PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I.D.# 8683

ENERGY DIVISION **RESOLUTION G-3437**

July 30, 2009

R E S O L U T I O N

Resolution G-3437. Pacific Gas and Electric Company (PG&E) requests approval of special agreement with Chevron U.S.A. Incorporated (Chevron) and Praxair Incorporated (Praxair).
PROPOSED OUTCOME: (1) approves a special service agreement PG&E entered into with Chevron and Praxair which will provide natural gas service to Praxair; and (2) approves the request by Pacific Gas and Electric Company (PG&E) to deviate from its Gas Rules Numbers 10, 16, 17 and 17.1.
ESTIMATED COST: none.

By PG&E Advice Letter 3018-G filed on May 12, 2009.

SUMMARY

This Resolution approves PG&E's request for approval of an agreement among PG&E, Praxair and Chevron which will provide natural gas service to Praxair through existing pipeline facilities owned and operated by Chevron located at Chevron's Richmond Refinery site. This Resolution also approves deviation from PG&E's Gas Rules 10, 16, 17, and 17.1 in order to accommodate the agreement. This arrangement will eliminate the need to construct duplicative pipeline facilities and the need to do additional metering work at the Chevron site.

BACKGROUND

PG&E requests authority to provide natural gas service through existing pipeline facilities owned and operated by Chevron. PG&E also seeks authority to bill Praxair through these Chevron facilities using a utility grade meter owned by Praxair. PG&E, Chevron and Praxair agreed upon the terms and conditions of this service by a non-standard natural gas agreement. A copy of the gas service agreement is attached as Appendix A.

PG&E received a request from Chevron asking PG&E to provide a second service to a customer (Praxair) facility located on the Chevron Richmond refinery property. The Praxair facility would be a hydrogen production facility to be built, owned and operated by Praxair. The production of hydrogen requires the use of natural gas as a feedstock. 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, more energy efficient Praxair facility.

PG&E currently serves the Chevron refinery though utility owned revenue meters located approximately 1.5 miles northeast of the refinery at San Pablo Station. The natural gas flows though PG&E owned pipeline and connects to the Chevron internal gas delivery system near the refinery perimeter. The natural gas then flows two miles on the Chevron internal gas delivery system inside the refinery.

Chevron estimates the total cost of building a natural gas pipeline through the Chevron Richmond Refinery site to be approximate $6 million. In addition, PG&E estimates that the existing Chevron gas meters and associated facilities would need to be relocated and a second meter for Praxair would need to be installed. PG&E estimates these costs to be approximately $1.5 million.

In providing direct service to Praxair, PG&E is requesting deviations from the following Tariff Gas Rules: Gas Rule 10 – Disputed Bills, Gas Rule 16 – Gas Service Extensions, Gas Rule 17 – Meter Tests and Adjustments for Bills for Meter Error, and Gas Rule 17.1 – Adjustments for Bills for Billing Errors.

NOTICE

Notice of Advice Letter 3018-G was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was sent electronically and via U.S. mail to parties shown on the attached list of the Advice Letter.

PROTESTS

Advice Letter 3018-G was not protested.

DISCUSSION

We approve the requested gas service agreement among PG&E, Praxair, and Chevron which will provide natural gas service to Praxair through existing

pipeline facilities owned and operated by Chevron located at Chevron's Richmond Refinery site. We also approve deviation from PG&E's Gas Rules 10, 16, 17, and 17.1 in order to accommodate the agreement.

The gas service agreement is consistent with Tariff Gas Rules 18 (Supply to Separate Premises and Submetering of Gas) and 9 (Rendering and Payment of Bills).

PG&E's Gas Rule 18 provides for the subtractive metering arrangement that would allow PG&E to bill Chevron and Praxair separately, using the PG&E meter at the San Pablo Station and the Praxair owned meter on Chevron's property. The gas service agreement states that Praxair will install the meter at its own expense, own, operate and maintain its meter in accordance with American Gas Association standards.

