Appendix A

Appearances

********** APPEARANCE **********

Last updated on 14-DEC-2005 by: DYK
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Appendix B

Settlement Agreement

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY For Authorization to Establish a Revenue Sharing Mechanism for the Production of Native Gas (U 904 G)	)	A.04-01-034

SETTLEMENT AGREEMENT

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July 25, 2005

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY For Authorization to Establish a Revenue Sharing Mechanism for the Production of Native Gas (U 904 G)	)	A.04-01-034

SETTLEMENT AGREEMENT

Pursuant to the Commission's Rules of Practice and Procedure, Section 51.3 ("Rule 51.3"), the Office of Ratepayer Advocates ("ORA"), Southern California Gas Company, ("SoCalGas"), The Utility Reform Network ("TURN"), and the Southern California Generation Coalition ("SCGC") [collectively referred to hereafter as "Joint Parties"] respectfully submit to the Commission this Settlement Agreement.[1/] In this Settlement Agreement, the Joint Parties provide to the Commission a recommended resolution of certain issues that have been raised in this proceeding.

I.

INTRODUCTION AND SUMMARY

On January 26, 2004, SoCalGas filed the Application in the above-referenced proceeding to establish a revenue sharing mechanism with respect to the production of "native gas" that might be accessible by SoCalGas from its existing storage operations. The Scoping Memo was issued on May 26, 2004, identifying the scope of issues to be

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1/ Counsel for SoCalGas has been authorized by ORA, TURN, and SCGC to execute and file this Settlement Agreement on their behalf.

addressed in the proceeding, establishing dates for submitting prepared testimony, and scheduling evidentiary hearings for August 24, 2004 through August 27, 2004.

On August 13, 2004, SoCalGas requested that the evidentiary hearings be suspended indefinitely due to discussions among the parties about resolving this proceeding. On August 16, 2004, assigned Administrative Law Judge Wong notified the parties that the evidentiary hearings would be taken off calendar and that a new procedural schedule would be established after SoCalGas proposed new dates.

Since that time, the Joint Parties have held discussions in order to determine whether various issues in this proceeding could be settled. The product of these discussions is this Settlement Agreement.

The Settlement Agreement aligns the interests of SoCalGas' shareholders and its core and noncore customers by establishing a structure for the sharing of costs and revenues between shareholders and customers. This structure relies on the fact that SoCalGas previously determined that a reservoir containing native gas is located under SoCalGas' La Goleta storage reservoir and that this reservoir could be used to provide Commission-regulated storage service. If SoCalGas is successful in obtaining the permits necessary to develop this reservoir at La Goleta for storage service, it is likely that SoCalGas will be able to sell the gas in storage inventory along with associated storage inventory and withdrawal rights, thereby obtaining revenues net of costs that can be used for purposes of funding additional drilling activity at its various storage fields to determine if additional native gas reservoirs exist and can produce economic quantities of native gas for sale.

The Settlement Agreement would share the costs and revenues from the sale of native gas equally between SoCalGas' shareholders and its customers, with core customers receiving 70% of the overall customer share and noncore customers receiving 30%, but recognizes that utility customers should not have an unlimited obligation to fund native gas drilling activity. Accordingly, the Settlement Agreement places a limit of $3 million on the contribution of SoCalGas' core and noncore customers to such drilling activity. Should the sale of gas, inventory, and associated withdrawal rights at the known native gas reservoir at La Goleta produce insufficient revenues net of costs to provide $3 million of capital with which to fund the customer share of additional native gas drilling activity, the Settlement Agreement would limit the initial obligation of customers to fund such drilling activity to the customer share of net revenues obtained from the sale of gas and associated inventory/withdrawal rights at the known native gas reservoir at La Goleta, but permit additional funding up to the $3 million limit should additional native gas drilling produce additional native gas reserves and net revenues.

The Settlement Agreement also recognizes that there is a known native gas reservoir at the SoCalGas Aliso Canyon storage field that can be produced immediately without incremental capital investment and without obtaining any new permits. The Settlement Agreement would authorize SoCalGas to begin production of this gas with revenues from the sale of this gas allocated to core and noncore customers unless SoCalGas is unsuccessful in obtaining permits to develop the known La Goleta native gas reservoir for use in storage service, in which case one-half of the revenues from the sale of native gas from the known Aliso Canyon reservoir will be used to fund one-half of such unsuccessful permitting costs.

The Settlement Agreement also requires SoCalGas to accept a condition requiring it to file reports with the Commission and serve them on the parties to this proceeding that will detail, among other things, the volume of native gas produced, the revenues received from the sale of native gas, and the allocation of revenues among customers. The Settlement Agreement also verifies that the Commission has jurisdiction over this program and requires SoCalGas to actively monitor native gas production to ensure that such production is not adversely affecting the integrity of SoCalGas' storage reservoirs. In addition, the Settlement Agreement addresses the potential for native gas facilities and/or reservoirs to be used ultimately for storage purposes, requiring SoCalGas to file an Application with the Commission should it determine that such facilities and/or reservoirs are suitable for this purpose, with the exception of the known La Goleta native gas reservoir which SoCalGas has been able to determine will be developed for storage purposes from the outset.

II.

REASONABLENESS OF THE SETTLEMENT

The Joint Parties believe this Settlement Agreement complies with the Commission's requirements that settlements be reasonable, consistent with law, and clearly in the public interest. The Joint Parties have recognized that there is risk involved in litigation, and that no party was likely to be 100% successful in supporting its filed case. The Joint Parties have vigorously argued their positions in this matter, and have reached compromise positions that they believe are appropriate in light of the litigation risks. This Settlement Agreement reflects the Joint Parties' best judgments as to the

totality of their positions and risks, and their agreement herein is explicitly based on the bottom line result achieved.

III.

SPECIFIC SETTLEMENT TERMS AND CONDITIONS

1. The term "native gas" as used in this Settlement Agreement is defined as any gas produced by SoCalGas, or SoCalGas' share of gas produced by SoCalGas and a partner company if necessary, from naturally occurring gas deposits from wells not producing as of the date of this Settlement Agreement. The term "Native Gas Program" as used in this Settlement Agreement is defined as the terms and conditions under which SoCalGas will locate, produce, process, transport, withdraw, and market native gas, gas condensates, and/or oil as authorized by the Commission.

