



GAS RULE NO. 25

Sheet 1

GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS

A. GENERAL

This Rule applies to Customers (including, but not limited to, potential Customers, balancing agents and Core Transport Agents (CTAs)) who purchase or receive gas products and services from Pacific Gas and Electric Company including, but not limited to, backbone transmission services, Balancing Service, or storage services pursuant to PG&E's gas rate schedules and agreements. Customers must meet the credit requirements set forth herein on a continuing basis in order to be eligible to receive such products and services. (T)

This Rule does not apply to Customers who purchase or receive only local transmission service or distribution service from PG&E; gas Rule 6 applies to those services.

To receive gas products and services from PG&E, a Customer must either establish an unsecured credit line or provide security to PG&E sufficient to meet PG&E's total financial exposure, based on all products and services for which a Customer has contracted with PG&E. The amount of credit established for or security required of a Customer is a function of that Customer's creditworthiness.

PG&E will apply credit evaluation criteria and make decisions under this Rule on a non-discriminatory basis subject, however, to the reasonable exercise of decision making. PG&E may, from time to time, modify the creditworthiness requirements applicable to a Customer based on changes in that Customer's service requirements and/or overall financial condition. (T)

A Customer requesting gas products and services must demonstrate creditworthiness before PG&E will execute a Gas Transmission Service Agreement (GTSA) (Form No. 79-866) and/or exhibits to the GTSA, a Noncore Balancing Aggregation Agreement (NBAA) (Form No. 79-869) and/or exhibits to the NBAA, or a Core Gas Aggregation Service Agreement (CTA Agreement) (Form No. 79-845) and/or attachments to the CTA Agreement. Criteria for establishing creditworthiness are shown below. Failure to meet the credit standards on a continuous basis shall constitute an event of default. (N)
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(N)

(Continued)



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Sheet 2

GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS

B. ESTABLISHMENT OF CREDIT

1. APPLICATION FOR CREDIT

Each Customer shall complete, execute, and submit a California Gas Transmission Credit Application (Form No. 79-868). The following financial information must be provided to PG&E in order for PG&E to evaluate a Customer's creditworthiness.

- a. Customer's annual reports for the most recent three years. (N)
- b. Customer's U.S. Securities and Exchange Commission (SEC) Form 10-K for the most recent three years, or (D)
(N)
 - 1) If SEC Form 10-K is not available, substitute audited annual financial information (including a balance sheet, income statement, notes to the financial statements and cash flow statement).
 - 2) If audited statements are unavailable, substitute unaudited annual financial information (including a balance sheet, income statement, and cash flow statement) accompanied by an attestation by Customer's Chief Financial Officer that the information is true, correct and a fair representation of Customer's current and foreseeable future financial condition.
- c. Customer's most recent quarterly SEC Form 10-Q and/or quarterly financial statements.
- d. A complete list of Customer's corporate affiliates, parent companies and subsidiaries.
- e. Other Customer financial information as may be required by PG&E.

PG&E will use the information above to determine a Customer's maximum credit line, either secured or unsecured.

A creditworthiness evaluation may be conducted by an outside credit analysis agency, to be determined by PG&E, with final credit approval granted by PG&E. Credit reports will remain strictly confidential between the credit analysis agency and PG&E.

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B. ESTABLISHMENT OF CREDIT (Cont'd.)

2. CONTINUATION OF CREDITWORTHINESS

To assure the continued validity of an established credit line, a Customer shall submit complete financial statements satisfactory to PG&E at least annually and, upon PG&E's request, more frequently. If (a) PG&E determines, in its sole judgment, that a Customer has experienced a material adverse change, including but not limited to cross default, failure to perform obligations under PG&E's tariff(s) and/or agreements, downgrade by major credit rating agencies, misrepresentation, acquisition without assumption, that has affected or could adversely affect that Customer's creditworthiness, or (b) a Customer does not provide financial information as requested by PG&E, PG&E may request (additional) credit support. If a Customer fails, for whatever reason, to provide additional credit support in a form and amount and by an issuer acceptable to PG&E upon PG&E's request, then PG&E may terminate that Customer's GTSA and/or exhibits to the GTSA, NBAA and/or exhibits to the NBAA or CTA Agreement and/or attachments to the CTA Agreement.

