

**PACIFIC GAS AND ELECTRIC COMPANY**

**STATEMENT OF OPERATING CONDITIONS**

**REGARDING**

**TRANSPORTATION SERVICES**

**IN INTERSTATE COMMERCE**

**FERC Operating Statement Volume No. 1**

**TABLE OF CONTENTS**

INTRODUCTORY STATEMENT

SECTION 1 DEFINITION OF TERMS

SECTION 2 SERVICES

SECTION 3 TRANSPORTATION OF NATURAL GAS

SECTION 4 CREDITWORTHINESS AND PAYMENT TERMS

APPENDIX A RATES

## INTRODUCTORY STATEMENT

This Statement of Operating Conditions (Operating Statement) describes how Pacific Gas and Electric Company (PG&E), a Hinshaw pipeline that transports and distributes natural gas in northern and central California, shall provide certain interstate transportation services described below pursuant to Section 284.224 of the regulations of the Federal Energy Regulatory Commission (FERC or Commission), 18 C.F.R. § 284.224. Pursuant to its limited jurisdiction blanket certificate issued by FERC, PG&E provides nondiscriminatory, open-access transportation in California between interconnecting interstate pipelines. PG&E's blanket rates for firm and interruptible transportation services are the rates established by the Public Utilities Commission of the State of California (CPUC) for comparable intrastate services. The rates, terms and conditions for these services can be found at <http://www.pge.com/tariffs>. PG&E's rates for parking and lending services as approved by FERC are shown in Appendix A.

## SECTION 1 DEFINITION OF TERMS

Except where another meaning is expressly stated, the following terms shall be construed to have the following meanings:

- 1.1 **BRITISH THERMAL UNIT (Btu):** The standard unit for measuring a quantity of thermal energy. One Btu equals the amount of thermal energy required to raise the temperature of one pound of water one degree Fahrenheit and is exactly defined as equal to 1,055.05585262 joule, rounded to 1,055.056 joule. (A joule is equal to one wattsecond.)
- 1.2 **CUBIC FOOT OF GAS:** The quantity of gas that, at a temperature of sixty (60) degrees Fahrenheit and a pressure of 14.73 pounds per square inch absolute, occupies one cubic foot.
- 1.3 **MCF:** 1,000 cubic feet of gas.

- 1.4 DECATHERM (Dth) (Also DEKATHERM): A unit of energy equal to ten therms, or one million Btu.
- 1.5 SILVERADO, REDWOOD, BAJA and MISSION: Transportation paths as used by PG&E in its state regulated transportation business.
- 1.6 CPUC: The Public Utilities Commission of the State of California.
- 1.7 GTSA: Gas Transportation Service Agreement, an agreement and exhibits thereto for use by between PG&E and the customer governing terms and conditions of transportation service, including parking and lending. Such agreement is on file with the CPUC.

## **SECTION 2 SERVICES**

Subject to PG&E having available capacity and the customer meeting the eligibility requirements set forth in this Operating Statement, PG&E shall offer Firm Transportation, Interruptible Transportation and Parking and Lending Service to customers on a non-discriminatory basis.

## **SECTION 3 TRANSPORTATION OF NATURAL GAS**

This Section describes the general terms and conditions that apply whenever PG&E transports Customer-owned gas over its system. Customers who wish to transport gas must sign a GTSA.

### **A. GENERAL**

1. NATURE OF SERVICE: Customers will deliver to PG&E quantities of gas, and PG&E will deliver equivalent quantities of gas adjusted for In-Kind Shrinkage Allowance, on a Btu-for-Btu basis, to the Customer's Delivery Point.
2. GAS SPECIFICATIONS: Unless otherwise agreed to by both parties, the gas delivered to PG&E must meet the quality specifications detailed below in Section 3C, QUALITY OF GAS.. The minimum and maximum heating value and the pressure of the gas must be such that the gas can be integrated into PG&E's system at the Receipt Point(s).