2. Definitions

   -- "Acquisition Costs" -- Costs incurred to purchase, lease, or otherwise acquire a property. Such costs encompass lease bonuses, options to purchase or lease properties, the portion of costs applicable to minerals when land and mineral rights are purchased in fee, brokers fees, recording fees, legal costs, and other costs incurred in obtaining mineral rights.

   -- "Exploration Costs" -- Costs incurred in (a) identifying areas that may warrant examination and (b) examining specific areas that possibly contain oil, gas condensates, and/or gas reserves, including drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred before acquiring the related property (sometimes referred to in part as prospecting costs) and also after acquiring the property. Exploration costs include costs of topographical or geophysical studies and salaries and other expenses of geologists, geophysical crews, and other persons conducting these studies. Exploration costs also include the costs of carrying and retaining undeveloped properties, such as delay rentals and *ad valorem* taxes on properties. The costs described above in this definition are deemed to be "Exploration" costs even if no test well is ever drilled because, for example, the prospect is deemed to have insufficient potential for gas, gas condensates, and/or oil to justify the cost of a test well. All costs to permit, drill and equip exploratory-type stratigraphic test wells, as well as dry-hole contributions and bottom-hole contributions, are included in exploration costs. Even though costs incurred to drill an exploratory well are classified as exploration costs, if the well results in finding proved reserves of gas, gas condensates, and/or oil the costs are treated for accounting purposes as though they were development costs.

-- "Development Costs" -- Costs incurred to obtain access to proved reserves of gas, gas condensates, and/or oil and to provide facilities for extracting, treating, gathering, and storing the gas, gas condensates, and/or oil. They include the costs commonly referred to as *intangible drilling and development costs,* as well as costs of production facilities such as lease flow lines, separators, treaters, heaters, storage tanks, natural gas cycling processing plants, and improved recovery systems, including the costs to obtain permits for construction of these facilities. Development costs also include Exploration Costs associated with a well that results in finding proved reserves of gas, gas condensates, and/or oil.

-- "Production Costs" -- Costs involved in lifting gas, gas condensates, and/or oil to the surface and gathering, treating, processing, and storing them in the field. Production costs are those costs incurred to operate and maintain wells, related equipment, and facilities. Such costs as labor (to operate the wells and facilities), repair and maintenance expense, materials and supplies consumed, taxes and insurance on property, and severance taxes and royalty payments to third parties are included in this category.

-- "De-commissioning Costs" -- Costs associated with removing a natural gas or oil well from service, including the costs to plug and abandon the well and to restore the surface land to its previous condition.

-- "Proved Reserves" -- Quantities of oil, gas condensates, and/or gas reserves that, based on geologic and engineering data, appear with reasonable certainty to be recoverable in the future from known gas and/or oil reserves under existing economic and operating conditions.

-- "Prospect" – A potential accumulation of hydrocarbons (gas, gas condensates, and/or oil) not hydraulically connected to currently-known gas or oil reservoirs.

-- "Aliso SS-1-0 Internal Order" – An interest-bearing account (at the 90-day commercial paper rate) that will be used to track all revenues obtained from the sale of gas from the Aliso SS-1-0 well and if applicable, one-half of unsuccessful permitting costs associated with the known native gas reservoir at the La Goleta field. This is not a formal regulatory account but an accounting mechanism which will be the basis for recording entries in the Native Gas Program Tracking Account.

-- "A&E Internal Order" – An interest-bearing account (at the 90-day commercial paper rate) used to track the ratepayer share of Acquisition and Exploration costs up to $3 million and the ratepayer share of revenues from the sale of gas, gas condensates, and/or oil. This is not a formal regulatory account but an accounting mechanism which will be the basis for recording entries in the Native Gas Program Tracking Account.

-- "Native Gas Program Tracking Account" – An interest-bearing account (at the 90-day commercial paper rate) used to record the ratepayers' share of revenues and costs to be flowed through to ratepayers in their gas transportation rates.

3. SoCalGas will guarantee that the ratepayers' share of Development and Production costs for any prospect will never exceed their share of revenues from that same prospect.

4. All native gas, gas condensates, and oil produced by SoCalGas will be sold on the open market.

5. All revenues from the sale of gas and gas condensates from Aliso SS-1-0 shall be allocated to ratepayers and will be tracked through the Aliso SS-1-0 Internal Order. The cost associated with operating the Aliso SS-1-0 well will be treated as a normal utility cost of operation and such costs will not be separately tracked or identified for purposes of the Native Gas Program. Revenues recorded in the Aliso SS-1-0 Internal Order will be reduced by one-half of any unsuccessful permitting costs associated with the known native gas reservoir at the SoCalGas La Goleta storage field. If SoCalGas is unsuccessful in obtaining the permits necessary to develop the known native gas reservoir at La Goleta economically, and if any net revenues exist in the Aliso SS-1-0 Internal Order after funding one-half of such unsuccessful permitting costs, the remaining net revenues will be recorded in the Native Gas Program Tracking Account. If the net revenues recorded in the Aliso SS-1-0 Internal Order are insufficient to cover one-half of unsuccessful permitting costs associated with the known native gas reservoir at La Goleta, the ratepayer contribution to such costs will be limited to the total amount recorded in the Aliso SS-1-0 Internal Order, with SoCalGas' shareholders bearing all additional unsuccessful permitting costs. If SoCalGas is successful in obtaining permits at La Goleta that allow it to develop the known La Goleta native gas reservoir economically, the net revenues recorded in the Aliso SS-1-0 Internal Order shall be recorded in the Native Gas Program Tracking Account. If SoCalGas is unsuccessful in obtaining necessary permits in connection with the known native gas reservoir at La Goleta, SoCalGas shall not proceed with further native gas exploration activities, unless the Joint Parties agree to modify this Settlement Agreement.

