SPECIAL PROVISIONS

TO

BASE CONTRACT FOR SALE AND PURCHASE OF NATURAL GAS

BETWEEN

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“PARTY A”)

AND

SOUTHERN CALIFORNIA EDISON COMPANY (“PARTY B”)

These Special Provisions are attached to and form a part of the Base Contract for Sale and Purchase of Natural Gas (NAESB Standard 6.3.1 dated September 5, 2006) by and between \_\_\_\_\_\_\_\_\_\_\_\_ (“Counterparty” or “Party A”) and Southern California Edison Company (“SCE” or “Party B”) dated \_\_\_\_\_\_\_\_\_\_\_ (the “Originating Contract”). Capitalized terms used in these Special Provisions shall, unless otherwise defined herein, have the meanings ascribed to them in the Originating Contract. Sections referenced in these Special Provisions refer to a Section of the General Terms and Conditions of the Originating Contract, unless otherwise specified. In the event of any conflict or inconsistency between these Special Provisions and the General Terms and Conditions of the Originating Contract, these Special Provisions shall control.

1. Section 1.2 “Oral Transaction Procedure” shall be amended by adding the words “in writing” after the first use of the word “parties” in the last sentence.
2. Section 1.3 shall be amended by deleting subsections (iii) and (iv) of the last sentence and replacing them with the following new subsections: “(iii) the Special Provisions, (iv) the Credit Support Addendum, (v) the Base Contract, and (vi) these General Terms and Conditions”.
3. Section 2.2 shall be amended by adding the following new sentence after the last sentence of the section: “Party B shall be deemed to have no Affiliates except for the purposes of confidentiality as set forth in Section 15.10 hereof.”.

4. Section 2.3 shall be deleted in its entirety and replaced with “THIS SECTION INTENTIONALLY OMITTED.”

1. Section 2.6 shall be amended in its entirety to read as follows: ‘“Business Day (s)’ shall mean Monday through Friday, excluding the Friday immediately following the U.S. Thanksgiving holiday or any Federal Reserve Bank Holidays.”.
2. Section 2.12 shall be amended by deleting “(or an alternate fuel if elected by Buyer and replacement Gas is not available),” after “(i) if Buyer is the performing party, obtain Gas,”.
3. Section 2.17 shall be amended by adding the phrase “, excluding any electronic data interchange via email or instant messaging applications,” after the word “interchange” in the first sentence.
4. Section 2.23 shall be amended by adding the phrase “, or becoming capable at such time of being declared,” after the word “becoming” in the first sentence.
5. Section 2.30 shall be deleted in its entirety and replaced with the following:   
     
   “‘Specified Transaction(s)’ shall mean any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into between Party A and Party B (or any Guarantor or Specified Entity of such party) which is a transaction under the International Swaps and Derivatives Association Master Agreement, the Edison Electric Institute Master Power Purchase and Sale Agreement, the WSPP Agreement, or under any other agreement with respect to the purchase, sale, or transfer of (a) wholesale physical electric energy, capacity, ancillary services or resource adequacy benefits; (b) wholesale physical natural gas; (c) transmission services or capacity; (d) emissions (including greenhouse gas emissions) related credits, allowances or offsets; or (e) any financial derivative products related to the foregoing sections (a), (b), (c) or (d).”
6. Section 2.33 “Transactional Cross Default” shall be deleted in its entirety and replaced with the following:

“‘Transactional Cross Default’ shall mean with respect to a party, that it (or any Guarantor or Specified Entity) shall default under one or more Specified Transaction(s), and (i) such default is continuing after any applicable notice requirement or grace period, or (ii) there occurs a liquidation of, an acceleration of obligations under, or an early termination of the Specified Transaction(s).”.

1. The following new definitions shall be added to Section 2 in the appropriate alphabetical and numerical order:

“‘Bankrupt’ shall mean with respect to any entity, that such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

‘CPUC’ shall mean the California Public Utilities Commission.

