CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

INFORMATIONAL HEARING AND SITE VISIT

In the Matter of:	)	
	)	
Application for Certification for the Valero Cogeneration Plant	)	Docket No. 01-AFC-5

DONA BENICIA HEARING ROOM

BENICIA PUBLIC LIBRARY

150 EAST L STREET

BENICIA, CALIFORNIA

THURSDAY, JULY 12, 2001

6:50 p.m.

Reported By:
James Ramos
Contract No. 170-01-001

COMMITTEE MEMBERS PRESENT

Arthur Rosenfeld,, Commissioner, Presiding Member

Garret Shean, Hearing Officer

STAFF PRESENT

Paul Kramer, Staff Counsel

Jack W. Caswell, Project Manager

Priscilla Ross, Public Adviser's Office

APPLICANT

William Blood
Counsel for Valero

John Roach
Sam Hammonds
Valero Refining Company-California

INTERVENOR

Mark Wolfe, CURE

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P R O C E E D I N G S

PRESIDING MEMBER ROSENFELD: Good evening. We're starting a little late, I won't say anything other than that I'm glad you're all here. I enjoyed the refreshment, I hope the movies are as good as the refreshments.

And Garret Shean, our manager, is going to run the show. So, Garret Shean.

HEARING OFFICER SHEAN: Good evening, ladies and gentlemen.

We're from the California Energy Commission. Commissioner Art Rosenfeld is one member of the two-member Committee. Commissioner Laurie is the other member, and he is on other Commission business for today, out of -- out state, I believe.

Our purpose here is to open the first public event in the Commission's regulatory review of the project that's been submitted by Valero for the construction of a 102 megawatt cogeneration facility at its Benicia Refinery.

Our purpose here this evening -- our purposes are threefold. First is to allow the Applicant to present its project; to have the Energy Commission, through the Committee here, and

through the Staff, explain both our process and the nature of the review and the current status of the review that the Staff has independently undertaken. And then, thirdly, is to get your questions and comments.

Your participation in this is extremely important to us. The law by which the Energy Commission was created and by which we operate mandates us to come into the community, not only once, but several times over, to assure that we have input from the community, both individual citizens, local jurisdictions, such as the city. So this event is for you, and we hope you will utilize it to its fullest.

We have previously gone on a site visit to the facility, and many of you were there. So we've had an opportunity to see the location where the power plant is proposed.

We have a couple of other introductions that I would like to make from here. The first one would be Priscilla Ross, who is here from the Commission's Public Adviser's Office.

For you members of the public, one of your key contacts could be through the Commission's Public Adviser, who is a

gubernatorially appointed attorney who is responsible for assuring public outreach and assisting in public participation. And while she cannot act as an attorney for an individual party or participant, what she can do is give you the best advice on how to participate.

I'd like to say the other thing I'd like to inform you of, and it's on the agenda which was outside, and there may not be a sufficient number of copies for you all to have one. But you may receive e-mail notification of activities in this proceeding by going to the Energy Commission's Web site, which is at www.energy.ca.gov, and if you keep scrolling and clicking your way through to the siting cases, and the Valero case specifically, you can sign up for our e-mail list server, which will then every time the Energy Commission puts out a notice of event, such as we have here this evening, or future Staff workshops, or the availability of documentation in the proceeding, you will receive notice of that via e-mail.

If you are not blessed, or cursed, depending upon your point of view, with a computer, we have an -- a snail mail, or postal

mail sign-up list at the front door. Give us your name and your address, and we will make sure that you receive via postal mail notification of the various events and document availability in -- in this particular proceeding.

What we're going to do, after a brief explanation here by me of the Committee side of the process, is have the Applicant present its project, and they have a -- a screen show for you. And then we'll go to the Staff, and then, lastly, to your comments.

And what I wanted to indicate that this is a special application, under the authority of the Governor's Executive Orders, following the declaration of an energy emergency, there have been established several different processes to expedite the review of power plant applications for the State of California.

This particular one is proposed as a four-month proceeding. And in order for it to be reviewed on such an expedited schedule, it has to have certain features, and the Commission must make certain findings. And it largely is that there be no apparent environmental impacts, and that the case is susceptible of review in that

kind of an expedited schedule.

