



GAS RULE NO. 23
 GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

Sheet 1

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 California Gas Transmission 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. (T)

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.

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, parking, and lending) is provided for in gas Rule 25.

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Sheet 2

B. ESTABLISHMENT OF CREDIT (Cont'd.)

2. SECURITY DEPOSIT

The CTA may submit a security deposit in lieu of the creditworthiness evaluation. (D)

The security deposit may be in the form of:

Cash Deposit—Cash Deposits will earn interest in accordance with Rule 7— (T)
 Deposits.

Letter of Credit—Irrevocable and renewable standby Letters of Credit issued (T)
 by a major financial institution acceptable to PG&E.

Surety Bonds—Renewable surety bonds issued by a major insurance (T)
 company acceptable to PG&E, in a form acceptable to PG&E.

Guarantees—Guarantors must furnish financial information as requested by (T)
 PG&E and have credit standards acceptable to PG&E. (D)

Other—Other forms of security deposit may include any other form of (T) (L)
 security deposit and amount of collateral which PG&E, in its sole discretion,
 agrees to in writing.

All forms of security shall be retained as long as the CTA Agreement is in effect, (L)
 unless otherwise reduced pursuant to the provisions of Section 4, herein.

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Sheet 3

B. ESTABLISHMENT OF CREDIT (Cont'd.)

3. AMOUNT OF SECURITY DEPOSIT OR CREDIT LIMIT

The security deposit or credit limit is a function of the DCQ and the billing services provided by the CTA subject to approval by PG&E. The Creditworthiness Requirement (CWR) shall be calculated as follows:

- a. For a CTA who bills Customers for procurement only using the Separate CTA and PG&E Billing specified herein:

CWR1 = (90 days x DCQ x Core WACOG x 150 percent); where CWR1 equals the security in dollars for charges for which the CTA is liable. The Core WACOG is the most current core Weighted Average Cost of Gas, as specified in PG&E's most recent monthly core procurement filing.

(T)
 (T)

- b. For a CTA who bills Customers for procurement and collects transportation charges for PG&E using the Optional Consolidated CTA Billing specified herein:

CWR2 = CWR1 + (75 days x DCQ x Average Core Transport Rate); where CWR2 equals CWR1 plus the security in dollars for handling the Customer's money in the event that a CTA collects PG&E transportation charges. If a CTA collects transportation charges for only a portion of its Customers, the CWR will be prorated accordingly.

- c. For a CTA who has PG&E bill Customers for procurement using the Optional Consolidated PG&E Billing specified herein:

CWR4 = CWR1 + twice the estimated monthly bill for Consolidated PG&E Billing.

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B. ESTABLISHMENT OF CREDIT (Cont'd.)

4. REDUCING CREDITWORTHINESS REQUIREMENTS (D)
(T)

The CTA may elect guaranteed deliveries and/or storage collateral, to reduce CWR1. (D)

a. GUARANTEED DELIVERIES (T)

The CTA may guarantee weekly delivery of gas equal to eighty (80) percent, or some other portion acceptable to PG&E, of weekly projected Customer usage to reduce CWR1. PG&E will calculate weekly projected Customer usage on a month-to-date basis by dividing historical monthly usage of the Group for that month by the number of days in that month multiplied by seven (7) days. (T)

(T)

If the CTA fails to meet the eighty (80) percent condition, then the CTA will have seven (7) days or until the end of the month, whichever occurs first, to meet the condition. If the CTA fails to do so within that period, the CTA Agreement shall be subject to immediate termination by PG&E. By guaranteeing deliveries, a CTA may reduce CWR1 by up to eighty (80) percent from ninety (90) days to eighteen (18) days as follows: (T) (L)

(T) ---
(C) ---
(L)

CWRI = (18 days x DCQ x Core WACOG x 150 percent) (C) (L)

(Continued)



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Sheet 5

B. ESTABLISHMENT OF CREDIT (Cont'd.)

(N)

4. REDUCING CREDITWORTHINESS REQUIREMENTS (Cont'd.)

b. CONSOLIDATED PG&E BILLING COLLATERAL

For a CTA that has reduced creditworthiness requirements by utilizing the full eighty (80) percent guarantee specified in B.4.a. above, the CTA can further reduce CWR1 if they also utilize Consolidated PG&E Billing specified in C.1.c. below.

