August 30, 2010

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA  94177

Subject: Revision to Gas Rule No. 14 – Capacity Allocation and Constraint of Natural Gas Service

Dear Ms. Yura:

Advice Letter 3124-G is effective October 1, 2010.

Sincerely,

Julie A. Fitch, Director
Energy Division
June 3, 2010

Advice 3124-G
(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Revision to Gas Rule No. 14 – Capacity Allocation and Constraint of Natural Gas Service

Pacific Gas and Electric Company (“PG&E”) hereby submits for filing revision to its Gas Rule No. 14 – Capacity Allocation and Constraint of Natural Gas Service. The affected tariff sheets are listed on Attachment I.

Purpose

The purpose of this filing is to modify Gas Rule No. 14, Section D.1., “Priority of Service – Transmission Receipt Points,” to include that, in the event of capacity constraints on Line 300 (Baja Path), as-available capacity will be prorated equally between two service categories: 1) nominations for Mission Path as-available service that affect the Baja Path capacity to accommodate those Independent Storage Provider (“ISP”) storage withdrawals; and 2) nominations for Baja Path as-available service.

Section D.1., “Priority of Service – Transmission Receipt Points,” currently addresses only Lines 400/401 (Redwood Path) and its allocation on the Redwood and Mission Paths. The proposed tariff revision will expand this allocation process to storage withdrawals and as-available service nominated on the Baja Path.

Background

On October 29, 2009, the Commission issued Decision (“D.”) 09-10-035, granting Gill Ranch Storage, LLC (“GRS”), and PG&E separate Certificates of Public Convenience and Necessity (“CPCN”) to construct and operate an underground natural gas facility near Fresno known as the Gill Ranch Storage
facility. GRS and PG&E each own a portion of the overall project, holding undivided interests, with GRS having a 75 percent interest and PG&E having a 25 percent interest in the initial development phase of the project. GRS and PG&E each will separately market its share of storage capacity.

The Gill Ranch Storage facility is located about 25 miles west of Fresno and will include an approximately 27-mile, 30-inch pipeline, which will connect to the PG&E Line 401 north of Panoche, California. This location is at the southern end of Line 401 near where it connects with Lines 2/300 and therefore has the potential to impact Baja flows.

Hydraulic analyses of Lines 400/401 and Line 300 capacities and flows show that under certain conditions, it will not be possible to flow all of the nominated volumes from the pipeline interconnects and the connected storage facilities. PG&E has determined that Gill Ranch Storage withdrawals will not impact Redwood Path capacity. However, Gill Ranch Storage may affect the Baja Path capacity, depending on other supply nominations, demand conditions, and the pipeline system configuration used to optimize operations. High Baja flows in conjunction with high Gill Ranch Storage withdrawals may affect the ability to move gas from Panoche on Lines 2/401 up to the northern corridor to where the demand load centers are located. Under these conditions, an allocation process similar to the current allocation process on Redwood Path will need to be implemented for Baja Path.

Gas Rule 14 currently has an existing allocation process for ISP storage withdrawals and as-available service nominated on Redwood Path capacity. This Redwood allocation process will remain the same. The proposed changes in this filing will expand this current allocation process to be applicable to ISP storage withdrawals and as-available service nominated on Baja Path capacity. In compliance with Ordering Paragraph 13 of D.09-10-035, all withdrawals from Gill Ranch Storage field, which includes both GRS’ and PG&E’s owned portions, will be subject to the allocation process on Baja path.

At this time, Gill Ranch Storage is the only storage field that has the potential to be impacted by Baja Path capacity limitations. An ISP will be impacted when withdrawal nominations, when combined with other nominations on a particular path, exceed the available capacity of that Line or Path.

