ATTACHMENT C

Gas Rule 14 – Red Line Version

GAS RULE NO. 14 Sheet 1
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE ~~(T)~~

A. GENERAL

PG&E may reduce, interrupt, curtail, or allocate gas transportation, storage or supply services for operational reasons or to comply with regulatory requirements in the event of projected or actual supply or capacity shortages. ~~(T)~~

Capacity allocation is a reduction or adjustment of the nominations at a specific Receipt Point to match the capacity available at the Receipt Point or the capacity available in transmission facilities connected to the Receipt Point. A Delivery Point service restriction is a reduction of the daily quantity delivered for the Customer or temporary interruption of the Customer's service. A Customer's intrastate service choices will affect the frequency and duration of capacity allocations and delivery point service restrictions.

PG&E will exercise reasonable diligence and care to furnish and deliver continuous service and a sufficient quantity of gas to Customers, but PG&E does not guarantee continuity of service or sufficiency of quantity. PG&E shall not be liable for interruption, shortage, or insufficient supply, or any loss or damage of any kind or character caused by such, if caused by accident, act of God, fire, strikes, riots, war, or any other cause that is beyond PG&E's reasonable control except that arising from PG&E's failure to exercise reasonable diligence. PG&E shall be the sole judge of whether it is operationally able to receive and/or deliver gas, consistent with regulatory requirements. PG&E shall not be liable to Customers for any damages and shall not offer compensation~~, or otherwise,~~ as the result of any interruption, reduction, curtailment, or allocation of gas transportation capacity or delivery service.

PG&E may, in the exercise of reasonable judgment, reduce receipts or deliveries of gas in order to test, alter, modify, enlarge, or repair any part of the PG&E system or any facility or property related to the operation of the PG&E system. In all such cases, PG&E shall give Customers reasonable notice as circumstances will permit, and PG&E shall reasonably attempt to complete such repairs or improvements as soon as practicable and with minimal inconvenience to Customers. ~~(T)~~

(Continued)

GAS RULE NO. 14 Sheet 2
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE ~~(T)~~

B. RECEIPT POINT CAPACITY ALLOCATION

1. ALLOCATION BECAUSE OF NON-CONFORMANCE OF GAS TO PG&E'S SPECIFICATIONS

PG&E has the authority~~right~~ and responsibility to maintain the quality standards of the gas in its system. PG&E may refuse to accept gas or to accept limited amounts of gas if the gas is not of the quality required for service to PG&E Customers. PG&E shall be the sole judge of the ability of its system to accept any such gas not conforming to its specifications. (See Gas Rules 21 and 29, subject to gas supply type, for quality standards.) ~~(T)~~ ~~(T)~~

2. ALLOCATION DUE TO LOCAL CONSTRAINTS

PG&E may reduce the amount of gas PG&E receives on the Customer's behalf due to operating conditions or regulatory requirements affecting all or a portion of PG&E's system. PG&E will take whatever steps it determines are operationally appropriate in the event a constraint on PG&E's local transmission or distribution facilities threatens service to Customers. In the event an Emergency Flow Order (EFO) is ordered due to a local constraint, EFO charges may apply, but involuntary diversion charges will not apply. (See Sections F and G, below.)

3. ALLOCATIONS DUE TO CONSTRAINTS AT INTERCONNECTION POINTS

a. BACKBONE TRANSMISSION SYSTEM RECEIPTS

In the event PG&E reduces receipt of gas supplies at a Backbone Transmission System interconnection point because of operating conditions or regulatory requirements, PG&E will allocate receipt capacity at the Backbone Transmission System interconnection point in the order of priorities set forth in Section D.

(Continued)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

B. RECEIPT POINT CAPACITY ALLOCATION (Cont'd.)

3. ALLOCATIONS DUE TO CONSTRAINTS AT INTERCONNECTION POINTS (Cont'd.)

   b. TRANSPORTATION TO STORAGE

      In the event PG&E reduces injection of gas supplies to storage because of operating conditions or regulatory requirements, transportation priority to storage will be determined by the Customer's Gas Transmission Service Agreement (GTSA) (Form No. 79-866), and injection priority at PG&E's storage interconnection will be determined by the Storage Exhibit of the Customer's GTSA, in the order of priorities set forth in Section D.

   c. STORAGE WITHDRAWAL AND TRANSPORTATION FROM STORAGE

      In the event PG&E reduces withdrawal of gas supplies from storage because of operating conditions or regulatory requirements, transportation priority from storage to the delivery point will be determined by the Customer's GTSA, and withdrawal priority at PG&E's storage interconnection will be determined by the Storage Exhibit of the Customer's GTSA, in the order of priorities set forth in Section D.

