

**THIS STORAGE SERVICES AGREEMENT MADE AS OF \_\_\_\_\_, BETWEEN:**

\_\_\_\_\_  
("CUSTOMER")

- and -

**LODI GAS STORAGE, L.L.C.**  
("LGS")

**Recitals:**

- A. LGS has developed certain facilities known as the LGS Storage Facility which permit LGS to provide Storage Services to Customer;
- B. Customer wishes to use some or all of those Services; and
- C. This Storage Services Agreement establishes how those Services will be provided.

**LGS AND CUSTOMER AGREE AS FOLLOWS:**

**1. DEFINITIONS**

- 1.1 Except as specified below, defined terms used in the Storage Service Documents, including this Agreement, have the meaning given to them in Rule 1 of the LGS Tariff.

"Acceptable Credit Rating" means a Credit Rating no lower than the following: "BBB-" from Standard & Poor's and "Baa3" from Moody's.

"Credit Rating" means the rating given to Customer's unsecured Long Term Debt by Standard & Poor's or Moody's.

"Financial Assurance" or "Financial Assurances" means the financial assurances provided for in Rule 6.

"Material Adverse Change" means the failure of Customer to maintain or reinstate the credit standards set forth in Rule 6 for 5 Business Days after written notice from LGS.

**2. REPRESENTATIONS OF CUSTOMER**

- 2.1 Customer represents and warrants to LGS as follows, and such representations and warranties shall survive for the benefit of LGS and are ratified and confirmed upon entering into each and every Transaction under the Storage Service Documents:

- (a) Customer is duly formed and validly existing under the laws of its incorporating jurisdiction and is duly qualified to carry on business in all jurisdictions in which it carries on business;

- (b) the execution of this Agreement and the Storage Service Documents does not violate any law, regulation, or order or Customer's articles of incorporation or bylaws and does not breach any agreement to which Customer is a party; and
- (c) to the knowledge of Customer there are no actions, claims or proceedings threatened against or affecting Customer which might materially affect any of the Transactions contemplated in this Agreement or the Storage Service Documents, or which might affect Customer's ability to meet its financial obligations under the Storage Service Documents.

### **3. TERM**

- 3.1 This Storage Services Agreement, made effective as of the date first above written, creates the contractual relationship between LGS and Customer for entering into Transactions utilizing the Services. From time to time there may be no Services provided, or no Transactions then in effect, in which case, this Storage Services Agreement will continue until either Party delivers a written termination notice to the other Party. That notice will be effective at the commencement of the second Gas Month following the date it was given; provided that, if a Transaction is then in effect between LGS and Customer, this Storage Services Agreement shall only terminate after that Transaction is performed or terminated in accordance with its provisions.

### **4. LGS STORAGE SERVICES**

- 4.1 LGS will provide and Customer will utilize those Services that the Parties agree to from time to time, as confirmed by an Appendix evidencing the Transaction entered into by the Parties.
- 4.2 When a Transaction is agreed to by the Parties, the terms of the applicable Service Schedule will apply to that Transaction, except to the extent expressly modified by the express terms and conditions of the Appendix in question.
- 4.3 Each Party expressly consents to the recording of telephone conversations between the Parties concerning oral agreements for Transactions. Each Party hereby waives any objection based on the recording of such telephone conversations and to the admissibility of such a recording in a proceeding concerning the agreement before a court, arbitrator, mediator, or administrative agency.

### **5. TERMS OF LGS TARIFF**

- 5.1 The terms and conditions of LGS's Tariff on file with the California Public Utilities Commission apply to and are incorporated by reference into this Agreement and all Transactions which are entered into from time to time by Customer and LGS.
- 5.2 The Storage Service Documents and every Transaction entered into thereunder, shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction.
- 5.3 The Storage Service Documents will be governed by and interpreted in accordance with the laws in force in the State of California without regard to the choice of law provisions thereof; and the Parties irrevocably submit to the courts having jurisdiction in the State of California.

### **6. CONFLICT**

- 6.1 Subject to section 4.2 hereof, if there is any conflict between the terms of this Storage Services Agreement and the terms of any of the E-Nom<sup>TM</sup> Customer Access Procedures, the General Terms and

Conditions or the terms of any Service Schedule then in effect between the Parties, the terms of this Storage Services Agreement shall prevail.