6. One-half of the revenues, net of Development and Production costs, up to a maximum of $3 million, obtained from the sale of storage inventory, gas in place, and withdrawal rights from the known native gas reservoir at La Goleta will be tracked in the A&E Internal Order. If the ratepayer share of net revenues from the sale of inventory, gas in place, and withdrawal rights from the known native gas reservoir at La Goleta is insufficient to fund the A&E Internal Order to its limit of $3 million, the ratepayer share of additional revenues from the sale of gas, gas condensates, and/or oil from other prospects will continue to be tracked in the A&E Internal Order until the total funding reaches the $3 million cap. For example, if the ratepayer share of revenues obtained from the sale of inventory,

gas in place, and withdrawal rights from the known La Goleta native gas reservoir results in $2 million being tracked to the A&E Internal Order, the next $1 million of ratepayer share of revenues from the sale of native gas, gas condensates, or oil from other prospects would be tracked to the A&E Internal Order so that the $3 million total cap is reached. In no event shall the total amount tracked in the A&E Internal Order exceed $3 million. None of the revenues from the sale of gas from the Aliso SS-1-0 well will be tracked in the A&E Internal Order.

7. The amounts tracked in the A&E Internal Order will be used to fund one-half of Acquisition and Exploration costs up to a ceiling of $3 million. The amounts tracked in the A&E Internal Order will not be used for purposes of funding Development or Production costs, and therefore would not apply to the Development and Production costs associated with the facilities necessary to withdraw and inject gas from and to the known native gas reservoir at La Goleta. The Development costs associated with this reservoir include $1.2 million incurred as of the date of this Settlement Agreement to drill a storage gas well (Miller 1) deeper to determine if gas was present below the existing storage zone.

8. Development and Production costs for any prospect will be funded directly through the revenues obtained from the sale of native gas, gas condensates, and/or oil from that prospect. Before developing any prospect, SoCalGas will evaluate the economic potential of that prospect. If the prospect is deemed by SoCalGas to be economic to develop, SoCalGas' shareholders will initially fund the Development and Production costs. Upon the sale of gas, gas condensates, and/or oil from the prospect, the ratepayer share of revenues obtained from such sale will first be used to reimburse SoCalGas' shareholders, with interest (at the 90-day commercial paper rate), for having funded the ratepayer share (one-half) of Development and Production costs. All revenues net of Development and Production costs, including reimbursement to SoCalGas' shareholders for the carrying cost of initially funding the ratepayers' share of Development and Production costs, shall be shared equally between ratepayers and SoCalGas' shareholders. There will be no adjustments made for income taxes that might be owed by SoCalGas on such revenues or for any tax effects on ratepayers associated with rate reductions caused by the allocation to ratepayers of revenues from the sale of native gas, gas condensates, and/or oil. There will be no separate charge or accounting for the use of any ratepayer-funded facilities.

9. For exploratory wells that do not produce gas, gas condensates, or oil, De-commissioning costs will be treated as Exploration costs, meaning that they will be funded from the net revenues tracked in the A&E Internal Order, with ratepayers and shareholders each bearing responsibility for one-half of these costs. For wells that produce gas, gas condensates, and/or oil, De-commissioning costs will be treated as Development costs, meaning that they will be funded through the revenues produced from the sale of the native gas, gas condensates, and/or oil. SoCalGas will establish a reasonable reserve for De-commissioning costs for wells that produce gas, gas condensates, or oil, and this reserve will be

funded from sales revenues like other Development costs. SoCalGas will consult with the Joint Parties to establish the amount of the reserve for each well. SoCalGas will take the risk that the reserve turns out to be insufficient to cover actual De-commissioning costs of each producing well. If actual De-commissioning costs are less than the amount reserved for any well, the balance will be shared with ratepayers like other revenues from the sale of gas, gas condensates, and/or oil will be shared after first deducting Development and Production costs.

10. Once a total of $3 million of the ratepayers' share of revenues has been tracked in the A&E Internal Order, all additional ratepayer-allocated revenues received from the sale of native gas, gas condensates, and/or oil (after deduction of Development Costs and Production Costs) will be recorded in the Native Gas Program Tracking Account and the entire amount in this account shall be flowed through to ratepayers in their gas transportation rates in connection with SoCalGas' October 15 Annual Regulatory Account Balance Update for rates effective January 1 of the following year. The balance in the account shall be allocated 70% to core customers and 30% to noncore customers. Net revenues obtained from the sale of gas and/or oil under the Native Gas Program will not be subject to SoCalGas' Performance-Based Ratemaking Sharing Mechanism.

11. SoCalGas will not be permitted to use any ratepayer funds for Acquisition and Exploration costs beyond those tracked in the A&E Internal Order. Thus, any ratepayer portion of net revenues obtained from the sale of gas, gas condensates, and/or oil above $3 million will be credited to ratepayers and the total contribution by ratepayers for one-half of the costs of Acquisition and Exploration costs will be limited to $3 million. To the extent that Acquisition and/or Exploration costs are re-classified as Development costs because the well produces gas, gas condensates, and/or oil, such amounts will be funded from the sale of native gas, gas condensates, and/or oil like all Development costs and will not be deducted from the amount tracked in the A&E Internal Order.

12. SoCalGas' shareholders will take the risk that the revenues from the sale of native gas, gas condensates, and/or oil from any prospect are insufficient to cover the prospect's Development and Production costs.

13. In the event that SoCalGas uses the entire amount tracked in the A&E Internal Order for Acquisition and Exploration activities and still has additional native gas prospects that it believes are worth funding, it shall meet and confer with the Joint Parties to determine whether further ratepayer-provided funds should be used to fund additional Acquisition and Exploration costs. In the event that the Joint Parties agree that additional ratepayer funds should be provided for this purpose, they will file a Joint Petition for Modification of the Commission's Decision in A.04-01-034 approving this Settlement Agreement to reopen the proceeding to modify this Settlement Agreement.

14. If SoCalGas should determine that there are no further prospects worth funding, and if there still exists net revenues in the A&E Internal Order, SoCalGas will record the entire remaining balance in the A&E Internal Order to the Native Gas Program Tracking Account for refund to ratepayers through the January rate true-up described above in Paragraph 10.

15. SoCalGas will accept a condition to its authorization in A.04-01-034 that all native gas or oil sales either to an affiliate or to the SoCalGas Gas Acquisition Department shall be through an open, competitive bidding process (including through the InterContinental Exchange).