It doesn't mean that there is going to be short shrift of the kind of review that is required under the California Environmental Quality Act. We have had other proceedings this spring as short as a little over 60 days, where we have gone into the community, and had a significant amount of outreach with them, and, we think, satisfied even our harshest critics that for the most part we have been able to fulfill the requirements of CEQA to examine all the potential environmental and public health and safety impacts of a project, and identify any mitigation as a result of that review that is required for the facility to operate in a manner that both protects the environment and protects the public.

We will be using a series of Staff workshops and Committee/Commission hearings to do that. We invite you to come. The Staff will be conducting an independent review of the environmental, engineering, public health and safety matters. They are not under the direction of the Commission or the Committee, in the sense that the professionals who are here from the Staff are there to give their best independent view of

the potential impacts of the project.

After a series of workshops, we will conduct a hearing at which if anyone disagrees with the Staff view or with the Applicant's view of this project, you will have an opportunity to present that to the Committee. The Committee will then take all the information that it has arising from those hearings, and prepare a Proposed Decision. And you will have an opportunity to comment upon that Proposed Decision, and that's afforded as part of our CEQA related review.

Ultimately, the Committee's recommendation has to be voted on by the full five-member Commission, which is located in Sacramento.

There are important documents for you to avail yourself of if you want to participate fully. The first is the Application for Certification. It's available for viewing at the public libraries here. And if you were to become a party to the proceeding, you could obtain one that way.

The Staff is also going to prepare a Staff Assessment, which is akin to a draft EIR, but I don't want you to believe that it is a draft

EIR. We have, under the authority of the Secretary of Resources, a program called the -- essentially the equivalent or functional equivalent of the CEQA process. Our documentation is a little bit different, but it's required to have all the elements of the draft and final EIR.

And lastly, we will have the Presiding Member's Proposed Report, which will take the information from the Staff, the information from the Applicant, any from the City of Benicia, any other Intervenors, and the members of the public, into account, to come up with a final disposition of the case.

I should indicate that the decision-makers are, as I said, separate from the Staff, so it works to their benefit and it works to ours. We operate under what's known as an ex parte rule, so that there can be no contact either by the Applicant, the Staff, or any other parties or any other member of the public to the decision-makers, in order to influence them with respect to any of the substance or the merits of the proceeding.

So that pretty much assures you that the decision that will be reached is based solely upon the record that'll be produced in the proceeding,

and the best judgment of the -- of the five Commissioners.

Now, in terms of your participation, you can participate either as an individual or a group. If you wish to, you can have different levels of participation. Probably the least would be this list server that I told you about initially, or the mail list. If you want to either individually or as a group form up to participate in the proceeding, you can become a party by filing a Petition to Intervene. It's relatively simple, and the Public Adviser's Office has the documentation to get you started on that.

If you do become a party, that allows you formally to present evidence and information and question the other parties when we do get to those Evidentiary Hearings. It's not as scary as you think, and we're trying to de-legalize and de-litigate our proceedings. So if you feel that it's important for you or a group of you, either as neighbors or homeowners in an adjacent area to the project, to do so, you can file a Petition to Intervene.

With that, I think what we'll do now is go to the Applicant for its presentation, and if

we have any questions following the Applicant's presentation, we'll take them at that point.

MR. ROACH: Good evening. Let me first of all start with introducing myself. My name is John Roach, and I'm the General Manager of the Valero Benicia Refinery, here in the City of Benicia.

First of all, I would like to thank the Commission and the Committee for giving us the opportunity tonight to share with you the details of our project. We're actually going to do this in two parts. I will give a little bit of introductory background on why we have decided to build a cogeneration unit, and the basis for that. And then Sam Hammonds, our environmental engineer, sitting next to me at the table, will talk some more of the specific details around the project.

Before I start, I would like to say that we do have a number of employees that are residents of Benicia that are here tonight, and I'd ask that those employees stand that -- that are in support of the project.

Thank you.

Let's go to our first slide, Janet.

