

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 28, 2012

Advice Letter 4422

Mr. Sid Newsom
Tariff Manager-GT14D6
Southern California Gas Company
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Subject: New SoCalGas Form 7150-B, On-Bill Financing Loan Agreement for California State Government Customers

Dear Mr. Newsom:

Advice Letter 4422, a Tier 3 advice letter, is approved by staff disposition. The effective date is November 9, 2012, the date that the advice letter was filed with the Commission.

Advice Letter 4422 adds to the Sample Forms sections of SoCalGas's Tariffs a sample form entitled "Sample Form 7150-B: On-Bill Financing Loan Agreement with State of California." This form is a revised version of the Form 7150, which is the General On-Bill Financing Loan Agreement used by other customers. While authorized to participate in the On-Bill Financing Program, California State Government Customers could not use the Form 7150 because it did not comply with the State of California Constitution, Article 16, Section 7, which states: "Money may be drawn from the Treasury only through an appropriation made by law and upon a Controller's duly drawn warrant." The Governor's Office of Planning and Research has informed Energy Division that Form 7150-B was developed by the Office in consultation with SoCalGas and that the Office requests that the Commission make it effective as soon as possible. This will enable California state agencies to take advantage of On Bill Financing.

SoCalGas filed Advice Letter 4422 as a Tier 3 Advice Letter. However, General Rule 7.6.1 of General Order (GO) 96-B permits Industry Division Staff to approve an advice letter, regardless of which Tier it is filed in, so long as Staff can determine, as a ministerial act, that approval has been authorized by the Commission.

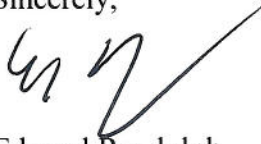
General Rule 8.5.8 of GO 96-B provides, in part: "Each utility's tariffs shall contain sample copies of printed forms, such as . . . contract forms . . . For purposes of this General Rule, and except where prohibited by statute or Commission order, utilities may use forms developed by government agencies." The form that Advice Letter 4422 proposes to add to the Sample Forms sections of SoCalGas's tariffs was developed by the Governor's Office of Planning and Research.

Sid Newsom
December 28, 2012
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The sample form proposed by Advice Letter 4422 is not prohibited by Commission order or statute. The Commission decisions (D.05-09043, D.07-10-032 and D. 09-09-047) creating and authorizing the On-Bill Financing Program do not prescribe the forms to be used in administering the program, nor does Form 7150-B contain any term contradicting what the Commission has required for the program. Similarly, that form is not prohibited by any applicable statute; indeed, the modifications to Form 7150 are required in order to make the form consistent with the California Constitutional provision quoted above.

In sum, Energy Division has determined that, as a ministerial matter, the Commission has authorized the use of the sample form proposed by Advice Letter 4422 because it is a sample contract form developed by a government agency that is not prohibited by any statute or Commission order. Accordingly Energy Division is approving Advice Letter 4422, and its sample form.

Sincerely,

A handwritten signature in black ink, appearing to read 'ER', with a long, sweeping flourish extending to the right.

Edward Randolph
Director, Energy Division
California Public Utilities Commission



Rasha Prince
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.3201
rprince@semprautilities.com

November 9, 2012

Advice No. 4422
(U 904 G)

Public Utilities Commission of the State of California

Subject: New Sample Form No. 7150-B, On-Bill Financing Loan Agreement with State of California

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) a new sample form, Form No. 7150-B, On-Bill Loan Agreement with State of California, to enable California State Government customers to receive On-Bill Financing (OBF) loan funds, applicable throughout its service territory as shown on Attachment B.

Purpose

This new form, to be utilized only by State of California government customers, includes modified terms and conditions to address the state's request to accommodate its indemnification and legislative appropriations requirements which are not contained in the currently effective sample form filed with the Commission.

