

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 15, 2012

Advice Letter 3208-G

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**Subject: Gas Rule 15/16 Exceptional Case Agreement for the
Turlock Irrigation District**

Dear Mr. Cherry:

Advice Letter 3208-G is effective May 27, 2011.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division

May 27, 2011

Advice 3208-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Gas Rule 15/16 Exceptional Case Agreement for the Turlock
Irrigation District**

Purpose

Pacific Gas and Electric Company ("PG&E") hereby seeks approval of a non-standard extension agreement for gas transmission service to the Turlock Irrigation District ("TID") to serve TID's new Almond # 2 Power Plant ("A2PP"), under Gas Rules 15.H.3 and 16.H and Section 8.3.2 of General Order 96-B. A copy of the non-standard agreement is attached as Attachment 2.

This agreement has been extensively negotiated, and has a number of deviations from the standard distribution line extension agreement, including:

- (a) TID has signed a modified Agreement to Perform Tariff Schedule Related Work (Form 62-4527) instead PG&E's standard Distribution Service and Extension Agreement (Form 62-0980).
- (b) This project is a combination of a transmission extension to TID, reinforcement of PG&E's transmission system, and betterment of PG&E's existing transmission system. The betterment will benefit not only TID but also PG&E's existing customers and avoid the need for expensive upgrades to serve this area in the coming years. Generally speaking, and as explained in more detail below, TID will be responsible for the costs for the design and service extension, including the reinforcement of PG&E's transmission system, and PG&E will be responsible for the incremental costs of the betterment work. TID's portion of project is estimated to cost approximately \$32 million, including an approximately \$4.1 million contingency to be paid by TID, but PG&E will generally be responsible for costs in excess of the negotiated contingency.

- (c) TID will not select the fifty percent discount option, which, if permitted, would shift substantial costs to PG&E's customers.
- (d) The parties have agreed to special treatment for ITCC, cost of ownership charges, acquisition of land rights, series refunds, allowance calculation and other issues as explained below.

This arrangement is significantly more beneficial to ratepayers than a normal line extension arrangement where TID could take the fifty percent discount and shift costs to other customers.

Background

TID is constructing the A2PP at 4500 Crows Landing Road, Modesto, California, adjacent to TID's existing Almond #1 Power Plant. A2PP will be a 174 megawatt ("MW") natural gas fired single-cycle peaking facility. On December 15, 2010, the California Energy Commission approved TID's application to build A2PP. A2PP is expected to go on line in April 2012. The increased demand cannot be met by the existing gas pipeline network without significant modifications. PG&E is obligated under its Gas Rule 15 to make necessary modifications to its pipeline system to serve the new gas load.

The base modifications and facilities needed to serve A2PP are known as "Standard Facilities." This includes the installation of: 1) approximately two miles of 24-inch diameter gas transmission line reinforcing PG&E's existing Line 215, 2) approximately 12 miles of 8-inch gas transmission main extending from existing Line 215 to A2PP; and 3) a new ultrasonic meter set at the TID power plant site. Including ITCC and ignoring the impact of the allowances, the estimated cost to install the Standard Facilities is \$32.3 million, which includes an approximately \$4.1 million contingency.

Separate from this project, PG&E's projected load growth for this area would have required numerous separate reinforcement projects, including 9 miles of pipe in High Consequence Areas, which would be challenging to accomplish. During the course of designing the Standard Facilities needed to serve A2PP, PG&E determined that by increasing the diameter of the approximately 12-mile transmission main from the 8-inch standard facility design to serve TID to 16-inch pipe is a viable alternative to upgrading and reinforcing the gas system in the Modesto area. Pursuant to Rule 15.I, facilities installed for PG&E's operating convenience, such as installing proportionately larger pipe than necessary to serve future load growth as here, are installed at PG&E's expense. However, by combining this betterment alternative versus the previously considered reinforcement projects, PG&E will save on overall capacity and reinforcement costs.

Proposed Agreement and Tariff Deviations

Gas Rules 15.H.3 and 16.H recognize that in some “exceptional cases,” application of the rule would be unfair to either party or ratepayers and provide for PG&E and the customer to petition the CPUC for approval of special terms that are mutually agreed upon. In addition, under General Order 96-B, Section 8.3.2, PG&E may provide service to a government agency, such as TID, on terms and conditions deviating from its tariffs. Due to the significant cost of installing facilities to serve A2PP, and the savings to customers achieved by this proposed arrangement, PG&E believes this project qualifies as an “exceptional case” and seeks approval of the special terms mutually agreed upon by PG&E and TID.

As set forth in the contract itself, PG&E and TID have negotiated a number of specific terms for apportioning the project costs and responsibilities. At a high level, PG&E will be responsible for the incremental costs associated with the betterment component of the project while TID will pay the cost of the Standard Facility design and extension, including the reinforcement of PG&E’s transmission system, less the allowance. TID’s total cost is shown on Exhibit B – Detailed Cost Breakdown – TID Costs.

