Pacific Gas and Electric Company

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July 27, 2012

Ms. Debbie Chance
Chevron Global Power Company
1500 Louisiana
Houston, Texas 77002

Subject: Chevron Cymric Plant Expansion (PG&E Log No. 25C003)

Dear Ms. Chance:

Pacific Gas and Electric Company ("PG&E") welcomes the opportunity to assist Chevron in developing its innovative waste-heat to electricity project at its Cymric facility. This letter responds to your July 18, 2012 letter suggesting three scenarios by which PG&E may interconnect and purchase the generation from Chevron's proposed 1.25 MW waste heat recovery project ("Project").

Based on earlier discussions, PG&E understood that Chevron desired to sell Project generation to PG&E under the AB 1613 "feed-in tariff". PG&E's efforts to date have primarily been focused on creating the conditions under which Chevron can operate the Project under an AB 1613 PPA. At Chevron's request, PG&E performed a WDT study of interconnection to PG&E's Temblor 1104 12 kV distribution circuit, found that interconnection is feasible, and provided cost estimates for interconnecting the Project to the electric grid.

Our understanding is that Chevron is not willing to pay for the interconnection costs, as determined consistently with PG&E's interconnection tariffs. Instead, Chevron proposes three scenarios by which the Project might be interconnected via the existing Cymric Facility interconnection at PG&E's single customer substation, 16Z. We understand that Chevron does not expect to deliver more than the existing 16 MW cap expressed in our PPA at Cymric after the interconnection of the 1.25 MW unit. PG&E can accommodate each of these scenarios as described below by amending the existing PPA and executing a replacement interconnection agreement consistent with the CPUC Rule 21 tariff or FERC WDT tariff, as applicable.

PG&E has been cautious about amending the PPA because new capacity added to an existing Standard Offer contract will be subject to availability standards under the California Independent System Operator (CAISO) tariff. In amending the PPA, PG&E wants to assure that its customers will not bear responsibility for non-availability charges and other CAISO-based

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expenses attributable to the Project[1]. The addition of capacity to the PPA is also subject to CPUC approval.

Alternatively, Chevron could combine Cymric and the Project into a new Standard As-Available PPA.[2] This PPA was recently approved by the CPUC for qualifying cogeneration facilities with a nameplate capacity of at least 20 MW and becomes effective upon execution by PG&E, without CPUC approval.

All of the above options would avoid the cost of constructing a separate interconnection to the grid by utilizing the existing Cymric interconnection with supplemental facilities for the Project. However, exports may be limited to the existing interconnection capacity limit, subject to additional study.

PG&E's PPA, interconnection and metering experts stand ready to work collaboratively with your team to arrive at a prompt and mutually satisfactory solution.

Sincerely,

Steve Malnight
Vice President
Customer Energy Solutions

Cc: Redacted – Manager Generation Interconnection Services
Roy Kuga – Vice President Energy Supply Management

[1] CAISO Tariff Sections 40.9.2(2) and 40.9.1.
[2] The Standard As-Available PPA was approved as part of the QF/CHP Settlement Agreement in D.10-12-035.