**Tariff Revisions**

PG&E is modifying Gas Rule No. 14, Section D.1.,”Priority of Service – Transmission Receipt Points,” to include that, in the event of capacity constraints, Line 300 (Baja Path) as-available capacity will be prorated equally between two service categories: 1) nominations for Mission Path as-available service that affect the Baja Path capacity to accommodate those ISP storage withdrawals; and 2) nominations for Baja Path as-available service.
Nominations will be allocated within these service categories on a pro rata basis should as-available capacity be insufficient to meet all nomination requests.

Sheets 6 through 10 of the revised tariff sheets are also being provided as red-lined tariff sheets in Attachment 2 for ease of reference.

**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 23, 2010**, 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: jnj@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:

Jane K. Yura  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, California 94177

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

**Effective Date**

PG&E requests that this advice filing become effective on **October 1, 2010**, which is the expected commercial in-service date of the Gill Ranch Storage Project.
**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 list and the parties on the service lists for Application (“A.”) 08-07-033 and A.09-09-013. Address changes to the General Order 96-B service list should be directed to e-mail 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.

[Signature]
Vice President – Regulation and Rates

cc: Service Lists for A.08-07-033 and A.09-09-013

Attachments
**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

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**EXPLANATION OF UTILITY TYPE**

ELC = Electric  GAS = Gas  
PLC = Pipeline  HEAT = Heat  WATER = Water

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**Advice Letter (AL) #:** 3124-G  
**Tier:** 2

**Subject of AL:** Revision to Gas Rule No. 14 – Capacity Allocation and Constraint of Natural Gas Service

**Keywords (choose from CPUC listing):** Transmission, Rules

**AL filing type:** ☑ Monthly  ☐ Quarterly  ☐ Annual  ☑ One-Time  ☐ Other

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

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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 AL: ______________________

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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

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

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Resolution Required? ☐ Yes ☑ No

**Requested effective date:** October 1, 2010

**No. of tariff sheets:** 21

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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 Rule 14

Service affected and changes proposed: N/A

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

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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

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**Pacific Gas and Electric Company**

Attn: Jane K. Yura  
Vice President, Regulation and Rates  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, CA 94177

E-mail: PGETariffs@pge.com

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D. PRIORITY OF SERVICE

1. TRANSMISSION RECEIPT POINTS

a. For Lines 300/400/401, PG&E will allocate service on the Backbone Transmission paths, Baja, Redwood and Mission, in the following order:

   1) All Firm service at all receipt points on a defined transmission path will be treated equally, with pro rata allocation of nominations, if necessary.

   2) When no constraints exist for As-Available service, such service will be scheduled as follows:

      a) Mission Path off-system As-Available service first according to contract price,* with the lowest contract price interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

      b) The Redwood Path and Baja Path As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

   3) When constraints exist for As-Available service for Redwood Path (Line 400/401) and/or Baja Path (Line 300), such service will be scheduled as follows:

      A). Redwood Path Allocation (Line 400/401):

      a) The initial allocation of Line 400/401 As-Available capacity will be prorated based on each impacted independent storage provider's Net Withdrawal Nominations affecting the Redwood path capacity and Redwood path As-Available nominations. Net Withdrawal Nominations affecting the Redwood path capacity are defined as: the total withdrawal nominations less any injection nominations and less PG&E's ability to place withdrawal gas directly into a local transmission system.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.

(Continued)
D. PRIORITY OF SERVICE (Cont’d.)

1. TRANSMISSION RECEIPT POINTS (Cont’d.)

3) (Cont’d.)

A). Redwood Path Allocation (Line 400/401) (Cont’d.)

a) (Cont’d.)

For the purpose of allocating Line 400/401 As-Available capacity, Net Withdrawal Nominations affecting the Redwood path capacity from an independent storage provider will be limited to the independent storage provider’s maximum certificated withdrawal capacity, less PG&E’s ability to place the gas directly into a local transmission system. Redwood Path As-Available nominations will be limited to the Line 400/401 As-Available capacity.

b) After the initial allocation of Line 400/401 As-Available capacity to the Redwood Path, the total receipt volume at Redwood path receipt points on Line 400/401 is calculated as the sum of the firm nominations and allocated As-Available capacity. After the receipt volume at Redwood path receipt points is established, PG&E will determine the maximum additional storage withdrawals affecting Line 400/401 that can be accommodated.

