

Appendix P

PG&E Company Will Serve Letter

Via Mail and Email

December 14, 2010

Mr. John O'Brien
HECA Engineering
1500 Hughes Way – Pod B
Long Beach, CA 90810

Subject: Preliminary Application for Gas Service – Hydrogen Energy California

Dear Mr. O'Brien:

Pursuant to Hydrogen Energy'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 a proposed Hydrogen Energy California project (Facility) to be located near Section 10, Township 30 South, Range 24 East, Kern County, California. This review is based upon a request for gas service of September 1, 2014, for a gas load of 3,120 MMBTU/Hr year round at a requested elevated service delivery gas pressure of 450 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.

G-EG "All Other Customers" Rate Design:

Standard Facilities

PG&E proposes to tap its Line 300 near Magnolia Station and install approximately 10.2 miles of 12-inch steel pipe to an 8-inch ultrasonic meter at the Facility. Depending upon the final route, a smaller diameter pipeline may be feasible but would provide gas service at a lower pressure for the standard facilities design. For this estimate, PG&E has assumed a 12-inch pipeline design can provide Applicant with a minimum floating delivery pressure of 360 psig as measured downstream of a non-regulated meter set.

Special Facilities

In order to provide Applicant with an elevated service delivery pressure of 440 to 445 psig downstream of the meter set, PG&E would increase the diameter of the 12-inch steel pipeline to 16-inch.

In order to provide Applicant with an elevated service delivery pressure of 465 psig downstream of the meter set, PG&E would increase the diameter of the 12-inch steel pipeline to 24-inch.

Costs:

PG&E's estimated Applicant order-of-magnitude cost for the project, plus-or-minus 50 percent follows. Costs are based upon 2010 estimates and have not been adjusted for inflation of future project costs. These costs do not include disposal of hazardous material or associated environmental mitigation if required, or procurement of land rights.

PG&E notes that if Applicant's actual load is significantly less than the projected load upon which PG&E designs and installs upgraded facilities such that some of the work by PG&E was not necessary, PG&E reserves the right to treat the excess work as Excess Facilities as set forth in PG&E's tariffs. If that occurs, Applicant would be responsible for additional charges.

Special Facilities costs are in addition to the Standard Facilities costs and would be provided under a separate agreement. Special Facilities costs and service will be in accordance with PG&E Gas Rule 2. Should Applicant request a Special Facilities Design, a Special Facilities contract would be required which is in addition to the costs identified in the Standard Facilities Design.

Estimated Cost for Standard Facilities Design at Prevailing Service Delivery Pressure – 12-inch pipeline option	Costs +/- 50%
Tap Line 300	\$70,000
Install 10.2 miles of 12-inch steel pipeline	\$19,223,000
Install 8-inch ultrasonic meter	\$750,000
Sub Total:	\$20,043,000
Income Tax Contribution to Construction (ITCC @ 35%):	\$7,015,000
Total:*	\$27,058,000

*Costs do not include allowances, if any.

For the Special Facilities Design the following additional cost would be incurred by the Applicant.

Estimated Cost for Special Facilities Design at Elevated Service Delivery Pressure – 16-inch pipeline option	Costs +/- 50%
Incremental costs for 10.2 miles of 16-inch steel pipeline	\$9,629,000
Income Tax Contribution to Construction (ITCC @ 35%):	\$3,370,000
Cost of Service, Customer Financed One Time Payment Option	\$7,563,000
Total Costs for Special Facilities:	\$20,562,000

Special Facilities for the 24-inch alternative are not presented but can be estimated at Applicant's request. Again, the Special Facilities option is in addition to the Standard Facilities cost and would be served under a separate Special Facilities agreement.

“Backbone Level End-Use Customer” Rate Design

Line 300 is a backbone transmission pipeline, a connection to which may qualify Applicant as a Backbone Level End-Use Backbone Customer subject to meeting the conditions in PG&E's Gas Rule 1 definitions; <http://www.pge.com/tariffs/doc/GR1.doc>. PG&E now provides information on this rate design for PG&E to construct, own and operate the pipeline from the backbone pipeline to a meter set at Applicant's Facility. However, the Special Facilities costs provided could be reduced if Applicant would prefer to construct, own and operate its own pipeline from the facility to a meter set located near the backbone pipeline. Applicant should contact Mike O'Brien at the phone number listed below if Applicant is interested in the costs for an alternative meter site location.

Costs:

Estimated Cost for Standard Facilities Design at Prevailing Service Delivery Pressure – 12-inch pipeline option	Costs +/- 50%
Tap Line 300	\$70,000
Install 50 feet of 12-inch steel pipeline	\$18,000
Install 8-inch ultrasonic meter	\$750,000
Sub Total:	\$838,000
Income Tax Contribution to Construction (ITCC @ 35%):	\$293,000
Total:	\$1,131,000

Plus

Estimated Cost for Special Facilities Design at Elevated Service Delivery Pressure – 12-inch pipeline option	Costs +/- 50%
Incremental costs for 10.2 miles of 12-inch steel pipeline	\$19,205,000
Income Tax Contribution to Construction (ITCC @ 35%):	\$6,722,000
Cost of Service, Customer Financed One Time Payment Option	\$15,084,000
Total Costs for Special Facilities:	\$41,011,000

Or Plus

Estimated Cost for Special Facilities Design at Elevated Service Delivery Pressure – 16-inch pipeline option	Costs +/- 50%
Incremental costs for 10.2 miles of 16-inch steel pipeline	\$28,834,000
Income Tax Contribution to Construction (ITCC @ 35%):	\$10,092,000
Cost of Service, Customer Financed One Time Payment Option	\$22,646,000
Total Costs for Special Facilities:	\$61,572,000

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Next Steps:

At such time as Applicant desires to formally apply for gas service, 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 updated Application for Gas 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. 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: Roger Graham
245 Market Street, Room 1554
San Francisco, CA 94105-1702

If you have any questions about this information, please call Mike O'Brien at 415-304-6503.

Sincerely,



Roger Graham
Manager, Product Management