What I plan to cover tonight is a little

background on the energy crisis. And I think those of you that have been following this in the papers are very familiar, but I do want to make a brief recap.

I next of all want to talk about the refinery operations, and our high level of dependency on electricity. At that point, I plan to turn the presentation over to Sam, and Sam will talk the details about what is cogeneration. It's a term some of you may be familiar with. It's the concurrent generation of electricity with steam.

We're going to talk about the project purpose, the levels of the plant, the equipment that we've selected and why, the location. Many of you did go out to the plant with us earlier tonight. You saw basically a gravel pit, at this point, where we're going to construct the plant. The environmental impacts, air, water. The schedule, and some of the benefits that we see on building a cogeneration facility.

Janet.

I would first of all like to recap, you know, the energy crisis, as we see it here in California. As California population has grown, and the demand has grown with the population, with

industry, we've actually gone a number of years without a lot of new power generation. And you read recently, some of the power plants in Contra Costa have started up, and that's going to help alleviate the problem. But we're a long ways from balancing it.

There were some past policies, most notably the deregulation of the wholesale electrical prices, and the retail prices were regulated, which in turn caused an imbalance, or the potential for an imbalance on payments. As you saw, this had a significant financial negative impact on the three major investor owned utilities, Pacific Gas and Electric, Southern Cal Edison, and San Diego Gas and Electric. Resulted in the financial upheaval and the credit issues, and an inability to purchase electricity, when the State of California stepped in.

The next slide, please.

Now, how does electricity affect our refinery? We are a major gasoline producer in the State of California. We produce about ten percent of the car gasoline. In fact, we've produced almost essentially all car gasoline. We do periodically make a little bit of conventional

gasoline, but our primary purpose is to produce California gasoline.

It represents about 25 percent of the gasoline in the Bay Area, and all of it goes into northern California, with the exception of small volumes that we will transport.

We're very much a continuous, 24-hour, seven-day week manufacturing operation. And we require a high level of electrical reliability. In fact, we've actually invested over the years two different electrical feeders that feed our plant, and then we subdivide that into three main feeders to the plant itself, all of which can carry our entire load.

We shut down the plant, the entire plant, about every five years. And periodically, in between that, we do take some unit down times, and about every three years we shut down about half of the facility.

Power blackouts cause, and can cause a major disruption. When we shut down a plant we actually bring out a lot of extra staff. We do it over a period of days, and we do it in a very, very controlled fashion. We've actually, as I mentioned earlier, designed the plant for high

electrical reliability. When we actually lose power in a very short period of time, it can have some adverse community impacts.

And what are those? Probably the one that's most noticeable is the flaring that can occur, and you can -- and I think when we had our tour we had some questions about the flare stacks and the gases that come out, and that's actually our emergency release system when we have a very quick down time of the units.

It also has impacts on our ability to keep our products on test. And when we actually shut down the plant, it takes us several days to shut down, and then before we're fully lined up, it takes us about two weeks, because we have very exact specifications that we must meet for California gasoline standards.

Next slide, Janet.

One of the things that we looked at was the future likelihood of supply shortages. Given the situation in California, we saw the retail spikes. I know now we are feeling those, both from a commercial and a residential perspective. And we believe that we needed, as a company, to take some action. The demand situation and the

supply situation in California is very tight. And in January of this year, we actually saw some of the impacts of the electrical situation as it relates to fuels.

The pipelines that transport the product from the refineries to the various terminals was actually disrupted. And we came very close to running out of jet fuel at a lot of the major airports. And you probably read that in the paper.

So combined with these market instabilities, the uncertainty, and our need for an interruptible supply, which we are designed for, we decided to pursue the cogeneration project. So this is clearly a reliability project that we have proceeded for the refinery.

Janet?

At this point I would like to turn over the presentation to Sam Hammonds. Sam's our environmental engineer. He'll get into some of the details surrounding the project itself.

MR. HAMMONDS: Thank you, John.

Good evening. As John told you, he kind of discussed the whys of why we are looking at this project. Now I want to tell you some of the

details about this project.