**B. QUANTITIES OF GAS**

1. **IN-KIND SHRINKAGE ALLOWANCE:** The in-kind shrinkage quantities represent the unaccounted-for gas and the utility fuel use attributable to the volume of natural gas received by PG&E for transmission service. PG&E may adjust shrinkage annually, or as necessary, as approved by the CPUC. No shrinkage is assessed for parking and lending transactions.
  - a. **Transmission Shrinkage -** A Customer transporting gas over PG&E's Transmission System shall deliver each day at the Receipt Point to PG&E an additional in-kind quantity of natural gas supply equal to a percent of total volume of natural gas to be delivered at the Receipt Point. Thus, the quantity to be nominated at the Receipt Point equals the quantity desired at the Delivery Point divided by  $(1 - x)$  where  $x$  is the decimal equivalent of the Transmission System In-Kind Shrinkage Allowance percentage, based on the transmission path utilized as approved by the CPUC  
  
Provided, however, that PG&E and the Customer shall not be prohibited, where shrinkage requirements support a different shrinkage allowance, from mutually agreeing to a different shrinkage allowance for transportation over PG&E's Transmission System.
2. **TRANSPORTATION QUANTITIES:** PG&E shall not be obligated to agree to a Maximum Daily Quantity (MDQ), as specified in the GTSA, for any Customer, in the aggregate, that exceeds the amount of available capacity to provide service to the Customer, as determined by PG&E.
3. **NOMINATIONS:**
  - a. **General -** The Customer shall be responsible for submitting gas service nominations to PG&E no later than the deadlines specified below. Nominations shall be made by electronic means acceptable to PG&E or by other means mutually agreeable to PG&E and the Customer. The Customer shall sign an Electronic Commerce System (ECS) User Agreement (Form 79-982) prior to using PG&E's Electronic Commerce System.

Currently, there is no charge for using the ECS; however, PG&E reserves the right to initiate or modify fees for the use of the ECS, subject to CPUC approval. PG&E may reject any nomination not conforming to the requirements in this Operating Statement or in the GTSA.

Each nomination shall include all information required by PG&E's normal nomination procedures. Nominations received by PG&E will be subject to the conditions specified in the GTSA. Confirmation of nominations will be subject to operational constraints in accordance with CPUC approved Gas Rule 14.

Nominations for Firm Service (Firm Nominations) may be given scheduling priority over nominations for Interruptible Service (Interruptible Nominations) confirmed and scheduled in a previous nomination cycle, in accordance with Rule 14. This may result in a reduction of previously confirmed and scheduled Interruptible volumes. "Bumping" is the process in the second and third nomination cycles (Evening and Intraday 1) where a Firm Nomination can supersede an Interruptible Nomination confirmed and scheduled in a previous nomination cycle. Bumping is not part of the confirmation and scheduling process in the fourth (Intraday 2) cycle. Interruptible Nominations are scheduled by price in each nomination cycle.

The Customer shall be responsible for making all corresponding upstream and/or downstream nomination arrangements with the interconnecting pipeline(s) and/or operator(s).

- b. Changes in Flow-day Quantities - PG&E will schedule nominations subject to receiving notification of confirmation from the upstream and/or downstream pipeline(s) and/or operator(s), and subject to the following two conditions.
  - 1) Decreases - Decreases in Intra-day nominations shall be limited to no less than the Elapsed Prorated Quantity that theoretically would have flowed up to the effective time of the intra-day nomination being confirmed, based on a cumulative uniform hourly quantity for each nomination period affected. This condition applies at the individual nomination level.

PACIFIC GAS AND ELECTRIC COMPANY  
FERC Operating Statement Volume No. 1

---

- 2) Increases - Increases in Intra-day nominations shall be limited to no more than the Remaining Prorated Quantity that theoretically could flow from the effective time of the intra-day nomination being confirmed, for the time remaining in the gas day based on a cumulative uniform hourly quantity for each nomination period affected. This condition applies to the aggregate of all nominations at a receipt point.
- c. Timing - All times referred to in the Operating Statement are in Pacific Clock Time. The gas day will be from 7 a.m. to 7 a.m.
- d. Nomination Cycles - PG&E will accept and process four types of nominations for a given gas day: Timely, Evening, Intraday 1, and Intraday 2:
  - 1) A "Timely Nomination" is a nomination received by PG&E no later than 9:30 a.m. one day prior to the gas day for which the Customer requests service.
  - 2) An "Evening Nomination" is a nomination received after 9:30 a.m. and no later than 4:00 p.m. one day prior to the gas day for which the Customer requests service.
  - 3) An "Intraday 1 Nomination" is a nomination received after 4:00 p.m. one day prior to the gas day for which the Customer requests service and no later than 8:00 a.m. on the gas day for which service is requested.
  - 4) An "Intraday 2 Nomination" is a nomination received after 8:00 a.m. and no later than 3:00 p.m. on the gas day for which service is requested by the Customer.

