

DRAFT

FIRM STORAGE SERVICE PRECEDENT AGREEMENT

This Firm Storage Service Precedent Agreement (“Agreement”) is entered into as of this _____ day of _____, 2009, 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”.

WITNESSETH

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”) and to engage in the storage of natural gas subject to the jurisdiction of the California Public Utilities Commission (“CPUC”);

WHEREAS, Owner conducted an open season from _____ through _____ seeking customer interest in the Storage Facility and Customer desires Owner to provide firm storage services 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 Customer and other parties that have expressed an interest in utilizing the Storage Facility at certain rates; and

WHEREAS, Customer is willing at this time to commit to use the Storage Facility and associated services if, and at the time that, 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 Services. Subject to the satisfaction or waiver 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 terms 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 and appurtenant pipeline facilities, interconnection equipment, operational equipment and overall construction are ready to commence natural gas storage services to Customer pursuant to a Storage Service Agreement between Customer and Owner evidencing their respective obligations with respect to the storage service arrangements. A “Storage Service Agreement” is defined as the storage service agreement including an appendix FSS as approved by the CPUC and set forth in the Storage Facility Tariff. The “Storage Facility Tariff” is defined as the Owner’s CPUC-approved tariff. Owner shall use commercially reasonable efforts to provide at least seven (7) days prior written notice to Customer of the In-Service date. The Parties shall execute a Storage Service Agreement within seven (7) days after Customer receives notice from Owner that all of the conditions set forth in Section 3 have been satisfied. The Storage Service Agreement shall contain the terms and

conditions set forth in this Agreement on Exhibit A and be subject to the terms and conditions of 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 term of service, volumetric commitments, receipt and delivery points, levels of service, and rates to be included in the Storage Service Agreement prior to its final execution, are set forth on Exhibit A attached hereto. Notwithstanding the above, as a further condition of the establishment of the In-Service date, Owner shall use commercially reasonable efforts to provide Customer with at least seven (7) days prior written notice of such In-Service date as provided above. On and after the date on which Owner has notified Customer that service under the Storage Service Agreement(s) will commence, Owner will stand ready to provide firm or hub storage services for Customer pursuant to the terms of the Storage Service Agreement(s), and Customer will pay Owner for all applicable charges associated with the Storage Service Agreement(s) pursuant to the terms thereof.

3. Conditions Precedent to Owner's Obligations. Owner's obligations to perform pursuant to this Agreement 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 in its sole discretion, including, without limitation, approvals concerning the Storage Facility's jurisdictional status, the Storage Facility Tariff, and the treatment of Storage Facility 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 firm commitments to use, the Storage Facility and determination by Owner, in its sole discretion, 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 in its sole discretion.

(d) Receipt of final approval by the Board of Directors of Nicor, Inc. to construct and operate the Storage Facility.

4. Termination.

(a) Customer may terminate this Agreement by delivering at least thirty (30) days prior written notice of such intent to Owner if the CPUC Approvals contain additional or different terms and conditions of service or rates from those set forth on Exhibit A and which are materially detrimental and not acceptable to Customer.

(b) Owner may terminate this Agreement at any time by delivering written notice to Customer not less than thirty (30) days prior to the applicable termination date that 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 and the Storage Service Agreement. Prior to any termination

of this Agreement by Owner, Customer shall have thirty (30) days from the date of notice by Owner to cure any credit deficiencies within the credit provisions of the Storage Facility Tariff as filed with the CPUC. At Owner's request, Customer shall provide Owner with financial information relevant to Owner's determination of creditworthiness, consistent with the information set forth in the Storage Facility Tariff.

(d) If this 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 Agreement.

(e) This Agreement shall terminate automatically by its express terms on the date the Parties execute the Storage Service Agreement, 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 Storage Service Agreement and Storage Facility 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 and the Storage Service Agreement.

6. Limitation of Liability/Exclusive Remedies. Neither Party shall be liable to the other Party under this Agreement 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 received if delivered personally, if mailed by United States mail, if sent by express mail or overnight 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: _____

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 ILLINOIS, 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. EACH OF THE PARTIES HERETO WAIVES TO THE FULLEST EXTENT AVAILABLE UNDER APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN ANY FORUM IN WHICH A CLAIM UNDER THIS AGREEMENT MAY BE BROUGHT.

(d) This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof, and supersedes 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, which shall not be unreasonably withheld. Notwithstanding the foregoing and subject to Section 4(c) of this Agreement, any company or entity which succeeds by purchase, merger, or consolidation of title to the properties, or otherwise to a Party will be entitled to the rights and will be subject to the obligations of its predecessor in title under this Agreement without the need for consent of the other Party.

(g) Customer acknowledges that Owner intends to make collateral assignment of this Agreement and the Storage Service Agreement to its lenders in connection with its financing commitments and agrees that if lenders with a security interest in this Agreement and the Storage Service Agreement 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 letter reasonably satisfactory to Owner and Owner's lenders consenting to the collateral assignment by Owner to its lenders of this Agreement and the Storage Service Agreement in conformance with the terms of Owner's financing commitments, provided however, that Customer shall not be required to execute and deliver any such consent, or agreement letter, if in Customer's reasonable judgment such consent or agreement would have the effect of diluting Customer's rights under this Agreement or would have the effect of expanding Customer's exposure or liability to Owner absent such consent or agreement.