4. OPTION(S) WHEN NOMINATIONS ARE REDUCED

   In the event PG&E reduces its receipt of Customer-owned gas for any reasons cited above, the Customer must, in the alternative, obtain third-party gas supplies, stop receiving service, or receive supplies subject to Schedule G-BAL, if this service is available. ~~(T)~~

(Continued)

C. DELIVERY POINT SERVICE RESTRICTIONS

1. REASONS FOR SERVICE RESTRICTIONS

a. OPERATING CONSTRAINTS

PG&E may interrupt, ~~or~~ reduce, or curtail delivery of gas in the event of projected or actual capacity constraints or projected or actual supply shortages on the PG&E system, subject to the priorities set forth in Sections D and H. ~~(T)~~

b. LOCAL CONSTRAINTS

In the event of localized constraints, Customers in unconstrained areas may continue to receive service; provided, however that PG&E may take whatever steps it determines are operationally necessary in the event a constraint on ~~local~~ transmission or distribution threatens service to Customers. This primarily includes curtailment of Noncore End-Use Customers.

To the extent feasible, PG&E will use Section H ~~the Backbone Transmission System priority of service procedures~~ to prioritize curtailments of ~~Noncore~~ End-Use Customers in the affected service area. In the event an Emergency Flow Order (EFO) is ordered concurrently with ~~due to~~ a local constraint, EFO charges may apply, but involuntary diversion charges will not apply. (See Sections F and G, below.)

c. OPERATING/REGULATORY CONSTRAINTS

In the event PG&E reduces delivery of gas supplies at any delivery point because of operating conditions or regulatory requirements, PG&E will allocate delivery capacity at the delivery points in the order of priorities set forth in Section D.

(Continued)

GAS RULE NO. 14 Sheet 5
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE ~~(T)~~

C. DELIVERY POINT SERVICE RESTRICTIONS (Cont'd.)

1. REASONS FOR SERVICE RESTRICTIONS (Cont'd.)

d. SUPPLY SHORTFALLS

In the event the quantity of gas received by PG&E from an interstate pipeline is less than the confirmed nominations to that interstate pipeline, PG&E will allocate the gas actually received by PG&E in accordance with the nomination priorities designated by the nominating party on the Backbone Transmission System.

To the extent that the interstate pipeline's records are subsequently determined to support a different allocation, then an adjustment will be made to the Customer's account.

PG&E may implement operational tools to alleviate a supply shortfall including, but not limited to, Operational Flow Orders (OFO), EFO, diversion of customer-owned gas, and curtailments to maintain system integrity.

2. PROCEDURES TO IMPLEMENT DELIVERY POINT SERVICE RESTRICTIONS

a. NOTICE

PG&E shall attempt to give the Customer, or its Authorized Agent, 24-hour notice of an impending service restriction, or at a minimum, as much notice as is reasonably possible under the circumstances.

b. SEQUENCE

During a service restriction, service will be prioritized as set forth in Section D.

(Continued)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ä) !&Ä#$&+Ä*%&!Ä' '"+-)&%)$-

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):

i) 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)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ä) !&Ä#$&+Ä*%&!Ä' '"+-)&%)$-

D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

a. (Cont'd.)

3) (Cont'd.)

a) Redwood Path Allocation (Line 400/401) (Cont'd.)

i) (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.

ii) 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)i) 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.

(Continued)

GAS RULE NO. 14 Sheet 8
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE (T)

D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

a. (Cont'd.)

3) (Cont'd.)

a) Redwood Path Allocation (Line 400/401) (Cont'd.)

iii) 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.

iv) 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):

i) 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.

[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)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

a. (Cont'd.)

3) (Cont'd.)

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

i) (Cont'd.)

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.

ii) 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)i) 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.

(Continued)

GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE

~~(T)~~

D. PRIORITY OF SERVICE (Cont'd.)

1. TRANSMISSION RECEIPT POINTS (Cont'd.)

a. (Cont'd.)