‘Determination Period’ shall mean each calendar Month a part or all of which is within the Delivery Period of a transaction.

‘Exchange’ shall mean, in respect of a transaction, the exchange or principal trading market specified in the relevant transaction.

‘Floating Price’ shall mean a price per unit in $U.S. specified in a transaction that is based upon a Price Source.

‘Guaranty’ shall mean the guaranty agreement provided in a form and by a Guarantor reasonably acceptable to Party B.

‘Market Disruption Event’ shall mean, with respect to any Price Source, any of the following events: (a) the failure of the Price Source to announce or publish the specified Floating Price or information necessary for determining the Floating Price; (b) the failure of trading to commence or the permanent discontinuation or material suspension of trading in the relevant options contract or commodity on the Exchange or in the market specified for determining the Floating Price; (c) the temporary or permanent discontinuance or unavailability of the Price Source; (d) the temporary or permanent closing of any Exchange specified for determining the Floating Price; or (e) a material change in the formula for or the method of determining the Floating Price.

‘Merger Event’ shall mean, with respect to a party or its Guarantor, that such party or its Guarantor consolidates or amalgamates with, merges into or with, or transfers substantially all its assets to another entity and (i) the resulting entity fails to assume all the obligations of such party under the Contract or of such party’s Guarantor under its guaranty, or (ii) the benefits of any credit support provided by such party, fail to extend to the performance of such resulting, surviving or transferee entity’s obligations hereunder and credit support acceptable to the other party is not provided within two (2) Business Days; or (iii) the resulting entity’s creditworthiness is materially weaker than that of such party or its Guarantor immediately prior to such action. The creditworthiness of the resulting entity shall not be deemed to be ‘materially weaker’ so long as the resulting entity maintains a Credit Rating of at least that of the applicable party or its Guarantor, as the case may be, immediately prior to the consolidation, merger or transfer.

‘Net Present Value Discount Rate’ shall mean for any date, the appropriate yield curve using U.S. Treasury constant maturities securities as posted by the Federal Reserve in their H.15 daily update.

‘Price Source’ shall mean, in respect of a transaction, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the specified price (or prices from which the specified price is calculated) stated in the relevant transaction.

‘Reference Market-Maker’ shall mean a leading dealer in the relevant market that is not an Affiliate of either party and that is selected by a party in good faith among dealers of the highest credit standing that satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit. Such dealer may be represented by a broker.

‘Specified Entity’ shall mean with respect to Party A: [\_\_\_Enter applicable entities here\_\_\_]; and with respect to Party B: None.

‘Trading Day’ shall mean a day in respect of which the relevant Price Source published the Floating Price.”

1. Section 3.3 and 3.4 shall be deleted in their entirety.
2. Section 7.3 shall be amended by deleting the words “or 3.3.”
3. Section 9.2 shall be amended by adding a new sentence to the end thereof as follows:

“For purposes of this Section the term ‘mutually acceptable electronic means’ shall only mean an electronic version of a valid written Notice attached to an electronic mail message and sent to the appropriate contact as provided for herein.”

1. Section 9.4 shall be amended by deleting “ten Business Days after receipt of such Notice” and replacing it with “five Business Days after such receiving party has acknowledged receipt of such Notice” after the word “until” in the second sentence.
2. Section 10.1 shall be deleted in its entirety and replaced with “THIS SECTION INTENTIONALLY OMITTED.”.
3. Section 10.2 shall be amended by deleting the phrase “or its Guarantor shall” in the first line and by replacing subsections (i) through (ix) with the following new subsections:

“(i) fails to make, when due, any payment required pursuant to this Contract if such failure is not remedied within three Business Days after written Notice;

(ii) makes any representation or warranty under this Contract that is false or misleading in any material respect when made or when deemed made or repeated;

(iii) fails to perform any material covenant or obligation set forth in this Contract (except to the extent constituting a separate Event of Default, and except for such party’s obligations to deliver or receive Gas, the exclusive remedy for which is provided in Section 3), if such failure is not remedied within three (3) Business Days after written Notice;

(iv) is or becomes Bankrupt;

1. is the affected party with respect to any Additional Event of Default;

1. has a Merger Event;

(vii) fails to perform any obligation to the other party under the Credit Support Addendum hereto within three (3) Business Days after written Notice;

(viii) disaffirms, disclaims, repudiates, or rejects, in whole or in part, or challenges the validity of this Contract or any transaction under the Contract.