If this is the case, then:

CWR1 = (Percent of Load not billed utilizing Consolidated PG&E Billing x 18 days x DCQ x Core WACOG x 150 percent). Note that this can reduce CWR1 to zero if all of the CTA's customers are utilizing PG&E Consolidated Billing. The CTA must adhere to all of the following conditions in order to have their Rule 23 creditworthiness requirement be calculated in this manner.

- 1) Continue to meet the eighty (80) percent condition above;
- 2) Have zero Schedule G-BAL negative cashout charges within the last year; and
- 3) Execute Attachment L of the CTA Agreement including the provision that allows PG&E to withhold payments if the CTA does not meet all of these conditions.

If all conditions are not met, PG&E has the authority to stop paying the CTA for payments received from customers and/or immediately terminate the CTA Agreement. If PG&E has not terminated the CTA Agreement and the conditions that led to stopping payment to CTA have been satisfied, including payment of all G-ESP consolidated billing charges and fees, PG&E will pay the CTA for all withheld payments.

(N)

(Continued)



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Sheet 6

B. ESTABLISHMENT OF CREDIT (Cont'd.)

4. REDUCING CREDITWORTHINESS REQUIREMENTS (Cont'd.)

c. STORAGE COLLATERAL

(T)

The CTA may maintain a specified volume of gas in storage at all times as collateral. Gas stored as collateral must be in addition to gas stored to meet core reliability requirements.

If the CTA fails to maintain the specified volume of storage gas, the CTA will have seven (7) days or until the end of the month, whichever occurs first, to meet the condition. If the CTA fails to do so within that period, the CTA Agreement is subject to immediate termination by PG&E.

The CTA shall grant to PG&E a first priority security interest in all gas in storage for collateral pursuant to appropriate documents acceptable to PG&E.

The specified volume shall be agreed to by the CTA and PG&E and will reduce the creditworthiness requirement by reducing the number of days used in the calculation of CWR1 by the quotient of the specified volume divided by the DCQ as follows:

$$\text{CWR1} = (90 \text{ days} - (\text{specified volume}/\text{DCQ})) \times \text{DCQ} \times \text{Core WACOG} \times 150 \text{ percent}$$

To utilize this form of collateral, the CTA shall be required to contract with PG&E for additional storage capacity in accordance with Schedules G-SFS and/or G-NFS.

5. ADDITIONAL SECURITY DOCUMENTS

The CTA shall execute and deliver all documents and instruments (including, without limitation, security agreements and the Uniform Commercial Code (UCC) financing statements) reasonably requested by PG&E from time to time to implement the provisions set forth above and to perfect any security interest granted to PG&E.

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GAS RULE NO. 23 Sheet 7
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C. BILLING AND PAYMENT

1. BILLING

BILLING SERVICE OPTIONS AND OBLIGATIONS (D)

A CTA has the right to select one of the following billing service options for each Customer: (N)

- (a) Separate Billing by CTA and PG&E
- (b) Optional Consolidated CTA Billing
- (c) Optional Consolidated PG&E Billing

Separate Billing by CTA and PG&E is the default service option.

Regardless of the billing option selected, the Customer shall be responsible for payment of all PG&E charges for core transportation service either to the CTA under Optional Consolidated CTA Billing or to PG&E under both Separate Billing by CTA and PG&E and Optional Consolidated PG&E Billing.

a. SEPARATE BILLING BY CTA AND PG&E

PG&E and the CTA send their own bills and collect their own charges. This is the default billing option if no other billing option is selected. (N)

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Sheet 8

C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

b. OPTIONAL CONSOLIDATED CTA BILLING

(T)

There are two options for Consolidated CTA Billing. With Option 1, PG&E sends an information-only bill to the Customer showing its charges. With Option 2, the CTA executes an Attachment K to the CTA Agreement which relieves PG&E of the obligation to send the information-only bill to the Customer and the provisions of Schedule G-CRED apply.

(N)
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 (N)

PG&E will provide the CTA with daily Electronic Data Interchange (EDI) billing of Customers' accounts unless otherwise agreed to by PG&E. CTA shall execute an Electronic Data Interchange (EDI) Trading Partner Agreement (EDI Agreement) (Form 79-861) before they may utilize Optional Consolidated CTA Billing.