Background

On November 2, 2012, the Governor's Office of Planning and Research sent a letter (Attachment C) to SoCalGas and the Commission enclosing the On-Bill Financing Loan Agreement form that it developed in collaboration with SoCalGas and which is, therefore, mutually acceptable to both parties. It requests that the form be filed pursuant to General Order 96-B, General Rule 8.5.8 (Sample Forms) and that it becomes effective as soon as possible.

Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter, which is November 29, 2012. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC - Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-Mail: snewsom@semprautilities.com

Effective Date

At the direction of Energy Division, SoCalGas classifies this filing as a Tier 3, but requests approval on December 9, 2012, which is 30 calendar days after the date filed.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes parties in R.09-11-014, Post-2008 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues.

Rasha Prince
Director
Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. SOUTHERN CALIFORNIA GAS COMPANY (U 904G)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4422

Subject of AL: New Form No. 7150-B, On-Bill Financing Agreement with State of California

Keywords (choose from CPUC listing): Contracts; Agreements

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No Tier Designation: 1 2 3

Requested effective date: 12/9/12 No. of tariff sheets: 3

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Sample Forms; TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4422

(See Attached Service Lists)

ATTACHMENT B
Advice No. 4422

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 48558-G	SAMPLE FORMS: CONTRACTS, On-Bill Financing Loan Agreement With State of California, Form No. 7150-B (11/2012)	
Revised 48559-G	TABLE OF CONTENTS	Revised 47449-G
Revised 48560-G	TABLE OF CONTENTS	Revised 48557-G

SAMPLE FORMS: CONTRACTS
On-Bill Financing Loan Agreement With State of California
Form No. 7150-B (11/2012)

N
N
N

(See Attached Form)

N

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4422
DECISION NO.

ISSUED BY
Lee Schavrien
Senior Vice President

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 9, 2012
EFFECTIVE Nov 9, 2012
RESOLUTION NO. _____



A  Semptra Energy utility

ON-BILL FINANCING LOAN AGREEMENT With State of California

The undersigned customer, the State of California (the "State") will install energy efficiency equipment and services (the "Work"), either by using the undersigned contractor hired independently by the State (the "State Contractor") or using the State's internal maintenance and facility staff. Subject to the conditions herein (including the process for Adjustment) set forth in the next paragraph, Southern California Gas Company ("SCG") shall extend a loan (the "Loan") to the State in the amount of the loan balance (the "Loan Balance") pursuant to the terms of this On-Bill Financing Loan Agreement ("Loan Agreement" or "Agreement") and Rule No. 40 (the "Rule"). The State Contractor shall provide the Work as described in the On-Bill Financing Application ("Application") and associated rebate/incentive program application(s). Any contract between the State and the State Contractor shall be attached to the Application.

The estimated Loan Balance is set forth below. However, the total cost of the Work as installed, Incentive, Loan Balance, monthly payment, and loan term specified in this Loan Agreement may be adjusted, if necessary, after the Work and the post-installation inspection described in the Application and/or herein are completed (the "Adjustment"). The Adjustment will be calculated using the actual total cost of the Work, as installed, and estimated energy savings (as described in the Application) of such Work. In no event will the Loan Balance be increased without the State's written consent, even if the State is eligible for such increased Loan Balance. Moreover, in no event will the Loan Balance exceed the maximum loan amount stipulated in the Application. The State understands that in order to be eligible for an on-bill financing loan, the initial Loan Balance for Work may not fall below the minimum loan amount, nor may the payback period exceed the maximum payback period. **Accordingly, if after the Adjustment, the Loan Balance falls below the minimum loan amount or if the simple payback period exceeds the program maximum payback period, each as described in the Application, SCG shall have no obligation to extend the Loan, as the Work would not meet program requirements.** The Adjustment described in this paragraph will be communicated to the State and State Contractor in writing and will automatically become part of this Loan Agreement, except that any proposed increase in the Loan Balance will only become part of this Loan Agreement upon the State's written consent to such increase. Collectively the Application and associated rebate/incentive program application(s), this Loan Agreement (including any Adjustment hereunder) and the Rule comprise the "Agreement". In the event of any conflict among the foregoing components of the Agreement, the following order of priority shall apply: 1. the Rule; 2. this Loan Agreement; 3. the Application and 4. associated rebate/incentive program application(s).

