July 17, 2000

ADVICE 2250-G

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (the Company) hereby submits for filing revisions to its gas tariffs. The affected tariff sheets are listed on the enclosed Attachment 1.

Decision (D.) 99-07-015 dated July 8, 1999, encouraged the Company and other parties to file a Comprehensive Settlement Agreement proposal in connection with Commission Rulemaking (R.) 98-01-011 to assess the market and regulatory framework of California's natural gas industry and to consider promising options for continued industry restructuring as applied to the Company's natural gas system. The decision identified key areas and goals for the focus of the proceeding. After prehearing conferences, submission of prepared testimony, and various motions and Commission rulings, the Company and the Settlement Parties[1] submitted a proposed Settlement Agreement to the Commission on January 28, 2000. All issues related to the Company were resolved through this Settlement, some of which require changes to the Company's tariffs. Settlement Agreement issues include:

1. Self-Balancing Services (Settlement Section 2.1),
2. Anonymous Imbalance Trading (Section 2.2.2),
3. Trading OFO Day Imbalance Rights (Section 2.2.3)
4. Unbundling of Core Storage (Section 2.5),
5. Electronic Intrastate Capacity Trading (Section 2.8), and
6. Billing Credits for Consolidated Billing by Core Transport Agents (Section 2.11)

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[1] PG&E, Aglet Consumer Alliance (Aglet); Association of Bay Area Governments Publicly Owned Energy Resources; California Cogeneration Council; California Industrial Group and California Manufacturers Association; California Utility Buyers JPA, a California joint powers authority; Calpine Corporation; Cellnet Data Systems, Inc.; City of Palo Alto; Coalition of California Utility Employees; Dynegy, Inc.; Enron North America and Enron Energy Services, Inc.; GreenMountain.com Company; Interstate Gas Services, Inc.; Northern California Generation Coalition; Northern California Power Agency; Office of Ratepayer Advocated (ORA); PanCanadian Energy Services Inc.; School Project for Utility Rate Reduction, a California joint powers authority; Southern Energy California, L.L.C.; Suncor, Inc.; The Utility Reform Network(TURN); United Energy Management, Inc.; TXU Energy Services; Western Hub Properties, LLC; and Wild Goose Storage, Inc., State of California Department of General Services.

Commission D. 00-05-049 dated May 18, 2000, approved the Settlement Agreement and ordered the Company to file an advice letter and tariffs to implement the Settlement Agreement within 60 days of the date of D. 00-05-049 (Section 1.7 of the Settlement Agreement. Advice 2250-G is made in conjunction with Advice 2251-G filed this date, which also complies with D. 00-05-049. Advice 2251-G addresses pilot programs for customer ownership of new meters and meter add-on devices. Advice 2250-G addresses all other issues that require tariff modifications.

Also, in accordance with Section 1.7 of the Settlement Agreement, the Company provided pro forma tariffs to the I. 99-07-003 parties on March 28, 2000. The Company also sent revised pro forma tariffs reflecting discussions with the parties on May 25 and June 23, 2000. Additionally, the Company hosted tariff workshops on April 10, June 13, June 30, and July 6, 2000, to obtain feedback from all parties on the tariff revisions required to comply with and implement the Settlement Agreement. The Company has incorporated many of the comments and suggestions of parties into the tariffs filed herein.

The specific provisions will be implemented on a schedule consistent with the Settlement Agreement. Estimated dates for implementing certain provisions once the tariffs are authorized are shown in Attachment 5.

1. SELF-BALANCING SERVICES

The Company's current tariffs provide that under Schedule G-BAL—*Gas Balancing Service for Intrastate Transportation Customers*, transportation customers are provided a monthly imbalance tolerance band of plus or minus 5 percent between usage and actual supply. The revised Schedule G-BAL and a new agreement form described below reflect the primary tariff changes to implement the Settlement Agreement provision for an additional option for daily "Self-Balancing". Gas Rule 14 also contains new provisions relevant to Self-Balancing.

Schedule G-BAL

Revised Schedule G-BAL includes the provisions for the Self-Balancing Option. This option allows for a daily imbalance tolerance band of plus or minus 10 percent between usage and supply, with a monthly imbalance tolerance band of plus or minus one percent of metered usage for noncore and wholesale customers within an Agent's Noncore Balancing Aggregation Agreement (NBAA) Group and Core Transport Groups.[2] Customers who select Self-Balancing also will be subject to an Accumulated Daily Imbalance which cannot exceed plus or minus one percent of the

[2] Subject to Operational Flow Orders (OFOs) or Emergency Flow Orders (EFOs). See Section 2.1.4 of the Settlement Agreement.

customer's Pre-Determined Monthly Usage (PDMU). The PDMU is based on the customer’s historical usage, adjusted for certain factors. Noncore customers electing this option must have meters that record their daily usage. Self-Balancing for Core Transport Groups will be based on a daily usage forecast. Customers participating in Self-Balancing will receive a credit of $0.0050 per decatherm times their actual monthly metered usage, which offsets the balancing costs included in the backbone transmission rates.

Self-Balancing elections are limited to 50 percent of the total storage balancing assets, and are made each February for a minimum one-year term effective April 1 through March 31. Other limitations and cash-out provisions apply, including a noncompliance charge of $1 per decatherm per day if the Accumulated Daily or Daily Imbalance tolerance band is exceeded. Noncompliance charges will be recorded in the Balancing Charge Account (BCA), as shown in Preliminary Statement, Part L.

Election for Self-Balancing Option (Self-Balancing Amendment) (Form 79-971)

The new form for Election for Self-Balancing Option provides that the holder of a Noncore Balancing Aggregation Agreement (NBAA) for noncore and wholesale customers or a Core Transport Agent (CTA) on behalf of Core Transport Group may utilize the Self-Balancing Option. Each NBAA or Core Transport group may choose one of two options: Monthly Balancing or Self-Balancing. The Self-Balancing Agreement has a term of either one or two years beginning on April 1 to coincide with the beginning of the annual storage season.

2. ANONYMOUS IMBALANCE TRADING

Currently, parties can trade monthly imbalances using the Company’s posting system. The Settlement Agreement adds an anonymous electronic trading system using the trading platform of an authorized Third-Party Service Provider (TPSP).[3] These provisions are set forth in Schedule G-BAL. The Company receives transaction fees from the TPSP, of which one-half are recorded as a credit to the BCA, as shown in Preliminary Statement, Part L. Anonymous imbalance trading transactions are also subject to applicable terms, conditions, and charges designated by the TPSPs.

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[3] The Company will contract with Altra Energy Technologies, Inc. (ALTRA) to provide anonymous imbalance trading, OFO imbalance rights trading and firm transmission capacity trading. The final contract will be provided to Settlement Parties subject to an OFO Imbalance Trading rights confidentiality agreement. The sole source agreement with ALTRA will terminate December 31, 2002, at which time other TPSPs may compete with ALTRA to provide such services. (See Settlement Agreement Sections 2.2 and 2.8 for details.)

3. TRADING OFO DAY IMBALANCE RIGHTS

Today, Operational Flow Order (OFO) tolerances are individually applied to each balancing group. The Settlement Agreement provides for trading of imbalance rights for each OFO day, which are based on a balancing group's imbalance position relative to the tolerance level for that OFO day. These trading provisions are reflected primarily in revisions to Rules 14 and 25, as described below. All transaction fees received by the Company from TPSPs associated with the trading of OFO imbalance rights shall be recorded as a credit to the BCA, as shown in Preliminary Statement, Part L.

Rule 14--Capacity Allocation and Constraint of Natural Gas

Rule 14--*Capacity Allocation and Constraint of Natural Gas*, Section E—Operational Flow Orders, sets forth conditions to implement OFO Imbalance Rights trading for those days in a month when system-wide OFOs are called. A customer may only trade OFO Imbalance Rights using the electronic trading platform of the TPSP.

Rule 25--Customer Creditworthiness and Payment Terms

In accordance with the Settlement Agreement, gas Rule 25--*Gas Services--Customer Creditworthiness and Payment Terms*, has a new Section A.1 for Credit for Transactions with TPSPs under Schedule G-BAL, and gas Rules 14 and new 21.2—*Customer Assignment of Intrastate Rights*.

4. UNBUNDLED CORE STORAGE

Currently, CTAs are allocated, and must maintain, inventory in the Company's storage facilities in proportion to the core load that they serve. Under the Settlement Agreement, CTAs now have the option to reject all or a portion of their storage allocations, subject to certain caps. New Schedule G-CFS—*Core Firm Storage*, revised Schedule G-CT—*Core Gas Aggregation Service*, modified Rule 23—*Gas Aggregation Service for Core Transport Customers*, the revised <u>Core Gas Aggregation Service Agreement</u> (Form 79-845), and new Attachment I to the CTA Agreement, all submitted herein, are the primary tariffs implementing the new unbundled storage provisions. Changes to the Preliminary Statement to implement unbundled core storage are described in a separate section below.

Schedule G-CFS--Core Firm Storage

New Schedule G-CFS provides rates and charges associated with core firm storage capacity assigned to CTAs by the Company under the provisions of the Settlement Agreement. Schedule G-CFS shows the monthly charge for assigned storage capacity. Schedule G-CFS also sets forth formulas for amounts of inventory gas to be transferred between CTAs and the Company's Core Procurement Department when storage quantities change, as well as the calculation of unit prices for storage gas sold or purchased by the CTA from the Core Procurement Department. The calculation of monthly storage rates for CTAs on Schedule G-CFS is shown in Attachment 2a.

Rate Changes –Core Firm Storage Unbundling

Storage costs are currently part of the transportation revenue requirement. As described in the Settlement Agreement, once core storage is unbundled, core storage costs allocated to the Company's core procurement service will be recovered as part of core procurement rates. A core storage rate component will be included in the monthly core procurement price that is filed for the first month in which core storage unbundling is implemented. Transportation rate changes to remove the core storage component from transportation rates will be made in conjunction with the core procurement monthly price filing. Calculations for illustrative procurement rate core storage components are shown in Attachment 2b. Illustrative resulting transportation rates are shown in Attachments 3 and 4.[4]

Schedule G-CT--Core Gas Aggregation Service

Revisions are being made to Schedule G-CT to implement core storage unbundling. In addition, changes regarding alternate resources for the CTA's Firm Winter Intrastate Capacity requirement have been added to Schedule G-CT. These changes are designed to synchronize the processing of storage and capacity elections and declarations.

Following are descriptions of changes to Schedule G-CT:

Core Firm Storage Allocations

In accordance with the Settlement Agreement, the current Core Storage Allocation section of Schedule G-CT is replaced by a new section, Core Firm Storage, which

[4] Unbundling of core storage results in a minor change to noncore transportation rates. These changes will be filed in a separate advice filing.

provides for allocation by the Company to CTAs of their pro rata share of the total annual core firm storage reservations. Schedule G-CT also has new sections on Injection and Withdrawal Schedules for Assigned Core Storage, Assigned Storage Payments, Annual Caps on Rejected Storage, and Mid-Year and Winter Storage Allocation Adjustments. Subject to the Annual Caps, CTAs have the flexibility to reject all or a portion of their annual allocation of storage in 10 percent increments, and adjust their annual storage election for increases and decreases in loads during the storage year.

Core Firm Storage Alternate Resources

In accordance with the Settlement Agreement, Schedule G-CT now provides that CTAs must certify that they have alternate resources to replace Company-offered assignment of storage withdrawal capacity that the CTA may choose to reject. CTAs must release and indemnify the Company from liability associated with rejected storage assets.

Rule 23--Gas Aggregation Service for Core Transport Customers

Section B.1 of Rule 23 contains credit requirements for CTAs accepting or assigning a storage allocation.

Core Gas Aggregation Service Agreement (Form 79-845)

The Core Gas Aggregation Service Agreement has been revised in accordance with the Settlement Agreement to reference revised Attachment D and new Attachments I and J, as described below.

Attachment D--Core Firm Storage Declarations

This attachment previously had been used for core storage allocations to CTAs. It has been revised to also allow for CTA rejection and acceptance of allocations.

Attachment I--Certification of Alternate Resources for Rejected Storage Withdrawal Capacity

New Attachment I provides that CTAs who have rejected all or a portion of their annual storage allocation must certify prior to each Winter Season month that they have Alternate Resources which meet the criteria established in Schedule G-CT, in amounts equal to rejected storage withdrawal capacity from the CTA Group's Initial or Mid-Year Storage Allocations.

Attachment J—Declaration of Alternate Winter Capacity

New Attachment J was previously designated as Form 79-943—*Declaration of Firm Intrastate Pipeline Capacity*, which was used by CTAs to declare holdings of firm winter capacity if they chose to reject winter allocations of capacity on the Redwood and Baja paths. Attachment J is essentially unchanged from Form 79-943, but has been made parallel to the new Attachment I to Form 79-845.

5. ELECTRONIC INTRASTATE CAPACITY TRADING

Today customers may trade firm capacity rights held on the Company's backbone transmission system, and may post their interest in trades using the Company's electronic bulletin board. The Settlement Agreement provides that a third party may offer, and the Company will facilitate, anonymous posting and electronic trading of such rights through the TPSP.[5] One-half of the fees received by the Company for this service will be recorded in the BCA, as shown under Preliminary Statement, Part L.

Rule 21.2—Customer Assignment of Intrastate Rights

New Rule 21.2—*Customer Assignment of Intrastate Rights,* provides that Customers may assign all or a portion of their capacity rights under <u>Gas Transmission Service Agreement</u> (GTSA) (Form 79-866) using an electronic transaction system provided by a Third Party Service Provider (TPSP).

6. BILLING CREDITS FOR CTA CONSOLIDATED BILLING

Currently, a CTA can elect to provide a single bill to a Core Transport Group customer for the CTA's procurement charges in addition to the Company's transportation charges. This billing option is known as CTA consolidated billing. Under the Settlement Agreement, customers of a CTA that provides CTA consolidated billing may be qualified to receive a monthly billing credit. These provisions are implemented in new Attachment K to the <u>Core Gas Aggregation Service Agreement</u> (Form No. 79-845) and new Schedule G-CRED--*Billing Credits for CTA-Consolidated Billing*, as described below.

Attachment K—Core Transport Agent Billing Agreement

New Attachment K is added to the <u>Core Gas Aggregation Service Agreement (Form 79-845)</u>. Upon executing and fulfilling the terms and conditions of Attachment K, the Company no longer will provide the information-only bill currently sent to customers.

[5] This service will be provided by ALTRA Until December 31, 2002.

In lieu of the information-only bill, CTAs are responsible for providing to their customers certain information formerly provided by the Company in the information-only bill. Under the terms of Attachment K, CTAs have the option of providing customers with a market-index commodity price or the Company's core procurement commodity price.

Schedule G-CRED--Billing Credits for CTA-Consolidated Billing

New Schedule G-CRED describes the avoided cost credit the Company will provide to a customer served by CTA-consolidated billing and the circumstances under which a customer can qualify for the credit.

OTHER REVISIONS

Preliminary Statement Revisions

In addition to the above-referenced schedule and rule changes, Preliminary Statement changes are as follows:

Part C--Accounting Terms and Definitions

Preliminary Statement Part C, Section C.2--Base Revenue Amounts, and Section C.10–Revenue Requirement, have been revised to shift the core storage revenue requirement and carrying costs on noncycled storage gas from the transportation revenue requirement to the procurement revenue requirement. Also included in section C.10 is a description of the new balancing account, Core Firm Storage Account.

Part F—Core Fixed Cost Account (CFCA)

The CFCA has been revised to remove the debit entry for the core portion of the recorded carrying cost on non-cycled storage gas. This entry has been moved to Preliminary Statement Part AG.

Part L--Balancing Charge Account (BCA)

The BCA has been revised to include credit entries for transaction fee revenues from authorized Third Party Service Providers (TPSPs), as described in Schedule G-BAL, and Rules 14 and 21.2. Also included is a credit entry for noncompliance charges under the Self-Balancing Option, as described in Schedule G-BAL.

Part AG--Core Firm Storage Account (CFSA)

New Preliminary Statement Part AG describes the purpose, applicability and accounting procedures for costs and revenues associated with firm storage capacity allocated to core customers as adopted in D. 00-05-049.

CLARIFICATION AND CONSISTENCY REVISIONS

Several changes have been made through the Company's gas tariffs to provide consistent language and treatment of various new provisions. Changes were also made to remove or replace obsolete references, naming, and language. The most significant of those changes are described below:

Schedule G-CT-- Core Gas Aggregation Service

References to use of paper forms by CTAs to inform the Company of changes in their customer mix have been removed from Schedule G-CT as obsolete. Also, references to the former Pacific Gas Transmission Company (PGT) are updated to PG&E Gas Transmission Company - Northwest (PG&E GT-NW).

Core Gas Aggregation Service Agreement (Form 79-845)

The Core Gas Aggregation Service Agreement was formerly entitled Core Transport Agent Request for Gas Aggregation Service. Changes have been made to reflect new and revised Attachments D, I, J and K as described above and to remove obsolete provisions and references.

ADDITIONAL COMPLIANCE ISSUES

D. 99-07-015, Ordering Paragraph 3, identified three specific issues for the Company to address in this advice filing. The following is the Company's response to these specific issues.

1. The detailed method for dealing with over-subscription for the Self-Balancing option shall be set forth. (Settlement Reference: Sections 2.1.3.5 and 2.1.4.1.)

   Response: The company will offer Self-Balancing during an annual election period on a first-come, first-served basis until customer elections reach 50% of the balancing storage, which is 1.1 Bcf of inventory, 25 MMcf/d of injection and 35 MMcf/d of withdrawal. Afterwards, new elections will be restricted until more balancing storage capacity is made available or the OFO Forum raises the limits. (See Schedule G-BAL sections on Limit of Self-Balancing Participation and Annual Self-Balancing Election Period.)

2. The detailed method for determining monthly usage of Core Procurement Groups as a baseline for measuring accumulated daily imbalances shall be set forth. (Settlement Reference: Sections 2.1.4.4 and 2.1.4.5.2.)

