RULE 32

CORE AGGREGATION TRANSPORTATION

In Decision 91-02-040, dated February 21, 1991 the California Public Utilities Commission (CPUC) authorized a three-year experimental transportation program for core customers who elect to aggregate their service requirements with other core customers for the purpose of transporting their gas supply.

In Decision 94-04-027, dated April 6, 1994, the CPUC made the three-year program permanent and extended the pilot program rules until such date that permanent rules could be adopted.

In Decision 95-07-048, dated July 19, 1995, the CPUC adopted a Settlement which evolved the interim rules of the program. The terms and conditions of this Rule reflect these decisions and shall apply to Energy Service Providers (ESP) and where appropriate to the ESP's end-use customers served under Schedule GTCA, the UDC's service schedule for the core aggregation program.

In Decision 98-02-108, dated February 19, 1998, the CPUC approved the Petition of Enron Corporation For Modification of D.95-07-048 to permit gas ESPs to switch gas customers from the incumbent UDC using electronic communication and processes consistent with those adopted for electric direct access.

In Decision 01-12-018, dated December 11, 2001, the CPUC approved the SDG&E/SoCalGas Comprehensive Gas OII Settlement, which removed the 10% participation limit initially put in place in 1991 by Decision 91-02-040, and reduced the minimum transport volume from 250,000 to 120,000 therms per year.

The terms and conditions of this Rule shall apply to ESPs who are also known as Aggregators, and their end-use customers (Core Transportation Customers), as defined in the UDC's Rule No. 1. N

The specific requirements for Core Transportation Customers are described in each core transportation rate schedule. The transportation of customer-owned gas in conjunction with service under this Rule is subject specifically to the terms and conditions of Rule No. 30, Transportation of Customer-Procured Gas, Rule No. 14, Shortage of Gas Supply Interruption of Delivery, Priority of Service, Schedule G-IMB and the charges or credits associated with these rules. The UDC shall not be liable to the customer for any damages caused to the customer by any failure by ESP to comply with the UDC's rules and tariffs, the ESP Agreements (Form 142-1859 and Attachment E of 142-1859) and associated legal and regulatory requirements. N

A. GENERAL

1. Application for Service

The ESP shall be required to complete a "Request For Core Transportation-Only Services," Form 142-1859, agreement with the UDC. The ESP may use one of two options for starting Individual core gas customers in the ESP's aggregation group: 1) submit a customer and ESP signed Attachment A, "Direct Excess Service Request (DASR) For Core Aggregation", or, 2) submit a DASR electronically if the customer's enrollment was authorized by independent third-party verification in accordance with California Public Utilities Code Section 366.5. All hard-copy Attachment As or electronically submitted DASRs by reference become part of the "Request For Core Transportation-Only Services" agreement between the ESP and the UDC, subject to the terms and conditions stated in this Rule and Schedule GTCA.

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(Continued)

RULE 32

CORE AGGREGATION TRANSPORTATION

A. GENERAL (Continued)

1. Application for Service (Continued)

a. The term of the ESP Agreement shall be 12-months, beginning on April 1 and ending on March 31, and shall automatically renew for subsequent 12-month periods unless terminated by either party with at least thirty (30) days written notice prior to the Agreement's anniversary date. A new ESP may start on the first day of any month, but the term of their initial Agreement will always terminate on March 31. L

b. The initial load of customers served by the ESP must meet a minimum transport volume of 120,000 therms annually. If an ESP's group load falls below 120,000 therms per year, the ESP will be given 90 days from notification to replace the deficient load. If the deficient load is not replaced, the ESP's contract will be subject to termination.

c. ESPs may add members to their group by: 1) submitting a hard copy Attachment A, "Direct Access Service Request (DASR) For Core Aggregation," signed by the customer and ESP, properly identifing the gas account to be added. Or, 2) submitting an electronic gas direct access service request (DASR) that has been independent third-party verified. L