I'll start out with what is cogeneration. What does the "co" in cogeneration. It's really talking about creating two forms of energy. It's simultaneously producing both electricity and steam. And there's four key components in this kind of a project. First of all is the fired gas turbine. And it's going to produce the power. Next, you've got an electrical generator, and it's going to convert some of that power into electrical energy.

Third, you've got a boiler, and it's going to convert the hot exhaust gas from your turbine into steam. And then, fourth, you're going to have a catalytic reactor in order to minimize any air emissions. So, four key factors in this.

This fits in really well with the refinery, for two main reasons. First of all, we produce a fuel gas which we can burn in this turbine, very similar to natural gas. And this reduces the -- the reliance on natural gas as a fuel. Also, the steam that's going to be produced by the boiler is needed for the refining process, so we have a use for that steam. So it's a very

good fit for a refining application.

Let's talk a little bit more about how the thing actually works. I talked about the four key components. Let's see if I can walk with this.

The first key -- are we still working? The first key component is gas turbine. That's this -- this is just a representative picture of one. And it's very similar to a jet engine. It's got little fan blades in there. We put fuel gas in, we use water, also, and combustion, and it spins this thing around real fast. Just like if you're on an airplane and you see them starting their jet engines, you see the little hub in there start to spin around. I'm told if you sit in first class you get to see that real well, but I never have.

So as it spins around, it's going to also spin this electrical generator, produces electrical power. The exhaust out the back end of this gas turbine goes into our heat recovery steam generator, producing steam that we take over to the refinery, and we use it there in the refining process.

The exhaust, after it's cooled off as we

made steam, goes up the stack, and we have a continuous emission monitor measuring the qualities of that exhaust gas all the time. And it, in turn, controls the catalytic reactor here, in order to minimize emissions.

So that's what cogen is and how it works. Let's back up just a second and talk about what is the real purpose of this project.

Three things to keep in mind. Reliable energy is what we really need. Once more -- there we go. Reliable energy. That's the main purpose of this project. We need reliable electricity. Also, when we do this, we're going to return 51 megawatts back onto the grid with our first machine, and the second machine would put another 51 megawatts into the grid. That's enough to supply 50 to 100,000 different homes in Solano County, or wherever PG&E sends it.

The third thing to keep in mind is this allows us to retire three of our less efficient boilers that are currently producing that steam, and we can apply state of the art emission controls.

Let's talk about the production levels a little bit. As I said, the -- the power that we

produce is going to provide power to the refinery. It's also going to provide back-up power and export power. The first machine fits the load that the refinery typically consumes, about 50 megawatts. And the second machine would be additional power to go back onto the grid.

For steam generation, this is going to allow us to shut down three of our old -- old boilers. When we took our tour today we didn't drive by any of them, but I've got a picture in a minute to show it to you.

Third, as I mentioned earlier on our tour, the second gas turbine is being permitted, but funding for it has not been firmed up at this point. Everything is firmed up for the first machine, though.

Now let's talk about the equipment that we've selected for this. The -- for this to be a successful project, we're really going to need a state of the art, reliable, high efficiency, low emission plant. And right at the heart of that is going to be a GE LM6000 gas turbine. These are generally called aero-derivative machines, and that means that they were actually initially designed and used in the aircraft industry, and

then they were adapted for land use.

This is a picture of one on the top, in its aircraft configuration. There's more than 2800 of these turbines that have been put in service, 59 million hours. Down below it, it's basically the same machine, but it's had a lot of tweaking here and there, it's not near as light because it doesn't have to fly, and it's in land service. There's over 300 of those that have been built, with over three million operating hours on those.

So any way you cut it, this is a very experienced piece of equipment. It's proven, and it's very efficient, also.

So where will we the equipment be located? We want to put it within the existing refinery, right beside the processing unit. This is a location that conforms to the existing land use designation as set up in the -- the revised Benicia General Plan.

If we look on the next one, we've got an aerial view here. And I'll try and get you oriented. We're looking from the north to the south, over the refinery. This is Second Street that runs along here. And if you were out at the

refinery today, we were in a building that would be sitting right about there. And we drove down the road, and our bus stalled right here, at the site.

(Laughter.)