(D)
 (T)

 (T)

The Customer may audit the CTA's books and records, provided such audit is limited to transactions between PG&E, the CTA, and the Customer and pertains to gas aggregation service. Upon the Customer's request, PG&E will provide copies of all notices and transactions between PG&E and the CTA pertaining to the Customer.

(T)
 (T)

The CTA will transmit the PG&E charges to the Customer by U.S. Mail on a regular monthly basis, will diligently collect such charges from the Customer, and will remit such payments from the Customer to PG&E.

(T)

c. OPTIONAL CONSOLIDATED PG&E BILLING

PG&E provides two options for Consolidated PG&E Billing: (1) Rate Ready and (2) Bill Ready. Charges and fees associated with the services provided with these billing options are specified in Schedule G-ESP. To exercise one or both of these options, the CTA will be required to execute and shall be subject to the terms and conditions of Attachment L of the CTA Agreement (Form 79-845) with PG&E. Certain service accounts that require complex billing may not be eligible for Consolidated PG&E Billing. Those service accounts include, but are not limited to:

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 (T)

- Electric Generation (Schedule G-EG);
- Natural Gas Vehicle (Schedules G-NGV1 and G-NGV2); and
- Service Accounts with meters that are read via non-standard meter reading methods (various schedules).

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GAS RULE NO. 23 Sheet 9
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C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

1) Rate Ready Consolidated PG&E Billing (N)

Under this option, the Customer's authorized CTA will specify the Customer's rate schedules and rate values for each rate schedule to the utility. The utility will in turn calculate and send a consolidated bill, containing both PG&E and CTA charges to the Customer. (N)

a) CTA Rate Structure (L)

i) CTA must select one or both of the following rate structures for each service account and provide PG&E with the Rate Schedule names and prices:

- a non-volumetric fixed price (lump sum) per day; and
- a single, per therm, volumetric rate.

ii) Each submission of rate schedules by CTA should clearly identify which service accounts those schedules will apply to. PG&E may require the CTA to submit a Direct Access Service Request (DASR) to add or update a rate schedule for each service account.

iii) The CTA's rate schedules and prices must be submitted to PG&E at least five (5) business days prior to the effective day of the rate.

iv) The CTA may update its rate schedules and prices no more than once per calendar month subject to the lead time described above. The effective date of the rate must be either the first day of a calendar month or the same day of the month that PG&E changes its core procurement rates (generally, the fifth business day of the month). (L)

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GAS RULE NO. 23 Sheet 10
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C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

1) Rate Ready Consolidated PG&E Billing (Cont.) (N)

b) Bill Calculation by PG&E (L)

i) PG&E will calculate the CTA's charges based on the Customer's gas usage and apply the rates submitted to the utility by the CTA. PG&E will calculate the CTA's charges under this billing option using the CTA's rate schedules and the same Meter data used to calculate the utility's charges. PG&E will calculate the utility users tax for both PG&E and CTA charges.

ii) PG&E charges will be based on PG&E's gas service, the Customer's usage, and the applicable PG&E rate schedules. The CTA's natural gas charges will be based on the rates and charges by CTA and on the Customer's natural gas usage.

iii) Only authorized utility personnel needed to perform, supervise, or audit CTA billing under this option will have access to the CTA's rate schedules. PG&E shall treat the CTA's rate schedules as confidential information in accordance with the CTA Agreement and shall not disclose those rate schedules to anyone other than authorized utility personnel without the CTA's written consent or issuance of a valid legal order compelling the disclosure.

iv) PG&E assumes responsibility for the accuracy of the calculation of CTA's charges but does not assume responsibility for any information supplied by the CTA.

c) Billing Information and Inserts

i) PG&E's bill will identify, at a minimum, two (2) sets of charges: one for PG&E services and another for CTA gas services. (L)

(Continued)



GAS RULE NO. 23 Sheet 11
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C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

Rate Ready Consolidated PG&E Billing (Cont'd.) (T)

c) Billing Information and Inserts (Cont'd.) (T)

ii) The CTA may request to include any information directly related to the calculation or explanation of CTA charges directly in the bill but PG&E will not include any text on the separate detail page which is not specifically related to the charges or their explanation.