The tariff deviations are:

1. Form of Agreement. TID has signed a modified Agreement to Perform Tariff Schedule Related Work (Form 62-4527) instead of PG&E’s standard Distribution Service and Extension Agreement (Form 62-0980). The Distribution Service and Extension Agreement is intended to apply to, and refers to, “distribution,” not transmission extensions. The Additional Terms and Conditions attached as Exhibit C to the Agreement to Perform Tariff Schedule Related Work include many pertinent terms and conditions from the Provisions (Form 62-0982) that are normally part of the Distribution Service and Extension Agreement.
2. No Discount Option. TID is not allowed to avail itself of the fifty percent discount option, which, if permitted, would shift substantial costs to PG&E’s customers. Compare Exhibit C, Section 5 with Gas Rule 15.D.6.b.
3. Negotiated Cost Allocation Based On Bids and With Contingency. This project is a multi-million dollar extension which is combination of reinforcement of Line 215, a transmission extension to TID, and betterment of PG&E’s transmission system. In routine line extension matters, PG&E is normally responsible for the cost of system reinforcements, and the developer is only responsible for the extension from the nearest distribution point, but here the cost of reinforcements necessary to serve the power plant has been allocated to TID. The betterment, however, will benefit not only TID but also PG&E’s existing customers and avoids the need for expensive upgrades to serve this area in the coming years. Consistent with Gas Rule

15.I, betterment is the responsibility of PG&E, and here PG&E will be responsible for the incremental costs of the betterment work. Due to the complicated nature of this project, the short time line to build due to environmental constraints, the parties negotiated a fixed cost allocation based on combined third party bids and an allocation of risks of delay.

This entire project is estimated to cost approximately \$41 million. This includes a contingency, of which, \$4.1 million is being paid by TID. PG&E will generally be responsible for costs in excess of the negotiated portion of the contingency paid by TID. If, however, costs increase due to high groundwater table, then TID agrees to reimburse PG&E up to an additional \$1 million, as set forth in Sections 21 and 22 of Exhibit C. The total project cost of approximately \$41 million includes \$4.7 million to install betterment facilities over and above what is needed to serve A2PP. Those additional facilities will enable PG&E to eliminate or defer approximately \$20 million in future system reinforcement and pressure upgrade projects scheduled over the next 10 years to meet future load growth in the Modesto area, which is a net present value benefit in excess of \$5 million.

4. Acquisition of Land Rights. Under Gas Rule 16.A.9, rights of way are normally the responsibility of the customer, and to be provided without cost to PG&E. Here, PG&E agreed to obtain land rights for this project, since it includes betterment, and PG&E will bear some of the cost if it exceeds the estimated cost in the contract. See Exhibit C, Section 16.
5. ITCC. Consistent with Gas Preliminary Statement P and Gas Rule 15.D.5, PG&E is charging TID the 8% ITCC. However, to better protect PG&E and its other customers, given the possibility that the Internal Revenue Service could challenge the lower tax rate for portions of this project not placed into service in 2011, the parties have agreed that if the IRS determines that the facilities or any portion thereof are subject to a different tax rate, then TID will be responsible for any additional tax, or shall receive a refund from PG&E for an overpayment of the tax. See Note 1 of Exhibit B, Detailed Cost Breakdown – TID Costs, and Section 20 of Exhibit C.
6. Allowance. The parties have agreed that TID's allowance will be based on the formula set forth in Exhibit D, Allowance and Base Annual Revenue Calculations. The formula in Exhibit D deviates from the Net Revenue formula used in Gas Rule 16.C.2 and 16.I, primarily in having the formula take into account local transmission at-risk rate since this is a transmission customer. This provides a larger allowance to TID, but that allowance is subject to BARC reviews, and is part of the overall negotiated arrangement.

7. BARC Reviews, Series Refunds and Cost of Ownership. Sections 4 – 9 of Exhibit C deviate from the normal rules for performing BARC reviews and granting refunds. First, all of TID's costs are deemed refundable. Second, TID is not allowed any series refunds (appropriate since the larger capacity pipe is paid for by PG&E as betterment). Third, the timing of the Date Ready for Service and annual BARC reviews allows six months grace period for ramp-up, since PG&E may be ready to provide service prior to the A2PP going into full operation.
8. Cost of Ownership. Section 11 provides for a negotiated time to start applying cost of ownership charges on any remaining refundable balance. See Gas Rule 15.E.6.
9. Elimination of Indemnity Provision. The parties agreed to eliminate the indemnity provision in the Agreement to Perform Tariff Schedule Related Work (Form 62-4527), and instead rely upon California comparative indemnity law.
10. Payments and AFUDC. PG&E will begin construction immediately upon signing of the Agreement without waiting for payment. Compare Section 13 of Exhibit C with Gas Rule 15.D.6. In addition, Section 13 provides that the Allowance for Funds Used During Construction will only be collected against amounts provided as an allowance.

