



# Bay Gas Storage Co., Ltd.

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251.476.2720

P. O. Box 1368  
Mobile, Alabama 36633

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251.478.5817

August 15, 2011

Mr. Walter Thomas, Secretary  
Alabama Public Service Commission  
P. O. Box 304260  
Montgomery, AL 36130-4260

Dear Secretary Thomas:

Attached is an application of Bay Gas Storage co., Ltd. seeking authority to execute an Amended and Restated Intercompany Revolving Credit Agreement between Bay Gas and Sempra Energy through which Bay Gas will continue to finance its construction activities.

If there are any questions concerning this application, please do not hesitate to call.

Sincerely,

G. Edgar Downing, Jr.  
Assistant Secretary  
EnergySouth Midstream, Inc.  
General Partner of Bay Gas  
Storage Company, Ltd.

GED,jr.:mcl  
Enclosure

cc: Mr. Bob Reed  
Ms. Olivia Martin

**STATE OF ALABAMA  
ALABAMA PUBLIC SERVICE COMMISSION  
POST OFFICE BOX 991  
MONTGOMERY, ALABAMA 36101**

<b>BAY GAS STORAGE COMPANY, LTD.</b>	)	<b>Application: For authority to</b>
	)	<b>enter into an Amended and</b>
	)	<b>Restated Intercompany</b>
<b>Applicant</b>	)	<b>Revolving Credit Agreement</b>
	)	<b>with Sempra energy and to</b>
	)	<b>borrow up to \$300,000,000 at</b>
	)	<b>any one time outstanding</b>
	)	<b>pursuant thereto</b>
	)	
	)	<b>Informal docket _____</b>

**TO THE ALABAMA PUBLIC SERVICE COMMISSION:**

Your Applicant, Bay Gas Storage Company, Ltd. ("Bay Gas") respectfully shows:

1. Bay Gas is a limited partnership duly organized and existing under the laws of the State of Alabama and is a public utility as defined by Section 37-4-1(7) of the Code of Alabama of 1975, in that it owns and operates a facility for the storage and transportation of natural gas in Alabama.

2. Bay Gas has heretofore been granted by the Commission a Certificate of Public Convenience and Necessity to construct and operate facilities for the storage and transportation of natural gas in Docket 22367, dated May 4, 1992.

3. Bay Gas currently operates four underground salt-dome natural gas storage caverns which have a total working capacity of 15.5 Bcf. It also operates 85 miles of

pipelines which connect the storage facility to Florida Gas Transmission, Gulf South Pipeline, Transco, and Mobile Gas Service Corporation. Bay Gas is currently constructing a fifth underground cavern that will have a working gas capacity of approximately 5 Bcf with an expected in service date during the second quarter of 2013.

On October 7, 2008, in Docket U-4852 the Commission approved Bay Gas entering into an Intercompany Revolving Credit Agreement with Sempra Energy the ultimate owner of Bay Gas and to borrow up to \$300,000,000. Sempra plans to continue funding Bay Gas' capital needs through intercompany loans made pursuant to the proposed Amended and Restated Intercompany Revolving Credit Agreement attached as Exhibit 1 that will extend the existing agreement that expires on September 30, 2011 for an additional five years.

4. The Amended and Restated Intercompany Revolving Credit Agreement (a) is for the lawful object within the purposes of Bay Gas; (b) is compatible with the public interest; (c) is necessary, appropriate for, and consistent with, the proper performance by Bay Gas of its service, and will not impair its ability to perform that service; and (d) is reasonably necessary and appropriate for such purposes.

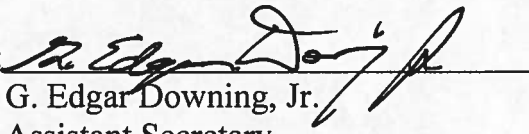
**WHEREFORE**, the Applicant respectfully requests the Commission issue an order authorizing Bay Gas to execute the Amended and Restated Intercompany Revolving Credit Agreement between Bay Gas and Sempra, the borrowing pursuant thereto of up to a principal amount at any time outstanding not to exceed \$300,000,000, and that jurisdiction hereof be retained for the purpose of making, upon application of Bay Gas, such further and other orders as may the Commission deem appropriate.

Filed this 15<sup>th</sup> day of August, 2011.