To the extent authorized by law and subject to appropriation by the State Legislature, the State shall indemnify and hold harmless SCG, its affiliates, and their respective owners, officers, directors, employees and agents thereof, from and against all claims, demands, liabilities, damages, fines, settlements or judgments which directly arise from or are caused by (a) any breach of the Agreement, or (b) the wrongful or negligent acts or omissions of State's duties under the terms of this Agreement, or (c) any claims made by the State Contractor against SCG.

The State acknowledges that SCG is providing it with money in the form of a loan and that SCG has no liability in connection with, and is making no warranty, express or implied, with respect to the Work. The State has independently hired the State Contractor to perform work on behalf of the State in order to qualify for the loan. It

is agreed that the State Contractor is not a third party beneficiary to any agreement between the State and SCG. In no event shall State Contractor be deemed a co-obligor, surety or guarantor of State's obligations to repay the Loan Balance under this Agreement.

The State agrees and acknowledges that it will look only to the State Contractor for any claims related to the installed equipment (including its performance or lack thereof) and that SCG shall have no responsibility or liability with respect to such claims. Further, State will include a provision in its agreement(s) with State Contractor whereby the State Contractor will acknowledge that SCG has no responsibility or liability with respect to claims related to the installed equipment and the State Contractor will covenant not to make any claims against SCG related to its contract with the State.

The State represents and warrants that (a) the State is receiving this Loan for Work obtained in connection with the State's business, and not for personal, family or household purposes; (b) the State has full power and authority to enter into this Agreement and to carry out the provisions of this Agreement. The State is duly qualified and in good standing to do business in all jurisdictions where such qualification is required; (c) this Loan Agreement has been duly authorized by all necessary proceedings, has been duly executed and delivered by the State and is a valid and legally binding agreement of the State duly enforceable in accordance with its terms; (d) no consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over the State is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Loan Agreement, and the performance of the transactions contemplated by this Loan Agreement; (e) the execution and delivery of this Loan Agreement by the State hereunder and the compliance by the State with all provisions of this Loan Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any loan agreement or other contract or agreement under which the State is an obligor or by which its property is bound; (f) all factual information furnished by the State to SCG is true and accurate; and (g) the On-Bill Financing Program ("Program") was a determining factor in its decision to have the Work performed.

The Application must include the Federal Tax Identification Number or Social Security Number of the party who will be the recipient of the check for the loan amount. Loan checks may be issued directly to the State or the State Contractor or both, for the benefit of the State, as specified below. The State and the State Contractor each understand that SCG will not be responsible for any tax liability imposed on the State or State Contractor in connection with the transactions contemplated under the Agreement, whether by virtue of the Loan contemplated under the Agreement, or otherwise. To the extent authorized by law and subject to appropriation by the State Legislature, the State shall indemnify SCG for any tax liability imposed upon SCG as a result of the transactions contemplated under the Agreement.

Within sixty (60) calendar days of written confirmation of completion of Work and submission of final invoices by the State or the State Contractor to SCG On-Bill Financing Program Administrator at address listed below, SCG will (a) conduct a post installation inspection and project verification, including review of invoices, receipts and other documents as required by SCG to verify the correctness of any amounts claimed by the State; (b) adjust, if necessary, the total cost, Incentive, Loan Balance, monthly payment, and Loan term as stated above and, (c) issue the Loan check(s) (the "Check(s)") for all amounts SCG approves for payment in accordance with the Agreement. The State shall give SCG reasonable access to its premises and the Work. The date of the issuance of the Check(s) shall be the "Issuance Date". The Check(s) shall be issued if (1) the Work conforms to all requirements of the Agreement including, without limitation, the Application and the associated rebate/incentive program

