

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 5, 2009

Advice Letter 3018-G

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**Subject: Request for Deviation from Gas Rules No. 10, 16, 17 and
17.1 and Approval of a Special Agreement to Provide
Natural Gas Service to Praxair**

Dear Mr. Cherry:

Advice Letter 3018-G is effective July 30, 2009 per Resolution G-3437.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177
Fax: 415.973.7226

May 12, 2009

Advice 3018-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Request for Deviation from Gas Rules No. 10, 16, 17 and 17.1
and Approval of a Special Agreement to Provide Natural Gas
Service to Praxair**

Purpose

Praxair, Inc. (Praxair) will own and operate a new facility located within the Chevron U.S.A. Inc. (Chevron) Richmond Refinery site, which is located in Richmond, California. PG&E requests authority to provide natural gas service to Praxair through existing pipeline facilities owned and operated by Chevron at this site. PG&E also seeks Commission authority to bill Praxair for its gas deliveries through these Chevron's facilities via a utility grade meter owned by Praxair. The proposed service arrangement will eliminate the need for installing a duplicative and costly pipeline adjacent to designated environmentally sensitive wetlands and through congested refinery facilities.

PG&E requests approval of an agreement among PG&E, Praxair, and Chevron memorializing the terms and conditions of this non-standard natural gas service to Praxair (Attachment A: Gas Services Agreement).

Background

PG&E received a request from Chevron asking PG&E to provide a second service to a customer (Praxair) facility located at Chevron's premises. The second service would be to a hydrogen production facility to be built, owned, and operated by Praxair, and located on the Chevron Richmond refinery property. The production of hydrogen requires the use of natural gas as a feedstock and is critical to refinery operations. Hydrogen is a key component in refining crude oil into gasoline and other refined products. Chevron's existing hydrogen production facilities will be replaced by the cleaner and more energy efficient Praxair facility.

Currently, the Chevron refinery is served through PG&E-owned revenue meters located approximately 1.5 miles northeast of the refinery at San Pablo Station. The natural gas flows through 1.5 miles of PG&E-owned pipeline through PG&E's franchise in city streets and connects to the Chevron internal gas delivery system (House Line) near the refinery perimeter. The natural gas then flows through 2 miles of House Line inside the refinery to serve Chevron's refinery operations.

Were PG&E to serve Praxair directly without the rule deviations requested here, a duplicative natural gas pipeline would need to be built from PG&E's closest available facilities near the existing Chevron service delivery point through the Richmond refinery to the Praxair facility. Chevron estimates that one-third of the route would require underground construction at a cost of approximately \$1.5 million per mile. The remainder of the pipeline route would be built above-ground. Chevron estimates the total cost of building a redundant natural gas pipeline to be approximately \$6 million.

In addition to the \$6 million in costs to route a redundant pipeline, PG&E would need to modify its existing gas service arrangement to Chevron to accommodate new metering facilities near the refinery perimeter. Specifically, Chevron's gas meters and associated facilities would need to be relocated to a suitable location near the refinery perimeter, and a second meter (for Praxair) would need to be installed. PG&E estimates these costs to be approximately \$1.5 million.

Approval of the metering arrangement (Gas Services Agreement) will eliminate the need to install duplicative pipeline facilities through designated environmentally-sensitive wetlands at considerable savings in terms of time and money to Chevron and Praxair. In addition, it will eliminate the need to relocate Chevron's metering facilities and install a new metering facility to serve Praxair at PG&E and its ratepayer's expense.

PG&E requests that the Commission allow the requested rule deviations and approve a natural gas service and metering arrangement that will allow PG&E to serve Praxair via a Praxair owned, utility-grade meter at a point of connection on the House Line, and that PG&E be permitted to bill Praxair directly using subtractive metering. The following tariff issues and deviations are addressed in this request:

Tariff Authority

Gas Rule 18 -- Supply to Separate Premises and Sub metering of Gas

PG&E will provide subtractive metering services to Praxair and seeks approval of this metering arrangement. PG&E proposes a subtractive metering arrangement that would allow PG&E to bill both end-use customers, Chevron and Praxair,

separately and directly. Because this is a subtractive metering arrangement, not a submetering arrangement, it is consistent with Gas Rule 18 provisions.

