

CUSTOMER NATURAL GAS TRANSPORTATION/SERVICE AGREEMENT**29333**

This Agreement is entered into this 6 day of ^{Leave} ~~blank~~ Sept, 2005, by and between the CITY OF LONG BEACH (Energy Department), hereafter referred to as "City" or "LBE," and DG COGEN PARTNERS, LLC, a Delaware limited liability company, hereafter referred to as "Customer," under the authority given by the City Council of the City of Long Beach in Chapter 15.36 of the Long Beach Municipal Code and Resolution Number C-27938 approved November 20, 2001, or as amended, for transportation and service of natural gas within the City of Long Beach for Rate Schedules 7, 8, and 9 Customers, and by Resolution No. RES-05-0054 approving the form of this agreement on July 19, 2005.

NOW THEREFORE, in consideration of the mutual undertakings set forth below, the parties agree as follows:

SECTION 1 - TERM

This Agreement shall be effective on August 1, 2005 and terminate at midnight on July 31, 2007, and shall be subject to prior termination pursuant to (or consistent with) any final order of a federal, state or local government entity (including a court or CPUC) having jurisdiction over this arrangement or the parties herein. Such termination shall not relieve either party of the obligation to discharge any financial obligations arising hereunder prior to or as a result of termination or to correct any then-existing gas imbalance between deliveries and receipts arising during the term hereof (to the extent not prohibited by such final order).

SECTION 2 - DEFINITIONS

Base Period: Shall refer to the calendar months in the twelve month period of time immediately prior to Customer obtaining Standby Customer status.

Business Day: Shall mean a day in which the City of Long Beach in Long Beach, California is open for business, Monday through Friday, excluding weekends and City holidays. A Business Day shall open at 7:30 a.m. and close at 4:30 p.m., Pacific Standard Time.

CPUC: Shall mean the "California Public Utilities Commission" or its successor agency with regulatory jurisdiction over intrastate pipelines, tariff and gas services in California.

Curtailment: When SoCalGas and/or LBE (jointly or separately referred to hereafter in this definition as "Utility") or other transmission pipeline used by LBE, initiates suspension of gas service, Utility may temporarily reduce the daily quantity of gas it will transport or deliver or terminate service entirely for certain service categories as needed for operational and/or contractual requirements. Curtailment is implemented when, in the Utility's judgment, there exists a restriction or limitation on Utility transmission or distribution pipelines necessary for the acceptance, transportation or subsequent redelivery of gas resulting in Utility being unable to meet its operational, contractual or gas customers'

requirements or when the Utility has a deficiency of gas supply available to meet its operational, contractual or sales customers' requirements.

Force Majeure: Unanticipated events or conditions beyond the reasonable control of the party claiming Force Majeure which could not have been prevented by the exercise of due diligence. Force Majeure as it applies to tariffs or rate schedules specifically does not include required maintenance of customer's facilities, plant closures, economic conditions or variations in agricultural crop production.

Imputed Value of the Commodity: For purposes of this Agreement, LBE and Customer intend that the imputed value equals LBE's Noncore WACOG.

LBE's Noncore WACOG: For the purpose of this Agreement, the Long Beach Noncore Weighted Average Cost of Gas (Noncore WACOG) is as defined in Schedule 4 of the current Gas Rate Schedule.

Overnomination Event: In the event that SoCalGas determines that the transportation nominations received for a specific date of gas flow ("flow date") exceed its expected system capacity (including storage) on such flow date, SoCalGas shall apply Buy-Back service separately for each flow date that is overnominated as contained in the applicable current SoCalGas tariff schedule.

SoCalGas: Shall mean the Southern California Gas Company, a public utility regulated by the CPUC.

Standby Event: Any gas transportation customer who bypasses LBE's service, in whole or in part, by connection to and service from an alternate gas transportation service provider while connected to LBE system, shall be subject to a monthly Standby charge as a Standby Customer, in addition to the applicable Schedule 9 rate.

Undernomination Event: SoCalGas requires LBE to deliver specific minimum daily volumes, depending upon the SoCalGas storage inventory level, during the period from November through March. In the event that LBE does not meet the minimum required delivery volume, SoCalGas shall apply the Daily Balancing Standby Rates for each flow date as contained in the current applicable SoCalGas tariff schedule.