3. MINIMUM CREDITWORTHINESS CRITERIA FOR UNSECURED CREDIT

PG&E's approval of an unsecured credit line will be based upon the financial position of that Customer, and the amount of PG&E's potential financial exposure. A Customer meeting one of the following criteria may qualify for an unsecured credit limit as determined by PG&E.

- a. Long-term debt/bond rating of BBB or better for Standard & Poor's or Baa2 or better for Moody's.
- b. Moody's rating [short-term] of P-2 or better.
- c. Standard & Poor's rating [short-term] of A-2 or better.
- d. Audited financial statements, which demonstrate a Customer's creditworthiness.

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Sheet 4

GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS

- B. ESTABLISHMENT OF CREDIT (Cont'd.) (N)
- 3. MINIMUM CREDITWORTHINESS CRITERIA FOR UNSECURED CREDIT (N)
- (Cont'd.) (N)

Notwithstanding that a Customer may have previously qualified for unsecured credit, security may be requested at a future date if PG&E becomes aware of a material change in a Customer's payment pattern, financial position, or a change in a Customer's published debt ratings or expected change in debt ratings due to the issuances of a negative outlook by either Moody's or Standard & Poor's which would cause a Customer's long-term or short-term debt rating to be less than specified in these criteria, or PG&E's financial exposure to the Customer exceeds the Customer's then-applicable credit limit, or if the provisions of this Rule are changed. (N) (L)

(Continued)

Advice 3195-G
Decision

Issued by
Jane K. Yura
Vice President
Regulation and Rates

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Resolution	



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B. ESTABLISHMENT OF CREDIT (Cont'd.) (L)

4. CREDIT STANDARDS UTILIZING SECURITY

If PG&E denies unsecured credit to a Customer, or if PG&E determines subsequently during the term of the service under PG&E's rate schedules, that a Customer no longer satisfies the criteria for unsecured credit, the Customer may still obtain credit approval if the Customer elects to provide security in a form and amount and by an issuer acceptable to PG&E. (N)

Additionally, a Customer may provide security in a form and amount and by an issuer acceptable to PG&E in lieu of the creditworthiness evaluation, in which case, the security must be submitted to PG&E before any transaction can be entered between the Customer and PG&E under the GTSA, NBAA or CTA Agreement. Such security may not be used by a Customer as a means of or substitute for the timely payment of that Customer's regular monthly bills. (N)

After PG&E determines a Customer is eligible for credit, secured or unsecured, that Customer may be required, after service begins, to provide additional security to maintain its credit position if PG&E becomes aware of a material adverse change that has affected or could adversely affect that Customer's creditworthiness, or if the provisions of this Rule are changed. A Customer's failure, for whatever reason, to provide additional security within three (3) business days of PG&E's request therefore, in a form and amount and by an issuer acceptable to PG&E to maintain that Customer's credit position, shall constitute an event of default. (N)

a. ACCEPTABLE FORMS OF SECURITY

1) Cash Deposit

By providing a cash deposit to PG&E, a Customer grants to PG&E a first priority security interest in the cash deposit to secure the Customer's obligation to PG&E. The amount of a deposit taken to establish credit may be subject to adjustment upon request by a Customer and/or upon review by PG&E. (N)

(L)

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GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS

B. ESTABLISHMENT OF CREDIT (Cont'd.)

4. CREDIT STANDARDS UTILIZING SECURITY (Cont'd.)

a. ACCEPTABLE FORMS OF SECURITY (Cont'd.)