application(s), and (2) all amounts claimed by the State as Work costs are substantiated to SCG's reasonable satisfaction. If the Check(s) are made payable to the State, the State shall be responsible to pay the amount thereof to State Contractor if the Work is to be completed by the State Contractor. If the Check(s) are less than the amount due from the State to State Contractor, the State shall be responsible for the excess. The State shall repay the Loan Balance to SCG as provided in this Loan Agreement irrespective of whether or when the Work is completed, or whether the Work is in any way defective or deficient.

The State agrees to repay to SCG the Loan Balance, in the number of payments listed below and in equal installments (with the final installment adjusted to account for rounding), by the due date set forth in each SCG utility bill rendered in connection with the State's account (identified by the number set forth below) ("Account"), commencing with the bill which has a due date falling at least thirty (30) calendar days after the Issuance Date. Amounts due under this Loan Agreement shall be deemed to be amounts due under each bill to the Account, and a default under this Loan Agreement shall be treated as a default under the Account. Although a late payment fee may be assessed for delinquent payment of a utility bill, however, no late payment fee will be assessed for delinquent Loan repayment. If the State is unable to make a full utility bill payment in a given month, payment arrangements may be made at SCG's discretion. Any partial utility bill payments will be applied to energy charges before payment of the Loan Balance. Further payment details are set forth below. Any notice from SCG to the State regarding the Program or the transactions contemplated under the Loan Agreement may be provided within any such bill, and any such notices may also be provided to the State at the addresses below or as elsewhere specified in the Loan Agreement, and shall be effective five (5) calendar days after they have been mailed. The monthly payments will be included by SCG on the Account's regular energy service bills. The Loan Balance shall not bear interest. There are no pre-payment penalties; however, the State agrees to notify the On-Bill Financing Program Staff of pre-payment amounts at the time of payment by telephoning the toll free phone number listed on the bill and by sending written notice to SCG On-Bill Financing Program Administrator at the address listed below. Accelerated payments that are received from the State without SCG's prior approval may, at SCG's sole discretion, be applied proportionally to subsequent energy charged and Loan repayments and SCG shall have no obligation to apply accelerated payments exclusively to reduction of the outstanding Loan. The entire outstanding Loan Balance will become immediately due and payable, and shall be paid by the State within thirty (30) calendar days if: (a) the Account is closed or terminated for any reason; (b) the State defaults under the Agreement and has not cured the default within ninety (90) calendar days of receiving notice from SCG of the default; or (c) the State sells the equipment forming part of the Work to any third party. The State understands that without limiting any other remedy available to SCG against State Contractor or the State, failure to repay the Loan Balance in accordance with the terms of the Agreement could result in shut-off of utility energy service, adverse credit reporting, and collection procedures, including, without limitation, legal action.

The State acknowledges that the cost incurred pursuant to this Agreement will be part of the monthly bill for natural gas use. All payment obligations and Work replacement obligations of the State under this Agreement or any related agreement or application is subject to appropriation by the State Legislature.

Notwithstanding any other provision in this Agreement SCG acknowledges that nothing in this Agreement shall constitute a mortgage, charge, assignment, transfer, pledge, lien or encumbrance upon either the Work or any part of the buildings, structures or related facilities in which the Work is constructed, installed or situated (collectively, the "Related Facilities"). Accordingly, SCG agrees it will not record or file any instrument that would indicate or imply it has a security interest in the Related Facilities, including but not limited to a UCC-1.

In addition to the preceding paragraph, if this Agreement were ever construed or deemed to create any such encumbrance, then: (i) this Agreement shall be junior and subordinate and subject in all respects to the terms and conditions of any and all leases, and indentures related to lease revenue bonds issued by the State Public Works Board of the State of California or any other issuer of bonds on behalf of the state concerning the Related Facilities entered into in the past, the present or the future (the "Senior Security Documents"); and (ii) any term or condition of this Agreement relating to any right, title or interest in the Related Facilities or other benefits derived there from shall be in all respects junior and subordinate to, and subject to the terms of, the Senior Security Documents.