   Response: The Company will calculate and provide the Pre-determined Monthly Usage (PDMU) to each Core Procurement Group at least 5 days prior to the beginning of the month. The PDMU will be determined as a function of the sum of the actual usage of the End-Use Customers within the CP Group in the same month for the prior year, adjusted for certain factors, such as weather effects. (See Schedule G-BAL section on Daily Imbalance.)

3. The compliance filing shall specify compliance monitoring, cost responsibility, and enforcement measures. (Settlement Reference: Section 2.11.4.)

   Response: Eligible Core Transport Agents (CTAs) agree to notify customers that the Company will no longer provide an information-only bill, to present certain PG&E-provided information in customer bills, to include either a commodity market index price or the Company's procurement price as a benchmark, to provide the CPUC's Energy Division with bill samples semi-annually, and to cooperate in any audit. (See Form No. 79-845--Attachment K, Section 5, "Credits, Billing and Consumer Protection", Section 6, "Billing Information to be Provided by CTA", Section 17. "Audits" and Exhibit A, "Requisite Billing Information Sample.")

Approval and Effective Date

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

In accordance with Section 1.7 of the Settlement Agreement, the tariff changes filed in this advice letter shall be effective at such time as indicated in a Commission decision, resolution, or letter of approval. The Company requests that the Commission approve this filing effective **October 1, 2000**, or the first day of the month following approval if such approval is made after October 1, 2000.

Anyone wishing to protest this advice letter may do so by sending a letter within twenty (20) days after the date of this filing. Protests should be mailed to:

IMC Branch Chief
Energy Division

California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of Director, Energy Division, and Jerry Royer, Energy Division, at the address above. A copy of the protest should be sent by U.S. mail and via facsimile to:

Pacific Gas and Electric Company
Attention: Les Guliasi
Manager, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226

The protest shall set forth the grounds upon which it is based, and shall be submitted expeditiously. There is no restriction on who may file a protest.

In accordance with Section III, Paragraph G, of General Order 96-A, the Company is mailing copies of this advice letter to the utilities and interested parties shown on the attached OII Settlement Agreement service list and advice mailing list. For mailing list changes, please telephone Nelia Avendano at (415) 973-3529.

Vice President – Regulatory Relations

Attachments

cc: Service List (I. 99-07-003)--Gas Settlement Agreement OII

PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

2. BASE REVENUE AMOUNT: (Cont'd.)

Description	Amount ($000)				
		BCAP Base Revenue(1)			
	Total	Core	Noncore	Transmission and Storage(2)	
Authorized Operating Revenue (effective 1-1-2000)	1,270,522	880,697	45,277	344,548	
Less: Other Operating Revenues	(5,858)	(5,643)	(215)		
BASE REVENUE AMOUNT	$1,264,664	$875,054	$45,062	$344,548	
Distribution Marginal Costs(3)	(4,178)		(4,178)		
Rate Escalation Adjustment - Gas Accord 2000	26,217	3,469	457	22,291	
Credits:					
EOR Revenue	(25)	(23)	(2)		
Core Brokerage Fee	(5,508)	(5,497)	(11)		
Noncore Brokerage Fee	(259)	(40)	(219)		
Core Firm Storage (4)	(37,037) (I)	(37,037) (I)			(N)
Allocation Adjustments:					
G-10 Allocated Employee Discount	714	263	451		
CARE Administrative & General Expenses	(410)	(405)	(5)		
Total Base Revenue Requirement (with credits and adjustments)	$1,244,178 (R)	$835,784 (R)	$41,555	$366,839	(D)

(1) The BCAP Base Revenue includes Distribution and Public Purpose Program Base Revenue for core and noncore Customers, and Storage Base Revenue allocated to core Customers.

(2) The Transmission and Storage Base Revenue includes Storage Base Revenue Requirement allocated to load balancing and the Unbundled Storage Program.

(3) Amount represents a joint compromise adopted in Decision 98-06-073 for the distribution marginal cost revenues allocable to large distribution customers, to be absorbed by shareholders.

(4) Core firm storage revenue is shown as a credit to base revenue and collected as part of the procurement revenue requirement as authorized in Decision 00-05-049. (N)
(N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

10. REVENUE REQUIREMENT (Cont'd.)

c. The Transportation Revenue Requirement includes the core and noncore BCAP Base Revenue Amounts (with credits and adjustments)*, forecast expenses, and balancing account balances, with interest, as listed below. These amounts are recovered through distribution rates and the Customer Class Charge.

1) Base Revenue Amount (with credits and adjustments): This shall be the BCAP Base Revenue amount, with credits and allocation adjustments. See Section C.2 for details.

(L)
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|
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2) Natural Gas Vehicle (NGV) Expense: This shall be the total NGV expense, excluding procurement, expected to occur during the forecast period. (L)

(T)

3) California Alternate Rates for Energy (CARE) Expense: This shall be the total CARE expense expected to occur during the forecast period.

(T)

4) Customer Energy Efficiency Incentive Account (CEEIA) Expense: This shall be the total CEE expense expected to occur during the forecast period.

(T)

5) CPUC Reimbursement Fee Expense: This is the amount equal to the CPUC-adopted reimbursement rate, described in Preliminary Statement, Part O, multiplied by the total forecast period deliveries excluding interdepartmental, wholesale, interutility, and UEG deliveries. (T)

6) Core Fixed Cost Account (CFCA) Balance: This is the forecast revision date balance in the CFCA, described in Preliminary Statement, Part F, based on the latest recorded data available. The core portion of transition costs shall be recovered through the CFCA. (T)

7) Noncore Fixed Cost Account (NFCA) Balance: This is the forecast revision-date balance in the NFCA, described in Preliminary Statement, Part G, based on the latest recorded data available. (T)

8) Noncore Customer Class Charge Account (NCA) Balance: This is the forecast revision-date balance in the NCA, described in Preliminary Statement, Part J, based on the latest recorded data available. (T)

9) Enhanced Oil Recovery Account (EORA) Balance: This is the forecast revision-date balance in the EORA, described in Preliminary Statement, Part K, based on the latest recorded data available. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

10. REVENUE REQUIREMENT (Cont'd.)

c. Transportation Revenue Requirement (Cont'd.)

10) California Alternate Rates for Energy (CAREA) Balance: This is the forecast revision-date balance in the CAREA, described in Preliminary Statement, Part V, based on the latest recorded data available. (T)

11) Natural Gas Vehicle Balancing Account (NGVBA) Balance: This is the forecast revision-date balance in the NGVBA, described in Preliminary Statement, Part X, based on the latest recorded data available. (T)

12) Hazardous Substance Mechanism (HSM): This is the forecast revision-date balance in the HSM, as described in Preliminary Statement, Part AN, based on the latest recorded data available. (T)

13) Customer Energy Efficiency Incentive Account (CEEIA): This is the forecast revision-date balance in the CEEIA, as described in Preliminary Statement, Part Y, based on the latest recorded data available. (T)

14) Core Pipeline Demand Charge (CSPDC) Account: This is the forecast revision-date balance in the PGT Credit Subaccount and the Core Transport Interstate Transition Subaccount of the CPDC, as described in Preliminary Statement, Part AE, based on the latest recorded data available. (T)

15) Noncore Interstate Transition Cost Surcharge (ITCS) Account: This is the forecast revision date balance in the Noncore ITCS described in Preliminary Statement, Part AF, based on the latest recorded data noncore available. (T)

16) Noncore Brokerage Fee Balancing Account (NBFA): This is the forecast revision-date balance in the NBFA described in Preliminary Statement, Part I, based on the latest recorded data available. (T)

17) Core Brokerage Fee Balancing Account (CBFA): This is the forecast revision-date balance in the CBFA described in Preliminary Statement, Part U, based on the latest recorded data available. (T)

18) Cogeneration Distribution Shortfall Account (CDSA): This is the forecast revision-date balance in the CDSA described in Preliminary Statement, Part W based on the latest recorded data available. (T)

19) Franchise Fees and Uncollectible Accounts Expense (F&U): The amount to be added for F&U shall be determined by multiplying the sum of Sections C.10.a. through C.10.c.18, above, by the applicable F&U factor. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

10. REVENUE REQUIREMENT (Cont'd.)

d. Procurement Revenue Requirement includes the cost of gas from the Gas Supply Portfolio, pipeline capacity costs, intrastate transmission costs, the forecast revision-date balance in the Purchased Gas Account, the brokerage fee and core storage revenue requirements, plus F&U, as applicable. (T)

1) Procurement Cost of Gas (Sales Only): The Procurement Cost of Gas is determined by multiplying the forecast core and core subscription sales volume by the appropriate Weighted Average Cost of Gas (WACOG).

2) Procurement Cost of Gas (Shrinkage only): This cost-of-gas component shall be determined by multiplying the forecast shrinkage (LUAF & GDU) quantities for core procurement and core subscription customers by the weighted average cost of gas (WACOG). Customers who procure their own supplies are not responsible for this cost component; rather, they deliver shrinkage in-kind.

3) Pipeline Demand Charges: Pipeline Demand Charges include fixed demand and capacity charges from Canadian and FERC-regulated interstate pipelines.

4) Intrastate Transmission Charges: Intrastate Transmission Charges include capacity charges reserved for Core Portfolio customers on PG&E's Backbone Transmission System at the Modified Fixed Variable (MFV) tariff rate for core customers.

5) Carrying Cost on Non-Cycled Gas in Storage: The Carrying Cost on Non-Cycled Gas in Storage shall be determined by multiplying the forecast value of gas in storage during this forecast period, excluding gas owned by third parties, by the lower of: (1) (T) (L)
the current Banker's Acceptance Rate (top rated, three months), or (2) the current interest rate on three-month Commercial Paper, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

6) Carrying Cost on Cycled Gas in Storage: The Carrying Cost on Cycled Gas in Storage (L)
shall be determined by multiplying the forecast value of gas in storage during this forecast period, excluding gas owned by third parties, by the lower of: (1) the current (T)
Banker's Acceptance Rate (top rated, three months), or (2) the current interest rate on three-month Commercial Paper, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

7) Purchased Gas Account (PGA): The revenue requirement will include the forecast revision-date balance in the PGA, described in Preliminary Statement, Part D, based on the latest recorded data available. (T)

8) Core Pipeline Demand Charge Account (CPDCA): The revenue requirement will include the forecast revision-date balance in the Core Demand Charge Subaccount of the CPDCA, described in Preliminary Statement, Part AE, based on the latest recorded (T)
data available.

(Continued)

PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

10) Procurement Revenue Requirement (Cont'd.)

9) Core Firm Storage Account (CFSA): The revenue requirement will include the forecast revision-date balance in the CFSA, described in Preliminary Statement, Part AG, based on the latest recorded data available. (N) | (N)

10) Core Storage Revenue Requirement: This is the amount credited to the base revenue in C.10.c.1, above. (N) (N)

11) Brokerage Fee Revenue Requirement: This is the amount credited to the base revenue in C.10.c.1, above.

12) Franchise Fees and Uncollectible Accounts Expense (F&U): The amount to be added for F&U shall be determined by multiplying the sum of C.10.d.1 through C.10.d.9, above. (L) (T) (L) (T)

11. REVISION DATES: PG&E's application for the Biennial Cost Allocation Proceeding (BCAP) shall be filed based on a schedule set forth by the CPUC. PG&E's Procurement rate shall be updated monthly.

a. Core Procurement Rate Change

Per Decision 97-10-065, an advice filing to change core procurement rates will be filed monthly. The filing will update certain forecasted procurement costs and the amortization component of the procurement rate. PG&E will continue to provide a Weighted Average Cost of Gas (WACOG) forecast in its BCAP for ratemaking purposes.

b. Annual True-up of Balancing Accounts

Per Decision 95-12-053, an advice filing to change core and noncore transportation rates will be filed 45 days prior to the end of the first year of the BCAP and every twelve months thereafter until a new BCAP decision is rendered. The filing will update the amortization component of the transportation rate for all transportation-related balancing accounts.

To determine the change in the amortization component of transportation balancing accounts, PG&E will rely on the following:

1) A revenue requirement will be developed that compares an annual actual estimated balance (9 months recorded and 3 months estimated) to the expected revenue at present rates from the amortization components in BCAP Year 2 or the next twelve months. The amortization components for the transportation balancing accounts will then be changed to reflect additional over- or under-collections in the accounts over the next twelve months.

2) The new amortization components will be calculated by dividing the balancing account balances (based on 9 months recorded and 3 months estimated) by the adopted annual average BCAP throughput.

12. PIPELINE DEMAND CHARGE CREDITS

When PG&E brokers interstate capacity it will receive conditional credits from interstate pipelines which represent accrued revenues to the interstate pipelines from other parties who have acquired PG&E's brokered capacity. These credits may include other items such as reversed credits previously given to PG&E and late charges assessed per the interstate's FERC-approved tariffs.

(Continued)

PRELIMINARY STATEMENT
(Continued)

F. CORE FIXED COST ACCOUNT (CFCA) (Cont'd.)

6. ACCOUNTING PROCEDURE: (Cont'd.)

2) the revenues received from the sale of released core storage capacity.

c. A debit entry equal to:

1) the core portion of intervenor compensation payments authorized by the CPUC, recorded during the month; and (D)

(T)

2) the core annual average local transmission rate multiplied by the core local transmission usage during the month.

(T)

d. An entry equal to the balances transferred to or from this account as adopted in a Cost Allocation Proceeding or at other times, as ordered by the CPUC; and

e. A one time entry when the final 1999 GRC decision in A.97-12-020 becomes effective to reverse the amount recorded in entry F.6.a.3 above, with interest, and substitute it with the final adopted base revenue requirement, with interest, for the period from January 1, 1999, to the implementation date of the final GRC decision; and

f. An entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries F.6.a through F.6.e, above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

7. PG&E will maintain a Subaccount for informational purposes. This Subaccount will not be recorded on PG&E's financial statements as an asset or liability which is owed by or due to the ratepayers.

This Subaccount tracks the difference between revenues collected from core customers that have switched to noncore status on or after September 1, 1998, and the revenues they would have paid if billed at the otherwise-applicable core rate. Regulatory treatment of the balance in this account will be considered in the next Cost Allocation Proceeding. The CFCA balance includes this shortfall.

Entries will be made to this account each month as follows:

a. a debit entry equal to the revenue the customer would have paid had they still been on their core rate schedule, excluding the allowance for F&U; and

b. a credit entry equal to the revenue the customer actually paid, excluding the allowance for F&U.

PRELIMINARY STATEMENT
(Continued)

L. BALANCING CHARGE ACCOUNT (BCA)

1. PURPOSE: The purpose of the BCA is to record the revenue and cost associated with providing balancing service, including penalties and credits per Rule 14, a portion of transaction fee revenue from services offered by an authorized Third Party Service Provider (TPSP) as described in Schedule G-BAL, Rule 14, Rule 21.2, or as otherwise authorized by the CPUC. The balance in this account will be incorporated into core and noncore transportation rates as determined in PG&E's next Cost Allocation Proceeding. (N) | (N)

   Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C or in Rule 1.

2. APPLICABILITY: The BCA balance applies to all gas rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.

3. REVISION DATE: The revision date applicable to the BCA rate shall coincide with the revision date of the Cost Allocation Proceeding or at other times, as ordered by the CPUC.

4. FORECAST PERIOD: The forecast test period will be as specified in the Cost Allocation Proceeding.

5. BCA RATES: This account does not currently have a rate component.

6. ACCOUNTING PROCEDURE: PG&E shall maintain the BCA by making entries as follows:

   a. a debit entry equal to the cost of gas purchased under Schedule G-BAL as a result of over-deliveries (excluding transactions during the Schedule G-BAL Transition Period);

   b. a debit entry equal to the cost of gas purchased under a California Production Balancing Agreement (CPBA) as a result of overdeliveries;

   c. a debit entry equal to the cost of gas purchased by the transmission system to provide balancing service;

   d. a debit entry equal to the involuntary diversion credits to suppliers;

   e. a credit entry equal to revenues from the sale of gas commodity as a result of under-deliveries under Schedule G-BAL during the month (excluding transactions during the Schedule G-BAL transition period), excluding the allowance for Franchise Fees and Uncollectible Accounts Expense (F&U);

   f. a credit entry equal to the revenue from the sale of gas commodity as a result of underdeliveries under a CPBA, excluding the allowances for F&U;

(L)
|
|
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|
(L)

(D)

(Continued)

PRELIMINARY STATEMENT
(Continued)

L. BALANCING CHARGE ACCOUNT (BCA) (Cont'd.)

6. ACCOUNTING PROCEDURE: (Cont'd.)

g. a credit entry equal to EFO and OFO noncompliance charges, excluding the allowance for F&U, as described in Gas Rule 14;

(L)

h. a credit entry equal to Self-Balancing noncompliance charges, as described in Schedule G-BAL; (L) (T)

(N)

i. a credit entry equal to the involuntary diversion usage charges excluding the allowance for F&U; (N)

(T) (L)

j. transaction fees from Third Party Service Provider (TPSP): (T)

1) a credit entry equal to the transaction fees received from the TPSP for Electronic OFO Imbalance Rights Trading. OFO Imbalance Rights Trading is described in Gas Rule 14; (N)

2) a credit entry equal to one-half of the transaction fees received by PG&E from the TPSP for Anonymous Imbalance Trading. Anonymous Imbalance Trading via TPSP is described in Schedule G-BAL; and

3) A credit entry equal to one-half of the transaction fees received from the TPSP by PG&E for Intrastate Capacity Assignment. Intrastate Capacity Assignment via TPSP is described in Gas Rule 21.2.

(N)

k. an entry equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the entries L.6.a through L.6.j, above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13, or its successor. (T) (L) (T)

(L)

PRELIMINARY STATEMENT
(Continued)

AG. CORE FIRM STORAGE ACCOUNT (CFSA)

1. PURPOSE: The purpose of the CFSA is to record the costs and revenues associated with firm storage capacity allocated to core customers as adopted in Decision (D.) 00-05-049. The balance in this account will be incorporated into core procurement rates. (N)

   Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C or in Rule 1.

2. APPLICABILITY: The CFSA applies to all core procurement rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.

3. REVISION DATE: The revision date applicable to the CFSA rate shall coincide with the revision date of the Cost Allocation Proceeding or at other times, as ordered by the CPUC.

4. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding.

5. CFSA RATES: CFSA rates are included in the effective rates set forth in each gas procurement rate schedule (see Preliminary Statement, Part B), as applicable.

6. ACCOUNTING PROCEDURE: PG&E shall make the following entries to the CFSA at the end of each month or when applicable:

   a. a debit entry equal to one-twelfth of the portion of total core firm storage revenue requirement allocated to core procurement customers, plus the amount accepted by CTAs under the provisions of Schedule G-CFS, excluding the allowance for franchise fees and uncollectible (F&U) accounts expense. The portion allocated to core procurement customers includes the portion CTAs reject up to 1.674 Mdth;

   b. a debit entry equal to the core portion of the recorded carrying cost on non-cycled storage gas;

   c. a credit entry equal to the core firm storage revenue from core procurement customers for the month, excluding the allowance for F&U;

   d. a credit entry equal to the revenue from CTAs pursuant to Schedule G-CFS, excluding the allowance for F&U;

   e. a credit entry equal to the revenue received from the sale of released core storage capacity by PG&E's Core Procurement Department;

   f. an entry equal to the interest on the average of the balance in the account at the beginning of the month and the balance after entries 6.a. and 6.e., above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

(N)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS

APPLICABILITY: This rate schedule provides the terms and conditions pursuant to which PG&E will endeavor to balance volumes of gas it receives into its pipeline system with the volume it delivers to End-Use Customers and to Off-System Delivery Points. In addition, this schedule provides for balancing PG&E's Market Center volumes. Under this schedule, PG&E will calculate, maintain, and carry imbalances; provide incentives for Customers to avoid and minimize imbalances; facilitate elimination of imbalances; and cash out imbalances. Schedule G-BAL applies to PG&E's Core Procurement Department transactions on behalf of PG&E's core procurement Customers, and to all Customers taking services under Schedules G-CT (or other core rate schedule(s) where procurement service is provided by a third party), to Schedules G-NT, G-EG, G-COG, G-NGV4, G-WSL, G-AFT, G-SFT, G-NFT, G-AA, G-NAA, G-AFTOFF, G-AAOFF, G-NFTOFF, G-NAAOFF, G-PARK, G-LEND, and to procurement service provided by PG&E to Customers under Schedule G-CSP. (T)

Imbalances generally will be maintained at the delivery point.

(D)

This schedule is the default supply schedule for Noncore End-Use Customers who do not execute a Natural Gas Service Agreement (NGSA) (Form No. 79-756), pursuant to the terms of Schedules G-NT, G-COG or G-CSP.

TERRITORY: Schedule G-BAL applies everywhere PG&E provides natural gas service.

(L)

BALANCING AGGREGATION: Noncore End-Use Customers may elect to aggregate Cumulative Imbalances for multiple premises, or they may assign their balancing obligations to a Balancing Agent, as described below. If the Cumulative Imbalances are aggregated or assigned to a Balancing Agent, PG&E will aggregate individual Balancing Service accounts into a single Balancing Service account, with both the usage and the deliveries aggregated. A single Tolerance Band, as defined below, shall apply to the aggregated quantities.

BALANCING AGENT: The Balancing Agent is the party financially responsible for managing and clearing imbalances described in Schedule G-BAL. The Balancing Agent shall be responsible for all applicable balancing, capacity allocation and constraint obligations, charges, and credits related to gas service. The following are Balancing Agents: Core Transportation Agent (CTA), PG&E Core Procurement Department, Noncore Balancing Aggregation Agreement (NBAA) Agent, a Noncore End-Use Customer or Wholesale Customer that is not part of an NBAA. All Balancing Agents are subject to creditworthiness requirements. (N)

For deliveries to a Core Transportation Group, the CTA will be responsible for any imbalances. For deliveries to storage and to off-system points, the Customer holding the Gas Transmission Service Agreement (GTSA) (Form No. 79-866) will be responsible for imbalances.

For deliveries made to Noncore End-Use Customers, the Noncore End-Use Customer will be responsible for imbalances; however, Noncore End-Use Customers may designate a Balancing Agent to manage and assume responsibility for the Noncore End-Use Customer's obligations under this schedule. (N)

(D)

A Noncore End-Use Customer may change its Balancing Agent no more than once per month. (L)

(L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

BALANCING AGENT: (Cont'd.)

Noncore End-Use Customer designation of a Balancing Agent, changing of one Balancing Agent for another Balancing Agent, or terminating the services of a Balancing Agent, will take effect on the first day of the month following PG&E's receipt of an executed Noncore Balancing Aggregation Agreement (NBAA) (Form No. 79-869), or Exhibit A or Exhibit B of the NBAA. The request must be received by PG&E three (3) business days prior to the first day of the month the designation or change is to take effect. Requests that are not received by PG&E three (3) business days prior to the first day of the month will not take effect until the first day of the second month following such request. (T) (D)

For End-Use Customers whose imbalances were previously not handled under an NBAA, upon designating a Balancing Agent and executing an NBAA, any existing imbalances and/or adjustments to past imbalances will also become the responsibility of such Balancing Agent upon the effective date of the NBAA.

The Balancing Agent may nominate transportation deliveries to PG&E on behalf of the Customer, in accordance with the provisions of gas Rule 21. (T)

BALANCING OPTIONS:

PG&E will provide Balancing Service to accommodate any imbalances between Customer usage and gas delivered to PG&E for the Customer. Only one balancing option may apply to an individual End-Use Customer at any time. Monthly Balancing remains the default balancing option for any Balancing Agent who does not elect Self-Balancing. In accordance with gas Rule 21, all Balancing Agents must endeavor to ensure that daily gas deliveries match daily gas usage. (L) (N) (N) (T) (L)

MONTHLY BALANCING OPTION:

MONTHLY TOLERANCE BAND: (T)

The Monthly Tolerance Band is equal to plus or minus five percent (± 5%) of the usage in the month in which the imbalance occurred. PG&E will provide Monthly Balancing Service at no additional charge if the Balancing Agent's Cumulative Imbalance is less than or equal to the Tolerance Band limit. (T) (T)

If a Balancing Agent has a month-end imbalance that exceeds the Monthly Tolerance Band, this amount may be traded or will be cashed out as provided below. Unlike the Self-Balancing Option, there is no specific noncompliance charge for exceeding the balancing limit of the Monthly Tolerance Band. (N) (N)

If at any time the aggregate imbalance of all of PG&E's On-System Customers has exceeded plus or minus three percent (±3%) of that month's aggregate deliveries for any two (2) months in the preceding twelve (12) month period, PG&E may decrease the limit of the Tolerance Band by one percent (1%) after a minimum of thirty (30) days' notice to Customers. The Tolerance Band may not be adjusted more than once in any twelve (12) month period. The Tolerance Band may not be set below three percent (3%) without prior CPUC approval. (T) (T) (T)

DAILY USAGE MEASUREMENT:

For purposes of determining daily usage, Noncore End-Use Customers are required to have daily metering. Telemetering will be installed on Noncore End-Use Customers' meters, where PG&E determines that it is cost-effective. (L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

MONTHLY BALANCING OPTION: (Cont'd.)

CUMULATIVE IMBALANCE FOR NONCORE CUSTOMERS: (L)

A Balancing Agent's Cumulative Imbalance shall be the difference, for each calendar month, between metered usage (adjusted for shrinkage) and the actual monthly gas deliveries, plus any adjustments and tolerance carried forward from prior months. (T)

A Cumulative Imbalance quantity will be stated each month on the Cumulative Imbalance Statement. (L)

CUMULATIVE IMBALANCE FOR CORE PROCUREMENT GROUPS:

For a Core Procurement Group (which includes PG&E's Core Procurement Department and Core Transport Groups, as defined in Schedule G-CT (CP Group)), PG&E will determine the Cumulative Imbalance as follows:

PG&E will provide each CP Group with Core Load Forecasting and Determination Service, which will include 24-hour and 48-hour forecasts prior to the Gas Day. As part of this service, PG&E will also provide a Gas Day estimated usage (Determined Usage) for the CP Group. Determined Usage will be based on the historical usage of the CP Group's customer mix, adjusted for climatic and operational conditions.

For a CP Group, the Cumulative Imbalance shall be the difference, for each calendar month, between Determined Usage (adjusted for shrinkage) and the actual monthly gas deliveries plus any Operating Imbalance and tolerance carried forward from prior months.

OPERATING IMBALANCE FOR CORE PROCUREMENT GROUPS:

For CP Groups, each Core End-Use Customer's cycle billed usage will be divided by the number of days within the billing cycle, then weighted on a daily basis to match the daily fluctuations of the CP Group's Determined Usage within the same billing cycle (Daily Weighted Usage).

The Operating Imbalance for each CP Group is the difference between the sum of each day's Determined Usage within a calendar month and the sum of each day's Daily Weighted Usage for each of the Core End-Use Customers for that calendar month. The Operating Imbalance Carryover is the accumulation of untraded monthly Operating Imbalances plus prior month accounting adjustments.

Each month, PG&E will provide the CP Group with an Operating Imbalance Statement. That Operating Imbalance Statement will be processed within two (2) months following the processing of the Cumulative Imbalance Statement for the same month. The processing delay ensures that most of the billing cycle usage for the calendar month has been measured and billed. If a CP Group incurs a Cumulative Imbalance cashout and the subsequent Operating Imbalance indicates that the Group's deliveries more closely matched the Group's actual gas use, then PG&E will reverse the cashout to the extent applicable. (T)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

MONTHLY BALANCING OPTIONS: (Cont'd.)

CASHOUT FOR MONTHLY BALANCING: (L)

Monthly imbalances after trading is completed, which exceed the Monthly Tolerance Band are cashed out for both the commodity component and the transportation component. (N)

The Commodity Cashout for each month is based on the following four (4) imbalance categories: Over-deliveries and under-deliveries in the imbalance range of greater than five percent (5%) and less than or equal to ten percent (10%) of usage (Tier I Cashout), and over-deliveries and under-deliveries in the imbalance range of greater than ten percent (10%) of usage (Tier II Cashout). The amount of gas in each category is multiplied by the appropriate price as determined below to calculate the commodity cashout portion of the bill. (T) (L) (T) (T) (N) (L) (N)

The Transportation Cashout for each month is based only on the under or over-delivery greater than five percent (5%). This amount is multiplied by the appropriate transportation cashout price as determined below to calculate the transportation cashout portion of the bill. In the case of an overdelivery, this will be a credit. (N)

SELF-BALANCING OPTION:

The Self-Balancing option requires daily balancing within specified limits. To participate in Self-Balancing, the Balancing Agent must have an NBAA or CP Group.

To elect Self-Balancing, the Balancing Agent must sign a Self-Balancing Amendment (Form No. 79-971) and the NBAA or CTA agreement will be subject to the terms of Self-Balancing for the period identified in the Amendment.

SELF-BALANCING CREDIT:

The Self-Balancing option allows a Balancing Agent to receive a credit. The Self-Balancing credit is $0.0050 per decatherm multiplied by the actual recorded monthly usage. Credits will be provided to the Balancing Agent on a monthly basis, subject to adjustments.

LIMIT ON SELF-BALANCING PARTICIPATION:

When a Balancing Agent elects Self-Balancing, their share of the balancing storage assets will be assigned to and marketed through PG&E's at-risk unbundled storage program. The amount of storage assets allocated to PG&E's at-risk unbundled storage program is based on the Balancing Agent's End-Use Customer's annual average usage as a percentage of PG&E's average annual system usage. PG&E will allow the election of Self-Balancing until the storage balancing assets of 1.1 Bcf of inventory, 25 MMcf per day of injection and 35 MMcf per day of withdrawal are reached. If these limits are reached, PG&E will restrict further elections for Self-Balancing until capacity is made available or the OFO Forum raises the limits. (N)

(L)
(L)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

SELF-BALANCING OPTION: (Cont'd.)

DAILY IMBALANCE LIMITS FOR SELF-BALANCING: (N)

A Balancing Agent electing Self-Balancing will be subject to two (2) imbalance limits each day:

1. The Daily Imbalance cannot exceed plus or minus ten percent (±10%) of that day's metered usage for noncore or 24-hour forecast usage for core, except on OFO or EFO days. On OFO or EFO days the applicable OFO or EFO tolerance band and noncompliance charge will apply.

2. A Balancing Agent must also maintain an Accumulated Daily Imbalance less than, or equal to, plus or minus one percent (±1%) of the Pre-Determined Monthly Usage for that month.

The Pre-Determined Monthly Usage (PDMU) for noncore End-Use Customers will be equal to the Monthly Contract Quantity specified in the Exhibit B of their NGSA. PG&E will provide the Self-Balancing CTA with a PDMU at least 5 days prior to the first of each month. The PDMU for CP Groups will be determined by PG&E as a function of the sum of the actual usage of the End-Use Customers within the CP Group in the same month of the prior year. Adjustments may be applied for missing usage information for the prior year, mid-month starts and stops of service by the Balancing Agent, and for weather effects.

SELF-BALANCING NONCOMPLIANCE CHARGES:

Self-Balancing Noncompliance charges will be calculated as the sum of the following:

1. Daily Noncompliance Charge: For each non-OFO or non-EFO day, a noncompliance charge equal to $1.00 per decatherm for the portion of the daily imbalance that exceeds plus or minus ten percent (±10%) of the daily metered usage for noncore or 24-hour forecast usage for core per day. On OFO or EFO days the corresponding tolerance band and OFO or EFO charge will apply.

2. Accumulated Daily Imbalance Noncompliance Charge: For each day, including OFO and EFO days, a noncompliance charge equal to $1.00 per decatherm per day for each day when the Accumulated Daily Imbalance exceeds plus or minus one percent (±1%) of the Pre-Determined Monthly Usage. (See gas Rule 14 for possible exemptions from noncompliance charges on OFO days.) (N)

(L)

(L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

SELF-BALANCING OPTION: (Cont'd.)

ANNUAL SELF-BALANCING ELECTION PERIOD: (N)

A Balancing Agent may elect the Self-Balancing option annually in February. The election is effective for a minimum term of one year that begins on April 1, and ending on the following March 31. Election requests for Self-Balancing will be accepted on a first-come, first-served basis. A Balancing Agent may not combine Self-Balancing and Monthly Balancing Customers in a single group.

CHANGES TO A BALANCING GROUP AFTER THE ELECTION PERIOD:

Circumstances may arise which would require the release of an End-Use Customer from a Self-Balancing Group during the year. PG&E will agree to changes that result from, but are not limited to, the following: failure of the business, change in core or noncore status, change of ownership, End-Use Customer changing Balancing Agents, and the termination of a Natural Gas Service Agreement, CTA Agreement, or NBAA. A Balancing Agent may not elect to move End-Use Customers from their Self-Balancing group to their Monthly Balancing group after the election period has ended nor may a Balancing Agent add a customer from their Monthly Balancing group to their Self-Balancing Group. End-Use Customers may be added to an Agent's Self-Balancing group if the End-Use Customer is not currently served by that same Agent under Monthly Balancing. All additions or deletions to a Self-Balancing group after the Election Period has ended must be agreed to by PG&E prior to the effective date of the change.

REQUIREMENT FOR DAILY USAGE RECORDING GAS METERS:

Noncore End-Use Customers must have a minimum of one daily usage recording meter prior to the Annual Self-Balancing Election period. The cost of adding daily usage recording devices and/or data access is the responsibility of the customer. Noncore End-Use Customers who add daily usage recording devices after the election period will be allowed to convert to Self-Balancing during the next election period, if capacity is available. (See Limitations on Self-Balancing.) Meters with a capacity less than 100 Dth per day at a customer premises with large hourly recording meters are exempted from the hourly recording requirement. The average daily usage of these meters will be included in the daily calculations. (N)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

SELF-BALANCING OPTION: (Cont'd.)

MEASUREMENT OF DAILY USAGE AND IMBALANCES: (N)

Balancing Agents will be responsible for tracking their own daily imbalance position. PG&E will not provide notice to a Balancing Agent if their imbalances are exceeding the daily tolerance levels. The daily usage for Noncore End-Use Customers who qualify for the Daily Usage Recording Device Exemption, specified above, will be based on the sum of the average daily use plus any actual daily recorded usage. Average daily usage is equal to the monthly recorded usage divided by the number of days within the month. Daily usage for all other noncore End-Use Customers will be based on the actual recorded volumes. If the daily usage recording device fails, average daily use will be used for those days where daily-recorded use is unavailable or missing.

Daily usage for CP Groups will be based on a forecast of their customers' gas usage, as provided by PG&E. For CP Groups with an annual demand less than three percent (3%) of the total core market's annual demand, daily usage will be determined using the first 24-hour forecast available each day. For CP Groups with an annual demand greater than or equal to three percent (3%) of the total core market, daily usage will be determined using an end of the gas day forecast. For any CP Group electing Self-Balancing, the applicable daily usage forecast will also be used to calculate its monthly Cumulative Imbalance. If the annual demand of any CP Group participating in Self-Balancing exceeds ten percent (10%) of the total core market annual demand, then the largest CP Group(s) will have their daily usage determined based on the end of the gas day forecast, such that the sum of the demands for the remaining Self-Balancing CP Groups continuing to use the 24-hour forecast does not exceed the ten percent (10%) limit.

CUMULATIVE IMBALANCE FOR SELF-BALANCING NONCORE CUSTOMERS:

A Balancing Agent's Cumulative Imbalance under the Self-Balancing option is the same as under the Monthly Balancing Option, and is the difference, for each calendar month, between metered usage (adjusted for shrinkage) and the actual monthly gas deliveries plus any adjustments and tolerance carried forward from a prior month.

A Cumulative Imbalance quantity will be stated each month on the Cumulative Imbalance Statement.

CUMULATIVE IMBALANCE FOR SELF-BALANCING CP GROUPS:

The Cumulative Imbalance for a CP Group that elects the Self-Balancing option shall be the difference between the sum of each day's 24-hour Core Load Forecast and the actual monthly gas deliveries including any Operating Imbalance or tolerance carried forward from a prior month. (N)

(L)

(L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

SELF-BALANCING OPTION: (Cont'd.)

