

commentletters - "Comment Letter - OTC Policy," BAMx Comments

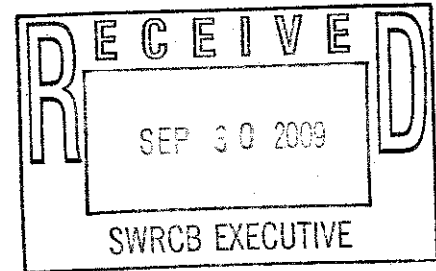
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Date: Wednesday, September 30, 2009 11:54 AM
Subject: "Comment Letter - OTC Policy," BAMx Comments
Attachments: BAMx Comments-SWRCB OTC Policy - submitted final.pdf

Jeanine Townsend,
Clerk to the Board
State Water Resources Control Board,

Attached please find comments submitted on behalf of the Bay Area Municipal Transmission Group (BAMx) on the SWRCB proposed statewide policy on the use of coastal and estuarine waters for power plant cooling (OTC Policy).

Ed

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**BAMx Comments on
Proposed Statewide Policy on
Use of Coastal and Estuarine Waters for
Power Plant Cooling**

The Bay Area Municipal Transmission group, BAMx,¹ is pleased that the SWRCB has conducted the September 16, 2009, hearing and for allowing stakeholders an opportunity to present oral and written comments on the SWRCB's Draft Substitute Environmental Document (SED) dated July 2009, on proposed water control policy (Policy) on the use of coastal and estuarine waters for power plant cooling. The intent of the proposed Policy is to protect marine and estuarine life from the impacts of once-through cooling (OTC) without disrupting the critical needs of the State's electrical generation and transmission system. In developing this proposed Policy, State Water Board staff met regularly with representatives from the California Energy Commission (CEC), the California Public Utilities Commission (CPUC), the California Coastal Commission (CCC), the California State Lands Commission, the California Air Resources Board, and the California Independent System Operator (CAISO) to develop realistic implementation plans and schedules that will ensure electric grid reliability. The proposed Policy applies an "adaptive management" approach (feedback loop) that requires implementation schedules to be reviewed periodically by an advisory committee and for reports to be submitted to the State Water Board for consideration of any needed action.

BAMx commends the SWRCB for working closely with the state energy agencies (CEC, CPUC, CAISO) in developing a proposed plan to deal with the reliability impacts of a water policy requiring power plant compliance with proposed OTC Policy for the entire state. The principle mechanism of developing the proposed eleven step plan² (OTC Power Plant Replacement Infrastructure Plan) to implement OTC compliance on an individual power plant or unit basis while maintaining electric reliability is appropriate. BAMx believes development of a feedback loop to allow for adjustments to the plan as time goes on is also very appropriate and provides for needed flexibility in complying with both the reliability requirements and proposed water policy objectives as part of the eleven step process.

Specific BAMx Comments and Concerns

Despite our endorsement of the overall draft Policy being put into place, we have the following process and compliance implementation policy concerns.

Process Should Be Expedited and Made More Transparent: The Jones & Stokes report published in April 2008 studied the period of 2009-2020 for potential

¹ BAMx members consist of Alameda Municipal Power, City of Palo Alto Utilities, and Silicon Valley Power, City of Santa Clara.

² The eleven step plan is described in the Draft Substitute Environmental Document, Appendix C, Specific Proposal for Planning and Procurement of Electricity Infrastructure, pages C-2 thru C-6.

retirement/replacement of the once-through cooling units³. The results of this study need to be reconciled with existing CAISO studies. Some communication occurred with stakeholders in earlier CEC and CAISO planning work on this issue. None occurred during the extensive time period during which staff from the energy agencies developed the current proposed Policy. There appears to be an attempt now to gradually include others such as utilities in the discussions, but no promise of changes to include broader stakeholder involvement in the proposed energy agencies' recommended input to the SWRCB nor in its proposed future role in the proposed Policy to continue this collaborative approach by establishing a Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS). It appears that the meetings of the three energy agencies are proceeding in a manner more opaque than typically exists in any one of the agencies. While the CEC as part of its 2009 IEPR preparation conducted two OTC workshops this year, none have been conducted by the SWRCB (other than the September 16, 2009, hearing to take comments on the SED) since its scoping meetings of May 2008 in explaining progress in adopting any statewide OTC Policy. Those CEC workshops were informative, but provided very little insight into how the energy agencies developed the details/timing of their recommendations contained in Appendix C of the Draft Substitute Environmental Document.

