

September 21, 1998

Bruce Kaneshiro,
CPUC EIR Project Manager
California Public Utilities Commission
c/o Environmental Science Associates
225 Bush Street, Suite 1700
San Francisco, CA 94104-4207

RE: Comments on CPUC Draft EIR on PG&E Divestiture Project, Application #98-01-008

Dear Mr. Kaneshiro,

Thank you for the opportunity to comment on the California Public Utility Commission (CPUC) draft environmental impact report (EIR) analyzing the potential environmental impacts of the divestiture of three of the four Bay Area fossil-fuel power plants currently owned by PG&E. As you know, the Bay Area Air Quality Management District continues to follow closely the CPUC's implementation of the restructuring of the electric utility industry, as mandated by state law, AB 1890. District staff has participated in meetings on divestiture with CPUC staff, and more recently at the CPUC community meeting and public hearing held on August 24, 1998 and September 15, 1998, respectively.

[Begin E1]

The draft EIR is an ambitious effort to forecast future potential significant environmental impacts of the sale of these Bay Area electric utility boiler power plants. The District wishes to comment on and clarify some of the points raised in the report. First, the draft EIR analyzes, as one of its cases, the scenario of uncontrolled NOx emissions from these plants as a result of deregulation. The argument is that the new owner of one or more of these power plants would be exempt under industry restructuring because the plant(s) would no longer be "a CPUC regulated utility." While the CPUC is absolutely correct in including these scenario to help ensure that their review is as complete as possible under the California Environmental Quality Act (CEQA), the EIR should clarify that this is an unlikely scenario. The District is committed to modifying its Regulation 9, Rule 11 so that the rule will continue to apply to these power plants, regardless to ownership. Interested parties will get public notices this fall to discuss the proposed necessary rule changes. The intent is to achieve NOx reductions at least equivalent to the current rule, with the same emission limits and deadlines as the current system wide schedule. The prohibition on oil burning, which will minimize fine particulate PM10/PM2.5 and toxic emissions, will of course also be retained in the rule.

[End E1]

[Begin E2]

The draft EIR uses the concept of an analytical maximum to forecast future emissions, using plausible maximum future power plant generating rates with increased power demand and a 25 percent below market cost natural gas fuel supply. The report should emphasize that this concept is a reasonable worst case upper bound and not a likely case.

[End E2]

[Begin E3]

The draft EIR predicts a possible exceedance of the federal 1-hour NO_x standard near the Pittsburg power plant in 1999 (Table 4.5-32). The report should modify this prediction by noting that the background NO₂ level used already includes much of the power plant's emission contribution, and hence there is some double counting. We suggest that more refined modeling would show that this predicted excess is an artifact. In any event, the phenomenon is at worst only temporary, as the Regulation 9, Rule 11 standards becomes more stringent in subsequent years.

[End E3]

[Begin E4]

The draft forecasts that future emissions of toxic air contaminants from each of the power plants to be sold, even under the analytical maximum scenario, will remain well under the significance thresholds of risk assessment. Nevertheless, members of the public have asked how far the area of maximum impact is from each plant. A clarifying discussion around Table 4.5-34 would be helpful.

[End E4]

[Begin E5]

The draft EIR estimates that future emissions of reactive organic gases, nitrogen oxides, and particulate matter from the power plants in 2000 and 2003 under the analytical maximum scenario may be higher than the forecasts in the District's *1997 Clean Air Plan* (Tables 4.5-35, 36, and 37). However, it should be explained that plan forecasts intentionally do not use a worst case scenario for each industry sector; otherwise the cumulative total of these sectors would result in a grossly overestimated basin inventory. Furthermore, the *1997 Plan* did not incorporate aspects of electricity utility industry restructuring not then known. The District will review the plant forecasts as part of its preparation for the *2000 Clean Air Plan*.

[End E5]

[Begin E6]

The draft EIR notes that increasing the generating capacity or repowering of any of the existing units at the power plants, up to 49 megawatts, would be exempt from California Energy Commission (CEC) approval (page 3-4). Please note that even a nominal increase in capacity of a generating unit would subject it to District new source review with its attendant more stringent Best Available Control Technology (BACT) and emission offset requirements.