If the CPUC does not approve this exceptional case agreement, PG&E will still need to extend facilities to TID for A2PP, but the standard provisions of Gas Rule 15 would apply. Should TID elect the 50% discount option, the total cost to be absorbed by PG&E and its customers, as if this were a routine extension with normal allowances and cost allocation would be several million dollars higher, even without taking into consideration the benefits from the ability to eliminate or defer other upgrades.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **June 16, 2011**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjn@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

Pursuant to General Order 96-B, Section 8.3.2, PG&E is commencing its construction of this project without waiting for Commission approval. PG&E requests that this advice filing become effective on **May 27, 2011**, the date of filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached. Address changes to the General Order 96-B service list should be directed to PG&E at e-mail address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Vice President, Regulation and Rates

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3208-G**

Tier: 1

Subject of AL: **Gas Rule 15/16 Exceptional Case Agreement for the Turlock Irrigation District**

Keywords (choose from CPUC listing): Contracts

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **May 27, 2011**

No. of tariff sheets: 3

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Gas Contracts and Deviations

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian Cherry

Vice President, Regulation and Rates

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**ATTACHMENT 1
Advice 3208-G**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

29053-G	LIST OF CONTRACTS AND DEVIATIONS (Continued) Sheet 16	28467-G
29054-G	GAS TABLE OF CONTENTS Sheet 1	29046-G
29055-G	GAS TABLE OF CONTENTS Sheet 7	28468-G



LIST OF CONTRACTS AND DEVIATIONS
 (Continued)

Sheet 16

Name and Location of Customer		Most Comparable Regular Tariff			
PG&E Installation Reference No.	Type or Class of Service	Execution and Expiration Dates	Commission Authorization Number and Date	Schedule or Rule No.	Contract Difference
<u>SAN JOAQUIN VALLEY REGION (Cont'd.)</u>					
<u>Other Public Agencies</u>					
Kern Water Bank Authority	Coml	5-9-05	--- Advice 2640-G/2673-E	Rule 2, 15, 16	Master Agreement
Kern County Water Agency	Coml	5-9-05	--- Advice 2641-G/2674-E	Rule 2, 15, 16	Master Agreement
Turlock Irrigation District	Coml	12-28-2004 10 Years	2-3-05 Advice 2602-G	Rule 15, 16	Service Agreement
Turlock Irrigation District	Coml	5-24-2011	---- Advice 3208-G	Rule 15, 16	Service Agreement (N) (N)

(Continued)

Advice Letter No: 3208-G
 Decision No.

Issued by
Brian K. Cherry
 Vice President
 Regulation and Rates

Date Filed May 27, 2011
 Effective May 27, 2011
 Resolution No. _____



GAS TABLE OF CONTENTS

Sheet 1

TITLE OF SHEET	CAL P.U.C. SHEET NO.	
Title Page	29054-G	(T)
Rate Schedules	29047,29048-G	
Preliminary Statements.....	29049,28929-G	
Rules	28994-G	
Maps, Contracts and Deviations.....	29055-G	(T)
Sample Forms	27715,28995,27262,28662,28503-G	

(Continued)



GAS TABLE OF CONTENTS

Sheet 7

TITLE OF SHEET **CAL P.U.C. SHEET NO.**

Maps, Contracts and Deviations

SERVICE AREA MAPS:

Boundary Lines.....	17893-G
Fresno and Kings Counties.....	5166-G
Kern County..... 20917,20918,20919,20920,20921,10850,10851,9420,9421,10852,10853,10854,17893-G	
Enhanced Oil Recovery and Related Cogeneration.....	12067-G
Shasta and North Tehama Counties.....	7277-G
San Bernardino County.....	12926,12927-G
Ione Service Area.....	7689-G
Former McClellan Air Force Base Service Area.....	20388-G
Presidio of Monterey, Monterey County.....	22436-G

LIST OF CONTRACTS AND DEVIATIONS:

20211,13247,13248,28466,17112,22437,17234,14425,13254,14426,13808,20389,20390,
 16287,19849,29053, 7094,14428,13263,14365,17095,24897,16264,13267-G

(T)

(Continued)

Advice 3208-G

Attachment 2



Pacific Gas and Electric Company

DISTRIBUTION:

REFERENCE:

Agreement to Perform Tariff Schedule Related Work

APPLICANT (Original) _____
 DIVISION (Original) 30697065 _____
 ACCTG. SVCS. _____

Turlock Irrigation District (Applicant) has requested **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation (PG&E), to perform the tariff schedule related work as located and described in paragraph 2 herein.

PG&E agrees to perform the requested work and furnish all necessary labor, equipment, materials and related facilities required therefor, subject to the following conditions:

1. The location, requested work, and additional Agreement terms and conditions are described as follows:

LOCATION: TID Almond #2 Power Plant to be located at 4500 Crows Landing Road, Modesto, CA 95358

DESCRIPTION OF WORK:

BACKGROUND REGARDING WORK REQUESTED, BETTERMENT, COST ALLOCATION AND DETAILED DESCRIPTION OF WORK: See Exhibit A (attached)

DETAILED COST BREAKDOWN: See Exhibit B (attached)

ADDITIONAL TERMS AND CONDITIONS: See Exhibit C (attached)

ALLOWANCE AND BASE ANNUAL REVENUE CALCULATION: See Exhibit D (attached)

2. Applicant shall pay to PG&E the sum set forth in Exhibit B hereto consisting of TID Costs, less Allowance and Amounts Advanced by TID.

