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August 11, 2009

DOCKET
09-IEP-1O
DATE 8/11/2009
RECD. 8/11/2009

Electronic Delivery

California Energy Commission
Docket Office, MS-4
1516 Ninth Street
Sacramento, CA 95814

Re: Docket No. 09-IEP-1O

Docket Office:

Please find attached PG&E's comments on the workshop held July 28, 2009, regarding "Inter-Agency Analysis of Generation and Transmission Options for Eliminating Reliance Upon Once-Through Cooling Power Plants."

Please contact me should you have any questions.

Sincerely,

Attachment

Pacific Gas & Electric Company Comments on
July 28, 2008, IEPR Workshop:
Inter-Agency Analysis of Generation and Transmission Options for Eliminating Reliance upon Once-Through Cooling Power Plants

Pacific Gas and Electric Company (PG&E) is encouraged by the collaborative, multi-jurisdictional approach undertaken by the California Energy Commission (CEC), California Public Utilities Commission (CPUC), and the California Independent System Operator (CAISO) (collectively, the Energy Agencies) in developing their implementation proposal for the State Water Resources Control Board's (Water Board) proposed policy for phasing out once-through cooling (OTC). The Energy Agencies play a key role in identifying alternatives to address this complicated, multi-dimensional issue. In particular, PG&E would like to underscore the crucial role the CAISO plays in ensuring that any policy adopted by the Water Board does not negatively impact reliability of the electric grid in this process; the importance of the CEC in siting generation to replace OTC units; and the critical nature of the CPUC's long-term planning process and IOU contract approvals that will help facilitate the orderly transition envisioned by the joint agencies' implementation proposal. Given the nature and gravity of these responsibilities, PG&E believes that the Water Board should rely exclusively on the input of the Energy Agencies in determining questions of compliance with the implementation schedule of the final once-through cooling policy.

Identifying the range of alternatives for minimizing the impact of OTC will require continued collaboration among the Energy Agencies as well as other key stakeholders. At the heart of the issue is the need to find the most timely and cost-effective solution that will both maintain electric reliability and minimize any harm caused by OTC intake structures, while taking other key California energy and environmental policy objectives into consideration. Finding these solutions requires consideration of a variety of alternatives including energy efficiency, demand side alternatives, new renewable and conventional generation alternatives, and transmission solutions. These considerations will impact many stakeholders from generation owners to environmental organizations.

As both a load-serving entity and a transmission owner, PG&E must be an integral part of the process.

Procurement, Transmission and Long-term Planning

PG&E believes that the procurement processes that are currently in place are sufficient to facilitate the orderly transition away from contracted OTC resources. PG&E encourages the Commission to place as few restrictions as possible on competitive solicitations. Fewer restrictions allow for a wider range of alternatives to comply with the Water Board policy, addressing both cost and timing. As more than one independent power producer indicated, targeted RFOs can only reduce competition and drive up consumer costs.

PG&E believes that no new procurement processes are necessary. However, the Long Term Procurement Plan (LTPP), which determines need for new generation, and the utility request for offer (RFO) process, or competitive solicitation process, would benefit from additional information regarding the costs of necessary transmission upgrades and system reinforcements for a set of possible geographic locations for new generation. This information would assist both generation owners and load-serving entities in developing and evaluating resource alternatives through the competitive solicitation process, as well as the LTPP need assessment. PG&E acknowledges that extensive work will need to be undertaken to define the specific analyses, set of assumptions, and scenarios that need to be evaluated to generate this information. As a transmission owner, PG&E will need to play an important role in the process.

The CAISO has proposed conducting additional analysis in support of the 2010 LTPP. Some work has already been done to assess the magnitude of transmission upgrade and reinforcement costs through the CAISO's prior work in 2008 on the OTC issue, which addresses the need for new transmission or transmission-system reinforcement. It does not, however, address reactive support or the cost of replacement generation. Because of this, the actual cost of transitioning away from OTC units will likely be greater than what has been identified to date by the CAISO.

Reactive power, in addition to replacement capacity, must be considered and included in any analysis to ensure that a proposed solution maintains grid stability. PG&E urges the CAISO to consider reactive power in the studies it has committed to undertake in support of the 2010 LTPP.

The appropriate forum to undertake these studies is perhaps the most pressing question. PG&E believes that due to the complexity and technical nature of the issue, the California Transmission Planning Group, which consists of transmission planners from the IOUs, POUs, and the CAISO, may be an appropriate entity to direct such a study. Because of the market and environmental overlays of the OTC retirement issue, stakeholders such as environmental organizations, energy procurement representatives, and generation owners, should be consulted in the process.

PG&E understands that there are greater obstacles for other entities to comply with OTC policies, particularly within the Los Angeles basin. While PG&E has no comment on the specifics of those obstacles, we would like to reiterate the importance of crafting an orderly transition away from OTC that ensures electric-system reliability.

Nuclear Facility Compliance

With regard to application of the draft policy to the state's two nuclear facilities, the special studies proposed for determining the feasibility of nuclear plant retrofits should begin with an evaluation of the independent studies already commissioned by their respective operators. Given the cursory nature of earlier feasibility studies prepared for the Water Board and the Ocean Protection Council, Southern California Edison and PG&E have spent significant time and money conducting thorough, detailed engineering studies to determine the feasibility and cost of cooling tower retrofits. The Water Board should either engage the Energy Agencies to peer review these studies or hire an engineering firm with nuclear power expertise to provide that review. Only if the Agencies deem these existing reports to be insufficient or inaccurate would additional studies be necessary.

Given that the objective of the Water Board's proposed policy is to create a statewide standard for the use of coastal and estuarine waters for power plant cooling, the policy should include a uniform set of factors to estimate the benefits of compliance with the policy. Further, the policy should set forth the ratio at which a given plant's compliance costs would be deemed wholly disproportionate to the benefits provided by retrofit. Similar direction should be provided to the regional boards on the appropriate level of mitigation for plants granted a variance on the basis of cost-benefit analysis. Including this additional direction will further ensure that the Board's policy is implemented in a consistent manner statewide.

PG&E looks forward to continuing to work alongside State Agencies and key stakeholders to address this important and complex issue.