[End E6]

[Begin E7]

Finally, the draft EIR reports on the recent agreement between PG&E and the City and County of San Francisco, for the utility company not to sell the Hunters Point power plant. With the late removal of the Hunters Point plant from the divestiture application to the CPUC, and technically from the project under CEQA, much of the completed environmental assessment information on Hunters Point was apparently not included in the draft EIR. However, because there is no date certain for the shutdown of the Hunters Point plant and because continued operation or curtailment of the plant will impact operation of at least the Potrero power plant, the CPUC

should consider a fuller discussion of the various Hunters Point operational scenarios and impacts, perhaps including some of the detailed analyses in a report appendix.
[End E7]

Thank you for the opportunity to provide these comments. We look forward to continue working with the CPUC and other interested parties throughout the CEQA process on the proposed PG&E divestiture project. If you wish to discuss any of the foregoing comments, please call Kenneth Lim, Principal Air Quality Engineer, at (415) 749-4710.

Very truly yours,

Ellen Garvey
Executive Officer/Air Pollution Control Officer

cc: Peter Venturini, ARB
David, Maul, CEC
Christie McManus, PG&E

EG:KL:kl

E. BAY AREA AIR QUALITY MANAGEMENT DISTRICT

- E1 The DEIR examined NO_x emissions under two different regulatory scenarios (i.e., with modifications to BAAQMD Regulation 9, Rule 11 and without such modifications) to ensure CEQA analysis of all possible project implementation scenarios. It is acknowledged in the DEIR (e.g., on page 4.5-53) that the BAAQMD intends to modify Regulation 9, Rule 11 to ensure its continued applicability to all of the electric utility steam boilers at the four Bay Area power plants, regardless of whether they are utility-owned. The NO_x emissions scenario that does not include such modification can therefore be considered a worst-case scenario.
- E2 The DEIR does note on page 4.5-55 that the analytical maximum scenario is “extremely unlikely” to be a true operating scenario. It was used to provide a conservative analysis or, as noted in the comment, a reasonable worst-case upper bound case.
- E3 The table referred to by the commenter (Table 4.5-32 on page 4.5-68 of the DEIR) projects an exceedance of the state 1-hour nitrogen dioxide standard in 1999, not of the federal 1-hour NO_x standard. A more refined analysis has been carried out since the release of the DEIR. The new analysis indicates that the 1-hour nitrogen dioxide standard will not be exceeded. See Response to comment B11 for details on the analysis.
- E4 Based on the modeling results, the maximum offsite impacts for all three plants are relatively near the facilities, ranging from 0.5 to 1.5 miles away. At other locations that are beyond this zone, the estimated concentrations are much lower, principally because of dilution of pollutants in the atmosphere. Sensitive receptors, such as schools in their regions around the plants, were included in the modeling analysis, and the impacts at these sensitive receptors were found to be less than significant.
- E5 The commenter is correct in noting that different approaches are used in developing emissions forecasts for a basin-wide plan compared to a project-specific CEQA analysis because they serve different purposes. While a reasonable worst-case approach is appropriate for the latter, it may lead to illogical policies if used for the former. It is acknowledged that one of the reasons that the power plant emissions forecasts included in the '97 *Clean Air Plan* differ from those presented in the DEIR is that much of the information concerning the effects of electric utility restructuring and power plant divestiture had not been developed yet to allow for incorporation of that information by the BAAQMD into the '97 *Clean Air Plan*. The fact that BAAQMD will review regional emissions forecasts, including power plant emissions, and amend the regional air quality strategy, if necessary, lends support to the conclusion that the project's potential inconsistency with the regional air quality plan would be a temporary effect.
- E6 The commenter is correct that even nominal increases in capacity would require new source review by the BAAQMD. As noted in the second to the last sentence of the second bulleted item on page 3-4 of the DEIR, any expansion or repowering of generating units

(even under 49 MW) “would require issuance of new permits and accompanying environmental review.”

E7 Please refer to responses to Comments C4 and C5.