- 4) Prepayment for Products and Services Rendered (T) (L)
 - Periodic prepayments on a mutually agreed-upon schedule will be based on the quantity and rate for products and services as specified in a Customer's GTSA and/or exhibits to the GTSA, NBAA and/or exhibits to the NBAA or CTA Agreement and/or attachments to the CTA Agreement, and must be agreed upon between a Customer and PG&E prior to commencement of services. (N) (N) (D)
 - Prepayments and actual charges will be reconciled at month-end billing time unless otherwise agreed. If payment of reconciled actual charges is not received by 4:00 P.M. on the due date, PG&E will notify a Customer of non-payment. If payment is not received by close of business on the next business day, PG&E may terminate a Customer's GTSA and/or exhibits to the GTSA, NBAA and/or exhibits to the NBAA or CTA Agreement and/or attachments to the CTA Agreement. Any payment received after the due date will be considered past due and subject to the conditions described in Section C.3, herein. (N) (N)/ (D) (N)/ (D)
- 5) Customer-Owned Gas in Storage. (T)
 - With PG&E's agreement, Customer-owned gas in park or storage accounts, may be used as collateral, in which case, PG&E has the right to sell such gas in order to satisfy that Customer's performance or financial obligations to PG&E.
- 6) Other forms of security that PG&E may, at its sole discretion, find acceptable. (T) (L)

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GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS

B. ESTABLISHMENT OF CREDIT (Cont'd.)

4. CREDIT STANDARDS UTILIZING SECURITY (Cont'd.)

b. AMOUNT OF SECURITY

Where applicable, the amount of security must be equal to at least sixty (60) days of a Customer's maximum potential financial exposure to PG&E for all products and services contracted for by a Customer with PG&E, as estimated by PG&E, except for gas lend deals, under which the amount of security must be equal to the sum of maximum potential market value of the gas lent to the Customer and fees owing to PG&E.

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Advice Decision 3294-G

Issued by
Brian K. Cherry
Vice President
Regulation and Rates

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Sheet 9

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B. ESTABLISHMENT OF CREDIT (Cont'd.)

4. CREDIT STANDARDS UTILIZING SECURITY (Cont'd.)

b. AMOUNT OF SECURITY (Cont'd.)

The type and amount of security determined by PG&E must be provided to PG&E before a Customer may begin receiving service.

All forms of security shall be retained as long as the GTSA, NBAA and/or CTA Agreement are in effect, unless such security is otherwise reduced pursuant to Section B.4.d., below.

(T)

c. AMOUNT OF SECURITY – PG&E AS AUCTIONEER OR ASSIGNOR ON BEHALF OF CTAs

(N)

Where applicable, the amount of security must be equal to at least sixty (60) days of PG&E's maximum potential liability to the pipeline.

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(N)

d. REDUCING SECURED CREDIT REQUIREMENTS

If a Customer later qualifies for unsecured credit with PG&E or Customer's creditworthiness requirement is otherwise reduced, PG&E may return the appropriate amount of security upon a Customer's request and/or upon review by PG&E.

C. BILLING AND PAYMENT TERMS

1. BILLING

PG&E will provide a Customer with a bill including, but not limited to, transportation, storage, parking, lending, balancing charges or non-compliance charges pursuant to gas Rule 14.

If PG&E, in its role as auctioneer/assignor on behalf of the CTAs, is held liable per a tariff provision and/or suffers a loss because of a default by an assignee, PG&E may recover the full amount of the remitting charges from those CTAs who have not accepted their allocated pipeline capacity.

(N)
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(N)

2. PAYMENT TERMS

A Customer shall make full payment to PG&E by the due date on PG&E's bill. The bill will be considered past due and a Customer in default if the bill is not paid in full within fifteen (15) days after the due date on the bill.

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GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS

- C. BILLING AND PAYMENT TERMS (Cont'd.) (T)
- 3. LATE PAYMENT (L)
 - a. Interest on any past due bill or portion of a past due bill shall accrue on a daily basis, beginning the day after any bill was due and payable and continuing until the day full payment of the past due bill or portion of a past due bill and all accrued interest thereon is received by PG&E. The applicable interest rate shall be equal to the interest rate on non-financial commercial paper (3-month) for the previous months as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.
 - b. If a bill issued to a Customer remains unpaid after fifteen (15) days, that Customer is in default and PG&E will issue a notice of payment default. If a bill issued to a Customer is still unpaid seven (7) days after the aforementioned notice of payment default is issued, PG&E may terminate that Customer's GTSA and/or exhibits to the GTSA, NBAA and/or exhibits to the NBAA or CTA Agreement and/or attachments to the CTA Agreement without any further notice. (N)
(N)
(D)
- 4. COLLECTION