SECTION 3 - SCOPE

A. Transportation/Service Program - LBE shall transport Customer-owned gas from the point of receipt into the SoCalGas transmission system to the LBE distribution system where the gas shall then be transported and delivered to Customer by LBE on a daily basis. LBE shall have the right to accept or reject Customer's nominations into its system.

B. Nomination Procedures - The following nomination procedures shall apply to gas transported and delivered to Customer by LBE:

- (1) Gas nominations for flow on the first day of the month as well as daily gas nominations must be received by LBE and its agents in writing via electronic mail

or fax no later than 9:00 a.m. Pacific Standard Time, a minimum of one (1) Business Day prior to the date of flow.

(2) Nomination data must be received by LBE and its agents in writing to include pertinent information on transportation contracts, receipt points, suppliers, and any other information LBE deems reasonably necessary as set forth in the attached Addendum A, or revisions and amendments thereto.

(3) All determinations by LBE as to allocation points and/or maximum daily quantities related thereto or as to the procedures utilized for any allocation process, when made by LBE, shall be final.

(4) In the event of a declared Overnomination Event by SoCalGas, any Customer unable or unwilling to reduce its transportation nomination within the two (2) hour window allotted by SoCalGas and Customer's nominations exceed 110% of its gas usage, shall be assessed a charge based on the rate per therm billed to LBE by SoCalGas.

(5) In the event of a declared Undernomination Event by SoCalGas, any Customer unable or unwilling to nominate and deliver volumes meeting the minimum requirement as specified by SoCalGas in its current applicable Rule 30, shall be assessed a charge based on the rate per therm billed to LBE by SoCalGas.

C. Curtailment: In the event of curtailment, any Customer unable or unwilling to curtail shall be assessed a penalty based on the charges per therm billed to LBE by SoCalGas for volumes used by Customer in violation of curtailment.

D. Minimum average volume: Except for Rate 7 and 8 customers, all customers shall maintain a minimum average volume requirement of 250,000 therms of natural gas to qualify for this Transportation/Service program.

E. Under/Over Monthly Deliveries: If Customer's gas purchase deliveries from third parties are over or under Customer's actual consumption in any month, the under/over-delivery shall be resolved as follows:

(1) **Over-Deliveries** - If Customer has over deliveries in any month, Customer will be subject to the following restrictions: LBE shall permit Customer to carry-over, to the following month, over-delivery volumes of up to 10% of Customer's consumption for the month in which the over-delivery occurred. Any Customer's volumes carried over will be applied first to the following month's consumption. Any volumes of over-deliveries in excess of 10% of Customer's consumption will be purchased by LBE, at its sole discretion, by crediting to the Customer an amount that is equal to 75% of the lowest cost of gas purchased by LBE during the month in which the excess imbalance was incurred.

(2) **Under-Deliveries** - If Customer's gas purchase deliveries from third parties are not sufficient to satisfy Customer's actual gas consumption in any month, Customer shall be subject to the following restrictions: LBE shall permit Customer to carry-

over, to the following month, under-delivery volumes of up to and including 5% of Customer's consumption for the month in which the under-delivery occurred. Any volumes of under-deliveries up to and including 5% of Customer's consumption shall be applied to the following month's consumption. Any volumes of under-deliveries in excess of 5% of Customer's consumption shall be charged to Customer at 125% of the highest cost of gas purchased by LBE during the month the imbalance was incurred, and the applicable transmission charge per therm.

(3) The under/over deliveries reconciliation will occur at the end of each month and be incorporated into the Customer's invoice for that monthly period.

(4) Except reconciliation, as set forth above, shall not be permitted on a monthly basis by LBE for Customer, should SoCalGas impose additional stricter balancing provisions upon LBE. The stricter provisions will be adopted and implemented by LBE, as required by SoCalGas, and thereafter apply to Customer. Customer shall be subject to changed balancing requirements at the time such balancing is imposed by SoCalGas upon LBE, irrespective of prior written notice to Customer; however, LBE will attempt to provide advance written notice to Customer. Customer is advised that SoCalGas may be considering daily and/or weekly balancing under certain conditions, which conditions are undetermined at present.

