



GAS RULE NO. 21.1
 USE OF PG&E'S FIRM INTERSTATE RIGHTS

Sheet 1

This Rule applies to the release by PG&E of its firm interstate natural gas transportation rights on the pipelines of El Paso Natural Gas Company (El Paso), Pacific Gas Transmission Company (PGT), and Transwestern Pipeline Company (TW).

A. RELEASING CAPACITY

Contracting with Customers for released capacity will occur pursuant to the capacity release rules of the Federal Energy Regulatory Commission (FERC) as set forth in FERC Order No. 636, et. seq. In accordance with those rules, PG&E may release capacity through:

1. Prearranged deals with Customers, or
2. Direct release to the interstate pipelines, or
3. An Open Season administered by the interstate pipeline on PG&E's behalf.

B. RELEASING CATEGORIES

Capacity may be released through prearranged deals whenever capacity not required to serve PG&E's core load becomes available. This release may occur as follows: (T)

Initial Release—Capacity not reserved to meet the loads of PG&E's core customers will be released by PG&E. (T)

Renewal Release—As agreements for released capacity expire or are terminated, and the capacity is not needed to serve core customers, the capacity will be re-released as it becomes available and as market conditions permit. (T)

Continuing Release—Any capacity available for release that is not subscribed to as a result of renewal release will continue to be available.

Seasonal Release—Capacity that is reserved for the core class that is not needed to meet that class's demand during any given time, such as a season, will be released when available. (T)
 (T)

Information about capacity release is posted electronically on PG&E's internet site at <http://www.pge.com/pipeline> and can also be obtained by calling PG&E's Gas Hotline Connection at 1-800-343-4743.

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C. INTERSTATE PIPELINE POSTING

(T)

PG&E will establish and post criteria for capacity release, including price, contract term, and, if applicable, recall rights. These criteria will be used in determining the winning bids for interstate pipeline capacity, in accordance with the FERC's rules for capacity release. In accordance with those rules, the interstate pipelines will post on their electronic bulletin boards all released capacity, including prearranged capacity agreements, for additional bidding.

Once awarded, all billing and payments by Customers for the released firm interstate capacity will be conducted directly with the interstate pipeline, subject to the pipelines' tariffs. Interstate pipelines also may require contracts with the Customer for capacity. Nominations for transporting gas using these firm interstate rights will occur directly with the interstate pipeline and with PG&E as provided in Rule 21.

(T)

(T)

D. DIRECT ASSIGNMENT OF CAPACITY FOR CORE SERVICE

Core Customers who take core transportation service in conjunction with noncore service on their premises may, at their option, receive firm interstate capacity directly assigned by PG&E, without competitive bidding.

(T) (L)

Each Customer must meet the creditworthiness requirements of the interstate pipeline prior to the direct assignment.

The Customer will be offered an assignment of a pro rata share of the firm interstate capacity PG&E has reserved for its core customers on El Paso (until December 31, 1997) and PGT. El Paso capacity will be offered at PG&E's as-billed firm rates, plus applicable surcharges. PGT capacity will be offered at firm roll-in (i.e., system average) Kingsgate to Malin rates, plus applicable surcharges. The amount of interstate capacity made available to the Customer on each pipeline will be the ratio of the Customer's core portion of January throughput to PG&E's forecast January throughput for the core, as adopted in PG&E's latest Cost Allocation Proceeding, times each of the PGT and El Paso firm interstate core capacity reservations as specified in the "Optional Assignment of Firm Interstate Pipeline Capacity" section of Schedule G-CT. The Customer may accept any or all of the offered capacity assignment on either or both pipelines.

(T) (L)

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D. direct assignment of capacity for core service (Cont'd.)

Capacity assignees will be required to sign an Agreement for Assigned Interstate Capacity for Service to Core Customers (Form 79-780) guaranteeing payment for the capacity to the interstate pipeline at the rate specified above.

(T)

Following confirmation from PGT that the Customer has made full payment for its assigned PGT capacity, PG&E will credit the Customer for the difference between PGT's full as-billed rate and the core mitigated PGT rate.

(N)

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(N)

Capacity directly assigned will be posted electronically by the interstate pipeline in the form of a prearranged deal.