2. Direct Access Service Request (DASR) Process

a. Eligibility for Core Transportation Program service is limited to customers eligible for Core Service, as defined in Rule No. 1. N

b. The DASR process described herein is used equally for customer’s electric and gas Direct Access elections, customer-initiated returns to default UDC service and ESP-initiated termination of a customer agreement. ESPs must execute the “Request For Core Transportation-Only Services” agreement (Form 142-1859) before submitting DASRs for core aggregation service. T

c. A separate DASR must be submitted for each service account. Upon request, the UDC will provide timely updates on the status of the DASR processing to the submitting ESP and customer. A single DASR may be use to enroll both electric and gas service into direct access, when both services are on a single account. T

d. By submission of the DASR, the ESP warrants that the customer being enrolled in the Transportation Service program by the DASR: N

(1) Has been informed of, and consents to all terms and conditions of UDC’s Core Transportation Service;
(2) Intended to change their status to "Core Transportation Service" and receive gas procurement and related services from that specific ESP;
(3) Has authorized the ESP to act on the customer's behalf in various gas procurement activities; and,
(4) Has authorized UDC to release the customer's current and historic gas consumption information to that specific ESP. N L

(Continued)

RULE 32

CORE AGGREGATION TRANSPORTATION

A. GENERAL (Continued)

2. Direct Access Service Request (DASR) Process (Continued)

e. ESPs will maintain a signed customer contract (which includes customer acknowledgments and indemnification of UDC) or records of independent third party verification in the manner set forth for requesting electronic Direct Access service in the Public Utilities Code, Section 366.5. N L | | N

f. DASRs must identify the gas service account participating in Direct Access, including its billing service election. A DASR that does not contain this information is materially incomplete. T

g. DASR forms will be available through electronic means (e.g., the UDC's website; www.sdge.com). T

h. A DASR shall not be submitted to the UDC until three days after the verification required under Public Utilities Code Section 366.5 has been performed. It is the responsibility of the ESP to ensure that the requests to cancel service pursuant to Public Utilities Code Section 395 are honored. If a customer cancels an agreement pursuant to Public Utilities Code Section 395, a DASR shall not be submitted for that customer. If a DASR has already been submitted, the submitting party shall, within 24 hours, direct the UDC to cancel the DASR. T

i. The UDC will provide an acknowledgment of its receipt of the DASR to the ESP within two (2) working days of its receipt. The UDC will exercise best efforts to provide, within three (3) working days thereafter (and no later than five (5) working days), the ESP and the customer with a DASR status notification informing them as to whether the DASR has been accepted, rejected or deemed pending for further information. As of July, 1998, the UDC will provide this DASR status notification within three (3) working days. If accepted, the switch date determined in accordance with paragraph k. of this section, will be sent to the ESP, the former ESP if applicable, and the customer. If a DASR is rejected, the UDC will provide the reasons for the rejection. If a DASR is held pending further information, it shall be rejected if the DASR is not completed within eleven (11) working days following the status notification. T

j. In accordance with the provisions of Rule 3, the UDC has the right to deny the ESP's request for service if the information provided by the applicant is false, incomplete, or inaccurate in any material respect. T L

k. If a submitted DASR complies with the DASR requirements, the DASR will be accepted and scheduled for gas Direct Access implementation. T

l. DASRs shall be handled on a first-come, first-served basis. Each request shall be time-stamped by the UDC. T

(Continued)

A. GENERAL (Continued)

2. Direct Access Service Request (DASR) Process (Continued)

m. If more than one DASR is received for a service account within a single DASR processing period (16th of the month until the 15th of the following month), only the first valid DASR received will be processed in that period. All subsequent DASRs will be rejected. L T

n. Accepted DASRs that are received by the UDC on or before the 15th of the month will be switched over no later than the next month's scheduled meter reading date for that service account. T

o. The UDC, ESP and customer, on mutual agreement, may agree to a different service change date for the service changes requested in a DASR. T

p. A DASR is submitted pursuant to the terms and conditions of the Request For Core Transportation-Only Services Agreement and this Rule, and will also be used to define the gas billing service that the ESP is providing the customer. T

q. Customers returning to UDC bundled service will follow the same process and timing as DASRs to establish Direct Access service. T

(1) ESPs requesting to return a Direct Access customer to UDC bundled service will submit a DASR and be responsible for the continued provision of the customer's gas supply service, and billing services until the service change date. In this case, the ESP will also be responsible for paying any Commission approved DASR charge.