F. Standby Customer status - In the case of a Standby Event, Customer will be considered to have a "Standby Customer" status and Customer shall be subject to a Minimum Monthly Bill Component charge in addition to all other rates, charges, or penalties provided under this Agreement.

(1) The Minimum Monthly Bill Component shall be determined by multiplying the total monthly gas volume utilized by Customer during the same calendar month of the twelve month period immediately prior to Standby Customer status (Base Period) by the current Schedule 9 rate. Except, to the extent that Customer's current monthly billing period gas consumption volume multiplied by the current monthly Schedule 9 rate is equal to or greater than the Minimum Monthly Bill Component, then Customer will be excused from the Minimum Monthly Bill Component for that specific month and the resulting Standby charge shall be zero.

(2) If Customer's actual gas consumption volume for a given month, multiplied by the current schedule rate, is less than the Minimum Monthly Bill Component, then Customer's bill will include a Standby charge equal to the difference between the Minimum Monthly Bill Component and the current billing period gas consumption volume multiplied by Customer's current Schedule 9 rate.

(3) The Standby charge will remain in place until the Standby Customer notifies LBE that the alternate gas transportation service provider's interconnection has been physically and permanently removed and LBE inspects and verifies such removal. The Base Period remains the same as long as the Standby charge remains in place.

(4) For the purpose of bypass, Customer shall notify LBE in writing within twenty-four (24) hours of either: (a) executing a contract with an alternate gas transportation service provider or (b) installing a gas pipeline interconnection with

an alternate gas transportation service provider. Both parties acknowledge that time is of the essence because SoCalGas requires LBE to deliver certain daily volumes in its system.

(5) Upon written request by LBE, Customer shall within forty-eight (48) hours of receipt of such notice, provide LBE access to its facility(ies) in order to physically inspect and/or verify the existence or removal of any non-LBE operated gas pipeline interconnections.

G. Liability - Customer shall be liable for any damages, obligations to third parties, fees, charges, surcharges, taxes, or costs incurred by LBE as a result of transportation service under this Agreement, except claims rising out of gross negligence by LBE. All production, severance, excise, ad valorem, and any other similar taxes imposed or levied by city, state or any governmental agency on the gas transported for Customer shall be paid by Customer. Customer shall indemnify, defend and hold LBE harmless from any liability against all taxes, damages, claims of third parties, fees or charges, or any and all other claims except as stated above.

H. Commodity Procurement Option - In the alternative to paragraphs A, B and E of Section 3, Customer may, at any time during the term of this Agreement, elect to purchase the gas commodity from LBE for all of its natural gas requirements under the applicable rate schedules from LBE by providing advance written notification to LBE of this election. If Customer makes such an election, Customer must purchase all of its natural gas commodity from LBE until the end of the term of this Agreement. The price will be established by reference to the current applicable Rate Resolution. Customer shall be responsible for payment of all taxes, surcharges, and/or penalties.

SECTION 4 - FINANCIAL OBLIGATION

A. Customer Billing Account - Each month on or before the twentieth (20th) day of the month LBE shall send Customer an invoice for the net charges payable hereunder for the preceding month. Such charges shall be based upon this Agreement and the appropriate prevailing LBE Rate Schedule and current Exhibit "B" attached to the LBE Rate Schedule in effect at the time of billing. All net charges for gas delivered to Customer shall be billed to Customer at the address designated in Section 9.

B. Payment - Customer payments must be received no later than fifteen (15) days from the statement date on the invoice. Failure to timely pay may result in immediate termination of gas service to Customer. Customer shall be charged a late charge on any delinquent or unpaid balance according to the then prevailing Long Beach Municipal Code applicable ordinances and/or resolutions.

C. Gas Users Tax - Customer shall pay the tax imposed under the Long Beach Municipal Code Section 3.68.040, as amended, based upon the total cost, which includes but is not limited to, the "Imputed Value of the Commodity," transportation services, surcharges, tariffs, under/over-delivery charges, Standby charges, all other charges, and penalties. This tax shall be billed and paid with the monthly invoice in Section 4(A).