2) Bill Ready Consolidated PG&E Billing (T)

Under this option, the customer's authorized CTA will send its charges to PG&E. PG&E will in turn send a consolidated bill containing both PG&E and the CTA charges, to the customer.

a) PG&E Provides Meter Data to CTA

PG&E will provide meter usage data to the CTA in an electronic format specified by PG&E.

b) CTA Bill Submission to PG&E

i) The CTA will submit the necessary billing information to PG&E within the times specified by PG&E and in the electronic format specified by PG&E to allow PG&E to bill each service account. The CTA submission(s) will not include any message except billing and rate information.

c) Bill Presentation and Delivery by PG&E

i) PG&E will calculate PG&E's charges and send the bill either by mail or electronic means to the customer. PG&E will include CTA charges on the bill. PG&E is not responsible for computing or determining the accuracy of the CTA charges on the bill.

(Continued)



GAS RULE NO. 23 Sheet 12
 GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

2) Bill Ready Consolidated PG&E Billing (Cont'd.) (T)

c) Bill Presentation and Delivery by PG&E (Cont'd.)

ii) PG&E will process customer payments and transfer amounts paid toward CTA charges to the CTA when the payments are received and as specified for in the rate ready options.

d) Timing Requirements

i) Bills under this option generally will be rendered once a month. Nothing contained in this Section shall limit PG&E's ability to render bills more frequently consistent with PG&E's existing practices. However, CTA charges will only need to be calculated based on monthly billing periods.

ii) Except as provided in Paragraph d.i. above, or if CTA charges are received too late for inclusion on the PG&E bills, PG&E will require that CTA and PG&E charges be based on the same billing period data to avoid any confusion concerning these charges.

iii) CTA charges must be received by PG&E within two days of PG&E's having provided the meter usage data (or later if allowed by PG&E). If billing charges have not been received from the CTA by this time, PG&E will render the bill for PG&E charges only, without CTA charges. The CTA must wait until the next billing cycle, or send a separate bill to the customer for CTA charges.

3) Adjustments for Meter Error, Billing Error or Unauthorized Use

a) Adjustments for Meter Error are specified in gas Rule 17; Adjustments for Billing Error are specified in gas Rule 17.1; Adjustments of Bills for Unauthorized Use are specified in gas Rule 17.2.

b) CTA charges will be adjusted in accordance with gas Rules 17, 17.1 and 17.2.

(Continued)



GAS RULE NO. 23 Sheet 13
GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

4) Payment and Collection Terms

- a) Except as specified in B.4.b above, PG&E is required to pay the CTA the amounts paid to PG&E for CTA charges only after the Customer's payment is received by PG&E. Payments will be transferred to the CTA specifying the amount paid by each specific service account. On the billing statement for the following month, PG&E will debit to the CTA any amounts resulting from returned payments and assess returned payment charges (i.e., a charge for each returned payment) to the appropriate Customers. Payments are due on or before the later of: (T)
 - i) 17 days after the bill was rendered to the Customer, or
 - ii) the next business day after the payment is received.
- b) The CTA has no payment obligations for Customer payments under consolidated PG&E billing services.
- c) The CTA must remit payment for any charges for services provided them by PG&E within the terms of service as specified in Schedule G-ESP and Attachment L. PG&E may require that the CTA make such payments in an electronic form acceptable to PG&E. Such charges will be considered past due thirty (30) days after the date the bill is rendered. The Customer is obligated to pay PG&E for all PG&E and CTA charges consistent with existing tariffs.
- d) Any outstanding balance will be handled as a late payment. Customer disputes of CTA charges must be directed to the CTA, and Customer disputes of PG&E charges must be directed to PG&E.
- e) If the Customer disputes any charges presented on the PG&E bill, it shall nevertheless pay the amount billed; provided, however, that the Customer may, at its election, pay that portion of the charges that the Customer disputes to the CPUC in accordance with gas Rule 10.