OPERATING IMBALANCE FOR SELF-BALANCING CP GROUPS: (N)

The Operating Imbalance for each CP Group that elects the Self-Balancing option shall be the difference between the sum of each day's 24-hour Core Load Forecast and the sum of each day's Daily Weighted Usage of the Core End-Use Customers included in that CP Group for that calendar month.

CASHOUT FOR SELF-BALANCING:

For those balancing groups subject to Self-Balancing, any gas imbalances remaining after the imbalance trading period that are in excess of plus or minus one percent (±1%) of the Pre-Determined Monthly Usage will be cashed out for both the commodity component and the transportation component. The commodity cashout is at the appropriate Tier II Cashout price as determined below. Any remaining gas imbalances within the tolerance band (±1%) will be included in Accumulated Daily (L) Imbalance calculated for the first day of the month following trading period. The (L) transportation cashout is at the appropriate price as determined below. (N)

IMBALANCE TRADING:

A Balancing Agent may trade its Cumulative or Operating Imbalances with another Balancing Agent that has a Cumulative or Operating Imbalance from the same statement period. (L)

Executing an Imbalance trade consists of both parties to the trade completing an Imbalance Trading Form for Schedule G-BAL Service (Form No. 79-762), or electronic equivalent, and submitting the form to PG&E.

IMBALANCE TRADING CRITERIA: (N)

Each Cumulative Imbalance trade must meet at least one of the following criteria:

1. The trade moves the trading party's Cumulative Imbalance towards zero; and/or (T)
2. The trade results in a Cumulative Imbalance that is within the range of plus or minus three percent (3%) of usage past zero. (T)

The following table sets forth the range of acceptable Cumulative Imbalance trades. Imbalances are described as a percentage of usage. Each trade will be deemed to have a Beginning Imbalance (the imbalance, positive or negative, existing immediately prior to the trade) and an Ending Imbalance (the imbalance, positive or negative, resulting from the trade).

If Beginning Imbalance is:	Ending Imbalance must be:
Greater than -3% (in the negative direction)	Between the Beginning Imbalance and +3%
Equal to or between –3% and +3%	Equal to or between -3% and +3%
Greater than +3% (in the positive direction)	Between -3% and the Beginning Imbalance

(L)

Each Operating Imbalance trade must move the CP Groups' Operating Imbalance Carryover toward zero.

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

IMBALANCE TRADING: (Cont'd.)

IMBALANCE TRADING PERIOD: (N) (L)

PG&E will issue Cumulative Imbalance statements no later than the fifteenth (15) day of the first subsequent month following the month in which the Cumulative Imbalance occurred. PG&E will issue Operating Imbalance Statements no later than the fifteenth (15) day of the second subsequent month following the month in which the Cumulative Imbalance Statement for the same period was issued. Thereafter, Balancing Agents may trade all or a portion of their Cumulative and/or Operating Imbalance quantity by executing an imbalance trade by 5:00 p.m. Pacific Time on the closing date for New York Mercantile Exchange (NYMEX) Henry Hub Gas Futures contracts for the following month. If necessary, PG&E will extend the Cumulative and Operating Imbalance trading deadline beyond the NYMEX close date to ensure that the trading period lasts a minimum of five (5) business days.

TRADING IMBALANCES USING STORAGE ACCOUNTS:

During the imbalance Trading Period, Balancing Agents may manage both Cumulative and Operating Imbalances by trading into or out of storage accounts at on-system storage facilities via the PG&E trading system or the electronic trading system provided by an authorized Third Party Service Provider (TPSP). Customer enters into a business relationship with a TPSP on a voluntary basis. The owner of the storage account is not required to purchase storage injection or storage withdrawal capacity from PG&E to effect an imbalance trade.

The owner of the storage account must have, at the time of the trade, the inventory capacity to accept a trade into storage or the gas in inventory to trade out of storage. A CTA that uses its core storage account for managing Cumulative or Operating Imbalances must adhere to the end-of-month inventory target levels, as specified in Schedule G-CT. Owners of a third-party storage account must provide documentation of their inventory capacity or gas in inventory. Subject to system load balancing and/or operational constraints, Balancing Agents may trade as much of their Cumulative and/or Operating Imbalance quantity as their storage inventory/capacity allows. (L)

Storage trades performed via the TPSP system will be subject to the following: (N)

1. If a trade exceeds the inventory capacity to accept a trade into storage or the gas in inventory to trade out of storage, the owner of the storage account shall be charged a Park or Lend Charge. This charge will be at the maximum rate allowed per Schedule G-PARK and G-LEND.
2. The storage holder must unpark or repay the imbalance amount within 30 days.
3. After 30 days, the imbalance amount will be cashed out at the maximum Commodity Cashout prices for the applicable Monthly or Self-Balancing Option. This is in addition to any Park or Lend charges. (N)

For the purpose of accepting trades into or out of storage, PG&E will review its pipeline operations and will establish an Imbalance Trade Operating Band (OP BAND) prior to the Imbalance Trading Period. PG&E, prior to the beginning of the Imbalance Trading Period, will electronically post the OP BAND. PG&E will accept Cumulative and/or Operating Imbalance trades, using storage accounts, on a first-come, first-served basis, during the Imbalance Trading Period, within the OP BAND. Cumulative and/or Operating Imbalance trades not accepted because of the limit from the OP BAND will be retained and processed at a later time within the current Imbalance Trading Period, if trades from the Customers allow room in the OP BAND, unless the trade is canceled by the Customer or the Imbalance Trading Period closes. (L) (T) (L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

IMBALANCE TRADING: (Cont'd.)

Usage Charges specified in Schedule G-FS, or any negotiated Usage Charges under Schedule G-NFS, will apply to trades into or out of a PG&E storage account. (T) (L)

MANAGING REMAINING IMBALANCES AFTER TRADING: (N)

After the imbalance trading deadline, any remaining Cumulative Imbalance, within the Tolerance Band, and any Operating Imbalance Carryover, as specified below, will be considered the first transaction during the calendar month following the just-completed trading period. Any remaining Cumulative Imbalance in excess of the Tolerance Band will be automatically cashed out. Cashouts will include a Commodity Cashout component and a Transmission Cashout component. (L)

After the imbalance trading deadline, any remaining Operating Imbalance will be managed as follows:

1. The Operating Imbalance remaining after trading will be added to the Operating Imbalance Carryover.
2. One-twelfth (1/12) of the Operating Imbalance Carryover will be considered part of the first transaction for the CP Group during the calendar month following the just completed trading period.
3. A CP Group may also make a monthly election to clear its entire Operating Imbalance Carryover if it is less than 5,000 Dth. This will be considered the first transaction during the calendar month following PG&E's receipt of written notification, and will set the Operating Imbalance Carryover to zero. (L)

ANONYMOUS IMBALANCE TRADING: (N)

Cumulative and Operating Imbalances may be traded anonymously via an electronic trading system. Anonym ous trades will be subject to applicable terms, conditions, and charges designated by the authorized TPSP. The TPSP may charge a subscription fee for its entire services, including PG&E related trading services, but shall also allow Customers to subscribe to a PG&E-only trading service. The TPSP shall charge subscription and transaction fees for PG&E-only trading services subject to the following fee caps:

1. The transaction fee per entity shall not exceed $0.02 per Dth per transaction.
2. The subscription fee for PG&E-only related trading services shall not exceed $250 per month. These services include: Imbalance Trading, OFO Imbalance Rights Trading, and Capacity Assignment.

TPSP shall offer and price PG&E-only related trading services on a nondiscriminatory basis. PG&E will have no liability to any customer or any other party regarding acts or omissions of the TPSP or its terms and conditions. Trading limitations will include individual credit limits and gas syste m operating limitations. A written request to release credit limit information to the TPSP must be provided to PG&E ten (10) business days prior to use of TPSP trading services. The TPSP may provide additional credit at its discretion. (N)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

CASHOUT PRICING:

COMMODITY CASHOUT PRICING: (L)

Each commodity cashout price is based on a two-step calculation: First, a cashout index is determined based on an average of the published price data from Natural Gas Intelligence (NGI) and the BTU Daily Gas Wire for the PG&E interconnect points of Malin (Northern California Border) and Topock (Southern California Border). Second, that index is adjusted to arrive at the cashout price for that imbalance category.

Tier I Commodity Cashout – Imbalances greater than five percent (5%) and less than or equal to ten percent (10%) of usage: (T) (T)

1. Over-deliveries:

   a. The Weighted Over Delivery (WOD) Index equals the lower of the Bid Week monthly index price or the average of the five (5) lowest average published daily prices, weighted by the supply mix of all gas received at Malin and Topock for on-system End-Use Customers during the month in which the imbalance occurred. (T)

   b. The cashout price equals seventy-five percent (75%) of the WOD Index.

2. Under-deliveries:

   a. The Weighted Under Delivery (WUD) Index equals the higher of the Bid Week monthly index price or the average of the five highest average published daily prices, weighted by the supply mix of all gas received at Malin and Topock for on-system End-Use Customers during the month in which the imbalance occurred. (T)

   b. The cashout price equals one hundred twenty-five percent (125%) of the WUD Index.

Tier II Commodity Cashout – Imbalances greater than ten percent (10%) of usage: (T)

1. Over-deliveries:

   a. The Over Delivery (OD) Index equals the lowest average published daily price at either Malin or Topock. (T)

   b. The cashout price equals fifty percent (50%) of the OD Index.

2. Under-deliveries:

   a. The Under-Delivery (UD) Index is defined as the highest average published daily price at either Malin or Topock. (T) (L)

   b. The cashout price equals one hundred fifty percent (150%) of the UD Index. (L)

(L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

CASHOUT PRICING: (Cont'd.)

If no published daily price is reported on a given day, the prior published daily price from that index service will continue to apply for that day. If an index service is no longer available, PG&E reserves the right to choose another nationally recognized index to replace it. (L)

TRANSPORTATION CASHOUT PRICING: (N)

The Transportation Cashout price for under-deliveries is based on the Usage Charge as specified in Schedule G-AA. Over-deliveries will receive a transmission credit based on the Modified Fixed Variable (MFV) Usage Charge as specified in Schedule G-AFT. The Transportation Cashout price or credit is determined by weighting the path specific rates by the supply mix percentages of all gas received by PG&E, for on-system End-Use Customers, during the month. (T) (T) (T)

MARKET CENTER IMBALANCES:

A Customer may have a positive or negative balance when a Market Center account expires. This balance becomes a Market Center Imbalance after the end date specified on the Market Center Exhibit.

Negative Imbalances:

For a Customer with a negative imbalance ranging from 1 Dth to 1,000 Dth, after thirty (30) calendar days from the termination of the exhibit resulting from Customer's under-delivery of gas to the Market Center, automatic cashout will occur.

For a Customer with an imbalance greater than 1,000 Dth, the Customer shall have thirty (30) calendar days resulting from Customer's under-delivery of gas to the Market Center to clear the imbalance as follows:

1. Customer shall reach agreement with PG&E to make up such imbalance in-kind during a specified period and at a specific rate; or
2. Customer shall reimburse PG&E at the rate of one hundred fifty percent (150%) of the Under-Delivery Index, defined as the highest average published daily price at the same Market Center location specified in the Exhibit for the same time period. (T)

If the Customer fails to establish the terms of resolving the Market Center Imbalance within the thirty (30) day period:

1. PG&E shall charge the Customer the maximum daily rate, as specified in Schedule G-LEND, for each day of the Market Center imbalance; and
2. Customer shall reimburse PG&E at the rate of one hundred fifty percent (150%) of the Under-Delivery Index, defined as the highest average published daily price at the same Market Center location specified in the Exhibit for the same time period. (T)

Positive Imbalances:

If a Customer has a positive imbalance ranging from 1 Dth to 1,000 Dth, after thirty (30) calendar days from the termination of the exhibit resulting from Customer's over-delivery of gas to the Market Center automatic cashout will occur. (L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

MARKET CENTER IMBALANCES: (Cont'd.)

If a Customer has an imbalance greater than 1,000 Dth, the Customer shall have thirty (30) calendar days after the termination of the exhibit resulting from Customer's over-delivery of gas to the Market Center to clear the imbalance as follows: (L)

1. Customer shall reach agreement with PG&E to use up such imbalance in-kind during a specified period and at a specific rate; or

2. Customer shall be reimbursed by PG&E at the rate of fifty percent (50%) of the lowest monthly Over-Delivery Index, at the same Market Center location specified in the Exhibit for the same time period. (T)

If the Customer fails to establish the terms of resolving the Market Center Imbalance within the twenty (20) day period:

1. PG&E shall charge the Customer the maximum daily rate for each day of the Market Center imbalance specified in Schedule G-PARK; and

2. The Customer's imbalance shall be cashed out by PG&E at the rate of fifty percent (50%) of the lowest monthly Over-Delivery Index at the same Market Center location specified in the Exhibit for the same time period. (T)

TRANSMISSION CUSTOMER IMBALANCE:

Transmission Customer Imbalance can occur for gas delivered to Off-System Delivery Points or On-System Storage Facilities, and is defined as the difference between the final scheduled volume on the day of flow at the PG&E system Receipt Point, and the quantity of gas which was actually delivered at the receipt point.

A Transmission Customer Imbalance may be made up in-kind at a later date as agreed upon between the Customer on whose contract the imbalance occurs and PG&E. If no agreement can be reached by the end of the month following the month in which PG&E sends notification of the imbalance to the Customer, then PG&E shall resolve the imbalance in the following manner:

1. For positive imbalances, PG&E shall cashout the entire positive imbalance quantity at the lowest daily commodity price at Malin or Topock, as published in Gas Daily, during the month in which the imbalance occurred.

2. For negative imbalances, PG&E shall account for the entire negative imbalance quantity as the first transaction during the second calendar month following the date of notification of the imbalance. (L)

(Continued)

SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS
(Continued)

ACCOUNTING ADJUSTMENTS: If subsequent accounting adjustments change a previous Cumulative or Operating Imbalance, then: (L)

1. If any portion of the adjusted quantity was previously subject to an imbalance cashout, the adjusted portion of the cashout will be reversed.

2. For noncore Cumulative Imbalances, any remaining adjustment quantity will be considered the first transaction during the calendar month following the date of notification of the adjustment, and reported on the Cumulative Imbalance Statement, unless otherwise agreed to by PG&E.

3. For Core Procurement Groups, adjustment quantities will be included in the Operating Imbalance Carryover.

CURTAILMENT OF SERVICE: Service under this schedule may be curtailed. Details are provided in gas Rule 14. (T)

TERMINATION: Upon termination of a Customer's GTSA, NGSA, NBAA, CTA Agreement, and/or CPBA, any remaining Cumulative Imbalance and/or Operating Imbalance Carryover must be traded, toward zero, during the first Imbalance Trading Period following notice of termination. Following the Trading Period, any remaining Cumulative Imbalance will be cashed out at the applicable Commodity and/or Transmission Cashout prices shown above, and any remaining Operating Imbalance Carryover will be cashed out at the Tier I Commodity Cashout price. (L)

(Continued)

SCHEDULE G-CFS—CORE FIRM STORAGE

APPLICABILITY: This rate schedule provides the rates and charges associated with core firm storage capacity (Assigned Storage) assigned to Core Transport Agents (CTAs), pursuant to the core firm storage provisions of Schedule G-CT authorized under Decision 00-05-049. (N)

This schedule also provides the methodology for determining the quantity of gas inventory that may be sold to or purchased from a CTA by PG&E's Core Procurement Department, as amounts of Assigned Storage change during the Storage Year. In addition, this schedule describes the calculation of the prices to be paid when such gas inventory is transferred.

The CTA may also take storage service under Schedule(s), G-FS, G-NFS and/or G-NAS* in conjunction with service under this rate schedule.

TERRITORY: Schedule G-CFS applies everywhere PG&E provides natural gas service.

ASSIGNED STORAGE MONTHLY CHARGE: CTAs holding an assignment of core firm storage (Assigned Storage), pursuant to the provisions of Schedule G-CT, will be billed each month based upon the amount of Assigned Storage held for the current month. The monthly charge is calculated by multiplying the applicable monthly rate, shown below, by the inventory quantity associated with CTA's Assigned Storage for that month.

	Rate (per dth/month)
January 2000 through December 2000	$0.1027
January 2001 through December 2001	$0.1052
January 2002 through December 2002	$0.1078
January 2003 through March 2003	$0.1105

QUANTITIES OF GAS TO BE SOLD OR PURCHASED WITH STORAGE TRANSFERS: When a CTA's Assigned Storage increases during a Storage Year and core firm storage capacity is transferred from PG&E's Core Procurement Department to the CTA pursuant to Schedule G-CT and an executed Attachment D – Core Firm Storage Declarations (Form 79-845, Attachment D), a quantity of gas in storage will be sold by PG&E's Core Procurement Department to the CTA, unless otherwise agreed by the CTA and PG&E. The quantity of gas to be sold will equal the minimum gas inventory required for the increased storage by Schedule G-CT at the time of the transfer. The month-end minimum specified for the month of the storage capacity transfer will apply. Prior to the transfer, PG&E will bill CTA for the gas to be transferred, at the price described below. The transfer of gas will occur upon payment by the CTA to PG&E.

When a CTA's Assigned Storage decreases during a Storage Year, and core firm storage capacity is transferred from the CTA to PG&E's Core Procurement Department pursuant to Schedule G-CT and an executed Attachment D, a quantity of gas in storage will be sold by the CTA to PG&E's Core Procurement Department, unless otherwise agreed by the CTA and PG&E. The quantity of gas to be sold will be proportionate to the actual amount in the CTA's Assigned Storage at the end of the month prior to the transfer. PG&E will pay the CTA for the transfer of gas at the price described below. The transfer of gas will occur upon payment by PG&E to the CTA.

* The tariffs referred to in this schedule are part of PG&E's gas tariffs. Copies are available on PG&E's website at www.pge.com or at local offices. (N)

(Continued)

SCHEDULE G-CFS—CORE FIRM STORAGE
(Continued)

PRICE FOR STORAGE GAS SOLD OR PURCHASED BY CTA:

For storage gas transferred between a CTA and PG&E's Core Procurement Department as described above, the unit price will be determined as follows. The price will equal the sum of the weighted average core procurement (Schedule G-CP) prices for the months of April through October (as described in a), below) times a weighting of each month's price by a factor (as described in b), below). The weighting of each month's price is based on an expected injection schedule for storage injections by the Core Procurement Department. (N)

(a) Each month's weighted average G-CP price shall be the sum of 70% times the filed monthly G-CP price for residential customers, plus 30% times the filed monthly G-CP price for G-NR1 customers.