D. Adjustments - All gas quantities transported and/or delivered to LBE under this Agreement shall be billed based on the best information available from SoCalGas at the

time of billing as determined by LBE, but shall be subject to adjustment based on subsequent adjustments, imbalances, under/over-deliveries, CPUC regulatory decisions or other reconciliations of differences as incurred by LBE on behalf of the Customer.

E. Deposits - At the beginning or at anytime during the term of this Agreement or any extension thereof, LBE may require Customer, as a condition of continued gas service, to pay a deposit equivalent to two times Customer's estimated average monthly billing as a transport customer. The deposit shall be paid in advance of delivery of gas service under this Agreement and as condition precedent to the effectiveness of this Agreement, unless otherwise agreed in writing by LBE. The deposit may be paid in cash, by a certificate of deposit, or by a letter of credit from a bank reasonably acceptable to LBE.

F. Electronic Meter-Reading - Customer shall pay for the cost of electronic meter-reading equipment and the installation of and monthly service charges associated with such equipment installed on Customer's premises as a condition of service under this Agreement. If electronic meter-reading equipment exists on Customer's premises as of the date of Customer's execution of this Agreement, then Customer shall pay for the monthly service charges and other costs associated with such equipment.

G. Technical Support Fee - Customer shall pay \$100 for each service visit made by LBE software support technicians at Customer's request. Notwithstanding the foregoing, Customer shall not be obligated to pay any fees in connection with the initial software installation and training visit.

SECTION 5 - RELATED OBLIGATIONS

A. Title/Indemnity - Customer warrants title to all gas delivered to LBE on behalf of Customer, except natural gas purchased pursuant to Section 3(H). Customer shall indemnify and hold harmless LBE and SoCalGas from and against any and all claims, actions, liabilities, taxes, royalties, liens, charges, damages or costs (including reasonable attorneys' fees for in-house or outside counsel) related to gas delivered or failed to be delivered to the allocation points which have been nominated and confirmed with LBE and SoCalGas hereunder, except for claims arising out of the gross negligence of LBE or SoCalGas. The foregoing sentence does not apply to natural gas purchased by Customer pursuant to Section 3(H) except as it relates to payment for the commodity, taxes, charges and related services, and the payment of attorneys' fees for collection actions.

B. Replacement of Gas - LBE shall have no obligation to notify Customer or to replace or substitute for Customer any quantities of gas not delivered to SoCalGas or accepted by SoCalGas in connection with this Agreement, except natural gas purchased pursuant to Section 3(H).

C. Assignment of Rights and Obligations - The rights and obligations under this Agreement shall not be assigned by either party without the prior written consent of the other party, which consent may be withheld at the sole discretion of LBE.

D. Customer shall pay any costs incurred by LBE because of any failure by third parties, acting as agents for Customer, to perform their obligations related to this Agreement (including reasonable attorneys' fees whether for in-house or outside counsel).

E. Any and all penalties, taxes, or other related or similar charges or fees incurred by LBE or SoCalGas under an interstate or intrastate supplier contract as a result of this Agreement and accommodating transportation service shall be paid by the Customer.

F. This Agreement, rates, and conditions are subject to revision and modification as a result of legislative or regulatory action, including CPUC and/or Federal Energy Regulatory Commission proceedings and orders.

G. Customer agrees to indemnify, defend and hold harmless LBE, its officers, agents and employees against any loss, damage, injury, liability and expense arising out of any loss, damage, injury, claim, action, cause of action or suit brought by any person, association or entity arising out of or on account of this Agreement, except claims arising out of gross negligence of LBE.

H. Under no circumstances shall LBE be liable to any third-party producer, marketer, broker or other supplier of gas under this Agreement for any portion of the purchase price, including but not limited to the gas commodity, transportation, tariffs, taxes, fees and surcharges. The Customer shall be solely responsible for payments to such third parties, except as provided in Section 3(H).

SECTION 6 - DAMAGES

Except as provided herein, neither party shall be assessed any special, punitive, consequential, incidental, or indirect damages, whether in contract or tort, for any actions or inactions related to this Agreement or the delivery or non-delivery of gas, curtailment or transportation thereof.

