

CONTRACTED MARKETER TRANSPORTATION

The terms and conditions of this Rule shall apply to Contracted Marketers (referred to herein as "Contractor"). The Contracted Marketer may perform the same functions as the Agent Marketer (referred to herein as "Agent"), that is, the purchasing, nominating and balancing of gas supplies for one or more transportation customers. In addition to these responsibilities, the Contractor is required to sign a Master Services Contract (referred to herein as "MSC") and MSC Schedule B, Marketer/Core Aggregator/Use or Pay Aggregator Agreement (Form Nos. 6597 and 6597-2) with the Utility and as part of such agreement accepts the financial responsibility of managing imbalances for their customers. This Rule shall also apply to the Contractor's end-use customers served under their applicable rate schedules.

Both Contractors and Agents are appointed by individual customers in their MSC Schedule A, Intrastate Transmission Service, (Form No. 6597-1) with the Utility to act on behalf of the customers in the purchasing, nominating and balancing of gas supplies, but Agents bear no financial responsibility for the transportation imbalances incurred by the customers they represent.

The specific requirements of transportation customers are described in each transportation rate schedule. The transportation of customer-owned gas in conjunction with service under this Rule is subject, on behalf of their customers, specifically to the terms and conditions of Rule No. 30, Transportation of Customer-Procured Gas, and Rule No. 23, Continuity of Service and Interruption of Delivery, and the penalties or credits associated with these rules.

A. General

1. Customer Elections

Customers may designate only one Contractor at a time. Customers may elect to have their entire transportation gas requirements supplied by the Contractor or customers may designate one or more Agents in addition to the Contractor. However, the Contractor is responsible for all transportation imbalances for transportation volumes delivered to the customer. The minimum term of obligation for a Contractor is one calendar month. A customer or Contractor can only elect changes in their service arrangements at the beginning of a month, with appropriate notice. There can be no mid month changes, except in the case where a Contractor is terminated from the Program. Any gas purchased from the Utility will be considered the first gas through the meter each billing period.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 2419  
DECISION NO.

ISSUED BY  
**Paul J. Cardenas**  
Vice President

(TO BE INSERTED BY CAL. PUC)  
DATE FILED May 17, 1995  
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Rule No. 35

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CONTRACTED MARKETER TRANSPORTATION

(Continued)

A. General (Continued)

2. Rates

Charges for service shall be in accordance with the Utility's transportation rates for each end-use customer, as set forth in each transportation rate schedule.

Charges for imbalance service, either Standby Procurement or Buy-Back, shall be in accordance with Rate Schedule G-IMB, Transportation Imbalance Service. Imbalance quantities remaining at the end of the monthly imbalance trading period and which are outside the ten percent (10%) tolerance band will be billed at the Non-core Retail Standby Procurement Charge (SP-NR) or purchased by Utility at the or Retail Buy-Back Rate (BR-R).

Standby curtailment penalties and diversion credits shall be in accordance with Rule No. 23, Continuity of Service and Interruption of Delivery.

3. Taxes, Fees and Surcharges

Applicable taxes will be added to all billings, including Utility User's Tax, and any other fees, surcharges and taxes applicable within the city or political subdivision where the gas is actually used.

B. Establishment of Credit

1. Application for Service

The Contractor shall be required to complete a credit application that includes any financial information needed to establish credit on an annual basis or whenever the Contractor's requested load increases by 25,000 therms per day or more. A non-refundable credit application processing fee of \$500 may be charged to offset the cost of determining the Contractor's creditworthiness. The Utility will establish the Contractor's credit limit based on the creditworthiness evaluation and the Contractor's requested Daily Customer Pool Volume (DCPV). The DCPV for a particular month is the sum of all a Contractor's customer's monthly contracted quantities divided by the days in that same month. The DCPV represents the maximum quantity of gas a Contractor may transport on behalf of its customers on a secured or unsecured basis.

To assure the continued validity of an established unsecured credit limit, the Contractor shall be required to furnish the Utility with financial information satisfactory to the Utility, as requested by the Utility, during the Contractor's participation in the Contracted Marketer Program. In the event the Utility determines that a financial change has or could adversely affect the creditworthiness of the Contractor, or if the Contractor does not provide the requested financial information, the Utility may terminate the Contractor's participation in the Contracted Marketer Program immediately.

(Continued)

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CONTRACTED MARKETER TRANSPORTATION

(Continued)

B. Establishment of Credit (Continued)

1. Application for Service (Continued)

A creditworthiness evaluation will be conducted by an outside credit analysis agency, to be determined by the Utility, with final credit approval granted by the Utility. Credit reports will remain strictly confidential between the credit analysis agency and the Utility.

2. Security Deposit

Contracted Marketers may submit a security deposit in lieu of the creditworthiness evaluation to qualify for participation and/or to increase their DCPV. The security deposit may be in the form of:

- a. Cash Deposit. - Deposits will earn interest at the 3 month commercial paper rate.
- b. Letters of Credit. - Irrevocable and renewable standby Letters of Credit issued by a major U.S. financial institution acceptable to the Utility.
- c. Surety Bonds. - Renewable surety bonds in a form acceptable to the Utility which are issued by a major insurance company acceptable to the Utility.
- d. Guarantees. - Guarantors must furnish financial information as requested by the Utility and have credit standards acceptable to the Utility. Guarantees must be accompanied by other forms of security deposit equal to at least 20% of the credit requested. "Other" forms of security deposit include those items outlined above and any other form and amount of collateral to which the Utility, in its sole discretion, agrees in writing.

