

MASTER SERVICES CONTRACT

SCHEDULE I

TRANSACTION BASED STORAGE SERVICE AGREEMENT

THIS TRANSACTION BASED STORAGE SERVICE AGREEMENT ("Agreement") is entered into as of the 15 day of December, 2006, by and between Southern California Gas Company ("Utility") and City of Long Beach ("Service User") and sets forth the terms and conditions under which Utility will provide storage services to Service User. This Agreement shall be attached to and incorporated as Schedule I to the Master Services Contract ("MSC") entered into by the parties.

SECTION 1 - STORAGE SERVICES

(a) For the Time Period for Service indicated below (the "Service Period"), Utility shall provide Service User with the storage services set forth below. This Agreement and the rights established herein shall be subject to the terms and conditions of Utility's Tariff Rate Schedule G-TBS and other applicable Tariff Rules hereto from time to time (including, without limitation, the definitions in Utility's Tariff Rule No. 1).

<u>Storage Services</u>	<u>Maximum Quantity</u>	<u>Firm or As-Available</u>	<u>Time Period for Service ("Service Period")</u>
Inventory	800,000 (Dth)	Firm	April 1, 2007 - March 31, 2008
Injection	4,000 (Dth/day)	Firm	April 1, 2007 - October 31, 2007
Withdrawal	36,000 (Dth/day)	Firm	April 1, 2007 - March 31, 2008

(b) All gas to be stored under this Agreement must be delivered by Service User to Utility system at the California border during the period from April 1, 2007 to March 31, 2008, subject, however, to Utility system constraints. Withdrawals must be completed by March 31, 2008.

(c) If storage injection and withdrawal services are offered hereunder on an "as-available" basis, such services may be temporarily restricted in accordance with Utility Tariff Rule 23.C.1.(4), Utility Tariff Rule 30.F.2 and G, and G-IMB Special Conditions 3.

(d) Upon Service User's request for withdrawal, Utility will re-deliver all gas stored by Service User under this Agreement at the California border or other mutually agreed upon locations.

(e) Other: Service User has multiple cycling rights. Service User has as-available injection and withdrawal rights, which are subject to interruption. Service User's Firm Withdrawal rights shown above in Section 1(a) are Annual Firm Withdrawal rights as defined in Rule No. 01. Service User may change its storage services through a negotiated agreement ("Transaction") with Utility. Utility shall record each Transaction in a letter agreement ("Transaction Confirmation") that references this Agreement. The Transaction Confirmation is considered an integral part of the Agreement and will be sent by Utility to Service User by facsimile, or other mutually agreeable electronic means, no later than close of the first Business Day (a day during which Federal Reserve banks in New York City are open for business) immediately following the date of the Transaction. Service User shall identify any error in such Transaction Confirmation and shall immediately provide written notice to Utility. If no such notice is received by Utility within 2 Business Days from Service User's receipt of the Transaction Confirmation, the Transaction Confirmation will be deemed correct. Both parties hereby agree that the Transaction Confirmation sent electronically to Service User forms a binding and enforceable contract.

SECTION 2 - RESERVATION AND STORAGE CHARGES

Service User agrees to pay to Utility the following charges:

<u>Storage Services</u>	<u>Quantity (Dth)</u>		<u>Unit Reservation Charges</u>	<u>Variable Storage Charges</u>			
				<u>In-Kind Fuel</u>	<u>O&M Injection or Withdrawal</u>		
Inventory	<u>800,000</u>	(Dth)	<u>1.66000</u>	<u>\$/</u>			
Injection	<u>4,000</u>	(Dth/day)	<u>0.00000</u>	<u>\$/</u>	<u>2.44</u>	%	<u>0.0127</u> <u>\$/</u> (Dth)
Withdrawal	<u>36,000</u>	(Dth/day)	<u>0.00000</u>	<u>\$/</u>			<u>0.0177</u> <u>\$/</u> (Dth)

Other charges: The per-unit reservation charges stated above result in an annual reservation charge of one-million, and three-hundred-twenty-eight-thousand dollars (\$1,328,000). Variable charges are subject to change and are those specified in the G-TBS tariff.

SECTION 3 - TRANSMISSION CHARGES

Service User agrees to pay Utility all applicable transportation charges incurred to move gas to Utility system, including the Wheeler Ridge access fee, if applicable.

Other transportation charges and conditions: Transmission charges are subject to change and are those specified in the G-TBS tariff.

