

“DRAFT”

FIRM STORAGE SERVICE PRECEDENT AGREEMENT

This Firm Storage Service Precedent Agreement is entered into as of _____, 2008 (this “Agreement”), by and between Central Valley Gas Storage, L.L.C. (“Owner”) and _____ (“Customer”). Hereinafter, Owner and Customer may be referred to individually as a “Party” and collectively as “Parties”.

WHEREAS, Owner plans to develop, construct, own and operate a subsurface natural gas storage facility and associated pipeline facilities in Colusa County, California (the “Storage Facility”);

WHEREAS, Owner conducted an open season during the Spring of 2008 seeking customer interest in the Storage Facility and Customer requested firm storage service pursuant to the terms and conditions as fully described in this Agreement;

WHEREAS, prior to obtaining the regulatory permits and approvals --including the authorization to charge market based rates -- and committing to the expenditures necessary to develop and construct the Storage Facility, Owner seeks to obtain certain firm and binding commitments from parties that have expressed an interest in utilizing the Storage Facility at certain minimum prices; and

WHEREAS, Customer is willing at this time to commit to use the Storage Facility and associated services if the Storage Facility is placed In-Service (as defined below) on terms and conditions set forth in this Agreement;

NOW THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, and other good and valuable consideration, Owner and Customer stipulate and agree as follows:

1. Firm and Interruptible Services. Subject to the satisfaction of the conditions set forth in Section 3 and the termination rights set forth in Section 4, Customer and Owner shall perform their respective obligations pursuant to the storage arrangements described in this Agreement if and when the Storage Facility is placed In-Service. The term “In-Service” is defined as the date on which the Storage Facility, including all associated pipeline facilities, is completed and ready to provide firm and/or interruptible storage services to Customer, pursuant to a mutually acceptable agreement between Customer and Owner evidencing their respective obligations with respect to the storage service arrangements. Owner shall provide at least [] days prior written notice to Customer of the In-Service date. The Parties shall execute a Firm Gas Storage Contract within seven (7) days after Customer receives notice from Owner that all of the conditions set forth in Section 3 have been satisfied. The Firm Gas Storage Contract shall contain the terms set forth in this Agreement on Exhibit A and be subject to the Storage Facility tariff to be filed with and ultimately approved by the California Public Utility Commission (the “CPUC”). If the Parties have completed an Exhibit B, the Parties shall execute an Interruptible Gas Storage Contract within seven (7) days after Customer receives notice from Owner that all of the conditions set forth in Section 3 have been satisfied. The Interruptible Gas Storage Contract shall contain the terms set forth in this Agreement on Exhibit B and be subject to the Storage Facility tariff to be filed with and ultimately approved by the CPUC.

2. Initial Service Date, Term, Volumes, Receipt and Delivery Points and Rates. The essential terms of Customer's specific initial service date, term, volumetric commitments, receipt and delivery points and rates to be included in the Firm Gas Storage Contract prior to its final execution, are set forth on "Exhibit A" attached hereto. The essential terms of Customer's specific initial service date, term, volumetric commitments, receipt and delivery points and rates to be included in the Interruptible Gas Storage Contract prior to its final execution, are set forth on "Exhibit B" attached hereto.

3. Conditions Precedent to Owner's Obligations. Owner's obligations to perform pursuant to this Agreement, the Firm Gas Storage Contract and the Interruptible Gas Storage Contract, if applicable, are expressly subject to and contingent on the following:

(a) Receipt and acceptance by Owner of the Certificate of Public Convenience and Necessity for the Storage Facility issued by the CPUC and CPUC approval of the Storage Facility tariff "(CPUC Approvals)". It is expressly understood that the CPUC Approvals shall be in a form and substance satisfactory to Owner, including, without limitation, the jurisdictional status of, and the tariff related to, the Storage Facility, and the treatment of its rates and charges by such agencies or governmental authorities, including the right to charge market based rates.

(b) Receipt by Owner of adequate interest in and commitments to use the Storage Facility and determination by Owner that the Storage Facility is and will be economical.

(c) Receipt of firm financing commitments to enable construction and operation of the Storage Facility acceptable to Owner.

4. Termination.

(a) Customer may terminate this Agreement by delivering at least thirty (30) days prior written notice of such intent to Owner only upon the occurrence of the following events:

(i) Owner does not place the Storage Facility In-Service on or before April 1, 2012;

(ii) the CPUC Approvals contain additional or different terms and conditions of service or rates, which are materially different from those set forth on Exhibit A and Exhibit B that are not acceptable to Customer; and

(b) Owner may terminate this Agreement, the Firm Gas Storage Contract and the Interruptible Gas Storage Contract, if applicable, by delivering written notice to Customer at any time during which any of the conditions precedent set forth in Section 3 are not satisfied.

(c) Owner may terminate this Agreement if, at any time, it has a reasonable basis to determine that Customer is no longer creditworthy and may not be able to carry out its obligations under this Agreement, the Firm Gas Storage Contract and the Interruptible Gas Storage Contract, if applicable. At Owner's request, Customer shall provide Owner with financial information relevant to Owner's determination of creditworthiness.