If PG&E can accommodate additional withdrawals, this capacity will be allocated to each independent storage provider based on the same limited Net Withdrawal Nominations affecting Line 400/401 used in Section A).a) above. The total capacity for each independent storage provider used for scheduling nominations will be the sum of the final capacity for delivery affecting Line 400/401 plus the amount that PG&E can place into the Local Transmission System.

c) After the total capacity for each storage provider is determined, the withdrawal nominations from each storage provider will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,* with the lowest contract price interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.

(Continued)
D. PRIORITY OF SERVICE (Cont’d.)

1. TRANSMISSION RECEIPT POINTS (Cont’d.)

3) (Cont’d.)

A). Redwood Path Allocation (Line 400/401) (Cont’d.)

d) The Redwood Path As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

B). Baja Path Allocation (Line 300):

a) The initial allocation of Baja Path As-Available capacity will be prorated based on each impacted independent storage provider’s 1 Net Withdrawal Nominations affecting the Baja Path capacity and Baja Path As-Available nominations. Net Withdrawal Nominations affecting the Baja Path capacity are defined as: the total withdrawal nominations less any injection nominations and less PG&E’s ability to place withdrawal gas directly into a local transmission system.

For the purpose of allocating Line 300 As-Available capacity, Net Withdrawal Nominations affecting the Baja path capacity from an independent storage provider will be limited to the independent storage provider’s maximum certificated withdrawal capacity, less PG&E’s ability to place the gas directly into a local transmission system. Baja Path As-Available nominations will be limited to the Line 300 As-AvAILABLE capacity.

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1 If a Baja Path allocation process is necessary, Gill Ranch Storage withdrawals will include PG&E’s owned storage withdrawal portion from the Gill Ranch Storage field.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

3) (Cont'd.)

B). Baja Path Allocation (Line 300) (Cont'd.):

b) After the initial allocation of Line 300 As-Available capacity to the Baja Path, the total receipt volume at Baja Path receipt points on Line 300 is calculated as the sum of the firm nominations and allocated As-Available capacity. After the receipt volume at Baja Path receipt points is established, PG&E will determine the maximum additional storage withdrawals affecting Line 300 that can be accommodated.

If PG&E can accommodate additional withdrawals, this capacity will be allocated to each impacted independent storage provider based on the same limited Net Withdrawal Nominations affecting Line 300 used in Section B).a) above. The total capacity for each independent storage provider used for scheduling nominations will be the sum of the final capacity for delivery affecting Line 300 plus the amount that PG&E can place into the Local Transmission System.
D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

3) (Cont'd.)

B. Baja Path Allocation (Line 300) (Cont'd.)

c) After the total capacity for each storage provider is determined, the withdrawal nominations from each storage provider will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,* with the lowest contract price interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

d) The Baja Path As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

b. For all other Backbone Transmission paths, PG&E will allocate service on the Backbone Transmission path in the following order:

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

b. (Cont'd.)

1) All Firm service at all receipt points on a defined transmission path will be treated equally, with pro rata allocation of nominations, if necessary.

2) All other As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

TRANSMISSION DELIVERY POINTS

PG&E will allocate service on the Backbone Transmission System in the following order:

a. All Firm service at a given delivery point will be treated equally, with pro rata allocation of nominations, if necessary;

b. As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
D. PRIORITY OF SERVICE (Cont'd.)

4. PG&E STORAGE INJECTION AND TRANSPORTATION TO STORAGE
   a. Transportation priority to PG&E storage will be determined by the Customer's Gas Transmission Service Agreement (Form 79-866) (GTSA) utilized to transport the gas to storage.
   b. Injection priority at PG&E's storage facilities will be determined by the Storage Exhibit of the Customer's GTSA, as follows:
      1) All PG&E Firm storage service (treated equally, with pro rata allocation of nominations, if necessary);
      2) PG&E As-Available storage service (scheduled according to contract price,* with the lowest contract price for injection interrupted first).