MR. HAMMONDS: I'm sure we're all going to remember that for a long time. It was getting pretty hot there. I think the driver was the hottest one, but -- this is the site where we are proposing to put the project.

This is our main processing site. These are all the processing units. If you look at night and you can see the lights, this is where the vast majority of all the lights are coming from. So we're right on the edge of it there.

Before we go to the next -- next slide, the next one's a picture that's taken from right about here, and it's going to be looking south again. And we did superimpose this on there. You -- obviously, you didn't see that when we were there today.

This is a picture we took out of a magazine, and we were able to scan it in and superimpose it. But this is -- this is the site, and it's pretty well scaled to the shape it will

be in. This is the enclosure for the gas turbine itself, and the generator. This big thing on top is actually an air filter, because you have to keep your air real clean. And this is the boiler that produces steam, and the stack.

Now, this particular one has a rectangular stack. Our design is actually going to have a round one. But other than that, this is pretty good configuration of what we would see there.

Now, if you go out to the end of Fifth Street, you -- that's one of the locations where you can see the process block pretty well. You can just barely see -- we've drawn in the two stacks for the -- the new cogen facilities, and that's about where they'll be. We -- we've kind of adjusted that here and there. Sometimes we think well, it's a little further back and maybe we won't see it at all. But in general, that's the right height for it, and that's about where it's going to be.

Now let's go back to the aerial view again. This is where the -- the proposed project is. I just wanted to show you where the three boilers are. I had a question about when we shut

down those boilers, will there be some reduced noise from them. And that's true, but we -- we didn't calculate that in our noise analysis. We've actually got three boilers. One of them's over here, one of them's here, and one of them is down here. And those are the three boilers that we'll be retiring.

The next one is a picture of one of those boilers. It's about 35 years old. It's served us well. It's been there longer than I have, even. And its time has come. So this is one of the three that we're talking about retiring.

Okay. We've seen what the equipment looks like. Let's start talking about the impacts. When we talk about impacts, most of the time air emissions is one of the first things that comes up. And when you look at air emissions, you typically are talking about the five criteria pollutants, and those are NOx, PM10, POC, CO, and SOx.

Now, NOx, which is nitrogen oxides, we've had other discussions here in the -- the community about this. With the new equipment, the maximum potential that it could emit -- and that's

the way we typically look at these, not necessarily how much it will, but the maximum possible that it could -- would be about 64 tons per year of nitrogen oxides. When we shut down those three old boilers, we're going to get a reduction of 255 tons. So a sizeable reduction.

PM10 is really just particulate matter, a fairly fine version of particulate matter, kind of like soot, but finer. And the new equipment is going to have a maximum emission of 14 tons per year. When we shut down the three old boilers we're going to have a net reduction, and that's because there will be 16 tons reduction there.

POC is really fuel that doesn't quite get burned when it goes through the process. And with that, we're going to break even. The new equipment will have about 11 tons per year. Shutting down the three -- the three old boilers, we'll have an 11 ton reduction.

CO, or carbon monoxide, is going to have 90 ton increase from the new equipment. Yet the old boilers, when we shut them down, will have a reduction of 270 tons.

SOx, or sulfur dioxide, is a little bit more problematic. We have a 44 ton maximum

increase from the equipment. The four old boiler -- the three old boilers are only going to make a reduction of four, so we worked with the air district to identify some other equipment where we have constrained their operation to get another reduction of 40. So we'll break even on that, as well.

Okay. Noise impacts. What about noise. We're going to install noise enclosures on all the major equipment. And that's going to be the gas turbine, the generator, the fuel compressors, and some of the other equipment, as well. And we asked a consultant to make projections on the noise impacts that we would have on the community, and in particular the -- the nearest residences, which are -- the nearest one's about a half a mile away. And he took all the data and meshed it together, and says that we would probably look towards adding about a one-half of a decibel to the noise level at that nearest residence.

And to put that in perspective, the typical ambient noise level at the nearest residences is about 50 to 60 decibels already. And that's been kind of described, as a point of perspective, it's kind of like a refrigerator.

You kind of -- it's kind of like hearing a refrigerator. It's about that level of noise.