3) (Cont'd.)

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

iii) 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.

iv) 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.

(Continued)

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.

2. 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.

(Continued)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

D. PRIORITY OF SERVICE (Cont'd.)

3. 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).

4. 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.

(Continued)

GAS RULE NO. 14 Sheet 13
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE ~~(T)~~

D. PRIORITY OF SERVICE (Cont'd.)

5. 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-served 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.

6. END-USE CUSTOMERS

In the event curtailment of end-use customers is necessary, PG&E shall curtail gas service to end-use customers as described in Section H, Curtailment of Service, herein. Core and non-core end-use customers are defined in Gas Rule 1.

*** 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)

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:

	Tolerance Band	Noncompliance Charge Per Decatherm	
Stage 1:	up to +/-25%	$0.25	
Stage 2:	up to +/-20%	$1.00	
Stage 3:	up to +/-15%	$5.00	
Stage 3.1	up to +/-15%	$10.00	~~(N)~~
Stage 3.2	up to +/-15%	$15.00	~~|~~
Stage 3.3	up to +/-15%	$20.00	~~(N)~~
Stage 4:	up to +/-5%	$25.00	
Stage 5:	up to +/-5%	$25.00 plus DCI****	

**** 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.

(Continued)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

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)

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

1. OFO NONCOMPLIANCE CHARGE EXEMPTION:

   If a Balancing Agent's OFO noncompliance charge is calculated to be less than or equal to 1,000 Dth for an OFO, the noncompliance charge will be exempted and the charge will be zero. If the noncompliance charge is greater than 1,000 Dth, the Balancing Agent will be responsible for the full noncompliance charge; i.e., 1,000 Dth 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.

2. OFO COMPLIANCE

   a. 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.)

2. OFO COMPLIANCE (Cont'd.)

a. OFO compliance and charges will be based on the following: (Cont'd.)

3) For a Core Procurement Group (which includes PG&E's Core Gas Supply department and Core Transport Groups) (CP Group), compliance during an OFO and calculation of any OFO noncompliance charges will be based on the most recent Determined Usage, as defined in Schedule G-BAL, which has a date and time of less than or equal to 7:15:00 AM on the current gas day and was communicated to the CP Group. If the Determined Usage has a date and time greater than 7:15:00 AM on the current gas day or Determined Usage was not generated, the most recent previous forecast for the current gas day 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).

3. 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.

(Continued)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

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.

1. EFO COMPLIANCE

   a. 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:

         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, 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)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ä) !&Ä#$&+Ä*%&!Ä' '"+-)&%)$-

F. EMERGENCY FLOW ORDERS (EFO) (Cont'd.)

1. EFO COMPLIANCE (Cont'd.)

a. EFO compliance and charges will be based on the following: (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 most recent Determined Usage, as defined in Schedule G-BAL, which has a date and time of less than or equal to 7:15:00 AM on the current gas day and was communicated to the CP Group. If the Determined Usage has a date and time greater than 7:15:00 AM on the current gas day or the Determined Usage was not generated, the most recent previous forecast for the current gas day or the end-of-flow day core demand estimate, whichever results in a lower noncompliance charge 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 such as curtailments to ensure system integrity should an EFO fail to alleviate the emergency condition. Curtailment may occur in a specific hydraulic area, or curtailment zone, in PG&E's service territory. In such an event, curtailment of service to end-use customers in the affected area will generally be performed subject to the curtailment order specified in Section H and such curtailment order will be followed only to the extent it is operationally feasible to do so.

(Continued)

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 gas. In the event the Customer fails to stop or reduce its gas use, that Customer must pay charges as provided below. ~~(T)~~

Prior to a diversion hereunder, PG&E's Core Gas Supply 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)

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

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.)

(Continued)

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)

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

3. COMPENSATION FOR INVOLUNTARILY DIVERTED GAS (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 OF SERVICE

In the event ~~of localized constraints~~operating conditions require curtailment of service, PG&E may curtail ~~Noncore~~ End-Use Customers in order of priority as described in Section H.1 below.~~a localized area.~~ When a ~~local~~ curtailment is announced, Noncore End-Use Customers or Electric Grid Operators 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 as detailed in Section H.5. ~~(T)~~

~~Local c~~Curtailment noncompliance charges ~~for each Decatherm of usage in excess of designated maximum allowed usage shall equal $50.00 plus the DCI~~ are detailed in Section H.5. 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.