Upon completion of requested work, ownership shall vest in: x PG&E Applicant

Executed this 24th day of May 2011

Turlock Irrigation District
Applicant

By: Brian LaFollette

Brian LaFollette
(Print/Type/Name)

Title: Asst. General Manager Power Supply Administration

PACIFIC GAS & ELECTRIC COMPANY

By: Roger Graham

Roger Graham
(Print/Type Name)

Title: Sr. Director, Wholesale Mkt & Business Development

Mailing Address:

Turlock Irrigation District
333 East Canal Drive
Turlock, CA 95381-0940

Exhibit A
Background Regarding Work Requested, Betterment, Cost Allocation and Detailed Description of Work

BACKGROUND

Service Extension: TID is constructing the Almond # 2 Power Plant ("the Facility") at 4500 Crows Landing Road, Modesto, California, adjacent to TID's Almond #1 Power Plant. TID has requested PG&E to provide a 1,623 MMBTU/hr gas service to the Facility by the DRS as defined in Exhibit C. TID has requested and agreed to pay for substantial upgrades that are designed to allow the Facility to operate under all system conditions and has also requested that PG&E provide gas at an elevated service delivery pressure of 350 psig at the Facility. Under the provisions of PG&E's Gas Rule 2, PG&E will provide elevated gas pressure above 7-inches water-column but does not guarantee elevated service delivery pressure.

PG&E has evaluated several options to provide gas service to the Facility, and has determined that its preferred Standard Facilities Design for the Service Extension would require approximately two miles of new 24-inch reinforcement of PG&E's Line 215 and approximately twelve miles of new 8-inch steel pipeline reinforcement to a new ultrasonic meter set located at the Facility. The work necessary to satisfy TID's service request is referred to as "the Service Extension".

Betterment: PG&E has determined that PG&E customers will benefit from increased capacity to meet expected future load growth in the area if PG&E upgrades the diameter of the new, approximately 12 miles of 8-inch pipeline to 16-inches (the "Betterment"), and utilizes the approximately 12 miles of 16-inch pipe to reinforce its existing gas transmission system.

Cost Allocation: TID will be responsible for the costs for the gas transmission design and the Service Extension to meet the minimum gas volume requirements requested by TID described in detail below ("TID Costs"), less the Allowance described in Exhibit C and Amounts Advanced by TID. PG&E will be responsible for the incremental costs for the Betterment ("Betterment Costs"). The TID Costs are shown in Exhibit B.

Description of Work

Work Required to Provide TID's requested gas volumes and service pressure under the Standard Facilities Design:

PG&E will reinforce its existing Line 215 to accept additional volumes required to serve the Facility, and extend from Line 215 an 8-inch (increased to 16-inch as part

of the Betterment Costs) steel pipeline to an ultrasonic meter set located at the Facility. The specific work required to provide the requested volumes and service pressure of gas requested is as follows:

1. Reinforce PG&E's Line 215 by installing 1.76 miles of 24-inch steel pipeline reinforcement from mile point 5.3 to mile point 6.6
2. Tap Line 215 at mile point 8.5 and install 11.59 miles of 8-inch (increased to 16-inch as part of the Betterment Costs) steel pipeline from the Line 215 Tap to a meter set located at the Facility
3. Install an 8-inch ultrasonic meter set at the Facility
4. PG&E shall obtain all necessary land rights and permits for all pipeline work. TID shall be responsible for the costs in obtaining such rights and permits which are included in the amounts specified in Exhibits B and C
5. Identify, engineer and design meter set and pipeline for route

Description of actual work to be performed: PG&E will execute work as stated above in order to meet TID's requested gas volumes and service pressure, except in lieu of installing the 12 miles of 8 inch pipe, PG&E shall install the Betterment. Costs for this Betterment shall be borne solely by PG&E.

Test Gas

PG&E agrees to provide natural gas to test the Facility ("Test Gas") no later than December 1, 2011.

Exhibit B – Detailed Cost Breakdown – TID Costs

Allowances	
Non-Residential Allowance	\$10,339,277
ITCC (currently 8%) ¹	\$827,142
Total Gas Distribution Main Extension Allowance ("Allowance")	\$11,166,419
Amount Subject to Refund ²	
Engineering & Admin, Main, Metering	\$25,791,000
General Contingencies Fee	\$4,104,100
Sub Total:	\$29,895,100
ITCC (currently 8%) ¹	\$2,391,608
Net 10-Year Refundable Option Payment ("TID Costs")	\$32,286,708
Net 10-Year Refundable Option Payment, Less Allowance	\$21,120,289
Amounts Advanced by TID	\$6,567,000
Amount Due from TID ("TID Agreement Payment")	\$14,553,289

Note 1: If the IRS determines that the facilities or any portion thereof are subject to a different ITCC rate, then PG&E shall provide TID with a copy of the IRS determination and TID shall be responsible for any additional tax owed for these facilities or shall receive a refund from PG&E for overpayment of tax should the IRS determine the applicable rate to be lower.