PG&E will pursue normal collection activity with Customers for nonpayment of PG&E charges.
- 5. BILLING DISPUTES

Billing disputes will be resolved in accordance with the terms and conditions in a Customer's service agreement(s) or applicable exhibit(s) or attachment(s). (N)
- D. DEFAULT
 - 1. EVENTS OF DEFAULT

PG&E may declare an event of default under the following conditions and, if it elects to do so, may immediately terminate the defaulting Customer's agreements (GTSA, NBAA, CTA Agreement, and all exhibits or attachments thereto), and that Customer's right to conduct business with PG&E. Events of default include, but are not necessarily limited to: (N)
(N) (L)

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D. DEFAULT (Cont'd.)

1. EVENTS OF DEFAULT (Cont'd.)

- The Customer's bill remains unpaid, or is not paid in full, seven (7) days after the notice of payment default has been issued by PG&E;
- The Customer has filed a petition for bankruptcy protection;
- The Customer has failed to meet credit criteria set forth herein within the specified timeframe;
- The Customer has failed to return the gas borrowed from PG&E by the due date under a gas lend deal; or
- The Customer has failed to meet balancing account requirement.

(T) (L)
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(D) |
(D) |
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(N) |
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(N) |

2. REMEDIES FOR DEFAULT

Notwithstanding any other provision in PG&E's gas tariffs, including but not limited to G-BAL, the following remedies shall apply to events of default by a Customer, including but not limited to, the failure by a Customer to repay gas on the due date specified for such repayment, PG&E shall have the right to:

(N) |
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(N) |

- declare an early termination date on which all or some of the Customer's obligations under all or some agreements shall terminate;
- require that the Customer accelerate the performance of all the Customer's obligations under all agreements with PG&E;
- use, set off or draw on all security provided by the Customer; and
- sell Customer's gas on PG&E's system to satisfy the Customer's obligations.

(N) |
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(N) |
(D) |

(L)

(Continued)



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E. TERMINATION OF SERVICE

1. UPON TERMINATION OF A CUSTOMER'S GTSA, NBAA AND/OR CTA AGREEMENT AND EXHIBITS OR ATTACHMENTS:

- a. A Customer shall remain responsible for all charges incurred, even if such charges may be identified after the termination becomes effective.
- b. Notice of such termination will be sent to that Customer's last known address.
- c. All fees, charges and other obligations of that Customer to PG&E shall be immediately due and payable without further notice of demand, and in the event payment in full is not made immediately to PG&E, that Customer shall be subject to all applicable interest and other charges for late payments.

(L)
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(N)
(N)
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(L)

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- E. TERMINATION OF SERVICE (Cont'd.) (L)

 - 2. If, at the time of termination, a Customer has an outstanding balance on a PG&E account, any security held on that Customer's account shall be treated as a pre-payment and shall be applied to any unpaid balance without further notice.
 - 3. If collection efforts are required to recover unpaid account balances, a Customer will be liable for any costs, expenses and attorneys' fees incurred by PG&E as a result of such collection efforts. Payment by a Customer of all such costs, expenses and attorneys' fees will be a condition of future re-establishment of creditworthiness.
 - 4. If a Customer has a physical shortfall (e.g., imbalance or outstanding Market Center obligation) at the time of termination, any gas that Customer has on the PG&E system may, at PG&E's election, become the property of PG&E and be used by PG&E to offset that shortfall.

- F. REESTABLISHMENT OF CREDIT

 - 1. A Customer who previously has been a Customer of PG&E and whose service agreements or applicable exhibits or attachments have been terminated, completely or in part, shall be required to reestablish credit in accordance with Sections A. and B., herein. (N) (N) (N)
 - 2. In the event PG&E becomes aware of a material adverse change occurring to a Customer, or if a Customer pays bills after the due date, that Customer may be required to reestablish credit, or may have its credit line reduced or may be subject to establishing secured credit in accordance with Sections A. and B., herein. (N) (D) (N) (N) (N) (L)