16. SoCalGas will accept a condition to its authorization in A.04-01-034 to file a quarterly report with the Commission and serve it on the parties of record in A.04-01-034. The report will not be redacted and will detail the total volume (in Mcf and MMbtu) of native natural gas produced by field and delivered by SoCalGas into any regulated facilities, including dehydration, transportation or storage facilities, all native gas quality data for the relevant period, and daily and monthly imbalance volumes (in Mcf and MMbtu) attributable to the native gas produced from each field. Any person may file a protest regarding the contents of this report.

17. SoCalGas will accept a condition to its authorization in A.04-01-034 to file an annual report with the Commission and serve it on the parties of record in A.04-01-034. The report will not be redacted and will detail the revenues received by SoCalGas from the sale of native gas, gas condensates, and/or oil, the specific allocation of revenues as between shareholders and customers, the allocation of customer revenues between the core and noncore customer classes, and the volume of storage capacity created and the amount of any incremental storage costs incurred by use of the known native gas reservoir at La Goleta for storage purposes. Any person may file a protest regarding the contents of this report.

18. The Commission has full authority to audit any aspect of this program in accordance with its statutory authority over SoCalGas as a jurisdictional public utility.

19. SoCalGas will accept a condition to its authorization in A.04-01-034 to actively monitor native gas production and storage reservoir data to ensure that none of the native gas produced from any field is storage gas. If SoCalGas should find that any storage gas in a given field has been produced by the Native Gas Program, SoCalGas will immediately suspend native gas production at all relevant wells in such field and will submit a report to the Commission within 30 days detailing this occurrence and the remedial measures taken or proposed to be taken to restore storage field integrity. This report shall be served on all parties of record in A.04-01-034. SoCalGas will compensate customers for gas produced from storage facilities on a basis to be determined by the Commission.

20. With the exception of the known native gas reservoir at the La Goleta storage field (discussed below in Paragraph 21), if SoCalGas determines that a depleted native gas or oil reservoir or any wells or other facilities that have been installed pursuant to this Settlement Agreement are suitable and economic to use in providing storage service, SoCalGas shall seek Commission approval by application before placing the reservoir or facilities into storage service. SoCalGas agrees that, in such application, it will propose that any facilities that were used for the Native Gas Program that were funded from the A&E Internal Order or from the revenues obtained from the sale of native gas, gas condensates, and/or oil shall be transferred to storage service at the cost of converting such facilities to storage service. For purposes of this paragraph, any costs incurred in preparing a native gas well for storage service, including, but not limited to, the cost of installing casing on a well that did not produce gas, shall be considered to be a cost of conversion to storage service and shall not be considered to be an Acquisition, Exploration, Development, Production, or De-commissioning cost.

21. With respect to the known native gas reservoir at SoCalGas' La Goleta storage field, SoCalGas has sufficient information that it can determine that this reservoir will be used to provide Commission-regulated storage service. Accordingly, SoCalGas will design and construct the wells and other facilities for storage service, will sell at least 2 Bcf of this gas as a package of gas commodity in place with associated inventory and withdrawal rights, and will use the wells funded under the Native Gas Program for purposes of injecting and withdrawing gas into this new reservoir without seeking additional Commission approval to do so. In light of the location of the known native gas reservoir at La Goleta directly underneath the existing La Goleta storage reservoir, SoCalGas expects that there will be little or no cost to utilize the wells funded under the Native Gas Program in order to utilize the new reservoir for purposes of storage inventory. Nevertheless, if there should be any additional cost to utilize these wells for purposes of storage inventory, SoCalGas would seek to add any such incremental costs (specifically not including the costs funded under the Native Gas Program) in the costs used by the Commission for purposes of determining SoCalGas' storage costs in the next rate proceeding in which such costs are established. Nothing in this Settlement Agreement is intended to pre-judge the allocation of the storage capacity and any incremental costs associated with the known native gas reservoir at La Goleta. These issues will be decided by the Commission in a rate proceeding in which storage costs are addressed.

22. This Settlement Agreement is not intended to address issues associated with native gas "access" into the SoCalGas system.

23. If the Commission does not approve this Settlement Agreement in its entirety within nine months after its filing, each of the Joint Parties is free to rescind its acceptance of this Settlement Agreement by written notification to the other Joint Parties. Prior to sending such notification, however, any party seeking to rescind

its acceptance of this Settlement Agreement must meet and confer with the other Joint Parties to discuss this matter, including any potential modifications to the Settlement Agreement that might be acceptable to all Joint Parties.

IV.

ADDITIONAL TERMS AND CONDITIONS

A. The Public Interest

The Joint Parties agree jointly by executing and submitting this Settlement Agreement that the relief requested herein is just, fair and reasonable, and in the public interest.

B. Non-Precedential Effect

This Settlement Agreement is not intended by the Joint Parties to be binding precedent for any future proceeding. The Joint Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the settlement embodied in this Settlement Agreement. Each Settling Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this Settlement Agreement, and the Joint Parties expressly declare that, as provided in Rule 51.8 of the Commission's Rules of Practice and Procedure, this Settlement Agreement should not be considered as a precedent for or against them. Likewise, the Settlement Agreement explicitly does not establish any precedent on the litigated issues in the case.

C. Indivisibility

This Settlement Agreement embodies compromises of the Joint Parties' positions. No individual term of this Settlement Agreement is assented to by any Settling Party, except in consideration of the other Joint Parties' assents to all other terms. Thus, the

Settlement Agreement is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this Settlement Agreement if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Joint Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The Joint Parties acknowledge that the positions expressed in the Settlement Agreement were reached after consideration of all positions advanced in the prepared testimony of SoCalGas and the other interested parties, as well as proposals offered during the settlement negotiations. This document sets forth the entire agreement of Joint Parties on all of those issues, except as specifically described within the Settlement

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Agreement. The terms and conditions of this Settlement Agreement may only be modified in writing subscribed by all Joint Parties.

Dated this 25th day of July, 2005.

OFFICE OF RATEPAYER ADVOCATES

By:_____
R. Mark Pocta
Program Manager

SOUTHERN CALIFORNIA GAS COMPANY

By:_____
Lee M. Stewart
Senior Vice President - Gas Transmission

THE UTILITY REFORM NETWORK

By:_____
Marcel Hawiger
Staff Attorney

SOUTHERN CALIFORNIA GENERATION COALITION

By:_____
Norman A. Pedersen
Attorney

S:/LAW/DATA/DGILMORE/NATIVE GAS/SETTLE-AGMT.7.05.DOC

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **SETTLEMENT AGREEMENT** on all known interested parties of record in A.04-01-034 or their attorneys of record by electronic mail and by first-class U.S. mail, a copy thereof properly addressed to all parties included on the service list appended to the original document filed with the Commission.