Further details relevant to each nomination cycle are described in PG&E's CPUC approved Gas Rule 21.

4. IMBALANCES IN DELIVERIES:

- a. On any given day the Customer shall bring in a quantity of Customer-Owned Gas, adjusted for In-Kind Shrinkage Allowance, to be delivered to the Customer,

approximately equal to the quantity of gas received by PG&E for transportation to the Customer that day.

Any day-to-day imbalance will be handled and resolved through CPUC approved Schedule G-BAL.

- b. Procedures for balancing the Customer's account when PG&E receives Customer-Owned Gas for transportation but, because of constraints or diversions, does not deliver it to the Customer, are covered in CPUC approved Gas Rule 14.
- c. A transmission Customer's Imbalance, defined in Schedule G-BAL, refers to a difference between a Customer's final scheduled quantity and the quantity of gas actually delivered.

### C. QUALITY OF GAS

Gas delivered to PG&E for transportation to the Delivery Point(s) shall meet the gas quality specifications stated in the service agreement between the delivering pipeline company and PG&E. If no gas-quality specifications agreement exists between the delivering pipeline company and PG&E for the Receipt Point(s), or if the natural gas is not delivered by a pipeline, the gas received by PG&E shall meet the following specifications:

1. Carbon dioxide: The gas shall contain no more than one percent by volume of carbon dioxide.
2. Oxygen: The gas shall contain no more than 0.1 percent by volume of oxygen.
3. Hydrogen sulfide: The gas shall contain no more than 0.25 grains of hydrogen sulfide, measured as hydrogen sulfide, per one hundred standard cubic feet (4 parts per million (ppm)).
4. Mercaptan sulfur: The gas shall contain no more than 0.5 grains of mercaptan sulfur, measured as sulfur, per one hundred standard cubic feet (8 ppm).

PACIFIC GAS AND ELECTRIC COMPANY  
FERC Operating Statement Volume No. 1

---

5. Total sulfur: The gas shall contain no more than one grain of total sulfur, measured as sulfur, per one hundred standard cubic feet (17 ppm).
6. Water vapor: The gas shall contain no more than seven pounds of water vapor per million standard cubic feet at 800 pounds per square inch gauge (psig) or less; dew point of 20° Fahrenheit (F) if gas is supplied at over 800 psig.
7. Hydrocarbon dewpoint: The gas shall have a hydrocarbon dewpoint of 45°F or less for gas delivered at 800 psig or below, but measured at 400 psig; or 20°F for gas delivered at above 800 psig, also measured at 400 psig.
8. Liquids: The gas shall contain no liquids at, or immediately downstream of, the Receipt Point(s).
9. Merchantability: The gas shall not contain dust, sand, dirt, gums, oils, or other substances in an amount sufficient to be injurious to PG&E facilities or which shall cause the gas to be unmarketable.
10. Temperature: The gas shall not be delivered at less than 60 degrees Fahrenheit or more than 100 degrees Fahrenheit.
11. Gas interchangeability: The gas shall be interchangeable with the gas in the receiving pipeline. Interchangeability shall be determined in accordance with the methods and limits presented in Bulletin 36 of the American Gas Association.
12. Heating value: The gas shall have a heating value that is consistent with the standards established by PG&E for each Receipt Point.
13. Biogas: Biogas refers to a gas made from anaerobic digestion of agricultural and/or animal waste. The gas is primarily a mixture of methane and carbon dioxide. Biogas must be free from bacteria, pathogens and any other substances injurious to utility facilities or that would cause the gas to be unmarketable and it shall conform to all gas quality specifications identified in this Operating Statement.

