

Schedule No. G-SMT

Sheet 1

SECONDARY MARKET TRANSACTIONS OF STORAGE RIGHTS

APPLICABILITY

Applicable to firm capacity rights to 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 Utility 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 an executed Master Services Contract, Schedule I, Transaction Based Storage Service Contract (Form No. 6597-11) 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 continue to meet the Utility's applicable credit requirements.
5. 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. 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.

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 G-IMB, Transportation Imbalance Service.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. G-SMT  
DECISION NO.

ISSUED BY  
**Lee Schavrien**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_  
RESOLUTION NO. \_\_\_\_\_

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SECONDARY MARKET TRANSACTIONS OF STORAGE RIGHTS

Sheet 2

(Continued)

SPECIAL CONDITIONS (Continued)

SECONDARY MARKET ASSIGNMENTS

8. 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 Utility's EBB (see Special Condition 12 below for exception). 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." Any customer wishing to purchase firm storage rights in the secondary market must satisfy Utility's creditworthiness requirements by pre-qualifying prior to submitting a bid or prior to becoming a party to a pre-arranged release. Once a customer becomes an Acquiring Customer, that customer will be subject to periodic credit reviews with respect to its eligibility to make additional bids on other offers of released capacity or becoming a party to other pre-arranged releases. A customer cannot bid for (or become a party to a pre-arranged release of) services which exceed its qualified level of creditworthiness. Storage 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 Utility. Releases may consist of all or part of the customer's storage rights and all or part of the remaining contract term. The minimum duration for the released storage rights will be one day. 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. 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 Utility of its intent to terminate a trading agent via the Form to Terminate a Nominating or Trading Agent (Form 9926).
11. Contract releases of firm storage rights must be done electronically using Utility's EBB.

(Continued)

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Sheet 3

SECONDARY MARKET TRANSACTIONS OF STORAGE RIGHTS

(Continued)

SPECIAL CONDITIONS (Continued)

SECONDARY MARKET ASSIGNMENTS (Continued)

12. The Acquiring Customer must satisfy Utility's applicable credit requirements. If Utility's creditworthiness requirements are satisfied, 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 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. If Acquiring Customer does not make payment to Utility of all applicable charges, 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, 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. 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 Utility's EBB.

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