ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 1

COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

1. PURPOSE: The purpose of this section is to describe the Competition Transition Charge (CTC) and other nonbypassable charge responsibilities of PG&E's retail electric customers (including Bundled Service, Direct Access, Virtual Direct Access and Departing Load customers) and new electric loads, and to establish specific procedures pertaining to the payment of CTC and other nonbypassable charges. To the extent that electric Rate Schedule E-DCG addresses the nonbypassable charge responsibilities of customers with Customer Generation Departing Load as defined in that rate schedule, this section of the electric Preliminary Statement will henceforth apply only to bundled service, direct access service and customers with departing load where departure is not due to the installation of Customer Generation.

   On December 20, 1995, the Commission issued Decision 95-12-063 (as modified by Decision 96-01-009) which, among other things, authorized PG&E to collect retail transition costs associated with electric restructuring. On September 23, 1996, Governor Wilson signed into law Assembly Bill (AB) 1890 (Statutes 1996, Ch. 854, codified primarily in various sections of the Public Utilities Code), which also affected the restructuring of the electric industry in California, including the collection of retail transition costs and other nonbypassable charges. Among other things, AB 1890 establishes:

   a) a nonbypassable CTC (Public Utilities Code Sections 367-368, 375-376);

   b) certain exemptions to the CTC (Sections 372, 374);

   c) nonbypassable charges for nuclear decommissioning (Section 379), recovery of Rate Reduction Bond principal, interest, and ongoing costs (Section 840(d)), and public purpose program costs (Sections 381-383) (hereinafter referred to as "other nonbypassable charges"); and

   d) CTC responsibility for existing retail customers and for new electric consumers or loads located in PG&E's service territory as it existed on December 20, 1995 (hereinafter referred to as "new electric loads"), except for those new or incremental loads that might be met through a direct transaction and the transaction does not require the use of transmission or distribution facilities owned by PG&E (Section 369).

   The procedures described here for the payment of CTC and other nonbypassable charges by existing customers and new electric loads implements CPUC Decision 97-06-060 in Phase 1 of PG&E's Application 96-08-001, supersedes the Interim CTC Procedure authorized by the Commission in Decisions 96-04-054 and 96-10-041, and are consistent with PG&E's proposals in the Direct Access, Unbundling, and Rate Reduction Bond proceedings.

2. APPLICABILITY, METERING AND BILLING:

   a. <u>Applicability</u>: CTC and other nonbypassable charge responsibility attaches to and shall be recovered from all existing PG&E bundled service customers, future PG&E bundled service customers, direct access customers, and departing load customers who take or took retail service from PG&E on or after December 20, 1995, and remain in the service territory in which PG&E provided service as of December 20, 1995 as defined by the Public Utilities Code Section (T)
367(a)(1)-(6), known as the statutory method, except as specifically provided for in State of (T)
California Public Utilities Code (PU Code) Sections 369 and 371 to 374. Application of certain exceptions and exemptions established in the PU Code is clarified by Decision 97-06-060, Decision 97-12-039, and Decision 98-12-067. Remaining issues may be addressed in dispute resolution procedures for bundled service customers and direct access customers in Rule 10, and Departing Load customers in Sections BB.4.b.2 and BB.4.f.

(Continued)

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

2. APPLICABILITY, METERING AND BILLING: (Cont'd.)

a. Applicability: (Cont'd.)

As provided herein, the charges of PG&E's rate schedules, contracts, or tariff options will contain a CTC component. Chapter 2.3, Electric Restructuring, in Part 1 of Division 1 of the Public Utilities Code provides that the CTC shall be applied to each customer based on the amount of the customer's electricity consumption (i.e., all generation-related billing determinants used to determine a customer's bill), which is subject to changes occurring in the normal course of business, whether such consumption is served by PG&E or an alternate supplier of electricity. Pursuant to Public Utilities Code Section 371, changes occurring in the normal course of business are those resulting from changes in business cycles, termination of operations, departure from the utility service territory, weather, reduced production, modifications to production equipment or operations, changes in production or manufacturing processes, fuel switching, including installation of fuel cells, enhancement or increased efficiency of equipment or performance of existing self-cogeneration equipment, replacement of existing cogeneration equipment with new power generation equipment of similar size as described in Section BB.3.e.(1), installation of demand-side management equipment or facilities, energy conservation efforts, or other similar factors. The CTC cannot be avoided through the formation of a local publicly owned electric corporation on or after December 20, 1995, or by annexation of any portion of PG&E's service territory by an existing local publicly-owned electric utility.

b. Metering: The billed CTC will be based on metered consumption. Third party metering will be allowed subject to verification procedures sufficient to assure reliability of such consumption data and/or information as set forth in Section BB.5.e below. If reliable metered consumption information is not made available to PG&E, PG&E will estimate the consumption based on that customer's historical load as set forth in Section BB.5.e.

c. Billing: The billed CTC will be determined as described in each rate schedule. CTC is the residual after the PX energy costs are subtracted from the generation portion of the bill. Certain consumption is either exempt from or not subject to CTC as set forth in Sections BB.3.d and BB.3.e below. (T)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 3

COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOAD (Cont'd.)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS:

a. Customer Service Options: With the advent of electric industry restructuring, electric customers will have several different service options:

Bundled Service Customers - customers electing to continue to receive all of their electricity supply and delivery services from PG&E;

