

September 1, 1998

Mr. Bruce Kaneshiro
CPUC EIR Project Manager
c/o Environmental Science Associates
225 Bush Street, Ste. 1700
San Francisco, CA 94104-4207

Dear Mr. Kaneshiro,

The Office of Ratepayer Advocates (ORA) presents its comments and questions regarding the Draft Environmental Impact Report (DEIR) for Pacific Gas and Electric Company's (PG&E) Application for authorization to sell certain generating plants and related assets. (Application 98-01-008). Essentially, ORA is concerned that the Hunters Point Agreement will result in significant environmental impacts at Potrero or in other parts of San Francisco that are not analyzed in the DEIR.

Comments & Questions Regarding PG&E's DEIR

[Begin C1]

Chapter 2, Project Description: Initially PG&E proposed to divest Hunters Point, but has since changed its position on that.¹

PG&E now proposes *as part of this overall divestiture* to:

- 1. reduce the amount of generation from Hunters Point to the minimum required by the ISO,**
2. retire Hunters Point as soon as the ISO will let PG&E,
3. promise not to use the Hunters Point site for a new generating plant and attach a restriction on the title of the Hunters Point site that would prevent a new owner from using the site for a power plant.

The above is relevant because items 1 and 2 will probably lead to an *increase* in the generation from Potrero resulting in *increased air emissions* at that power plant site. These are not analyzed in the DEIR. Item 3 is relevant because it affects the reliability of the electric system, and may create a need to increase generation (and associated emissions) at the Potrero site and/or a new transmission line corridor. All of these impacts are the direct cumulative impacts associated with PG&E's divestiture proposal. Under CEQA Guidelines section 15378, "project" is defined as "the whole of an action which has a potential for resulting in physical change in the environment..." Clearly, PG&E's actions re: the Hunters Point plant are part of the whole of the action and have a potential for resulting in physical change in the environment.

[End C1]

¹ Technically, the Commission has not yet approved PG&E's withdrawal of Hunters Point from its application.

[Begin C2]

Cumulative Scenario, page 3-3: The DEIR states “In light of the July 9, 1998 agreement between PG&E and the City...the cumulative analysis assumes that the Hunters Point Power Plant...is no longer operating by 2005. In order to successfully model the Analytical Maximum capacities of the plants to be sold, the cumulative analysis *assumes* that new generating facilities (totaling 480 MW) have been constructed and are operating somewhere north of the Martin Substation (in San Mateo County) in order to replace the Hunters Point plant and to meet anticipated increases in electricity demand.” (emphasis added)

This statement assumes away precisely the impact that the EIR is supposed to measure. If PG&E’s action to shut down Hunters Point permanently and prematurely as part of this Application triggers the need for the rapid construction of a large power plant in the northern part of the S.F. peninsula, that construction and operation is a **significant impact** of the agreement with CCSF, *not* part of the baseline.

[End C2]

[Begin C3]

1999 Baseline Scenario, section 3.6.1: This scenario is defined at pp. 3-9 to 3-11 in a confusing and unsupported manner. For example:

- Item 1 states that PG&E continues to own and operate Potrero, Pittsburg, Contra Costa and Geysers plants. It is not clear whether PG&E continues to own and operate Hunters Point since it is not mentioned.

[End C3]

[Begin C4]

- Table 3.1 is described as the projected 1999 annual capacity factors. Hunters Point is not listed on this table, yet under the baseline scenario and all the alternates it will be operating in 1999. This is an error and must be corrected.

[End C4]

[Begin C5]

- A new 480 MW plant is listed, but is shown as not operating in 1999. Isn’t Hunters Point filling in this gap in generation? If not, what generation is?

[End C5]

[Begin C6]

- Foot “d” states that sometime between 1999 and 2005, Hunters Point would be retired and replaced with a new 480 MW plant.
 - When?

[End C6]

[Begin C7]

- What is the difference in forecast closure date of Hunters Point between the base case and any of the other cases?

[End C7]

[Begin C8]

- Does the DEIR make any analysis or assumptions about the *difference* in the closing dates of Hunters Point if the Commission approves the CCSF-PG&E agreement or if it doesn't?