Gas Rule 9 -- Rendering and Payment of Bills

PG&E's Gas Rule 9 provides authority to allow the requested metering arrangement. Gas Rule 9.D.2 states:

For the purpose of making charges, each meter upon the customer's premises will be considered separately, and the readings of two or more meters will not be combined, except as follows:

1. Where combinations of meter readings are specifically provided for in rate schedules.
2. Where PG&E's operating convenience or necessity shall require the installation of two or more meters upon the customer's premises instead of one meter

In this case, PG&E seeks to avoid relocation of its existing metering facilities, requiring that duplicative and unnecessary pipeline facilities be constructed through congested refinery facilities, to preserve sensitive wetlands located within the refinery property, and to accommodate its customers so that they may avoid incurring substantial costs and delays for permitting and constructing a duplicative pipeline.

Tariff Deviations

This advice letter requests permission to deviate from Gas Rules 10, 16, 17 and 17.1.

Gas Rule 10 -- Disputed Bills

The attached Agreement places greater restrictions on Chevron and Praxair regarding the resolution of disputed bills than does Rule 10. PG&E believes that the language and dispute resolution requirements set forth in the attached Gas Services Agreement are appropriate and necessary given the interdependencies between these two customers.

Gas Rule 16 -- Gas Service Extensions

The Agreement also deviates from provisions of Gas Rule 16, inasmuch as PG&E is requesting that Praxair be allowed to receive its natural gas supplies over a Chevron-owned pipeline within the Richmond refinery and that Praxair's gas usage be metered through a Praxair owned meter.

Gas Rule 16, Sections A.2., A.3., and A.4. state the following:

2. SERVICE FACILITIES. For the purposes of this rule, PG&E's Service Facilities shall consist of (a) connection fittings, (b) service pipe, (c) valves, (d) regulators, (e) metering equipment, and (f) other PG&E-owned service related equipment.

3. OWNERSHIP OF FACILITIES. Service Facilities installed under the provisions of this rule shall be owned, operated and maintained by PG&E. Applicant shall own, operate, and maintain facilities beyond the Service Delivery Point.

and

4. PRIVATE LINES. PG&E shall not be required to connect Service Facilities to or serve any Applicant from gas facilities that are not owned, operated and maintained by PG&E.

Gas Rule 16.B.1.a. states:

METER ALL USAGE. PG&E will meter delivery of all gas energy, unless otherwise provided for by PG&E's tariff schedules or by other applicable laws.

Gas Rule 17 -- Meter Tests and Adjustments for Bills for Meter Error, and
Gas Rule 17.1 -- Adjustments for Bills for Billing Errors

PG&E requests permission to deviate from Gas Rules 17 and 17.1 by limiting PG&E's liability with respect to billing adjustments due to metering and billing errors. Gas Rule 17 sets forth terms regarding meter tests and adjustment of bills for meter error. Gas Rule 17.1 establishes the terms for the adjustment of billing errors. The attached Gas Services Agreement deviates from the standard terms in Gas Rules 17 and 17.1. Instead, this agreement establishes separate terms regarding meter testing and billing errors related to Praxair's customer-owned meter and the Chevron subtractive billing design.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **June 1, 2009**, which is 20 days from the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch

505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. Mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

PG&E submits this as a Tier 3 filing and requests that this advice filing become effective upon Commission approval.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs/>



Vice President – Regulatory Relations

Attachment A: Gas Services Agreement
Attachment B: Chevron Letter of Support
Attachment C: Praxair Letter of Support

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Megan Lawson

Phone #: (415) 973-1877

E-mail: mehr@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3018-G

Tier: [3]

Subject of AL: Request for Deviation from Gas Rules No. 10, 16, 17 and 17.1 and Approval of a Special Agreement to Provide Natural Gas Service to Praxair

Keywords (choose from CPUC listing): agreements, rules

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: CPUC Approval

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed:

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

ijnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Attachment 1
Gas Service Agreement

Gas Services Agreement

This agreement (Agreement) is made by and among Praxair, Inc. (Praxair), Chevron U.S.A. Inc. (Chevron), and Pacific Gas and Electric Company (PG&E), each of which is a Party, and all of whom together are the Parties. In addition, Chevron and Praxair are End-Users. This Agreement sets forth the terms and conditions for the provision of natural gas service by PG&E via Chevron's Richmond Refinery (Refinery) internal gas distribution system (House Line) to a Praxair facility located within the boundary of the Refinery. Service will be provided to the Praxair facility through the Praxair owned and operated meter (Praxair Meter). This Agreement provides certain nonstandard terms and conditions of service that are agreed to by PG&E as an accommodation to Chevron and Praxair. Nothing in this Agreement shall be deemed to be a precedent for or in any way applicable to any other service at any other location.