It is not clear how public input will be received by the Interagency Working Group tasked with implementing this proposal and eleven step process, especially concerning steps 1-3, 8, 9, and 10. The proposed Policy should explicitly identify where stakeholders will have an opportunity to contribute to and review the execution of these steps. For example, Step 1 would "identify existing transmission and system operations studies relevant to establishing constraints on the retirement of specific OTC plants."⁴ BAMx recommends there should be an opportunity for stakeholders to provide input to and oversight of the execution of these steps. The Policy and the proposed future SACCWIS should provide for that opportunity and detail the process through which stakeholders input will be received.

BAMx urges the SWRCB to include in its SED a more detailed explanation of how the compliance dates proposed in its Policy were developed. BAMx also urges the SWRCB, in its setting up of the SACCWIS to assist the Water Boards in reviewing implementation plans and schedules submitted by dischargers pursuant to this Policy⁵, include a directive that the SACCWIS deliberations be open to the public, allowing for broad stakeholder input in its deliberations, particularly the three energy agencies deliberations. More specifically, Section 3.B of the proposed Policy should be revised such that the SACCWIS, in advising the Water Boards on implementation of this Policy to ensure that the implementation schedule takes into account local area and grid reliability, that procedures be adopted by the SACCWIS that will ensure broad stakeholder participation in their deliberations and decisions.

³ Electric Grid Reliability Impacts from Regulation of Once-Through Cooling in California, prepared for California Ocean Protection Council and State Water Resources Control Board, prepared by Jones & Stokes, Global Energy Decisions and Mathew Trask, April 2008.

⁴ Draft Substitute Environmental Document, Proposed Policy, Appendix C, Energy Agency Proposal, C-2.

⁵ Draft Substitute Environmental Document, Proposed Policy, Appendix A, Item A.I., page A-2.

More Aggressive and Accelerated Compliance Dates May Be Appropriate: Although substantial issues remain to be resolved in the LA basin, it appears some of the plants in Northern California, including the Greater Bay Area (GBA), in addition to Potrero Unit 3, could be considered for more aggressive compliance dates.

Implementation Schedule for Northern California OTC Plants

Facility	Compliance Date [time after effective date of the Policy]	Basis
Humboldt Bay Power Plant	[1 year]	Repowering project approved by CPUC; expected operational by end of 2010.
Potrero Power Plant	[1 year]	Completion of infrastructure replacement project expected by end of 2010
Morro Bay Power Plant	12/31/2015	Contract with SCE expires in 2011. CAISO report indicates not needed for resource adequacy.
Contra Costa Power Plant	12/31/2017	CPUC 2010 LTPP
Pittsburg Power Plant	12/31/2017	CPUC 2010 LTPP
Moss Landing Power Plant	12/31/2017	CPUC 2010 LTPP
Diablo Canyon Power Plant	[12 years]	Concurrent with NRC operating license renewal

Source: Table 15, SWRCB Draft Substitute Environmental Document, page 72.

Table 15 lists Morro Bay with a 2015 compliance date. Included in the "Basis" column is "CAISO report indicates resource not needed for resource adequacy." No indication is given in the report on how the 12/31/2015 Compliance Date was selected. Morro Bay is not part of any Local Reliability Area so it is unclear why an earlier date could not be adopted for a target date.

The CAISO 2010 LCR studies⁶ indicate that obeying the local area requirements of Pittsburg and Oakland Sub-areas, as well as the overall Greater Bay Area (GBA), can result in the retirement of nearly 1,200MW⁷ of OTC capacity within the GBA itself without the addition of new generation or transmission capacity. The GBA OTC Retirement study prepared by Quanta Technology for Pacific Gas & Electric⁸ indicated

⁶ 2010 Local Capacity Technical Analysis, May 1 2009, pg 2 and pg 54.

⁷ This amount of capacity does not include the Moss Landing units 6 and 7, which are the OTC units external to the Greater Bay Area and potentially retired.