6.2 If there is any conflict between the terms of the E-Nom™ Customer Access Procedures and the terms of the General Terms and Conditions or the terms of any Service Schedule then in effect between the Parties, the terms of the E-Nom™ Customer Access Procedures shall prevail.

6.3 If there is any conflict between the terms of any Service Schedule then in effect between the Parties and the terms of the General Terms and Conditions, the terms of the Service Schedule shall prevail.

## **7. GAS QUALITY**

7.1 Gas delivered to L.G.S. at the Receipt Point(s) shall meet the gas quality specifications stated in the service agreement between the delivering pipeline company and PG&E. If no gas-quality specifications agreement exists between the delivering pipeline company and LGS for the Receipt Point(s), or if the natural gas is not delivered by a pipeline, the gas received by LGS shall meet the following quality specifications:

1. Carbon dioxide: The gas shall contain no more than one percent by volume of carbon dioxide.
2. Oxygen: The gas shall contain no more than 0.1 percent by volume of oxygen.
3. Hydrogen sulfide: The gas shall contain no more than 0.25 grain of hydrogen sulfide per one hundred standard cubic feet.
4. Mercaptan sulfur: The gas shall contain no more than 0.5 grain of mercaptan sulfur per one hundred standard cubic feet.
5. Total sulfur: The gas shall contain no more than one grain of total sulfur per one hundred standard cubic feet.
6. Water vapor: The gas shall contain no more than seven pounds of water vapor per million standard cubic feet.
7. Hydrocarbon dewpoint: The gas shall not have a hydrocarbon dewpoint that will allow formation of liquids under the operating conditions of the receiving pipeline.
8. Liquids: The gas shall contain no liquids at the Receipt Point(s).
9. Objectionable matter: The gas shall not contain dust, sand, dirt, gums, oils, or other substances in an amount sufficient to be injurious to PG&E facilities or which shall cause the gas to be unmarketable.

## **8. DAMAGES**

8.1 Notwithstanding any provision of this Storage Services Agreement or the Tariff to the contrary, neither party shall be liable to the other (including, without limitation, liability imposed pursuant to any arbitration) for indirect, consequential, special or punitive damages arising from any breach of any applicable Storage Service Document, whether based on tort, contract, or other civil or equitable action.

## **9. MISCELLANEOUS**

9.1 In the event that LGS requires Customer to pay any material New Tax pursuant to Section 10.2 of the General Terms and Conditions of Service (under the Preliminary Statement in the Tariff), Customer may

terminate this Storage Services Agreement by providing written notice of termination to LGS not later than ninety (90) days after LGS first gives notice to Customer that Customer shall have to pay such New Tax. Any such termination notice shall be delivered ninety (90) days prior to the effective date of the termination of this Storage Services Agreement. If the Customer issues such termination notice, then prior to the termination date the Parties shall attempt in good faith to reach a mutual agreement as to how to address such New Tax and avoid such termination. As used in this Section 7.1, "New Tax" means (i) a franchise fee or similar tax, charge or levy of the type referred to in Section 10.2 of the General Terms and Conditions of Service (under the Preliminary Statement in the Tariff) enacted and effective after the date of the relevant Appendix evidencing the Transaction entered into by the Parties or (ii) any law, rule, regulation or order, or interpretation thereof enacted and effective after the date of such Appendix resulting in the application of such franchise fee or similar tax, charge or levy to new or different class of Parties; provided, a New Tax specifically excludes capital stock, income, excess profits taxes, general franchise or gross receipt taxes imposed upon corporate other Parties on the basis of their income or on account of their existence or their right to do business within a particular state.

9.2 For the purpose of this Storage Services Agreement, the Parties hereby agree to the following variances from the current provisions of the LGS Tariff as specified below:

(a) Section 6.1(c) of the General Terms and Conditions of Service shall read as follows:

"6.1(c) A Customer or Guarantor Insolvency Event occurs."

(b) The last sentence of Section 6.3(b) of the General Terms and Conditions of Service shall read:

"6.3(b) ...Customer shall in no event be liable for damages greater than the value of the service that would have been provided by LGS from the date of termination to the end of the Term and any amounts due under Section 6.4(a)(iii)."