1. Other Agreements. This Agreement is not the full agreement of the Parties with respect to natural gas services provided to the End-Users by PG&E. In addition to this Agreement, each End-User must also have a current fully-executed Natural Gas Services Agreement (NGSA) and, if applicable, a Noncore Balancing Aggregation Agreement (NBAA) with PG&E. Service to each End-User is also governed by PG&E's Tariffs. Should the terms and conditions of this Agreement conflict in anyway with PG&E's Tariffs, the NGSA, or the NBAA or their successors, the terms and conditions of this Agreement shall prevail.

2. Chevron Facilities Used to Provide Service.

2.1 House Line. The delivery of gas to the Praxair Meter from the Service Delivery Point (as defined in Section 3.2) shall utilize gas pipes, or "house lines," that are owned, operated, and maintained by Chevron (House Line).

2.2 Service Subject to Chevron Facilities. PG&E's provision of natural gas services to Praxair under this Agreement is strictly subject to and limited by Praxair's capacity lease and its continued right to use the House Line and the continued fitness of the House Line for this purpose.

2.3 Discontinuation of Service. PG&E may discontinue service to Praxair at the Praxair Meter without liability of any kind to Praxair or to Chevron if at any time PG&E determines in its sole reasonable judgment that such service poses a risk to the public health and safety or to the PG&E gas transmission system, or if Chevron for whatever reason discontinues service to Praxair using the House Line. Upon any such discontinuation of service, PG&E shall be relieved of any obligation to continue to provide service to Praxair under this Agreement; at the same time, service under Praxair's NGSA and, if applicable, NBAA shall be suspended indefinitely, pending resolution of the PG&E-identified problem or construction of another interconnection to PG&E's gas transmission system that is located outside the boundary of the Refinery and is not constructed at PG&E's expense. Re-establishment of service by PG&E would be per PG&E's Gas Rule 15 and 16. In this event, Praxair shall be billed for and liable to PG&E for full payment of any imbalance accrued and measured at the Praxair Meter and service provided up to the time service to the Praxair Meter is suspended, including any applicable penalties and interest.

3. Gas Delivery and Measurement.

3.1 Chevron Meter. All gas service to the End-Users will be delivered through revenue meters that measure gas deliveries to the Refinery, which are owned, operated, and maintained by PG&E (collectively, the Chevron Meter).

3.2 Service Delivery Point. The Service Delivery Point for service from PG&E to both Chevron and Praxair shall be either the Chevron Meter, or, if PG&E continues to own, operate

and maintain gas pipelines beyond the Chevron Meter, the point at which the PG&E-owned pipe physically interconnects with the House Line. Custody of and risk of loss for all such gas deliveries shall transfer to Chevron at the Service Delivery Point and to Praxair at the Praxair Meter.

3.3 Control Point. The control point for service to the End-Users shall be the Chevron Meter. The control point is the point at which the End-Users' compliance with Operational Flow Orders, Emergency Flow Orders, local curtailments and other actions ordered or requested by PG&E is measured and enforced. PG&E shall have the unilateral right to disconnect both End-Users from PG&E-provided services at the Control Point for purposes of enforcing its right to receive payment for services from either End-User or to maintain the integrity of PG&E's gas transmission system or protect the safety of persons and property, in each case without liability of any kind to any End-User.

3.4 Nominations. Subject to the NGSA and the NBAA, Praxair and Chevron will each be responsible for separately nominating their respective volumes to the Service Delivery Point in accordance with PG&E's Tariffs.

3.5 Gas Delivery Pressure. Per PG&E Gas Rule 2, Description of Service, gas initially will be delivered at a pressure higher than standard delivery pressure where such higher pressure is available from existing facilities. PG&E, however, retains the right to decrease at any time the higher delivery pressure to a delivery pressure not less than the standard delivery pressure.