Dated at Los Angeles, California, this 25th day of July, 2005.

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Becky Roberts

Appendix C

Revised Joint Stipulation

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for Authorization to Establish a Revenue Sharing Mechanism for the Production of Native Gas (U 904 G)	A.04-01-034

REVISED JOINT STIPULATION OF SOUTHERN CALIFORNIA GAS COMPANY, THE INDICATED PRODUCERS, CALIFORNIA INDEPENDENT PETROLEUM ASSOCIATION, THE WESTERN STATES PETROLEUM ASSOCIATION, AND EXXON MOBIL CORPORATION

Pursuant to Rule 51 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Southern California Gas Company (SoCalGas), the Indicated Producers (IP), the California Independent Petroleum Association (CIPA), the Western States Petroleum Association (WSPA), and Exxon Mobil Corporation (Exxon Mobil) (collectively, "Parties") enter into this stipulation to resolve issues arising among the Parties in Application 04-01-034. This Revised Joint Stipulation replaces the Joint Stipulation filed by the Parties on July 21, 2004 in this proceeding. The Parties agree to abide by the provisions of this Stipulation in good faith and to support the Commission's grant of Application 04-01-034 subject to the terms and conditions herein. Regardless of the final outcome of this proceeding, however, the Parties agree to fulfill the obligations set forth in Paragraph 5 of this Joint Stipulation.

1. The term "native gas" as used in this Stipulation is defined as any gas produced by SoCalGas, or SoCalGas' share of gas produced by SoCalGas and a partner company if necessary, from naturally occurring gas deposits from wells not producing as of the date of this Stipulation. The term "Native Gas Program" as used in this Stipulation is defined as the terms and conditions under which SoCalGas will locate, produce, process, transport and market native gas and/or oil as authorized by the Commission.

2. All native gas produced by SoCalGas will be sold on the open market.

3. The Parties do not object to the treatment of costs and revenues under the native gas program set forth in the Settlement Agreement.[1/]

   a. SoCalGas acknowledges that the Native Gas Program will receive ratepayer support from the use of rate-based assets and utility overhead and that these costs will not be accounted for explicitly as Acquisition, Exploration, Development or Production Costs under the accounting protocols established by the Settlement Agreement.

   b. As described more fully below in Paragraph 7.d, SoCalGas will require all native gas to meet gas quality specifications imposed on other California producers before such gas enters the SoCalGas transmission or storage system (excluding gas processing facilities and the storage gathering system at Aliso Canyon) and will not "blend" native gas with non-native gas to meet such specifications.

   c. To the extent that any other California gas producers request the opportunity to use storage facilities used by the Native Gas Program to process native gas, they would be permitted equal access with native gas to such facilities at SoCalGas' incremental cost of providing such access. Nothing in this Revised Stipulation would affect any existing contract for producer use of SoCalGas' existing storage facilities.

4. With respect to the revenues obtained by SoCalGas from the sale of native gas, core customers will receive 70% of the customer share, with noncore customers receiving 30%.

5. SoCalGas will file an application (Application) to address gas quality monitoring protocols and off-shore and on-shore California producer access terms and conditions.

1/ *See*, "*Settlement Agreement*" submitted by SoCalGas on behalf of the Office of Ratepayer Advocates, The Utility Reform Network, and Southern California Generation Coalition on July 25, 2005 in this proceeding.

a. SoCalGas will file the Application with the Commission not later than August 16, 2004, seeking adoption of Commission-approved standards and protocols addressing issues identified, but not limited to those issues identified, in Attachment A to this Stipulation.

b. The Parties jointly will propose to the Commission a schedule to achieve resolution of issues by the Commission not later than March 31, 2005, and will use all reasonable efforts to facilitate and maintain this schedule.

    i. Parties agree to participate in good faith in settlement discussions (under Article 13.5 of the Commission's Rules of Practice and Procedure) mediated by the Commission's Energy Division in the Application docket, including not fewer than five settlement conferences by September 29, 2004.

    ii. Parties agree to submit to the Commission in the Application docket a list of unresolved issues for resolution in hearing or, if settlement can be reached, a negotiated settlement of issues in the Application not later than October 29, 2004.

    iii. Parties agree to propose to set hearings, if necessary, for December 15, 2004, and to propose the following schedule:

    iv. Parties agree not to propose or support consolidation of the Application with any other Commission docket, including without limitation R.04-01-025.

c. Parties agree to collaborate and cooperate in good faith in the resolution of the Application with the goal of achieving Commission-approved access terms and conditions and gas quality monitoring and control standards and protocols based on generally accepted gas utility industry standards, consistent with SoCalGas employee and customer safety, long-term utility system integrity and the State's interests in encouraging the increased production of California natural gas within the meaning of Section 785 of the California Public Utilities Code.

d. Parties agree that with the exception of Paragraph 12, this Stipulation will terminate upon the last day of the third calendar month following the month in which a final Commission decision resolving the Application becomes effective.

6. SoCalGas will accept a condition to its authorization in A.04-01-034 that all native gas sales either to an affiliate or to the SoCalGas Gas Acquisition Department shall be through an open, competitive bidding process (including through the InterContinental Exchange).