(b) Before being summed, these monthly weighted average G-CP prices will be further weighted as follows: April – 19%, May – 18%, June – 15%, July – 14%, August – 13%, September – 11%, October – 10%. (N)

SCHEDULE G-CT—CORE GAS AGGREGATION SERVICE (T)

APPLICABILITY: This schedule applies to transportation of natural gas for Core End-Use Customers (as defined in Rule 1*) ("Customer") who aggregate their gas volumes and who obtain natural gas supply service from parties other than PG&E. The provisions of Schedule G-CT apply to Core End-Use Customers and to the party who supplies them with natural gas and provides or obtains services necessary to deliver such gas to PG&E's Distribution System. Rule 23 also sets forth terms and conditions applicable to Core Gas Aggregation Service. (T)

A group of Core End-Use Customers who aggregate their gas volumes shall comprise a Core Transport Group (Group). The minimum aggregate gas volume for a Group is 12,000 decatherms per year. The Customer must designate a Core Transport Agent (CTA), who is responsible for providing gas aggregation services to Customers in the Group as described herein and in Rule 23. Aggregation of multiple loads at a single facility or aggregation of loads at multiple facilities shall not change the otherwise-applicable rate schedule for a specific facility. Customers electing service under this schedule must request such service for one hundred (100) percent of the core load served by the meter. Schedule G-CT must be taken in conjunction with a core rate schedule. (T) (T)

Core volumes are eligible for service under this schedule, whether or not noncore volumes are also delivered to the same premises. However, core volumes cannot be aggregated with noncore volumes in order to meet the minimum therm requirement for noncore service. Service to core volumes associated with noncore volumes under this schedule applies to all core volumes on the noncore premises.

CTAs, on behalf of a Group, may receive service on PG&E's Backbone Transmission System by utilizing Schedules G-AFT, G-SFT, G-AA, G-NFT, or G-NAA.

TERRITORY: This schedule applies everywhere PG&E provides natural gas service.

RATES: Customers taking service under Schedule G-CT will receive and pay for service under their otherwise-applicable core rate schedule in addition to the rate shown below, except that Customers who procure their own gas supply will not pay the Procurement Charge specified on their otherwise-applicable core rate schedule.

	Per Therm
PG&E GT-NW Rate Credit	$0.00000

Pursuant to Schedule G-SUR, Customers will be subject to a franchise fee surcharge for gas volumes purchased from parties other than PG&E and transported by PG&E. Customers will also be responsible for any applicable costs, taxes and/or fees incurred by PG&E in receiving gas to be delivered to such Customers.

See Preliminary Statement, Part B for the Default Tariff Rate Components.

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* The rules referred to in this schedule are part of PG&E's gas tariffs. Copies are available at local offices.

(Continued)

SHRINKAGE:	Transportation volumes will be subject to a shrinkage allowance in accordance with Rule 21.
CURTAILMENT OF SERVICE:	Service on this schedule may be curtailed. See Rule 14 for details.
SERVICE AGREEMENT:	Before PG&E will provide gas aggregation service under this schedule to a CTA, the CTA and PG&E shall execute a Core Gas Aggregation Service Agreement (Form 79-845) (CTA Agreement). (T)
CUSTOMER SIGN-UP PROCESS:	The CTA may use one of the two methods specified below for transmitting requests (Customer Authorizations) to PG&E in order to sign up new Customers for Core Gas Aggregation Service, or for switching a Customer from one CTA to another CTA. (D)

Electronic Sign-Up: The CTA shall transmit notice of Customer Authorizations to PG&E using the electronic format acceptable to PG&E. (T)

The CTA may obtain a Customer's Authorization in the same manner set forth for requesting changes in an aggregator or supplier of electric service as specified in Public Utilities Code Section 366.5, including third-party verification where required, and aggregator or supplier liability for the violation of verification procedures (Third-Party Verification Option). Under this option, PG&E shall have no responsibility for verifying the Customer's or CTA's manner of complying with the provisions of Public Utilities Code Section 366.5.

If the Customer Authorization is subject to third-party verification, the CTA shall not (T) electronically submit notice of the Customer's Authorization to PG&E until three (3) (T) business days after the third-party verification, as specified in Public Utilities Code Section 366.5, subdivisions (a) for commercial Customers, or (b) residential Customers, has been performed. In addition to any other right to revoke an offer, a Customer has until midnight of the third (3rd) business day after the day on which the third party verification occurred to cancel a Customer Authorization. A Customer must provide written notice to the CTA at the address specified in their CTA Agreement. If such notice is given by mail, cancellation is effective when the notice is deposited in the mail and it has been properly addressed with postage prepaid. Cancellation by the Customer is effective if it indicates the intention of the Customer not to be bound by the contract. It is the responsibility of the CTA to ensure that all cancellation requests made by Customers are honored, in accordance with Public Utilities Code Section 395. This provides gas Customers with the same cancellation rights that are specified in Public Utilities Code Sections 395 and 396 for electric Customers.

If a Customer cancels its Customer Authorization pursuant to Public Utilities Code Section 395, a Customer Authorization shall not be submitted for that Customer. If a Customer Authorization has already been submitted, the CTA shall, within twenty-four (24) hours, direct PG&E to cancel the Customer Authorization. (T)

(Continued)

CUSTOMER SIGN-UP PROCESS (Cont'd.):

The CTA can also obtain a Customer Authorization by having the Customer sign a copy of the Customer Authorization for Core Gas Aggregation Service (Form No. 79-845, Attachment A), or by signing a form provided by the CTA (CTA Form). The CTA Form must include all of the terms and conditions specified in Attachment A. If the CTA has the Customer sign a CTA Form or a copy of the Attachment A, the CTA shall retain the Customer Authorization for three (3) years and shall provide the original Customer Authorization within three (3) business days of PG&E's request. PG&E reserves the right to review the language in the CTA Form, to ensure it conforms with the language in Attachment A.

After a Customer signs a copy of a CTA Form or the Attachment A, the CTA may electronically submit notice of the Customer's Authorization to PG&E immediately upon the Customer's signing. Third-party verifications are not necessary if the Customer's signature is obtained. (T) (T)

(D)
|
|
|
|
(D)

Paper copies of a signed CTA Form or an Attachment A will not be accepted by PG&E for processing. (T) (D)

In accordance with the provisions of gas Rule 3, PG&E may reject any notice of Customer Authorization if the information provided is false, incomplete, or inaccurate in any material respect. (T)

PG&E will accept Customer Authorizations for processing on a first-come, first-served basis. Each Customer Authorization shall be time stamped by PG&E. In the event that more than one Customer Authorization is submitted for a service account, the first valid Customer Authorization for that account will be processed and subsequent requests will be denied until the switch to the pending CTA occurs.

For those Customer Authorizations received, and accepted by PG&E on or before the fifteenth (15th) day of any calendar month, Core Gas Aggregation Service will begin no later than the next calendar month's meter reading date for the service account(s) specified on the Customer Authorization. For Customer Authorizations received after the first (1st) of any calendar month, PG&E shall not be under any obligation to offer to the CTA, for the following month of service, interstate pipeline capacity, intrastate pipeline capacity, or Canadian capacity to serve the accounts specified on such Authorizations. However, PG&E will attempt to include pipeline capacities to service such accounts in PG&E's pipeline capacity offers to CTAs, provided that it causes no delay in the offer of such capacity by the fifteenth (15th) day of the applicable calendar month.

By agreement of all participants, PG&E, the CTA, and the Customer may implement a different beginning date for the service requested in a Customer Authorization. No later than five (5) business days before the beginning date of service for a Customer under a Customer Authorization, PG&E shall send Customer usage data to the new CTA. Such data shall be for the past twelve (12) months, or if such data is not available, for the time it is available.

(Continued)

TERM: The initial term (length) of service under a Customer Authorization will be twelve (12) consecutive months from the effective service date. Service shall continue month to month thereafter, regardless of the provisions or terms of any agreement between the Customer and the CTA.

TERMINATION OF CUSTOMER AUTHORIZATION: After the expiration of the initial twelve (12) month term, a Customer Authorization may be terminated as specified below:

1. The Customer or the CTA submits to PG&E a notice to terminate the Customer Authorization. Such notice will be referred to as the "Customer Termination"). If the CTA submits the Customer Termination electronically, the CTA is obligated to notify the Customer of such termination. For Customers requesting the CTA to terminate service, the CTA shall submit the Customer Termination to PG&E within ten (10) working days of receiving the Customer's Termination request. For Customer Terminations received and accepted by PG&E on or before the fifteenth (15^{th}) day of a calendar month, PG&E shall terminate Core Gas Aggregation Service to the Customer on the next month's meter reading date. PG&E shall provide procurement service, as specified in the applicable rate schedule, unless the Customer switches to a new CTA as described below. (T) (T)

   All requests and terminations from the CTA must be submitted using the electronic format acceptable to PG&E, unless otherwise agreed to by PG&E. (T)

2. The Customer directly contacts the CTA or PG&E to request to terminate the Customer Authorization and return to PG&E procurement service, as specified in the applicable rate schedule. Such contact may occur prior to the end of the initial twelve (12) month term but the resulting Customer Termination will not become effective until the initial twelve (12) month term has been completed. If the Customer contacts PG&E on or before the fifteenth (15^{th}) day of any calendar month, Core Gas Aggregation Service will terminate and PG&E will provide procurement service, as specified in the applicable rate schedule, to the Customer no later than the next month's meter reading date for the specified account(s), unless a later month's meter reading date is specified by the Customer. For Customers requesting the CTA to terminate service, the CTA shall submit to PG&E within ten (10) working days the Customer Termination.

3. A CTA, other than the CTA currently serving the Customer, submits a Customer Authorization to PG&E requesting that the Customer begin service with the new CTA. If accepted by PG&E, the Customer Authorization will terminate service from the previous CTA and begin service with the new CTA on the same date. The effective date will follow switching rules as stated above. Such Customer Authorizations will not become effective until the initial twelve (12) month term of the existing Customer Authorization has expired, or the existing Customer Authorization has been terminated by other means specified herein.

(Continued)

TERMINATION OF CUSTOMER AUTHORIZA-TION (Cont'd.):

At any time, a Customer Authorization may be terminated under the following conditions:

1. The CTA terminates service to the Customer for failure to pay for services provided by the CTA and notifies PG&E, by submitting notice of the termination to PG&E in the electronic format acceptable to PG&E. Upon termination, the Customer will receive PG&E procurement service as specified in the applicable rate schedule. For Customer Terminations received, and accepted by PG&E on or before the fifteenth (15^{th}) day of any calendar month, PG&E procurement service, as specified in the applicable rate schedule, will begin for the specified Customer no later than the next calendar month's meter reading date for the service account specified on the Customer Termination. After June 30, 1999, all requests to terminate service must be submitted in the electronic format acceptable to PG&E, unless otherwise agreed to by PG&E. (D)

2. The Customer no longer receives PG&E service at the meter location specified by the Customer Authorization. In such event, the Customer Authorization for any given account will automatically terminate as of the date the Customer's PG&E gas account is closed. In the event a Customer wishes to obtain Core Gas Aggregation Service or switch to another CTA under a different account, the Customer and CTA must follow Methods 1 or 2 above to implement a new Customer Authorization.

3. A Customer eligible for noncore service chooses to become a noncore Customer. In such event, the Customer Authorization for the specified account will terminate on the date that noncore service begins.

4. The CTA and the Customer mutually agree to terminate service prior to the initial 12-month term by communicating the termination request to PG&E using one of the following methods: (D)

a) The CTA notifies PG&E by submitting a termination notice to PG&E in the electronic format acceptable to PG&E, or

b) The Customer may directly contact PG&E to request termination. PG&E will accept such a termination request only if the CTA has previously submitted an Authorization For Early Termination (Form 79-845, Attachment H) to PG&E.

(Continued)

SCHEDULE G-CT—CORE GAS AGGREGATION SERVICE
(Continued)

 (T)

TERMINATION OF CUSTOMER AUTHORIZA-TION (Cont'd.):

A CTA Agreement, and all Customer Authorizations for Customers receiving service from the CTA in accordance with that CTA Agreement, shall terminate, regardless of whether the initial twelve (12) month term of a Customer Authorization has expired, if any of the following occur:

1. The CTA goes out of business.

2. PG&E cancels the applicable CTA Agreement due to: a) the CTA's failure to pay PG&E in accordance with its tariffs for services rendered to the CTA or, b) for otherwise failing to comply with the terms of Gas Rule 23 or the CTA Agreement or, c) the CTA's failure to comply with the Firm Winter Capacity Requirement. (T)

3. If a Group's Annual Contract Quantity (ACQ) drops below 12,000 decatherms, the Customer Authorization for each Customer will be terminated, without further notice, effective for each account, as of the next calendar month's meter reading date. When all Customer Authorizations have been terminated the applicable CTA Agreement is canceled automatically. Under paragraphs 2, 3, and 4 above, PG&E will thereafter send written notice of cancellation of the CTA Agreement and all affected Customer Authorizations to the CTA and all affected Customers to the extent practicable, but in no event shall any failure to provide, or a delay in providing, such notice to customers affect PG&E's rights to cancel said CTA Agreement.

If a Customer Authorization is terminated and the Customer continues to receive service at the meter location, the Customer will receive PG&E procurement service as specified in the applicable rate schedule. PG&E may recall capacity, in PG&E's sole discretion, if such capacity is necessary to serve the returning Customer(s); provided, however that PG&E shall not recall such capacity unless and until the aggregated net change due to Customer Terminations exceeds the lower of ten percent (10%) of the CTA's prior effective DCQ or 100 decatherms per day. (T)

The CTA shall remain responsible for any charges due for PG&E service provided under the CTA Agreement prior to its cancellation, whether or not such charges are billed after such cancellation.

The Customer shall remain responsible for any charges due for PG&E service provided under the Customer Authorization prior to its termination, whether or not such charges are billed after such termination.

CONTRACT QUANTITIES:

PG&E will process new Authorizations on a monthly basis. For each new Authorization, PG&E shall determine the Annual Contract Quantity (ACQ) for each Customer's account. The ACQ will be based on the Customer's monthly historical gas use.

For each month, PG&E will determine the Group's January Capacity Factor. The Group's January Capacity Factor is the ratio of the sum of each Customer's historical January usage to PG&E's core forecasted January throughput, as adopted in PG&E's latest Cost Allocation Proceeding (CAP). PG&E will notify the CTA of the Group's ACQ, the January Capacity Factor for each calendar month by the fifteenth (15th) day of the prior month. (T)

PG&E's forecasted January throughput: ....42,926,000 decatherms

(Continued)

OPTIONAL ASSIGNMENT OF FIRM PG&E GT-NW PIPELINE CAPACITY:

Each month, the CTA will be offered an assignment of a pro rata share of the firm interstate capacity contracted for and held by PG&E for its core Customers on the PG&E Gas Transmission – Northwest (PG&E GT-NW) pipeline, as described below. The amount of interstate capacity made available to the CTA will be the Group's January Capacity Factor times the firm interstate capacity reserved for PG&E's core Customers. The term of the capacity assignment will be one month. The CTA may accept any or all of the offered capacity assignment at the rate stated herein.
PG&E GT-NW capacity will be offered at firm rolled-in (i.e., system average) Kingsgate to Malin rates, plus applicable surcharges. (T)

The firm interstate capacity reserved for PG&E's core Customers is:

PG&E GT-NW (at Malin, Oregon).................609,968 Dth/d (T)

For each month, the CTA shall execute an Optional Assignment to Core Transport Agent of Firm PG&E GT-NW Pipeline Capacity (Optional PG&E GT-NW Capacity Assignment) (Form 79-845, Attachment C) in order to exercise any preferential right to an assignment of the offered capacity for the following calendar month. The CTA shall be required to confirm the volume of its monthly preference to PG&E within 5 days of notification from PG&E of such right. Failure to execute the Optional PG&E GT-NW Capacity Assignment by PG&E's stated deadline will result in the CTA losing preferential right to the capacity for that month. Once the capacity assignment is confirmed by the CTA, the assignment cannot be changed.

The CTA must meet creditworthiness requirements of the interstate pipeline prior to PG&E approval of the Optional PG&E GT-NW Capacity Assignment. The CTA shall assume full responsibility for paying the applicable interstate pipeline charges for any interstate capacity assigned to the CTA on behalf of Customers of the Group, and shall make such payment directly to the applicable interstate pipeline, in accordance with pipeline tariffs approved by the Federal Energy Regulatory Commission (FERC).

OPTIONAL ASSIGNMENT OF FIRM CANADIAN CAPACITY:

Each month, to the extent it is available, the CTA will be offered an assignment of a share of firm capacity contracted for and held by PG&E for its core Customers on Alberta Natural Gas Company LTD (ANG) and associated capacity on NOVA, an Alberta Corporation (NOVA), (together, referred to as Canadian Capacity). The CTA will have a preferential right to Canadian Capacity when exercising a preferential right to PG&E GT-NW capacity in the same month. Only the incremental pro rata portion of PG&E's Canadian Capacity available above the matching point, as defined below, will be offered to the CTA. The CTA may accept any or all of the offered Canadian Capacity, in proportional quantities of ANG and NOVA. The Canadian Capacity will be offered at the full as-billed rate. The term of the Canadian Capacity assignment will be one month.

(Continued)

OPTIONAL ASSIGNMENT OF FIRM CANADIAN CAPACITY: (Cont'd.)

The matching point is defined as the point where the amount of firm interstate capacity PG&E has contracted for and holds for its core Customers on PG&E GT-NW, less the amount made available to CTAs on behalf of Customers in their Groups, can accommodate the amount of capacity PG&E has contracted for and has available on ANG and NOVA pipelines for its core customers. The matching point calculation will be done assuming the maximum tariff fuel and line loss percentage rate, adjusted for any current Fuel and Line Loss Surcharge Percentage, on PG&E GT-NW and ANG. Canadian Capacity will not be offered to CTAs under this provision for months in which the matching point is not reached.