The human ear is typically described as not being able to notice an increase in noise until you have an increase of about three. So we're way under the noticeable level, and it's really viewed as not a problem from a noise standpoint.

These were projections, and projections are always calculations. However, he was able to take some actual measurements from an identical piece of equipment up near Sacramento, and he was able to confirm his projections with that. He did not take any credit for the hills that are shielding the area. When we were down there on the silent bus, we probably noticed that there's a lot of hills around us there, and I think we're going to get even less of a -- an effect than that, because of those hills.

This does meet or exceed all of the city and state noise standards. The city's significant standard is an increase of three or more would be considered significant, we're at a half. The state standard is five decibels.

So what about water consumption. We are

going to increase water consumption. Can't be avoided. This would be a water usage increase of about five percent for the refinery. For this equipment, that's 190 gallons per minute. Seventy of those gallons go to equipment cooling. The other 120 is actually injected into the turbine and it's used for power and emission minimization.

So these are the impacts. Let's talk about the schedule.

Like I said, our first machine is funded. The gas turbine generator is on order. The boiler and the SCR, that's the -- the emission control catalyst reactor, that's on order. The detailed engineering is well under way. We are in the permitting process right now, and we are hoping that in early September the CEC will find an approval for our project so that we can start field construction. If that all holds together, we're looking for an April start-up of the equipment.

I think I'd just summarize our project with four points. This project guarantees reliable power for the refinery to avoid rolling blackout impacts. It allows the refinery to return 51 megawatts back to the grid, and with the

second machine an additional 51 megawatts, enough to power 50 to 100,000 homes.

We'll be able to retire three of our less efficient boilers and apply state of the art emission technology. And we're going to meet or exceed all of the environmental standards with this project.

So I don't know if the Commission would like to entertain questions now, or if they would like to venture on else-wise.

HEARING OFFICER SHEAN: Actually, I think what we'll do is go ahead and have the Staff presentation, because their presentation may answer some of the questions that we'd get from the audience.

MR. CASWELL: We have slides too, here.

HEARING OFFICER SHEAN: We had a question arise on the bus, and just while we're doing this, I'll indicate because you've seen the Applicant's proposed schedule, and they've indicated that they have retained engineers, contractors, they have contracted for some of the equipment, what you should know is that as of today, there is no authorization for them to commence construction and operate the facility.

The Energy Commission must certify the plant before it's constructed and it can be operated, and we can only certify it after we make certain findings that are required by law.

So, in the words of the questioner on the bus, this is not a done deal. We are here to determine whether or not the facility should be built, and if it should, with what conditions. And that is why we're here, and why this review process is ongoing, and why your participation is important to us.

MR. CASWELL: With that, I'll introduce myself. Jack Caswell, the Project Manager for the California Energy Commission. And to my right, at the front of the table here, is Staff Counsel for the Energy Commission, Mr. Paul Kramer.

There are a number of Staff here, and they're technical Staff for various areas that we're going to deal with in the workshop immediately following this Informational Hearing, and I'll have them introduce themselves at that workshop.

To start the slide here, I appreciate you doing this for me. I'm not going to be

redundant. Some of the things that Mr. Shean covered already, and some things Sam has discussed. So you know what the basics are on this project.

By the way, there's hard copies of this slide show. We came in a little late because of the bus, and some issues on the site visit. They're out here on this table, so if some of the information you want, and that's phone numbers, and some of the structure for how you can make contact here at the Energy Commission, you can grab some of these hard copies of this slide show out here on this table.

There's also agendas for this workshop, and there's two documents sitting out on that table, one being a -- the Issue Identification Report that makes a recommendation to the Committee on whether or not this process should stay in the four-month timeframe that's been assigned to it. And the other one is a data request document that Staff created to generate further questions of the Applicant here, Valero Refinery, on details about particular areas.

Those documents are all sitting on the table, and samples for you to use at the workshop.

Let's go into the next slide. This is the structure of the -- of how this is set up currently, and, again, you have Commissioner Art Rosenfeld as the Presiding Member. Commissioner Laurie, who is not here this evening. Garret Shean, who made the presentation for the Committee. Obviously, Sam Hammonds, for the refinery. You have local and state and federal agencies involved in this process, and Intervenors. And at this time, an agency, what we will call a local agency, the City of Benicia, is a formal Intervenor in the process.