(2) Customer's requesting return to UDC bundled service may do so either by contacting their ESP or directly contacting the UDC. In this latter case, the customer will be responsible for paying any Commission approved DASR charge.

r. The UDC will have the ability to assess a charge for accepted DASRs only if such a fee is approved by the CPUC. This charge will be billed to the ESP unless the customer is requesting to return to UDC service where the charge will be billed to the customer. T L

s. Following the removal of system limitations, a customer moving to new premises may retain or start gas direct access immediately, and in any event no later than two days after a DASR has been submitted. Due to current system limitations, a customer moving to new premises who wants to retain or start gas direct access must have the ESP submit a DASR to the UDC for the new premises no less than 10 business days before the customer's scheduled start date at the new premises. This DASR will need a special "new customer" notation. If the DASR is received after that date or without the notation of "new customer" the customer will receive the UDC's bundled service until the DASR is processed under the procedures set forth in Section A.2.k. T

(Continued)

RULE 32

CORE AGGREGATION TRANSPORTATION

A. GENERAL (Continued)

2. Direct Access Service Request (DASR) Process (Continued)

t. The UDC will not hold the ESP responsible for any customer unpaid billing charges prior to the customer's switch to Direct Access. Unpaid billing charges will not delay the processing of DASRs and will remain the customer's responsibility to pay the UDC. The UDC will follow current CPUC credit rules in the event of customer non-payment, which includes the disconnection of service.

u. The initial term of service for customers participating in a core aggregation group shall be 12-consecutive months from the customer's start date and thereafter will continue month-to-month until customer or ESP provides the UDC with notice of termination, or until customer is no longer receiving service at the meter location, or until the point that customer elects to reclassify from core to noncore status.

3. Termination of "Customer Authorization For Core Aggregation Service"

a. ESP may cancel service to a customer for failure of customer to pay for service that ESP provided to the customer by sending written notice of cancellation to the UDC and to the customer.

b. The customer will have 90-days from date of cancellation by ESP in which to join another ESP's group or the customer may return to fully-bundled UDC service. During the interim period, the UDC will bill the customer for procurement at the core commodity price (Schedule GPC).

c. After completion of initial 12-month term, customer may terminate participation by providing UDC and ESP with 30-days written notice in advance of the first of month that termination is effective. The customer will have 90 days from the termination submission in which to select a different ESP (defined as not affiliated with original ESP) or the customer may return to core utility procurement service. If the customer elects to return to core utility procurement service, it shall be obligated to a 12-month minimum term of service. ~~Additionally~~ T N T N

Pursuant to D.02-08-065, the cross-over rate, as defined in Rule 1, will be applicable for the first 12 months of service for: (1) customers who transfer from noncore service to core procurement service, except the following customers: a) noncore customers who have been served under Schedule GCORE since January 1, 2001, or b) noncore customers who have been disqualified from noncore service and are required to return to core service; (2) core transportation customers who consumed over 50,000 therms in the last 12 months, unless such customers were returned to utility procurement because their gas supplier is no longer doing any business in California, or (3) core transportation customers with annual consumption over 50,000 therms who return to core procurement service and switch back to transportation-only service within 90 days.~~, pursuant to D.02-08-065, any customer with annual consumption in excess of 50,000 therms per year, as defined in Schedule GPC, will be subject to the Cross-Over rate, GPC-A, as defined in Schedule GPC, during the 90 day period when it is selecting a different ESP. Should a customer fail to select a different ESP within the 90 day period, it shall be obligated to the Cross-Over rate for a period not to exceed 12 months. A customer returning to core utility procurement service as a result of their ESP no longer doing any business in California and the Utility is convinced that the customer cannot find~~ N

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~~another gas service provider, is exempt from the Cross-Over rate.~~ L

d. Customers remain responsible to the UDC for any charges associated with service provided under the Agreement prior to cancellation, even if charges are billed after cancellation has taken place.

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A. GENERAL (Continued)

4. Rates L

Charges for service shall be in accordance with Schedule GTCA based on the customer's otherwise applicable fully-bundled tariff. Aggregation with other loads does not change the otherwise applicable tariff for a specific facility.

Charges by UDC may be adjusted to reflect the applicable taxes, franchise fees or other fees, regulatory surcharges that may occur. L

5. Release of Customer Information

A maximum of twelve (12) months of customer usage data, or the amount available for that customer, will be sent from the UDC, or existing ESP currently serving that customer, to the new ESP no later than five (5) days before the scheduled switch date. ESPs may submit customer-signed Form 132-01199, "Historical Energy Usage Information Release Form," to obtain usage data for customers who have not made the commitment to join their core aggregation group.