Direct Access Customers - customers electing to purchase their electricity supply from an energy service provider while continuing to receive delivery services for their energy from PG&E;

Virtual Direct Access Customers – this option is suspended. (T)

Departing Load Customers - customers who no longer receive any electricity supply or delivery services from PG&E.

b. CTC Payment Amounts: Bundled Service, Direct Access, and Virtual Direct Access customers will be billed for and are responsible for making CTC and other nonbypassable charge payments to PG&E as part of their regular monthly bills for utility service, as specified in accordance with the billing procedures specified in the Rate Schedule under which service (T)
is taken. Departing Load customers are responsible for the same CTC and other (T)
nonbypassable charge payment amounts as would any similarly situated Bundled Service, Direct Access, or Virtual Direct Access customer.

The separate procedures required under Paragraph 4 of this section, which provide for certain notification and contractual requirements that are unique to Departing Load customers and certain new electric loads (as described in Paragraph 6 of this section), have been established only for the purpose of ensuring that these customers' CTC and other nonbypassable charges will be nonbypassable.

c. Definition of Departing Load: Departing Load is that portion of a PG&E electric customer's load for which the customer, on or after December 20, 1995, outside of changes otherwise occurring in the ordinary course of its business (subject to the use of verifiable current metering information, as provided for under Paragraph 5(E) of this section): (1) discontinues or reduces its purchases of electricity supply and delivery services from PG&E; (2) purchases or consumes electricity supplied and delivered by sources other than PG&E to replace such PG&E purchases; and (3) remains physically located at the same location or within PG&E's service area as it existed on December 20, 1995. Reductions in load are classified as Departing Load only to the extent that such load is subsequently served with electricity from a source other than PG&E.

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 4
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

c. Definition of Departing Load: (Cont'd.)

Those reductions in load that result when a customer who was purchasing a portion of its electricity supply from the Western Area Power Administration under the provisions of Contract 2948-A as of December 20, 1995, and subsequently receives increased allocations of such federal preference power in a manner contemplated under that existing contract, will not be classified as Departing Load. Any customer outside of these specific federal preference power arrangements or similar arrangements subject to Section 369, who was taking PG&E service subject to CPUC jurisdiction on or after December 20, 1995 and subsequently replaces such PG&E purchases with third-party generation which is wheeled to that customer under a FERC-jurisdictional tariff would be subject to CTC and classified as a Departing Load for that portion of its requirements that are purchased through such a third-party supplier.

d. Loads Not Subject to CTC: The definition of Departing Load Specifically does not include consumption resulting from new customer load or incremental load of an existing customer where such consumption is served through a direct transaction and such transaction does not otherwise require the use of PG&E's transmission or distribution facilities. The standards for determining whether a transaction "does not otherwise require the use of PG&E's transmission and distribution facilities" is set forth in Section 6—CTC Responsibility of New Customers, below. (N)
|
|
(N)

e. Public Utilities Code Exemptions: The following categories of either partial or complete exemption from CTC are provided for in Sections 372 and 374 of the Public Utilities Code:

1) Loads served by non-mobile self-generation or cogeneration capacity existing as of December 20, 1995, per Section 372(a)(1):

a) non-mobile on-site or over-the-fence self-generation capacity or cogeneration capacity that was operational on or before December 20, 1995; or

b) increases in the capacity of such facilities constructed by an entity owning or operating the facility, such that the total installed capacity does not exceed 120 percent of the installed capacity as of December 20, 1995.

However, all standby service is subject to CTC, including standby service for the loads served by increases in capacity as described above.

Such loads must be served either on-site, or served through an over-the-fence arrangement as allowed under Public Utilities Code Section 218 (as that Section existed on December 20, 1995). If the load is served through an over-the-fence arrangement that was entered into after December 20, 1995, the transaction must be one that is between "affiliated parties," as defined in Section 372(a)(1) of the Public Utilities Code.

CTC responsibility will not apply to over-the-fence transactions between unaffiliated parties that were entered into on or before December 20, 1995. However, until June 30, 2000, CTC responsibility shall apply to all loads served by over-the-fence arrangements entered into after December 20, 1995 between unaffiliated parties.

(Continued)

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

e. Public Utilities Code Exemptions: (Cont'd.)

2) Loads served by non-mobile self-generation or cogeneration capacity committed to construction as of December 20, 1995, per Section 372(a)(2):

a) on-site or over-the-fence non-mobile self-generation or cogeneration projects that were committed to construction as of December 20, 1995, and are substantially operational as of January 1, 1998; or

b) increases in the capacity of such facilities constructed by an entity owning or operating the facility, such that the total installed capacity does not exceed 120 percent of the installed capacity as of January 1, 1998.

However, all standby service is subject to CTC, including standby service for the loads served by increases in capacity as described above.

Such loads must be served either on-site, or served through an over-the-fence arrangement as allowed under Public Utilities Code Section 218 (as that Section existed on December 20, 1995). If the load is served through an over-the-fence arrangement that was entered into after December 20, 1995, the transaction must be one that is between "affiliated parties," as defined in Section 372(a)(1) of the Public Utilities Code.

CTC responsibility will not apply to over-the-fence transactions between unaffiliated parties that were entered into on or before December 20, 1995. However, until June 30, 2000, CTC responsibility shall apply to all loads served by over-the-fence arrangements entered into after December 20, 1995 between unaffiliated parties.