3.6 Praxair Meter. Measurement of all gas deliveries to the End-Users shall be made at the Chevron Meter. Praxair shall install at its own expense, own, operate, and maintain its meter (Praxair Meter) downstream of the Chevron Meter, to be located within the Refinery near or at the point the House Line interconnects with the Praxair facility, and it shall constitute a separate gas service. Gas that is measured at the Chevron Meter less that measured by the Praxair Meter shall be deemed for billing, payment, and balancing purposes to have been delivered to Chevron. Measurement facilities at the Praxair Meter shall include telemetry that will provide PG&E with real-time volumetric flows. All metered data from the Praxair Meter shall be communicated to PG&E by Praxair, at its own expense, in a manner required by PG&E.

3.7 Measurement and Verification. Praxair and Chevron shall develop metering specifications, which must be acceptable to PG&E and in accordance with American Gas Association (AGA) 2530 standards. Praxair shall be solely responsible for the testing and accuracy of the Praxair Meter. PG&E may require and witness testing of the Praxair Meter to verify its accuracy at any time, not to exceed twelve (12) times during each year over the term of this Agreement. All test data shall be provided to PG&E upon request. If an error of greater than one percent (1%) in either direction is discovered, the Praxair Meter shall be corrected, adjusted, or replaced as necessary to eliminate the error, and the gas accounting shall be adjusted accordingly for the shorter of the last billing cycle immediately preceding the test or the period since the last calibration.

3.8 Gas Balancing. Each End-User will be subject to balancing in accordance with the Tariffs, the NGSA and the NBAA or their successors. For Praxair, imbalances will be calculated as the difference, if any, between Praxair's confirmed receipts and the volumes measured at the Praxair Meter for the imbalance period. For Chevron, imbalances will be calculated for each imbalance period as the difference between Chevron's confirmed receipts and the total volumes measured at the Chevron Meter less Praxair Meter volumes.

4. Other Provisions.

4.1 Billing. PG&E will bill Chevron and Praxair separately, each as an end-use customer. Service to Praxair will be measured at the Praxair Meter, with a separate bill for the Praxair Meter. Service to Chevron will be deemed to be all deliveries through the Chevron Meter,

less the volumes measured at the Praxair Meter. After ten (10) days have passed without objection from any End User, all PG&E bills that are based on these calculations shall be deemed correct as to volumes for purposes of each End-Users' billing and payment obligations. Any disagreement between Praxair and Chevron as to gas deliveries or the allocation of billed amounts between them must be resolved between Chevron and Praxair without the involvement of PG&E. PG&E's bills must be paid in full, without reductions, within the time set forth in the Tariffs. If Praxair fails to pay for its service within such time, PG&E is authorized under this Agreement to deem all deliveries through the Chevron Meter to be for Chevron's account, and PG&E will bill Chevron for, and Chevron shall pay for, all such deliveries and associated imbalances; provided that, PG&E shall provide at least five (5) business days' advance written notice to Chevron of PG&E's intent to bill Chevron.

If a billing error occurs based on Praxair Meter inaccuracy, the bill from PG&E shall be corrected and adjusted as necessary to eliminate the error. Any necessary adjustments shall be made accordingly for the shorter of the last billing cycle or period in which the error was discovered. Chevron's bill will also be adjusted in a similar manner, to reflect the difference between the Chevron Meter and the Praxair Meters as adjusted.

If a billing error is discovered due to a measurement inaccuracy at the Chevron Meter, PG&E shall adjust its bill, gas accounting and any other necessary adjustments to Chevron pursuant to the provisions of Gas Rule 17.1 and refund or invoice Chevron the entire metering difference.

Both End-Users shall be subject to the provisions of Gas Rule 17.1 for the application of appropriate, rates, fees, and other charges.

4.2 Assignment. This Agreement may not be assigned by a Party without the written consent of the other Parties, which written consent may not be withheld unreasonably.

4.3 Access to Facilities. Praxair hereby grants PG&E access to the Praxair facilities subject to reasonable advance notice from PG&E. Chevron hereby grants PG&E the right of ingress and egress subject to reasonable advance notice from PG&E to and from the Refinery as reasonably necessary for PG&E to implement this Agreement and to exercise its rights hereunder.