1. IMPLEMENTATION OF CURTAILMENT

When in the sole judgment of PG&E, operating conditions require curtailment of service within one or more curtailment zones, or within a specific subzone, such curtailment shall be implemented in the order and manner described below, unless otherwise specified in this rule. PG&E will attempt to minimize individual customer impacts while maintaining system integrity.

To the extent operationally feasible, PG&E will work with the affected Electric Grid Operator(s) on a best-efforts basis to reallocate the aggregate maximum allowed usage for any remaining Dispatched Electric Generation load within the affected curtailment zone(s) among all of the Dispatched Electric Generation facilities within the affected curtailment zone(s) to maintain grid reliability and prevent firm electric load shedding.

A. Step 1: In the event of a curtailment being ordered based on day-ahead forecasts of peak electric generation load as described in Section H.1.A Step

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

2, all Dispatchable Electric Generation not currently forecasted to be operating at the time the curtailment order will be effectively curtailed. In the event of a curtailment being called based on real-time demand, all Dispatchable Electric Generation not operating when a curtailment is issued will also be effectively curtailed.

B. Step 2: Up to 60% of Dispatched Electric Generation load during November through March and up to 40% of Dispatched Electric Generation load during April through October. To the extent operationally feasible, PG&E will attempt to base these curtailments on day-ahead forecasts of peak electric generation loads provided by the relevant Electric Grid Operator(s). Any reallocation shall be at the sole discretion of PG&E, and the default in the absence of reallocation shall be pro rata within each affected curtailment zone(s). If the relevant Electric Grid Operator(s) informs PG&E that a proposed curtailment of Dispatched Electric Generation load pursuant to this section could adversely affect electric grid reliability or cause shedding firm electric customer load, the Utility may in its sole discretion reduce the proposed curtailment of Dispatched Electric Generation load pursuant to this section and proceed to the next curtailment step.

C. Step 3: Up to 100% of non-electric generation noncore and noncore cogeneration usage on a pro rata basis, except for pre-established refinery minimum usage requirements. Electric generation load that is not dispatchable by an Electric Grid Operator and therefore not subject to curtailment in Step 2 will be considered non-electric generation noncore load for the purposes of curtailment. Refineries, including cogeneration and ancillary facilities serving refineries, will be permitted to establish minimum usage requirements, subject to PG&E's reasonable agreement, pre-established minimum usage requirements that are not subject to curtailment in this step. Refinery minimum usage requirements shall be established at the usage level required to safely operate refinery processing units, to avoid material damage to operating equipment and to avoid operational outages extending materially beyond the curtailment period and shall take into account other relevant factors such as the length of notice provided by PG&E.

Each individual refinery will designate its own minimum usage requirement and, due to the unique nature of refineries, what one refinery establishes as its minimum usage requirement may or may not have any bearing on another refinery's establishment of its respective minimum usage requirement. Individual refineries will provide information to support its minimum usage requirement upon PG&E's request.

D. Step 4: a) Up to 100% of remaining refinery load not curtailed in Step 3.

b) Up to 100% of remaining Dispatched Electric Generation load not curtailed in Step 2. Any reallocation shall be at the sole discretion of PG&E, and the default in the absence of reallocation shall be pro rata within each affected curtailment zone(s).

E. Step 5: All non-residential core end-use customers within curtailment zone(s) on a pro rata basis.

F. Step 6: All residential core end-use customers within curtailment zone(s).

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' "'+-)&%)$-

2. SERVICE TO UNAFFECTED CURTAILMENT ZONES

In the event of a curtailment, customers in unaffected curtailment zones may receive service while other customers of equal or higher priority are curtailed.

3. CURTAILMENT DUE TO EMERGENCY CONDITIONS

Under emergency conditions when PG&E's ability to meet core end-use customer demand is threatened, PG&E may curtail and/or divert service to all, or a portion of, customers, in the most reasonable and practicable manner possible.

Further, in such event, PG&E shall have the right to shut off, discontinue, re-establish, or continue service for all customers or a portion of such customers, irrespective of the priority or preference provisions set forth herein or in the tariff schedules, contracts, or rules and regulations applicable to such service. In such emergency situations, curtailments shall generally be made based on the customer's level of demand with consideration to similarly-situated end-users on a best efforts basis.