Note 2: Costs paid by TID pursuant to Section 21 of Exhibit C, not included in this Exhibit B, are also subject to refund under the terms of this Agreement and PG&E's Gas tariffs.

Exhibit C
Additional Terms and Conditions

1. Commission Approval Required. This Agreement is subject to the approval of the California Public Utilities Commission (Commission), which will be obtained pursuant to General Order 96B. This Agreement will be deemed effective upon filing at the Commission. Neither party shall seek to modify this Agreement without the other party's consent and agreement. The Parties acknowledge that the Commission may upon its own initiative, unrelated to the actions of either party, modify this Agreement. Upon execution of the Agreement by both parties, PG&E will promptly file a copy of the Agreement with the Commission, seeking approval of this Agreement. TID shall cooperate fully in support of PG&E's filing and support Commission approval of this Agreement.
2. Commission Jurisdiction. Except as otherwise provided in this Agreement, this Agreement shall be subject to all of PG&E's applicable tariff schedules on file with and authorized by the Commission and shall at all times be subject to such changes or modifications as the Commission may direct from time to time in the exercise of its jurisdiction.
3. Allowance. PG&E will provide TID an allowance and/or a BARC Amount, whichever is applicable, ("Allowance") to be applied against the amount subject to refund set forth in Exhibit B as the TID Costs and any amounts paid by TID pursuant to Section 21 of this Exhibit C. The Allowance BARC Amount will be calculated as described in Exhibit D, Allowance and Base Annual Revenue Calculations.
4. DRS. The Date Ready for Service (DRS) means the date that is the later of either (a) December 1, 2011, or (b) the date the Service Extension construction is completed and PG&E notifies TID in writing that the pipeline has been placed into commercial operations pursuant to generally accepted utility accounting rules and standards. After the meter set has been pressurized and leak tested, PG&E may perform a blow down of system until such time as TID is ready for gas delivery without changing or resetting the DRS.
5. Refundable Option. The fifty percent non-refundable discount option will not be available to TID, and as such the Parties will use the ten year refundable option. The TID Costs shown on Exhibit B plus any amount paid by TID pursuant to Section 21 below ("TID Total Costs") are subject to refund for a period of ten (10) years after the DRS ("Term"). No refund shall be made in excess of the TID Total Costs or for periods beyond the Term of this Agreement. Any unrefunded amount remaining at the end of the ten-year period shall become the property of PG&E. Notwithstanding anything herein

to the contrary, TID is entitled to and shall receive any refunds due to BARC Calculations applicable to periods occurring during the Term of this Agreement.

6. Base Annual Revenue Reviews. PG&E will perform three Base Annual Revenue reviews based on TID's actual net revenue, as described in Exhibit D, Allowance and Base Annual Revenue Calculations. The first Base Annual Revenue Calculation (BARC) will be performed based on revenues received from TID's Almond Number 2 Power Plant by PG&E for months 7 through 18 after the pipeline DRS. The second BARC will be performed based on revenues received by PG&E for months 19 through 30 after the DRS. The third BARC will be performed based on revenues received by PG&E for months 31 through 42 after the DRS.
7. Additional BARC Reviews. TID will be responsible for notifying PG&E if new, permanent load is added by TID between forty-three (43) months and ten years from the DRS. Such review shall determine if additional revenue supports any refunds to TID and shall use the procedure described in the Base Annual Revenue Calculation section of Exhibit D, subject to Sections 5 and 9.
8. Refunds/Potential Deficiency Bills Due to BARC Reviews: If a BARC review performed under sections 6 or 7 above indicates that TID has generated a BARC Amount (as defined and calculated pursuant to Exhibit D) in excess of the Allowance, or the prior year's BARC Amount, as applicable, TID shall receive a refund of such excess amount, subject to Sections 5, 9, and 11. If a BARC review performed under sections 6 or 7 above indicates that TID has generated a BARC Amount less than the Allowance, or the prior year's BARC Amount, as applicable, TID shall pay PG&E an additional contribution or advance equal to such shortfall, subject to Sections 5 and 9.
9. No Series or other Refunds Beyond Almond # 2: TID will not be granted any refunds for revenues generated by loads other than gas consumed by Almond Number 2 Power Plant, or future, new TID gas loads served through the same PG&E gas meter serving Almond Number 2. TID is not eligible for series refunds.
10. [Intentionally left blank]
11. Cost of Ownership Charges: If any portion of the refundable amount has not qualified for a refund at the end of thirty (30) months from the DRS, TID will pay to PG&E a cost-of-ownership charge on the remaining refundable balance only during the Term of this Agreement. Monthly ownership charges are in addition to the refundable amount, and will normally be accumulated and deducted from refunds due to Applicant. Payment of such cost-of-

ownership charges will normally be made by deduction from the payments to be refunded, but such deduction will not thereafter reduce the amount on which the cost-of-ownership charges are determined. If the amount remaining in the original refundable payment is insufficient to offset the cost-of-ownership charge, or if there is no refund due, PG&E shall have the right to separately bill TID for this deficiency for the remaining duration of the Term of this Agreement. Such ownership charges shall be determined using the remaining refundable balance and the applicable percentage rate for customer financed transmission facilities contained in the Special Facilities section(s) of the currently effective PG&E's Gas Rule 2 and pursuant to the methodology described in the currently effective PG&E Gas Tariff.