5. PG&E STORAGE WITHDRAWAL AND TRANSPORTATION FROM STORAGE
   a. Transportation priority from PG&E storage to the delivery point will be determined by the Customer's GTSA utilized to transport the gas from storage.
   b. Withdrawal priority at PG&E's storage facilities will be determined by the Storage Exhibit of the Customer's GTSA, as follows:
      1) All PG&E Firm storage service (treated equally, with pro rata allocation of nominations, if necessary);
      2) PG&E As-Available storage service (scheduled according to contract price,* with the lowest contract price for withdrawal interrupted first).

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

D. PRIORITY OF SERVICE (Cont’d.)

6. SCHEDULING PRIORITY OF MARKET CENTER SERVICES

a. All Market Center Agreement exhibits are subject to PG&E’s sole determination that sufficient daily operational capacity permits PG&E to perform the requested Market Center transaction.

b. Should operational constraints prohibit execution of all Market Center transactions, PG&E shall schedule nominations for Market Center services in the following order of transaction categories, from highest to lowest priority, as follows:

1. Repay of Lend
2. Unpark
3. Park
4. Lend

Nominations within each of the four transaction categories shall be scheduled according to contract price*** with the lowest contract price being constrained first.

In the event that two or more requests for the same Market Center service, at the same contract price, are identical during a period of limited availability, authorization shall be granted on a first-come, first-serve basis. PG&E shall authorize service for the Customer making the first request in date and time, as measured by the date and time of PG&E’s receipt of the Customer’s signed exhibit. If the Customers’ requests for service are identical in contract price, date, and time received, then authorization shall be resolved by lottery.

*** Contract price, as used here, equals the per unit Usage Charge specified in the applicable Market Center Schedule G-PARK or G-LEND, normalized to equivalent units.

(Continued)
GAS RULE NO. 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 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:

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<th>Noncompliance Charge Per Decatherm</th>
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<td>Stage 1: up to +/-25%</td>
<td>$0.25</td>
</tr>
<tr>
<td>Stage 2: up to +/-20%</td>
<td>$1.00</td>
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<td>Stage 3: up to +/-15%</td>
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<td>Stage 4: up to +/-15%</td>
<td>$25.00</td>
</tr>
<tr>
<td>Stage 5: up to +/-5%</td>
<td>$25.00 plus DCI*</td>
</tr>
</tbody>
</table>

* The DCI is the PG&E Daily Citygate Index Price as published in Gas Daily, rounded up to the next whole dollar. If the price is not published on a given day, the previous published price will apply.
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 $0.25 per Decatherm 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 $0.25 per Decatherm; however, an OFO event may begin at any stage with the corresponding noncompliance charge as deemed appropriate by PG&E.

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. 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.

(Continued)
GAS RULE NO. 14  Sheet 16
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

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

OFO NONCOMPLIANCE CHARGE EXEMPTION:

If a Balancing Agent’s OFO noncompliance charge is calculated to be less than or equal to $1,000 for an OFO, the noncompliance charge will be exempted and the charge will be zero. If the 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.

As ordered in Decision 01-02-049, PG&E shall waive any OFO noncompliance charges incurred by core customers whose gas is procured by PG&E if: 1) PG&E has implemented an Involuntary Diversion of noncore gas supplies (see Section G, below; and 2) due to PG&E’s lack of credit, PG&E is unable to procure sufficient core gas supplies directly from suppliers.

OFO COMPLIANCE

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, 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
   b) the Customer’s actual daily metered usage; or
   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.

(Continued)
E. OPERATIONAL FLOW ORDERS (OFO) (Cont’d.)

