City of Huntington Beach

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CITY MANAGER'S OFFICE

DOCKET
11-IEP-1D
DATE MAY 12 2011
RECD. MAY 12 2011

May 12, 2011

California Energy Commission
Docket Office, MS-4
Re: Docket No. 11-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.state.ca.us

Re: California Energy Commission ("Energy Commission") Docket No. 11-IEP-1D Reliability: Staff Workshop on Improving Techniques for Estimating Costs of California Generation Resources

To Whom It May Concern:

The City of Huntington Beach ("The City") appreciates the opportunity to submit comments that will be used to facilitate discussion at the upcoming May 16, Staff Workshop on "*Improving Techniques for Estimating Costs of California Generation Resources.*" The objective of the workshop is "to form the basis for a comprehensive review of how the Energy Commission analyzes and estimates current and future generation costs."[1]

The City of Huntington Beach supports the Energy Commission's purpose of the workshop. Our own application of the CEC "Cost of Generation" model (COG model)[2] illustrates the model's focus on the costs of new generation technologies located at greenfield sites. While new generating plants will be built, many existing power plants in California will be repowered, refurbished or replaced due to their age or to comply with environmental restrictions. Although many of the component costs for a repowered facility are the same as for a new power plant, there are other cost components that will be different at brownfield sites.

The City would like the Commission to adapt the COG model, or a variant of that model, to specifically address the costs of repowering at existing sites where infrastructure costs such as those for natural gas and electrical interconnection, substations, and facilities already present will be less than those needed for new power plants. These cost estimates can be generic in nature, but should be developed with the same care and detail as in the current COG model, along with instructions in the user's guide for application of the model to differing circumstances at existing facilities, including typical equipment lives and salvage values.

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[1] CEC Notice of Staff Workshop: Cost of Generation 2011-05-16_COG_Model_Workshop.pdf, p1.
[2] The CEC Cost of Generation Model: www.energy.ca.gov/2010publications/CEC-200-2010-002/count/CEC_COG_Model_Version_2.02-4-5-10x.php. and the accompanying user's guide: www.energy.ca.gov/2010publications/CEC-200-2010-002/count/click1.php.

A COG model that addresses the costs of repowering existing facilities would be very helpful for city governments and other institutions evaluating proposals for power plant repowering and refurbishment. In our view, such a model would also provide a California-specific cost basis for the State Board of Equalization to utilize in its annual property tax valuations of operating power plants. In particular, a COG model focused on repowering costs across several potential technologies would provide very useful information for estimating the Replacement Cost New Less Depreciation, as well as generic operating characteristics and replacement costs for plants that are likely to be repowered. In this time of severe budget constraints, it is critical that plant valuations and replacement cost estimates used for property tax calculations be as fair and accurate as possible. The CEC's COG efforts would ensure informed analysis, accuracy, and fairness.

In addition to the AES Huntington Beach power plant, there are numerous other plants throughout California that will consider repowering within this decade. Repowering candidates include those plants that must satisfy the State Water Resources Control Board's "Once Through Cooling" requirements now through the end of 2020: the El Segundo Power Plant, Harbor Power Plant, Morro Bay Power Plant, Encina, Contra Costa, Pittsburg, Moss Landing, Haynes Generating Station, Scattergood Generating Station, Huntington Beach Power Plant, Redondo Power Plant, Alamitos Power Plant, Mandalay Power Plant, and the Ormond Beach Power Plant.

In order to "improve its approach to analyzing and estimating current and future generation costs,"[3] the City of Huntington Beach respectfully requests that the Energy Commission develop information regarding the costs of repowering and adapt its Cost of Generation model to incorporate methods for estimating the important component costs associated with the repowering and refurbishment of California's existing fleet of natural gas-fired power plants.

If you have any questions please contact Tina Krause, the City's Real Property Agent at (714) 374-1529 or via email at tkrause@surfcity-hb.org. We look forward to the results of the workshop.

Sincerely,

Fred A. Wilson
City Manager

c: Bob Hall, Deputy City Manager
Stanley Smalewitz, Economic Development Director
Kellee Fritzal, Deputy Economic Development Director
Tina Krause, Real Property Agent

[3] CEC Notice of Staff Workshop, Docket No. 11-IEP-1D, Cost of Generation 2011-05-16_COG_Model_Workshop .pdf, p 1.