3) Loads served by non-mobile self-generation or cogeneration facilities that became operational on or after December 20, 1995, per Sections 372(c)(1) and 372(c)(2):

Pursuant to Sections 372(c)(1) and (2) of the Public Utilities Code, PG&E may elect (at its own discretion) to file joint applications together with other interested parties to exempt load served onsite (per 372(c)(1)), or under an over the fence arrangement between unaffiliated parties(per 372(c)(2)) by a non-mobile self-cogeneration or cogeneration facility from paying CTC during the period prior to June 30, 2000 (after which date all such loads will become exempt from CTC).

These provisions would apply to those facilities that became operational on or after December 20, 1995, or to over the fence arrangements that might be entered into between unaffiliated parties on or after December 20, 1995.

4) Consumption served by existing, new, or portable emergency generation equipment that is used during periods when service from PG&E is unavailable, per Section 372(a)(3), provided such equipment is not operated in parallel with PG&E's power grid other than on a momentary basis.

5) After June 30, 2000, any load served by an on-site or over-the-fence non-mobile self-generation or cogeneration facility, per Section 372(a)(4). (N)

(Continued)

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

e. Public Utilities Code Exemptions: (Cont'd.)

6) Loads served subject to self-generation deferral agreements that were under negotiation as of December 20, 1995, per Section 372(b)(1).

If PG&E executes a self-generation deferral agreement with a customer after December 20, 1995, but where negotiations with PG&E for such Agreement were in progress on or before December 20, 1995 and PG&E and the customer had executed a letter of intent or similar documentation as of that date, such customer's CTC responsibility shall be adjusted to reflect the level of generation revenue that is embedded in the customer's discounted self-generation deferral rate, provided that upon conclusion of the negotiations the final Agreement is consistent with the previous letter of intent and that the Commission approves the final Agreement.

If the Agreement subsequently expires or is terminated and the customer elects to: (i) enter into a direct access transaction; (ii) construct a self-generation or cogeneration facility of approximately the same capacity as the facility that was previously deferred; or (iii) continue taking bundled electric service from PG&E, the customer's CTC responsibility will continue to be adjusted to reflect the level of generation revenue that was embedded in the customer's discounted self-generation deferral rate.

7) Loads served subject to existing self-generation deferral agreements in place as of December 20, 1995, per Section 372(b)(2).

The CTC responsibility for any consumption that would have been served by a self-generation or cogeneration facility (had that facility not been deferred by way of the subject self-generation deferral agreement), will be adjusted to reflect the level of generation revenue that is embedded in such customer's discounted self-generation deferral rate.

If the Agreement subsequently expires or is terminated and the customer elects to: (i) enter into a direct access transaction; (ii) construct a self-generation or cogeneration facility of approximately the same capacity as the facility that was previously deferred; or (iii) continue taking bundled electric service from PG&E, the customer's CTC responsibility will continue to be adjusted to reflect the level of generation revenue that was embedded in the customer's discounted self-generation deferral rate. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 7

COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

e. Public Utilities Code Exemptions: (Cont'd.)

8) Loads served by a qualifying irrigation district, per Section 374(a)(1):

In accordance with Section 374(a)(1) of the Public Utilities Code, 71 MW of loads previously served by PG&E are to be exempted from paying CTC during the period prior to April 1, 2002. These allocations will be phased in over a five-year period beginning in 1997, with one-fifth of the total allocation to be allocated in each of the five years. To receive the exemption, such load must be served by the district through distribution facilities owned by or leased to the district. Allocations to individual districts were assigned by the California Energy Commission on April 2, 1997, and are being phased in on a separate schedule for each irrigation district assigned an allocation. Any unused allocation for a particular district would be carried over and added to the next year's allocation for that district. These exemptions will not apply after March 31, 2002.

Loads allocated pursuant to Section 374(a)(1) are to be located either within the boundaries of the affected irrigation district, or within the boundaries specified in an applicable service territory boundary agreement between PG&E and the affected irrigation district, or within Stanislaus or San Joaquin County. At least 50 percent of these allocations are to be applied to pumping load used for agricultural purposes. For (N) each irrigation district that received an allocation of CTC exemptions from the California Energy Commission, it is required that the CTC exemptions applied to pumping load used for agricultural purposes must equal or exceed the CTC exemptions applied to non-agricultural pumping loads by the end of each calendar year. If an irrigation district fails to meet the requirement in the preceding sentence by the end of the calendar year, PG&E is to collect retroactive CTC payments from the customers which departed under the assumption that the irrigation district would meet this requirement by the end of the year. For purposes of this paragraph, the pumping of hydraulic fluids within closed-loop systems is considered to be a pumping load, which if used for agricultural purposes may be counted as agricultural pumping to meet the 50 percent requirement.

Any disagreements between PG&E and the irrigation district over which loads qualify as agricultural pumping for the purpose of meeting the criteria in Section 374(a)(1)(D) will be resolved by the following dispute resolution process:

a) A grievance committee will be composed of a representative from PG&E, a representative from the irrigation district, and a representative from either the California Energy Commission or from a private judging service agreeable to both parties.

b) Either PG&E or the irrigation district can initiate this grievance committee process with respect to a particular customer prior to the customer departing or after the customer has departed. (N)

(L)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 8
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

e. Public Utilities Code Exemptions: (Cont'd.)