(c) The last sentence of Section 8.1 of the General Terms and Conditions of Service shall read:

"8.1. ...Notwithstanding the foregoing, if an event of Force Majeure prevents performance of a Party's obligations for a period exceeding 150 consecutive Days, the other Party shall have the right to terminate this Contract effective on 30 additional Days notice to the Party claiming the Force Majeure event."

(d) Section 3.1 of Rule 6 shall read as follows:

"3.1 If Customer does not have or does not maintain an Acceptable Credit Rating, Customer shall provide LGS with one or more of the Financial Assurances provided in Section 3.2, 3.3 and 3.4 hereof."

(e) Subsections (a) and (d) of Section 3.2 of Rule 6 shall read as follows:

"3.2 (a) An irrevocable Letter of Credit for the entirety of the obligations for which support is required.

(d) Each Letter of Credit shall be in form and substance satisfactory to LGS, and without limiting the generality of the foregoing shall be issued by a financial institution with a combined capital and surplus of at least \$1,000,000,000 that is rated at least A by S&P and A2 by Moody's; shall provide for partial drawdowns; and shall contain the terms and conditions set forth in Sample Form E.

(f) Section 3.3 of Rule 6 shall read as follows:

“3.3 Customer shall provide to LGS, to secure its obligation to LGS pursuant to the Storage Service Documents, a Guarantee granted to LGS by its direct or indirect parent (the “Guarantor”) with an Acceptable Credit Rating. The Guarantee shall be in a form as set forth in Sample Form F and the provisions of Sections 2 and 3 of this Rule 6 shall apply *mutatis mutandis* to the Guarantor as if the Guarantor were Customer.

**IN WITNESS WHEREOF**, the Parties have executed this Storage Services Agreement as of the date first above written.

\_\_\_\_\_

PER: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

\_\_\_\_\_

**LODI GAS STORAGE, L.L.C.**

PER: \_\_\_\_\_

NAME: TODD G JOHNSON

TITLE: VICE PRESIDENT – PRODUCT MARKETING

This Notification Schedule is attached to and forms part of the Storage Services Agreement entered into between \_\_\_\_\_ and LODI GAS STORAGE, L.L.C. as of \_\_\_\_\_.

**NOTICES TO LGS**

<p>NOTICES</p> <p>LODI GAS STORAGE, LLC. ONE GREENWAY PLAZA SUITE 600 HOUSTON, TX 77046 ATTN: CONTRACT ADMINISTRATION</p> <p>TELEPHONE: (832) 615-8600 FAX: (832) 615-8608</p>	<p>REQUESTS AND NOMINATIONS</p> <p>LODI GAS STORAGE, LLC ONE GREENWAY PLAZA SUITE 600 HOUSTON, TX 77046 ATTN: MANAGER, HUB SERVICES</p> <p>TELEPHONE: (832) 615-8600 FAX: (832) 615-8608</p>	<p>PAYMENTS</p> <p><b>WACHOVIA BANK NA, PENNSYLVANIA</b> ABA No.: 031201467 ACCT No.: 2000038510706 ACH NO: 031 000 503 REF: <b>LODI GAS STORAGE, L.L.C.</b> L.L.C. RECEIPTS</p> <p>TELEPHONE: (832) 615-8600</p>
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**NOTICES TO CUSTOMER**

<p>NOTICES</p> <p>ADDRESS ATTENTION TELEPHONE FAX</p>	<p>CONFIRMATIONS</p> <p>ADDRESS ATTENTION TELEPHONE FAX</p>	<p>PAYMENTS</p> <p>BANK ACCOUNT NUMBER GST NUMBER</p>
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**REQUEST TIMES, NOMINATION TIMES & EFFECTIVE TIMES**

**All times are Pacific Clock Time**

REQUEST TIME (FOR FSS SERVICE)	REQUEST TIME (FOR ISS SERVICE)	NOMINATION TIME	EFFECTIVE TIME
09:00	09:00	09:30	07:00 (next day)
15:30	15:30	16:00	07:00 (next day)
06:00 (flow day)	06:30 (flow day)	08:00 (same day)	15:00 (same day)
12:00 (flow day)	14:30 (flow day)	15:00 (same day)	19:00 (same day)