\$ _____	\$ _____	\$ _____	\$ _____	_____ Months	_____
Total Cost	Incentive	Loan Balance	Monthly Payment	Term	Number of Payments

Check Made Payable to Contractor \$ _____ The State \$ _____

Federal Tax ID

Federal Tax ID or Social Security #, Contractor

Southern California Gas Company Account #

Account Name, the State

Name, Contractor

Service Address, the State

Address, Contractor

Name & Title, Authorized Representative of the State

Name & Title, Authorized Representative of State Contractor

Signature of Authorized Representative of the State

Signature of Authorized Representative of State Contractor

Date

Date

ACCEPTED: Southern California Gas Company

By _____

SCG On-Bill Financing Program Administrator

Date

Address: PO Box 513249, Los Angeles, CA 90051-1249
scgobf@semprautilities.com

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(Continued)

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4422
 DECISION NO.

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Nov 9, 2012
 EFFECTIVE Nov 9, 2012
 RESOLUTION NO. _____

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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) .	45015-G,45016-G

(Continued)

(TO BE INSERTED BY UTILITY)
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ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Nov 9, 2012
 EFFECTIVE Nov 9, 2012
 RESOLUTION NO. _____

ATTACHMENT C

Advice No. 4422

**November 2, 2012 Letter from
The Governor's Office of Planning and Research**



EDMOND G. BROWN JR.
GOVERNOR

STATE OF CALIFORNIA
GOVERNOR'S OFFICE *of* PLANNING AND RESEARCH



KEN ALEX
DIRECTOR

November 2, 2012

By Electronic Mail

Andrew Cheung, Senior Counsel
Sempra Energy
555 West 5th St., GT14E7
Los Angeles, CA 90013-1034

Jennifer Finnigan
Senior Analyst, Energy Efficiency Finance
Bruce Kaneshiro
Supervisor, Demand Side Programs
Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Re: SoCalGas On-Bill Financing Loan Agreement With State of California

Dear Mr. Cheung, Ms. Finnigan and Mr. Kaneshiro:

Enclosed is an On-Bill Financing Loan Agreement form that the Governor's Office of Planning & Research developed in collaboration with Southern California Gas Company. This form is mutually acceptable to the Governor's Office of Planning & Research and Southern California Gas Company. We request that Southern California Gas Company file this On-Bill Financing Loan Agreement With State of California as a form, pursuant to General Order 96-B, General Rule 8.5.8. We also request that it becomes effective as soon as possible.

Thank you for your attention to this matter.

Sincerely,

1400 10th Street P.O. Box 3044 Sacramento, California 95812-3044

(916) 445-0613 FAX(916) 323-3018 www.opr.ca.gov

/s/

Sandy Goldberg
Senior Counsel
Sandy.Goldberg@opr.ca.gov

Enclosure



A  Semptra Energy[®] utility

ON-BILL FINANCING LOAN AGREEMENT With State of California

The undersigned customer, the State of California (the “State”) will install energy efficiency equipment and services (the “Work”), either by using the undersigned contractor hired independently by the State (the “State Contractor”) or with-using the State’s internal maintenance and facility staff. Subject to the conditions herein (including the process for Adjustment) set forth in the next paragraph, Southern California Gas Company (“SCG”) shall extend a loan (the “Loan”) to the State in the amount of the loan balance (the “Loan Balance”) pursuant to the terms of this On-Bill Financing Loan Agreement (“Loan Agreement” or “Agreement”) and Rule No. 40 (the “Rule”). The State Contractor shall provide the Work as described in the On-Bill Financing Application (“Application”) and associated rebate/incentive program application(s). Any contract between the State and the State Contractor shall be attached to the Application.