12. Delivery Pressure: Although TID has requested 350 psig (see exhibit A), PG&E does not guarantee delivery pressure above its Standard Delivery Pressure of seven (7) inches of water column (approximately 0.25 pounds per square inch). If in the future, additional PG&E facilities are required by TID in order to maintain a higher than standard service delivery pressure, the cost of such facilities shall be treated as special facilities pursuant to the provisions of PG&E's Gas Rule 2. It is possible that the pressure to this facility may be reduced to not less than Standard Delivery Pressure under the provisions of PG&E's Gas Rule 2.4.b. A current copy of this Rule may be obtained from <http://www.pge.com/tariffs/GR.SHTML>. PG&E's Gas Rule 2 shall at all times be subject to any changes or modification that the California Public Utilities Commission (CPUC) may direct from time to time in the exercise of its jurisdiction. Although it is not currently expected that such a reduction in pressure will occur, it may become necessary for the operation of PG&E's gas system. PG&E shall make every reasonable effort to provide TID with adequate notice of any proposed reduction in pressure; however, conditions at the time may not permit advance notification. In any event, PG&E, its directors, officers, agents and employees will not be held responsible for any damage, loss or expense resulting in any way from a reduction of the requested high pressure to not less than the Standard Delivery Pressure.
13. Timing of TID's Payment: Within 15 days of the execution of this Agreement by TID, TID will provide to PG&E full payment of the TID Agreement Payment as presented in Exhibit B. If payments are received, Allowance for Funds Used During Construction (AFUDC) will be collected only against the Non-Residential Allowance as presented in Exhibit B. Such AFUDC amounts to be collected are already included in the TID Costs shown in Exhibit B.
14. Construction Responsibilities of TID. TID shall perform or arrange with PG&E for the performance of the following work:

- Installing gas distribution main pipe, valves, and other related distribution equipment, as specified by PG&E, required to complete the extension including all necessary trenching, backfilling, and other digging as required
- Furnishing, installing and upon acceptance by PG&E, conveying to PG&E the ownership of all necessary installed substructures and protective structures necessary to contain or support PG&E's gas facilities
- Paying for all required permits and licenses which may be required to fulfill the construction responsibilities from the governmental authority having jurisdiction

15. General Access. TID hereby grants to PG&E: (a) the right to install, own and maintain facilities on TID's premises necessary for Service Extension together with sufficient legal clearance between all structures now or hereafter erected on TID's premises; and (b) the right to enter and leave TID's premises for any purpose connected with gas service (meter reading, inspection, testing, routine repairs, maintenance, replacement, emergency work, etc.) and the exercise of any and all rights secured to it by law, or under PG&E's tariff schedules.

16. Land Rights. Where formal rights-of-way, easements, land leases, or permits are required by PG&E for the installation of the facilities on or over TID's property, or the property of others, TID understands and agrees that PG&E shall not be obligated to install the Facilities or accept facilities installed by TID or the approved contractor unless and until any necessary permanent rights-of-way, easements, land leases, or permits, satisfactory to PG&E, have been granted to or obtained by PG&E. If after reasonable diligence by PG&E exercising rights available to PG&E under applicable law, PG&E is unable to obtain such land rights, PG&E and TID shall meet and confer to discuss how to obtain such land rights or alternative land rights if necessary.

17. Acceptance and Conveyance. Upon (a) PG&E's receipt of any required formal rights-of-way, easements, leases, and permits, and (b) PG&E's pressurization of facilities installed by TID, TID hereby grants and conveys to PG&E, its successors and assigns, all rights, title and interest in and to all such work performed by PG&E and facilities installed by PG&E, as described in Exhibit A, free and clear of all liens and encumbrances.

18. Force Majeure. PG&E shall not be responsible for any delay in either the performance of TID's responsibilities under this Agreement, or the installation or completion of the facilities by PG&E resulting from shortage of labor or materials, inability to obtain necessary land rights after exercising rights available to PG&E under applicable law, strike, labor disturbance, war, riot, weather conditions, governmental rule, regulation or order, including

orders or judgments of any court or commission, act of God, or any other cause or condition beyond the control of PG&E to the extent PG&E has taken commercially reasonable precautions and measures to avoid such event and mitigate the effect of such event.

