APPENDIX 2E

# PG&E Will-Serve Letter

Pacific Gas and Electric Company®

Wholesale Marketing & Business Development

245 Market Street
San Francisco, CA 94105-1702

*Mailing Address*
Mail Code N15A
Pacific Gas and Electric Company
P. O. Box 770000
San Francisco, CA 94177-0001

415.973.7000
Fax: 415.973.0881

**Via Mail and Email**

July 16, 2008

Mr. Ed Warner
Project Manager
Northern California Power Agency
180 Cirby Way
Roseville, Ca 95678

Subject: Request for a Preliminary Application for Gas Service – NCPA Lodi Energy Center

Dear Mr. Warner:

Pursuant to Northern California Power Agency's (Applicant) request, Pacific Gas & Electric Company (PG&E) provides Applicant with a response to its request for a Preliminary Application for Gas Service for the proposed Lodi Energy Center (Facility) to be located at 12751 North Thornton Road, Lodi, San Joaquin County, California. This review is based upon a requested gas service date of January 1, 2011, for a gas load of 2,035 MMBTU/Hr year round at a requested gas delivery service gas pressure of 720 psig.

At no time does PG&E guarantee pressures above that which is specified in PG&E's Gas Rule 2 (7-inches water column). The pressures provided herein are based on computer models, which contain various assumptions and uncertainties, and therefore represent our best estimate of expected pressures available on your requested service date. The studies provided herein are based upon PG&E's current plans for the future design and operation of its gas transmission systems and existing residential load forecasts, but does not include any commercial or industrial loads that may request service from our system. Any change in the Applicant's requested gas loads, the way PG&E operates its gas system, or PG&E's customer load forecasts and investment plans may impact the pressures provided herein. Applicant is responsible for any changes required to their operations or equipment, now or in the future, due to lower delivery pressures from PG&E than stated herein. PG&E encourages the Applicant to request updated studies to ensure the information provided herein is still valid.

**Standard Facilities:**

PG&E proposes to tap its Line 108 near West Armstrong Road, Lodi, and install approximately 2.8 miles of 6-inch steel pipeline to a 16-inch ultrasonic meter set located at the Applicant's Facility. Of the 2.8 miles of pipe Applicant will be responsible for cost for approximately 2.1 miles of the pipeline. PG&E estimates this design can provide Applicant with a minimum floating delivery pressure of 110 psig as measured immediately downstream of the meter set. In addition, PG&E will need to reinforce its system by:

- Installing a new mainline valve and SCADA on Line 108 at Armstrong Road,
- Advance regulator station upgrades at Coffee & Claratina, Claus & Yosemite, and Sante Fe & Claus from 2013 to 2011,
- Advance Line 108 connection to L-401 at Vernalis from 2011 to 2010.
- Assumes replacement of 2.5 miles of L-108 of 16-inch with 24-inch pipe is complete by 11/1/2012. Should PG&E not require this 2.5 miles of pipeline replacement by the time needed to serve the Applicant's gas demand, it will shift the costs, or a portion thereof, from PG&E to the Applicant.

**Special Facilities:**

<u>240 psig Alternative</u>: In order to provide Applicant with an elevated service delivery pressure of 240 psig at the inlet to the meter set, PG&E would increase the diameter of the 2.8 miles of steel pipeline from 6-inch to12-inches, and perform the above mentioned system reinforcements.

<u>360 psig Alternative</u>: In order to provide Applicant with an elevated service delivery pressure of 360 psig at the inlet to the meter set, PG&E would

- Increase the diameter of the 2.8 miles of steel pipeline from 6-inch to12-inches
- Uprate L-108 to 720 psig between Ripon-Modesto Meter Station and Eight Mile Road,
- Install a PLS at Eight Mile Road to limit pressure between Eight Mile Road and West Armstrong Road to 412 psig.
- Perform the above mentioned system reinforcements.

405 psig Alternative: In order to provide Applicant with an elevated service delivery pressure of 405 psig at the inlet to the meter set, PG&E would

- Increase the diameter of the 2.8 miles of steel pipeline from 6-inch to12-inches
- Uprate L-108 to 720 psig between Ripon-Modesto Meter Station and Eight Mile Road,
- Replace approximately 2.2 miles of 16-inch pipe with 24-inch pipe between Eight Mile Road and West Armstrong Road (L-108) with a MAOP of 720 psig.
- Perform the above mentioned system reinforcements.

**Costs:**

**Standard Facilities Design:**

A portion of the work necessary to serve Applicant's load as reinforcement work, that under PG&E's tariffs will be paid for by PG&E, provided that Applicant actually has the loads requested. If, however, the loads provided by Applicant in its request results in PG&E performing reinforcement work that is in excess of what is needed to serve Applicant's actual loads, Applicant would be required to pay Special Facilities charges for the excess facilities.