6. Billing Services

The UDC shall continue to provide to customers the necessary services to bill customers and ESPs for services rendered under the core aggregation program. These services include meter reading, customer notification of legally required notices and bill inserts pursuant to Public Utilities Code 454(a), and direct billings of all charges listed under the UDC's core aggregation tariffs, unless the customer authorizes the UDC to send such billings to the ESP. In the event that the customer authorizes the UDC to send direct billings to the ESP, the UDC will send a copy of the bill to the customer for information purposes only. As set forth in Schedule G-CBC, customers served by an ESP with an active ESP Billing Agreement (Attachment E to Form 142-1859) shall receive a billing credit for that period of time when UDC is not required to send the information-only bill.

B. ESTABLISHMENT OF CREDIT

1. Application for Credit

The ESP shall be required to complete a credit application that includes any financial information needed to establish credit on an annual basis or whenever the ESP's load increases by 25,000 therms per day or more. A non-refundable credit application processing fee of $500.00 may be charged to offset the cost of determining the ESP's creditworthiness. The UDC will establish the ESP's credit limit based on the creditworthiness evaluation and the ESP's maximum Daily Contract Quantity (DCQ). The maximum DCQ represents the quantity of gas an ESP may transport on behalf of its customers on a secured or unsecured basis.

To assure the continued validity of an established unsecured credit limit, the ESP shall be required to furnish the UDC with financial information satisfactory to the UDC, as requested by the UDC, during the ESP's participation in the Core Aggregation Transportation Program. In the event the UDC determines that a financial change has or could adversely affect the creditworthiness of the ESP, or if the ESP does not provide the requested financial information, the UDC may terminate the ESP's participation in the Program immediately.

(Continued)

RULE 32

Sheet 7

CORE AGGREGATION TRANSPORTATION

B. ESTABLISHMENT OF CREDIT (Continued) L

1. Application for Credit (Continued)

A creditworthiness evaluation may be conducted by an outside credit analysis agency, to be determined by the UDC, with final credit approval granted by the UDC. Credit reports will remain strictly confidential between the credit analysis agency and the UDC.

2. Security Deposit

a. Acceptable Forms of Security Deposits

ESPs may submit a security deposit in lieu of the creditworthiness evaluation to qualify for participation and/or to increase their DCQ. The security deposit may be in the form of:

(1) Cash Deposit

Deposits will earn interest at the 3-month commercial paper rate.

(2) Letter of Credit

Irrevocable and renewable standby Letters of Credit issued by a major U.S. financial institution acceptable to the UDC.

(3) Surety Bonds

Renewable surety bonds in a form acceptable to the UDC which are issued by a major insurance company acceptable to the UDC.

(4) Guarantees

Guarantors must furnish financial information as requested by the UDC and meet credit standards acceptable to the UDC. Guarantees must be accompanied by other forms of security deposit equal to at least 20% of the credit requested. "Other" forms of security deposit include those items outlined above and any other form and amount of collateral to which the UDC, in its sole discretion, agrees in writing.

b. Amount of Security Deposit

The amount of security deposit or the established credit limit required is a function of the DCQ. The formula for determining the security deposit or credit limit depends upon the nature of services for which ESPs bill their customers. This Creditworthiness Requirement (CWR) shall be calculated as follows: L

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B. ESTABLISHMENT OF CREDIT (Continued) L

2. Security Deposit (Continued)

b. Amount of Security Deposit (Continued)

(1) ESP Bills Customers For Gas Only:

CWR1 = [120 days × DCQ × Core Standby Rate];

where CWR equals the security in dollars for procurement management charges for which the ESP is liable. For administrative purposes, the core standby rate will be calculated at 150% of the UDC forecasted core procurement rate.

(2) ESP Bills Customers For Gas and Transport Charges:

CWR2 = CWR1 + [75 days × DCQ × Average Retail Core Transportation Charge];

where CWR2 equals CWR1 plus the security in dollars for handling the customer's money in the event that an ESP bills and collects UDC Transportation charges.