19. Resources. PG&E shall have the right in the event it is unable to obtain sufficient supplies, materials, or labor for all of its construction requirements, to allocate materials and labor to construction projects which it deems, in its reasonable exercise of discretion, most important to serve the needs of its customers. Any delay in construction hereunder resulting from such allocation shall be deemed to be cause beyond PG&E's control.
20. ITCC. All contributions, including land rights provided to PG&E by TID, and advances by TID are taxable and shall include an Income Tax Component of Contribution at the rate set forth in PG&E's Gas tariffs. Pursuant to the Gas Preliminary Statement P of the PG&E Gas tariff: "The ITCC shall be calculated by multiplying the Balance of Contribution by the tax factor of 0.08 (8 percent). The 8 percent tax factor shall be applicable to contributions received by PG&E on or after September 9, 2010, and before January 1, 2012." If the IRS determines that the facilities or any portion thereof are subject to a different ITCC rate, then PG&E shall provide TID with a copy of the IRS determination and TID shall be responsible for any additional tax owed for these facilities or shall receive a refund from PG&E for overpayment of tax should the IRS determine the applicable rate to be lower.
21. Specific Contingency for High Groundwater Table. PG&E has not included in Exhibit B any costs associated with encountering high groundwater table conditions. TID agrees to reimburse PG&E up to the one million dollars (\$1,000,000) should PG&E demonstrate that it has paid a third party for costs incurred associated with high groundwater. PG&E agrees that reimbursement by TID up to the amounts specified herein shall be PG&E's sole and exclusive compensation should such PG&E incur additional liability for costs due to high groundwater tables.

All funds paid by TID to PG&E under this Section 21 shall be subject to refund under the terms of this Agreement and PG&E's Gas tariffs.

22. General Contingency Fee. There are certain potential circumstances that are currently unforeseeable but may nevertheless result in increased costs associated with gas service and delays in construction ("General Contingencies"). In exchange for PG&E assuming all financial and other responsibilities associated with addressing General Contingencies to complete the Service Extension, TID agrees to pay four million one hundred and four thousand one hundred dollars (\$4,104,100), thereafter referred to as the "General Contingencies Fee."

Except for (a) adjustments for additional ITCC tax obligations or refunds due either party as set forth in paragraph 20, (b) high water table costs set forth in paragraph 21, (c) any amounts owed as a result of BARC reviews conducted pursuant to this Agreement, including the Exhibits hereto, (d) any amounts required to be paid under tariffs and CPUC rules incorporated herein by reference, (e) PG&E's obligation to complete the Service Extension described in Exhibit A, and (f) amounts advanced by TID as set forth in Exhibit B, neither party shall be liable to the other party under this Agreement for any amounts in excess of the TID Agreement Payment.

Exhibit D
Allowance and Base Annual Revenue Calculations

Allowance Calculation

The calculation of the Allowance shall be performed as described below. The rate components, the ITCC rate, and the monthly cost of ownership charge used in this calculation shall be those found in the CPUC-approved PG&E Gas tariffs in effect when this Agreement is signed. The estimated annual usage for the purpose of calculating the allowance is the estimated gas usage for months 7 through 18 from the date the Facility is ready for service (DRS) This estimated annual usage figure is 60,000,000 therms.

Net Revenue is comprised of two amounts, which are calculated as follows:

1) Revenue from applicable volumetric rate components (“Volumetric Revenue”) shall be equal to:

Volumetric Revenue = 60,000,000 * (Local Transmission At-Risk Rate + Noncore Trans Rate)

Local Transmission At-Risk Rate shall be equal to the Local Transmission or Surcharge (At Risk) in \$ per therm (or its successor) for gas rate schedule G-EG (or its successor) from Gas Preliminary Statement B (or its successor) of the PG&E Gas Tariff (or its successor).

Noncore Trans Rate shall be equal to the Local Transmission Mainline Extension Rate in \$ per therm (or its successor) for gas rate schedule G-EG (or its successor) from Gas Preliminary Statement B (or its successor) of the PG&E Gas Tariff (or its successor).

2) Revenue from the Customer Access Charge (“CAC Revenue”) shall be equal to:

CAC Revenue = CAC Rate * 365

CAC Rate shall be equal to the Noncore Customer Access Charge per day (or its successor) from Gas Preliminary Statement B (or its successor) of the PG&E Gas Tariff (or its successor) applicable to average monthly use of 5,000,000 therms/month.

Net Revenue is the sum of the Volumetric Revenue and the CAC Revenue.

The **Cost of Service Factor** is calculated by multiplying the monthly Cost of Ownership percentage (or its successor) for a PG&E financed transmission facility (as found in Gas Rule 2, section C.3.b or its successor) by twelve.

The **Allowance** is first calculated using the formula found in Gas Rule 15, Section C.2 (or its successor), and is then grossed up to account for the Income Tax Component of Construction (ITCC):

$$\text{Allowance} = \text{Net Revenue/Cost of Service Factor} * (1 + \text{ITCC Tax Rate})$$

ITCC Tax Rate shall be the tax factor applicable to the time when this Agreement is signed as found in Gas Preliminary Statement P (or its successor) of the PG&E Gas Tariff (or its successor).