PACIFIC GAS AND ELECTRIC COMPANY  
FERC Operating Statement Volume No. 1

---

14. Landfill Gas: Gas from landfills will not be accepted or transported under this Operating Statement.

D. ACCOUNTING AND BILLING

1. DESIGNATION OF QUANTITIES DELIVERED FOR TRANSPORTATION: PG&E may be receiving gas from various sources at the Receipt Point(s). Gas entering the PG&E system shall be measured by either PG&E or a third party designated by PG&E as its agent. Where such third party acts as PG&E's measuring agent, the Customer shall accept as correct the agent's determination of the quantity of gas (in Mcf and Decatherms) it has delivered to PG&E for the Customer's account subject to the limitations of Rule 14. Where gas is measured by PG&E, the Customer shall accept as correct PG&E's measurement of the gas received.

2. BILLING: As discussed in Section 4C, BILLING AND PAYMENT TERMS, below, each month, PG&E shall send the Customer a bill. The bill will show the quantities of gas adjusted for In-Kind Shrinkage Allowance, delivered to PG&E for the Customer's account at each Delivery Point for the billing month. PG&E may use estimated quantities in the bill, and the Customer shall be obligated to pay the estimated bill as presented; PG&E will then make any necessary adjustments in the subsequent months' billings.

Billing disputes are addressed in CPUC approved Gas Rule 10.

3. BOOKS AND RECORDS: PG&E and the Customer shall keep accounting records and books in accordance with generally accepted accounting principles and practices in the industry. PG&E and the Customer shall have the right to examine those books and accounting records of the other.

Any examination will be at the examining party's expense, must be conducted at a reasonable time, and must be confined to the extent necessary to verify the accuracy of any statement, charge, or computation or any demand made under or as a result of transporting Customer-Owned Gas.

E. ADDITIONAL FACILITIES

Transportation of Customer-Owned Gas does not obligate PG&E to construct any additional facilities (including measuring facilities) or to modify any existing facilities to provide for receipt of Customer-Owned natural gas into the PG&E system. Customer shall have a separate agreement covering any new facilities or necessary modifications for either receipt or delivery of Customer-Owned Gas.

F. POSSESSION OF GAS

For Customer-Owned Gas, the Customer shall be deemed to be in control and possession of the gas until the gas is delivered to PG&E at the Receipt Point(s). The Customer shall be deemed to regain control and possession of the gas upon delivery from PG&E to or on behalf of the Customer.

G. INDEMNIFICATION

The Customer shall indemnify and hold harmless PG&E, its officers, agents and employees against all loss, damage, expense, and liability, resulting from injury to or death of any person, including but not limited to employees of PG&E, Customer or any third party, or for loss, destruction, damage to property, including but not limited to property of PG&E, Customer, or any third party, arising out of or in any way connected with the transportation of customer-owned gas, however caused, except to the extent caused by the active negligence or willful misconduct of PG&E, its officers, agents and employees. The Customer shall on PG&E's request, defend any suit asserting a claim covered by this indemnity. The indemnifying party shall pay all costs that may be incurred by the other party in enforcing this indemnity, including all reasonable attorney's fees.

**SECTION 4 CREDITWORTHINESS AND PAYMENT TERMS****A. GENERAL**

This Section applies to Customers who purchase or receive gas products and services from PG&E including transmission and parking/lending services pursuant to PG&E's gas rate schedules and agreements. Customers must meet the credit requirements set forth herein on a continuing basis in order to be eligible to receive such products and services. To receive gas products and services from PG&E, a Customer must either establish an unsecured credit line or provide security to PG&E sufficient to meet PG&E's total financial exposure, based on all products and services for which a Customer has contracted with PG&E. The amount of credit established for, or security required of a Customer is a function of that Customer's creditworthiness. PG&E will apply credit evaluation criteria and make decisions on a non-discriminatory basis, subject, however, to the reasonable exercise of decisionmaking. PG&E may, from time to time, modify the creditworthiness requirements applicable to a Customer based on changes in that Customer's service requirements and/or overall financial condition. A Customer requesting gas products and services must demonstrate creditworthiness before PG&E will execute a Gas Transmission Service Agreement (GTSA) (Form No. 79-866) or exhibits to the GTSA. Criteria for establishing creditworthiness are shown below. Failure to meet the credit standards on a continuous basis shall constitute an event of default.

