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November 1, 2007

Ms. Raquel Rodriguez
California Energy Commission
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET
06-AFC-7
DATE NOV 0 1 2007
RECD. NOV 0 2 2007

Re: **HUMBOLDT BAY REPOWERING PROJECT**
RESPONSE TO STAFF'S STATUS REPORT NUMBER 4
DOCKET NO. (06-AFC-7)

Dear Ms. Rodriguez:

Enclosed for filing with the California Energy Commission are one original and 12 (Twelve) copies of the **HUMBOLDT BAY REPOWERING PROJECT RESPONSE TO STAFF'S STATUS REPORT NUMBER 4**, for the Humboldt Bay Repowering Project (06-AFC-7).

Sincerely,

Marguerite Cosens

Marguerite Cosens

MC/
Enclosure(s)

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STATE OF CALIFORNIA

Energy Resources
Conservation and Development Commission

In the Matter of:	**DOCKET NO. 06-AFC-7**
Application for Certification for the Humboldt Bay Repowering Project	**HUMBOLDT BAY REPOWERING PROJECT RESPONSE TO CEC STAFF'S STATUS REPORT** 4

Pacific Gas & Electric Company (PG&E) submits this Response to CEC Staff's Status Report Number 4 for consideration by the Committee in issuing a revised scheduling order. Staff's proposed schedule is unacceptable and will unnecessarily delay the Humboldt Bay Repowering Project (HBRP). Staff's Status Report 4 and its Proposed Schedule are inconsistent with the representations Staff made at the June 4, 2007 hearing, at which they strongly opposed bifurcating the proceeding. Since the June 4 hearing, PG&E has made a Herculean effort to satisfy the various requirements of several regulatory agencies, culminating in the revised air quality filing in September. For the reasons outlined below, and while PG&E is sympathetic to the enormous workload that is facing the CEC staff at this time, we urge the Committee to issue a revised scheduling order requiring the PSA to be issued on or before November 26 and the Final Staff Assessment (FSA) to be issued 30 days after the District publishes its Final Determination of Compliance (FDOC). Such an order, and Staff's meeting the dates it contains, is the only way that the HBRP can begin construction in the spring of 2008 and guarantee a reliable energy supply to California's North Coast for the 2009 winter peak.

PROJECT SCHEDULE

It is critical that the HBRP receive its license as soon as feasible to allow construction during the dry season of 2008. Construction must begin during 2008 so that the HBRP can be in place to serve the 2009 winter peak, the existing facility can be

decommissioned, and the many environmental improvements associated with replacing the existing facility can be realized. The environmental benefits directly associated with the construction and operation of the HBRP that would be delayed by up to one year if Staff's proposed schedule is adopted by the Committee include:

- Enabling the shutdown of Units 1 and 2 and the Mobile Emergency Power Plants (MEPPS) which fire on oil fuel during emergencies, breakdowns and curtailments (the use of the MEPPS has been steadily increasing due to forced outages on units 1 and 2 which have been operating for over 50 years and are at the end of their useful life)
- Reducing NOx emissions by an average of over 25 tons per month (net of offsets)
- Reducing CO2 emissions by over 30%
- Reducing the use of ocean water for cooling by over 2 million gallons per month
- Making, additional natural gas capacity available for residential and other uses during times when the natural gas system is constrained, due to the superior efficiency of the HBRP units, thereby decreasing the frequency of gas curtailments in the region
- Allowing the demolition of the Nuclear Unit 3 and Units 1 and 2, once the HBRP is operational, leaving an overall reduced visual profile of the site
- Creating new high quality wetlands

In addition to the many environmental benefits to the region, it is critical to bring the HBRP on line as soon as possible because the existing Units 1 and 2 and the MEPPS are old and require ongoing substantial maintenance just to keep running. The Humboldt area depends almost entirely on the existing units for grid reliability, stability and the primary source of energy. While PG&E is committed to supply power to the Humboldt area, the new facility will increase reliability, will require fewer outages for maintenance and will decrease the curtailments of natural gas to residential customers, thereby helping PG&E to fulfill its commitment. As PG&E has maintained since it filed its Application For Certification (AFC) in September of last year, if the HBRP is not able to begin construction during the Spring of 2008, the project would have to be postponed for one year to allow construction to be phased around the rainy season. We urge the Commission to assist us in avoiding that result.

STAFF'S PROPOSED SCHEDULE

Staff has proposed several reasons that the PSA should be delayed. In addition, Staff has requested 60 days to prepare its Final Staff Assessment (FSA) after the District issues its Final Determination of Compliance (FDOC). Under Staff's current proposal, it would be impossible for the Committee to conduct evidentiary hearings, prepare a Presiding Member's Proposed Decision and circulate it for public comment, and issue a Final Decision that would allow the HBRP to begin construction in the Spring of 2008.

