

RULE NO. 21

CURTAILMENT OF NATURAL GAS SERVICE

The amount and sequence of reductions or discontinuances of natural gas service (herein called curtailment) shall be in accordance with the following provisions:

A. CLASSIFICATION OF USE

All natural gas use shall be classified by the following priorities:

P1: All residential use regardless of size.

All other service to customers with peak-day demands of 100 Mcf or less and average monthly usage of less than 20,800 therms.

P2-A: All nonresidential use with peak-day demand in excess of 100 Mcf and average monthly usage of 20,800 therms or greater who elect core status.

Other uses where specific CPUC authorization has been granted.

Electric utilities start-up and igniter fuel use.

P2-B: All nonresidential use in excess of 100 Mcf per day and average monthly usage of 20,800 therms or greater who elect noncore status.

Other uses where specific CPUC authorization has been granted.

P3-A: All gas use in a cogeneration facility for the sequential production of electrical and useful thermal energy where the cogeneration facility meets the standards outlined in Section 218.5 of the Public Utilities Code.

All gas use in Solar Electric Generation Projects.

P3-B: All use not included in another priority, including utility gas turbines.

P4: All use as boiler fuel by customers with peak-day demand greater than 750 Mcf not included in another priority.

All use in cement plant kilns.

RULE NO. 21

CURTAILMENT OF NATURAL GAS SERVICE

(Continued)

A. CLASSIFICATION OF USE *(Continued)*

P5: All use in utility steam-electric generating plants, excluding cogeneration and start-up and igniter fuel use.

Where a customer's use is in more than one priority classification, those uses not exceeding 25 Mcf per day of peak-day demand may be placed in the next higher priority classification of that customer's use.

When any recorded monthly nonresidential P1 use shows that the peak-day demand has exceeded 100 Mcf per day for three consecutive months and the average monthly usage is 20,800 therms or greater, that use will be reclassified to the appropriate lower priority class. When any recorded monthly use other than P1 shows that the peak-day demand has fallen below 100 Mcf for 12 consecutive months and the average monthly usage is less than 20,800 therms, that use will be reclassified as P1. When any recorded monthly P3-B boiler fuel use shows that the peak-day demand has exceeded 750 Mcf for three consecutive months, that use will be reclassified as P4. When any recorded monthly P4 use shows that the peak-day demand has fallen below 750 Mcf for 12 consecutive months, that use will be appropriately reclassified.

B. CURTAILMENT PROCEDURE

1. Service shall be curtailed in inverse priority class number sequence at such times as service to P5 use is ordered fully discontinued and further curtailment is required. Service to each priority class is to be ordered fully discontinued before any curtailment is ordered for the next lower numbered priority class. Curtailments of customers within a given priority class shall be implemented according to the level of the customer's transportation charge, with the highest paying customers curtailed last. For customers of a given priority class paying the same transportation charge, the Company shall administer curtailment on a pro rata basis.
2. Curtailment of service in each priority class to each customer in each curtailment year shall be as nearly proportionate to the total curtailment of service in the same priority class as reasonably feasible. To the extent that curtailed units of demand are not equal among customers in each priority class at the end of any curtailment year, the differences shall be corrected by the Company in subsequent curtailment.

RULE NO. 21

CURTAILMENT OF NATURAL GAS SERVICE

(Continued)

B. CURTAILMENT PROCEDURE *(Continued)*

3. The allocation of curtailment in each priority class, insofar as possible, shall be rotated to maintain the same number of accumulated curtailed units of demand for use in that priority class, considered separately, of each customer during each curtailment year.
4. Curtailed units of demand for each customer's requirement not in P1 shall be determined as follows:
 - a. For customers for which an hourly flow recording meter is installed, curtailed units of demand shall be determined from metered hourly flows.
 - b. For all other customers, curtailed units of demand shall be determined from the unit of demand as defined in Rule No. 1.
5. The foregoing procedures do not apply to local or emergency conditions that require curtailment, which will be handled in such manner as immediate operating conditions appear to require at the time.
6. A customer receiving service under noncore status that does not curtail at the request of the Company will be charged, in addition to any otherwise applicable charges, \$1.00 per therm for the first five hours, \$3.00 per therm for the next three hours, and \$10.00 per therm for the remainder of the curtailment period. Any customer failing to comply with a curtailment order for 48 hours will be reassigned to its otherwise applicable core rate schedule for a minimum period of one year. Any penalties collected under this provision will be credited to the Supply Adjustment Balancing Account.

RULE NO. 21

CURTAILMENT OF NATURAL GAS SERVICE*(Continued)*C. CURTAILMENT OF CUSTOMER-SECURED GAS

1. Curtailments at Point of Receipt

a. Curtailment Because of Obligation to Purchase Gas

The Company, solely at its discretion, may curtail its receipt of customer-secured gas if accepting that gas for transportation would require the Company to purchase gas it would not purchase otherwise or to incur any additional gas costs.

b. Curtailment Because of Capacity Shortage, or Operating Constraints

Acceptance and delivery of customer-secured gas is subject to the Company having sufficient capacity. In a capacity shortage, the Company has the right to curtail customer's transportation service to serve customers with higher priority classifications. In such a case, the customer will be served to the same extent as the Company's other customers with the same priority classification. Curtailments will be initiated as specified in Section B of this rule.

2. Supply Curtailment

a. Curtailment Procedure

Supply curtailments could arise when the Company has available capacity but insufficient gas supply to satisfy all customer requirements. Curtailments will be initiated as specified in Section B of this rule. Customer-secured gas which is received into the Company's system may be diverted from the customer if the Commission declares that a supply emergency exists. Customer-secured gas will not be diverted until service to all sales customers with priorities lower than P2-A has been curtailed. In such a case, the customer will be served to the same extent as other customer-secured gas supply customers with the same priority classification as the customer.

RULE NO. 21

CURTAILMENT OF NATURAL GAS SERVICE

(Continued)

C. CURTAILMENT OF CUSTOMER-SECURED GAS *(Continued)*

2. Supply Curtailment *(Continued)*

b. Make-up After Curtailment

The customer has two options to correct volume imbalances if the Company diverts any customer gas to serve P1 or P2-A customers: 1) the Company will replace the diverted gas on a therm for therm basis, or 2) the Company will reimburse the customer for the diverted gas paying the customer a value-based price tied to the customer's alternative fuel price, as documented by invoice. If the customer chooses to receive the gas instead of the payment, the Company will replace the gas over a period of time approximately equal to that over which the diversion(s) occurred. The daily flow rate shall be negotiated between the customer and the Company provided that the gas is replaced within 90 days; after 90 days the Company will purchase any diverted gas.

3. Curtailment Due to Supplier Constraints

The Company does not assume any responsibility for customer's gas until such gas is delivered into the Company's system at the Receipt Point(s). The Company is not liable for interruptions or curtailment upstream of its system.