Bidding system
- ❖ Bids submitted on a Receipt Point and Quantity basis only



STEP 2

OPEN SEASON: Bidding Process

- ❖ Customers may submit bids based on base load and/or monthly bids
- ❖ Customers may not bid in aggregate more than its annual total of maximum bidding rights
- ❖ All bids, once submitted, cannot be withdrawn

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

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

NONCORE CUSTOMER BIDDING RIGHTS

A customer's bidding rights will include a :

- 1) base load maximum, plus
- 2) a monthly maximum

Bidding Rights Calculation - BASELOAD

BASELOAD BIDDING RIGHTS

- Retrieve 36-months of historical usage for each customer; (March 1, 2005 through February 29, 2008)
- If customer has less than 36 months of historical data, then we'll use whatever is available. Customer will not be able to use previous owner's usage.
- Baseload = Total all usage and divide by total number of days in 3 year period (365×3); this converts to decatherms/day
- Bidding rights are in decatherms/day

Bidding Rights Calculation - MONTHLY

MONTHLY MAXIMUM BIDDING RIGHTS

- Based on historical usage in months during the Base Period (March 1, 2005 through February 29, 2008)
- Add up the usage in each month of the year; (for example, Jan. 06, Jan. 07, Jan 08); then divide by the number of days in the months ($31 \times 3 = 93$)

Bidding Rights Calculation - MAX MONTHLY EXAMPLE

MONTHLY MAXIMUM BIDDING RIGHTS

Customer ABC has the following historical usage for December:

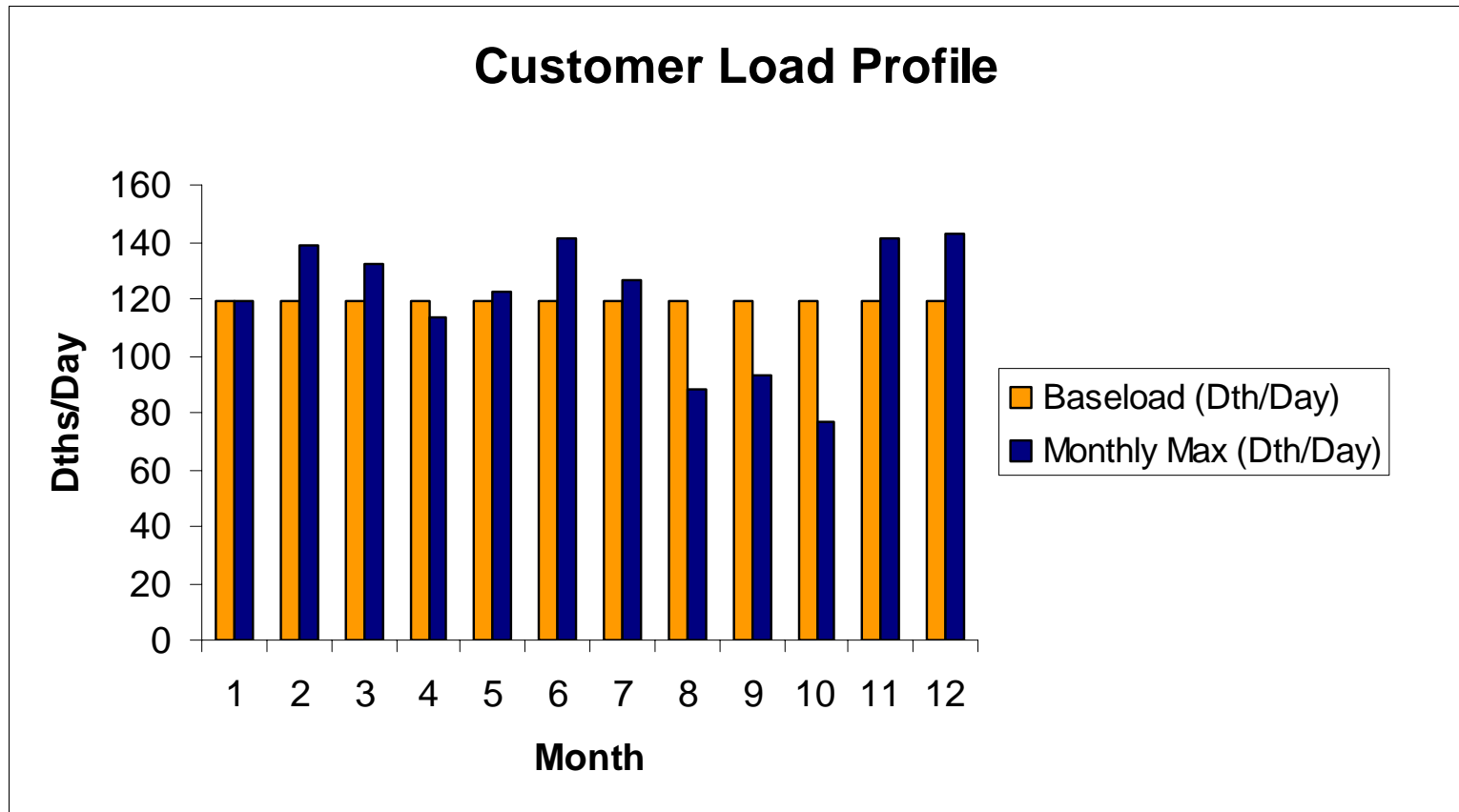
Month	Usage	Days
Dec. 05	23,468 dths	31
Dec. 06	45,339 dths	31
Dec. 07	17,033 dths	31
Total	85,840 dths	93
Maximum Bidding Rights for December = $85,840 / 93 =$ 923 Dths/Day		