The amount of Canadian Capacity offered to the CTA each month is proportionate to the amount of PG&E GT-NW capacity offered to the CTA. The initial Canadian Capacity allocation is the ratio of PG&E GT-NW capacity offered to the CTA to the total amount of PG&E GT-NW capacity offered to all CTAs, multiplied by the amount of Canadian Capacity that is available for all CTAs for that month. Acceptance of ANG and NOVA components of Canadian Capacity must be made in the same proportion as it is offered.

After the initial offering each month, Canadian Capacity made available to the CTA, but not accepted, will be offered, upon request, to those CTAs that fully exercise their preferential right to the initial offering. If requests for additional capacity are in excess of the available capacity, the capacity will be offered pro rata based on the CTA's share of offered PG&E GT-NW capacity.

For each month, the CTA shall execute an Optional Assignment to Core Transport Agent of Firm Canadian Pipeline Capacity (Optional Canadian Capacity Assignment) (Form 79-845, Attachment G) in order to exercise any preferential right to an assignment of the offered capacity for the following calendar month. The CTA shall be required to confirm to PG&E the volume of its monthly preference within 5 days of notification from PG&E of such right. Failure to execute the Optional Canadian Capacity Assignment by PG&E's stated deadline will result in the CTA losing preferential right to the capacity for that month.

If CTAs do not exercise their preferential right to firm Canadian capacity offered to them, PG&E may offer and broker this capacity to other shippers up to the duration of PG&E's contracts with ANG and NOVA on a firm or as-available basis. Capacity brokered in this manner in any month will be deducted from the amount available to all CTAs.

The CTA shall assume full responsibility for paying the applicable pipeline charges for any Canadian Capacity assigned to the CTA on behalf of Customers of the Group, and shall make such payment directly to the applicable pipeline, in accordance with approved pipeline tariffs.

(Continued)

SCHEDULE G-CT—CORE GAS AGGREGATION SERVICE (T)
(Continued)

FIRM INTRASTATE PIPELINE CAPACITY:

Each month, PG&E will offer to the CTA a pro rata share of the firm intrastate capacity PG&E has reserved for its core Customers, by path, as specified below:

Months	Core Reservation of Firm Intrastate Transmission Pipeline Capacity
March and November	
Baja to On-System	310 Mdth/d
Redwood to On-System	609 Mdth/d
December, January and February	
Baja to On-System	619 Mdth/d
Redwood to On-System	609 Mdth/d
April - October	
Baja to On-System	155 Mdth/d
Redwood to On-System	609 Mdth/d

This intrastate capacity will be offered to the CTAs at the rates specified for Core Procurement Groups in Schedule G-AFT. CTAs must execute a Gas Transmission Service Agreement (GTSA) (Form No. 79-866) and associated exhibits in order to exercise a preferential right to this intrastate capacity. In addition, CTAs, at their option, may execute a GTSA and associated exhibits for additional intrastate transmission pipeline capacity, which will not be offered at the rates specified for Core Procurement Groups in Schedule G-AFT.

The amount of intrastate capacity offered to each CTA for each path, will be equal to the total of the Group's January Capacity Factor times the amount of firm intrastate transmission pipeline capacity PG&E has reserved for its Core End-Use Customers, by path and month, as specified below. PG&E will notify the CTA of the firm capacity offer for each month by the fifteenth (15th) day of the preceding month. The CTA shall be required to confirm the volume of its monthly preference to PG&E within five (N)
(5) days notification from PG&E of such right. (N)

FIRM WINTER CAPACITY REQUIREMENT:

As a condition of a CTA providing gas aggregation services to Customers in a Group, during the Winter Season, November 1 through March 31, CTAs are required to meet the Firm Winter Capacity Requirement as specified below. The Firm Winter Capacity Requirement requires that the CTA contract for firm intrastate transmission pipeline capacity or firm PG&E storage capacity and withdrawal rights equal to the Group's pro rata share of firm intrastate transmission pipeline capacity PG&E has reserved for Core End-Use Customers, excluding the California on-system reservation (Silverado to On-System Path).

The CTA may satisfy such Firm Winter Capacity Requirement in any combination of the following:

1. Under the terms of Schedules G-SFT or G-AFT, contract with PG&E for all or part of the CTA's path-specific proportionate share of firm intrastate transmission pipeline capacity PG&E has reserved for Core End-Use Customers.

2. Contract with a party other than PG&E for guaranteed use of that party's firm intrastate transmission pipeline capacity or for guaranteed use of that party's firm PG&E storage capacity and withdrawal rights in conjunction with Schedules G-AA or G-NAA. (L)–(L)

(Continued)

FIRM WINTER REQUIREMENT CAPACITY: (Cont'd.)

3. Contract with PG&E for firm intrastate transmission pipeline capacity or firm storage capacity and withdrawal rights in conjunction with Schedules G-AA or G-NAA. (N)

Capacity held to satisfy core firm storage requirements, described below, may not simultaneously be used to satisfy the Firm Winter Capacity requirement. (N)

Should the CTA exercise Option 2 or 3 above, to satisfy the Firm Winter Capacity requirements for any winter month, the CTA shall be required to submit, within five (5) days of notification, an executed Declaration of Alternate Winter Capacity (Form No. 79-845, Attachment J). (T)

If a CTA has fulfilled this Firm Winter Capacity Requirement and has incurred no instances of non-compliance with an Emergency Flow Order (EFO) and no more than on (1) such instance with and Operation Flow Order (OFO) as specified in Rule 14 for a two-year period, the CTA will no longer be required to meet this Firm Winter Capacity Requirement.

CORE FIRM STORAGE:

PG&E will, from time to time, determine for each CTA an annual core firm storage allocation consisting of core firm inventory capacity and associated injection and withdrawal capacity. An Initial Storage Allocation will be provided and adjusted by Mid-Year Storage Allocations and Winter Season Storage Allocation Adjustments, as described below. These storage allocations are a pro rata share of PG&E's total core firm storage capacity reservation and are calculated as also described below. (N)

In February of each year (or during the 2000-2001 storage year, pursuant to the provisions of Partial Year Implementation below), PG&E will calculate each CTA's Initial Storage Allocation based upon the number of customers expected to be part of each CTA's Group in April of that year. Prior to March 1, or as provided for in Partial Year Implementation, each CTA will be given the option to reject a percentage of its Initial Storage Allocation, up to 100 percent (100%), for the upcoming storage year of April 1 through March 31 (Storage Year). A CTA's failure to reject its Initial Storage Allocation by March 1 shall be deemed an acceptance thereof.

Each CTA's assigned core firm storage capacity (Assigned Storage) shall be the sum of its Initial Storage Allocation, to the extent accepted, plus modifications due to Mid-Year Storage Allocations and Winter Season Storage Allocation Adjustments, plus any capacity that may be reassigned to a CTA pursuant to the reallocation process, triggered if the Annual Cap on rejected amounts is exceeded. Assigned Storage will be provided under the terms of Schedule G-CFS.

Each CTA will be required to execute and shall be subject to the terms and conditions of a Core Firm Storage Declarations (Form No. 79-845, Attachment D) with PG&E, for its Assigned Storage. The rejected percentage shall also be specified in Attachment D. In the event the CTA rejects a portion of its Initial Storage Allocation, it must do so in an increment of 10 percent (10%), (e.g., 10%, 20%, 30%, and so forth) up to 100%. For storage allocation amounts rejected, the CTA must certify Alternate Resources for each Winter month in amounts equivalent to the rejected withdrawal capacity, as more fully set forth in this rate schedule. Gas in storage, for core reliability, including gas stored using the Assigned Storage, may not be subject to encumbrances of any kind. (N)

(Continued)

CORE FIRM STORAGE: (Cont'd.)

PG&E's determination of core firm storage capacity for each CTA Group will be based on the sum of the historical Winter Season gas usage for the Group, unless otherwise agreed upon. (N)

PG&E's total core storage capacity reservations, by subfunction, are:

Annual Inventory	33,478 Mdth	(C)
Average Daily Injection	157 Mdth/day	|
Average Daily Withdrawal	1,111 Mdth/day	(C)

To determine each CTA's allocation, PG&E will calculate the ratio of the CTA Group's Winter Season Usage to PG&E's total core Winter Season forecast throughput, as adopted in the latest CPUC Cost Allocation Proceeding (CAP). The ratio, expressed as a percentage, is then applied to each of the above referenced subfunction volumes of PG&E's total core storage capacity reservations. (T)

PG&E's total adopted core Winter Season throughput, adopted in the 1998 BCAP D.98-06-073, is: 163,933,000 decatherms (T)

INJECTION AND WITHDRAWAL SCHEDULES FOR ASSIGNED STORAGE:

The Winter Season (Withdrawal Period) is defined as November 1 to March 31. The Summer Season (Injection Period) is defined as April 1 to October 31. (T)

For Assigned Storage, the CTA must meet the storage injection and withdrawal targets as set forth below. (T)

Date	Injection Period Month-End Minimum Inventory Target Level
By June 30	Injection Capacity x 91 days x 80%
By August 31	Injection Capacity x 153 days x 90%
By September 30	Injection Capacity x 183 days x 95%
By October 31	Injection Capacity x 214 days x 95%

If a CTA fails to nominate and inject gas into Assigned Storage to meet the October 31 month-end minimum inventory target level, gas to meet the inventory target will be considered the first gas received by PG&E for delivery to the CTA's Group in the following month, unless otherwise agreed upon. If the CTA has elected the Self Balancing option provided for in Schedule G-BAL, an adjustment will be made to the November cumulative imbalance statement by deducting gas volumes required to meet the minimum gas storage inventory level. (T) (N)

Minimum storage inventories must be maintained by the CTA during the Winter Season. CTAs will not be permitted to withdraw gas below the following month-end inventory targets: (T)

Date	Withdrawal Period Month-End Minimum Inventory Target Level
By November 30	80% x Annual Inventory
By December 31	50% x Annual Inventory
By January 31	15% x Annual Inventory
By February 28	5% x Annual Inventory
By March 31	0% x Annual Inventory

(Continued)

INJECTION AND WITHDRAWAL SCHEDULES FOR ASSIGNED STORAGE:	Stored gas not withdrawn by March 31 of each year will be carried forward and considered storage inventory for the next year. If, as of March 31 of each year, the CTA no longer serves Customers under this schedule and has stored gas that has not been fully withdrawn, PG&E will buy the remaining gas at fifty (50) percent of the OD Index for over-deliveries as specified in Schedule G-BAL at the time of purchase, unless otherwise agreed. In any Storage Year under this rate schedule, a CTA will be allowed one (1) annual cycle for injection, inventory and withdrawal of gas in storage, for its Assigned Storage. CTAs are required to submit nominations of gas into and out of storage. Injections are limited to the Summer Season. Withdrawals are limited to the Winter Season. CTAs may use their storage balances to nominate to their Group or to other Customer(s), for trading imbalances subject to the terms and conditions of Schedule G-BAL, and to transfer gas in inventory subject to the terms and conditions of Schedules G-CFS or G-FS, provided that the CTA maintains minimum month-end inventory targets during the Injection and Withdrawal Periods.	(N)
ASSIGNED STORAGE PAYMENTS:	For those months during which the CTA holds Assigned Storage, the CTA will pay a monthly charge equal to the inventory volume associated with its Assigned Storage, multiplied by the monthly charge specified in Schedule G-CFS for the applicable month.	
MID-YEAR STORAGE ALLOCATIONS:	In August of each year, PG&E will recalculate CTA storage allocations based upon each CTA Group's estimated Winter Usage as represented by the Customers expected to be part of the Group in November. This recalculated storage allocation (Mid-Year Storage Allocation) will be compared to the Initial Storage Allocation for the current storage season. <u>Increase In Load:</u> If the Mid-Year Storage Allocation exceeds the Initial Storage Allocation by more than 10,000 decatherms, the CTA will have the option to accept an additional core storage allocation for the full amount or a portion of the increase, in ten percent (10%) increments. Any election must be provided by the CTA to PG&E prior to September 1. The resulting allocation, (including any additional capacity assigned back to the CTA as provided by this schedule in the event the Annual Cap as described below is exceeded,) will be added to the CTA's Assigned Storage. If the Mid-Year Storage Allocation exceeds the Initial Storage Allocation by 10,000 decatherms or less, the Assigned Storage will remain unchanged. For the amount of this increase in Assigned Storage, gas in PG&E's Core Procurement Department's storage account will be transferred to the CTA core firm storage account at a price and in the amounts specified in Schedule G-CFS. <u>Decrease In Load</u>: If the Mid-Year Storage Allocation, when compared to the Initial Storage Allocation, results in a decrease of more than 10,000 decatherms, and the CTA has Assigned Storage, the CTA must accept a corresponding reduction in its Assigned Storage. In such event, the CTA shall transfer to PG&E's Core Procurement Department a share of the decrease equal to the proportion of the CTA's Assigned Storage to the Initial Storage Allocation. For example, a CTA that accepted an assignment of 70% of its Initial Storage Allocation must transfer 70% of the difference between its Initial Storage Allocation and the Mid-Year Storage Allocation. For the amount of this reduction in Assigned Storage, gas in the CTA's core firm storage account will be transferred to PG&E Core Procurement Department's storage account at a price and in the amounts specified in Schedule G-CFS.	(N)

(Continued)

WINTER SEASON STORAGE ALLOCATION ADJUSTMENTS:

In any month of the Winter Season, storage capacity may be reallocated as a result of the increase or decrease in a CTA's Group Winter Usage. Changes in Winter Usage will be measured relative to the Winter Usage used for the CTA's Mid-Year Storage Allocation performed in August if the Mid-Year Storage Allocation differed from the Initial Storage Allocation by more than 10,000 decatherms. Otherwise the change shall be measured relative to the Initial Storage Allocation. (N)

Changes in storage allocations resulting from changes in a Group's Winter Usage are termed Winter Season Storage Allocation Adjustments. Such adjustments are at the CTA's option, unless the size of the change in calculated allocation exceeds 100,000 decatherms, at which point they are mandatory.

The following describes how transfers in storage capacity, gas in inventory, or both may be performed pursuant to Winter Adjustments:

<u>Allocation Changes Caused by Increase in Load:</u> Storage Capacity may be transferred from PG&E's Core Procurement Department to the CTA based on the proportional share of storage capacity associated with the customer load increase. Inventory in storage will be sold to the CTA at the price and in the quantities specified in Schedule G-CFS.

<u>Allocation Changes Caused by Decrease in Load:</u> If a CTA has previously accepted allocated storage, storage capacity may be transferred from the CTA to PG&E's Core Procurement Department based on the proportional share of storage capacity associated with customer load decrease. Inventory in storage will be sold to PG&E at the price and in the quantities specified in Schedule G-CFS.

<u>Allocation Changes Caused by Transfer of Customers Between CTAs:</u> If a Customer(s) switches from one CTA to another, PG&E will transfer gas stored on behalf of such customer(s), to the new CTA, provided written consent of the affected CTAs and PG&E's consent is obtained. In the event of a transfer of gas, the corresponding inventory, injection, and withdrawal capacity also shall transfer, and the responsibility for payment of the storage facilities for that year under Schedule G-CFS also shall transfer for the remainder of the period of the Assigned Storage.

The physical transfer and sale from CTA storage inventory accounts to PG&E's Core Procurement inventory account will occur on or after November 1. Until the date of transfer, CTAs are responsible for maintaining inventory in their rejected storage allocations. (N)

(Continued)

ANNUAL CAPS ON REJECTED STORAGE ALLOCATIONS: (N)

The total capacity of core firm storage allocations that can be cumulatively rejected by CTAs is capped each Storage Year as follows for inventory, with proportionate injection and withdrawal rights.

Storage Year (April 1 - March 31)	Cap On Rejected CTA Storage	Share of Total Core Storage
2000-2001	1,674 Mdth	5%
2001-2002	3,348 Mdth	10%
2002-2003	5,022 Mdth	15%

To the extent that allocations rejected by CTAs cumulatively exceed the specified Caps, such amount will be reallocated to CTAs in proportion to the amounts they have rejected in each PG&E offering. Amounts of rejected CTA Core Storage Allocations up to 1,674 Mdth, will be assigned to PG&E's Core Procurement Department and amounts above 1,674 Mdth will be allocated to PG&E's at-risk unbundled storage program. Amounts assigned to PG&E's Core Procurement Department will be included in the appropriate CPIM (Core Procurement Incentive Mechanism) benchmark components.

ALTERNATE RESOURCES AND CTA CERTIFICATION:

For storage withdrawal capacity rejected by a CTA in the Initial Storage Allocation or Mid-Year Storage Allocation, Alternate Resources, in like amounts, will be required as provided below. On a monthly basis, during the Winter Season, CTAs shall submit an executed Certification of Alternate Resources for Rejected Storage Withdrawal Capacity (Form No. 79-845, Attachment I). The CTA must provide such certification to PG&E as specified by PG&E. PG&E will not require these certifications earlier than ten business days prior to the beginning of each Winter month.

