

**BEFORE THE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION
AND THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of:
Informational Proceeding and Preparation of the
California Energy Commission 2005
Integrated Energy Policy Report and

California Public Utilities Commission
Natural Gas Order Instituting Rulemaking 04-01-
025

Energy Commission
Docket No. 04-IEP-01

CPUC Docket No. R.04-01-
025

Notice of Workshop on
Natural Gas Quality Issues

**POST WORKSHOP COMMENTS OF
CHEVRON U.S.A. INC.**

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March 4, 2005

**POST WORKSHOP COMMENTS OF
CHEVRON U.S.A. INC.**

Chevron U.S.A. Inc submits these Post Workshop comments to the California Energy Commission and the California Public Utilities Commission pursuant to the Administrative Law Judges' Ruling Regarding Notice of New Workshop Dates dated December 23, 2004.

CEC and CPUC should make every effort to encourage the use of natural gas and promote additional sources of gas supply to provide California with a secure energy future. SCAQMD information shows that approximately 50% of the Btus burned in its district are natural gas while the other 50% are liquid fuels. However, it was stated by the SCAQMD and others, that approximately 10% of the NOX emissions are from stationary sources (natural gas) as versus 90% from mobile sources (liquid fuels). With this in mind ChevronTexaco supports efforts to safeguard air quality through the expanded use of natural gas.

Additionally, advancing the introduction of natural gas from LNG into California will create more opportunity for increased supplies of natural gas to help mitigate fuel price spikes similar to those experienced by California in 2000 - 2001 through increased overall supply. Thus, the Commissions should issue a ruling that will provide the certainty that will facilitate timely long term investments by the utilities and private industry necessary to ensure a continued long term supply of natural gas from both domestic and LNG sources.

In addition to air quality, the significance of natural gas pricing to the California economy was highlighted in the workshop. It was noted that there is a

\$2 Billion impact on the California economy with each \$1 change in natural gas price. ChevronTexaco, as a major gas consumer in California, is concerned that overly restrictive regulations will direct abundant worldwide supplies of gas to highly competitive and developing markets outside of California. This would force California consumers to pay a higher price to attract a boutique gas into the State. ChevronTexaco supports finding the most economical solution to the gas quality issue that balances the need for increased gas usage and supply while maintaining or improving impacts on ambient air quality.

A second matter that needs to be clarified is the optimal method of comparing emissions between lower and higher Btu gas. ChevronTexaco acknowledges that higher Btu gas may lead to higher NOX ppm at the exhaust source. However, it does not necessarily correlate to higher mass emissions (pounds per hour.) Parties should be looking at and comparing total mass emissions from the turbine, tail pipe or stack for a particular usage. The most appropriate way to capture this comparison is by measuring the mass rate of emission (i.e. pounds per hour.)

If one only looks at the concentration of emissions per Standard Cubic Foot, it would appear that the emissions are higher. But if one looks at the total mass emissions for the task completed, the emission generated may be almost exactly the same. In general, higher Btu gas means less gas is needed to accomplish the same tasks, i.e. higher efficiency. Some evidence, such as shared by Bevilacqua-Knight, Inc (BKI), shows that higher fuel economy can be

gained by running on higher BTU natural gas. This higher fuel efficiency may actually decrease the overall mass rate of emissions (pounds per hour.)

ChevronTexaco contacted Solar regarding the data presented at the workshop as requested by the Commission. Solar supports the conclusion made by ChevronTexaco that there is very little difference in performance and emissions from Solar turbines operating on fuels of different BTU content. The Commissions are encouraged to contact Solar for any additional information needed. Contacts can be made to any of the following Solar personnel:

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There was a general consensus at the Workshop to agree that the compositional specification of the CARB needs to be changed. The current specification does not correlate with engine performance and it would unnecessarily discourage fuel from LNG supply and native California gas production. Methane Number (MN) better addresses gas engine performance (i.e. knocking). The challenge is to set the number correctly so that it balances the necessity to encourage additional gas supply while not adversely affecting air emission or engine performance. ChevronTexaco in its original filing

recommended MN73 or greater as the specification that would enable multiple or nearly all sources of LNG into California. While ChevronTexaco still supports the adoption of a MN73 standard, it also recognizes that a few gas powered vehicles currently in service would have a potential warranty problem at MN73. The Commissions could elect to pursue a phased in approach to implementing Methane Number. For example, California could immediately implement an MN 77 standard and gradually move to a MN 73 by no later than 2008. It is important that MN73 be a firm standard and not an interim number. Numerous parties need to make high dollar investments for design, construction and implementation in order to bring LNG to California. Lead times are measured in years and many parties will not make these hundreds of millions of dollars in investments unless and until the rules are final. Early adoption of an MN73 standard will help make California a competitive and attractive market for North American natural gas production and international LNG supply. This will ensure California has the natural gas it needs to support its expanding economy.

Finally because of their critical nature to future fuel supply planning, Chevron urges the CPUC to track the gas quality issues separately from those in its Order Instituting Rulemaking to Establish Policies and Rules to Ensure

Reliable, Long-Term Supplies of Natural Gas to California Phase II and expedite resolution of these issues by mid-year.

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Respectfully submitted,

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