The creditworthiness requirement (CWR) is the amount of security deposit or the established credit limit required and is a function of the DCPV. The formula for determining the CWR is:

$$CWR = (120 \text{ days} \times DCPV \times \text{Noncore Retail Standby Rate})$$

The CWR is due and payable upon demand prior to commencement of the Contractor's participation in the program if in lieu of a creditworthiness evaluation or prior to an increase in the Contractor's DCPV. The CWR will be considered past due if it is not paid within fifteen calendar days after demand. Past due notices will be mailed to the Contractor and to each of its customers. If the CWR is not paid within seven days of the issuance of the past due notice, the Contractor's participation will be subject to termination.

All forms of security shall be retained as long as the Contractor is participating in the program.

(Continued)

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(Continued)

B. Establishment of Credit (Continued)

3. Other forms of Security Deposit

Contracted Marketers may select guaranteed deliveries, and/or storage collateral to reduce their CWR.

- a. Guaranteed Deliveries. - The Contractor may guarantee monthly delivery of gas equal to 80% (or some other portion acceptable to the Contractor and the Utility) of the total customer usage. If the Contractor fails to meet the 80% condition, then the Contractor will have seven days to cure. If the Contractor is unable to cure within the seven day period, then the Contractor's participation is subject to immediate termination. By satisfying this condition, a Contractor can reduce its CWR as follows:

$$CWR = (37 \text{ days} \times DCPV \times (SP-NR))$$

- b. Storage Collateral - A Contractor may elect to reduce its CWR by maintaining a set/prescribed volume of gas in storage at all times if the Contractor is participating in the Storage Program. The CWR will be reduced according to the number of days gas is stored, as specified by the Contractor and agreed to by the Utility. If the Contractor fails to maintain the prescribed volume of gas in storage, the Contractor will have seven days or until the end of the month, whichever occurs first, to cure. If the Contractor is unable to cure within the seven day period, the Contractor may purchase gas necessary to meet the condition from the Utility, at the retail noncore standby rate, or the Utility may immediately terminate the Contractor's participation in the program. The Contractor will grant to Utility a first priority security interest in all gas in storage pursuant to appropriate documents acceptable to the Utility.

The prescribed volume shall be specified by the Contractor subject to the Utility's concurrence and will reduce the CWR by reducing the number of days used in the calculation of CWR by the quotient of the prescribed volume divided by the DCPV as follows:

$$CWR = (120 \text{ days} - (\text{prescribed volume} / DCPV)) \times DCPV \times (SP-NR)$$

4. Additional Documents.

The Contracted Marketer shall execute and deliver all documents and instruments (including, without limitation, security agreements and UCC financing statements) reasonably requested from time to time to implement the provisions set forth above and to perfect any security interest granted to Utility.

(Continued)

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(Continued)

C. Contract Requirements

After credit has been established, the Contractor must sign a two-year MSC and MSC Schedule B, Marketer/Core Aggregator/Use or Pay Aggregator Agreement (Form Nos. 6597 and 6597-2) with the Utility. Attached to the contract, as Exhibit B, shall be an authorization form indicating each of the customers being represented by the Contractor. Customers participating in the Program shall designate only one Contractor at a time for all the Customer's transportation accounts. Customers and Contractors are to submit separate authorizations.

D. Contracted Marketer Responsibilities

1. Nomination Procedures

The Contractor's contract with the Utility shall establish their right to nominate daily transportation deliveries to the Utility. Such nominations shall be in accordance with Rule No. 30 for interruptible transportation nominations, and must be made through the Utility's electronic communication network as defined in Rule No. 33, Electronic Bulletin Board (EBB), as defined in Rule No. 1.

The Contractor shall be responsible for nominating by using the individual alpha-numeric codes of their customers and indicating to the Utility its numeric code and whether it is acting as a Contractor. A role indicator field is provided in EBB.

2. Imbalance Service

The Contractor is responsible for balancing transportation services with the customer's end-use consumption. The Contractor is responsible for managing the imbalances of the end-users through means which include participation in the Utility's Imbalance Trading Program pursuant to the provisions of Schedule No. G-IMB.

Imbalances will be calculated on an aggregated customer basis, not by individual account or delivery point. Imbalances will be determined by comparing the amount of gas delivered to the Utility and the amount of gas actually consumed by the customers. The Contractor shall be responsible for all imbalance charges, including any Utility Users Tax. The Contractor can pool the positive and negative imbalances of its customers in order to avoid or minimize imbalance charges.

The Contractor will assume responsibility for any pre-existing imbalance that a customer, new to that Contractor, possesses that is within the 10% imbalance tolerance band as specified in Schedule No. G-IMB. Additionally, when a customer leaves a Contractor, the customer's imbalance remains the responsibility of the Contractor.