(ix) with respect to any party’s Guarantor, if any:

* 1. any representation or warranty made by such Guarantor in connection with this Contract or the Guaranty is false or misleading in any material respect when made or when deemed made or repeated;
  2. the failure of such Guarantor to make, when due, any payment required or to perform any other material covenant or obligation in any Guaranty made in connection with this Contract and such failure is not remedied within three (3) Business Days after written Notice;
  3. such Guarantor is or becomes Bankrupt;
  4. such Guarantor has a Merger Event;
  5. the failure of such Guarantor to perform any obligation under the Credit Support Addendum hereto;
  6. the failure of such Guarantor’s Guaranty to be in full force and effect for purposes of this Contract (other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each transaction to which such Guaranty shall relate without the written consent of the other party;
  7. such Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any Guaranty; or
  8. such Guarantor is the affected party with respect to any Additional Event of Default.”.

1. Section 10.3.1 shall be amended by replacing the words “in a commercially reasonable manner” in last sentence with “using the Net Present Value Discount Rate”.
2. Section 10.3.2 shall be amended by (a) replacing subsection (i) in its entirety with “(i) any margin or other collateral held by a party in connection with this Contract, and”; (b) replacing the words “other agreement or arrangement between the parties.” in subsection (ii) with “Specified Transactions.”; and (c) adding the following new sentence to the end thereof: “The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether under this Contract or any other contract or arrangement between the parties, by operation of law or otherwise).”.

1. Section 10.5 shall be replaced in its entirety with the following:

[Include Option 1 for all CPs except CPs covered by Option 2. Include Option 2 for CPs which risk determines are unable to make reps re eligible commercial entity/eligible contract participant]

[[Option 1:] “Each party represents, warrants and agrees that (i) it is an ‘eligible commercial entity’ within the meaning of the Commodity Exchange Act, as amended (the “Commodity Exchange Act”); (ii) it is an ‘eligible contract participant’ within the meaning the Commodity Exchange Act; (iii) each transaction that is not executed or traded on a ‘trading facility’, as defined in the Commodity Exchange Act, is subject to individual negotiation by the parties; and (iv) each transaction hereunder constitutes a ‘forward contract’ within the meaning of the United States Bankruptcy Code and each party is a ‘forward contract merchant’ within the meaning of the United States Bankruptcy Code.”]

[[Option 2:] “Each party represents, warrants and agrees that (i) each transaction that is not executed or traded on a ‘trading facility’, as defined in the Commodity Exchange Act, as amended (the “Commodity Exchange Act”), is subject to individual negotiation by the parties; and (ii) each transaction hereunder constitutes a ‘forward contract’ within the meaning of the United States Bankruptcy Code and each party is a ‘forward contract merchant’ within the meaning of the United States Bankruptcy Code.”]

1. Section 11.3 shall be amended by (a) adding the words “, but is not limited to,” following the words “any or all of” in the second line; (b) adding “loss, interruption or” in between “the” and “curtailment” in subsection (i); (c) adding “on any Transporter necessary to effect receipt of delivery of Gas hereunder” between “transportation” and “unless” in the second line; (d) deleting “curtailed” at the end of subsection (i) and replacing it with “lost, interrupted or curtailed, and then only to the extent of such loss, interruption or curtailment on the affected pipeline segment”; (e) inserting “, including economic inability,” after “Buyer’s inability” in subsection (iv); and (f) adding the following new provision immediately after the end of subsection (v), “;or (vi) failure of specific, individual wells or appurtenant facilities in the absence of a Force Majeure event broadly affecting other wells in the same geographic area”.