**B. ESTABLISHMENT OF CREDIT**

1. **APPLICATION FOR CREDIT:** Each Customer shall complete, execute, and submit a California Gas Transmission Credit Application (Form No. 79-868). The following financial information must be provided to PG&E in order for PG&E to evaluate a Customer's creditworthiness.
  - a. Customer's most recent annual report.
  - b. Customer's most recent U.S. Securities and Exchange Commission (SEC) Form 10-K, or

PACIFIC GAS AND ELECTRIC COMPANY  
 FERC Operating Statement Volume No. 1

---

- 1) If SEC Form 10-K is not available, substitute audited annual financial information (including a balance sheet, income statement, notes to the financial statements and cash flow statement).
  - 2) If audited statements are unavailable, substitute unaudited annual financial information (including a balance sheet, income statement, and cash flow statement) accompanied by an attestation by Customer's Chief Financial Officer that the information is true, correct and a fair representation of Customer's current and foreseeable future financial condition.
- c. Customer's most recent quarterly SEC Form 10-Q and/or quarterly financial statements.
  - d. A complete list of Customer's corporate affiliates, parent companies and subsidiaries.
  - e. Other Customer financial information as may be required by PG&E.

PG&E will use the information above to determine a Customer's maximum credit line, either secured or unsecured. 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.

2. **CONTINUATION OF CREDITWORTHINESS:** To assure the continued validity of an established credit line, a Customer shall submit complete financial statements satisfactory to PG&E at least annually and, upon PG&E's request, more frequently. If (a) PG&E determines, in its sole judgment, that a Customer has experienced a material financial change that has affected or could adversely affect that Customer's creditworthiness, or (b) a Customer does not provide financial information as requested by PG&E, or (c) a Customer fails, for whatever reason, to provide additional credit support in a form acceptable to PG&E upon PG&E's request, then PG&E may terminate that Customer's GTSA or exhibits to the GTSA.
3. **MINIMUM CREDITWORTHINESS CRITERIA FOR UNSECURED CREDIT:**  
 PG&E's approval of an unsecured credit line will be based upon the financial position of

that Customer, and the amount of PG&E's potential financial exposure. A Customer (or a third party, on behalf of a Customer, providing acceptable security hereunder and executing PG&E's General Guarantee) meeting one of the following criteria will qualify for unsecured credit up to a maximum credit limit as determined by PG&E.

- a. Long-term debt/bond rating of BBB or better for Standard & Poor's or Baa2 or better for Moody's.
  - b. Dun & Bradstreet composite credit appraisal of "2" or better (i.e., good).
  - c. Moody's rating [short-term] of P-2 or better.
  - d. Standard & Poor's rating [short-term] of A-2 or better.
  - e. Audited financial statements, which demonstrate a Customer's creditworthiness. Notwithstanding that a Customer may have previously qualified for unsecured credit, security may be requested at a future date if PG&E becomes aware of a material change in a Customer's payment pattern, financial position, or a change in a Customer's published debt ratings or expected change in debt ratings due to the issuances of a negative outlook by either Moody's or Standard & Poor's which would cause a Customer's long-term or short-term debt rating to be less than specified in these criteria, or if the provisions of this Operating Statement are changed.
4. CREDIT STANDARDS UTILIZING SECURITY: If PG&E denies unsecured credit to a Customer, or if PG&E determines subsequently during the term of the service under PG&E's rate schedules, that a Customer no longer satisfies the criteria for unsecured credit, the Customer may still obtain credit approval if the Customer elects to provide security in a form and amount acceptable to PG&E. Additionally, a Customer may provide security in a form acceptable to PG&E in lieu of the creditworthiness evaluation, in which case, the security must be submitted to PG&E before PG&E will execute a Customer's GTSA. Such security may not be used by a Customer as a means of or substitute for the timely payment of that Customer's regular monthly bills. After PG&E determines a Customer is eligible for credit, secured or unsecured, that Customer may be

required, after service begins, to provide additional security to maintain its credit position if PG&E becomes aware of a material financial change that has affected, or could adversely affect that Customer's creditworthiness, or if the provisions of this Rule are changed. A Customer's failure, for whatever reason, to provide additional security within three (3) business days of PG&E's request therefore, in an amount required by PG&E to maintain that Customer's credit position, shall constitute an event of default.