Certified Alternate Resources may not duplicate any resources offered as replacements for firm winter intrastate transmission capacity that the CTA may be required to hold. The CTA must satisfy the Alternative Resources obligation with any combination of the following:

1. Contracted firm storage services from PG&E or from an on-system CPUC-certified independent storage provider; and/or

2. Contracted firm PG&E backbone capacity matched with an equivalent volume of contracted upstream gas supply, plus any necessary firm upstream pipeline capacity (upstream gas supply may include a gas producer contract, or a contract with an off-system CPUC-certified, gas utility or independent storage provider); and/or

3. Third-party peaking supply arrangements, where that supply is backed up by contracts, as specified in 1 or 2, above.

RELEASE AND INDEMNIFICATION OF PG&E:

For any rejection of the Initial Storage Allocation or the Mid-Year Storage Allocation to be effective, the CTA shall sign and deliver to PG&E a Core Firm Storage Declarations (Form 79-845, Attachment D). This form shall release PG&E from liability associated with that CTA's rejection of storage assets, as well as indemnify PG&E for losses that arise: (i) from any representation in the CTA's monthly Alternate Resources certifications which turns out to be inaccurate, or (ii) from any failure of the CTAs Alternate Resources to perform. (N)

(Continued)

PARTIAL YEAR OPTION UPON IMPLEMENTATION: If the tariff revisions in this rate schedule that were filed in July 2000 to implement the Comprehensive Gas OII Settlement Agreement D.00-05-049 (OII Settlement Provisions) are in effect on or before October 1, 2000, a CTA may reject all or a portion of its current core storage allocation in ten percent (10%) increments for the remainder of the April 1, 2000, through March 31, 2001 Storage Year, subject to the Annual Cap specified above. A CTA rejecting storage must sell the associated gas from its storage account to PG&E's Core Procurement Department at the price and in volumes specified in Schedule G-CFS. A CTA rejecting storage must also certify Alternate Resources for such rejected capacity, as described herein. Within fifteen (15) days of the effective date of this tariff, PG&E will provide CTAs with Attachment D and Attachment I of the CTA Agreement, with their revised storage allocations based on the customers in their Group. CTAs must execute and return these Attachments within 15 days following the receipt, if they wish to reject the allocated storage. A CTA's failure to return the executed Attachments shall be deemed as an acceptance of the allocated storage. (N)

ASSIGNMENT: Any allocation or Assigned Storage under this schedule, including associated rights and obligations, may not be assigned by a CTA, with the exception that an allocation may be transferred by merger or acquisition to a party assuming the role of the CTA, subject to PG&E's consent and the creditworthiness requirements specified in PG&E's Tariffs and Rules.

INITIATION AND LIMITATION ON CORE FIRM STORAGE PROVISIONS: If OII Settlement Provisions are in effect on or before October 1, 2000, core firm storage service to CTAs under the provisions of this schedule and Schedule G-CFS shall commence as of the first day of the second month following the effective date of this schedule. If OII Settlement Provisions become effective after October 1, 2000, these core firm storage provisions shall be effective April 1, 2001. The CTA option to reject its storage allocation applies only through the 2002-2003 Storage Year. After that time, CTAs must accept and pay for all storage allocated to them. (N)

NOMINATIONS: Nominations are required from the CTA, on behalf of the Group, as specified in Rule 21.

BALANCING SERVICE: Service hereunder shall be subject to all applicable terms, conditions and obligations of Schedule G-BAL.

BILLING/ PAYMENT: Rule 23 provides the terms and conditions of billing and payment procedures under this schedule.

CREDIT-WORTHINESS: Customers must meet PG&E's creditworthiness standards as set forth in Rules 6 and 7. Customers who have established credit with PG&E will not be required to pay an additional or new deposit to be eligible for service under this schedule.

The CTA must meet the requirements specified in Rule 23 before it may provide gas aggregation services under this schedule.

SCHEDULE G-CRED – BILLING CREDITS FOR CTA-CONSOLIDATED BILLING (N)

APPLICABILITY: Schedule G-CRED applies to Customers who receive core gas aggregation service under Schedule G-CT and whose Core Transport Agent (CTA) provides consolidated billing services (as specified in Gas Rule 23*). Core transport Customers for whom a CTA provide consolidated billing, will receive a credit from PG&E towards their transportation charges for that period of time during which PG&E is not required to send an information-only bill to such Customer. These credits will apply to gas-only (single commodity) Customers, as well as gas and electric (dual commodity) Customers. To qualify, Customers must be served by a CTA that: (a) has an effective Customer Authorization for Core Gas Transportation Service (Form 79-845, Attachment A) indicating CTA-consolidated billing; and, (b) has an effective Core Transport Agent Billing Agreement (Form 79-845, Attachment K) unless such Attachment K has been superseded because consumer protection legislation has become effective and consumer protection rules have been adopted by the CPUC; and (c) uses Electronic Data Interchange (EDI) to exchange billing data with PG&E.

TERRITORY: Schedule G-CRED applies everywhere PG&E provides natural gas service.

AVOIDED COST CREDITS FOR CTA-CONSOLIDATED BILLING: A Customer receiving consolidated CTA billing as specified above, will receive an Avoided Cost Credit towards their transportation rate, as shown below. A dual commodity Customer obtaining gas and electric service from a CTA (who is also an Energy Service Provider supplying electric service), where the CTA performs both gas and electric consolidated billing, will receive the Avoided Cost Credit in addition to the applicable electric credit for a dual-commodity Customer.

Avoided Cost Credit
($ per account per month)

Residential	Non-Residential
$0.71	$1.00

CALCULATION AND DELIVERY OF AVOIDED COST CREDITS: PG&E will determine which Customers are eligible for Avoided Cost Credits on or about the fifteenth (15th) calendar day of each month. Avoided Cost Credits for a given calendar month will be calculated based on this determination of eligible Customers.

PG&E will deliver Avoided Cost Credits to qualifying Customers via the Customers' respective CTAs. Avoided Cost Credits will be paid to CTAs at least two times a year. Should it be determined that Avoided Cost Credits due to a Customer were underpaid, PG&E's cost responsibility for the underpayment will be the difference between the amount actually owed to the Customer and the amount already paid, if any. At such time as PG&E is able to reflect the Avoided Cost Credits as a line item on PG&E's customer-specific billing data provided to CTAs, such credits will be reflected on the consolidated bill the CTA sends to these Customers.

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* The tariffs referred to in this schedule are part of PG&E's gas tariffs. Copies are available on PG&E's website at www.pge.com or at local offices. (N)

SCHEDULE G-CP—GAS PROCUREMENT SERVICE TO CORE END-USE CUSTOMERS

APPLICABILITY: This schedule is filed monthly as an informational tariff. The natural gas procurement charges shown on this schedule are equivalent to the Procurement Charges shown on the otherwise-applicable rate schedules for Core End-Use Customers.

TERRITORY: Schedule G-CP applies everywhere PG&E provides natural gas service.

RATES: The following charges apply to natural gas service for Core End-Use Customers. Procurement rates generally change on the fifth business day of the month.

Procurement Charge:	Per Therm
Residential: (G-1, GM, GS, GT, GL-1, GML, GSL, GTL)	$0.XXXXX
Small Commercial (G-NR1)	$0.XXXXX
Large Commercial (G-NR2)	$0.XXXXX
Natural Gas Vehicles: (G-NGV1, G-NGV2)	$0.XXXXX

The above charge includes: (1) Procurement Charge, (2) Capacity Charge, (3) Core Brokerage Fee, (4) Shrinkage, and (5) Core Firm Storage, as shown on Preliminary Statement, Part B, for the otherwise-applicable rate schedules for Core End-Use Customers. (N)

The current applicable Procurement Charge for natural gas sales under Core End-User rate schedules may be obtained electronically on PG&E's internet site at http://www.pge.com or by calling PG&E's Gas Hotline at 1-800-343-4743.

RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

E. OPERATIONAL FLOW ORDERS (OFO)

In order to protect the integrity of its pipeline system, PG&E will issue and implement system-wide, local, or Customer-specific Operational Flow Orders (OFO). PG&E will issue an OFO for a Gas Day if, on the day prior to this Gas Day, PG&E's forecast of pipeline inventory for the Gas Day is either below the Lower Pipeline Inventory Limit or above the Upper Pipeline Inventory Limit. At such time as PG&E issues an OFO, Balancing Agents will be required to balance supply and demand on a daily basis (T) within a specified tolerance band or be subject to charges for noncompliance. PG&E may elect not to issue an OFO for a Gas Day if the forecast of pipeline inventory for the day following that Gas Day indicates the pipeline inventory will return to within the Pipeline Inventory Limits without the assistance of an OFO.

The Lower and Upper Pipeline Inventory Limits may be revised as needed by PG&E to maintain the safety and reliability of the pipeline system. These changes, along with a supporting explanation, will be posted to the Pipe Ranger Web site.

The tolerance band will be a percentage of the usage, as defined below.

PG&E may implement multi-stage OFO provision charges, as follows:

	Tolerance Band	Noncompliance Charge Per Therm
Stage 1:	up to +/-25%	$0.025
Stage 2:	up to +/-20%	$0.10
Stage 3:	up to +/-15%	$0.50
Stage 4:	up to +/-5%	$2.50

(L)

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(L)

(Continued)

RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

E. OPERATIONAL FLOW ORDERS (OFO) (Cont'd.)

PG&E has the option, and would normally expect, to issue and implement an OFO with a one-sided tolerance band, and related non-compliance charges in one direction only (i.e., an OFO with a –25 percent (-25%) tolerance band and $0.025 per therm noncompliance charge for supply being less than usage but no tolerance band in the positive direction—supply greater than usage). Generally an initial OFO event will start at Stage 1 with a noncompliance charge of $0.025 per therm, however, an OFO event may begin at any stage with the corresponding noncompliance charge as deemed appropriate by PG&E. (L)

A specific Balancing Agent may start at an elevated charge level if that Balancing Agent has a history of noncompliance with prior PG&E requests or orders for the Balancing Agent to balance supply with demands. (T) A history of noncompliance will be defined as being at least three days in any thirty-day period that a Balancing Agent has not met with prior balancing orders. The amount of the charge will be announced when PG&E issues an OFO. An OFO will normally be ordered with at least twelve (12) hours notice prior to the beginning of the gas day, or as necessary as dictated by operating conditions. Charges for the first day of the OFO event will not be imposed if notice is given after 6:00 p.m. Pacific Time the day prior to the start of the OFO event. (L)

(Continued)

RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

E. OPERATIONAL FLOW ORDERS (OFO) (Cont'd.)

OFO NONCOMPLIANCE CHARGE EXEMPTION: (N)

If a Balancing Agent's OFO noncompliance charge is calculated after the OFO (T) (L)
Imbalance Rights trading period to be less than or equal to $1,000 for any month, the (T) |
noncompliance charge will be exempted and the charge will be zero. If the (T) |
noncompliance charge is greater than $1,000, the Balancing Agent will be |
responsible for the full noncompliance charge; i.e., $1,000 will not be deducted from |
the calculated noncompliance charge. This exemption provision only applies to OFO |
noncompliance charges. (D) (L)

OFO compliance and charges will be based on the following:

1. For a Noncore End-Use Customer with automated meter reading (AMR) capability and for PG&E's Electric Generation (EG) Department, compliance during an OFO will be based on actual daily metered usage, and the calculation after the OFO event of any applicable noncompliance charge will be based on actual daily metered usage.

2. For a Noncore End-Use Customer without AMR capability (all or part non-AMR capability at their premises), or for Noncore End-Use Customers with non-functioning AMR meters, and all Schedule G-CSP Customers, compliance during an OFO will be based on the average daily quantity (ADQ) as specified in the Customer's NGSA. The calculation of any applicable noncompliance charges after the OFO event will be based on one of the following, whichever results in the lesser charge:

   a) the Customer's ADQ; or (T)

   b) the Customer's actual daily metered usage; or (T)

   c) when Customer's actual daily metered usage is not available (e.g., due to meter failure), the average daily metered usage for the affected premises will be substituted for the actual daily metered usage. The average daily metered usage is calculated by dividing the recorded monthly usage by the number of days in the billing period. (T)

(Continued)

RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

E. OPERATIONAL FLOW ORDERS (OFO) (Cont'd.) (L)

3. For a Core Procurement Group (which includes PG&E's Core Procurement Department and Core Transport Groups) (CP Group), compliance during an OFO will be based on the latest available forecast for the CP Group prior to the (T) time the event is called, up to and including a 5:00 p.m. Pacific Time forecast, from the core load forecast model. The calculation after the OFO event of any applicable noncompliance charge will also be based on the core load forecast model forecast for the CP Group. (T)

Should PG&E's implementation of an OFO prove to be inadequate to ensure system integrity, PG&E may implement other measures including, but not limited to, implementing an Emergency Flow Order (EFO). (L)

OFOs and SELF-BALANCING (N)

On OFO days, any Balancing Agent who has selected the Self-Balancing Option, pursuant to Schedule G-BAL, will be required to comply with the tolerance band specified for that OFO day. The Self-Balancing plus or minus ten percent (±10%) daily Imbalance tolerance will not apply on days when an OFO is in effect. A Self-Balancing Agent will not be subject to Accumulated Daily Imbalance Noncompliance Charges on high inventory OFO days if the Accumulated Daily Imbalance is negative, or on any low inventory OFO days if the Accumulated Daily Imbalance is positive. However, any imbalance that occurs on that OFO day will be included as part of the Customer's on-going Accumulated Daily Imbalance calculation. (N)

(Continued)

RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

E. OPERATIONAL FLOW ORDERS (OFO) (Cont'd.) (N)

OFO IMBALANCE RIGHTS TRADING:

OFO Imbalance Rights equal the difference in decatherms between an OFO day imbalance and the applicable tolerance band for a designated System-wide OFO date. OFO Imbalance Rights will not be issued on Customer-specific OFO dates.

Balancing Agents may sell Operational Flow Order (OFO) Imbalance Rights to another Balancing Agent seeking to reduce or avoid an OFO noncompliance charge. OFO Imbalance Rights are provided to a Balancing Agent that is within the Tolerance Band for each System-wide OFO date. OFO Imbalance Rights trading will be available only to Balancing Agents who have entered into arrangements to use the electronic trading platform provided by an authorized Third Party Service Provider (TPSP). Customer enters into a business relatioship with a TPSP on a voluntary basis. The sale or purchase of Imbalance Rights will be subject to applicable terms, conditions, and charges designated by the TPSP. PG&E shall have no liability to any Balancing Agent or any other party regarding acts or omissions of the TPSP or its terms and conditions.

OFO Imbalance Rights correspond to a specific OFO date and may be purchased to offset OFO noncompliance charges from the same date. Gas in storage is not eligible to create OFO Imbalance Rights. OFO Imbalance Rights may not be traded with Cumulative or Operating Imbalances.

An OFO Imbalance Rights statement will be issued by the 15th day of the subsequent month after an OFO. Trading shall end at 5:00 p.m. Pacific Time on the closing date for New York Mercantile Exchange (NYMEX) Henry Hub Gas Futures contracts. If necessary, PG&E will extend the trading deadline beyond the NYMEX close date to ensure that the trading period lasts a minimum of five (5) business days. (N)

(Continued)

RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

E. OPERATIONAL FLOW ORDERS (OFO) (Cont'd.) (N)

OFO IMBALANCE RIGHTS TRADING (Cont'd.):

OFO noncompliance charges will be calculated after the trading period ends and after any purchased imbalance rights are assigned to the purchaser. OFO noncompliance charges will be applied to any remaining imbalance amount outside of the tolerance band for each OFO day. Trading OFO Imbalance Rights will not change Daily, Accumulated Daily, Cumulative, or Operating Imbalances.

OFO IMBALANCE RIGHTS TRADING FEES:

The TPSP may charge a subscription fee for its services, including PG&E related trading services, but shall also allow Customers to subscribe to a PG&E-only trading service. The TPSP shall charge subscription and transaction fees for PG&E related services subject to the following caps:

1. The transaction fee per entity shall not exceed $0.02 per Dth per transaction.

2. The subscription fee for PG&E-only related services shall not exceed $250.00 per month. These services include: Imbalance Trading, OFO Imbalance Rights Trading, and Capacity Assignment.

ADJUSTMENTS:

Accounting adjustments under Schedule G-BAL that are made after the trading period will not create new OFO Imbalance Rights for OFO days in the prior month. In the event there are any Accounting adjustments affecting OFO day imbalances which are made subsequent to any trades of OFO Imbalance Rights for that OFO day, PG&E shall not be responsible for any loss, costs, expenses or damages that may result from OFO Imbalance Rights trading or payments related thereto. (N)

(Continued)

RULE 21.2 - CUSTOMER ASSIGNMENT OF INTRASTATE CAPACITY RIGHTS

This Rule applies to Customer assignment of capacity rights on PG&E's intrastate natural gas transportation pipeline system. (N)

A. INTRASTATE CAPACITY ASSIGNMENTS

1. ASSIGNMENT BY CUSTOMER

A Customer (Assignor) who has executed a current Gas Transmission Service Agreement (GTSA) (Form No. 79-866) with any current GTSA exhibit (Exhibit) may assign its intrastate capacity rights identified in the Exhibit to another party (Assignee) subject to PG&E approval. Such assignment(s) may consist of all or a portion of Assignor's contract quantity for all or part of Assignor's remaining contract term.

2. ASSIGNMENT CONVEYANCE

An Assignor may assign its intrastate capacity rights either by:

a. Submitting to PG&E an executed original of an Assignment of Gas Transmission Services (Form No. 79-867); or,

b. Assigning its intrastate capacity rights via the electronic transaction system provided by a PG&E-authorized Third Party Service Provider (TPSP). Customer enters into a business relationship with a TPSP on a voluntary basis.

3. ASSIGNMENT APPROVAL

An assignment pursuant to A.2.a. or A.2.b. above, shall be effective upon notification of approval by PG&E to the Assignor, Assignee, and if appropriate to the TPSP.

Thereafter, the Assignee shall be responsible to PG&E for the performance of all obligations and duties pursuant to the assigned Exhibit and shall make any payments due under the assigned Exhibit directly to PG&E. For assignments performed by the TPSP, any difference above or below the rate stated in the Exhibit shall be collected from Assignor/Assignee by the TPSP and credited as appropriate to the Assignor/Assignee. (N)

(Continued)

RULE 21.2 - CUSTOMER ASSIGNMENT OF INTRASTATE CAPACITY RIGHTS
(Continued)

A. INTRASTATE CAPACITY ASSIGNMENTS (Cont'd.) (N)

4. CREDITWORTHINESS REQUIREMENTS

If the Assignee currently meets the creditworthiness requirements specified in gas Rule 25, PG&E shall approve the assignment immediately upon receipt. If PG&E determines that the Assignee does not satisfy the creditworthiness requirements in gas Rule 25, PG&E shall notify the Assignor, Assignee, and where appropriate, the TPSP, that the assignment is denied.