The estimated Loan Balance is set forth below. However, the total cost of the Work as installed, Incentive, Loan Balance, monthly payment, and loan term specified in this Loan Agreement may be adjusted, if necessary, after the Work and the post-installation inspection described in the Application and/or herein are completed (the “Adjustment”). The Adjustment will be calculated using the actual total cost of the Work, as installed, and estimated energy savings (as described in the Application) of such Work. In no event will the Loan Balance be increased without the State’s written consent, even if the State is eligible for such increased Loan Balance. Moreover, in no event will the Loan Balance exceed the maximum loan amount stipulated in the Application. The State understands that in order to be eligible for an on-bill financing loan, the initial Loan Balance for Work may not fall below the minimum loan amount, nor may the payback period exceed the maximum payback period. **Accordingly, if after the Adjustment, the Loan Balance falls below the minimum loan amount or if the simple payback period exceeds the program maximum payback period, each as described in the Application, SCG shall have no obligation to extend the Loan, as the Work would not meet program requirements.** The Adjustment described in this paragraph will be communicated to the State and State Contractor in writing and will automatically become part of this Loan Agreement, except that any proposed increase in the Loan Balance will only become part of this Loan Agreement upon the State’s written consent to such increase. Collectively the Application and associated rebate/incentive program application(s), this Loan Agreement (including any Adjustment hereunder) and the Rule comprise the “Agreement”. In the event of any conflict among the foregoing components of the Agreement, the following order of priority shall apply: 1. the Rule; 2. this Loan Agreement; 3. the Application and 4. associated rebate/incentive program application(s).

~~SCG shall have no liability in connection with, and makes no warranties, expressed or implied, regarding the Work. The Parties acknowledge and agree that SCG is only providing the State with financing. To the extent authorized by law and subject to appropriation of the California State Legislature, the State agrees that it will look only to State Contractor for any claims related to the installed equipment or its performance and that SCG shall have no responsibility or liability, except for the issuance of the Loan based on the State’s satisfaction of all requirements under this Loan Agreement. The State Contractor shall indemnify and hold harmless SCG, its affiliates, and their respective owners, officers, directors, employees and agents thereof, from and against all~~

~~claims, demands, liabilities, damages, fines, settlements or judgments which directly arise from or are caused by (a) any breach of the Agreement (subject to the proviso regarding State Contractor at the end of this sentence regarding obligations to repay the Loan Balance) or (b) the wrongful or negligent acts of omissions of any party in the conduct or performance of the Work or State Contractor's or the State's duties under the terms of this Agreement; provided, however, that in no event shall the State Contractor be deemed co-obligor, surety or guarantor of the State's obligations to repay the Loan Balance under this Agreement. To the extent authorized by law and subject to appropriation by the State Legislature, the State shall indemnify and hold harmless SCG, its affiliates, and their respective owners, officers, directors, employees and agents thereof, from and against all claims, demands, liabilities, damages, fines, settlements or judgments which directly arise from or are caused by (a) any breach of the Agreement, or (b) the wrongful or negligent acts of omissions of State's duties under the terms of this Agreement, or (c) any claims made by the State Contractor against SCG.~~

~~The State acknowledges that SCG is providing it with money in the form of a loan and that SCG has no liability in connection with, and is making no warranty, express or implied, with respect to the Work. The State has independently hired the State Contractor to perform work on behalf of the State in order to qualify for the loan. It is agreed that the State Contractor is not a third party beneficiary to any agreement between the State and SCG. In no event shall State Contractor be deemed a co-obligor, surety or guarantor of State's obligations to repay the Loan Balance under this Agreement.~~