1. Section 14 shall be deleted in its entirety and replaced by the following:

“SECTION 14. MARKET DISRUPTION

14.1 If the Contract Price for a transaction is determined by reference to a third-party information source, then the following provisions shall be applicable to such transaction.

14.1.1. Market Disruption Procedure. If a Market Disruption Event occurs during a Determination Period, the Floating Price for the affected Trading Days shall be determined by reference to the Floating Price specified in the transaction for the first Trading Day thereafter on which no Market Disruption Event exists; provided, however, if the Floating Price is not so determined within three Business Days after the first Trading Day on which the Market Disruption Event occurred or existed, then the parties shall negotiate in good faith to agree on a Floating Price (or a method for determining a Floating Price), and if the parties have not so agreed on or before the twelfth Business Day following the first Trading Day on which the Market Disruption Event occurred or existed, then the Floating Price shall be determined in good faith by taking the average of the price quotations for the relevant commodity and relevant Business Days that are obtained from no more than two Reference Market-Makers selected by each party.

14.1.2. Corrections to Published Prices. For purposes of determining a Floating Price for any day, if the price published or announced on a given day and used or to be used to determine a relevant price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within one year of the original publication or announcement, either party may notify the other party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than 30 days after publication or announcement of that correction, a party gives Notice that an amount is so payable, the party that originally either received or retained such amount will, not later than ten Business Days after the effectiveness of that Notice, pay, subject to any applicable conditions precedent, to the other party that amount.

14.1.3. Calculation of Floating Price. For the purposes of the calculation of a Floating Price, all numbers shall be rounded to three decimal places. If the fourth decimal number is five or greater, then the third decimal number shall be increased by one, and if the fourth decimal number is less than five, then the third decimal number shall remain unchanged.”.

1. Section 15.1 shall be amended by inserting the phrase “to an entity whose creditworthiness is equal to or higher than that of such party” after the phrase “(ii) transfer its interest to any parent or Affiliate by assignment, merger or otherwise”.
2. Section 15.3 shall be amended to add the following new sentence at the end thereof.

“The failure of either party to insist in any one instance upon strict performance of any the provisions of this Contract or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of such rights for the future but the same shall continue and remain in full force and effect.”

1. The first paragraph of Section 15.10 shall be deleted and replaced by the following:

“Unless the parties have elected on the Base Contract not to make this Section 15.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party, the terms of this Contract, any documents relating to this Contract, any transaction, or any information made available by a party or its Guarantor to the other party or its Guarantor with respect to this Contract to any third party (other than to such disclosing party’s or its Affiliates’ employees, lenders, royalty owners, counsel, accountants, other agents of the party, and ratings agencies who have a need to know such information and have agreed to keep the information confidential) except (i) in order to comply with any applicable law, order, regulation, ruling, summons, subpoena, exchange rule, or accounting disclosure rule or standard, or to make any showing required by any applicable governmental authority; (ii) to the extent necessary for the enforcement of this Contract or to implement any transaction; (iii) as may be obtained from a non-confidential source that disclosed such information in a manner that did not violate its obligations to the non-disclosing party or its Guarantor in making such disclosure; (iv) to the extent such disclosure to a third party is for the sole purpose of calculating a published index, so long as such third party (1) has agreed prior to the disclosure to protect the specific information disclosed from public disclosure and (2) is a party engaged in the business of collecting such information for the purpose of establishing, creating, or formulating a published index; (v) to the extent such information is or becomes generally available to the public prior to such disclosure by a party; (vi) when required to be released in connection with any regulatory proceeding (provided that the releasing party makes reasonable efforts to obtain confidential treatment of the information being released); or (vii) with respect to Party B, as may be furnished to its duly authorized regulatory and governmental agencies or entities, including without limitation the CPUC and all divisions thereof, and to Party B’s Procurement Review Group (the “PRG”), a group of participants including members of the CPUC and other governmental agencies and consumer groups established by the CPUC in D.02-08-071 and D.03-06-071. The existence of this Contract is not subject to this confidentiality obligation; provided that neither party shall make any public announcement relating to this Contract unless required pursuant to subsection (i) or (vi) of the foregoing sentence of this Section 15.10. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation. With respect to information provided with respect to a transaction, this obligation shall survive for a period of three years following the expiration or termination of such transaction. With respect to information provided with respect to this Contract, this obligation shall survive for a period of three years following the expiration or termination of this Contract. For purposes of this Section 15.10, Party A’s Affiliates shall be limited to [Enter applicable Entities] and Party B’s Affiliates shall be limited to Edison International.”.