a. Acceptable Forms of Credit

- 1) Cash Deposit - A Customer providing a cash deposit grants to PG&E a security interest in the cash deposit to secure all of that Customer's obligation to PG&E. The amount of a deposit taken to establish credit may be subject to adjustment upon request by a Customer and/or upon review by PG&E.

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

- 2) Letter of Credit - An irrevocable and renewable standby letter of credit in form, substance and amount satisfactory to PG&E and issued by a major financial institution acceptable to PG&E. PG&E's standard form of letter of credit shall be used for this purpose unless PG&E agrees to accept a substitute form.
- 3) Surety Bond - Renewable surety bonds in a form acceptable to PG&E, issued by a major insurance company acceptable to PG&E. PG&E's standard form of surety

bond shall be used for this purpose unless PG&E agrees to accept a substitute form.

- 4) Guarantee - Execution of PG&E's General Guarantee by creditworthy guarantor (Refer to above Section 4B.3, MINIMUM CREDITWORTHINESS CRITERIA FOR UNSECURED CREDIT ).
- 5) Prepayment for Products and Services Rendered - Periodic prepayments on a mutually agreed-upon schedule will be based on the quantity and rate for products and services as specified in a Customer's GTSA and exhibits to the GTSA, and must be agreed upon between a Customer and PG&E prior to commencement of services. Prepayments and actual charges will be reconciled at month-end billing time unless otherwise agreed. If payment of reconciled actual charges is not received by 4:00 P.M. on the due date, PG&E will notify a Customer of non-payment. If payment is not received by close of business on the next business day, PG&E may terminate a Customer's GTSA or exhibits to the GTSA. Any payment received after the due date will be considered past due and subject to the conditions described in Section 4C.3, LATE PAYMENT below.
- 6) Customer-Owned Gas in Park accounts - With PG&E's agreement, Customer-owned gas in park accounts, may be used as collateral, in which case, PG&E has the right to sell such gas in order to satisfy that Customer's performance or financial obligations to PG&E.
- 7) Other forms of security that PG&E may, at its sole discretion, find acceptable.

b. AMOUNT OF SECURITY

Where applicable, the amount of security must be equal to at least sixty (60) days of a Customer's maximum potential financial exposure to PG&E for all products and services contracted for by a Customer with PG&E, as estimated by PG&E.

The type and amount of security determined by PG&E must be provided to PG&E before a Customer may begin receiving service. All forms of security shall be

retained as long as the GTSA is in effect, unless such security is otherwise reduced pursuant to below Section 4B.4c, REDUCING SECURED CREDIT REQUIREMENTS.

c. REDUCING SECURED CREDIT REQUIREMENTS

If a Customer later qualifies for unsecured credit with PG&E, or Customer's creditworthiness requirement is otherwise reduced, PG&E will return the appropriate amount of security upon a Customer's request and/or upon review by PG&E.

C. BILLING AND PAYMENT TERMS

1. BILLING: PG&E will provide a Customer with a bill including, but not limited to, transportation, parking and lending charges.
2. PAYMENT TERMS: Any bill issued to a Customer by PG&E is due and payable on the transmittal date on the bill. The bill will be considered past due and a Customer in default if the bill is not paid in full within fifteen (15) days after the transmittal date on the bill.
3. LATE PAYMENT:
  - a. Interest on any past due bill or portion of a past due bill shall accrue on a daily basis, beginning the day after any bill was due and payable and continuing until the day full payment of the past due bill or portion of a past due bill and all accrued interest thereon is received by PG&E. The applicable interest rate shall be equal to the interest rate on non-financial commercial paper (3-month) for the previous months as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.
  - b. If a bill issued to a Customer remains unpaid after fifteen (15) days, that Customer is in default and PG&E will issue a notice of payment default. If a bill issued to a Customer is still unpaid seven (7) days after the aforementioned notice of payment default is issued, PG&E may terminate that Customer's GTSA or exhibits to the GTSA.