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GAS RULE NO. 23 Sheet 14
 GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

5) Late or Partial Payments and Unpaid Bills

- a) PG&E is responsible for collecting the unpaid balance of all charges from Customers, sending notices informing Customers of unpaid balances, and taking the appropriate actions to recover the unpaid amounts owed the CTA.
- b) Except as provided below in Section (c), if a Customer makes only a partial payment for a service account, the payment will be allocated proportionally between PG&E's charges and the CTA's charges. A Customer may dispute these charges as provided in Section 4.e., above, but will not otherwise have the right to direct partial payments for a particular service account. (Utility Users Taxes will be treated in accordance with current utility procedures and are not subject to this section.)
- c) In evaluating a delinquent residential service account for service termination and to the extent required by law or CPUC regulations, partial payments will be allocated first to delinquent charges that may result in discontinuance of service as specified in Rule 11.
- d) Undisputed overdue balances owed PG&E will be considered late and subject to PG&E late payment procedures.
- e) PG&E rules will apply to late or non-payment of PG&E charges by the Customer.

(L)

 (T)

 (T)

 (L)

(Continued)



GAS RULE NO. 23 Sheet 15
 GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

1. BILLING (Cont'd.)

c. OPTIONAL CONSOLIDATED PG&E BILLING (Cont'd.)

6) Service Disconnections and Reconnections

- a) PG&E will notify the Customer of PG&E's right to disconnect gas service for the non-payment of PG&E charges pursuant to gas Rules 8 and 11. The Customer, not PG&E, is responsible for contacting the CTA in the event it receives notice of late payment or service termination from PG&E for any of its service accounts. If a Customer has been disconnected and is not reconnected within two (2) days, PG&E will promptly notify the CTA. To the extent authorized by the CPUC, a service charge will be imposed on the Customer if a field call is performed to disconnect gas service.
- b) PG&E will not disconnect gas service to the Customer for the non-payment of CTA charges. In the event of non-payment of CTA charges by the Customer, the CTA may submit a DASR requesting transfer of the service account to PG&E.
- c) PG&E will reconnect gas service when the criteria for reconnection, as specified in gas Rule 11, have been met.

d. G-BAL, G-CFS, G-ESP AND RULE 14 CHARGES

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

(L)

 (L)

(Continued)



GAS RULE NO. 23 Sheet 16
GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

(L)

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.

If the CTA has made a payment to PG&E for Customer transportation charges and subsequently is not paid by the Customer for those charges, CTA may notify PG&E that payment for the billing period should be returned to the CTA. The CTA's notification of non-payment from the Customer must be received by PG&E within forty (40) calendar days of the date that PG&E mailed that bill to the CTA. Upon such notification, PG&E will: (1) return the amount of that billing to the CTA; (2) discontinue the billing arrangement that permits the CTA to collect PG&E charges from the Customer; and (3) bill the Customer transportation charges for that billing period, and all subsequent Customer charges, directly to the Customer for a minimum of twelve (12) months from the date of notification of non-payment.

(L)

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GAS RULE NO. 23 Sheet 17
GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

3. NOTICES

- a. If a bill rendered to the CTA for PG&E transportation service provided to the Customer remains unpaid after fifteen (15) days, PG&E will issue to the CTA a 7-day notice of nonpayment to the CTA, with a copy to the Customer. If the bill continues to be unpaid, PG&E will issue a 24-hour notice of nonpayment to the CTA with a copy to the Customer. If the bill remains unpaid, PG&E may immediately terminate the CTA Agreement without further notice. If PG&E issues the 24-hour notice, PG&E will also: (1) discontinue the billing arrangement that permits the CTA to collect PG&E transportation charges from the Customer; (2) bill the CTA for the unpaid Customer transportation charges; and (3) send all subsequent Customer transportation charges directly to the Customer.
- b. If a bill rendered to the CTA for charges under Schedules G-BAL, G-CFS, G-ESP and/or Rule 14 remains unpaid fifteen (15) days after transmittal, PG&E will issue a 7-day notice of nonpayment to the CTA. The CTA shall remain responsible for all charges incurred, including any such charges incurred after the termination becomes effective.

4. LATE PAYMENT

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If the CTA does not pay any bills rendered to the CTA by PG&E within fifteen (15) days after transmittal, then:

- a. payment is considered late;
- b. the CTA may not add Customer or increase the Group DCQ until past due amounts, including all late charges, are paid; and
- c. the CTA may not trade, sell or withdraw any gas in storage until past due amounts, including all late charges, are paid.

If a CTA pays late three (3) or more times by seven (7) days or less or pays late one (1) or more times by greater than seven (7) days in any consecutive twelve (12)-month period, then, in addition to all other remedies of PG&E resulting from such late payments (or any nonpayments), the CTA will lose any "good payment" status as defined below in Section C.5. PG&E may also require full collateral in a form specified in Section B.2 herein. If such collateral is requested and not provided by the CTA to PG&E, the CTA Agreement will be subject to immediate termination by PG&E.