8) Loads served by a qualifying irrigation district, per Section 374(a)(1) (Cont'd.):

c) If an irrigation district claims that a Departing Load includes pumping load used for agricultural purposes, then (i) before the customer gives PG&E notice under Section BB.4.a below, (ii) no more than 30 days after the irrigation district has commenced service to the customer, or (iii) within 20 days of the customer giving PG&E notice under Section BB.4.b.2 below, the irrigation district shall provide PG&E with written notification (1) that the irrigation district claims that Departing Load includes pumping load used for agricultural purposes, and (2) the portion of the Departing Load which the irrigation district claims is pumping load used for agricultural purposes. PG&E shall then have 30 days after receipt of the written notification from the irrigation district within which to send the irrigation district, with a copy to the customer, a written notification of whether PG&E agrees that a portion of the Departing Load is pumping load used for agricultural purposes, and if so, what portion PG&E claims is pumping load used for agricultural purposes. If the irrigation district contests PG&E's position, it must notify in writing PG&E within 15 days of receipt of PG&E's written notification that the irrigation district contests the estimates, with copies to members of the grievance committee. (N)

d) At the end of each calendar year, if PG&E believes that the Section 374(a)(1)(D) agricultural pumping requirement is not met, it will so notify the irrigation district in writing by January 31 of the following year. This written notification will set forth the basis for PG&E's claim that this requirement has not been satisfied. If the irrigation district contests PG&E's estimates, it must notify PG&E within 10 days that it contests the estimates, with copies to members of the grievance committee.

e) Once the grievance committee has received written notice of a dispute under either subsections (c) or (d), it may investigate the facts through written requests for information, but must hold a meeting within 14 days of the notice of the dispute. At the meeting both parties will have an opportunity to present what each considers to be pertinent facts for resolution of the dispute. The parties will cooperate to provide prompt and reasonable discovery prior to the meeting. Any disputes regarding discovery will be resolved by conference call with the grievance committee. A written decision must be issued within 10 days of the meeting. The decision of the grievance committee shall be final.

f) PG&E and the irrigation district may agree to extend any of the time periods in Sections (c), (d) or (e) above in order to allow for further negotiations or other resolution techniques. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 9
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

e. Public Utilities Code Exemptions: (Cont'd.) (L)

9) Loads served by the Merced Irrigation District, per Section 374(a)(2):

In accordance with Section 374(a)(2) of the Public Utilities Code, 75 MW of loads previously served by PG&E are to be exempted from paying CTC during the period prior to April 1, 2002. To receive the exemption, such load must be served by the Merced Irrigation District, through distribution facilities owned by or leased to the district. These allocations will be phased in over a five-year period beginning January 1, 1997, such that one-fifth of the total allocation is allocated in each of the five years (with the exception that those loads already being served by the district as of June 1, 1996 are to be exempted from paying CTC during the period prior to April 1, 2002, and deducted from the total of 75 MW that is allocated to Merced). Any unused allocation shall be carried over and added to the next year's allocation. These exemptions will not apply after March 31, 2002.

Loads that are assigned CTC exemptions pursuant to Section 374(a)(2) are to be located either within the boundaries of the Merced Irrigation District, as those boundaries existed on December 20, 1995, or within the territory of the former Castle Air Force Base (which was located outside of the district on that date).

10) Loads served by member agencies or districts of the Southern San Joaquin Valley Power Authority (SSJVPA), per Section 374(a)(3):

Beginning January 1, 1997, pumping loads of irrigation districts, water districts, water storage districts, municipal utility districts, and other water agencies who as of December 20, 1995: (1) were members of the SSJVPA; and (2) owned the pumps being served, will not be subject to the CTC for the amount of such load used to pump water for district or agency purposes. These exemptions will not apply after March 31, 2002. (L)

(Continued)

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

3. CTC RESPONSIBILITY OF ALL CUSTOMERS: (Cont'd.)

e. Public Utilities Code Exemptions: (Cont'd.)

11) Load of the Bay Area Rapid Transit District served by preference power purchased from a federal power marketing agency or its successor, pursuant to Section 701.8 of the Public Utilities Code, per Section 374(b).

12) Load of the University of California campus located in Yolo County, served as of May 31, 1996 by preference power purchased from a federal marketing agency or its successor, per Section 374(c).

4. CTC PROCEDURE FOR DEPARTING LOADS: Departing Load customers are obligated to make ongoing CTC and other nonbypassable charge payments to PG&E and as defined by the Public (T) Utilities Code Section 367(a)(1)-(6), known as the statutory method, in accordance with the following (T) procedure.

a. Customer Notice to PG&E: Customers shall notify PG&E, in writing or by reasonable means through a designated PG&E account representative authorized to receive such notification, of their intention to take steps that will qualify their load as Departing Load at least 30 days in advance of discontinuation or reduction of electric service from PG&E. The customer shall specify in its notice the following:

1) the date of the departure or reduction of load (Date of Departure);

2) its preferred method of selecting billing determinants for its Reference Period Load Profile, as described in Paragraph 5(C) below, together with a specification of whether the customer would prefer to be billed for CTC payments and other nonbypassable charges based on current metering information, subject to the metering provisions described in Paragraph 5(E);

3) a description of the load that will depart or be reduced;

4) the PG&E account number assigned to this load; and

5) an identification of any exemptions that the customer believes are applicable to the load, pursuant to Section 372 or 374 of the Public Utilities Code.