(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) Subject to Section 4(c) of this Agreement, each of the Parties acknowledges, understands and agrees that -

(i) neither Party shall have any recourse against any owners of or participants in the ownership of the other Party and each Party's sole recourse shall be against the other Party (and as applicable against Customer's guarantor) and such Parties' respective 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 either Party in connection with this Agreement, except that the participants may be joined as nominal parties for the purpose of enforcing a Party's rights hereunder;

(iii) neither Party shall have any right to any claim against the other Party for any capital contributions from any owners of or participants in the ownership of the other Party; and

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

(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.

(m) Each Party represents and warrants that (i) it is duly organized and validly existing under the laws of its formation and has all requisite legal power and authority to execute this Agreement and carry out the terms, conditions and provisions thereof; (ii) this Agreement constitutes the valid, legal and binding obligation of such Party, enforceable in accordance with the terms hereof; (iii) there are no actions, suits or proceedings pending or, to such Party's knowledge, threatened against or affecting such Party before any court or administrative body that might materially adversely affect the ability of that Party to meet and carry out its obligations hereunder; and (iv) the execution and delivery of this Agreement has been duly authorized by all requisite corporate or limited partnership action as applicable.

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 STORAGE SERVICE AGREEMENT
Page 1 of 2

Basic Storage Service:

Firm Rate Schedule on file with the CPUC

Maximum Storage Capacity (“MSO”):

_____ Dth

Maximum Daily Quantity (“MDQ”):

_____ Dth/day

Maximum Daily Injection Quantity (MDIQ) subject to inventory limits below:

Inventory Level	Capacity (Dth)	% of MDQ	MDIQ (Dth/day)
Less than or equal to _____%	_____	_____%	_____
Greater than _____% and less than or equal to _____%	_____	_____%	_____
Greater than _____%	_____	_____%	_____

Maximum Daily Withdrawal Quantity (MDWQ) subject to inventory limits below:

Inventory Level	Capacity (Dth)	% of MDQ	MDWQ (Dth/day)
Greater than _____%	_____	_____%	_____
Less than or equal to 25.00% and greater than 11.25%	_____	_____%	_____
Less than or equal to 11.25%	_____	_____%	_____

Initial Term of Service:

The Initial Term of Service shall be ____ (__) years from the In-Service date of the Storage Facility, which is anticipated to be April 1, 2012.

In the event the In-Service date is after August 1, 2012, Customer shall have the option of electing to begin service on such date or delay the start of service and charges associated with such service until the subsequent April 1. If Customer elects to delay the start date of service, Customer shall accept an extended _____ (__) year contract term from the start of service. Customer shall provide written notice to Owner of its election within 7 days of its receipt of written notice from Owner of the In-Service date.

Annual Demand Rate per Unit of MSO:

\$_____/Dth

Fuel and Commodities:

Injection Fuel: 1.2% of volume injected
 Commodity: No commodity charges apply above the Annual Demand Rate

Exhibit A
ESSENTIAL TERMS OF THE FIRM STORAGE SERVICE AGREEMENT
Page 2 of 2

Receipt Point:

Pacific Gas and Electric Company – Interconnecting point on the PG&E lines 400/401 in Colusa County, California near the Delevan compressor station. The actual location is dependent on the final Interconnect Agreement with PG&E. Owner shall have the right to negotiate alternative interconnects or other arrangements that effectuate physical receipts to PG&E lines 400/401 at its sole discretion.

Delivery Point:

Pacific Gas and Electric Company – Interconnecting point on the PG&E lines 400/401 in Colusa County, California near the Delevan compressor station. The actual location is dependent on the final Interconnect Agreement with PG&E. Owner shall have the right to negotiate alternative interconnects or other arrangements that effectuate physical deliveries to PG&E lines 400/401 at its sole discretion.

Other Terms:

- 1) Due to factors not reasonably foreseeable by Owner or beyond its reasonable control during the development of the Storage Facility, Owner may be unable to fully meet the MSQ as set forth in this Exhibit A. Owner may phase-in Customer's MSQ during the Initial Term of Service as the performance of Owner's physical capability allows, and the charges payable by Customer shall be adjusted ratably. Therefore, the parties agree that, from time to time during the Initial Term of Service, as Owner makes capacity available, Owner shall give notice thereof to Customer; provided that:
 - i. If Owner offers Customer less than 50% of Customer's MSQ, Customer shall have the option to refuse to accept such service with ten (10) days prior written notice from the time Customer is informed by Owner of the service level available for that year;
 - ii. if Owner offers Customer 50% or more of Customer's MSQ, Customer shall accept such service;
 - iii. after Customer has accepted service pursuant to subsection (i) or (ii), Owner may phase-in additional increments of MSQ in increments not less than 25% of Customer's MSQ and Customer shall accept such service; and
 - iv. Nothing in this Section 2 shall relieve Owner of its obligation to allocate capacity equitably among all firm Customers.
- 2) Notwithstanding anything express or implied by the foregoing provisions of Section 1 of this Exhibit A, Owner shall provide notice to Customer in writing not less than ninety (90) days prior to beginning service, as to the total MSQ, MDQ, MDIQ and MDWQ during any one year that Owner is able to provide Customer for the representative year during the Initial Term of Service.
- 3) In allocating MSQ to Customer, Owner shall treat all firm Customers equitably and in such a manner so as to preserve the relationship among MSQ, MDQ, MDIQ and MDWQ as provided in this Exhibit A.