If, however, the Committee adopts the schedule presented by PG&E below, at least two months of the schedule can be made productive, and it becomes possible that the HBRP can begin construction in the Spring of 2008.

STAFF'S OCTOBER 31, 2007 DATA REQUESTS

Cultural Resources

On October 24, 2007 PG&E received draft Data Requests from Staff relating to the area of Cultural Resources. These data requests are completely unrelated to any filing made by PG&E after the June 4, 2007 Hearing. In fact, these data requests are related to information provided in the original AFC docketed in September 2006. At the June 4, 2007 Bifurcation Hearing Staff told the Committee that Cultural Resources section was essentially complete and that any issues could be resolved by standard Conditions of Certification. There was no mention that Staff needed additional information or it would have been promptly provided. Rather than object that these Data Requests were untimely and irrelevant, PG&E went to work immediately on Responses to these draft data requests. On October 31, 2007 these Cultural Resource Data Requests were finalized with minor modifications and sent electronically to PG&E. PG&E filed its Responses the same day and is diligently working on the addressing the minor additional requests. However, as Staff told the Committee on June 4, 2007, none of these responses provide information that is absolutely necessary for Staff to complete its PSA. The information provided merely confirms that certain facilities will not be demolished as part of the HBRP construction activities, and provides further description of the work inside the existing substation that will be modified to interconnect the HBRP. If Staff is concerned about the impact of this interconnection, it can propose a condition of certification in the PSA to address it or it can wait to include an assessment in its FSA after discussion at the PSA Workshop. This approach is routinely followed by the CEC Staff and is consistent with the Staff representations at the June 4, 2007 Bifurcation Hearing. No further analysis requiring a delay in the PSA or FSA is therefore warranted.

Visual Resources

The Staff issued Data Requests relating to Visual Resources on October 31, 2007 as well. These requests relate solely to whether the stacks will have platforms for testing that is required by the District's in its PDOC.[1] If so, PG&E is requested to provide photo simulations showing the platforms. PG&E is working diligently on this request and will provide a revised simulation by next week. This sole issue should not delay the PSA, as the majority of the work should be completed as represented by Staff to the Committee on June 4, 2007. While we understand that the Staff originally assigned to complete the Visual Resources section (as well as Traffic and Transportation) has taken ill in September, we

[1] This issue is unrelated to the increase in stack height proposed in the September submission.

urge another member of Staff to complete the analysis quickly. Since it was essentially completed in June, we believe a Committee Order specifying the PSA be published on or before November 26, 2007 does not place an unreasonable burden on Staff and clearly the issue does not warrant delaying the FSA by 30 days as requested by Staff. We believe such an order from the Committee will allow CEC Management to prioritize its workload recognizing that the HBRP is time critical and deserves the highest priority.

Air Quality

On October 25, 2007, one day after the PDOC was published, Staff forwarded Draft Data Requests regarding the Applicant's Revised Air Quality Modeling Analysis provided to Staff by the NCUAQMD on September 12, 2007. The revised modeling analysis in the Applicant's September submittal was performed according to a protocol devised to address agency objections (including those of the CEC Staff) to previous modeling efforts. Once again, rather than object to Data Requests, PG&E immediately went to work to answer them promptly and preserve its schedule for the PSA. On October 31, 2007, PG&E received these Data Requests in final form and was able to docket responses to all but one new added request on that same day. These responses were largely clarifications and explanations of the information already submitted to Staff on September 12, 2007. The Response to the new Data Request will be docketed on November 2, 2007. Staff is currently in possession of all of the information it needs to prepare its PSA. Staff's itemization of the "issues" in its Status Report 4 in the area of Air Quality do not require the submittal of new information by PG&E.

Staff's Requested PDOC Review and Requested Workshop

Staff has requested a PDOC Workshop to be conducted by the District and cites tentative dates for the Workshop well after the current Scheduling Order deadline for the PSA. Staff acknowledges that such a workshop would delay the PSA but claims that it would narrow the outstanding issues to be resolved during the FSA. However, PG&E does not believe that such a workshop would be productive for several reasons. First, PG&E, the California Air Resources Board, the District, US EPA and the CEC Staff have been working diligently over the past 8 months in resolving issues that led to the issuance of the PDOC. The PDOC represents the fruits of that collaboration as it resolved issues such as modeling techniques, draft conditions, operating restrictions, and other air quality related issues to the satisfaction of the District, CARB and US EPA. If Staff disagrees with elements of the PDOC, the forum is not a PDOC workshop, but rather the PSA and its subsequent PSA Workshop. As evidenced by its quick and thorough responses to data requests, and numerous meetings with CEC Staff, CARB, District and US EPA representatives in 2007 alone, PG&E is committed to working cooperatively with various Agency Staff, including the CEC. As stated in our Status Report 4, PG&E would participate cooperatively in additional meetings with the District and CEC Staff to discuss the PDOC, but such a meeting should not delay the PSA.

