



MEMORANDUM

TO: Rae McQuade
FROM: Michael C. Tierney and Abby Snyder
SUBJECT: GISB Standard
DATE: January 15, 2002

SAN DIEGO GAS & ELECTRIC COMPANY COMMENTS TO THE BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS

The following are San Diego Gas & Electric Company's comments to the Base Contract for Sale and Purchase of Natural Gas:

1. Texas law should not be the default choice of law in Section 14.5 of the Base Contract. *[We believe that there should be no default provision, as it was in the prior version.]*
2. The Base Contract boxes are out of numerical order. Perhaps the Spot Price Publication box for Section 2.25 could be moved up, and the Note pertaining to Spot Price Publication could be put inside the box. The Note should be clarified by saying "This Spot Price Publication applies to the selection chosen in Section 3.2."
3. Delete the words "or alternate fuels" in the second line of Section 2.9. *[We do not want to agree to use efforts to obtain alternate fuels since it is unclear what constitutes alternate fuels.]*
4. In Section 3.2, "Cover Standard", delete the words "or alternative fuels", in the third line.
5. In Sections 3.2, "Cover Standard" and "Spot Price Standard", add the following sentence to the end thereof:

The amount of such unfavorable difference shall be payable three (3) Business Days after presentation of the performing party's invoice for such amount which shall set forth the basis upon which such amount was calculated.

6. In Section 7.2, at the beginning thereof, add the words, "Except as set forth in Section 3.2,".

7. In Section 7.4, after the word “Section” and before “7.2” add the number “3.2”.
8. In Section 7.6, after the words “due and owing” in the second line add the words “on the same day.”
9. In Section 8.2, the first line, add an "(a)" after the word "that" and, after the word “claims” in the second line, add the following:

(b) Its sale to Buyer is in compliance with all applicable laws and regulations, and (c) Buyer is not the first purchaser of the Gas. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8,

10. Add the following new section:

10.7 With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

[This is intended to address the close-out provision as opposed to the monthly netting covered by Section 7.6.]

11. In Section 11.3, after part (v) and before the period, add the following phrase “or (vi) a State's controlling or rationing production.”
12. In Section 12, after the words “Section 7.5,” add the words “Section 10.3.2” *[This is to ensure that the setoff right survives the agreement.]*

13. Add the following new Sections:

(a) add a Section 14.12 to the Base Contract with a box to check if the Federal Acquisition Regulations are applicable.

(b) add the following to Section 14.12:

If the parties have indicated on the Base Contract that the Federal Acquisition Regulations are applicable, then each party hereby confirms that it shall comply with all applicable requirements set forth in the Federal Acquisition Regulations (or any successor thereto) in effect on the date of this Agreement, including but not limited to the following: 48 C.F.R. Part 52 et seq: Affirmative Action for Workers with Disabilities; Affirmative Action Compliance; Prohibition of Segregated Facilities; Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era; Utilization of Small Business Concerns; Equal Opportunity; Affirmative Action Programs; Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan and any applicable sections contained in 41 C.F.R. Chapter 60. The terms and conditions thereof shall be controlling over any conflicting terms and conditions set forth in this Contract or any written Amendment hereto.

14. Add the following sentences after the second to last sentence in Section to 14.4:

All Gas purchase and sale transactions in effect on the date hereof, and all Gas purchase and sale transactions entered into between the parties on or after the date hereof shall be governed by this Contract.