1. Section 15.11 shall be replaced by the following:

“The parties agree to the following dispute resolution procedures:

15.11.1. Mediation. The parties agree that any and all disputes, claims or controversies arising out of, relating to, concerning or pertaining to this Contract, or to either party’s performance or failure of performance under the Contract, which disputes, claims or controversies the parties have been unable to resolve by informal methods after undertaking a good faith effort to do so, shall first be submitted to Judicial Arbitration and Mediation Services, Inc. (‘JAMS’), its successor, or any other mutually agreeable neutral (the ‘Mediator’) for mediation, and if the matter is not resolved through mediation, then it shall be submitted as provided below for final and binding arbitration. Either party may initiate the mediation by providing the other party a written request for mediation, setting forth the subject of the dispute and the relief requested. The parties will cooperate with one another in selecting the Mediator from the JAMS’ panel of neutrals, or in selecting a mutually-acceptable non-JAMS Mediator, and in scheduling the time and place of the mediation. Unless otherwise agreed to by the parties, however, the mediation shall not be scheduled for a date that is greater than 120 days from the date of the initial written demand for mediation. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs (other than each party’s individual attorneys’ fees and costs related to the party’s participation in the mediation, which fees and costs shall be borne by such party). All offers, promises, conduct and statements, whether oral or written, made in connection with or during the mediation by either of the parties, their agents, representatives, employees, experts and attorneys, and by the Mediator or any of the Mediator’s agents, representatives and employees, shall not be subject to discovery and shall be confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding between or involving the parties, or either of them, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. However, notwithstanding the rules and procedures that would otherwise apply to the mediation, and unless the parties agree to a different arrangement, the place of the mediation shall be in Los Angeles County, California.

15.11.2. Arbitration. Either party may initiate binding arbitration with respect to the matters first submitted to mediation by making a written demand for binding arbitration before a single, neutral arbitrator (the ‘Arbitrator’) within sixty (60) days following the unsuccessful conclusion of the mediation provided for above. If notice of arbitration is not provided by either party within sixty (60) days following the unsuccessful conclusion of the mediation provided for in Section 15.11.1, the dispute resolution process shall be deemed complete and further resolution of such dispute shall be barred, without regard to any other limitations period set forth by law or statute. The parties will cooperate with one another in promptly selecting the Arbitrator within sixty (60) days after notice of the demand for arbitration and shall further cooperate in scheduling the arbitration to commence no later than 180 days from the date of the initial written demand for binding arbitration. If, notwithstanding their good faith efforts, the parties are unable to agree upon a mutually-acceptable Arbitrator, the Arbitrator shall be appointed as provided for in California Code of Civil Procedure Section 1281.6. To be qualified as an Arbitrator, each candidate must be a retired judge of a trial court of any state or federal court, or retired justice of any appellate or supreme court. Unless otherwise agreed to by the parties, the individual acting as the Mediator shall be disqualified from serving as the Arbitrator in the dispute, although the Arbitrator may be another member of the JAMS panel of neutrals or such other panel of neutrals from which the parties have agreed to select the Mediator. Upon a party’s written demand for binding arbitration, such dispute, claim or controversy submitted to arbitration, including the determination of the scope or applicability of this Contract to arbitrate, shall be determined by binding arbitration before the Arbitrator, in accordance with the laws of the State of California, without regards to principles of conflicts of laws.