Respectfully submitted,

**BAY GAS STORAGE COMPANY, LTD.**

By: **SEMPRA MIDSTREAM, INC.,**  
Its General Partner

By:   
G. Edgar Downing, Jr.  
Assistant Secretary

**Exhibit 1**

**AMENDED AND RESTATED**  
**INTERCOMPANY REVOLVING CREDIT AGREEMENT**

**THIS AMENDED AND RESATED INTERCOMPANY REVOLVING CREDIT AGREEMENT** (this "**Agreement**") is made and entered into as of the \_\_\_\_ day of September, 2011 (the "**Effective Date**"), between Sempra Energy, a California corporation ("**Sempra Energy**"), and Bay Gas Storage Company, Ltd., an Alabama limited partnership ("**Bay Gas**").

**RECITALS**

**WHEREAS**, Sempra Energy is the ultimate owner of Sempra Midstream, Inc., the General Partner of Bay Gas, and 90.9% owner of the limited partnership interests of Bay Gas;

**WHEREAS**, Bay Gas is a member of Sempra Energy's "affiliated group" of corporations for federal income tax purposes; and

**WHEREAS**, Sempra Energy desires to provide (or cause to be provided) pursuant to the terms hereof, funds to support liquidity and working capital needs to its subsidiaries, including Bay Gas.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing and the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

A. **Definitions.** As used in this Agreement, the following terms shall have the following meanings, applicable to both the singular and plural forms of the terms described (unless the context indicates otherwise, references to Sections shall refer to the corresponding sections in this Agreement, and references to the parties shall mean the parties to this Agreement):

"**Bay Gas**" shall have the meaning ascribed to it in the Preamble.

"**Effective Date**" shall have the meaning ascribed to it in the Preamble.

"**Maturity Date**" shall have the meaning ascribed to it in Section D.

"**Notice**" shall have the meaning ascribed to it in Section G.

"**Sempra Energy**" shall have the meaning ascribed to it in the Preamble.

"**Sempra Entities**" shall mean Sempra Energy and any of its wholly owned subsidiaries.

“Revolving Credit Limit” shall mean Three Hundred Million Dollars (\$300,000,000).

B. **Intercompany Debt.** On and after the Effective Date, Sempra Energy may, but shall not be obligated to, advance funds to Bay Gas upon the written request of Bay Gas and subject to the terms and conditions of this Agreement, up to a maximum amount outstanding at any time equal to the Revolving Credit Limit. Bay Gas shall be charged interest on a daily basis for the outstanding borrowings under this Agreement. The interest rate to be paid by Bay Gas shall be at a rate equal to the Sempra Energy intercompany borrowing rate as provided by the Sempra Energy Treasury Department which, in any event, shall not exceed the interest rate that would be applicable to comparable subordinated borrowings by Bay Gas from unaffiliated parties.

C. **Repayment and Subordination.** Subject to the terms hereof, Bay Gas may repay at any time any and all outstanding borrowings without penalty. Borrowings hereunder (1) shall be unsecured and repayment thereof shall be subordinated to repayment by Bay Gas Storage Company, Ltd. of its Senior Secured Notes issued under the Trust Indenture and Security Agreement dated as of December 1, 2000 between Bay Gas Storage Company, Ltd. and Regions Bank, as Trustee (Indenture), and (2) such borrowings may not be repaid if after giving effect thereto an event of default under the Indenture shall have occurred and which shall then be continuing.

D. **Term of Agreement.** The term of this Agreement shall commence on the Effective Date and shall continue for five (5) years from the Effective Date in all cases unless terminated earlier pursuant to Section E below or extended by the mutual agreement of the parties (the “Maturity Date”).

E. **Termination.** Either party shall have the right to terminate this Agreement upon the occurrence of any of the following events:

(1) Bay Gas fails to pay timely any of the principal amount due under this Agreement or any accrued but unpaid interest or other amounts due under this Agreement on the date the same becomes due and payable;

(2) A material breach of this Agreement by the other party (other than non-payment which is subject to Section E(1) above) that is not cured within thirty (30) days after receipt of written notice of such breach from the other party;

(3) Sempra Energy or its affiliates shall own less than a majority of the outstanding voting interests of Bay Gas.

(4) Bay Gas files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing;

(5) An involuntary petition is filed against Bay gas (unless such petition is dismissed or discharged within sixty (60) days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of Bay Gas; or

(6) By sixty (60) days advance written notice to the other party.