~~The State agrees and acknowledges that it will look only to the State Contractor for any claims related to the installed equipment (including its performance or lack thereof) and that SCG shall have no responsibility or liability with respect to such claims. Further, State will include a provision in its agreement(s) with State Contractor whereby the State Contractor will acknowledge that SCG has no responsibility or liability with respect to claims related to the installed equipment and the State Contractor will covenant not to make any claims against SCG related to its contract with the State.~~

The State represents and warrants that (a) the State is receiving this Loan for Work obtained in connection with the State's business, and not for personal, family or household purposes; (b) the State has full power and authority to enter into this Agreement and to carry out the provisions of this Agreement. The State is duly qualified and in good standing to do business in all jurisdictions where such qualification is required; (c) this Loan Agreement has been duly authorized by all necessary proceedings, has been duly executed and delivered by the State and is a valid and legally binding agreement of the State duly enforceable in accordance with its terms; (d) no consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over the State is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Loan Agreement, and the performance of the transactions contemplated by this Loan Agreement; (e) the execution and delivery of this Loan Agreement by the State hereunder and the compliance by the State with all provisions of this Loan Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any loan agreement or other contract or agreement under which the State is an obligor or by which its property is bound; (f) all factual information furnished by the State to SCG is true and accurate; and (g) the On-Bill Financing Program ("Program") was a determining factor in its decision to have the Work performed.

The Application must include the Federal Tax Identification Number or Social Security Number of the party who will be the recipient of the check for the loan amount. Loan checks may be issued directly to the State or the State Contractor or both, for the benefit of the State, as specified below. The State and the State Contractor each

understand that SCG will not be responsible for any tax liability imposed on the State or State Contractor in connection with the transactions contemplated under the Agreement, whether by virtue of the Loan contemplated under the Agreement, or otherwise. To the extent authorized by law and subject to appropriation by the State Legislature, the State Contractor shall indemnify SCG for any tax liability imposed upon SCG as a result of the transactions contemplated under the Agreement.

Within sixty (60) calendar days of written confirmation of completion of Work and submission of final invoices by the State or the State Contractor to SCG On-Bill Financing Program Administrator at address listed below, SCG will (a) conduct a post installation inspection and project verification, including review of invoices, receipts and other documents as required by SCG to verify the correctness of any amounts claimed by the State; (b) adjust, if necessary, the total cost, Incentive, Loan Balance, monthly payment, and Loan term as stated above; and, (c) issue the Loan check(s) (the "Check(s)") for all amounts SCG approves for payment in accordance with the Agreement. The State shall give SCG reasonable access to its premises and the Work. issue the Loan check(s) (the "Check(s)") for all amounts SCG approves for payment in accordance with the Agreement. The date of ~~such the~~ issuance of the Check(s) is shall be the "Issuance Date". The Check(s) shall be issued if (1) the Work conforms to all requirements of the Agreement including, without limitation, the Application and the associated rebate/incentive program application(s), and (2) all amounts claimed by the State as Work costs are substantiated to SCG's reasonable satisfaction. If the Check(s) ~~are is~~ made payable to the State, the State shall be responsible to pay the amount thereof to State Contractor if the Work is to be completed by the State Contractor. If the Check(s) ~~is are~~ less than the amount due from the State to State Contractor, the State shall be responsible for the excess. The State shall repay the Loan Balance to SCG as provided in this Loan Agreement irrespective of whether or when the Work is completed, or whether the Work is in any way defective or deficient.