7. Pending final resolution of the Application described in Paragraph 5, SoCalGas will apply all rules, regulations, agreements, standards, protocols, tariffs or other terms and conditions ("access rules") to its native gas production operations in the same manner in which it applies these access rules to other California nonutility natural gas producers. SoCalGas will submit to the Commission, not later than August 20, 2004, a proposed list of applicable access rules to be applied to its native gas program to be attached to a final Commission decision in A.04-01-034, including without limitation:

    a. Each characteristic of the produced gas that will be sampled and tested (including without limitation inerts, Btu content) prior to delivery of the produced gas to a receipt point into SoCalGas' gas transportation system for delivery to customers. In addition, if excess storage pipeline, transportation pipeline and/or gas treating capacity is being utilized to transport and/or treat the produced native gas, each characteristic of the produced gas that will be sampled and tested prior to the produced gas entering the SoCalGas storage and transportation system;

    b. The sampling method, equipment and testing frequency to be employed for each characteristic and any criteria used by SoCalGas to determine the appropriate sampling and testing frequency for any characteristic; and

    c. Specific criteria for determining when receipts into the utility system at a receipt point will be suspended because such receipts exceed gas quality limits.

    d. Assurances that when regulated utility facilities, including but not limited to, dehydration, pipeline or storage facilities, are used to process native gas to meet the utility's quality standards:

        i. SoCalGas will ensure that quality is measured at the gate of the facility before any gathering, dehydrating or processing occurs;

        ii. Calibration within the facility will ensure that any processing would result in bringing the gas quality measured pursuant to Section 7.d.i into compliance without the blending of other gas received into the facility;

iii. SoCalGas will ensure that all native gas meets the gas quality standards imposed on other California producers prior to any native gas entering the SoCalGas transportation or storage system (excluding processing facilities and the Aliso Canyon gathering system);

iv. SoCalGas will not use any gathering, transportation or storage facilities to blend native gas with any other gas, including non-native pipeline or storage gas, in order to meet the applicable gas quality standards; and

v. SoCalGas will provide equal access with native gas to any other nonutility producer to use the similarly situated gas processing facilities at SoCalGas' incremental cost of providing such access.

8. SoCalGas will accept a condition to its authorization in A.04-01-034 to file a quarterly report with the Commission and serve it on the parties to the Application docket. The report will not be redacted and will detail the total volume (in Mcf and MMbtu) of native natural gas produced by field and delivered by SoCalGas into any regulated facilities, including dehydration, transportation or storage facilities, all native gas quality data for the relevant period, including gas quality prior to treatment or use of storage, consistent with paragraph 7, and daily and monthly imbalance volumes (in Mcf and MMbtu) attributable to the native gas produced from each field. Any person may file a protest regarding the contents of this report.

9. SoCalGas will accept a condition to its authorization in A.04-01-034 to file an annual report with the Commission and serve it on the parties to the Application docket. The report will not be redacted and will detail the revenues received by SoCalGas from the sale of native gas, the specific allocation of revenues as between shareholders and customers, and the allocation of customer revenues between the core and noncore customer classes. Any person may file a protest regarding the contents of this report.

10. SoCalGas will accept a condition to its authorization in A.04-01-034 requiring it to actively monitor the quality of the native gas produced and its compliance with applicable laws, regulations, rules and tariffs in the same manner applied by SoCalGas to other California gas production. If SoCalGas finds that any native gas production does not comply with all applicable laws, regulations, rules and tariffs, SoCalGas will immediately suspend any non-compliant native gas receipts into the SoCalGas transportation system until the quality of the gas is brought into compliance.

11. SoCalGas will accept a condition to its authorization in A.04-01-034 to actively monitor native gas production and storage reservoir data to ensure that none of the native gas produced from any field is previously-injected storage gas. If SoCalGas should find that any injected storage gas in a given field has been produced by the native gas program, SoCalGas will immediately suspend native gas production at all relevant wells in such field and will submit a report to the Commission within 30 days detailing this occurrence and the remedial measures taken or proposed to be taken to restore storage field integrity. This report shall be served on all parties to the Application docket. SoCalGas will compensate customers for gas inadvertently produced from storage facilities on a basis to be determined by the Commission.

12. SoCalGas will accept a condition to its authorization in A.01-04-034 that until the Commission adopts a final, systemwide program for allocating firm access rights to SoCalGas receipt points,[2/] native gas will be provided access to the SoCalGas system on an interruptible basis (or through firm access acquired through any procedure available to new California production), in a manner that does not impair existing access rights held by other California producers. For purposes of this provision: "new California production" means production not already covered by an existing agreement for delivering onshore or offshore gas into the SoCalGas system at an existing point of receipt; and "existing access rights held by other California producers" means Maximum Daily Volumes specified in a producer access agreement or, for Exxon Mobil and its affiliate POPCO, a volume not less than 70 MMcfd.

13. The Parties will continue to support the Memorandum of Exemptions executed by the utility on June 10, 2004, to secure extension of two exemptions from California Air Resources Board standards for natural gas fueling stations.

14. Until the last day of the third calendar month following the month in which final resolution of the Application is obtained, as contemplated by Paragraph 5, SoCalGas will provide notice to the ALJ in A.04-01-034 and the Director of the Commission's Energy Division of any anticipated termination of an access agreement; the notice shall be provided to the ALJ and Energy Division not fewer than 30 days prior to the proposed date of the anticipated termination. During the 30 day period, the parties

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2/ Notwithstanding Paragraph 12, SoCalGas may propose an alternate, permanent system for access priority by California producers for adoption by the Commission in A.04-12-004. Similarly, if the Commission entirely removes the development of a permanent system for access priority for Line 85 or the North Coastal backbone transmission lines to any other docket, SoCalGas may propose a system in that docket that does not conform with Paragraph 12.

will make best efforts to meet with Energy Division staff to explore alternatives to termination. Nothing in this paragraph, however, shall affect SoCalGas' right to suspend performance under any agreement with an off-shore or on-shore producer or terminate such agreement consistent with the terms of such agreement.

15. Nothing in this Stipulation shall in any manner affect SoCalGas' right to enforce performance under any agreement with a California on-shore or off-shore producer. Nothing in this stipulation shall in any manner affect a California producer's existing rights to remedies under an existing agreement or other remedies available before the Commission.

16. All existing or new producer access agreements (not including Exxon Mobil's and POPCO's contract with SoCalGas) will be modified within 90 days following the effective date of the decision in the Application docket as necessary to conform the agreement in all material respects with the terms and conditions adopted by the Commission in its final decision. All new or modified access agreements shall provide producers reasonable and sufficient time (but no more than one year) to implement any new operational modifications necessitated by the new access agreements. During this period, each producer will remain responsible for costs incurred by SoCalGas for which the producer would be responsible under the access agreement replaced by the new access agreement. Nothing in this Stipulation is intended to address Commission jurisdiction over the agreement between SoCalGas and ExxonMobil/POPCO.