In order to effect assignment of an individual Exhibit via a TPSP, the potential Assignor and the potential Assignee must have a pending transaction on the TPSP's electronic system. For an Assignee with an existing approved credit line in the appropriate amount for the assignment transaction, the assignment shall be approved following confirmation by the TPSP. Any transaction by an Assignee who does not have an existing approved credit line in the appropriate amount for the assignment transaction, shall be reviewed and approved or denied by PG&E within two business days.

B. ASSIGNMENT TRANSACTION FEES

Any Customer entering into secondary capacity assignments via a TPSP will be subject to applicable terms, conditions, and charges designated by the TPSP. The TPSP may charge a subscription fee for its services, including PG&E-related trading services, but also shall provide the option for Customers to subscribe only to a PG&E-related trading service.

1. The TPSP shall charge subscription and transaction fees for PG&E-related services subject to the following fee caps:

   a. The transaction fee per Assignor and Assignee shall not exceed $0.005 per

   b. Subscription fee for PG&E-only related trading services shall not exceed $250.00 per month. These services include: Imbalance Trading, OFO Imbalance Rights Trading, and Capacity Assignment.

   The TPSP shall offer and charge for PG&E-only related trading services on a nondiscriminatory basis. PG&E shall have no liability to any Customer or any other party regarding acts or omissions of the TPSP or the terms and conditions imposed by the TPSP. (N)

RULE 23—GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

A. GENERAL

This Rule applies to Core Transport Agents (CTA) providing gas aggregation service to Customers in a Core Transport Group(s) (Group) in accordance with the provisions of Schedule G-CT—Core Gas Aggregation Service, and the Core Gas Aggregation Service Agreement (CTA Agreement) (Form 79-845). To provide gas aggregation service, the CTA shall meet credit requirements set forth herein.

B. ESTABLISHMENT OF CREDIT

1. APPLICATION FOR CREDIT

The CTA shall complete and submit a Gas Services Credit Application (Credit Application) (Form No. 79-868) to PG&E on an annual basis or whenever the Daily Contract Quantity (DCQ) for the Customers in the Group increases by 25,000 therms per day or more. The DCQ for the Group is the Annual Contract Quantity, as specified in Schedule G-CT, divided by 365. The Group DCQ will be the basis for evaluating the CTA's secured or unsecured credit limit, as set forth herein.

In the event the CTA accepts a storage allocation pursuant to Schedule G-CT, the CTA shall be subject to applicable storage credit requirements as set forth in gas Rule 25. (N)

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.

To assure the continued validity of an established unsecured credit limit, the CTA shall furnish financial information satisfactory to PG&E upon PG&E's request. If PG&E determines that a financial change has or could affect adversely the CTA's creditworthiness, or if the CTA does not provide the requested financial information, PG&E may, in its discretion, terminate the CTA Agreement.

A nonrefundable credit application processing fee of $500 may be charged to offset the cost of determining the CTA's creditworthiness.

Establishment of credit for gas transmission services (transportation, all storage including core firm storage, balancing, parking, and lending) is provided for in gas Rule 25. (T)

(Continued)

RULE 23—GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS
(Continued)

C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

b. BILLING BY THE CTA

PG&E may permit or may require the CTA to bill and collect PG&E's transportation charges from Customers.

For a CTA who bills and collects PG&E transportation charges from Customers, PG&E will provide the CTA with daily Electronic Data Interchange (EDI) billing of Customers' accounts unless otherwise agreed to by PG&E. CTAs shall execute an Electronic Data Interchange (EDI) Trading Partner Agreement (EDI Agreement) (Form 79-861) before they may bill Customers for PG&E's transportation charges.

c. BILLING BY PG&E

If agreed to by PG&E, and authorized by the CTA, PG&E will bill and collect from Customers for the services provided by the CTA under Schedule G-CT and under the CTA's agreement with the Customer to provide core gas aggregation service.

d. G-BAL, G-CFS AND RULE 14 CHARGES (T)

PG&E will provide the CTA with a separate invoice for charges associated with service provided under Schedule G-BAL, G-CFS and/or Rule 14. (T)

2. PAYMENT

Bills issued to the CTA by PG&E are due and payable upon receipt, except bills issued by EDI which are due and payable upon transmittal.

All EDI payments for Customers' accounts will be remitted in accordance with the terms and conditions of the EDI Agreement. All other payments will be remitted electronically or by wire transfer unless otherwise agreed to by PG&E.

Any bill will be considered past due if payment is not received within fifteen (15) calendar days after transmittal.

(Continued)

RULE 25—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)) purchasing or receiving gas services from PG&E including, but not limited to, Backbone Transmission services, Third Party Service Provider (TPSP) services, balancing services, or core firm storage pursuant to PG&E's gas rate schedules and agreements. In order to receive such services, Customers must meet the credit requirements set forth herein. (T) (T)

This Rule shall not apply to Customers who purchase or receive only local transmission service or distribution service from PG&E.

Customer must also make payments in accordance with the provisions contained herein.

To receive the above-referenced services from PG&E, a Customer must either establish an unsecured credit line or must provide security to PG&E in proportion to PG&E's total financial exposure based on all of that Customer's transactions with PG&E. The amount of credit established for, or security required of a Customer, is a function of the Customer's creditworthiness. (T) (T) (T)

PG&E will apply the 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 its creditworthiness requirements based on changes in the Customer's service requirements and/or overall financial condition. (T)

A Customer requesting service must demonstrate creditworthiness before PG&E will execute a <u>Gas Transmission Service Agreement (GTSA)</u> (Form No. 79-866) or any exhibit of the GTSA, a <u>Noncore Balancing and Aggregation Agreement (NBAA)</u> (Form No. 79-869), or any exhibit of the NBAA, or exhibits of a <u>Core Gas Aggregation Service Agreement (CTA Agreement)</u> (Form No. 79-845). Criteria for establishing creditworthiness are shown below. (T) | (T)

Customers requesting services through a TPSP must demonstrate creditworthiness with PG&E under this Rule. The Customer may also enter into a separate credit agreement with a TPSP for additional creditworthiness. (N) | (N)

(Continued)

RULE 25—GAS SERVICE-CUSTOMER
CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

B. ESTABLISHMENT OF CREDIT

1. APPLICATION FOR CREDIT

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

a. Customer's most recent annual report.

b. Customer's most recent U.S. Securities and Exchange Commission (SEC) Form 10-K, or (T)

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). (T) (T)

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.

(Continued)

RULE 25—GAS SERVICE-CUSTOMER
CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

B. ESTABLISHMENT OF CREDIT (Cont'd.)

1. APPLICATION FOR CREDIT (Cont'd.)

c. Customer's most recent quarterly SEC Form 10-Q and/or quarterly financial statements. (T)
(D)
|
(D)

d. A list of all corporate affiliates, parent companies and subsidiaries.

e. Other financial information as may be required by PG&E.

PG&E will use the information above, in conjunction with the Customer's service request, to determine the Customer's maximum credit line, either secured or unsecured.

A nonrefundable credit application processing fee of $500 may be charged to offset the cost of determining the Customer's creditworthiness.

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.

(Continued)

B. ESTABLISHMENT OF CREDIT (Cont'd.)

2. CONTINUATION OF CREDITWORTHINESS

To assure the continued validity of an established credit line, the Customer shall submit complete financial statements satisfactory to PG&E annually and/or upon PG&E's request. In the event PG&E determines or becomes aware of a material financial change that has affected or could adversely affect the Customer's creditworthiness, or if the Customer does not provide the requested financial information, PG&E may terminate the Customer's GTSA and CTA Agreement or any or all exhibits thereof, the Customer's NBAA, and any TPSP services between PG&E and a TPSP with respect to that Customer. (T) (T) | (T)

3. MINIMUM CREDITWORTHINESS CRITERIA FOR UNSECURED CREDIT

PG&E's determination of an unsecured credit line (maximum amount) will be based upon the financial position of the Customer, and the amount of potential dollar exposure for PG&E. Customers (or a party providing acceptable security hereunder) meeting the following criteria will qualify for unsecured credit facilities up to a maximum credit limit as determined by PG&E. (T) (N) (N)

(T)

Criteria are:

(T)

a. Long-term debt/bond rating of BBB or better for Standard & Poor's or Baa2 or better for Moody's; or (T)

b. Dun & Bradstreet composite credit appraisal of "2" or better (i.e., good); or

(C)

c. Moody's rating of P-2 or better; or

(C)

d. Standard & Poor's rating of A-2 or better.

(N)

e. Audited financial statements which demonstrate the Customer's creditworthiness. (N)

(T)

Notwithstanding that a Customer may have previously qualified for unsecured credit, security may be requested at a future date if PG&E determines or becomes aware of a material change in a Customer's payment pattern or financial position, or if the provisions of this Rule are changed.

(Continued)

B. ESTABLISHMENT OF CREDIT (Cont'd.)

4. CREDIT STANDARDS UTILIZING SECURITY

In the event PG&E denies credit to the Customer, or subsequently during the term of the service under PG&E's rate schedules, the Customer no longer satisfies such credit criteria, Customer may still obtain credit approval if it elects to provide security in a form and amount acceptable to PG&E. (T)

The Customer may submit an alternate form of security acceptable to PG&E in lieu of the creditworthiness evaluation. Alternate forms of security must be submitted to PG&E before the Customer's GTSA, CTA Agreement, NBAA, or (T)
TPSP Services is executed by PG&E. Such security may not be used to offset (T)
regular monthly bills to applicant.

After PG&E determines a Customer is eligible for credit, a Customer may be required, after service begins, to provide additional security to maintain its credit position if PG&E determines or becomes aware of a material financial change that has affected, or could adversely affect, the Customer's creditworthiness or if the provisions of the Rule are changed.

a. ACCEPTABLE FORMS OF SECURITY

Examples of generally acceptable security are:

1) Cash Deposit

The amount of a deposit taken to establish credit may be subject to adjustment upon request by the Customer and/or upon review by PG&E. If a Customer later qualifies for unsecured credit with PG&E, PG&E will refund the deposit either upon the Customer's request and/or upon review by PG&E.

(Continued)

RULE 25—GAS SERVICES-CUSTOMER
CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

B. ESTABLISHMENT OF CREDIT (Cont'd.)

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

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

1) Cash Deposit (Cont'd.)

PG&E will pay interest on deposits, except as provided below, calculated on a daily basis, and compounded at the end of each calendar month, from the date fully deposited to the date of refund by check or credit to the Customer's account. The applicable interest rate may vary from month to month and shall be equal to the interest rate on commercial paper (prime, 3 months) for the previous month as reported in the Federal Reserve Statistical Release, G.13, or its successor publication; provided that when a refund is made within the first fifteen (15) days of a calendar month the interest rate applicable in the previous month shall be applied for the elapsed portion of the month in which the refund is made. No interest will be paid if service is temporarily or permanently discontinued for nonpayment of bills.

2) Letter of Credit

An irrevocable and renewable standby Letter of Credit in form, substance and amount satisfactory to PG&E and issued by a major financial institution acceptable to PG&E.

(Continued)

RULE 25—GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

B. ESTABLISHMENT OF CREDIT (Cont'd.)

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

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

3) Surety Bond

Renewable surety bonds in a form acceptable to PG&E, issued by a major insurance company acceptable to PG&E.

4) Guarantee

Execution of PG&E's General Guarantee by creditworthy guarantor (N)
(Refer to B.3., above). (N)

5) Other Forms of Security, Subject to Discretionary Acceptance

Other forms of security that PG&E may, at its sole discretion, determine are acceptable are:

a) Other evidence demonstrating to PG&E the Customer's financial capacity or backing to warrant an extension of credit. This may include, but is not limited to, a detailed listing of credit references, within the industry, exhibiting a good credit history.

b) A financial institution reference and at least two trade references with reference checks and credit reports, showing obligations have been paid within terms.

c) Customer credit otherwise established to the satisfaction of PG&E, including Customer payment of all bills on a timely basis for gas or electric service previously supplied by PG&E.

(Continued)

RULE 25—GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

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 twice the Customer's maximum potential monthly PG&E bill for all products and services, both gas and electric, as estimated by PG&E.

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

In the event a CTA obtains storage capacity or an allocation under rate Schedule G-CT, additional credit requirements shall be applied as follows: (N)

Creditworthiness Requirement (CWR3) = (90 days x Accepted Storage Inventory Capacity/365 days x Schedule G-CFS rate) (N)

All forms of security shall be retained as long as the GTSA, CTA Agreement, NBAA, or TPSP services are in effect, unless such security is otherwise (T) reduced pursuant to Section B.4.c., below.

c. REDUCING CREDITWORTHINESS REQUIREMENTS

The Customer may elect prepayments and/or other collateral, to reduce the required security, subject to PG&E's acceptance thereof pursuant to the exercise of reasonable decision-making; as follows:

1) PREPAYMENT FOR SERVICES RENDERED

Periodic prepayments on a mutually agreed-upon schedule will be based on the quantity and rate for services as specified in the Customer's GTSA, CTA Agreement, NBAA, or TPSP services and must be agreed (T) upon between Customer and PG&E prior to commencement of service.

(Continued)

RULE 25—GAS SERVICES-CUSTOMER CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

B. ESTABLISHMENT OF CREDIT (Cont'd.)

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

c. REDUCING CREDITWORTHINESS REQUIREMENTS (Cont'd.)

1) PREPAYMENT FOR SERVICES RENDERED (Cont'd.)

The 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 the Customer of non-payment. If such payment is not received by close of business on the next business day, then the Customer's GTSA and CTA Agreement or any or all of the exhibits thereof, the Customer's (T) NBAA, and TPSP services with respect to that Customer will be subject | to immediate termination. Any payment received after the due date will (T) be considered past due and subject to the conditions described in Section C.3, below.

2) OTHER COLLATERAL

Other collateral, if agreed to by PG&E at its sole discretion, may be used to reduce the amount of security required of the Customer.

C. BILLING AND PAYMENT TERMS

1. BILLING

PG&E will provide the Customer with an invoice including, but not limited to, transportation, storage, parking, lending, balancing charges or penalties and (T) charges pursuant to gas Rule 14.

2. PAYMENT TERMS

Any bill issued to the Customer by PG&E is due and payable on the transmittal date shown on the bill. The bill will be considered past due if it is not paid in full within fifteen (15) calendar days after the transmittal date on the bill.

(Continued)

C. BILLING AND PAYMENT TERMS

3. LATE PAYMENT FEE

Interest on all delinquent amounts shall accrue on a daily basis, beginning the day after such payment is due and continuing until the day full payment of the delinquent amount and all accrued interest thereon is received by PG&E. The applicable interest rate shall be equal to the interest rate on commercial paper (prime, three-month) for the previous months as reported in the Federal Reserve Statistical Release, G.13, or its successor publication.

If, in any contiguous 12-month period a Customer pays late by seven (7) days, or less, for any three (3) or more billing periods, or pays late by more than seven (7) days for one or more billing periods, then, in addition to all other rights of PG&E resulting from such late payments (or any non-payments), the Customer shall be required to reestablish credit pursuant to Section D, below.

4. TERMINATION OF SERVICE DUE TO NONPAYMENT

a. If a bill rendered to the Customer remains unpaid after fifteen (15) days, PG&E will issue a seven (7) day notice of nonpayment. If the bill is still unpaid, PG&E may terminate the Customer's GTSA and CTA Agreement or any or all exhibits thereof, the Customer's NBAA, and TPSP services with respect to that Customer without any further notice. The Customer shall remain responsible for all charges incurred, even if such charges may be identified after the termination becomes effective. (T)

b. In the event PG&E receives notification that the Customer is closing its business, the Customer's GTSA, CTA Agreement, NBAA, or TPSP services may be terminated immediately and all of the Customer's rights to conduct business with PG&E thereunder may be terminated. (T)

c. Upon termination of a Customer's GTSA, CTA Agreement, NBAA, or TPSP services: (T)

1) Notice of such termination will be sent to the Customer's last known address;

2) All fees, charges and other obligations of the 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, Customer shall be subject to all applicable charges for late payments.

(Continued)

RULE 25—GAS SERVICES-CUSTOMER
CREDITWORTHINESS AND PAYMENT TERMS
(Continued)

C. BILLING AND PAYMENT TERMS (Cont'd.)

4. TERMINATION OF SERVICE DUE TO NONPAYMENT (Cont'd.)

d. If at the time of termination of a Customer's GTSA, CTA Agreement, NBAA, or (T)
TPSP services or filing of a petition for bankruptcy, a Customer has an (T)
outstanding balance on a PG&E account, any deposit held on the Customer's account shall be treated as a pre-payment and shall be applied without further notice to any unpaid balance. If the Customer's GTSA, CTA
Agreement, NBAA, or TPSP services is terminated and collection efforts are (T)
required to recover unpaid account balances, the Customer will be liable for any costs, expenses and attorneys' fee incurred by PG&E as a result of such collection efforts. Payment by Customer of all such costs, expenses and attorneys' fees will be a condition of future re-establishment of creditworthiness.

5. Collection

PG&E will pursue normal collection activity with Customers for nonpayment of PG&E charges.

6. BILLING DISPUTES

Billing disputes will be resolved in accordance with the terms and conditions in the Customer's service agreement or applicable exhibit.

D. REESTABLISHMENT OF CREDIT

1. A Customer who previously has been a Customer of PG&E and whose service
agreement or applicable exhibit has been terminated, completely or in part, during (T)
the last twelve months of prior service because of nonpayment, late payment of bills, or nonperformance shall be required to reestablish credit in accordance with Sections A and B, above.

2. In the event PG&E determines or becomes aware of a material change in a Customer's financial position, or if the Customer pays bills after they are due, the 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, above.

PACIFIC GAS AND ELECTRIC COMPANY
CORE GAS AGGREGATION SERVICE AGREEMENT (T)
FORM NO. 79-845 (7/00) (T)
(ATTACHED)

PACIFIC GAS AND ELECTRIC COMPANY
CALIFORNIA GAS TRANSMISSION CREDIT APPLICATION (T)
FORM NO. 79-868 (7/00) (T)
(ATTACHED)

PACIFIC GAS AND ELECTRIC COMPANY
ELECTION FOR SELF-BALANCING OPTION
FORM NO. 79-971 (7/00)
(ATTACHED)

(N)

(N)

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