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ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 11
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

4. CTC PROCEDURE FOR DEPARTING LOAD: (Cont'd.)

a. Customer Notice to PG&E: (Cont'd.)

Failure to provide notice will constitute a violation of this tariff and breach of the customer's obligations to PG&E, entitling PG&E (subject to the provisions of Paragraphs 4(F)-"Dispute Resolution" and 4(G)-"Opportunity to Cure") to collect on a lump sum basis an amount equal to one times the customer's Reference Period Annual Bill as described in Paragraph 5(D), plus two percent of the reference period annual bill multiplied by the whole number of months remaining between the date of departure and December 31, 2001.

b. Public Utilities Code Exemptions:

1) Customers Claiming An Exemption Upon Departure:

A customer asserting an exemption per any applicable section of the Public Utilities Code (as summarized in Paragraph 3(E) above) should identify the nature of its prospective supply arrangement, and state which Code section it asserts is applicable. Over-the-fence supply arrangements should be identified as to whether the supplier is an "affiliated" or "unrelated" corporate entity, as specified in Section 372(a) of the Public Utilities Code. Loads that are prospectively to be served by a qualifying California irrigation district, per Sections 374(a)(1) or 374(a)(2) should identify the district that is to provide their service, and the number of kilowatts (customer's average billing demand for the last 12 months, per instructions issued by the California Energy Commission on December 24, 1996) of the district's assigned allocation that is to be applied to the customer's load.

2) Customers Claiming An Exemption After Departure:

A customer who has already qualified its load as departing load and executed a Departing Load Competition Transition Charge Agreement may later assert an exemption per any applicable section of the Public Utilities Code (as summarized in Paragraph 3(E)). In order to do so, the customer should submit, in writing or by reasonable means through a designated PG&E account representative authorized to receive such notification, a Notice of Assertion of CTC Exemption which shall provide the same information required by Paragraph 4(B)(1) for a customer who claims a CTC exemption upon departure. By no later than 20 days after receipt from a customer of the Notice of Assertion of CTC Exemption, PG&E shall mail or otherwise provide the customer with a confirmation or denial of the customer's CTC exemption claim. If PG&E fails to respond, or if the customer is not satisfied with PG&E's response, within 14 days of receiving PG&E's response (or if PG&E did not respond within 35 days of the submission by the customer of a Notice of Assertion of CTC Exemption) the customer shall notify PG&E in writing or by reasonable means through a designated PG&E account representative authorized to receive such notification that the customer wishes to pursue informal dispute resolution. If the customer makes a timely request for informal dispute resolution, PG&E and the customer shall promptly seek assistance in (N)

(Continued)

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

4. CTC PROCEDURE FOR DEPARTING LOAD: (Cont'd.)

b. Public Utilities Code Exemptions: (Cont'd.)

2) Customers Claiming An Exemption After Departure: (Cont'd.)

reaching informal dispute resolution of any dispute over the applicability of the claimed exemption from the Commission's Energy Division, or shall seek mediation of any such dispute from the Commission's Administrative Law Judge Division. If the dispute is not resolved within 60 days of the customer's request to pursue informal dispute resolution, the customer may file a Complaint at the Commission within the next 20 days (PG&E and the customer may also agree to extend this 20 day period, in order to allow for further negotiations or other resolution techniques). The Complaint shall state the facts supporting the customer's claimed CTC exemption. While the complaint is pending, the customer shall continue to be responsible for making the monthly CTC and other nonbypassable charge payments described in Paragraph 4(E) on a timely basis, with such payments subject to future refund or other adjustment as appropriate if the Commission determines the exemption to apply. If PG&E agrees with the claim of exemption, or if the Commission determines the exemption to apply, then PG&E and the customer shall execute an Amendment to Departing Load CTC Agreement approved by the Commission. An exemption obtained after departure shall become effective thirty (30) days after receipt by PG&E of the Notice of Assertion of CTC Exemption, except in those situations where the Notice of Assertion of CTC Exemption is received by PG&E more than thirty days before the exemption may legally be provided to the customer, in which case the exemption shall become effective on the date the exemption may legally be provided to the customer.

c. Departing Load CTC Statement: By no later than 20 days after receipt from a customer of notice, PG&E shall mail or otherwise provide the customer with a Departing Load CTC Statement containing all of the information described in Paragraph 5 below, Departing Load CTC Statements, together with any applicable confirmation of the customer's CTC exemption claim per Section 372 or 374 of the Public Utilities Code.