(d) If this Precedent Agreement is terminated pursuant to Section 4, such termination shall be without liability for damages, costs or expenses of either Party to the other

Party, or to any of its shareholders, directors, officers, employees, agents, consultants, representatives, and neither Owner nor Customer shall have any further rights or obligations whatsoever pursuant to this Precedent Agreement.

(e) This Agreement shall terminate automatically by its express terms on the date that service commences under the Firm Gas Storage Contract and the Interruptible Gas Storage Contract, if applicable, and thereafter, Owner's and Customer's respective rights and obligations related to the transactions contemplated herein shall be determined pursuant to the terms and conditions of the Firm Gas Storage Contract, the Interruptible Gas Storage Contract, if applicable, and Owner's CPUC Gas Tariff, as amended from time to time.

5. Cooperation. Owner and Customer in good faith shall cooperate with each other and Owner shall keep Customer informed on a timely basis with respect to material developments that affect the required CPUC Approvals and progress of the construction of the Storage Facility, including material delays. Customer agrees not to oppose, obstruct or otherwise interfere in any manner with the efforts of Owner to obtain all such CPUC Approvals; provided, however, that nothing herein shall prevent Customer from protesting any regulatory filings that may be inconsistent with this Agreement, the Firm Gas Storage Contract and the Interruptible Gas Storage Contract, if applicable.

6. Limitation of Liability/Exclusive Remedies. Neither Party shall be liable to the other Party under this Agreement, the Firm Gas Storage Contract and the Interruptible Gas Storage Contract, if applicable, for any special, indirect, incidental, punitive or consequential damages of any nature, or for any lost profits, however arising, even if such Party has been made aware of the possibility of such damages or lost profits. Whenever a remedy is specified in this Agreement, the specified remedy shall be the sole remedy available to the Parties to the exclusion of any other rights, powers, privileges or remedies provided by law.

7. General Terms and Conditions.

(a) This Agreement is subject to all valid laws, orders, rules and regulations of governmental authorities having jurisdiction.

(b) Any notice provided for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, if mailed by United States mail, if sent by express mail or over night delivery, or if telecopied to the other Party when sent to the following addresses:

Owner:	Central Valley Gas Storage L.L.C. 3333 Warrenville Road, Suite 630 Lisle, Illinois 60532 Attention: John Fortman Manager Hub Administration
Phone:	(630) 245-7845
Fax:	(630) 245-7835
Email:	jfortma@nicor.com

Customer: _____
Attention: _____

Phone: (____) ____ - ____
Fax: (____) ____ - ____
Email: Contracts/Notices _____
Storage Contract _____
Billing: _____

or any such other address as either Party shall designate by formal written notice.

Changes to the above addresses shall be made by the respective Party notifying the other Party in writing of the modification.

(c) TO THE EXTENT THE LAW OF ANOTHER JURISDICTION IS NOT REQUIRED TO BE APPLIED, THIS AGREEMENT SHALL BE GOVERNED, INTERPRETED, CONSTRUED AND APPLIED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO ANY CONFLICT OR CHOICE OF LAW RULES OR PRINCIPLES WHICH, IF APPLIED, MIGHT PERMIT OR REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

(d) This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof, and supercedes all prior agreements and commitments with respect thereto. There are no oral understandings or other terms or conditions. Neither Party has relied upon any representation, expressed or implied, not contained in this Agreement.

(e) No change, amendment or modification of this Agreement shall be valid or binding upon the Parties unless such change, amendment or modification shall be in writing and duly executed by the Parties.

(f) This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the successors and assigns of the Parties, except that no assignment, pledge, or other transfer of this Agreement shall operate to release the assignor, pledgor, or transferor from any of its obligations under this Agreement unless consent to the release is given in writing by the other Party. In addition, Owner may, without the consent of Customer, assign or transfer all of its rights and obligations under this Agreement to a joint venture, partnership, corporation or other business entity in which Owner or an affiliate of Owner is an owner or partner, so long as such assignee has at least the same creditworthiness status as Owner.

(g) Customer acknowledges that Owner intends to make collateral assignment of this Agreement and the Firm Gas Storage Contract to its lenders in connection with its financing commitments and agrees that if lenders with a security interest in this Agreement and the Firm Gas Storage Contract succeed to the interest of Owner by foreclosure or otherwise, Customer shall accord such lenders the same rights as Owner hereunder. Upon the request of Owner, Customer shall execute and deliver a Consent and Agreement reasonably satisfactory to Owner and Owner's lenders consenting to the collateral assignment by Owner to its lenders of this Agreement and the Firm Gas Storage Contract in conformance with the terms of Owner's financing commitments.

(h) All exhibits, schedules and the like contained herein are integrally related to this Agreement, and are hereby made a part of this Agreement for all purposes.

(i) The failure of either Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms, at any time during the pendency of this Agreement, shall in no way affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any provision of this Agreement.

