

Schedule No. G-TBS
TRANSACTION BASED STORAGE SERVICE

Sheet 1

APPLICABILITY

Applicable for unbundled firm or interruptible storage service, comprised of inventory, injection and withdrawal components, to any creditworthy party, including the Utility's Gas Procurement Department for any storage capacity that is additional to their Commission-allocated core storage rights. This schedule will be used for unbundled storage contracts executed from the effective date of this schedule. All eligible participants, including the Utility's Gas Procurement Department, are collectively referred to herein as "customers" unless otherwise specified.

Under this storage service rate schedule, the Utility shall provide unbundled storage services for a term of no more than three years (and no more than five years for wholesale core customer requirements) without CPUC approval. For terms more than three years, the Utility will seek CPUC approval. The storage service and associated charges shall be negotiated between the customer and the Utility, provided that the reservation charges do not exceed the applicable Component Rate Caps for this schedule.

All unsubscribed storage capacity will be available for customer subscription under this schedule. Customers may seek bundled or individual component services. The Utility may, however, impose limits pursuant to this schedule on the amount of unbundled storage services that a customer may acquire (e.g., the Utility may establish minimum or maximum levels of bundled services in conjunction with unbundled storage services). For example, the Utility may require customers to purchase a certain level of injection and withdrawal services in combination with inventory, or visa-versa.

The Utility may discount its storage services on a nondiscriminatory basis, and in compliance with all affiliate requirements. Nothing in this schedule is intended to affect the terms/conditions of customer contracts in effect prior to the effective date of this schedule.

TERRITORY

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

RATES

Storage service rates under Schedule G-TBS consist of Reservation Charges, Volumetric Charges, and Variable 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. The price shall be set forth in the Contract and shall, unless otherwise specified in the Contract, be billed in equal monthly installments over the term of the Contract. The price under this schedule is applicable whether the service is used or not.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3818
 DECISION NO. 07-12-019

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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Sheet 2

(Continued)

RATES (Continued)

Component Rate Caps

The Utility's per-unit reservation charges for a storage transaction may not exceed the following annual amounts for each component (i.e., inventory, injection, or withdrawal) of the package for packages with terms of one year or less. Customer preferences for annual packages in lieu of shorter-term packages will be honored to the extent annual capacity is available.

Inventory

Rate, per decatherm \$1.63

Injection Capacity

Rate, per decatherm per day \$60.00

Withdrawal Capacity

Rate, per decatherm per day \$30.00

For example, inventory-only could be sold for \$1.63/dth for any term up to one year. The maximum price for a package of 1,000,000 dth inventory with 5,000 dth/day of firm injection, and 10,000 dth/day of firm withdrawal will be \$2,230,000 for any term of up to and including one year, \$4,460,000 for any term more than one year but not more than two years, and \$6,690,000 for any term more than two years but not more than three years, subject to the yearly escalation provisions described below. Similarly, the maximum price for a package of 1,000,000 dth inventory with 10,000 dth/day of firm injection, and 20,000 dth/day of firm withdrawal will be \$2,830,000 for any term of up to and including one year, \$5,660,000 for any term more than one year but not more than two years, and \$8,490,000 for any term more than two years but not more than three years, subject to the yearly escalation provisions described below.

Escalation of Component Rate Caps

The component rate caps above shall go into effect on the effective date of this schedule. They shall change at the beginning of each storage year by the following formulas:

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Sheet 3

TRANSACTION BASED STORAGE SERVICE

(Continued)

RATES (Continued)

Component Rate Caps (Continued)

Escalation of Component Rate Caps (Continued)

1. Inflation, The Higher Of:

(Most recent annual U.S. All-Urban CPI / Prior year's annual U.S. All-Urban CPI for same month) times rate caps, or

(1 + (Annual percentage change in overall utility margin)) times rate caps.

2. Storage Expansion Investment

(1 + (Annual revenue requirement of unbundled storage expansion facility cost ÷ Annual at-risk revenue requirement of existing unbundled storage)) times rate caps.