If PG&E fails to provide a customer with a Departing Load CTC Statement (containing the information specified in Paragraph 5 below) within 20 days of PG&E's receipt of the notice from the customer containing all of the information required under Paragraph 4(A) above, including PG&E's determination of the applicability of any exemptions asserted per Section 372 or 374 of the Public Utilities Code, then the customer's obligation to pay the Departing Load CTC Statement shall not commence until the later of the Date of Departure or 30 days from the customer's receipt of PG&E's Departing Load CTC Statement.

d. Departing Load CTC Agreement: Departing Load customers shall execute a Departing Load CTC Agreement with PG&E at least five days before the Date of Departure. A standard form "Departing Load CTC Agreement" has been filed with and approved by the Commission in the Restructuring Proceeding. PG&E shall provide the Departing Load CTC Agreement (suitable for execution) to the customer with the Departing Load CTC Statement. Whether a Departing Load customer signs the agreement or not, the customer will be deemed to have agreed to the terms of the Departing Load CTC Agreement by taking retail service on or after December 20, 1995. (N)

(Continued)

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

4. CTC PROCEDURE FOR DEPARTING LOAD: (Cont'd.)

e. Customer Obligation To Make Departing Load CTC Payments: During the period between the Date of Departure and December 31, 2001 (or until such time as the CTC Procedure for Departing Loads is terminated by the CPUC), PG&E will issue monthly bills in accordance with the provisions of this tariff and the Departing Load CTC Statement. These ongoing monthly payments shall be based on either the Reference Period Load Profile described in customer's Departing Load CTC Statement or on current meter information provided pursuant to Paragraph 5(E) (as elected by the customer and specified in its Departing Load CTC Agreement), and assessed at the same payment rates for CTC and other nonbypassable charges that are applicable to current PG&E customers under the then-current form of the electric rate schedule(s) identified in the Departing Load CTC Statement. Customers shall pay to PG&E monthly charge within 20 days of receipt of the bill.

On March 31, 2002 (or at such time as determined by the CPUC), the Departing Load customer's monthly payment obligation described in the preceding paragraph will cease and be replaced by the option to meet post-2001 CTC and other nonbypassable charge obligations by making either a final lump sum payment amount or making other post-2001 periodic payments. The structure and amounts of these post-2001 lump sum and/or periodic payment options will be determined by a future CPUC proceeding addressing post-2001 CTC and other nonbypassable charge responsibility.

f. Dispute Resolution: If a customer believes that its Departing Load CTC Statement does not comply with the terms and conditions provided for in this section, the customer must notify PG&E of the basis for this disagreement in writing, within 20 days after receipt of the Departing Load CTC Statement provided by PG&E. If PG&E does not accept the customer's position, it will respond in writing within 5 days after receipt of such notice. If the customer is not satisfied with PG&E's response, within 14 days of receiving PG&E's response the customer shall notify PG&E in writing or by reasonable means through a designated PG&E account representative authorized to receive such notification that the customer wishes to pursue informal dispute resolution. If the customer makes a timely request for informal dispute resolution, PG&E and the customer shall promptly seek assistance in reaching informal dispute resolution from the Commission's Energy Division, or shall seek mediation of the dispute from the Commission's Administrative Law Judge Division. If the dispute is not resolved within 60 days of the customer's request to pursue informal dispute resolution, the customer may file a complaint with the Commission within the next 20 days. (PG&E and the customer may also agree to extend this 20 day period, in order to allow for further negotiations or other resolution techniques.) In such events, the customer shall continue to be responsible for making the monthly CTC and other nonbypassable charge payments described in Paragraph 4(E) on a timely basis, with such payments subject to future refund or other adjustment as appropriate if the Commission establishes that different information should have been used as the basis for the customer's Departing Load CTC Statement.

Failure to file a complaint with the Commission within the specified period shall constitute agreement with and acceptance of such Departing Load CTC Statement. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 14
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

4. CTC PROCEDURE FOR DEPARTING LOAD: (Cont'd.)

g. Opportunity to Cure: If a customer fails to provide the notice specified in Paragraph 4(A), or fails to make Departing Load CTC Payments as specified in Paragraph 4(E), then PG&E shall send the customer a notice specifying its failure to comply with this tariff and providing the customer with not less than 20 days from the date of the notice within which to take action curing its breach of its obligations to PG&E. If the breach was a failure to provide notice, to cure the breach the customer must provide the notice required under Paragraph 4(A), execute the Departing Load CTC Agreement described in Paragraph 4(D), and pay any amounts which would have been assessed had the customer provided PG&E with a timely notice.

h. Demand for Deposit: If a customer's outstanding balance for Departing Load CTC and/or other nonbypassable charge payment amounts is at least two months in arrears, and if the customer has failed to cure this breach after receiving at least one notice of Opportunity to Cure as specified in Paragraph 4(G), then PG&E may issue a Demand for Deposit Applying to Future Departing Load CTC Responsibility. Such deposit shall be equal to twice the total amount of the last two outstanding unpaid monthly CTC and/or other nonbypassable charge amounts. In order to cure the outstanding breach pursuant to the provisions of this paragraph, the customer must pay to PG&E the entire amount of its outstanding unpaid account balance, together with either making payment for or supplying a letter of credit in the amount of the aforementioned deposit. These payments and deposit arrangements must all be made within 30 days of receipt of the customer's receipt of Demand for Deposit Applying to Future Departing Load CTC Responsibility. Failure to pay the unpaid balance and establish the deposit within the 30 day period shall render the customer responsible instead for the default lump sum payment responsibility specified in Paragraph 4(J).

