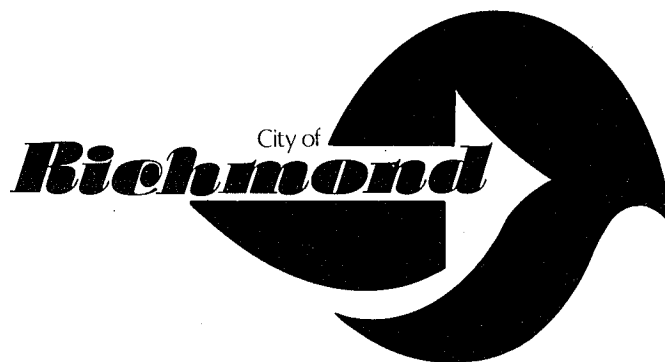


Finance Department



March 8, 2006

Jim Whiteside
Refinery General Manager
Richmond Refinery
Chevron Products Company
841 Chevron Way
Richmond, California 94802

Re: 2006-2007 Payment of City of Richmond Utility User Tax

Dear Mr. Whiteside:


Enclosed you will find a copy of Richmond Municipal Code Section 13.52.100. Section 13.52.100 requires that the service user (Chevron) enter into an agreement with the Tax Administrator (the Finance Director) prior to the commencement of the tax year to pay its maximum tax liability under the City's utility user tax. While the new tax year does not commence until July 1, 2006, by this letter, the City of Richmond is requesting that Chevron meet with the City to discuss the terms of the agreement for the payment of the utility users tax for the 2006-2007 fiscal year.

It is anticipated that the discussions between the City of Richmond and Chevron will focus on the advisability of allowing the payment of the maximum tax liability as opposed to the actual tax liability based upon Chevron's energy usage. Additionally, Chevron's proposed liability for the 2005-2006 fiscal year was stated to be "\$14,020,816.60." While this amount was an increase over the amount paid in 2004-2005 (\$13,901,954.80), it was actually less than was paid in 2003-2004 (\$14,040,960.36). The City of Richmond hereby requests an explanation for the decrease from the amount paid for 2003-2004.

Please contact this office as soon as possible to schedule a meeting between your representatives and the City to discuss these matters because it may take some time to develop, review and evaluate the pertinent information before the beginning of tax year 2006-2007.

Thank you for your cooperation.

Very truly yours,


James Goins
Finance Director

cc: William Lindsay, City Manager
Everett Jenkins, Senior Assistant City Attorney

Article XIII REVENUE AND TAXATIONChapter 13.52 TELECOMMUNICATION, GAS, ELECTRICITY, WATER AND VIDEO USERS TAX*

13.52.100 Maximum tax payable.

(a) The maximum tax payable by any service user under the cumulative application of Sections 13.52.030, 13.52.040, 13.52.050, 13.52.060, 13.52.070 and 13.52.080 and this section shall be the base amount of \$1,148,137.54 for each percent of tax imposed for any tax year, which base amount shall be adjusted annually by that percentage which is ninety (90%) percent of the total percentage of change in the United States Department of Labor, Bureau of Labor Statistics' Gas (piped) and Electric Consumer Price Index For All Consumers Urban for the San Francisco/Oakland/San Jose Area calculated on the basis of the two consecutive and most recent completed years for which data is available from the United States Department of Labor.

This maximum tax liability shall be effective only if the service user elects to avail itself of such maximum tax liability provision and enters into an agreement with the Tax Administrator prior to the commencement of the tax year to pay the maximum tax liability directly to the City during the tax year. No portion of the sum shall be refundable in the event the service user subsequently determines that its tax liability under this chapter would have been less than the maximum tax liability. Upon execution of the agreement between the Tax Administrator and the service user, the Tax Administrator shall notify all relevant service suppliers of the names and locations of all service users making payments directly to the City.