Upon a termination, all unpaid principal and accrued but unpaid interest and other amounts owing hereunder shall, at the option of Sempra Energy, and in the cause of (4) and 5) above, automatically, be immediately due, payable and collectable by Sempra Energy pursuant to applicable law.

F. **Governing Law and Venue.** This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Alabama applicable to agreements made and to be performed wholly within the State of Alabama. Any suit brought hereon shall be brought in the state or federal courts located in Mobile County, Alabama.

G. **Notices.** Each party giving any notice (a "Notice") required or permitted under this Agreement will give the Notice in writing and use one of the following methods of delivery to the party to be notified, at the address set forth below or another address of which the sending party has been notified in accordance with this Agreement: (a) by telephone; or (b) in writing (which includes means of electronic transmission (i.e., "e-mail") or facsimile transmission). Any Notice shall be effective: (1) in the case of hand-delivery, when delivered; (2) if given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested; (3) in the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next day on which the party receiving the notice is open for business by hand delivery, a facsimile or electronic transmission, or overnight courier delivery of a confirmatory notice (received at or before noon on such next business day); (4) in the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine; (5) in the case of electronic transmission, when actually received; and (6) if given by any other means (including by overnight courier), when actually received. Until further notice, as provided above, addresses for Notices shall be:

If to Sempra Energy:

Sempra Energy  
101 Ash Street  
San Diego, California 92101  
Attention: Duane Grant  
Telephone: (619) 696-4590  
Facsimile: (619) 696-4658

If to Bay Gas:



Bay Gas Storage Company, Ltd.  
16945 North Chase Dr.  
Suite 1150  
Houston, Texas 77060  
Attention: Director of Business Services  
Telephone: (281) 423-2761  
Facsimile: (281) 423-2740

H. **Costs and Expenses.** Bay Gas shall reimburse Sempra Energy for all necessary costs in arranging the loans contemplated herein, including but not limited to, all legal and financial costs. Bay Gas agrees to pay all collection expenses, court expenses, attorney and other costs (whether or not litigation is commenced) that may be incurred by Sempra Energy in connection with the collection or enforcement of this Agreement.

I. **Binding Effect and Assignment.** This Agreement binds and benefits the parties and their respective successors and assigns. No party may assign any of its rights or delegate any of its obligations under this Agreement without the written consent of Sempra Energy and Bay Gas, which consent may be withheld in such party's sole and absolute discretion, and any assignment or attempted assignment in violation of the foregoing will be null and void. Notwithstanding the preceding sentence, Sempra Energy may assign this Agreement in connection with (a) a merger transaction in which Sempra Energy is not the surviving entity or (b) the sale of all or substantially all of its assets.

J. **Severability.** If any provision of this Agreement is determined to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall remain in full force.

K. **Entire Agreement; Termination of Prior Agreement.** This Agreement constitutes the final agreement between the parties, and is the complete and exclusive statement of the parties' agreement on the matters contained herein. **This Agreement terminates and supersedes that certain Intercompany Revolving Loan Agreement, dated as of \_\_\_\_\_, between Sempra Energy and Bay Gas.**

L. **Counterparts.** The parties may execute this Agreement in multiple counterparts, each of which constitutes an original as against the party that signed it, and all of which together constitute one agreement. The signatures of the parties need not appear on the same counterpart. The delivery of signed counterparts by facsimile or e-mail transmission that includes a copy of the sending party's signature is as effective as signing and delivering the counterpart in person.

M. **Amendment.** The parties may amend this Agreement only by a written agreement signed by each of the parties that identifies itself as an amendment to this Agreement.

N. **Waiver.** No course of dealing and no delay or failure of any party in exercising any right, power, remedy or privilege under this Agreement shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights



and remedies of the parties under this Agreement are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permission, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

*[Remainder of page intentionally left blank.]*

**IN WITNESS WHEREOF**, Sempra and Bay Gas have caused this Agreement to be executed on the date and year first above written.

**SEMPRA ENERGY,**  
a California corporation

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**BAY GAS STORAGE COMPANY, LTD.,**  
an Alabama limited partnership

By: **SEMPRA MIDSTREAM, INC.,**  
an Alabama corporation

Its: **General Partner**

By: \_\_\_\_\_  
George S. Liparidis  
Chairman of the Board and Chief  
Executive Officer