4.4 CPUC Approval. Because this Agreement deviates from PG&E's Tariffs, it must be filed with and approved by the CPUC before it will become effective. PG&E shall be solely responsible for preparing and making such a filing, and each of Praxair and Chevron hereby agree to provide a letter in support of that filing. Praxair and Chevron will have the right to review and comment upon the contents of such a filing prior to submission to CPUC, and to similarly coordinate with PG&E in terms of a response to protests, if any. To become effective, this Agreement must be approved by the CPUC without modifications or conditions that are unacceptable to any Party in its sole discretion. If such a modification of condition is ordered by the CPUC, the Parties agree to meet and confer regarding amendments to this Agreement that may be acceptable to all Parties and will address the concerns raised by the CPUC.

4.5 Governing Law. This Agreement shall at all times be subject to any changes or modifications the California Public Utilities Commission may direct, from time to time, in the exercise of its jurisdiction.

4.6 Indemnity. Praxair and Chevron (the Indemnifying Parties) hereby jointly and severally indemnify and agree to hold harmless PG&E, its directors, officers, employees, representatives, and agents (the Indemnified Parties) from and against any and all claims resulting from or in any way related to PG&E's performance in accordance with this Agreement, including without limitation PG&E's exercise of its rights under Section 3.2 or Section 4.1. If PG&E elects to defend itself from any such claim, the Indemnifying Parties shall be liable

hereunder for the reasonable costs, including reasonable attorneys' fees, incurred by PG&E in such defense and for any judgment rendered against PG&E.

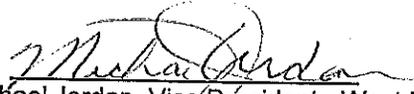
4.7 Term. This Agreement shall be in effect from the date of CPUC Approval (Section 4.4) through expiration of the capacity lease for use of the House Lines between Praxair and Chevron. The initial term of this Agreement will be 15 years following approval, and continue on a month to month thereafter cancellable by any party with at least 30 days advanced written notice to the other Parties.

4.8 General. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or another as the result of preparation, drafting, or execution hereof. This Agreement shall not amend, modify or otherwise affect the obligations of Praxair or Chevron to one another under the hydrogen supply, ground lease or natural gas supply agreements executed between them on October 11, 2006, as may be amended from time to time. No amendment or modification of this Agreement shall be enforceable unless it is set forth in writing and executed by all the Parties. This Agreement shall not be deemed to impart any rights enforceable by any non-Party. Waiver by a Party of a breach or default by another Party shall not constitute a waiver of any further or other breach or default. The headings used herein are for convenience and reference, only, and are not substantive provisions of the Parties' agreement. Facsimile or PDF transmission will be the same as delivery of an original document. This Agreement shall be binding on each Party, its successors and permitted assigns.

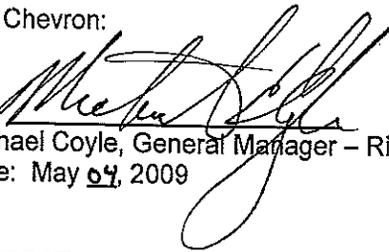
4.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile shall be deemed as effective as delivery of an originally executed counterpart.

4.10 Execution Authority. By its signature below, each Party represents and warrants that it is authorized to enter into this Agreement and to execute the same, and that, by so executing, shall bind its company to the terms and conditions set forth herein.

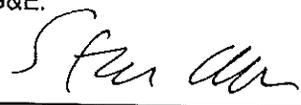
For Praxair:

By: 
Michael Jordan, Vice President - West Region
Date: May 7, 2009

For Chevron:

By: 
Michael Coyle, General Manager - Richmond Refinery
Date: May 07, 2009

For PG&E:

By: 
Steve Whelan, Senior Director, Wholesale, Marketing, and Business Development
Date: May 7, 2009

Attachment 2
Chevron Letter of Support



Michael E. Coyle
General Manager
Richmond Refinery

Richmond Refinery
Chevron Products Company
A Chevron U.S.A. Inc. Division
841 Chevron Way
Richmond, CA 94802-0272

May 1, 2009

Mr. Brian Cherry
Vice President
Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94177

Re: Request for approval to move customer-owned natural gas to tenant industrial facility

Dear Mr. Cherry,

PG&E is seeking approval to deviate from Gas tariffs governed by the California Public Utility Commission to serve Praxair, Inc. as owner and operator of a new, energy efficient industrial facility located at the Chevron U.S.A. Inc. Richmond Refinery. PG&E seeks CPUC approval so that it can serve the needs of its customers, be responsible to its ratepayers and avoid unnecessary costs, potential permitting delays and environmental impact from duplicate facilities. Chevron supports PG&E's request.