The security deposit is due and payable upon demand prior to commencement of the ESP's participation in the program if in lieu of a creditworthiness evaluation or prior to an increase in the ESP's DCQ. The deposit will be considered past due if it is not paid within fifteen calendar days after demand. Past due notices will be mailed to the ESP and to each of its customers. If the deposit is not paid within seven days of the issuances of the past due notice, the ESP's participation will be subject to termination.

All forms of security shall be retained as long as the ESP is participating in the program unless otherwise reduced pursuant to the provisions of Section B.3., Other Forms of Security Deposit, listed below.

3. Other Forms of Security Deposit

ESPs may select guaranteed deliveries and/or storage collateral, and, for ESPs who bill for UDC Transportation charges, accelerated payments to reduce their creditworthiness requirements.

a. Guaranteed Deliveries

The ESP may guarantee weekly delivery of gas equal to 80%, or some other portion acceptable to the ESP and the UDC, of projected customer usage. Projected customer usage will be calculated on a month-to-date basis as follows: L

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B. ESTABLISHMENT OF CREDIT (Continued)

3. Other Forms of Security Deposit (Continued)

a. Guaranteed Deliveries (Continued)

(1) [80% × historical daily usage × number of days];

where number of days = 7, 14, 21, 28, 30 or 31).

If the ESP fails to meet the 80% condition, then the ESP will have seven days or until the end of the month, whichever occurs first, to cure. If the ESP is unable to cure within the cure period, then the ESP's participation is subject to immediate termination. By satisfying this condition, an ESP can reduce its creditworthiness requirement by 80% of the Core Standby Rate as follows:

(2) CWR1 = [24 days × DCQ × Core Standby Rate].

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b. Accelerated Payments/Immediate Payment For Services Rendered L T

If the ESP bills customers for UDC transportation charges, then the ESP may pay these charges at the end of billing cycles 5,10, 15, and 21 (i.e., make weekly payments).

These weekly payments will be estimated based on the average retail core transportation charge in effect and the historical monthly usage of the ESP's customers and will be agreed upon on an annual basis or whenever the DCQ increases by 25,000 therms per day or more. The payments and actual charges will be reconciled at month-end billing time. If payment is not received by 4:00 P.M. on the due date, the UDC will notify the ESP of non-payment. If payment is not received by close of business on the next business day, then the ESP's participation is subject to immediate termination. Any payment received after the due date will be considered past due and subject to the conditions described below Section C.3., Late Payments.

This condition would be implemented in lieu of weekly summary billing. In addition, the ESP's creditworthiness requirement will be reduced as follows:

(1) CWR2 = CWR1 + [22 × DCQ × Average Retail Core Transportation Charge] L

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B. ESTABLISHMENT OF CREDIT (Continued)

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4. Additional Documents

The ESP shall execute and deliver all documents and instruments (including, without limitation, security agreements and UCC financing statements) reasonably requested from time to time to implement the provisions set forth above and to perfect any security interest granted to UDC.

C. BILLING AND PAYMENT TERMS

The UDC may allow or require the ESP to bill end-use customers for the UDC's transportation charges and the ESP may allow the UDC to bill end-use customers for the ESP's commodity charges, if available. If UDC determines that the ESP is not fulfilling the requirements and obligations of ESP Consolidated Billing, the ESP may be subject to termination of this billing option and their customers may be switched to separate UDC and ESP billing (dual billing).

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RULE 32

CORE AGGREGATION TRANSPORTATION

C. BILLING AND PAYMENT TERMS (Continued) L

1. Weekly Billing

For an ESP who bills for UDC transportation charges, in order to eliminate the cash lag in the current month-end billing of UDC transportation charges and reduce the ESP's creditworthiness requirements, weekly summary billing of customers accounts will be implemented, if available. Interstate transportation charges, and imbalance billing and notification will occur monthly. On a monthly basis, the ESP will receive from the UDC the interstate transportation credit less any unpaid, overdue, procurement management charges owed by the ESP.

2. Payment Terms

The ESP's bill is due and payable upon receipt. All payments will be done electronically or by wire transfer unless otherwise agreed to by the UDC. The bill will be considered past due if it is not paid within 15 calendar days after mailing/transmittal. Past due notices will be mailed to the ESP and to each of its customers. If the bill is not paid within seven days of the issuance of the past due notice, the ESP's participation will be subject to immediate termination by the UDC.