The provisions of this Paragraph will not apply in instances where the breach was a failure to provide notice as required under Paragraph 4(A). Moreover the customer deposit procedure provided for in this Paragraph can only be exercised once; future breaches for nonpayment would be treated under the rules described in Paragraph 4(J)-"Demand for Lump Sum Payment."

i. Return of Deposit: If a customer deposit has been paid under the provisions of Paragraph (H), or a letter of credit has been supplied in substitution for that deposit, PG&E will review the customer's account status after the deposit or letter of credit has been held for twelve months. At that time, and if the customer has made all payments on a timely basis subsequent to the cure of the original breach, PG&E will either refund the deposit or release the letter of credit, or at the customer's election apply any paid deposit it as a credit against future payment requirements. Any amounts returned or credited in accordance with this Paragraph shall include interest computed using the same rates as are applicable to all other customer deposits and utility balancing accounts. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 15
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

4. CTC PROCEDURE FOR DEPARTING LOAD: (Cont'd.)

j. Demand for Lump Sum Payment: PG&E may issue a Demand for Lump Sum Payment of Default Departing Load CTC Responsibility to a customer under any one of the following four conditions: (1) failure to provide notice as specified in Paragraph 4(A) and subsequent failure to cure as provided under Paragraph 4(G); (2) failure to establish a deposit as provided in Paragraph 4(H); (3) failure, after having established a deposit pursuant to Paragraph 4(H), to make monthly payments, to such an extent that the account has once again become at least two months in arrears; (4) after having received the return of a prior deposit pursuant to Paragraph 4(I), failure to make subsequent future monthly payments to such an extent that the account has once again become at least two months in arrears.

Such Default Lump Sum CTC Payment Responsibility shall be an amount equal to one times the customer's Reference Period Annual Bill (described in Paragraph 5(D)), plus two percent of the customer's Reference Period Annual Bill multiplied by the number of whole months remaining between the date of the customer's first missed payment (or date of unnoticed departure) and December 31, 2001.

k. Enforceability: Failure to make Departing Load CTC Payments or provide notice as specified herein constitute a breach of the customer's continuing legal obligations to PG&E and a breach and violation of this tariff. PG&E may enforce the payment obligations specified herein by filing suit to enforce this tariff in any court of competent jurisdiction. If PG&E has elected to issue a Demand for Lump Sum Payment of Default Departing Load CTC Responsibility under Paragraph 4(J), and the customer has not paid within 30 days, then PG&E may enforce this obligation by filing suit to enforce this tariff in any court of competent jurisdiction.

5. DEPARTING LOAD CTC STATEMENTS:

a. Information To Be Provided By PG&E: The Departing Load CTC Statement prepared by PG&E will identify: (i) the customer's reference period billing determinants (the "Reference Period Load Profile," per Paragraph 5(C)); (ii) the customer's applicable rate schedule and service voltage (per Paragraph 5(B)); (iii) the customer's "Reference Period Annual Bill" amount (per Paragraph 5(D)); (iv) whether PG&E has confirmed or rejected (and the reasons for doing so) any claim that the customer has made for exemption pursuant to Paragraph 372 or 374 of the Public Utilities Code; and (v) any applicable payment obligations related to other nonbypassable charges.

b. Service Voltage Or Schedule Changes: If the customer has switched between applicable rate schedules or service voltages during the 36 month period prior to the Date of Departure, the Departing Load CTC Statement will nonetheless be based on the customer's final applicable rate schedule and service voltage, except provided further that in the case where customer is making reliable current metered consumption data available to the utility (as specified in Paragraphs 4(A) and 5(E)), the applicable rate schedule to be used for CTC and other nonbypassable charge purposes shall be a rate schedule that is consistent with that current metered information. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 16
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.) (N)

5. DEPARTING LOAD CTC STATEMENTS: (Cont'd)

c. Reference Period Load Profile: The customer's reference period billing determinants will be based upon one of the following two options (to be selected by the Departing Load customer in its notice submitted pursuant to Paragraph 4(A) above): (1) the customer's demand and energy usage over the 12 month period prior to the customer's submission of notice; or (2) the customer's average 12 month demand and energy usage, with such average to be as measured over the prior 36 months of usage. In the event that the 12-month average usage differs from the 36-month average by an amount greater than 25 percent, the 36-month average will be used unless there is substantial evidence to demonstrate that the more recent usage is the result of a persisting change in the customer's electric usage, and that the 12-month average will be more indicative of the customer's future electric requirements. If the customer has not chosen an option in its notice, PG&E will use the customer's demand and energy usage over the 12 month period prior to the customer's submission of notice. If the customer has elected to provide reliable current metered information to PG&E for CTC and other nonbypassable charge billing purposes (pursuant to the provisions in Paragraph 5(E)), the Reference Period Load Profile information will be used only for the purpose of calculating the Reference Period Annual Bill (as described under Paragraph 5(D)) needed in the event that a Default Lump Sum payment amount must be enforced pursuant to the provisions of Paragraph 4(J).

d. Reference Period Annual Bill: The customer's Reference Period Annual Bill will be calculated by multiplying the customer's applicable reference period billing determinants (as determined according to Paragraph 5(C)) by those rates that are currently applicable (as of the customer's Notice Date) for bundled retail service under the customer's applicable rate schedule and service voltage options.