[End C8]

Chapter 5. Cumulative Impacts

[Begin C9]

Future Plant Development, Section 5.2.2: The DEIR states that “In light of the [PG&E-CCSF] agreement, it appears reasonable foreseeable that, by 2005, generation and/or transmission facilities to serve the City of San Francisco will have been approved and constructed, and the Hunters Point Power Plant will no longer be operating.” The DEIR argues this assumption is justified given the 4-5 year lead time for a new power plant (footnote 1, page 5-3)

- Does the DEIR make any assumption that the CCSF-PG&E agreement will affect how soon new generating capacity will be built that would allow PG&E to retire Hunters Point?
- Why wouldn't new generation be built at the same speed even without the CCSF-PG&E agreement?

[End C9]

[Begin C10]

The DEIR identifies (at p. 5-4) the “San Francisco Energy Facility” as the only project which has been publicly proposed which would provide even part of the local generation requirements that would result from the closure of Hunters Point. The project has been proposed for many years, but has never been able to get all the necessary permits.

- Is the EIR assuming that this project will be built by 2005?

[End C10]

[Begin C11]

- If not, does the EIR assume that future development is most likely or almost certain to occur at or near the Potrero plant site?

[End C11]

[Begin C12]

- What evidence is there to believe that there are other suitable sites available for a 480 MW generating plant, other than the Potrero or AES/San Francisco Energy Facility sites?

[End C12]

[Begin C13]

- The DEIR assumes that to replace the functions of Hunters Point, a new power plant will be needed within a small geographic area which will be connected to a PG&E substation, perhaps by underground cable, and will emit air pollutants. The DEIR should describe the likely impacts to urban and suburb neighborhoods from such development.

[End C13]

[Begin C14]

- The EIR talks generally about the need to locate the plant “somewhere on the San Francisco peninsula north of the Martin Substation in San Mateo county”. (p. 5-4)
Would a new substation and/or transmission lines need to be built?

[End C14]

[Begin C15]

- Are there constraints on which existing PG&E substations this new power plant could connect to in order to maintain or increase system reliability?

[End C15]

[Begin C16]

- Could a new generating plant adjacent to Potrero connect to the existing substation, or would it need to connect to the Hunters Point Substation? What other existing substations could it connect to?

[End C16]

[Begin C17]

- The DEIR identifies the new power plant as a cumulative impact, but does not state how it is related to the current application. The DEIR should state how it is related to the current application. The DEIR should state that the intent of PG&E’s agreement with the City is to (1) deny the use of the Hunters Point site for such a plant and (2) accelerate the construction of such a plant.

[End C17]

[Begin C18]

- The DEIR states “Such facility improvements will likely occur only following extensive system planning studies and with coordination among generating plant owners (including the new owner of the Potrero Power Plant), the City of San Francisco, PG&E...and the ISO.” (p. 5-4)
 - What is the evidence supporting this statement?
 - Where is there any indication in the record that there is a requirement for “coordination among generating plant owners”?
 - What agency or firm has committed to performing these “system planning studies”?
 - Will the results of such studies be public?
 - Who will be bound by the findings of such studies?
 - Regarding new generating plants, is it correct that the ISO lacks the authority to order an energy generating firm to construct new plants?

[End C18]

[Begin C19]

- Where in the DEIR is their any identification and description of any incremental effect(s) on the environment caused by the CCSF-PG&E agreement?

[End C19]

[Begin C20]

Referring to Table 5.2 on p. 5-18 footnote “c”, the DEIR states that this scenario assumes that PG&E will operate its Hunters Point plant at minimum capacity per the agreement with CCSF. Yet Hunters Point is not shown at all on Table 5.2. This is an error. Projected capacity factors for Hunters Point should be included in Table 5.2.

[End C20]

[Begin C21]

Chapter 6, Alternatives Evaluated: The alternative proposed by PG&E in its Amendment regarding immediate change in the operation of the Hunters Point plant, and its early retirement must be considered if it is likely to change the environmental impacts relative to the no project alternative. The DEIR should add and analyze the proposed changed operations at Hunters Point as Alternative #4.

[End C21]

Sincerely yours,

/s/

Truman L. Burns

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C. OFFICE OF RATEPAYER ADVOCATES