The State agrees to repay to SCG the Loan Balance, in the number of payments listed below and in equal installments (with the final installment adjusted to account for rounding), by the due date set forth in each SCG utility bill rendered in connection with the State's account (identified by the number set forth below) ("Account"), commencing with the bill which has a due date falling at least thirty (30) calendar days after the Issuance Date. Amounts due under this Loan Agreement shall be deemed to be amounts due under each bill to the Account, and a default under this Loan Agreement shall be treated as a default under the Account. Although a late payment fee may be assessed for delinquent payment of a utility bill, however, no late payment fee will be assessed for delinquent Loan repayment. If the State is unable to make a full utility bill payment in a given month, payment arrangements may be made at SCG's discretion. Any partial utility bill payments will be applied to energy charges before payment of the Loan Balance. Further payment details are set forth below. Any notice from SCG to the State regarding the Program or the transactions contemplated under the Loan Agreement may be provided within any such bill, and any such notices may also be provided to the State at the addresses below or as elsewhere specified in the Loan Agreement, and shall be effective five (5) calendar days after they have been mailed. The monthly payments will be included by SCG on the Account's regular energy service bills. The Loan Balance shall not bear interest. There are no pre-payment penalties; however, the State agrees to notify the On-Bill Financing Program Staff of pre-payment amounts at the time of payment by telephoning the toll free phone number listed on the bill and by sending written notice to SCG On-Bill Financing Program Administrator at the address listed below. Accelerated payments that are received from the State without SCG's prior approval may, at SCG's sole discretion, be applied proportionally to subsequent energy charged and Loan repayments and SCG shall have no obligation to apply accelerated payments exclusively to reduction of the outstanding Loan. In the event the Account is closed or terminated for any reason, or the State defaults under the Agreement, the State will be required to repay the entire then-unpaid Loan Balance within thirty (30) calendar days. The entire outstanding Loan Balance will become immediately due and payable, and shall be paid by the State within thirty (30) calendar

days if: (a) the Account is closed or terminated for any reason; (b) the State defaults under the Agreement and has not cured the default within ninety (90) calendar days of receiving notice from SCG of the default; or (c) the State sells the equipment forming part of the Work to any third party. The State understands that without limiting any other remedy available to SCG against State Contractor or the State, failure to repay the Loan Balance in accordance with the terms of the Agreement could result in shut-off of utility energy service, adverse credit reporting, and collection procedures, including, without limitation, legal action.

The State acknowledges that the cost incurred pursuant to this Agreement will be part of the monthly bill for natural gas use. All payment obligations and Work replacement obligations of the State under this Agreement or any related agreement or application is subject to appropriation by the State Legislature.

Notwithstanding any other provision in this Agreement SCG acknowledges that nothing in this Agreement shall constitute a mortgage, charge, assignment, transfer, pledge, lien or encumbrance upon either the Work or any part of the buildings, structures or related facilities in which the Work is constructed, installed or situated (collectively, the "Related Facilities"). Accordingly, SCG agrees it will not record or file any instrument that would indicate or imply it has a security interest in the Related Facilities, including but not limited to a UCC-1.

In addition to the preceding paragraph, if this Agreement were ever construed or deemed to create any such encumbrance, then: (i) this Agreement shall be junior and subordinate and subject in all respects to the terms and conditions of any and all leases, and indentures related to lease revenue bonds issued by the State Public Works Board of the State of California or any other issuer of bonds on behalf of the state concerning the Related Facilities entered into in the past, the present or the future (the "Senior Security Documents"); and (ii) any term or condition of this Agreement relating to any right, title or interest in the Related Facilities or other benefits derived there from shall be in all respects junior and subordinate to, and subject to the terms of, the Senior Security Documents.

\$ _____	\$ _____	\$ _____	\$ _____	_____ Months	_____
Total Cost	Incentive	Loan Balance	Monthly Payment	Term	Number of Payments

Check Made Payable to Contractor \$ _____ The State \$ _____

Federal Tax ID

Federal Tax ID or Social Security #, Contractor

Southern California Gas Company Account #

Account Name, the State

Name, Contractor

Service Address, the State

Address, Contractor

Name & Title, Authorized Representative of the State

Signature of Authorized Representative of the State

Date

ACCEPTED: Southern California Gas Company

By

SCG On-Bill Financing Program Administrator

Address: PO Box 513249, Los Angeles, CA 90051-1249
scgobf@semprautilities.com

Name & Title, Authorized Representative of State Contractor

Signature of Authorized Representative of State Contractor

Date

Date