e. Substitution Of Metered Data: At the customer's election, metered data can be substituted on a prospective basis for CTC and other nonbypassable charge billing purposes, rather than using the historical billing determinants described in Paragraph 5(C). Subject to verification procedures sufficient to ensure the reliability of such consumption information, such metering arrangements may include reliance upon third-party metering. Under such an arrangement, each party would be responsible for bearing its own costs associated with the agreed upon verification process. The metering reliability standards required under such arrangements would be as determined by PG&E's Electric Rule 17 or such other standards as might eventually be adopted by the Commission. If such metering agreement is reached, and the requisite metering data continues to be supplied on a timely basis, PG&E shall replace the customer's reference period billing determinants with current metered usage information in order to calculate all subsequent CTC and other nonbypassable charge payments.

f. Treatment of Exempt Loads: The Departing Load CTC Statement will either confirm or state a reason for rejecting any claim that the customer has made for exemption, pursuant to Section 372 or 374 of the Public Utilities Code. Where PG&E finds that a departing load is indeed eligible for exemption, the Departing Load CTC Statement will identify any remaining future payment obligations related to nonbypassable charges other than the CTC, together with any applicable post-2001 CTC responsibility. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 17
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

6. CTC RESPONSIBILITY OF NEW CONSUMERS:

In accordance with Public Utilities Code Section 369, a new electric consumer which locates in PG&E's service area as it existed on December 21, 1995 (and any incremental load of an existing PG&E customer) shall be responsible for paying transition costs, except where such consumer's new load is being met through a direct transaction that does not make any use of transmission or distribution facilities owned by PG&E. However, the obligation to pay transition costs cannot be avoided by the formation of a local publicly owned electrical corporation on or after December 20, 1995, or by annexation of any portion of an electrical corporation's service area by an existing local publicly owned electricity utility. The transition cost payment and notice procedures specified in the foregoing CTC Procedure For Departing Loads (Paragraph 4) shall apply to such new electric loads as described in this Paragraph. (L)

a. General: Any party claiming that transition charges do not apply under this provision shall demonstrate through a physical test that such direct transaction can start and fully operate on an ongoing basis, without any of the parties involved in the direct transaction (i.e., the new or incremental customer load is able to be "islanded" to demonstrate that the direct transaction does not require the use of PG&E's T&D systems. Once this standard is met, connection to the system is allowed without invalidating the CTC exemption). Where PG&E determines that the physical test requirement has not been satisfied, it will so notify the owner/operator of the new or incremental load in writing. Any disagreement with respect to that utility determination will be subject to the Dispute Resolution provisions applying to disagreements with Departing Load CTC statements under Paragraph BB.4.f. (N)

b. Standby Relationships:
   1) For customers interconnected with PG&E's T&D facilities for standby service, PG&E shall deem that new or incremental load can be served through a direct transaction while isolated from the power grid when a physical test of the generator providing electric power to the load demonstrates the following:

      a) The generator is a synchronous generator with black start capabilities, i.e., the synchronous generator starts without being connected to PG&E's T&D facilities, and,

      b) The ongoing physical flow of power for the direct transaction can be provided with no connection to PG&E's T&D facilities.

   2) A physical test for customers interconnected with PG&E's T&D facilities for standby service will be performed within three (3) weeks of an exemption being claimed by an owner/operator. The owner/operator shall permit PG&E to inspect the installation and operation of the generator. Failure of the physical test or failure to permit the initial test on the date scheduled by PG&E, or on a mutually agreeable alternative date, will result in the loss of the CTC exemption from the date that the exemption was claimed and received, billing for the exempted Departing Load for the period in which the exemption was received, and continued billing for the Departing Load until a physical test is successfully completed. If a physical test is failed, the customer claiming that transition costs do not apply may request another opportunity to demonstrate that it can pass the physical test which PG&E shall schedule within three (3) weeks of the request or at a mutually agreeable date. A customer which fails a physical test twice within a two (2) month period is not entitled to request another physical test for twelve months from the date of the latter of the failed test. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART BB Sheet 18
COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR
ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS

BB. COMPETITION TRANSITION CHARGE RESPONSIBILITY FOR ALL CUSTOMERS AND CTC PROCEDURE FOR DEPARTING LOADS (Cont'd.)

6. (Cont'd.)

b. Standby Relationships: (Cont'd.) (N)

2) (Cont'd.)

To provide for ongoing compliance with Decision 98-12-067, PG&E may conduct subsequent physical tests no more frequently than once every 18 months. Customers otherwise exempt from CTC after June 30, 2000, pursuant to Public Utilities Code Section 372 are under no obligation to undergo a subsequent physical test. The results of a subsequent physical test shall not affect a customer's CTC exemption status determined pursuant to the results of any prior physical test conducted not less than 18 months before the subsequent test.

3) The physical test shall be conducted as follows:

a) The generator will be turned off and shown that it is capable of being restarted and brought back to the power level consistent with the associated load while completely isolated from PG&E's T&D facilities; and,

b) Several representative resistive and inductive loads of the direct transaction will be cycled off and on to demonstrate the isolated generator is stable through normal cycling of resistive and inductive loads.

c) The isolated generator will operate at least one (1) hour while under full and partial loads. (N)

7. TERMINATION OF INTERIM CTC PROCEDURE: (L)

This section supersedes Preliminary Statement Part AF, the Interim CTC Procedure For Departing Load customers previously authorized by the Commission in Decisions 96-04-054 and 96-10-041. Amounts owed to PG&E under that procedure shall be trued-up as soon after the effective date of this tariff as is reasonably practical, for those factors described under Paragraph 6 of Part AF—"Interim Competition Transition Charge Procedure." (L)