For an ESP who does not bill for UDC transportation charges, bills issued to the ESP for any procurement management charges remaining after offset will be past due if not paid within 15 calendar days after the date the bill is mailed.

3. Late Payment

If an ESP does not pay any bill rendered to it by the UDC within 15 days after mailing/transmittal, then:

a. A seven-day notice may be mailed to the ESP and its customers may be advised of such notice. If the charges in the notice remain unpaid after the expiration of the seven-day notice, participation under the Program is subject to termination. If participation is terminated, the ESP remains responsible for all charges incurred under the Program, even if such charges are identified after the termination becomes effective.

b. The outstanding balance will be subject to a monthly late payment fee as authorized by the CPUC and described in Rule 9.

c. The ESP will be unable to add customers, or increase its DCQ to its contract until late payment is cured; and,

d. The ESP may not trade, sell or withdraw any gas in storage until late payment is cured. L

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C. BILLING AND PAYMENT TERMS (Continued) L

3. Late Payment (Continued)

If an ESP pays late three or more times by seven days or less or pays late one or more times by greater than seven days in any contiguous 12-month period, then, in addition to all other rights of the UDC resulting from such late payments (or any non-payments), the ESP will lose its "good payment" status as defined below in Section C.4., Good Payment History. The UDC may also require full collateral in the form of cash, irrevocable standby letter of credit, security bond or any other security instrument deemed appropriate by the UDC. If such collateral is requested and not provided by the ESP to the UDC, the ESP's participation will be subject to termination by the UDC.

In addition, if the ESP bills UDC transportation charges, the ESP will be required to establish an escrow agreement/account with a financial institution acceptable to the UDC, in a form acceptable to the UDC, and will grant the UDC a first priority security interest in all proceeds and accounts receivable in escrow. The escrow account will give a third party, acceptable to the UDC, the rights to receive accounts receivable and pay accounts payable on behalf of the ESP. The third party will keep a record of all payments made by each customer, and payment to the third party.

4. Good Payment History

In order to establish a good payment history, the ESP must pay each bill in full within 15 days after mailing/transmittal. An ESP's creditworthiness requirements will be reduced by 2% for every 12 consecutive months of good payment history. This calculation will be retroactive to the date of first participation by the ESP in the program. Three or more late payments of seven days or less, or one or more late payments of greater than seven days during any contiguous 12-month period will cause the ESP to lose its "good Payment" status and obligate it to reestablish full creditworthiness requirements.

If at any time, under the provisions of this rule, the UDC does not receive the requested financial information or determines that there has been a detrimental change in the financial condition of the ESP, the UDC, at its sole discretion, may re-establish the original creditworthiness requirements for the ESP or establish new creditworthiness requirements.

5. Termination of Service

If a payment is not received within seven days of the issuance of a past due notice, the ESP's participation in the program will be subject to termination. In addition, if the UDC receives any notification that the ESP has filed or will be filing any type of bankruptcy, or is closing its business, the ESP's participation will be terminated immediately and all of the ESP's rights to conduct business with UDC thereunder shall be terminated. Further, the UDC may terminate an ESP's participation in the program for failure to pay the interstate pipeline for the full cost of its assigned capacity. L

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(Continued)

RULE 32

CORE AGGREGATION TRANSPORTATION

C. BILLING AND PAYMENT TERMS (Continued) L

5. Termination of Service (Continued)

Upon termination of an ESP's participation:

a. Notice of such Termination will be sent to the ESP, to each of its customers, and to the CPUC;

b. The UDC will establish an escrow agreement/account for collections of outstanding customer payments;

c. Any gas in storage and gas that has been delivered into the UDC's system on behalf of the ESP's customers will be used to off-set any immediate imbalances. This gas cannot be subject to encumbrances of any kind, including but not limited to, liens, trades, or sales to other customers;

d. The ESP will lose its right to a 10% tolerance for transportation imbalances and will be required to trade toward a zero imbalance; and,

e. All fees, charges and other obligations of ESP to UDC shall be immediately due and payable without further notice of demand and shall thereafter bear interest at the then-authorized monthly late payment fee authorized in Rule 9, until paid in full.

