

Step 3B - Open Season for New and Existing Capacity Expansion

SoCalGas is conducting an open season for Firm Access Rights (FAR) capacity for new receipt points to be established or to expand existing receipt capacity.

- Any creditworthy party may participate in Step 3B.
- Participants must have an executed RPMA in place.
- Participants can submit annual base load bids only.
- The maximum total bid for any party is established by its creditworthiness.
- Bids will be submitted on a receipt point, quantity and term basis.
- There will be one round of bidding in Step 3B from August 15, 2008 until August 21, 2008.
- The term of the contracts can be from 3 to 20 years.
- Contracts for new receipt point capacity will be charged the applicable reservation rate under G-RPA1, plus any applicable G-RPA2 as specifically determined for a Receipt Point.
- Customers may signify that:
 - any of their specific receipt point bid submitted may be prorated based on the other bids submitted in order to meet the available receipt point access capacity available
 - Bids are an “all-or-nothing” bid so that awards will not be made if any prorating is required.

In accordance with G-RPA tariff, Receipt Point Access, once capacity is awarded for new receipt point capacity in Step 3B, the Utility will request an upfront payment of the estimated costs prior to commencing construction of the required facility enhancements, with this payment charged to all Step 3B contract holders on a pro rata basis.

Once the actual construction costs of the completed facilities are finalized and placed in service, awarded capacity holders winning bidders in Step 3B will have their estimated reservation charges adjusted to account for the actual costs of construction as specified through a SoCalGas' Advice Letter. Prior to approval of the Utility's Advice Letter determining actual cost of construction, customer will be charged the estimated reservation charge. As with any construction project, there are likely to be unforeseen costs during the construction of those facilities. The actual construction costs of the completed facilities might be less than or greater than the estimated project costs and may result in reservation charges which are different from

those provided during the open season. Contract holders will be subject to revisions in their applicable G-RPA2 reservation charges to account for the actual costs for construction.

Customers will have three funding options for increasing receipt point capacity under Step 3B.

1. A customer may elect to pay 100% of the costs, including applicable CIAC taxes, to the Utility in accordance with Rule No. 39 to complete the installation of the necessary facility without any refund of the advanced funds and not be charged a G-RPA2 rate on a going forward basis.
2. A customer may elect to pay 100% of the costs to the Utility in accordance with Rule No. 39 to complete the installation of the necessary facility, receive a refund of those advanced funds after gas first flows through the receipt point, and be charged a G-RPA2 rate on a going forward basis.
3. A customer may elect to install the necessary facility themselves under the direction of the Utility, transfer ownership of the necessary facilities, along with any payment of applicable CIAC taxes, and not be charged a G-RPA2 rate on a going forward basis.

Customers that are awarded new receipt point capacity shall be able to continue their capacity rights ownership after the initial contract term by exercising a Right of First Refusal (ROFR) for a like contract term. In order to minimize the amount of Utility facilities that are actually required to meet the Step 3B awarded bids, the Utility will first ask all existing capacity rights holders if they are willing to turn back their awarded capacity at the G-RPA1 rate. If bidders in Step 3B secure capacity that later is accorded rolled-in ratemaking treatment, they would be permitted to relinquish the capacity before the end of their contract term (and be relieved of the associated reservation charges). This relinquishment would be timed to correspond to the allocation of existing capacity to customers in succeeding Step 1 and Step 2 open seasons.

Please submit the attached form with your bid via fax it to (213) 244-3897 or send a scanned version to CapacityProducts@semprautilities.com if you are interested in obtaining capacity at a new or expanded receipt point.

Open Season Step 3B
Bid Request for Firm Access Rights

(For remaining base load existing capacity, expansions at existing receipt points, and new receipt point capacity)

Type or print the information requested in the appropriate boxes, sign and fax a completed form to: Capacity Products at (213) 244-3897 or send a scanned version via e-mail to capacityproducts@semprautilities.com. If you have questions, please call FAR Hotline at (213) 244-3766.

1. Bidder Information:

Date:	
Company Name:	
RPMA No.	
Requestor:	
Title:	
Signature:	
Phone:	
E-mail:	

2. Receipt Point, Term¹ and Daily Contract Quantities (Dth/day):

<u>RECEIPT POINT</u>	<u>START DATE²</u>	<u>END DATE³</u>	<u>DAILY CONTRACT QUANTITY⁴</u> <u>(Dth/day)</u>

Check box if your bid is an all-or-nothing bid and you do not want a prorated share of capacity

3. Rate

The applicable rate for firm access rights in Step 3B will be the G-RPA1 plus applicable G-RPA2 as specifically determined for a Receipt Point.

¹ Term can range from 3 to 20 years
² Start date must be the first day of a month
³ End date must be the last day of a month
⁴ Base load quantity only

Bids for Step 3B will be accepted beginning on August 15, 2008 at 8:00 a.m. until August 21, 2008 at 5:00 p.m. PCT. Submitted bids may be withdrawn prior to the close of Step 3B. The maximum total bid for any party is established by its creditworthiness. Successful bidders are contractually liable for all firm receipt point access rights awarded in Step 3B as defined in the Schedule L Receipt Point Access Contract.

*For Use by
SoCalGas Only*

Approved: ____
(Y/N)

Reason Not
Approved:

STEP 3B EXPANSION COST		
	200 MMcfd	
	Capital \$MM	\$/mcf @ 15yrs
North Needles	\$ 248	\$ 0.544
South Needles	\$ 255	\$ 0.559
K/M Wheeler	\$ 80	\$ 0.175
Oxy Gosford	\$ 80	\$ 0.175
PG&E @ KRS	\$ 80	\$ 0.175
Kramer Junction	\$ 74	\$ 0.162
Blythe	\$ 305	\$ 0.668
Otay Mesa, 400-600 displacement	\$ 150	\$ 0.329
	500 MMcfd	
	Capital \$MM	\$/mcf @ 15yrs
North Needles	\$ 511	\$ 0.448
South Needles	\$ 623	\$ 0.546
K/M Wheeler	\$ 162	\$ 0.142
Oxy Gosford	\$ 223	\$ 0.196
PG&E @ KRS	\$ 251	\$ 0.220
Kramer Junction	\$ 193	\$ 0.169
Blythe	\$ 662	\$ 0.580
Otay Mesa, no displacement >700	N/A	N/A

Disclaimer

While SoCalGas has calculated these rates based upon preliminary cost estimates for system improvements needed for these levels of expansion, SoCalGas has no plans at this time to proceed with any construction, and therefore has not performed a detailed engineering site or route evaluation in the development of these estimates, which take considerable time and expense. Costs which would be estimated as part of a detailed engineering construction estimate and which could be significant, such as those associated with permitting, paving, right-of-way, environmental, gas quality, measurement, regulatory, and land acquisition/development issues; and any unusual construction costs or facility requirements (e.g. freeway, river, or channel crossings) are unique for each project and so they are explicitly excluded from these preliminary cost estimates. SoCalGas will perform a detailed engineering construction estimate for any of these receipt point expansions as the results of Step 3B dictate.