Interruptible Storage Service

Interruptible storage services for injection and withdrawal may be sold on a negotiated volumetric basis. The maximum rates for these services for each day of the service shall be \$2.00/dth for withdrawal and \$2.00/dth for injection. These interruptible service rate caps are subject to the yearly escalation provisions described above. Interruptible services will be prioritized on the basis of price each day. Zero-priced, lowest-priority, interruptible injection and withdrawal service shall be included with all sales of inventory, whether that inventory is sold on a stand-alone or bundled basis.

Variable Storage Charges

Injection Service

Peak Season (April through November)

In-Kind Energy Charge, applied to all quantities delivered for injection

Rate, percent reduction 2.440%

O&M Injection Charge, applied to all quantities injected (less In-Kind Charge)

Rate, per decatherm 1.27¢

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Schedule No. G-TBS
TRANSACTION BASED STORAGE SERVICE

Sheet 5

(Continued)

SPECIAL CONDITIONS (Continued)

General (Continued)

- 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.
- 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.

Secondary Market Rights

- 8. Customers served under this schedule may assign their contract storage rights in full to another customer upon written notice to Utility and approval by the Utility, and such approval shall not be unreasonably withheld by the Utility. Customers shall also have the same secondary market rights as established for all other storage customers, or as otherwise provided by Commission order.

Storage Nominations

- 9. Storage customers must provide the Utility with their nominations for storage injections and/or withdrawals pursuant to Rule No. 30.
- 10. G-TBS customers may designate an agent to act on their behalf for the purpose of making storage nominations for their service under this schedule.

Storage Imbalance Trading

- 11. Except during any period of system curtailment, as described in Rule No. 23, G-TBS customers may use their available storage inventory capacity and quantities to (1) offset the customer's own transportation imbalances, or (2) trade with other customers for their transportation imbalances, under the imbalance trading provisions set forth in Schedule No. G-IMB.

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Schedule No. G-TBS
TRANSACTION BASED STORAGE SERVICE

Sheet 6

(Continued)

SPECIAL CONDITIONS (Continued)

Storage 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 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. If gas is to be injected by the storage customer as a result of an imbalance trade, the customer must have sufficient available inventory space at the time the trade is completed by the Utility. If storage gas is to be withdrawn through an imbalance trade, the storage customer must have sufficient gas in inventory at the time the trade is completed.

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. 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.

Storage Open Season

- 15. The Utility may also sell G-TBS storage using various forms of storage open seasons, including auctions and individual negotiations.

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Schedule No. G-TBS
TRANSACTION BASED STORAGE SERVICE

Sheet 7

(Continued)

SPECIAL CONDITIONS (Continued)

Posting Requirements

16. The Utility will post all G-TBS storage transactions on its EBB within one business day of execution, including the counterparty name, quantity of storage services contracted on an unbundled basis, contract prices, and contract term.
17. Given that the value of storage services are highly dynamic, and can change not only daily, but even hourly, the Utility is not required to offer posted prices or contract terms to any other customers. The Utility will meet and confer with any market participant regarding why it did not offer them the same prices and contract terms as other posted transactions. If, after such a meet and confer session, any market participant is not satisfied with the Utility's explanation, they may petition the CPUC, pursuant to Section I of Rule No. 4, to require the Utility to offer them the same prices and contract terms as other posted transactions, and the Utility may oppose such petition.
18. The Utility shall post on its EBB as soon as practicable prior to each nomination cycle the injection and withdrawal capacity of its storage system. The Utility shall post on its EBB the aggregate scheduled injection and withdrawal amounts for the completed gas flow day.

Firm Inventory

19. Zero-priced, lowest-priority, interruptible injection and withdrawal service shall be included with all sales of inventory, whether that inventory is sold on a stand-alone or package basis.

Set Asides for Wholesale Customers

20. Prior to selling unbundled storage capacity to other customers, the Utility shall allow wholesale customers to make annual storage capacity reservations, under Schedule G-TBS, for their core customer requirements, served by the Utility, in the same proportions as the combined portfolio core reservation.

(TO BE INSERTED BY UTILITY)

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