

SAMPLE FORMS - Contracts
Appendix B Producer's Payment for Utility's Operation & Maintenance Fee
Form 6643 (4/03)

Sheet 1

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(See Attached Form)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3202-A
DECISION NO.

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Apr 21, 2003
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RESOLUTION NO. G-3343

APPENDIX B

PRODUCER'S PAYMENT FOR UTILITY'S OPERATION AND MAINTENANCE FEE

Pursuant to Article V of the Agreement, Utility's "Operation and Maintenance Fee" as used herein shall be calculated based on Utility's good faith estimate of Utility's ongoing expenses to operate, maintain and modify Utility's metering Facilities necessary to accept Producer's Gas in accordance with good industry practice, Utility's normal procedures and governmental regulations. The methodology for calculating such Operation and Maintenance Fee, as approved by the CPUC in Resolution G-3194 and G-3295, is described below, and is based on the following principles:

- Derivation of actual costs from fully loaded labor rates.
- Charging of Producer directly for odorant and other site-specific costs.
- Charging of Producer for unscheduled visits above a specified maximum number.
- Standardization of the number of visits to individual receipt meters.

Calculation of Operation and Maintenance Fees

The methodology for calculating Operation and Maintenance Fees has two basic components: (1) a fixed cost component which utilizes system-wide averages for all receipt meters, and (2) a

variable cost component which utilizes site-specific costs and is dependent on the location of and the volume received at each meter.

Fixed Cost Component

The fixed cost component utilizes system-wide averages and a standard schedule for visiting each site. Contained within the fixed cost component are the following:

- All labor associated with routine calibrations, inspections, gas samples, etc. for each meter. Calculation utilizes a fully loaded labor rate of \$63.70 per hour.
- Producer is allowed eight (8) unscheduled service visits to the meter per year. Unscheduled visits greater than eight (8) shall be assessed a charge as outlined in the Variable Cost Component section below.

Variable Cost Component

The variable cost component includes customer- or area-specific costs which do not lend themselves to system-wide averaging. These costs shall be recalculated annually or on an as-needed basis, as outlined below:

- Odorant costs shall be included on a volumetric basis, and shall be derived from the previous year's receipts at the meter, unless special circumstances (e.g. new production) warrant otherwise. Based upon the actual cost of odorant, currently \$2.20/lb, and the target odorant usage rate, currently 0.40 lb/MMcf, the volumetric charge is currently \$0.88/MMcf. This may change in the future to reflect price changes, introduction of new odorants, or changes in usage rates. For sites with production volumes less than 500 Mcfd, a fixed cost for odorization of \$15 per month shall be assessed.
- Site specific permit costs and associated reporting costs shall be charged back to individual meters. Typical costs include permits for certain air quality districts.
- Additional costs due to H₂S monitoring equipment shall be included in the base charges. Meters where the gas stream is monitored continuously for H₂S shall be charged an additional monthly fee of \$224/month. This is due to the increased labor and materials to maintain this additional equipment on site.
- If Utility personnel are required to make more than eight (8) unscheduled visits to the meter in a calendar year, costs for any visits in excess of eight (8) per year

shall be charged at the fully loaded labor rate of \$63.70/hr. For unscheduled visits outside normal business hours, the rate shall reflect a four (4) hour minimum charge.

- Costs such as calibration, testing or inspection of specialized equipment, including specialized gas monitoring equipment, associated with an individual site will be charged directly to that meter. This includes any non-standard work, which must be performed due to permit conditions, and appropriate labor and vehicle charges.

Initial Payment, Redetermination and Notification

Each month of a Contract Year, Producer agrees to pay
Utility:

- (a) Commencing in the Month of first deliveries hereunder, the amount stated for each of the Point(s) of Receipt in Appendix C. If any of the Point(s) of Receipt is shared with others, the applicable fee shall be a portion of the total Operation and Maintenance Fee, based on Producer's share of the Gas received by Utility at such Point of Receipt. The Operation and Maintenance Fee for each Point of Receipt shall be recalculated annually, using the methodology approved

by the CPUC as described in this Appendix B, to reflect changes in the Variable Cost Component based on the quantity of Gas delivered by Producer in the prior calendar year, and to reflect any change in Producer's percentage share of the total Operation and Maintenance Fee for the Point of Receipt.

(b) Thereafter, from time to time during a Contract Year, the monthly Operation and Maintenance Fee may be redetermined by Utility. Utility shall in good faith establish the monthly Operation and Maintenance Fee which fairly approximates and reflects Utility's operation and maintenance cost incurred by Utility to accept Producer's Gas deliveries into Utility's Facilities. Such redetermination may, at Utility's option, be calculated on Utility's estimated average expenses for Gas received under comparable conditions and/or adjusted to reflect increased or decreased expenses for Facilities operated and maintained hereunder.

(c) If such redetermination of the monthly Operation and Maintenance Fee results in any increase or decrease in the amount Producer is required to pay Utility, Utility shall submit an Advice Letter to the CPUC requesting approval of the redetermined calculation methodology. Upon receipt of CPUC approval of the redetermined calculation methodology, Utility shall provide

written notice to Producer of the increased or decreased amount which Producer is required to pay Utility. Such redetermination of the monthly Operation and Maintenance Fee shall become the price Producer shall pay Utility, effective on the first Day of the Month following Utility's written notice to Producer and shall remain in effect until Utility determines, in its sole discretion, that redetermination of the monthly Operation and Maintenance Fee is again warranted.