⁸ Greater Bay Area Once Through Cooling Generation Retirement Study, March 31, 2009, attached as Appendix C to PG&E's May 26, 2009, comments submitted to the CEC regarding the May 11, 2009, OTC workshop, 2009 IEPR proceeding.

that the existing grid with additional reactive compensation would allow 3,900 MW⁹ of OTC to be retired before major additions of transmission or new generation would be required on or before 2020. The reactive compensation needed would cost in the range of \$37.5 million to \$45 million. The Jones & Stokes study reaches similar conclusion, which indicates that all OTC capacity can be retired within the GBA in the presence of the transmission upgrades with a total cost \$42 million.¹⁰ The study by Quanta Technology also pointed to the Russell City Project as allowing substantial retirement of GBA plants without the approximately \$40 million of transmission upgrades indicated above. For example, even the Potrero Unit 3 compliance date could be accelerated since a settlement agreement for shut down and removal of Potrero has already been reached with the plant owners and CCSF¹¹ without further delaying the compliance to "one year after the effective date of the Policy." Since we were not part of the discussions involving the recommended energy agencies' proposal to the SWRCB, we are not aware of the reasons the above observations did not lead to a more aggressive compliance dates for GBA OTC generation. No reasons were given for the 12/31/2017 compliance dates for Contra Costa, Pittsburg and Moss Landing. The basis given was the "CPUC 2010 Long Term Procurement Plan". The reader is left to speculate why this is a reason. Even if that process is expected to lead to new generation capacity in the GBA, if some plants can be forced to comply with the OTC requirements before the installation date for the new capacity and still comply with reliability standards, the compliance dates should be accelerated. At a minimum, a clearer justification of the proposed dates and reconciliation of those dates with existing studies should be included in the SED.

An Aggressive Signal is Needed to Counter Slow Adoption of OTC Compliance Policy:

The SWRCB has been very slow and tardy in finalizing a statewide compliance policy on OTC since initiating the policy development process with workshops beginning in September 2005. The SWRCB initiated public workshops in September and December of 2005, released a CEQA Scoping Document in June 2006, conducted a scoping meeting in July 2006, issued another Scoping Document in March 2008, and conducted hearings in May 2008. It was not until the 2008 scoping document that electric reliability was addressed. As such very little has been done to re-enforce the transmission system. Long lead times that are provided in Section 3.E, Table 1, Implementation Schedule, provide insufficient incentives for compliance and serve to delay and prolong the start of compliance by using unnecessarily extended "but no later than dates." BAMx recommends that more aggressive near-term, "but no later than dates" for compliance be included in Table 1. If truly needed replacement infrastructure is not in place in time, the proposed backstop should ensure that reliability standards will be met.

⁹ This amount of capacity includes the Moss Landing units 6 and 7 as well as Potrero 4, 5 & 6 units.

¹⁰ pp.48-49 and Table 4-5.

¹¹ Ordinance 091037, City and County of San Francisco, legislation introduced, August 18, 2009, authorizing settlement with Mirant Potrero L.L.C., (Settlement Agreement Between San Francisco and Mirant) providing for permanent closure of the entire Potrero Power Plant by the end of 2010 when it is no longer needed for electricity reliability; the CAISO has indicated Potrero Unit 3 would not be needed for local area reliability when the TransBay Cable become operational, currently projected for the first quarter of 2010; as such, Potrero Unit 3 can be closed as early as Spring 2010.

Reasons for Energy Stakeholder Involvement in Future SACCWIS Deliberations:

It is important that energy stakeholders be included in the future SACCWIS deliberation on the "adaptive management" or feedback loop of the proposed Policy. We caution the SWRCB with respect to potential criteria the energy agencies may use to be conservative about compliance dates. Clearly, the reliability of the power supply is critical, but reliability can come in many forms. The SWRCB should be careful that other State goals do not automatically trump the goal of reducing the impact of once through cooling. This could happen in a number of ways. One way would be to arbitrarily limit assumed electricity imports into the State. The Jones and Stokes study showed that additional imports may be a cost effective way to achieve OTC goals. BAMx also believes increased imports may be a cost effective method to also achieve the Renewable Portfolio Standards (RPS). However, we also hear statements such as, "we already are heavily reliant on imports to California to meet our reliability needs even without any retirements due to OTC policy." Clearly, imports need to be backed by sufficient resources within the WECC region, but increased imports should be considered as one way to satisfy both OTC (and RPS) goals. Another improper assumption if future analytic studies would be to hold the goals on renewable development as a requirement. Meeting those goals is certainly very desirable. But if meeting the RPS goals impedes eliminating OTC plants, then the required compromise needs to be made by policymakers and not the implementers of analytic studies. BAMx urges that the SWRCB recognize that only if sufficient opportunities for broad stakeholder involvement in the SWRCB and SACCWIC deliberations will the Board be able to ensure that unintended policy decisions are not inherent in the analytic studies that drive its policy decisions.

The BAMx members thank the SWRCB for providing an opportunity for submitting these comments on its Draft Substitute Environmental Document and Proposed OTC Policy.