(Continued)

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**Lee Schavrien**  
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CONTRACTED MARKETER TRANSPORTATION

(Continued)

E. Billing and Payment Terms

1. Billing

The Contractor's bill is due and payable upon receipt. All payments will be done electronically or by wire transfer unless otherwise agreed to by the Utility. The bill will be considered past due if it is not paid within fifteen calendar days after mailing. Past due notices will be mailed to the Contractor and to each of its current contracted customers. If the bill is not paid within seven days of the issuance of the past due notice, the Contractor's participation will be subject to immediate termination by the Utility.

2. Late payment

If a Contractor does not pay any bill rendered to it by the Utility within fifteen days after transmittal, then:

- a. Past due notices will be mailed to the Contractor and to each of its current contracted customers;
- b. The Contractor will be unable to add customers or increase its DCPV until late payment is cured; and,
- c. The Contractor will lose its rights to trade or sell gas in storage to other customers until late payment is cured.

If a Contractor pays late three or more times by seven days or less, or pays late one or more times by greater than seven days in any contiguous twelve month period, then, in addition to all other rights of the Utility resulting from such late payments (or any non-payments), the Utility may require full collateral in the form of cash, irrevocable standby letter of credit, security bond or any other security instrument deemed appropriate by the Utility. If such collateral is requested and not provided by the Contractor to the Utility, the Contractor's participation will be subject to termination by the Utility.

(Continued)

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**Paul J. Cardenas**  
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CONTRACTED MARKETER TRANSPORTATION

(Continued)

F. Termination of Service

If a payment is not received within seven days of the issuance of a past due notice, the Contractor's participation in the program will be subject to termination. In addition, if the Utility receives any notification that the Contractor has filed or will be filing any type of bankruptcy, or is closing its business, the Contractor's participation will be terminated immediately and all of the Contractor's rights to conduct business with Utility thereunder shall be terminated.

Upon termination of a Contractor's participation:

1. Termination notices will be sent to the Contractor and to each of its current contracted customers;
2. Any gas in storage and gas that has been delivered into the Utility's system on behalf of the Contractor's customers will be used to off-set any immediate imbalances. This gas cannot be subject to encumbrances of any kind, including, but not limited to, liens, trades, or sales to other customers;
3. The Contractor will lose its right to a 10% tolerance for transportation imbalances and will be required to trade toward a zero imbalance;
4. All fees, charges and other obligations of Contractor to Utility shall be immediately due and payable without further notice of demand; and,
5. The Contractor will be suspended from the Utility's electronic communication network as defined in Rule No. 33, EBB.

At the time of termination, if the Contractor has not paid Utility billings, any deposit held on the Contractor's accounts shall be applied to recoup unpaid bills.

If a security deposit has not been provided or does not adequately cover the charges owed by the Contractor, the customers represented by the Contractor will be liable for any and all outstanding charges. Any outstanding purchase gas costs, transportation imbalance charges, curtailment penalties, over nomination penalties or adjustment transactions will be allocated on a prorata basis to the Contractor's customers based on each customer's current month's usage.

After termination, a Contractor will not be allowed to participate in the Contracted Marketer Program again until the Contractor has reimbursed the Utility for all outstanding charges and all operating, maintenance, legal, and uncollectible expenses incurred by the Utility as a result of the Contractor's participation in the program being terminated.

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CONTRACTED MARKETER TRANSPORTATION

(Continued)

G. Allocation of Deliveries

Where gas is transported by the Contractor to more than one end-use customer, and the transporting pipeline's allocation quantity at the receipt point to the Contractor is less than the Contractor's requested quantity, the Contractor must allocate among its customers the total quantity of gas delivered each day to the Utility in accordance with Rule 30.

H. Customer Changes

Contractors may add or delete customers to their contract by written notice. Customers can only be added or deleted for the first day of the subsequent month. There are no mid month changes except in the case where a Contractor is terminated from the Program. The Contractor's new total capacity resulting from each new member added to the contract must not exceed the Contractor's established credit limit as specified in Section B herein. Customer and Contractor authorization forms must be submitted on time or the customer will not be part of the Contractor's pool.

I. Storage

All provisions for storage under the appropriate storage service tariff shall apply. Contractors are eligible to participate in Auction Storage Service, Schedule No. G-AUC and Long Term Storage Service, Schedule No. G-LTS.

J. Arbitration of Disputes

If a customer disputes a Utility bill, the disputed amount will be deposited with the California Public Utilities Commission pending resolution of the dispute under the existing Commission procedures for resolving such disputes with the Utility. If a customer has a billing dispute with its Contracted Marketer, the customer will remain obligated to pay Utility charges in a timely manner. The Contractor shall not withhold payment of any such Utility charges pending resolution of any such disputes. If a Contractor disputes a Utility bill, the disputed amount will be deposited with the CPUC pending resolution of the dispute under existing Commission procedures. No termination of participation will occur for this dispute while the Commission is hearing the matter.

K. Utility Services

The Utility shall continue to read customer meters and provide customers with all other regular utility services.

(TO BE INSERTED BY UTILITY)

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