(T)

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GAS RULE NO. 23 Sheet 18
GAS AGGREGATION SERVICE FOR CORE TRANSPORT CUSTOMERS

C. BILLING AND PAYMENT (Cont'd.)

4. LATE PAYMENT (Cont'd.) (T)

In addition, if the CTA collects PG&E transportation charges from Customers, the CTA must establish an escrow agreement/account with a financial institution acceptable to PG&E, in a form acceptable to PG&E, and must grant PG&E a first priority security interest in all proceeds and accounts receivable in escrow. The escrow account must permit a third party, acceptable to PG&E, to receive accounts receivable and pay accounts payable on behalf of the CTA. The third party will keep a record of all payments made by each Customer and payments to the third party.

5. GOOD PAYMENT HISTORY (T)

In order to establish a good payment history, the CTA must pay each bill in full within fifteen (15) days after transmittal. The CTA's CWR will be reduced by two (2) percent for every twelve (12) consecutive months of good payment history. This calculation will be retroactive to the date of first participation by the CTA in the Core Transportation Program. Three (3) or more late payments of seven (7) days or less, or one or more late payments of greater than seven (7) days during any contiguous twelve (12)-month period will cause the CTA to lose its "good payment" status and obligate the CTA to reestablish full creditworthiness requirements.

If at any time, under the provisions of this rule, PG&E does not receive the requested financial information or determines that there has been a detrimental change in the financial condition of the CTA, PG&E, at its sole discretion, may reestablish the original creditworthiness requirements for that CTA or may change the existing creditworthiness requirements.

6. TERMINATION OF SERVICE DUE TO NONPAYMENT (T)

If a payment is not received within seven (7) days of the issuance of a past due notice, the CTA Agreement will be subject to termination by PG&E. In addition, if PG&E receives notification that the CTA is closing its business, the CTA Agreement will be terminated immediately and all of the CTA's rights to conduct business with PG&E thereunder may be terminated, unless the CTA demonstrates its ability to fulfill its financial obligations to PG&E pending business closure.

PG&E may terminate any CTA Agreement for the CTA's failure to pay the interstate pipeline for the full cost of the CTA's assigned capacity.

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GAS RULE NO. 23 Sheet 19
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C. BILLING AND PAYMENT (Cont'd) (T)

6. TERMINATION OF SERVICE DUE TO NONPAYMENT (Cont'd.) (T)

Upon termination of a CTA Agreement: (L)

a. notice of such termination will be sent to the CTA, to each of the Customers in the CTA's Group, and to the CPUC; (L)

b. PG&E will establish an escrow agreement/account for collections of outstanding Customer payments; (L)

c. any gas in storage and gas that has been delivered into PG&E's system on behalf of the CTA's Customers will be used to offset any outstanding imbalances. This gas shall not be subject to encumbrances of any kind, including, but not limited to, liens, trades, or sales to other Customers; (T)
 (T)

d. all fees, charges and other obligations of the CTA to PG&E shall be immediately due and payable without further notice of demand. (D)
 (T)

If, at the time of termination, the CTA has not paid any PG&E billings, PG&E may apply any deposit held on the CTA's account(s) to such unpaid bills. In addition, if the CTA's Agreement is terminated and/or the CTA declares bankruptcy, the CTA will be liable to PG&E for any and all costs, expenses, and attorney's fees incurred by PG&E as a result of such termination and/or bankruptcy. Payment by the CTA of all such costs, expenses, and attorney's fees shall be a condition of re-establishment of service. (T)
 (T)
 (T)
 (T)

7. BILLING DISPUTES (T)

If a Customer has a billing dispute with its CTA, the Customer shall remain obligated to pay all PG&E charges to the CTA, or PG&E, where applicable, in a timely manner. The CTA may not withhold or delay payment for any such PG&E charges pending resolution of any such disputes. (T)
 (T)

If the CTA disputes any PG&E bill, the CTA may deposit the disputed amount with the CPUC pending resolution of the dispute in accordance with Rule 10. No termination of participation will occur for this dispute while the CPUC is hearing this matter. (T)
 (T)

(D)
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 (D)