Base Annual Revenue Calculation (BARC)

The BARC will be performed based upon actual gas usage and revenue generated as described in Exhibit C, paragraphs 6 and 7. The rate components used in this calculation shall be those found in the CPUC-approved PG&E Gas tariffs in effect during the review period. The monthly cost of ownership charge shall be the percentage in effect at the time of the review. The ITCC rate will remain at the value found in the CPUC-approved PG&E Gas tariffs in effect when this Agreement is signed.

The BARC is performed by calculating the following for the previous twelve months:

Actual Net Revenue shall be equal to the sum of Actual Volumetric Revenue and the Actual CAC Revenue.

$$\text{Actual Volumetric Revenue} = \text{Actual Gas Usage} * (\text{Local Transmission At-Risk Rate} + \text{Noncore Trans Rate})$$

Actual Gas Usage shall be equal to the actual gas usage of the Facility in therms for the applicable twelve month period.

Local Transmission At-Risk Rate shall be equal to the Local Transmission or Surcharge (At Risk) in \$ per therm (or its successor) for gas rate schedule G-EG Rate (or its successor) from Gas Preliminary Statement B (or its successor) of the PG&E Gas Tariff (or its successor).

Noncore Trans Rate shall be equal to the Local Transmission Mainline Extension Rate in \$ per therm (or its successor) for gas rate schedule G-EG (or its successor) from Gas Preliminary Statement B (or its successor) of the PG&E Gas Tariff (or its successor).

Actual CAC Revenue = sum of Monthly CAC Revenue for the applicable 12 mos. Period.

Monthly CAC Revenue = CAC Rate * number of days of such month.

CAC Rate shall be equal to the Noncore Customer Access Charge per day (or its successor) from Gas Preliminary Statement B (or its successor) of the PG&E Gas Tariff (or its successor) applicable to actual amount of gas usage for such month.

The **Cost of Service Factor** is calculated by multiplying the monthly cost of ownership percentage (or its successor) for a PG&E financed transmission facility (as found in Gas Rule 2, section C.3.b or its successor) by twelve.

The BARC Amount uses the allowance calculation from Gas Rule 15, Section C.2 (or its successor), and is then grossed up to account for the ITCC using the same ITCC percentage that was assessed at the time the advance was paid as described in Paragraph 20 of Exhibit C:

BARC Amount = Actual Net Revenue / Cost of Service Factor * (1 + ITCC Tax Rate) ITCC Tax Rate shall be the tax factor applicable to the time when this Agreement is signed as found in Gas Preliminary Statement P (or its successor) of the PG&E Gas Tariff (or its successor).

The BARC Amount will be used to determine if a refund or deficiency bill is required, as described in Exhibit C, paragraph 8.

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

AT&T	Dept of General Services	North Coast SolarResources
Alcantar & Kahl LLP	Douglass & Liddell	Occidental Energy Marketing, Inc.
Ameresco	Downey & Brand	OnGrid Solar
Anderson & Poole	Duke Energy	Praxair
Arizona Public Service Company	Dutcher, John	R. W. Beck & Associates
BART	Economic Sciences Corporation	RCS, Inc.
Barkovich & Yap, Inc.	Ellison Schneider & Harris LLP	Recurrent Energy
Bartle Wells Associates	Foster Farms	SCD Energy Solutions
Bloomberg	G. A. Krause & Assoc.	SCE
Bloomberg New Energy Finance	GLJ Publications	SMUD
Boston Properties	GenOn Energy, Inc.	SPURR
	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
Braun Blaising McLaughlin, P.C.	Green Power Institute	Santa Fe Jets
Brookfield Renewable Power	Hanna & Morton	Seattle City Light
CA Bldg Industry Association	Hitachi	Sempra Utilities
CLECA Law Office	In House Energy	Sierra Pacific Power Company
CSC Energy Services	International Power Technology	Silicon Valley Power
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Silo Energy LLC
California Energy Commission	Lawrence Berkeley National Lab	Southern California Edison Company
California League of Food Processors	Los Angeles Dept of Water & Power	Spark Energy, L.P.
California Public Utilities Commission	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Calpine	MAC Lighting Consulting	Sunshine Design
Casner, Steve	MBMC, Inc.	Sutherland, Asbill & Brennan
Chris, King	MRW & Associates	Tabors Caramanis & Associates
City of Palo Alto	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto Utilities	McKenzie & Associates	Tiger Natural Gas, Inc.
Clean Energy Fuels	Merced Irrigation District	TransCanada
Coast Economic Consulting	Modesto Irrigation District	Turlock Irrigation District
Commercial Energy	Morgan Stanley	United Cogen
Consumer Federation of California	Morrison & Foerster	Utility Cost Management
Crossborder Energy	NLine Energy, Inc.	Utility Specialists
Davis Wright Tremaine LLP	NRG West	Verizon
Day Carter Murphy	Navigant Consulting	Wellhead Electric Company
Defense Energy Support Center	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
Department of Water Resources	North America Power Partners	eMeter Corporation