



RULE 4
CONTRACTS

All contracts for electric service by the Utility shall be subject to the following terms and conditions:

A. REQUIREMENT

Contracts for electric service will be required as a condition precedent to service as follows:

1. As required by conditions set forth in the regular schedule of rates as authorized and approved by the Public Utilities Commission of the State of California, or otherwise specified in the Utility's rules or Orders of the Commission.
2. For electric extensions or temporary service, for a period not to exceed three years, except by special permission from the Commission. Contracts so entered into may be cancelled at any time by the customer upon the following terms:

If the customer elects to cancel a contract entered into for a period of three years, during the first year of service the customer may be required to pay to the Utility the net cost of installing and removing lines and appliances installed by the Utility to render service. During the second and third years the customer shall pay to the Utility 1/24 of the above net cost for each month of the unexpired term of contract.

B. CONTRACTS FOR SPECIAL SERVICES

Eligible customers may be required, as a condition of a special service, to complete an agreement provided by the Utility which outlines the conditions of the service provided.

C. INTERPRETATION

The interpretation and performance of any contracts for electric service shall be in accordance with the laws of the State of California, and the orders, rules and regulations of the Commission, in effect from time to time.

D. AMENDMENT OR MODIFICATION

Except as required to conform with California law and the orders, rules and regulations of the Commission, no amendment or modification shall be made to written contracts for electric service except by an instrument in writing executed by all parties thereto, and no amendment or modification shall be made by course of performance, course of dealing or usage of trade.

E. WAIVER

No waiver by any party of one or more defaults under contracts for electric service shall operate or be construed as a waiver of any other default or defaults, whether of a like or different character.

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F. DAMAGES

No party under contracts for electric service shall be assessed any special, punitive, consequential, incidental, or indirect damages, whether in contract or tort, for any actions or inactions arising from or related to such contract.

G. ASSIGNMENT

No contracts for electric service (or any rights or obligations related thereto) shall be assigned without the prior written consent of the Utility, which consent shall not be withheld unreasonably (but the Utility may require that any assignee confirm in writing its assumption of the rights and obligations of its predecessor).

H. TERM AGREEMENTS AT UTILITY DISCRETION

Where the Utility and a customer have both, at their discretion, entered into an agreement for service to be provided from the Utility to the customer, under different rates, terms and conditions than set forth by the Commission in the Utility's tariffs, without prior Commission review. The agreement shall comport with, among other terms:

1. Contract term shall not exceed 10 years, except by specific Commission approval on a case-by-case basis;
2. Utility shall inform the customer of what their rate options are;
3. Utility shall inform the customer monthly of what their bill would otherwise have been on the customer's otherwise applicable rate option;
4. The Utility's shareholders will absorb 100% of any difference between what the Utility collects from the customer as compared to what the Utility would have collected had the customer been billed on the Utility's otherwise applicable rate;
5. Utility will submit a copy of the contract to the Commission's Energy Division within 90 days of executing the contract and may submit it under P.U. Code Section 583 and General Order 66-C;
6. This contracting option is subject to review by the Commission;
7. Contract shall be subject to a floor price that is equal to customer specific marginal cost plus an adder of 10%;
8. Customer shall have the right to terminate the contract, and each contract will specify the liquidated damages for customers electing to do so;

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Issued by
Lee Schavrien
Vice President
Regulatory Affairs

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H. TERM AGREEMENTS AT UTILITY DISCRETION (Continued)

- 9. Contracts will specify that after the date on which the Commission has issued a final decision which deregulates all, or part of the service covered by a contract entered into under the provisions of this subsection, both the customer and the Utility have the right to terminate the contract with one year's written notice, without liquidated or other damages, for any services covered by the contract;
- 10. Utility must assure, for the purposes of determining the national rate comparison incentive under its Base Rate PBR, that it will input revenues from each customer, covered under contract by this section, as though each customer was billed on Commission approved tariffs;
- 11. Utility shall not include any provision of generation-related services through this contracting provision;
- 12. Distributed Generators shall not be foreclosed by any Rule 4.H. contract;
- 13. A Rule 4.H. contract shall not be entered into with any customer that is in negotiations with a Distributed Generator provider that will foreclose Distributed Generation as an option to that customer;
- 14. Utility shall file a summary of how Rule 4.H. has been used in a rate proceeding by December 31, 2006 and any party may address whether Rule 4.H. should be closed at that, or any other time; and
- 15. Utility should submit an annual report to the Energy Division that states (a) the number of Rule 4.H. contracts, (b) the number of customers under contract, (c) the amount of the customer's annual usage. The report should be segmented by the year into which the contracts were entered.

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