PG&E's Gas Rule 9 allows the exception of the reading of two or more meters combined where PG&E's operating convenience or necessity 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 constructing costly duplicative and unnecessary pipeline facilities through congested refinery facilities. In addition, PG&E hopes to avoid disturbing sensitive wetlands located within the refinery property and accommodate its customers without the delays for permitting construction through these wetlands.

PG&E requests authority to deviate from Gas Rules 10, 16, 17 and 17.1.

Gas Rule 10 applies to bills issued by PG&E and presented to customers where PG&E provides gas services. The gas service agreement places greater restrictions on Chevron and Praxair regarding the resolution of disputed bills. The gas service agreement specifically states "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. 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 will pay for, all such deliveries and associated imbalances."

Gas Rule 16 applies to PG&E gas service extensions and states that service facilities and ownership of service facilities shall be installed, owned, operated and maintained by PG&E up to the Service Delivery Point. The gas service agreement

deviates from these provisions insofar as PG&E is requesting that Praxair be allowed to receive its natural gas supplies over Chevron-owned pipeline within the Richmond refinery and that Praxair's gas usage be metered through a Praxair owned meter.

Gas Rule 17 applies to meter tests and adjustment of bills for meter error. In addition, Gas Rule 17.1 establishes the terms for the adjustment of billing errors. The gas service agreement establishes separate terms regarding meter testing and billing errors related to Praxair's customer-owned meter and the Chevron subtractive billing design. According to the agreement, Praxair will be solely responsible for the testing and accuracy of the Praxair meter. PG&E may also require and witness testing of the Praxair meter to verify its accuracy at any time, not to exceed twelve times in any one year. If a billing error occurs based on the Praxair meter inaccuracy, the bill from PG&E will be corrected and adjusted as necessary to eliminate the error. If a billing error is discovered due to a measurement inaccuracy at the Chevron Meter, PG&E will adjust its bill and gas accounting and make any other necessary adjustments to Chevron pursuant to the provisions of Gas Rule 17.1 and refund or invoice Chevron the entire metering difference.

Approval of the gas service agreement between PG&E, Chevron and Praxair would eliminate the need to install costly duplicative pipeline facilities as well as removing considerable delays in providing necessary services to Chevron and Praxair. In addition, this approval would reduce expenses to PG&E and its ratepayers by eliminating the need to relocate Chevron's metering facilities and install a new metering facility to serve Praxair.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. On May 12, 2009, PG&E filed Advice Letter 3018-G requesting approval of a special agreement to provide natural gas service to Praxair and deviations from Gas Rules Number 10, 16, 17 and 17.1.

2. The Praxair facility will be located on the Chevron Richmond refinery property to provide hydrogen to Chevron in the production of refining crude oil into gasoline and other refined products.
3. PG&E currently serves the Chevron refinery through utility owned revenue meters at the San Pablo Station located approximately 1.5 miles outside the Chevron refinery.
4. Chevron estimates the total cost of building a natural gas pipeline through the Chevron Richmond Refinery site to be approximately $6 million.
5. PG&E estimates that replacement of the existing Chevron gas meters and associated facilities needed to serve Praxair would cost approximately $1.5 million.
6. Approval of the gas service agreement between PG&E, Chevron and Praxair would eliminate the need to install costly duplicative pipeline facilities as well as removing considerable delays in providing necessary services to Chevron and Praxair.
7. The approval would reduce expenses to PG&E and its ratepayers by eliminating the need to relocate Chevron's metering facilities and install a new metering facility to serve Praxair.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company (PG&E) to provide natural gas service to Praxair Incorporated (Praxair) through existing pipeline facilities owned and operated by Chevron U.S.A Inc. (Chevron) is approved.

2. The request of PG&E to deviate from Gas Rules Number 10, 16, 17 and 17.1 is approved subject to the terms and conditions of the non-standard natural gas service agreement between PG&E, Praxair and Chevron (attached as Appendix A).

3. All future modifications to the non-standard natural gas service agreement agreed to by PG&E, Praxair and Chevron shall be subject to Commission approval before taking effect.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 30, 2009; the following Commissioners voting favorably thereon:

_____
Paul Clanon
Executive Director

Attachment 1
Gas Service Agreement

Document.pdf