At the time of termination, if the ESP has not paid UDC billings, any deposit held on the ESP's accounts shall be applied to recoup unpaid bills. In addition, if an ESP is terminated and/or declares Bankruptcy, the ESP will be liable to the UDC for any and all costs, expenses, and attorney's fees incurred by the UDC as a result of such termination or bankruptcy. Payment by the ESP of all such costs, expenses and attorney's fees will be a condition of re-entry into, or continuation in, the program.

6. Customer Ultimately Responsible for ESP Obligations

If a security deposit has not been provided or does not adequately cover the charges owed by the ESP, the customers represented by the ESP will be liable for any applicable outstanding charges. Any outstanding charges for which the customer is responsible (all charges excluding procurement management charges) will be allocated on a pro rata basis to the ESP's customers based on each customer's usage. Any such outstanding charges will be allocated to each of the ESP's customers based on the payment records in the escrow agreement, if an escrow account has been established.

In the absence of an escrow agreement, the outstanding charges will be allocated on a pro rata basis to the ESP's customers based on each customer's outstanding balance with the UDC (defined on the basis of payments which have been made to the UDC on behalf of the customer). Regardless of who renders bills for UDC transportation charges, the ESP will continue to be financially liable for outstanding procurement management charges. L

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C. BILLING AND PAYMENT TERMS (Continued) L

7. UDC Collection Assistance

The UDC will pursue normal collection activity for nonpayment of UDC charges, if the UDC bills such charges directly to the customer. The UDC will bill the customer directly for such charges in the following situations:

a. ESP Bill for Gas Only

When the ESP bills for gas only, the ESP's creditworthiness requirements will be reduced as set forth in this Rule. In addition, the UDC will follow its normal collection procedures for unpaid UDC charges.

b. UDC Billing Option

The ESP can request that the UDC include the ESP's charges on the UDC's bill to the customer, as set forth in Schedule G-CBS.

c. ESP Bill for Gas and Transportation

When the ESP bills for both gas and transportation, and the end-use customer fails to make payment to the ESP for the UDC's transportation cost, the ESP may withhold payment to the UDC. This will not effect the ESP's creditworthiness status. The UDC will follow its normal collection procedures for unpaid UDC charges with the end-use customer.

8. Billing Disputes

If a Core Aggregation customer disputes a UDC bill, the disputed amount will be paid to the CPUC pending resolution of the dispute under the existing CPUC procedures for resolving such disputes with the UDC. If a Core Aggregation customer has a billing dispute with its ESP, the customer will remain obligated to pay UDC charges in a timely manner. The ESP shall not withhold payment of any such UDC charges pending resolution of any such disputes.

If the ESP or customer disputes a UDC bill, the disputed amount will be deposited by the ESP with the CPUC pending resolution of the dispute under existing CPUC procedures. No termination of participation will occur for this dispute while the CPUC is hearing this matter. L

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D. ~~OPERATIONAL FLOW ORDER~~DELIVERY OF GAS L

1. Transportation of Customer Procured Gas

ESPs participating in the Program will perform gas deliveries pursuant to the provisions and conditions set forth in Rule No. 30, Transportation of Customer Procured Gas and Rule 14, Shortage of Gas Supply, Interruption of Delivery and Priority of Service.

2. Imbalance Services

~~At any time, the UDC may implement an Operational Flow Order (OFO) to assure that firm interstate nominations and deliveries at the border by ESPs are equivalent in reliability to those made by the UDC. When an OFO is implemented, ESPs will be required to nominate their full DCQ as firm deliveries to the UDC's system. The OFO procedure, in conjunction with the storage rules set forth in Rule 26, will supplement current core curtailment policy when the standby portfolio, or balancing service, is curtailed.~~

The ESP is responsible for balancing transportation services with the customer's end-use consumption. The ESP is responsible for managing the imbalances of the end-users through means which include participation in the UDC's Imbalance Trading Program pursuant to the provisions of Schedule No. G-IMB. Imbalances will be calculated on an aggregated customer basis, not by individual account or delivery point. Imbalances will be determined by comparing the amount of gas delivered to the UDC and the amount of gas actually consumed by the customers.

The ESP's DCQ will be used as a proxy for gas actually consumed by their customers. Immediately each month when actual meter usage information becomes available, an adjustment to the ~~Utility Gas Procurement Department~~ESP's imbalance account will be made to account for any differences between actual consumption of ~~the core~~its customers and the ~~Daily Forecast Quantity, company use and LUAF~~DCQ.