17. Nothing in this Joint Stipulation is intended to grant or expand SoCalGas' right to exercise eminent domain. In addition, SoCalGas shall not use the right of eminent domain against any non-utility producer to implement any feature of the Native Gas Program.

18. The parties acknowledge that some Indicated Producers own mineral interests that might be involved in some portions of reservoirs included in the Native Gas Program. This Joint Stipulation shall in no way affect the rights of those Indicated Producers in such mineral interests.

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Dated: September 7, 2005

SOUTHERN CALIFORNIA GAS COMPANY

By:_____
Lee M. Stewart
Senior Vice President,
Gas Transmission

INDICATED PRODUCERS
Aera Energy LLC
Chevron U.S.A., Inc.
Occidental Energy Marketing Inc.
Occidental of Elk Hills Inc.

By:_____
Evelyn Kahl,
Counsel to the Indicated Producers

WESTERN STATES PETROLEUM ASSOCIATION

By:_____
Cathy Reheis-Boyd,
Chief Operating Officer

CALIFORNIA INDEPENDENT PETROLEUM ASSOCIATION

By:_____
John Martini, Chief Executive Officer

EXXON MOBIL CORPORATION

By:_____
Douglas W. Rasch, Counsel for
Exxon Mobil Corporation

ATTACHMENT A

Preliminary List of Issues
For Review and Resolution

1. **Process for CPUC review and approval of changes in utility-producer access agreements**

2. **Creation of pro forma agreement; applicability of pro forma agreement to all California-produced gas received by SoCalGas**

3. **Access agreement terms and conditions, including generic or standard provisions, termination provisions and the applicability of utility tariffs and rules**

4. **Volume-related issues**

   a. Development and use of capacity studies

   b. Maximum Daily Volume requirements

   c. Volume reductions

   d. Process for requesting additional capacity

   e. Availability of utility infrastructure (Line 85 and North Coastal) to accommodate California-produced gas

   f. System operations, including storage, potentially affecting California-produced volumes

5. **Development of a capacity allocation program to implement an interruptible capacity program and tradable firm capacity rights for California Producers consistent with paragraph 13 of the Stipulation.**

6. **Gas quality**

   a. Listing of existing applicable gas quality standards

   b. Appropriate testing protocols, testing equipment and testing frequency for producer gas entering the SoCalGas transportation system

   c. Role, if any, of processing gas through pipeline blending and other methods for achieving gas quality compliance

d. Notice of process or quality changes

e. Interaction of force majeure events and compliance with gas quality standards

f. Consequences for exceeding gas quality specifications (based on engineering principles, impacts on overall gas quality, safety and system operability)

g. Cost responsibility for maintenance-related failures

7. Imbalance provisions

a. California Producer scheduling requirements

b. California Producer balancing requirements

c. Notification of imbalances

d. Imbalance charges and remedies

e. Allocation of meter volumes when multiple Producers deliver at same delivery point

8. Line pressure change notices

9. Access equipment issues

a. Obligations of Utility and California Producer to operate and maintain facilities at point of interconnection

b. Process for determining when additions, modifications, upgrades, replacement, removal or abandonment are necessary

c. Minimum volume requirements

10. O & M Fee Updates

11. Miscellaneous contract provisions

a. Meter accuracy, calibration and auditing

b. Credit, security, and insurance requirements

c. Indemnification

d. Aggregation of gas for processing and/or delivery

e. Process for dispute resolution

f. Cost responsibility as between utility and producers for utility-incurred costs caused by receipt and redelivery of California-produced gas

g. Utility cost recovery for any utility costs relating to California-produced gas that are not borne by producers

S:/LAW/DATA/DGILMORE/NATIVE GAS/STIPULATION-REVISED.9.7.05.

Appendix D

Interim Rules Applicable to Native Gas

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY For Authorization to Establish a Revenue Sharing Mechanism for the Production of Native Gas (U 904 G)	)	A.04-01-034

SUPPLEMENT TO JOINT STIPULATION

DAVID B. FOLLETT
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August 20, 2004

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY For Authorization to Establish a Revenue Sharing Mechanism for the Production of Native Gas (U 904 G)	)	A.04-01-034

SUPPLEMENT TO JOINT STIPULATION

In accordance with Rule 2.6 of the Commission's Rules of Practice and Procedure, Southern California Gas Company ("SoCalGas") hereby submits the following Supplement to the "Joint Stipulation of Southern California Gas Company, the Indicated Producers, California Independent Petroleum Association and the Western States Petroleum Association" ("Stipulation") which was filed in this proceeding July 13, 2004. Specifically, this Supplement provides the "list of applicable access rules to be

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applied to its native gas program to be attached to a final Commission decision in A.04-01-034"[1] as required by Paragraph 8 of the Stipulation.

In accordance with the Stipulation, the attached list sets forth the access rules that will be applied to any native gas produced by SoCalGas, subject to the outcome of the application (A.04-08-018) SoCalGas filed with the Commission on August 16, 2004 (as required by Paragraph 6 of the Stipulation) on issues associated with producer access into the SoCalGas system. Thus, these access rules are "interim" rules applicable to SoCalGas' production of native gas until the Commission adopts access rules for California production generally in SoCalGas' service territory in A.04-08-018, at which time the new rules would also apply to SoCalGas' native gas production. SoCalGas

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[1] The following is the entire language of Paragraph 8 of the Stipulation:

8. Pending final resolution of the Application described in Paragraph 6, SoCalGas will apply all rules, regulations, agreements, standards, protocols, tariffs or other terms and conditions ("access rules") to its native gas production operations in the same manner in which it applies these access rules to other California nonutility natural gas producers. SoCalGas will submit to the Commission, not later than August 20, 2004, a proposed list of applicable access rules to be applied to its native gas program to be attached to a final Commission decision in A.04-01-034, including without limitation:

a. Each characteristic of the produced gas that will be sampled and tested (including without limitation inerts, Btu content) prior to delivery of the produced gas to a receipt point into SoCalGas' gas transportation system for delivery to customers. In addition, if excess storage pipeline and/or gas treating capacity is being utilized to transport and/or treat the produced native gas, each characteristic of the produced gas that will be sampled and tested prior to the produced gas entering the SoCalGas storage system;

b. The sampling method, equipment and testing frequency to be employed for each characteristic and any criteria used by SoCalGas to determine the appropriate sampling and testing frequency for any characteristic; and

c. Specific criteria for determining when receipts into the utility system at a receipt point will be suspended because such receipts exceed gas quality limits.