- C1 The project reviewed by the DEIR is the proposed divestiture of PG&E power plants. PG&E amended its divestiture application in June 1998, removing the Hunters Point Power Plant from the project. PG&E's application to modify its divestiture application was approved by the CPUC on October 8, 1998. The CCSF-PG&E agreement is not part of the project, and the future retirement of the Hunters Point plant pursuant to the agreement is a separate action from the proposed project. However, the analysis of divested plant operations takes the agreement into account. The 1999 analytical maximum scenario assumes, pursuant to the agreement, that PG&E would operate its Hunters Point plant at the minimum level necessary to ensure continued electric reliability (see footnote "c" in Table 5.2 on page 5-17 of the DEIR). The DEIR also assumes for the 2005 cumulative analysis that the Hunters Point plant would be closed by that year (see footnote "d" in Table 5.2 on page 5-17 of the DEIR). Thus, the impact of the agreement on future operations of the plants proposed to be sold has been taken into account. Because there are various ways that the electrical service from the Hunters Point plant might be replaced, the DEIR considers the analytical maximum results of two cumulative variants considering different combinations of future power plants in San Francisco and transmission system upgrades. These cumulative scenarios are described in detail in the DEIR on pages 5-16 through 5-20.
- C2 As noted above, PG&E applied to modify its divestiture application, withdrawing the Hunters Point plant from the proposed sale, as a consequence of the June 9, 1998, agreement. Therefore, as noted on page 2-5 of the DEIR, the project analyzed by the DEIR does not include the divestiture of the Hunters Point Power Plant. PG&E's planned future action to shut down Hunters Point is not and never has been a part of its application. With respect to commenter's concerns about the potential environmental impacts of the construction of a new power plant to replace the Hunters Point plant, Chapter 5 of the DEIR analyzes at a general level the potential cumulative impacts of a new power plant, together with the proposed divestiture. Such a new plant is treated as a cumulative project, not as part of the baseline.
- C3 The 1999 Baseline scenario defined in Section 3.6.1 of the DEIR describes conditions relevant to the proposed project as they would occur in 1999 without implementation of the project. The 1999 Baseline assumes the continued operation of Hunters Point Power Plant. This is mentioned under Item 3. To clarify, Item 1 on page 3-9 of the DEIR is revised to read:
1. PG&E continues to own and operate Potrero, Hunters Point, Pittsburg, Contra Costa and Geysers plants, obtaining revenue through reliability contracts with the ISO and by selling power from the facilities through the Power Exchange (PX).
- C4 The Hunters Point plant was included in the modeling for 1999, but was not included in this table because it is not proposed to be sold. While this may have caused some

confusion, DEIR preparers were concerned that including the Hunters Point plant in the tables could also cause confusion. Capacity factors for Hunters Point are included in the DEIR Tables of Attachment G (e.g., see Table G-1, 1999 Baseline). Also please see response to Comment C3.

- C5 See responses to Comments C3 and C4. The Hunters Point plant is assumed to be operating in the 1999 Baseline (see Table G-1) and also in the 1999 Analytical Maximum (see Table G-4, which shows the Potrero plant at its Analytical Maximum). Given the agreement between PG&E and San Francisco, Hunters Point is not assumed to operate at its Analytical Maximum (as shown in a sensitivity modeling run reported in Table G-5), but is assumed to operate at a minimum level to support system reliability (see Table G-18).
- C6 In order to conservatively portray potential 2005 cumulative impacts, the Hunters Point plant is assumed to be retired and replaced with a new power plant as of 2005. Footnote 1 on page 5-3 of the DEIR discusses in more detail the timing of the closure of Hunters Point Power Plant. The information discusses the steps that would need to be taken and makes it clear that the exact year of closure of the Hunters Point plant is not known.
- C7 There was no “forecast” closure date assumed in the DEIR for the Hunters Point plant for any of the operating scenarios. However, it was assumed for all of the cumulative future scenarios that the plant would be closed by 2005. This is based on a July 9, 1998 agreement between PG&E and the City and County of San Francisco in which PG&E agreed to permanently shut down the Hunters Point plant as soon as the facility is no longer needed to sustain electric reliability in San Francisco and the surrounding area. The agreement provides that the City and PG&E will advocate the expeditious development of generation and/or transmission facilities to replace the Hunters Point plant. Therefore, all of the variants examined in the cumulative analysis presented in the DEIR assume that Hunters Point is no longer operating by 2005 (see Table 5.2). As of 2005, the Hunters Point plant is assumed to be replaced, even in the No Project Alternative (see DEIR Table G-2). The Hunters Point plant is assumed to be still operating in 1999, however, which constitutes the Baseline scenario against which project impacts were assessed.
- C8 No difference was assumed for closing dates. See page 1-4 of the DEIR (including Footnote 1) concerning the DEIR’s assumptions with respect to the agreement. See response to Comments C6 and C7 with regard to the timing that was assumed in the DEIR and see response to Comment C1 regarding the CPUC decision affirming the agreement reached between PG&E and the City and County of San Francisco regarding the removal of the Hunters Point plant from the project.
- C9 The DEIR did not speculate on the future of Hunters Point plant if the agreement were not in place. However, the agreement appears to provide impetus for the permitting and construction of new generation facilities since it ensures that the Hunters Point plant will be closed once it is no longer required for reliability purposes. However, as also noted, it is possible that the Hunters Point plant will not close precisely by 2005; the cumulative