Additionally, such a meeting should not be deemed a PDOC Public Workshop and a new prerequisite to Staff's publishing its PSA. Staff assured the Committee at the June 4, 2007 Bifurcation Hearing that it would work expeditiously to "turn around" the PSA as quick as it could after the PDOC was published. At no time was there mention that Staff would require a PDOC Workshop. In other projects before the CEC, if Staff disagrees with the conclusions in the PDOC or seeks additional mitigation, Staff supports its opinions with written analyses in its PSA. In this way, when the analyses and Staff proposed mitigation is published, meaningful discussion can be had to resolve any disagreements. Since Staff has been in possession of the Revised Air Quality Modeling Analysis since September 12, 2007, has had the PDOC since October 24, 2007 (unofficially distributed electronically on October 22, 2007), and received PG&E's Responses to yesterday's Air Quality Data Requests within 48 hours of issuance, we urge the Committee to issue an order requiring the PSA be published on or before November 26, 2007 and to reject Staff's request to modify the FSA deadline by adding an additional 30 days after issuance of the FDOC.

DETERMINATION OF CONFORMANCE WITH THE COASTAL ACT

Staff states in its Status Report 4 that the recent determination that the California Coastal Commission (CCC) will not provide a Section 30413(d) Report (CCC Report) creates additional, unanticipated workload. As described in PG&E's Status Report 4, PG&E completed the analysis and included in it the AFC. Staff need only review and confirm PG&E's analysis. However, it was clear at the June 4, 2007 Bifurcation Hearing that Staff would not be in possession of the CCC Report until ***after*** it issued its PSA. In fact, the CCC opposed bifurcation solely because it would not have the full PSA ***prior*** to preparing its CCC Report. Therefore, the CCC's recent determination should have no bearing on Staff's PSA publishing date. Additionally, this additional, unanticipated workload does not support extending the time for preparing the FSA. If Staff issues the PSA by November 26, 2007, it can begin the CCC Conformance Review immediately thereafter and will have several weeks if not months to complete its analysis since the FSA would not be due until 30 days after issuance of the FDOC. This will likely be in early to middle January of 2008. CEC Staff can confirm PG&E's analysis within two months. PG&E makes this representation based on the significant amount of work that has been completed with the CCC on the project, the CCC's contribution to development of the HBRP's wetlands mitigation plan, and the fact that the Independent Spent Fuel Storage Installation project currently being built has provided significant additional coastal access around the site to the CCC's satisfaction.

CONCLUSION

PG&E respectfully requests the Committee's help in salvaging the HBRP schedule. None of Staff's arguments for delaying the PSA and FSA are compelling. While the CEC may suffer from a lack of resources, it is time for the Committee to direct Staff to make the HBRP a priority. PG&E originally requested Bifurcation of the PSA to avoid the exact delays that Staff now cites. Staff put the HBRP on the shelf while waiting for

the PDOC and now claims it is unable to respond in accordance with representations it made on June 4 or with the existing Scheduling Order. PG&E requests the Committee revise the Scheduling Order requiring the PSA to be published on or before November 26, 2007 and leave the current requirement to have the FSA published within 30 days after issuance of the FDOC as is. PG&E believes that this is the only way that the HBRP has as chance to begin construction in the Spring of 2008 and avoid another year of operation of the existing plant.

Dated: November 1, 2007

Scott A. Galati
Counsel to PG&E

BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION FOR THE HUMBOLDT BAY REPOWERING PROJECT BY PACIFIC GAS AND ELECTRIC COMPANY	**Docket No. 06-AFC-7** **PROOF OF SERVICE** **(Revised 10/25/07)**

INSTRUCTIONS: All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:

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Declaration of Service

I, Marguerite Cosens, declare that on November 1, 2007, I deposited the required copies of the attached **HUMBOLDT BAY REPOWERING PROJECT RESPONSE TO STAFF'S STATUS REPORT NUMBER 4** in the United States mail at Sacramento, CA with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above. I declare under penalty of perjury that the foregoing is true and correct.

OR

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

I declare under penalty of perjury that the foregoing is true and correct.

Marguerite Cosens