Chevron U.S.A. Inc., through its division Chevron Products Company (Chevron), owns and operates an oil refinery in Richmond, California. Chevron requests that Pacific Gas and Electric Company (PG&E) be allowed to deviate from Gas Rule 10: Disputed Bills, Gas Rule 16: Gas Service Extensions, Gas Rule 17: Meter Tests and Adjustments of Bills for Meter Error, and Gas Rule 17.1: Adjustments of Bills for Billing Errors, in order to obtain authorization from the California Public Utilities Commission (Commission) for Praxair, Inc. (Praxair) to receive natural gas service from PG&E through a customer-owned gas meter at a point of connection on an existing Chevron-owned internal natural gas distribution system to a new Praxair hydrogen production facility. Praxair will be a refinery tenant and will sell its hydrogen output to the refinery and other customers. The economic and environmental support for this request is summarized more fully below.

Hydrogen is a key component required for the refining of crude oil into gasoline and other refined products. The refinery's hydrogen requirements are currently met by Chevron's existing hydrogen production facility. However, the refinery will be replacing its existing facility with a more energy efficient steam methane reformer (SMR) facility with a smaller greenhouse gas footprint. Chevron has entered into a long-term hydrogen supply contract with Praxair for Praxair to build, own and operate the SMR facility at the refinery, and sell its output to the refinery and other, as yet, unspecified customers. The new Praxair facility is under contract to be operational by July, 2010.

Mr. Brian Cherry
Pacific Gas & Electric Company
May 1, 2009
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The Praxair SMR facility requires natural gas primarily for feedstock. Chevron has a natural gas transportation agreement with PG&E pursuant to which PG&E transports Chevron-owned natural gas to the refinery. The refinery then distributes the natural gas to various end-uses within the refinery through an internal, Chevron-owned natural gas distribution system (House Line). The new SMR facility's gas requirements can easily be delivered through the House Line.

Chevron and PG&E have together examined several options for meeting the Praxair facility's natural gas requirements. Due to the location of the Praxair facility and limited PG&E facilities in the area, the preferred solution is to allow Praxair to receive natural gas service from PG&E through a customer-owned meter via the House Line. To that end, Chevron and Praxair have entered into a long-term Capacity Lease Agreement to move Praxair-owned natural gas from the PG&E meter over the House Line to the Praxair facility through a Praxair-owned utility grade ultrasonic meter. The only other alternative identified would require Praxair to construct a new, redundant 2 mile natural gas pipeline from the SMR facility through congested refinery facilities and environmentally sensitive wetland areas to the nearest potential PG&E service connection point at considerable cost and likely delays.

Chevron understands that the proposed arrangement described above requires authorization from the Commission to deviate from Gas Rules 10, 16.A, 17 and 17.1. Chevron hereby requests that PG&E obtain the necessary Commission authorization for a gas services and metering arrangement that will allow PG&E to serve Praxair via a Praxair owned gas meter over Praxair's leased capacity on the House Line solely for Praxair's use at the new SMR hydrogen production facility at the Chevron refinery.

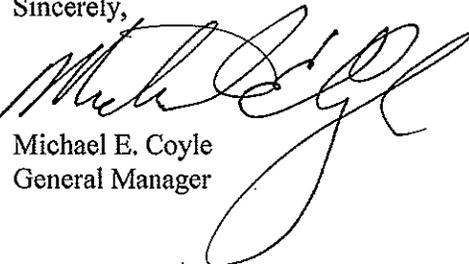
It is the intent of PG&E, Chevron and Praxair that Praxair be retained as a PG&E customer of record, with its own Natural Gas Service Agreement, transportation ID, and metering. PG&E will bill Praxair separately and Praxair will be subject to all otherwise applicable rules and obligations for natural gas transportation customers. The specifics of this gas service arrangement are detailed in the attached Three-Party Gas Services Agreement.

