

Schedule No. G-SMT
SECONDARY MARKET TRANSACTIONS OF STORAGE RIGHTS

Sheet 1

APPLICABILITY

Applicable to firm capacity rights to the Utility's storage system. Any creditworthy party can participate in the secondary market transactions under this schedule, including the Utility Gas Procurement Department and core aggregators. All eligible participants are collectively referred to herein as "Customers" unless otherwise specified.

TERRITORY

Applicable throughout the service territory.

SPECIAL CONDITIONS

GENERAL

1. Definitions of the principal terms used in this schedule are contained in Rule No. 1, Definitions.
2. Any disputed bill will be treated in accordance with Rule No. 11, Disputed Bills.
3. As a condition precedent to service under this schedule, an executed Master Services Contract (Form No. 6597) and 1) an executed Master Services Contract, Schedule I, Transaction Based Storage Service Contract (Form No. 6597-11) or 2) an executed Master Services Contract, Schedule F, Long-Term Storage Service Contract (Form No. 6597-6) or 3) an executed Master Services Contract, Schedule D, Basic Storage Service Contract (Form No. 6597-4) are required (referred to in this schedule collectively as the "Contract"). Contracts for CPUC-allocated storage packages for the Utility Gas Procurement Department (and core aggregators) will have a maximum term of one storage year. All contracts, rates and conditions are subject to revision and modification as a result of CPUC order.
4. Customer must meet the Utility's applicable credit requirements.
5. The Utility will file quarterly reports to the Commission stating the storage capacity rights held by Customers. Such reports will provide the name of the entity holding firm storage rights, the volume held, usage of the rights, and the terms of those rights, including pricing. Such information, excluding usage, will also be posted on the Utility's EBB and will be updated daily.
6. The Utility will post on its EBB all contracted firm storage capacity and the available unsubscribed storage capacity for sale. This information will be updated on a daily basis.

(Continued)

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

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED May 12, 2008
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Sheet 2

SECONDARY MARKET TRANSACTIONS OF STORAGE RIGHTS

(Continued)

SPECIAL CONDITIONS (Continued)

NOMINATIONS AND BALANCING

7. Service under this rate schedule shall be subject to all applicable terms, conditions and obligations of Rule No. 23, Continuity of Service and Interruption of Delivery, Rule No. 30, Transportation of Customer-Owned Gas, and Rate Schedule No. G-IMB, Transportation Imbalance Service.

SECONDARY MARKET ASSIGNMENTS

8. The Utility will schedule interruptible nominations up to available storage capacity subject to Rule No. 30, Transportation of Customer-Owned Gas.
9. Customers who hold firm storage rights may release (i.e., transfer) all or a portion of those rights to any creditworthy party in the secondary market through the Utility's EBB. (See Special Condition 12 below for exception.) The minimum duration for the released storage rights shall be one day. The maximum duration for the released storage rights shall be equal to the remaining duration of the storage rights being released. The transfer of any storage rights must be completed no later than 24 hours prior to the nomination cycle in which the released storage rights are to be used. Any creditworthy party may purchase firm storage rights in the secondary market. Any party releasing firm storage rights will be referred to as "Releasing Customer" and those purchasing firm storage rights through the secondary market will be referred to as "Acquiring Customer." Rights may be re-released any number of times under the same rules applicable to releases by customers who originally obtained the rights directly from the Utility. Releases may consist of all or part of the customer's storage rights and all or part of the remaining contract term. The Utility will bill the Acquiring Customer and credit the Releasing Customer subject to the provisions in Special Condition 12. If the Acquiring Customer's reservation rate is less than the Releasing Customer's reservation rate, the Releasing Customer will continue to be responsible for payment of the difference.
10. A customer may opt to designate one trading agent in addition to itself at any one time to buy or sell firm storage rights in the secondary market. The trading agent shall be specified in the customer's Contract or in the Nomination and Trading Authorization Form (Form 9924) and shall apply to all of the customer's Contracts. Such designation shall be subject to that trading agent complying with applicable tariff and contractual provisions. Customer shall provide appropriate written notice to the Utility of its intent to terminate a trading agent via the Form to Terminate a Nominating or Trading Agent (Form 9926).

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Sheet 3

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(Continued)

SPECIAL CONDITIONS (Continued)

SECONDARY MARKET ASSIGNMENTS (Continued)

11. Contract releases of firm storage rights must be completed electronically using the Utility's EBB.
12. The Acquiring Customer must satisfy the Utility's applicable credit requirements. If the Utility's creditworthiness requirements are satisfied, the Utility shall notify the Releasing Customer that it is conditionally* relieved of all liability for performance by the Acquiring Customer for the term of the release. Alternatively, the Releasing Customer may, at its option, waive the creditworthiness requirements applicable to the Acquiring Customer, in which case the Releasing Customer shall remain secondarily liable for non-performance by the Acquiring Customer. If a Releasing Customer exercises this option, it must continue to meet the Utility's applicable credit requirements for the duration of the Contract.

*The Releasing Customer shall continue to be liable and responsible for all reservation charges associated with the released firm storage rights up to the maximum reservation rate specified in the Releasing Customer's firm storage rights contract except for those releases, which are at the Releasing Customer's full contract price for the full remaining duration of the Releasing Customer's firm storage rights contract. If the Acquiring Customer does not make payment to the Utility of all applicable charges, the Utility shall notify the Releasing Customer of the amount due, including all applicable late charges, and such amount shall be paid by the Releasing Customer. Re-releases by an Acquiring Customer shall not relieve the original or any subsequent Releasing Customer of its obligations. In addition, the Releasing Customer may terminate the release of firm storage rights to an Acquiring Customer if such Customer fails to pay the entire amount of any bill for service under the release when such amount is due. Once terminated, firm storage rights and all applicable charges shall revert to the Releasing Customer.

13. The Utility will post on its EBB a summary of the completed secondary market transactions, listing releasing party, acquiring party, amount of capacity, transaction price, and term of the release. Information regarding secondary market transactions will be posted the next business day.
14. Market participants can voluntarily post secondary market transaction offers on the Utility's EBB.

(TO BE INSERTED BY UTILITY)

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