3. For a Core Procurement Group (which includes PG&E’s Core Procurement Department and Core Transport Groups) (CP Group), compliance during an OFO and calculation of any OFO noncompliance charges will be based on the Determined Usage forecast as defined in Schedule G-BAL provided on the designated OFO day. If the Determined Usage is not posted by 7:15 a.m., the most recent previous forecast will be used.

4. For a California Production Balancing Agreement (CPBA), (Form 79-944) compliance with an OFO and calculation of any OFO noncompliance charges will be based on the difference between scheduled deliveries and actual deliveries.

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).

OFOs and SELF-BALANCING

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 ongoing Accumulated Daily Imbalance calculation.
F. EMERGENCY FLOW ORDERS (EFO)

PG&E may invoke Emergency Flow Orders (EFO) when a forecast or an actual supply and/or capacity shortage threatens deliveries to End-Use Customers.

During an EFO, End-Use Customers' usage must be less than or equal to supply for a gas day (i.e., supply must be equal to or greater than usage). With the one exception specified herein, EFOs will have a zero (0) percent tolerance and a noncompliance charge of $50.00 plus DCI for each Decatherm of usage in excess of supply.

As ordered in Decision 01-02-049, PG&E shall waive any EFO noncompliance charges incurred by core customers whose gas is procured by PG&E if: (1) PG&E has implemented an Involuntary Diversion of noncore gas supplies (see Section G, below; and (2) due to PG&E's lack of credit, PG&E is unable to procure sufficient core gas supplies directly from suppliers.

EFO COMPLIANCE

EFO 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 EG Department, compliance during an EFO will be based on actual daily metered usage and the calculation after the EFO 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, compliance during an EFO 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 EFO event will be based on one of the following, whichever results in the lesser charge:

   (1) the Customer's ADQ, or

   (2) the Customer's actual daily metered usage, or

   (3) when Customer's actual daily metered usage is not available, 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.

(Continued)
F. EMERGENCY FLOW ORDERS (EFO) (Cont’d.)

3. For a Core Procurement Group (CP Group), compliance during an EFO and calculation of any EFO noncompliance charges will be based on the Determined Usage forecast provided on the designated EFO day, or the end-of-flow day core demand estimate, whichever results in a lower noncompliance charge. If the Determined Usage is not posted by 7:15 a.m., the most recent previous forecast will be used.

4. For a CPBA, compliance during an EFO and calculation of any EFO noncompliance charges will be based on the difference between scheduled deliveries and actual deliveries.

With the exception of the EFO noncompliance charge waiver specified above, if PG&E invokes an involuntary supply diversion (see Section G, below) in conjunction with an EFO, an additional $50.00 per Decatherm diversion usage charge will apply.

An EFO will normally be invoked following an Operational Flow Order (OFO), but PG&E may invoke an EFO without previously invoking an OFO if, in PG&E’s judgment, emergency operating conditions exist. There shall be no minimum notice period for EFOs; however, PG&E will attempt to provide as much notification to Customers as practicable under the circumstances.

PG&E may implement other measures to ensure system integrity should an EFO fail to alleviate the emergency condition.

(Continued)
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

G. DIVERSION OF CUSTOMER-OWNED GAS

When operational conditions exist such that supply is insufficient to meet demand and deliveries to Core End-Use Customers are threatened, and subject to the obligations of Core Procurement Groups to utilize all available capacity associated with supply, PG&E may divert gas supply in its system from Noncore End-Use Customers to Core End-Use Customers. Emergency Flow Order (EFO) provisions will be deemed to apply under these conditions. (See Section F.) If a Noncore End-Use Customer’s supply is diverted, either involuntarily under this rule, or through a voluntary arrangement with representatives of Core End-Use or Noncore End-Use Customers, that Customer must stop or reduce its use of natural gas. In the event the Customer fails to stop or reduce its gas use, that Customer must pay charges as provided below.