PG&E estimates the cost to perform the reinforcement work described above to be approximately $7,625,000 based on 2008 cost estimates. These costs include $4,650,000 for PG&E reinforcement work and $2,975,000 that is considered extension. PG&E will request Applicant to execute a Gas Distribution Main and Service Extension Agreement (Agreement) which will include the PG&E's reinforcement work (at PG&E's expense). PG&E will then install the necessary reinforcement. If the project proceeds and gas volumes are taken as requested in the Gas Application and Agreement, reinforcement costs will be borne by PG&E. If the Applicant does not proceed with the project, or if the loads are less than that provided by Applicant such that some or all of the reinforcement work was not necessary, PG&E will treat the reinforcement as Excess Facilities as defined in PG&E's Gas Provisions, Section 11. PG&E will request Applicant pay a monthly charge, (subject to the conditions of Gas Rule 2,C.3.b, Transmission, PG&E Financed), until such time as: 1) Applicant's Facility is on-line and taking gas at the projected level, or 2) PG&E would otherwise have required reinforcement upgrades to meet expanding customer demands.

Due to the high capital cost of this gas service when compared to the revenue generated PG&E reserves the right to request that this service be provided under a special agreement as provided in PG&E's Gas Rule 15.H.3 and 16.H.3 Exceptional Cases. PG&E and Applicant would negotiate this special agreement and submit the agreement to the California Public Utilities Commission for approval.

Applicant's order-of-magnitude costs follow. Costs are based upon 2008 estimates and not escalated for inflation.

| **Total Estimated Cost for Standard Facilities Design at Prevailing Service Delivery Pressure** | **Costs +/- 50%** |
|---|---|
| Tap existing pipeline system | $ 75,000 |
| Install ~2.1 miles of 6" steel pipe | $ 2,200,000 |
| Install ~100' of 6" Service | $ 20,000 |
| Install 16" Ultrasonic Meter Set | $ 680,000 |
| Subtotal: | $ 2,975,000 |
| Income Tax Contribution to Construction (35% of subtotal) | $ 1,041,000 |
| **Total Standard Facilities Costs** | **$ 4,016,000** |

These costs do not include allowances, if any. Should Applicant request a Special Facilities Design, a Special Facilities contract would be required which is in addition to the costs identified above.

| **Total Estimated Cost for Special Facilities Design at Elevated Service Delivery Pressure – 240 psig** | **Costs +/- 50%** |
|---|---|
| Incremental costs for Special Facilities Design | $1,260,000 |
| Income Tax Contribution to Construction (ITCC): | $441,000 |
| Cost of Service, Customer Financed Option | $990,000 |
| **Total Costs for Special Facilities:** | **$2,691,000** |

Or

| **Total Estimated Cost for Special Facilities Design at Elevated Service Delivery Pressure – 360 psig** | **Costs +/- 50%** |
|---|---|
| Incremental costs for Special Facilities Design | $5,095,000 |
| Income Tax Contribution to Construction (ITCC): | $1,783,000 |
| Cost of Service, Customer Financed Option | $4,002,000 |
| **Total Costs for Special Facilities:** | **$10,880,000** |

Or

| Total Estimated Cost for Special Facilities Design at Elevated Service Delivery Pressure – 405 psig | Costs +/- 50% |
|---|---|
| Incremental costs for Special Facilities Design | $12,029,000 |
| Income Tax Contribution to Construction (ITCC): | $4,210,000 |
| Cost of Service, Customer Financed Option | $9,448,000 |
| **Total Costs for Special Facilities:** | **$25,687,000** |

Special Facilities costs and service will be in accordance with PG&E Gas Rule 2. These costs do not include disposal of hazardous material or associated environmental mitigation if required, or procurement of land rights.

This project estimated to be approximately 20 miles from the closest PG&E backbone transmission pipeline. A connection of which may qualify Applicant as a Backbone Level End-Use Backbone Customer subject to the conditions explained in PG&E's Gas Rule 1 definitions; http://www.pge.com/tariffs/doc/GR1.doc. If you would like further information on a backbone service, please contact Mike O'Brien at the number listed below. Due to the high capital cost of this gas service when compared to the revenue generated, PG&E reserves the right to provide this gas service under a special agreement as described in PG&E Gas Rule 15.H.3 and 16.H.3 Exceptional Cases. PG&E and Applicant would negotiate this special agreement and submit the agreement to the California Public Utilities Commission for approval.

**Next Steps:**

PG&E now provides you with requirements necessary in order for PG&E to proceed with this project. Applicant should submit to PG&E a request for Formal Application for Gas Service, which would include the following:

- A cover letter requesting PG&E proceed with the gas service connection under a Formal Application for Gas Service;
- An Application for Gas Transmission Service;
- Selection of Standard or Special Facilities design;
- A site map of the meter set location;
- The estimated annual gas usage of the proposed Facility; and
- A cash advance of $50,000 to continue engineering.

The cash advance is to proceed with the engineering required to develop the project to a point where PG&E can proceed with construction, and may not include ordering long lead-time material. Should the cash advance not cover costs required to develop a final job estimate and contract, or the ordering of long lead time material, PG&E will need to request a further cash advance to cover such costs. Should the project not proceed, Applicant should notify PG&E to stop work, and PG&E would return any unspent balance. The final costs and work schedule for this phase will be determined as PG&E proceeds with detailed engineering and land work.

The cash advance should be made out to Pacific Gas and Electric at:

Pacific Gas and Electric Company
Attn: Rod Boschee
245 Market Street, Room 1553
San Francisco, CA 94105-1702

If you have any questions about this information, please call Mike O'Brien at 415-973-5652.

Sincerely,

Rodney A. Boschee
Manager, Business Development