impacts analysis of the DEIR does not depend on the projects assumed within it having occurred by any particular year. The EIR assumes that, in light of the agreement, new generation and/or transmission capacity to replace the Hunters Point plant will be in place by 2005. As stated in Footnote 1 on page 5-3 of the DEIR, permitting and construction of a new generation or transmission facilities normally take approximately 2-3 years and 2 years, respectively.

As a means of providing further clarification to the scope of this EIR, the following paragraph is hereby added after the end of the first full paragraph on page 4.5-56 of the DEIR and after the second paragraph on page 5-4 of the DEIR:

This EIR has been limited to an examination of the project proposed by PG&E namely, the sale of three fossil-fueled power plants and PG&E's geothermal facilities. It has looked at potential environmental impacts of the sale of these plants and the change in the BAAQMD's Regulation 9, Rule 11 necessary to allow such a sale. This EIR has considered, as part of its analysis of potential cumulative impacts, the addition of generation in San Francisco. However, nothing in the EIR is or purports to be a review of the potential environmental impacts of development or repowering of any of the sites PG&E is selling in a level of detail sufficient for siting, permitting, or project approval of such future development or repowering. This EIR is not intended to substitute for any analysis of the air quality issues that may need to be considered by the BAAQMD when it prepares its next clean air plan.

- C10 The DEIR does not assume that the San Francisco Energy Facility (SFEF) will be built by 2005. The modeling performed for 2005 does assume that the Hunters Point plant will be closed by 2005 because a new replacement facility in San Francisco will be on line by that time. The DEIR considers two alternative cumulative scenarios for replacing the Hunters Point plant: (1) construction of a new 480 MW plant and (2) construction of a new 240 MW plant (which could be the proposed 240 MW SFEF plant, or could be a separate, newly proposed 240 MW plant), together with a new transmission line to serve San Francisco (see DEIR page 5-5, first paragraph). All new power plant equipment is assumed to be typical of current proposed construction featuring, for example, General Electric's Frame 7G design turbines.
- C11 No specific assumption is made as to where such a new facility would be located, except that it would be "north of the Martin Substation in San Mateo County, including anywhere within the City and County of San Francisco" (DEIR page 5-4). The DEIR also recognized on page 5-4 that new generating facilities "could be located on the same site as, or adjacent to, the Potrero Power Plant and could thus be considered an expansion of that plant." The analysis of cumulative environmental impacts specifically considered the effects of collocating a new plant with the Potrero plant (see DEIR pages 5-22 through 5-39).
- C12 It is understood that the SFEF proponents did consider other sites before settling on the two that were put forward by the proponents during the CEC siting proceeding for that

facility, and that other bidders in the CPUC Biennial Resource Planning Update of the early 1990s may have also considered other sites. It is not known if either of the SFEF proposed sites were considered suitable for a 480 MW facility, double the size of the proposed SFEF. Any new power plant site is subject to the CEC permitting process, as well as project-specific environmental review under CEQA.

- C13 As discussed above in responses C10 and C11, the DEIR analyzes such cumulative impacts throughout Section 5.3 (beginning on page 5-16 of the DEIR). The impacts are discussed in Section 5.3.2 for the 2005 Cumulative Analytical Maximum (assuming a new 480 MW plant in San Francisco) and in Section 5.3.3 for Cumulative Variant 1 (assuming transmission line upgrades and a new 240 MW plant in San Francisco).
- C14 To incorporate a new plant, a switchyard would be needed for “step-up transformers” that increase the voltage of the generator output to a level compatible with the PG&E transmission system. Furthermore, transmission lines from the new plant’s switchyard would need to connect with PG&E’s transmission or distribution system in San Francisco. The switchyard at either the Potrero plant or the Hunters Point plant would provide an electrically ideal place to connect the new plant to the transmission and distribution grid. However, the CCSF-PG&E Agreement makes the use of the Hunters Point plant switchyard unlikely. Very likely, a new transmission line connecting the new plant to existing lines would be required, as was proposed for connection with the proposed SFEF facility. The connection would likely be at an existing substation; however, depending upon the location of the new plant, it may be more economical to construct a new substation to accommodate the new plant and any associated transmission line constructed for that plant.
- C15 There are no known firm constraints limiting the choice of substations with which a new facility might connect. However, concerns about common mode failures or localized disruptive events suggest that it would be preferable for the new plant not to share a common feed with the Potrero Power Plant. This would ensure that a single transmission line failure would not disable both the Potrero plant and the new plant.
- C16 Except for considerations described in the response to Comment C15, a new generator could connect at the Potrero substation, especially if PG&E completes the planned underground cable extension between the Potter and Hunters Point substations. The DEIR only analyzed construction of a new plant at a general program level, and the CPUC did not conduct studies to determine the feasibility of constructing a new plant and related transmission facilities in San Francisco. Therefore, the DEIR did not consider what other substations could be used for connecting a new plant to the grid. Presumably, the new plant could connect to any point in PG&E’s transmission or distribution system north of the Martin Substation, provided that the new owner could obtain right-of-way and permits for constructing the new facilities.
- C17 The agreement between PG&E and the City does specify that its purpose is to accelerate the permanent closure of the Hunters Point plant, and it precludes building a new