Prior to a diversion hereunder, PG&E’s Core Procurement Department and Core Transport Agents, on behalf of their Core End-Use Customers, will use:

1) their own firm capacity, to the extent gas supply is available;
2) any As-Available capacity on the system at any receipt point to the extent gas supply is available; and
3) capacity made available from Noncore End-Use Customers or other Backbone Transmission System Customers pursuant to voluntary supply diversion arrangements, provided that such arrangements are at prices not to exceed the costs of involuntary diversion.

In the event PG&E diverts gas for Core End-Use Customers, PG&E will not be responsible for any interstate charges associated with the diverted gas. PG&E’s total cost responsibilities for diversion are limited to those set forth below.

(Continued)
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

G. DIVERSION OF CUSTOMER-OWNED GAS (Cont’d.)

1. INVOLUNTARY DIVERSIONS

PG&E may divert gas supplies from Backbone Transmission System Customers. Firm transportation to off-system is not subject to diversion. Diversions will occur in the following order:

a. Supply scheduled under As-Available transmission service will be diverted in order of increasing transmission contract price and on a pro rata basis for all volumes transported under the same price. However, supply under scheduled deliveries from storage using As-Available transmission service will be treated as the highest priority Firm transmission service. (See G.1.c., below.)

b. Supply scheduled to Noncore End-User Customers under Firm transmission service is diverted on a pro rata basis.

c. Scheduled deliveries from storage using Firm or As-Available transmission service will be treated as the highest priority Firm transmission service and will be diverted on a pro rata basis.

2. INVOLUNTARY DIVERSION COMPLIANCE AND CHARGES

All Customers who use more gas during an involuntary diversion than their post-diverted supply, whether or not their gas is subject to an involuntary diversion, will be assessed involuntary diversion charges. Those customers will be deemed to be receiving involuntarily diverted supply, and therefore will be assessed a $50.00 per Decatherm diversion usage charge, in addition to the EFO noncompliance charge. See Section F, above, for conditional waiver of only the EFO noncompliance charges for certain core customers during an involuntary diversion.

Involuntary diversion compliance and charges will be based on the following:

a. For a Noncore End-Use Customer with automated meter reading (AMR) capability, compliance and the calculation after the involuntary diversion event of any involuntary diversion charge will be based on actual daily metered usage and the post-diverted supply. (Post-diverted supply is the original scheduled supply less the diverted volumes.)
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

G. DIVERSION OF CUSTOMER-OWNED GAS (Cont'd.)

2. INVOLUNTARY DIVERSION COMPLIANCE AND CHARGES (Cont'd)

b. For a Noncore End-Use Customer without AMR capability (all or part non-AMR capability) at their premises and PG&E’s Electric Generation (EG) department, compliance and the calculation after the involuntary diversion event of any noncompliance charge will be based on actual usage and the post-diverted supply.

c. For a Core Procurement Group (CP Group), compliance and the calculation after the involuntary diversion event of any involuntary diversion charge will be based on the latest available forecast from the core load forecast model for the CP Group prior to the time the event is called, up to and including a 5:00 p.m. Pacific Time Forecast, and the CP Group’s original supply before involuntary diversion.

3. COMPENSATION FOR INVOLUNTARILY DIVERTED GAS

Firm transmission service Customers whose gas supply is involuntarily diverted will receive a $50.00 per Decatherm diversion credit.

As-Available transmission service Customers whose gas supply is involuntarily diverted will receive a diversion credit based on the current market price of the diverted supply on the day it was diverted.

The current market price will be 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 (Line 400) and Topock (Southern California Border), weighted by the supply mix of all gas received at Malin and Topock for on-system End-Use Customers for that day.

(Continued)
GAS RULE NO. 14  
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

G. DIVERSION OF CUSTOMER-OWNED GAS (Cont’d.)

3. COMPENSATION (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.

H. LOCAL CURTAILMENT

In the event of localized constraints, PG&E may curtail Noncore End-Use Customers in a localized area. When a local curtailment is announced, Noncore End-Use Customers will be provided a maximum allowed usage for the designated curtailment period. Compliance with the local curtailment is the responsibility of the Noncore End-Use Customer and may not be assigned to a Balancing Agent. Noncore End-Use Customers that exceed the maximum allowed usage will be subject to a noncompliance charge.