SECTION 7 - AGENT

Customer desires a third party to act on its behalf as Customer's agent ("Agent"), on and after the date hereof, until revoked by written notice from Customer received by LBE. Agent shall have full authority to act for and bind Customer fully under this Agreement, and LBE shall be authorized to rely thereon at all times in dealing with the following Agent: (Write "NONE" if no Agent)

Agent's Name: Sempra Energy Trading
Address: _____
Telephone: (203) 355-5065 Extension: _____
Fax No.: (203) 355-5435
Email address: jvalillo@Sempratrading.com

SECTION 8 - PERSON TO CONTACT AT CUSTOMER'S PREMISE REGARDING OPERATION, SERVICE OR TRANSPORTATION

Customer desires the following named person to be contacted for inquiries from LBE regarding service and transportation of gas or other operational matters (not related to Notice or Billing):

Person's Name: Eric Baty
 Title: Director of Operations, West Coast
 Address: 1660 Union St.
 Telephone: (805) 748-3584 Extension: _____
 Fax No.: (805) 596-0990
 Email address: ebaty@dg-energy.com

SECTION 9 - NOTICE

Any notice, request, demand or statement provided for in this Agreement shall be in writing or by telegram and shall be sent to the parties hereto at the following addresses, and shall be effective upon receipt:

Notice, correspondence and statements:

Customer:

De Cogen Partners
1660 Union St. #200
San Diego, CA 92101
 Attn: Eric Baty
 Telephone: (805) 748-3584
 Fax No.: (805) 596-0990

LBE:

Long Beach Energy
 2400 E. Spring Street
 Long Beach, CA 90806-2285
 Attn: Energy Services
 Telephone: (562) 570-2066
 Fax No.: (562) 570-2008

Billing (if different from above, state if "same"):

Customer:

SAME

 Attn: _____
 Telephone: _____
 Fax No.: _____

LBE:

Long Beach Energy
 2400 E. Spring Street
 Long Beach, CA 90806-2285
 Attn: Energy Services
 Telephone: (562) 570-2062
 Fax No.: (562) 570-2008

Operations and Nominations Contact (only applicable if Customer answered "NONE" in Section 7):

Customer:

LBE:

Attn: _____
Telephone: _____
Fax No.: _____
Email address: _____

Long Beach Energy
2400 E. Spring Street
Long Beach, CA 90806-2285
Attn: Energy Services
Telephone: (562) 570-2066
Fax No.: (562) 570-2008

Mailing address for correspondence (if different from above):

Attn: _____

SECTION 10 - JURISDICTION

This Agreement shall be governed and construed in accordance with the laws of the State of California.

SECTION 11 - CAPTIONS AND ORGANIZATION

The various headings and numbers herein and the groupings of the provisions of this Agreement are for the purpose of convenience only and shall not be considered a part hereof, and shall have no effect on the construction or interpretation of any part of this Agreement.

SECTION 12 - NON-DISCRIMINATION CLAUSE

In the performance of this Agreement, Customer shall not discriminate against any person on the basis of race, color, religion, national origin, sex, sexual orientation, AIDS, AIDS related condition, age, marital status, disability or handicap, or Vietnam Era veteran status. Customer shall be in compliance with all applicable provisions of the Americans with Disabilities Act of 1990 (ADA). Compliance with the ADA shall be the sole and complete responsibility of Customer and Customer shall defend and hold LBE harmless from any expense or liability arising from Customer's non-compliance therewith.

SECTION 13 - ENTIRE AGREEMENT

This Agreement sets forth the entire understanding of the parties and supersedes any prior understandings or discussions (whether written or oral) and incorporated herein by reference all Long Beach Municipal Codes, ordinances and resolutions existing or as

amended from time to time. This Agreement shall only be amended by an instrument in writing properly executed by both parties or as superseded by changes in the City of Long Beach Municipal Code, resolutions, ordinances, or other applicable rules and regulations.

IN WITNESS WHEREOF, the authorized representatives of the parties have executed this agreement in duplicate originals.