The ESP shall be responsible for all imbalance charges, including any Utility Users Tax. The ESP may pool the positive and negative imbalances of its customers in order to avoid or minimize imbalance charges.

~~At such time that automated meter reading is installed on applicable core facilities, this policy will be further reviewed by the CPUC. Over-deliveries for the OFO period will not be subject to imbalance penalties for that monthly period. Similarly, injections for that period resulting from the OFO will not count against the ESP's storage cycle limitations if such injections are authorized by the UDC. The ESP will be authorized to trade any such volumes to other parties on the UDC system during the subsequent imbalance trading period. Failure by the ESP to deliver the minimum volumes of gas as defined in the following formula through the capacity assignments it has received from the UDC to the UDC's system when an OFO is implemented by the UDC will result in an OFO Non-Compliance Penalty (OFO Penalty). This OFO Penalty will be calculated as follows:~~ L

~~(1) OFO Penalty = Sum [(DCQ × PPF) - (ACD + STORE)] × $X/th;~~

~~where "STORE" equals the gas withdrawn from storage pursuant to unbundled firm storage rights; and~~

~~"PPF" is defined as the Procurement Performance Factor and equals the forecasted~~

~~ratio of core procurement deliveries over core procurement firm capacity reservations. The forecasted ratio will be included in the UDC's Operating Plan.~~

~~The OFO Penalty will be assessed over the entire OFO period and not on a daily basis and will be calculated on the basis of the first tier of the then-existing curtailment penalty charge. The OFO Penalty will be allocated in a manner consistent with the then-existing authorized allocation of curtailment penalty charges.~~

E. STORAGE RIGHTS AND OBLIGATIONS

~~Assignment of storage rights and costs will be allocated to each ESP in the same proportion as storage costs are allocated to the customer classes represented by each ESP. Thereby, providing the core customer with a comparable level of reliability regardless of whether they take UDC fully-bundled service or Core Aggregation Transportation Service. See Rule 26, Gas Storage Rules, Section B, Core Storage, for details.~~

1. Service Description.

The utility shall acquire storage capacity and related services for all its core customers, including self-procurement customers. The utility, on a non-discriminatory basis, shall arrange with an agent/broker representing core aggregation customers served under Schedule GTCA, and self-procuring core customers served under Schedule GTC, the assignment of a pro-rata share of the utility's firm storage rights allocated to serve core customers.

2. Storage Injection and Withdrawal Rights

Assignment of storage rights and costs will be allocated to each ESP in the same proportion as storage costs are allocated to the customer classes represented by each ESP. Thereby, providing the core customer with a comparable level of reliability regardless of whether they take UDC fully-bundled service or Core Aggregation Transportation Service.

3. Charges for Storage Services

The costs of storage services provided to core customers are recovered through the transportation rates paid by core customers under Schedules GTCA (Core Aggregation) and GTC (Transportation for Large Core Customers).

E. STORAGE RIGHTS AND OBLIGATIONS (Continued)

4. Monthly Storage Inventory Requirements.

Storage capacity will be assigned to individual core customers, including self-procurement customers, on a pro-rata basis in a manner consistent with the Utility Gas Procurement Department's minimum storage inventory requirements.

This gas in storage may not be subject to any encumberances of any kind. ESPs will not be allowed to withdraw gas below these month-end targets.

5. Adding and Deleting Customers.

When ESPs add new customers, gas stored on behalf of those customers shall be automatically sold, at a rate equal to the utility's posted current month core subscription weighted average cost of gas (WACOG), to the ESP if the amount of gas stored exceeds a minimum threshold of 300,000 therms. To the extent that this automatic transfer of title does not occur, the Aggregator will remain obligated to meet all applicable storage targets set forth in this rule.

6. Secondary Market Opportunities

ESPs who hold firm storage rights in addition to those which are held to meet core reliability requirements may release all or a portion of those rights in the secondary market by utilizing Schedule No. G-SMT. UDC will have the option to recall any gas stored on behalf of its core customers, at UDC's discretion, if, in UDC's sole judgment, such storage is necessary to serve returning customer[s] defined in Section E.5.

F. OTHER TARIFFS

Service under this Rule is subject to the terms and conditions of UDC's tariff schedules on file with the CPUC, including all applicable contracts and agreements.