Bidding Rights Calculations for Open Season

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
2004	2,897	3,097	3,297	2,597	2,997	3,447	3,121	2,144	2,187	2,566	4,560	5,124	38,034
2005	3,599	3,799	3,999	3,299	3,699	4,149	3,823	2,663	2,717	3,456	4,235	4,872	44,310
2006	4,590	4,790	4,990	4,290	4,690	5,140	4,814	3,397	3,465	1,098	3,904	3,281	48,449
Total	11,086	11,686	12,286	10,186	11,386	12,736	11,758	8,204	8,369	7,120	12,699	13,277	130,793
# of Days	93	84	93	90	93	90	93	93	90	93	90	93	1,095
Baseload (Dth/Day)	119	119	119	119	119	119	119	119	119	119	119	119	
Monthly Max (Dth/Day)	119	139	132	113	122	142	126	88	93	77	141	143	43,598

Maximum Annual Bidding Rights = 43,598 Dths

Customer Load Profile



BIDDING RULES

- 1) Customers may submit a bid up to their specific base load quantity
or
 - 2) Customers may bid monthly bids up to the specified monthly maximum quantities
- ❖ The sum of the monthly bid plus any base load bid covering a particular month may not exceed the maximum bidding rights established for the particular month.

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.

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 awards for RPAC
- Initial Exchange of Receipt Points
- Obtain Interruptible service contract

Bidding System - registration page

Bidder Registration

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A Sempra Energy[®] utility

Enter registration information and click the Register Button:

RPMA #	<input type="text"/>		
Verification Code	<input type="text"/>		
First Name:	<input type="text"/>		
Last Name:	<input type="text"/>		
Email:	<input type="text"/>	Confirm:	<input type="text"/>
Phone:	<input type="text"/>		
Fax:	<input type="text"/>		
LogonID	<input type="text"/>		
Password:	<input type="password"/>	Confirm:	<input type="password"/>
Security Question:	Select a Question <input type="button" value="v"/>		
Security Answer:	<input type="text"/>		

Bidding System - continued



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Choose a Receipt Point: ▼

Dth/d

EPN Ehrenberg

Point	Period Year	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12
1001	2008	0	0	0	0	0	0	0	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
1001	2009	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
1001	2010	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000
1001	2011	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	1,185,000	0	0	0	0	0

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When Will FAR-OFF Be Implemented ?

October 1, 2008

❖ FAR OFF website



Questions