CUSTOMER: DG COGEN PARTNERS, LLC, a Delaware limited liability company

By: [Signature]

Title: President

By: [Signature]

Title: CFO

[Attach notarial acknowledgment with signatures of two officers having authority to bind the Customer]

CITY OF LONG BEACH, a municipal corporation

Date: 9-6-2005

By: [Signature]
City Manager

This Agreement is approved as to form on August 30, 2005.

ROBERT E. SHANNON, City Attorney

By: [Signature]
Deputy

S:\ANTHONY\CTSA-DG\Cogen.wpd
RFA:cj

OFFICIAL CALIFORNIA NOTARIAL CERTIFICATE

ACKNOWLEDGMENT

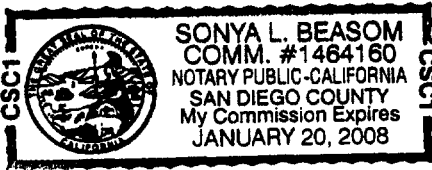
State of California


County of San Diego

Title of Document: Customer Natural Gas Transportation/Service Agreement

On August 17, 2005, before me, Sonya L. Beasom, Notary Public personally appeared Steven Jay Mueller [x] personally known to me - OR - [] proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the persons(s) acted, executed the instrument.

WITNESS my hand and seal.




SIGNATURE OF NOTARY

OFFICIAL CALIFORNIA NOTARIAL CERTIFICATE

ACKNOWLEDGMENT

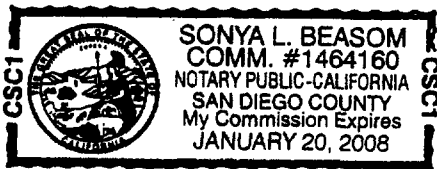
State of California

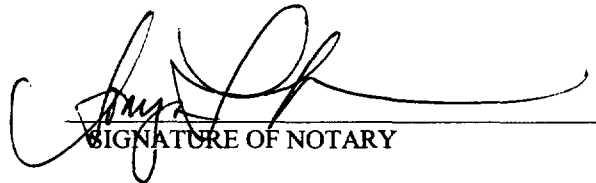
County of San Diego

Title of Document: Customer Natural Gas Transportation/Service Agreement

On August 17, 2005, before me, Sonya L. Beasom, Notary Public personally appeared Craig Williams [x] personally known to me - OR - [] proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the persons(s) acted, executed the instrument.

WITNESS my hand and seal.




SIGNATURE OF NOTARY

Long Beach Energy
A Department of the City of Long Beach
Customer Nomination
Natural Gas Transportation Agreement
ADDENDUM "A"

CYCLE 1 DUE TO CORAL ENERGY NO LATER THAN 9:00 AM PCT, A MINIMUM OF
 ONE (1) BUSINESS DAY PRIOR TO THE DATE OF FLOW

Order Date:		Flow Date:	
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(If not Cycle 1 Nom, list Cycle #)

TO: CORAL ENERGY & LBE - TSA #811698 (REV. 11/01/03)
 DUNS #01-501-4421 (Rev. 3/26/03)

E-mail: Cynthia_Gonzales@longbeach.gov
 Ginger_Shugart@longbeach.gov
 cnichol@coral-energy.com
 bhoeye@coral-energy.com

		<u>Phone</u>		<u>Fax</u>
Contacts:	LBE – Cynthia Gonzales	(562) 570-2066		(562) 570-2008
	Coral – Chris Nichol	(858) 320-2110		(858) 320-2612

NOTE: CORAL ENERGY WILL CONFIRM RECEIPT OF E-MAILED NOMINATION DIRECTLY TO SUPPLIER WITH CC: TO LONG BEACH ENERGY

From:		For:	
	MARKETER/AGENT		LONG BEACH ENERGY CUSTOMER

Submitted by:	
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Phone No.	()	Fax No.	()
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Pipeline (TW, EP, KR, PG&E or CP)	Rcpt. Pt. (SCG, TP, EHR, WHR, NDLS) <small>If CP, must indicate either CP-Other, CP-Line 85 or CP-No. Coastal</small>	Contract No. (& Pkg #. If appl.)	Border Dkthms