Local curtailment noncompliance charges for each decatherm of usage in excess of designated maximum allowed usage shall equal $50.00 plus the DCI. In order to protect its system, PG&E may temporarily shut off gas service to any Customer that fails to comply with the local curtailment.

In the event that an OFO or EFO is in effect simultaneously with a local curtailment, OFO or EFO noncompliance charges may apply in addition to any local curtailment noncompliance charges.

I. SERVICE FROM OFF-SYSTEM STORAGE FACILITIES

Gas from off-system storage facilities is treated equally with any other gas delivered at that specific PG&E interconnection.

J. WHOLESALE/RESALE SERVICE

Service under wholesale/resale service agreements, in which the gas is resold to customers of other utilities within PG&E’s service territory, shall be subject to Operational Flow Orders, Emergency Flow Orders, and diversion of Customer-owned gas in the same manner as if such Customers were Customers of PG&E.
K. CORE END-USE CUSTOMERS

In an emergency situation, non-residential Core End-Use Customers may be asked to reduce usage prior to residential Core End-Use Customers.

L. CONFLICTS WITH OTHER TARIFFS AND/OR CONTRACTS

Each of the gas rate schedules, agreements, and rules governing the sale and transportation of natural gas by PG&E on file with the CPUC, shall be deemed amended to the extent that they are or may be inconsistent or in conflict with the priorities of service as listed in this rule.

M. NBAA AND CTA GROUP IMBALANCES MAY NOT BE COMBINED

OFO, EFO, and Diversion compliance calculations for Noncore Balancing Aggregation Groups (NBAA) and Core Transportation groups (CTA) are performed separately, according to the terms contained in this rule. Suppliers may not combine NBAA group and CTA group usage and supplies in an effort to comply with an OFO, EFO, or Diversion.
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Attachment 2

Tariff Sheets with Red-Lined Changes
(Sheets 6-10)
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

D. PRIORITY OF SERVICE

1. TRANSMISSION RECEIPT POINTS

   a. For Lines 300/400/401, PG&E will allocate service on the Backbone Transmission paths, Baja, Redwood and Mission, in the following order:

      1) All Firm service at all receipt points on a defined transmission path will be treated equally, with pro rata allocation of nominations, if necessary.

      2) When no constraints exist for As-Available service, such service will be scheduled as follows:

         a) Mission Path off-system As-Available service first according to contract price,* with the lowest contract price interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

         b) The Redwood Path and Baja Path As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

      3) When constraints exist for As-Available service for Redwood Path (Line 400/401) and/or Baja Path (Line 300), such service will be scheduled as follows:

         A). Redwood Path Allocation (Line 400/401):

            a) The initial allocation of Line 400/401 As-Available capacity will be prorated based on each impacted independent storage provider’s Net Withdrawal Nominations affecting the Redwood path capacity into Line 400/401 for each third-party storage provider and Redwood path As-Available nominations. Net Withdrawal Nominations affecting the Redwood path capacity into Line 400/401 are defined as: the total withdrawal nominations less any injection nominations and less PG&E’s ability to place withdrawal gas directly into a local transmission system.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

D. PRIORITY OF SERVICE (Cont’d.)

1. TRANSMISSION RECEIPT POINTS (Cont’d.)

3) (Cont’d.)

A). Redwood Path Allocation (Line 400/401) (Cont’d.)

a) (Cont’d.)