SECTION 4 - BILLING AND PAYMENT

(a) All reservation charges shall be billed by Utility and paid by Service User in equal monthly installments over the Service Period of this Agreement. Provided, however, that if Service User is not an end-use customer of Utility, 25% of the reservation charges shall be paid to Utility prior to the commencement of the Service Period and the balance shall be billed and paid in equal monthly installments over the Service Period. All other charges shall be billed and paid as the applicable services are provided.

(b) All bills shall be timely paid. In addition to any remedies provided under Utility's Tariff Rate Schedules and Tariff Rules, in the event that Service User fails to timely pay any amounts due hereunder and such amounts are not paid in full within seven (7) days following notice by Utility that such payment is in arrears, Utility may, without any additional notice, immediately suspend service hereunder until Service User pays all amounts due.

(c) In the event of a billing dispute, the bill must be paid in full by Service User pending resolution of the dispute. Such payment shall not be deemed a waiver of Service User's right to a refund. All bills shall be sent to Service User as specified below in Section 5 (a).

SECTION 5 - MISCELLANEOUS

(a) Notices - All notices and requests under this Agreement shall be deemed to have been duly given if sent by facsimile (fax) properly addressed, and with confirming original copy thereof being sent by postage prepaid, certified mail properly addressed, as follows:

<u>SERVICE USER</u>		<u>UTILITY</u>	
		<u>Operating Matters</u>	
Contact Name:	<u>Joan Collier</u>	Contact Name:	<u>Gas Transactions Hotline</u>
Contact Title:	<u>Gas Supply and Business Officer</u>	Contact Title:	<u>Gas Transactions & Operations</u>
Telephone:	<u>(562) 570-2007</u>	Telephone:	<u>(213) 244-3900</u>
Fax No.:	<u>(562) 570-2008</u>	Fax No.:	<u>(213) 244-8281</u>

Billing Matters

Contact Name: Joan Collier
Contact Title: Gas Supply and Business Officer
Telephone: (562) 570-2007
Fax No.: (562) 570-2008

Contact Name: Susana Santa Maria
Contact Title: Billing Analyst
Telephone: (213) 244-4337
Fax No.: (213) 244-8449

Contract Matters

Contact Name: Joan Collier
Contact Title: Gas Supply and Business Officer
Telephone: (562) 570-2007
Fax No.: (562) 570-2008

Contact Name: Gwoon Tom
Contact Title: Storage Products Manager
Telephone: (213) 244-3692
Fax No.: (213) 244-8645

Either party may change its designation set forth above by giving the other party at least seven (7) days prior written notice.

(b) Governing Law - This Agreement shall be construed in accordance with the laws of the State of California and the orders, rules and regulations of the Public Utilities Commission of the State of California in effect from time to time.

(c) Credit Worthiness - From time to time, as is deemed necessary, Utility may request that Service User furnish Utility with all relevant information or data to establish Service User's credit worthiness, including, without limitation, financial statements of Service User which are audited or otherwise attested to Utility's satisfaction. Following review of such information, Utility may require that Service User supply additional assurance as may be necessary to establish Service User's ongoing financial ability to perform under this Agreement during the Term, including, without limitation, contractual guarantees or financial instruments such as letters of credit.

(d) Limited Storage Liability - Utility shall not be responsible for any loss of gas in storage, including, without limitation, losses due to the inherent qualities of gas (including leakage and migration) or due to physical or legal inability to withdraw gas from storage, unless such loss is caused by failure of Utility to exercise the ordinary care and diligence required by law. In the event of any such loss, the portion of such loss which is attributable to Service User shall be determined based on Service User's pro rata share of the total recoverable working gas inventory in Utility's storage facilities at the time of the loss.

(e) Incorporated Provisions - The provisions of Section 6 of the MSC are incorporated by reference herein as if set forth in full herein, except to the extent such Section 6 is superseded by Utility's Tariff Rule 4.

IN WITNESS WHEREOF, the authorized representatives of the parties have executed two (2) duplicate original copies of this Agreement as of the date first written above.

CITY OF LONG BEACH

By *Maureen Puccio*
Title: City Manager

SOUTHERN CALIFORNIA GAS COMPANY

By *John A. Whit*
Title: Director, Energy Markets and Capacity Products

APPROVED AS TO FORM
1/22, 2007
ROBERT H. STANNICK, City Attorney
By *[Signature]*
CITY OF LONG BEACH