PACIFIC GAS AND ELECTRIC COMPANY  
FERC Operating Statement Volume No. 1

---

4. COLLECTION: PG&E will pursue normal collection activity with Customers for nonpayment of PG&E charges.
5. BILLING DISPUTES: Billing disputes will be resolved in accordance with the terms and conditions in a Customer's service agreement or applicable exhibit(s).

D. DEFAULT

1. EVENTS OF DEFAULT: PG&E may declare an event of default under the following conditions and, if it elects to do so, may immediately terminate the defaulting Customer's GTSA agreements and all exhibits thereto, and that Customer's right to conduct business with PG&E. Events of default include, but are not necessarily limited to:
  - a. The Customer's bill remains unpaid, or is not paid in full, seven (7) days after the a notice of payment default has been issued by PG&E;
  - b. The Customer has filed a petition for bankruptcy protection; or
  - c. The Customer has failed to meet credit criteria set forth herein within the specified timeframe.
2. REMEDIES FOR DEFAULT: In response to a default by a Customer, PG&E may:
  - a. Declare an early termination date for all or some of the services provided to the Customer under all or some agreements;
  - b. Accelerate all obligations under all agreements with the Customer;
  - c. Move on all security previously provided by that Customer; and
  - d. Sell customer's gas on PG&E's system may be sold to satisfy the Customer's obligations.

E. TERMINATION OF SERVICE

1. UPON TERMINATION OF A CUSTOMER'S GTSA:

PACIFIC GAS AND ELECTRIC COMPANY  
FERC Operating Statement Volume No. 1

---

- a. A Customer shall remain responsible for all charges incurred, even if such charges may be identified after the termination becomes effective.
  - b. Notice of such termination will be sent to that Customer's last known address;
  - c. All fees, charges and other obligations of that Customer to PG&E shall be immediately due and payable without further notice of demand, and in the event payment in full is not made immediately to PG&E, that Customer shall be subject to all applicable interest and other charges for late payments.
2. If, at the time of termination, a Customer has an outstanding balance on a PG&E account, any security held on that Customer's account shall be treated as a prepayment and shall be applied to any unpaid balance without further notice.
  3. If collection efforts are required to recover unpaid account balances, a Customer will be liable for any costs, expenses and attorneys' fees incurred by PG&E as a result of such collection efforts. Payment by a Customer of all such costs, expenses and attorneys' fees will be a condition of future re-establishment of creditworthiness.
  4. If a Customer has a physical shortfall (e.g., imbalance or outstanding Market Center obligation) at the time of termination, any gas that Customer has on the PG&E system may, at PG&E's election, become the property of PG&E and be used by PG&E to offset that shortfall.

F. REESTABLISHMENT OF CREDIT

1. A Customer who previously has been a customer of PG&E and whose service agreements or applicable exhibits have been terminated, completely or in part, shall be required to reestablish credit in accordance with Sections 4A and 4B, above.
2. In the event PG&E becomes aware of a material change in a Customer's financial position, or if a Customer pays bills after they are due, that Customer may be required to reestablish credit, or may have its credit line reduced or may be subject to establishing secured credit in accordance with Sections 4A and 4B, above.

PACIFIC GAS AND ELECTRIC COMPANY  
FERC Operating Statement Volume No. 1

---

**APPENDIX A RATES**

Parking and Lending 1/

Maximum Daily Rate (\$/Dth): \$0.1014

Minimum Daily Rate (\$/Dth): \$0.00

Maximum Annual Transaction Charge (\$/Dth): \$0.8871

1/ FERC Letter Order Approving Revised Rate Proposal for Parking and Lending Services, Docket No. PR98-10-000 (July 31, 1998).

File FERC GENERATED TARIFF FILING.RTF cannot be converted to PDF.

Document Content(s)

Operating Statement Transmittal Letter.PDF.....	1-5
Statement of Operating Conditions CLEAN 20100729.PDF.....	6-25
FERC GENERATED TARIFF FILING.RTF.....	26-26