d. Assurances that when regulated utility facilities, including but not limited to, dehydration facilities, are used to process native gas before receipt into the utility's transportation or storage facilities:

   i. SoCalGas will ensure that quality is measured at the gate of the facility before any dehydrating, blending or processing occurs;

   ii. Calibration within the facility will ensure that any processing would result in bringing the gas quality measured pursuant to Section 8.d.i into compliance without the blending of storage gas received into the facility; and

   iii. SoCalGas will provide to any other nonutility producer the right to use the same facility under the same terms and conditions used by SoCalGas to process native gas.

requests that this list be attached to the Commission decision in the instant application (A.04-01-034) in accordance with the Stipulation.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: _____
David J. Gilmore

DAVID B. FOLLETT
DAVID J. GILMORE

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August 20, 2004

Interim Rules Applicable to Native Gas

The rules that will be applicable to native gas production are set forth below.

- Native gas production will be required to nominate and schedule supplies every day in accordance with the NAESB nomination and confirmation standards that have been adopted by SoCalGas in its Rule 30.

- Native gas production will be subject to the following balancing provisions:

  - A daily cumulative imbalance tolerance of 10% of the average daily volume in the prior month.

  - A 7-day opportunity to pay back the total cumulative imbalance once the cumulative imbalance exceeds the 10% tolerance level.

  - Payback to the zero tolerance (or in-balance) level.

  - The native gas program will pay 150% of the highest California border spot price as reported by Gas Daily during the imbalance period for under-deliveries, i.e., deliveries below scheduled quantities.

  - The native gas program will be paid 50% of the lowest California border spot price as reported by Gas Daily during the imbalance period for over-deliveries, i.e., deliveries greater than scheduled quantities. SoCalGas will use this gas to reduce its Lost & Unaccounted For gas cost (LUAF). In addition, SoCalGas will install flow controls (at the expense of the native gas program) if the native gas program delivers significant quantities of non-scheduled gas into the SoCalGas system on three or more OFO days within a 12-month period.

- At the request and expense of the native gas program, SoCalGas will provide a cost estimate to perform a capacity expansion study. The native gas program will be responsible for the actual costs of the study.

- The following table lists each characteristic of produced native gas that will be sampled and tested prior to delivery to a receipt point into SoCalGas' gas transportation system for delivery to customers or, if excess storage pipeline and/or gas treating capacity is being utilized to transport and/or treat the produced native gas, each characteristic of produced native gas that will be sampled and tested prior to the produced gas entering the SoCalGas storage system.

Gas Characteristic	Test Method	Test Criteria	Test Frequency
Oxygen	Teledyne or other EAC approved analyzer	Suspect supply, e.g., vacuum systems, vapor recovery gas	Spot
	On-line Oxygen analyzer or Gas Chromatograph (GC)	Supply that tends to exceed limit or new supply to distribution	Continuous
Carbon Dioxide	Composite Sample/GC	All supplies	Monthly
	Rosemont, GC or other EAC approved analyzer	Supply that tends to exceed limit or new supply to distribution	Continuous
Inerts	Composite Sample/GC	All supplies	Monthly
	GC	Supply that tends to exceed limit or new supply to distribution	Continuous
Hydrogen Sulfide — (H_2S)	Drager or other EAC approved gas detection tubes	All supplies	Monthly
	Lead Acetate Tape	Supply with potential H2S problem or new supply to distribution, customers	Continuous
Mercaptan Sulfur	Barton Titrator, Medor, Galvanic or other EAC approved GC	Supply that has been odorized	Continuous
Total Sulfur	Barton Titrator, Medor, Galvanic or other EAC approved GC	Supply that tends to exceed limit	Continuous
Water	Bureau of Mines	All supplies	Monthly
	Moisture analyzer	Suspect supply Supply that tends to exceed limit	Spot Continuous
Hydrocarbon dewpoint	Bureau of Mines	All supplies	Monthly
Liquid	Liquid level gauge on separator	Suspect supply	Continuous
High Heating Value (BTU)	Composite Sample/GC	All supplies	Monthly
	GC	Supply that tends to exceed limit or new supply to distribution	Continuous
Temperature	Meter's Temperature read	All supplies	Continuous Review monthly

Note:
Several test methods for each characteristic are listed, but one may be adequate for each.
Supply that tends to exceed limit: Gas quality limits exceeded three times in three years or for new supply that have the potential to exceed limit based on raw gas analysis and planned gas processing.

- SoCalGas hereby provides the assurances required by Paragraph 8 of the Stipulation that, when regulated utilities facilities (including but not limited to, dehydration facilities), are used to process native gas before it is received into SoCalGas' transportation or storage facilities: SoCalGas will ensure that quality is measured at the gate of the facility before any dehydrating, blending or other processing occurs; calibration within the facility will ensure that any processing would result in bringing the gas quality measured into compliance without the blending of storage gas received into the facility; and SoCalGas will provide to any other non-utility producer the right to use the same facility under the same terms and conditions used by SoCalGas to process native gas.

- The native gas program will be charged operating and maintenance fees based on fixed and variable cost components. Fixed cost fees are based on estimates for standardized scheduled maintenance activities. These fixed standard fixed cost activities include: fixed cost for each MSA site of $1,017 per month; an additional $224 to the extent that an H_2S monitor is installed. The monthly adder if a Gas Chromatograph is installed will be $1,163 per month. Included in these fees is an assumed 40 hours of unplanned visits; service hours exceeding this threshold will be billed at the labor rate of $83.89. After-hour labor rates will be billed at $77.31, but will be billed at a four-hour minimum rate. The variable cost component will include any site-specific cost not defined in the fixed cost category.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **SUPPLEMENT TO JOINT STIPULATION** on all known interested parties of record in A.04-01-034 by mailing by first-class, U.S. mail a copy thereof properly addressed to all other parties included on the lists appended to the original document filed with the Commission.

Dated at Los Angeles, California, this 20th day of August, 2004.

Becky Roberts

Becky Roberts

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