By supporting this request, PG&E will retain full revenues from Chevron and Praxair, no other ratepayers will be impacted, and construction of an unnecessary, redundant, and costly pipeline through congested refinery facilities and environmentally sensitive areas will be avoided.

Praxair will provide a separate letter to PG&E stating its support for the requested arrangements.

Thank you for your cooperation.

Sincerely,



Michael E. Coyle
General Manager

Attachment 3
Praxair Letter of Support



Praxair, Inc.
2430 Camino Ramon, Suite 310
P. O. Box 5117
San Ramon, CA 94583

Attachment C – Praxair Letter to PG&E

Tel: (925) 866-6800
Fax: (925) 866-6899

Mr. Brian Cherry
Vice President
Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94177

Re: Request for approval to move customer-owned natural gas to tenant industrial facility

Dear Mr. Cherry,

The purpose of this letter is to express Praxair, Inc.'s support for the request of Chevron U.S.A. Inc., through its division Chevron Products Company (Chevron), for Pacific Gas and Electric Company (PG&E) to obtain approval from the California Public Utilities Commission (CPUC) to provide a gas services and metering arrangement that will allow Praxair to receive its customer-owned natural gas from PG&E through a customer-owned Praxair meter at a point of connection with Chevron's internal natural gas distribution system (House Line). Such CPUC approval will allow gas service to a new Praxair hydrogen production facility located at the Chevron refinery. Praxair will deliver its hydrogen output to the refinery and other customers.

Pursuant to a long-term contract with Chevron, Praxair will build, own and operate a steam methane reformer (SMR) facility at Chevron's Richmond refinery. The hydrogen produced at this SMR facility will be sold to the refinery for use in its refining operations. The Praxair facility requires natural gas primarily for feedstock. We understand that Chevron and PG&E have been in discussions to identify a least-cost, most efficient method under which the SMR facility would obtain its natural gas requirements. We have been informed that the preferred solution is as follows: Praxair will become a separate customer of record with PG&E. Praxair will acquire for its own account sufficient natural gas to meet the SMR hydrogen facility's gas requirements. Praxair and PG&E will enter into a Natural Gas Service Agreement where Praxair will transport natural gas over PG&E facilities to the Chevron Richmond refinery. Praxair will receive its natural gas through a Praxair-owned gas meter, downstream of the Chevron-PG&E meter, over capacity leased on the House Line to the hydrogen facility. The Praxair natural gas volumes will be measured at the Praxair facility through a utility-grade ultrasonic meter. For billing purposes, the Praxair gas volumes will be subtracted from the total volumes measured at the Chevron-PG&E meter. This arrangement will hold PG&E economically neutral.

Praxair further understands that the only other alternative means of service from PG&E would require Praxair to construct a new, redundant 2 mile natural gas pipeline from the SMR facility through congested refinery facilities and environmentally sensitive wetland areas that would connect directly with the PG&E system near the utility's interconnection point at the refinery at an estimated cost of \$6 million. The arrangement described here, however, would avoid cost, disruption and likely time delays since it requires no construction of new pipeline facilities.

Praxair understands that this arrangement requires authorization from the CPUC to deviate from Gas Rules 10, 16.A, 17 and 17.1. Praxair hereby requests that PG&E obtain the necessary CPUC approval for gas services and a metering arrangement that will allow Praxair to receive its natural gas over the Chevron House Line. This natural gas will be solely for Praxair's use at the new SMR hydrogen production facility at the Chevron refinery and delivery via the Chevron House Line will not require the construction of duplicate pipeline facilities. It is the intent of Praxair and Chevron that Praxair be retained as a PG&E customer of record, that Praxair be billed separately and be subject to all applicable rules and obligations for PG&E natural gas transportation customers. The specifics of this arrangement are detailed in the attached three-party Gas Services Agreement.

By supporting this request, PG&E will retain full revenues from Praxair and Chevron, no other ratepayers will be impacted, the new SMR facility can be developed in a timely manner, and construction of an unnecessary, redundant, and costly pipeline in an environmentally sensitive area will be avoided.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Jordan".

Michael Jordan, Vice President – West Region
Praxair, Inc.

**PG&E Gas and Electric
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General Order 96-B, Section IV**

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Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
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Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
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Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
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Consumer Federation of California	Modesto Irrigation District	Verizon
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