(j) Customer understands and agrees that -

(i) Customer shall have no recourse against any owners of or participants in Owner and its sole recourse shall be against Owner and Owner's assets, irrespective of any failure to comply with applicable law or any provision of this Agreement;

(ii) no claim shall be made against any owners of or participants in Owner in connection with this Agreement, except that the participants may be joined as nominal parties for the purpose of enforcing Customer's rights hereunder;

(iii) Customer shall have no right to any claim against Owner for any capital contributions from any owners of or participants in Owner; and

(iv) this representation is made expressly for the benefit of the owners of or participants in Owner.

(k) Nothing herein expressed or implied is intended or shall be construed to confer upon or to give any person not a Party hereto any rights, remedies or obligations under or by reason of this Agreement.

(l) The existence of this Agreement and all of its terms and provisions shall be kept strictly confidential by Owner and Customer, and no Party shall disclose to any third party this Agreement or any portion thereof, except (i) pursuant to an order of a court; (ii) as requested by a governmental agency with jurisdiction; (iii) as required by applicable regulation; (iv) as requested by a potential source of financing to the Owner; or (v) to an employee, agent or representative of a Party with a need to know in connection with the transactions contemplated by this Agreement. Other than items (iv) and (v), the disclosing Party shall attempt to obtain a confidentiality agreement, protective order or similar protection for the confidentiality provided for herein and provide prompt notice of such disclosure to the other Party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed in several counterparts by their proper officers thereunto duly authorized as of the date first written above.

“OWNER”

“CUSTOMER”

CENTRAL VALLEY GAS STORAGE, LLC

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Exhibit A
ESSENTIAL TERMS OF THE FIRM GAS STORAGE CONTRACT

Basic Storage Service:

Firm Rate Schedule to be filed with the CPUC

Maximum Storage Capacity ("MSC"):

_____ Dth

Daily Firm Injection Rights:

Inventory Level	Capacity (Dth)	% of MDIQ	ADIQ (Dth/day)
0.00% - 75.00%	_____	100%	_____
75.01% - 90.00%	_____	40%	_____
90.01% - 100.00%	_____	20%	_____

MDIQ is defined as the Maximum Daily Injection Quantity allowed.

ADIQ is defined as the Available Daily Injection Quantity allowed based on ending inventory.

Daily Firm Withdrawal Rights:

Inventory Level	Capacity (Dth)	% of MDWQ	ADWQ (Dth/day)
100.00% - 25.00%	_____	100%	_____
24.99% - 11.25%	_____	55%	_____
11.24% - 0.00%	_____	30%	_____

MDIQ is defined as the Maximum Daily Injection Quantity allowed.

ADIQ is defined as the Available Daily Injection Quantity allowed based on ending inventory.

Term of Initial Service:

____ (__) years from the date Owner is able to provide firm service which is currently expected to begin by April 1, 2011.

Monthly Demand Rate per Unit of MSC:

\$_____/month

Fuel and Commodities:

Injection Fuel: 1.2% of volume injected (estimate subject to change)

Commodity: No commodity charges expected

Receipt Point:

Pacific Gas and Electric Company – Interconnecting point on the PG&E lines 400/401 in Colusa County, California near the Delevan compressor stations. The actual location will be dependent on the final Interconnect Agreement with PG&E.

Delivery Point:

Pacific Gas and Electric Company – Interconnecting point on the PG&E lines 400/401 in Colusa County, California near the Delevan compressor stations. The actual location will be dependent on the final Interconnect Agreement with PG&E.

Other Terms:

If Applicable.

Exhibit B
ESSENTIAL TERMS OF THE PARTIAL FIRST YEAR SERVICE

Basic Storage Service: Interruptible Rate Schedule to be filed with the CPUC

Maximum Storage Capacity (“MSC”): _____ Dth

Daily Injection Rights:

Inventory Level	Capacity (Dth)	% of MDIQ	ADIQ (Dth/day)
TBD			

MDIQ is defined as the Maximum Daily Injection Quantity allowed.
ADIQ is defined as the Available Daily Injection Quantity allowed based on ending inventory.

Daily Withdrawal Rights:

Inventory Level	Capacity (Dth)	% of MDWQ	ADWQ (Dth/day)
TBD			

MDIQ is defined as the Maximum Daily Injection Quantity allowed.
ADIQ is defined as the Available Daily Injection Quantity allowed based on ending inventory.

Term of Initial Service:

One (1) year from the in service date of Central Valley Gas Storage anticipated to begin April 1, 2010.

Commodity Rate per Unit of MSC: \$_____/month

Fuel and Commodities:

Injection Fuel: 1.2% of volume injected (estimate subject to change)
 Commodity: No commodity charges expected

Receipt Point:

Pacific Gas and Electric Company – Interconnecting point on the PG&E lines 400/401 in Colusa County, California near the Delevan compressor stations. The actual location will be dependent on the final Interconnect Agreement with PG&E.

Delivery Point:

Pacific Gas and Electric Company – Interconnecting point on the PG&E lines 400/401 in Colusa County, California near the Delevan compressor stations. The actual location will be dependent on the final Interconnect Agreement with PG&E.

Other Terms: If Applicable.