PG&E may also, during any national crisis, give preference, as between all customers, to facilities directly engaged in the production of food supplies and the production of national government requirements, when the discontinuance of service to such customers would stop, or materially diminish, the output of said plants.

4. OPERATING EMERGENCY AT A CUSTOMER'S FACILITY

In the event of a potential operating emergency at the customer's facility, service may be made available out of the normal curtailment order, if in the sole judgment of PG&E it is possible to do so.

5. CURTAILMENT VIOLATIONS

PG&E shall use metered hourly and daily usage recorded from the beginning to the end of each curtailment period to calculate curtailment penalty charges for the applicable service curtailed. For other than a customer operating emergency as set forth in Section H.4, customers failing to curtail on request will be assessed a penalty for each Decatherm of usage in excess of designated maximum allowed usage equaling $50.00 per Dth plus the Daily Citygate Index for the duration of the curtailment event. The penalty applies to all gas quantities determined by PG&E to

,7190436Ã-6:25782Ã/,(Ã.& !".#"Ã) !&Ã#$&+Ã*%&!Ã' '"+-)&%)$-

be in violation of curtailment. All other charges associated with such usage will apply.

For the curtailment of local service, customers whose hourly consumption under their applicable service schedule exceeds their maximum allowed usage during the curtailment of such service will be in violation of curtailment. The maximum allowed usage for Dispatchable Electric Generation customers will be an hourly usage figure, as specified by PG&E. The maximum allowed usage for non-electric generation noncore and noncore cogeneration customers in Step 3 will be equal to a percentage of their Curtailment Baseline Quantity (CBQ) divided by 24 hours, as specified by PG&E. CBQs will be established annually as a customer's peak day consumption in summer (April through October) and in winter (November through March) within the previous 24 months. In the event a customer does not have 24 months of operating history, or a customer has a material change in operations, the customer's CBQ may be estimated. Curtailment violation penalties will be applied to all consumption that exceeds a customer's maximum hourly allowed usage.

6. CURTAILMENT REPORTING/NOTIFICATION

PG&E will post on Pipe Ranger notification and quarterly reports on curtailment events, stating the facts underlying and the reasons for the curtailment, type of curtailment being declared complies with PG&E's tariffs and set forth efforts PG&E has taken to minimize or alleviate the curtailment.

7. RESTORATION OF SERVICE

When curtailment of service is no longer necessary, restoration of service shall be made generally in the inverse order described in Section H.1. However, PG&E reserves the right to restore service in any order if necessary to maintain system integrity.

I. SYSTEM MAINTENANCE AND REPAIR

PG&E shall have the right, without liability, to interrupt the acceptance or redelivery of gas whenever it becomes necessary to test, alter, modify, enlarge, or repair any facility or property comprising PG&E's system or otherwise related to its operation. In all such cases, instead of following the curtailment process in Section H, PG&E may selectively curtail any customers and prioritize curtailment of those customers whose reduced burn rate would provide the most relief to system capacity, with consideration for safety, gas and electric reliability, and affordability. PG&E will make reasonable efforts to align planned work with customers' planned outages, when possible, but the ability to do so is not guaranteed.

GAS RULE NO. 14
CAPACITY ALLOCATION AND CONSTRAINT OF GAS SERVICE

~~I~~J. 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.

~~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.~~

K. GAS AND ELECTRIC SYSTEM RELIABILITY

PG&E shall communicate with Electric Grid Operators on an as-needed basis to help maintain the reliability of PG&E's natural gas system and the electric grid. Such communications may result in operational changes by PG&E and changes in electric grid operations and electric generation dispatch order by Electric Grid Operators. Such operational communications shall not be considered curtailments of natural gas service unless PG&E expressly curtails service pursuant to Section H. PG&E is not responsible for others' electric grid operations or reliability, but will take electric grid reliability into consideration, to the extent feasible, when making operational decisions.

~~J~~L. 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~~ all provisions of this rule in the same manner as if such Customers were Customers of PG&E.

~~L~~M. CONFLICTS WITH OTHER TARIFFS AND/OR CONTRACTS

Each of the gas rate schedules, agreements, and rules governing the sale and transportation of 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~~N. 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.

(END OF ATTACHMENT C)