



Exclusive: California mulls easing environmental rule for gas-fired power plants

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(Reuters) - California, grappling with how to keep the lights on and meet environmental goals after closing a major nuclear power plant, is considering allowing owners to delay retiring some older gas-fired generators.

In an interview on February 4, California Energy Commission Chair Robert Weisenmiller said that the State Water Resources Control Board "has said we can go in and make a case with them for extending the lives of some of these units" and "we're going to start the discussion with them."

The loss of more than 2 gigawatts of electricity generation from the San Onofre nuclear power plant in Southern California has led Golden State energy regulators to re-examine the timelines for phasing out so-called once-through cooling.

California's installed capacity fell about 3 percent to 71.8 gigawatts after San Onofre shut in 2012 after faulty replacement steam generators caused a small leak.

Power plants that create steam to generate power use water or air to cool the steam after it is used to turn a turbine. Under rules introduced in California in 2010, there are 19 coastal power plants that must stop using ocean water for cooling, most by 2020. Most are expected to be retired or replaced with newer facilities.

Shuka Rastegarpour, an environmental scientist at the state's Water Resources Control Board, said the once-through cooling policy was written in such a way that the state's energy agencies can request delays in its implementation if grid reliability becomes an issue.

The CEC's Weisenmiller said the potential loosening of the environmental targets, which could ease concerns about an overburdened grid in Southern California, was not related to a severe

drought that has hurt hydropower output in the state. That impact is felt mostly in Northern California, he said.

AES Corp, which operates three gas-fired plants on the Southern California coast, has already proposed pushing out the compliance dates on some of its 1950s and 60s-era generating units by two, three and seven years, said Eric Pendergraft, the vice president of business development for the company's Southern California plants. The company was originally asked to comply by the end of 2020.

"We don't think it's feasible to shut them all down on December 31, 2020 and start replacing them," Pendergraft said. "We have to do it in stages."

MILLIONS OF GALLONS

Coastal power plants withdraw millions of gallons of ocean water to cool steam for generating electricity. In the process, fish, eggs, and occasionally larger marine animals like sea lions and turtles can become trapped or are exposed to pressure and high heat in the plant's cooling system.

Environmentalists lobbied to ban once-through cooling for years before the 2010 policy was adopted. A scientist for one prominent Southern California environmental group, Heal the Bay, said the benefits to marine life from retiring San Onofre, which took in huge volumes of ocean water for cooling, would likely outweigh modest extensions to the policy at other plants.

"I would just hope that... we can still maintain a compliance timeline that is as tight as possible," said Sarah Sikich, science and policy director for Heal the Bay. She said the public should be given an opportunity to weigh in.

California adopted its policy to phase out once-through cooling before the unexpected closure of San Onofre. The plant's majority owner, Edison International Inc unit Southern California Edison, announced it would close San Onofre permanently in June of last year.

Since one of the state's two nuclear power plants went offline, grid reliability has become a much larger concern in Southern California, according Stephanie McCorkle, a spokeswoman for grid operator the California Independent System Operator. She said that those worries are becoming even more pronounced as electricity demand increases due to an improved economy.

The new, state-of-the-art gas plants that will replace the old ones will use air instead of ocean water for cooling and will be able to ramp up and down in a matter of minutes, an advantage as California adopts more renewable power resources like wind and solar whose output can be difficult to predict.

There is some precedent for securing extensions to the policy when grid reliability is in question. The Los Angeles Department of Water and Power succeeded in 2011 in pushing out the compliance dates for some of its plants.

NRG Energy Inc's 965 MW Encina plant in Carlsbad, commissioned in the 1950s, is one of the plants the CEC will be looking at for possible extension, Weisenmiller said.

Encina is scheduled to be in compliance by the end of 2017, but after years of negotiations NRG only last month reached a deal with local officials to replace Encina with a smaller, more nimble "peaker" gas plant, according to NRG Chief Operating Officer Mauricio Gutierrez. That facility, which NRG said is expected to be in operation by 2017, needs to secure a power purchase agreement with a utility and receive approvals from state agencies before construction can begin.

Gutierrez would not say whether NRG is in talks to extend the date by which Encina must comply with the once-through cooling policy, but said the plant "electrically is probably the best site to be able to make up for the power that we are going to lose with (San Onofre)."

(Reporting by Nichola Groom; Editing by Terry Wade and Grant McCool)