



RULE 35

CONTRACTED MARKETER TRANSPORTATION

The terms and conditions of this Rule shall apply to Contracted Marketers (referred to herein as "Contractor"). The Contractor may perform the same functions as a gas supplier - that is, the purchasing, nominating and balancing of gas supplies for one or more transportation customers (referred to herein as "customers"). In addition to these responsibilities, the Contractor is required to sign a Contracted Marketer Agreement (referred to herein as CMA") (Form No. 143-1560) with the Utility and as part of such agreement accepts the financial responsibility of managing imbalances for its customers. This Rule shall also apply to the Contractor's end-use customers served under their applicable rate schedules.

Contractors are appointed by individual customers in their Request for Retail Noncore Gas Services (Form 142-1259) or in their Request for Core Transportation-Only Services (Form 142-1859) and, if applicable, in the "Notice to Add or Change Contracted Marketer" (Form No. 143-1562), to act on behalf of the individual customers in the purchasing, nominating and balancing of gas supplies. Contractors bear financial responsibility for the transportation imbalances incurred by the customers they represent.

The specific requirements of individual customers are described in each transportation rate schedule. The transportation of customer-procured gas in conjunction with service under this Rule is subject, on behalf of their customers, specifically to the terms and conditions of Rule 30, Transportation of Customer-Procured Gas, and Rule 14, Shortage of Gas Supply Interruption of Delivery and Priority of Service, and the charges or credits associated with these rules.

A. General

1. Customer Elections

Customers may designate only one Contractor at a time, using Form No. 143-1562, and Contractors must use "Notice by Contracted Marketer to Add or Delete Customers" (Form No.143-1561) to notify Utility of their Customers. Customers may elect to have their entire transportation gas requirements supplied by the Contractor or customers may designate one or more Gas Suppliers in addition to the Contractor. However, the Contractor is responsible for all transportation imbalances for transportation volumes delivered to the customer. The minimum term of obligation for a Contractor is one calendar month. A customer or Contractor can only elect changes in their service arrangements at the beginning of a month, with appropriate notice to Utility by submitting Form Nos. 143-1561 and 143-1562. There can be no mid month changes, except in the case where a Contractor is terminated from the Contracted Marketer Transportation Program (referred to herein as "Program") or upon express written consent by the Utility. Any gas purchased from the Utility will be considered the first gas through the meter for each billing period. Customers terminating a Contractor's services can submit a Notice to Terminate a Contracted Marketer (Form No. 143-1563), and notice of a replacement Contractor must be provided to Utility using Form No. 143-1562. Utility may specify, in the Forms themselves, the amount of notice it needs, but such notice period will not be in excess of ten calendar days before the first of the month in which the change is to be effective.

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C. Contract Requirements

After credit has been established, the Contractor must sign a two-year CMA (Form No. 143-1560) with the Utility. A " Notice by Contracted Marketer to Add or Delete Customers" (Form No. 143-1561) shall be sent by Contractor for each of its customers (as specified in said Notice), and a "Notice to Add or Change Contracted Marketer" (Form No. 143-1562) shall be sent to Utility by each of the customers being represented by the Contractor. Customers shall designate only one Contractor at a time for all their transportation accounts. Customers and Contractors are to submit separate authorization forms.

D. Contracted Marketer Responsibilities

1. Nomination Procedures

The Contractor's contract with the Utility shall establish its right to nominate daily transportation deliveries to the Utility. Such nominations shall be in accordance with Rule 30 for transportation nominations, and must be made through SoCalGas' Electronic Bulletin Board (EBB) system as defined in SoCalGas' Rule No. 33.

The Contractor shall be responsible for nominating by using the individual alpha-numeric codes of their customers and indicating to the Utility its numeric code and whether it is acting as a Contractor. A role indicator field is provided in the EBB.

2. Imbalance Service

The Contractor is responsible for balancing transportation services with its customers' end-use consumption. The Contractor is responsible for managing the imbalances of its end-users through means, which include participation in the Utility's Imbalance Trading Program pursuant to the provisions of Schedule No. G-IMB.

Imbalances will be calculated on an aggregated customer basis, not by individual account or delivery point. Imbalances will be determined by comparing the amount of gas delivered to the Utility and the amount of gas actually consumed by the customers. The Contractor shall be responsible for all imbalance charges, including any Utility Users Tax. The Contractor can pool the positive and negative imbalances of its customers in order to avoid or minimize imbalance charges.

The Contractor will assume responsibility for any pre-existing imbalance that a customer, new to that Contractor, possesses that is within the imbalance tolerance band as specified in Schedule No. G-IMB.