Except as provided for herein, the arbitration shall be conducted by the Arbitrator in accordance with the rules and procedures for arbitration of complex business disputes for the organization with which the Arbitrator is associated. Absent the existence of such rules and procedures, the arbitration shall be conducted in accordance with the California Arbitration Act, California Code of Civil Procedure Section 1280 et seq. and California procedural law (including the Code of Civil Procedure, Civil Code, Evidence Code and Rules of Court, but excluding local rules). Notwithstanding the rules and procedures that would otherwise apply to the arbitration, and unless the parties agree to a different arrangement, the place of the arbitration shall be in Los Angeles County, California.

Also notwithstanding the rules and procedures that would otherwise apply to the arbitration, and unless the Parties agree to a different arrangement, discovery will be limited as follows:

1. Before discovery commences, the parties shall exchange an initial disclosure of all documents and percipient witnesses which they intend to rely upon or use at any arbitration proceeding (except for documents and witnesses to be used solely for impeachment);
2. The initial disclosure will occur within thirty (30) days after the initial conference with the Arbitrator or at such time as the Arbitrator may order;

(c) Discovery may commence at any time after the Parties’ initial disclosure;

(d) The parties will not be permitted to propound any interrogatories or requests for admissions;

(e) Discovery will be limited to twenty-five (25) document requests (with no subparts), three (3) lay witness depositions, and three (3) expert witness depositions (unless the Arbitrator holds otherwise following a showing by the party seeking the additional documents or depositions that the documents or depositions are critical for a fair resolution of the Dispute or that a party has improperly withheld documents);

(f) Each party is allowed a maximum of three (3) expert witnesses, excluding rebuttal experts;

(g) Within sixty (60) days after the initial disclosure, or at such other time as the Arbitrator may order, the parties shall exchange a list of all experts upon which they intend to rely at the arbitration proceeding;

1. Within thirty (30) days after the initial expert disclosure, the parties may designate a maximum of two (2) rebuttal experts;
2. Unless the parties agree otherwise, all direct testimony will be in form of affidavits or declarations under penalty of perjury; and
3. Each party shall make available for cross examination at the arbitration hearing its witnesses whose direct testimony has been so submitted.

Judgment on the award may be entered in any court having jurisdiction. The Arbitrator shall, in any award, allocate all of the costs of the binding arbitration (other than each party’s individual attorneys’ fees and costs related to the party’s participation in the arbitration, which fees and costs shall be borne by such party), including the fees of the Arbitrator, against the party who did not prevail. Until such award is made, however, the parties shall share equally in paying the costs of the arbitration. At the conclusion of the arbitration hearing, the Arbitrator shall prepare in writing and provide to each party a decision setting forth factual findings, legal analysis, and the reasons on which the Arbitrator’s decision is based. The Arbitrator shall also have the authority to resolve claims or issues in advance of the arbitration hearing that would be appropriate for a California superior court judge to resolve in advance of trial. The Arbitrator shall not have the power to commit errors of law or fact, or to commit any abuse of discretion, that would constitute reversible error had the decision been rendered by a California superior court. The Arbitrator’s decision may be vacated or corrected on appeal to a California court of competent jurisdiction for such error. Unless otherwise agreed to by the parties, all proceedings before the Arbitrator shall be reported and transcribed by a certified court reporter, with each party bearing one-half of the court reporter’s fees.”.

1. Section 15.12 shall be amended to add the following sentence directly after the first sentence:

“The exchange of copies of the Imaged Agreement shall constitute effective execution and delivery of the Base Contract, Transaction Confirmation or other related document for all purposes.”

1. A new Section 15.13 shall be added to read as follows:

“If the parties have indicated on the Base Contract that the Credit Support Addendum shall apply, then the attached Credit Support Addendum is attached hereto and incorporated herein.”

PARTY A PARTY B

By: By:

Name: Name:

Title: Title: