

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 No. G-TBS consist of Reservation Charges, Volumetric Charges, and ~~Variable-In-Kind Energy~~ 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-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
 EFFECTIVE Jul 18, 2008
 RESOLUTION NO. _____

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Schedule No. G-TBS
TRANSACTION BASED STORAGE SERVICE

Sheet 3

(Continued)

RATES (Continued)

~~Variable Storage In-Kind Energy Charges~~

~~Injection Service~~

~~Peak Season (April through November)~~

In-Kind Energy Charge, applied to all quantities delivered for injection during the year
Rate, percent reduction 2.440%

The In-Kind Energy Charge shall be same for all core and noncore injections and be adjusted as necessary on the basis of a three-year rolling average of actual fuel use.

~~O&M Injection Charge, applied to all quantities injected (less In-Kind Charge)
Rate, per decatherm 1.27¢~~

~~Off peak Season (December through March)~~

~~Variable charges shall not be applied for off peak storage injection service provided under this schedule unless otherwise set forth in the Contract.~~

~~Withdrawal Service~~

~~Peak Season (November through March)~~

~~O&M Withdrawal Charge, applied to all quantities withdrawn
Rate, per decatherm 1.77¢~~

~~Off peak Season (April through October)~~

~~Variable charges shall not be applied for off peak storage withdrawal service provided under this schedule unless otherwise specified in the Contract.~~

(Continued)

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Schedule No. G-TBS
TRANSACTION BASED STORAGE SERVICE

Sheet 5

(Continued)

SPECIAL CONDITIONS (Continued)

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.
- 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-In-Kind Energy 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.

(Continued)

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Schedule No. G-TBS
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Sheet 6

(Continued)

SPECIAL CONDITIONS (Continued)

Storage Open Season

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

Rules Concerning Posted Transactions~~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.~~

167. 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

179. 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

1820. Prior to selling unbundled storage capacity to other customers, the Utility shall allow Southwest Gas and Long Beach 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.

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