generation facility at the Hunters Point site. Implementation of the agreement, however, is not related to the current application and is expected to occur with or without the proposed divestiture. These points of the agreement are identified on page 1-4 of the DEIR, within Section 1.2.3.

- C18 The agreement between the City and County of San Francisco and PG&E to close the Hunters Point Power Plant states that “The City and PG&E will advocate the expeditious development of capacity (generation and/or transmission) to replace the Hunters Point Power Plant in order to ensure continues electric reliability in San Francisco in a manner [that] minimizes adverse community and environmental impacts.” The precise studies that will be prepared and the planning process that will be used in the decision-making process for replacing the Hunters Point Power Plant is unknown at this time, and are not within purview of the CPUC. However, it stands to reason, and the shared jurisdictions of the various agencies suggest, that significant coordination will be needed prior to constructing any facility improvements. If an Application for Certification with the CEC is required (which is highly likely, given that the CEC reviews all new construction or repowering resulting in an increase in generating capacity of 50 MW or more), then that coordination will largely take place among government agencies through the CEC’s siting process. Additionally, the Western Regional Transmission Association would be involved in the planning of any transmission facilities, if only to determine whether other parties should share in the cost of construction of the new facilities. Both of these planning processes are open to the public. PG&E may conduct its own planning process for replacing Hunters Point generation, which would not necessarily be open to the public, but any new construction would require permits from government agencies, and the permitting processes for such permits would be open to the public. The CPUC is not aware of any particular existing commitments by agencies or firms to perform system planning studies.

It is correct that the ISO lacks the authority to order construction of a new facility. The ISO does, however, have the authority to preclude the premature closure of the Hunters Point plant (before it is replaced and system reliability ensured) as long as it remains as a designated must-run facility.

- C19 As noted in response to Comment C2, the project subject to review by the DEIR does not include the divestiture, the closure or the replacement of the Hunters Point Power Plant. In light of the CCSF-PG&E agreement, however, the DEIR assumes that the Hunters Point plant will be operated in 1999 at a minimum level to ensure system reliability (see footnote “c” in Table 4.5-26 on page 4.5-57). Also in light of the agreement, the DEIR 2005 cumulative impacts analysis assumes that the Hunters Point plant will be replaced and will be retired when it is no longer needed to support reliability requirements for San Francisco. The DEIR thus analyzes the effect of the CCSF-PG&E agreement by considering the environmental impacts of various future scenarios that could occur when the Hunters Point Power Plant is closed (see response to Comment C1).

- C20 See responses to Comments C3, C4, and C5.

C21 As noted in response to Comments C7 and C19, it has been assumed throughout the DEIR that the Hunters Point Power Plant will be retired when the facility is no longer needed to sustain electric reliability in San Francisco and the surrounding area and the Federal Energy Regulatory Commission (FERC) has authorized PG&E to terminate PG&E's Reliability Must Run Agreement (RMRA) for the facility. The agreement between PG&E and the City and County of San Francisco governing the retirement of Hunters Point was signed by PG&E and the Mayor of San Francisco, and approved by the San Francisco Board of Supervisors and the San Francisco Public Utilities Commission. On October 8, 1998, the CPUC approved the agreement (Decision No. 98-10-029). The projected retirement of the Hunters Point plant will occur regardless of whether or how the proposed project is implemented; it is a separate action unrelated to the proposed project.