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Issued by
Lee Schavrien
Vice President
Regulatory Affairs

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Resolution No. _____

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E. Billing and Payment Terms

1. Billing

The Contractor's bill is due and payable upon receipt. All payments will be done electronically or by wire transfer unless otherwise agreed to by the Utility. The bill will be considered past due if it is not paid within fifteen calendar days after mailing. Past due notices will be mailed to the Contractor and to each of its current contracted customers. If the bill is not paid within seven days of the issuance of the past due notice, the Contractor's participation will be subject to immediate termination by the Utility.

2. Late payment

If a Contractor does not pay any bill rendered to it by the Utility within fifteen days after transmittal, then:

- a. Past due notices will be mailed to the Contractor and to each of its current contracted customers;
- b. The Contractor will be unable to add customers or increase its DCPV until late payment is cured; and,
- c. The Contractor will lose its rights to trade or sell gas in storage to other customers until late payment is cured.

If a Contractor pays late three or more times by seven days or less, or pays late one or more times by greater than seven days in any contiguous twelve month period, then, in addition to all other rights of the Utility resulting from such late payments (or any non-payments), the Utility may require full collateral in the form of cash, irrevocable standby letter of credit, security bond or any other security instrument deemed appropriate by the Utility. If such collateral is requested and not provided by the Contractor to the Utility, the Contractor's participation will be subject to termination by the Utility.

F. Termination of Service

If a payment is not received within seven days of the issuance of a past due notice, the Contractor's participation in the Program will be subject to termination. In addition, if the Utility receives any notification that the Contractor has filed or will be filing any type of bankruptcy, or is closing its business, the Contractor's participation will be terminated immediately and all of the Contractor's rights to conduct business with Utility thereunder shall be terminated.

Upon termination of a Contractor's participation:

- 1. Termination notices will be sent to the Contractor and to each of its current contracted customers;

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F. Termination of Service (continued)

- 2. Any gas that has been delivered into the Utility's system on behalf of the Contractor's customers will be used to offset any immediate imbalances. This gas cannot be subject to encumbrances of any kind, including, but not limited to, liens, trades, or sales to other customers;
- 3. The Contractor will lose its right to any tolerance allowed for transportation imbalances under Schedule G-IMB and will be required to trade toward a zero imbalance;
- 4. All fees, charges and other obligations of Contractor to Utility shall be immediately due and payable without further notice of demand; and,
- 5. The Contractor may be suspended from the Utility's electronic communication network as defined in SoCalGas' Rule No. 33, EBB.

At the time of termination, if the Contractor has not paid Utility billings, any deposit held on the Contractor's accounts shall be applied to recoup unpaid bills.

If a security deposit has not been provided or does not adequately cover the charges owed by the Contractor, the customers represented by the Contractor will be liable for any and all outstanding charges. Any outstanding purchase gas costs, transportation imbalance charges, curtailment penalties, over nomination penalties or adjustment transactions will be allocated on a prorata basis to the Contractor's customers based on each customer's current month's usage.

After termination, a Contractor will not be allowed to participate in the Program again until the Contractor has reimbursed the Utility for all outstanding charges and all operating, maintenance, legal, and uncollectible expenses incurred by the Utility as a result of the Contractor's participation in the Program being terminated.

G. Allocation of Deliveries

Where gas is transported by the Contractor to more than one end-use customer, and the transporting pipeline's allocation quantity at the receipt point to the Contractor is less than the Contractor's requested quantity, the Contractor must allocate among its customers the total quantity of gas delivered each day to the Utility in accordance with Rule 30, Transportation of Customer-Procured Gas.

H. Customer Changes

Contractors may add or delete customers to their contract by written notice. Customers can only be added or deleted for the first day of the subsequent month. There are no mid month changes except in the case where a Contractor is terminated from the Program or upon express written consent by the Utility. The Contractor's new total capacity resulting from each new member added to the contract must not exceed the Contractor's established credit limit as specified in Section B herein. Customer and Contractor authorization forms must be submitted on time or the customer will not be part of the Contractor's pool.

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I. Storage

All provisions for storage under the appropriate SoCalGas storage service tariff shall apply.

J. Arbitration of Disputes

If a customer disputes a Utility bill, the disputed amount will be deposited with the California Public Utilities Commission (herein after referred to as "Commission") pending resolution of the dispute under the existing Commission procedures for resolving such disputes with the Utility. If a customer has a billing dispute with its Contractor, the customer will remain obligated to pay Utility charges in a timely manner. The Contractor shall not withhold payment of any such Utility charges pending resolution of any such disputes. If a Contractor disputes a Utility bill, the disputed amount will be deposited with the CPUC pending resolution of the dispute under existing Commission procedures. No termination of participation will occur for this dispute while the Commission is hearing the matter, provided that the Contractor has deposited the full amount in dispute with the Commission or with the Utility.

K. Utility Services

The Utility shall continue to read customer meters and provide customers with all other regular utility services.

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