For the purpose of allocating Line 400/401 As-Available capacity, Net Withdrawal Nominations affecting the Redwood path capacity Net Withdrawal Nominations into Line 400/401 from an third party independent storage provider will be limited to the third-party independent storage provider’s maximum certificated withdrawal capacity, less PG&E’s ability to place the gas directly into a local transmission system. Redwood Path As-Available nominations will be limited to the Line 400/401 As-Available capacity.

b) After the initial allocation of Line 400/401 As-Available capacity to the Redwood Path, the total receipt volume at Malin-Redwood path receipt points on Line 400/401 is calculated as the sum of the firm nominations and allocated As-Available capacity. After the receipt volume at Redwood path receipt points Malin is established, PG&E will determine the maximum additional storage withdrawals into affecting Line 400/401 that can be accommodated.

If PG&E can accommodate additional withdrawals, this capacity will be allocated to each third-party independent storage provider based on the same limited Net Withdrawal Nominations into affecting Line 400/401 used in Section A).a) above. The total capacity for each independent third-party storage provider used for scheduling nominations will be the sum of the final capacity for delivery into affecting Line 400/401 plus the amount that PG&E can place into the Local Transmission System.

c) After the total capacity for each storage provider is determined, the withdrawal nominations from each storage provider will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,* with the lowest contract price interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

D. PRIORITY OF SERVICE (Cont’d.)

1. TRANSMISSION RECEIPT POINTS (Cont’d.)

3) (Cont’d.)

A). Redwood Path Allocation (Line 400/401) (Cont’d.)

   d) The Redwood Path As-Available service will be scheduled according to contract price, with the lowest contract price interrupted first.

B). Baja Path Allocation (Line 300):

   a) The initial allocation of Baja Path As-Available capacity will be prorated based on each impacted independent storage provider’s Net Withdrawal Nominations affecting the Baja Path capacity and Baja Path As-Available nominations. Net Withdrawal Nominations affecting the Baja Path capacity are defined as: the total withdrawal nominations less any injection nominations and less PG&E’s ability to place withdrawal gas directly into a local transmission system.

   For the purpose of allocating Line 300 As-Available capacity, Net Withdrawal Nominations affecting the Baja path capacity from an independent storage provider will be limited to the independent storage provider’s maximum certificated withdrawal capacity, less PG&E’s ability to place the gas directly into a local transmission system. Baja Path As-Available nominations will be limited to the Line 300 As-Available capacity.

---

1 If a Baja Path allocation process is necessary, Gill Ranch Storage withdrawals will include PG&E’s owned storage withdrawal portion from the Gill Ranch Storage field.

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.

(Continued)
D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

3) (Cont'd.)

B). Baja Path Allocation (Line 300) (Cont'd.):

b) After the initial allocation of Line 300 As-Available capacity to the Baja Path, the total receipt volume at Baja Path receipt points on Line 300 is calculated as the sum of the firm nominations and allocated As-Available capacity. After the receipt volume at Baja Path receipt points is established, PG&E will determine the maximum additional storage withdrawals affecting Line 300 that can be accommodated.

If PG&E can accommodate additional withdrawals, this capacity will be allocated to each impacted independent storage provider based on the same limited Net Withdrawal Nominations affecting Line 300 used in Section B).a) above. The total capacity for each independent storage provider used for scheduling nominations will be the sum of the final capacity for delivery affecting Line 300 plus the amount that PG&E can place into the Local Transmission System.
GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE

D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

3) (Cont'd.)

B. Baja Path Allocation (Line 300) (Cont'd.)

c) After the total capacity for each storage provider is determined, the withdrawal nominations from each storage provider will be scheduled as follows:

Mission Path off-system As-Available service first according to contract price,* with the lowest contract price interrupted first. The Mission Path on-system As-Available service will then be scheduled with all nominations allocated on a pro rata basis.

d) The Baja Path As-Available service will be scheduled according to contract price,* with the lowest contract price interrupted first.

b. For all other Backbone Transmission paths, PG&E will allocate service on the Backbone Transmission path in the following order:

* Contract price equals the per unit Usage Charge specified in the applicable exhibit of the Gas Transmission Service Agreement.
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