Myself, representing the Staff as an independent party from the Committee, to do an analysis, an environmental analysis, and make a recommendation to this Committee on whether or not we believe that it fits our CEQA parameters for the process.

Intervenors, again, the city is an Intervenor, and CURE, this is represented by Mark Wolfe here, and Phyllis Fox, as a technical advisor, both here in the audience. And you'll get a chance to meet them at that workshop, as well.

We have the public and interested

parties are another branch of what's going on here. And that would be you, here, as well. And, again, from the Public Adviser's Office, that is not Roberta this evening.

I'll move on to the next slide here. I want to make this as quick as possible, because I want to be able to make as much time available for the workshop as I can, after this.

The purpose of this proceeding is to ensure that a reliable supply of electricity and energy is maintained at the level consistent with the need for such energy for protection of -- of the public health and safety, for the promotion of general well and for environmental protection. That's our goal here, as Staff.

Energy Commission's siting process involves our permitting authority here, which is power plants of 50 megawatts or greater, and related facilities. And if you'll notice -- if you could go to the next slide -- the related facilities are transmission lines, water supply lines, natural gas pipelines, waste disposal, and access road.

And we do coordinate with federal, state and local agencies, and we are the lead state

agency for the California Environmental Quality Act, CEQA, in this licensing process.

We do a full review of all environmental impacts. All the analyses are subject to the CEQA guidelines.

Let's see, where are we at -- I think we need to go -- did we get this? Back one, let's see -- no, no. There we are. Okay.

And, anyway, we do -- we review transmission. LORS, is Laws, Ordinances, Regulations and -- geez, I'm drawing a blank on the S -- Standards. Thank you.

The CEQA equivalent document that the Staff does is called the Staff Assessment. The Presiding Member has a Proposed Decision. That's after we've provided our Staff Assessment to them and they've reviewed all information from all the other interested parties. And then we go on to a Commission decision.

Next slide, please.

Again, this is open to the public, the workshops and hearings. The workshops are conducted by Staff. The hearings are conducted by the Committee themselves. We've been doing noticing on this within seven to ten days in

advance of these workshops. And hearings, it's a little quicker than that -- than has been done in the past. But due to this expedited process, we have shortened the notification time.

We have mailing lists that we generate, and if you'd like to get on a mailing list you can contact me, and you'll have an address and a phone number and an e-mail address that you can contact me, that I can get you on an e-mail list or a hard copy mail list that allows you to get information about this process.

The documents that we are generating here are available at the public libraries. And they're listed up here, I won't go through them, you can read that. And again, there's hard copies of this slide show out here in the lobby for you to use.

And in those -- those documents are that application, some supplemental information that's been supplied to that application, which almost equals the original application. The data responses from the Applicant, which allows you to see -- and, again, from us, the -- the data requests and any other pertinent information. These things will be -- these are all being mailed

to libraries in these locations.

Sometimes there's a lag time between that. If you need that information quickly, and there's a piece of it not there, you contact me, and we'll make sure, working with the Public Adviser's Office, if you're not getting a response from me, that we can make sure you get this information. The Public Adviser's Office, for the public, is kind of my -- pardon the expression, watchdog -- that I -- I do what I need to do for the public here, and to pass on that information.

So I'll do the best I can, and if I'm not doing the best I -- that you think should be done, the Public Adviser's Office is a good place to go to -- to file your complaint about that.

We'll go on to the next slide.

We -- again, we do local, state, and federal coordinations. Some of those agencies that we coordinate are, for example, are the City of Benicia, we're working with them; County of Solano; Bay Area Air Quality Management District; Water Resources Control Board; Caltrans; Air Resources Board; and the U.S. Environmental Protection Agency. Those are examples of the agencies that we are coordinating with, we have

sent these applications to, we have sent supplemental information to.

And we have also provided them with the data questions and the data responses so that they can get a full view of the areas that they're slated to review.

Next slide, please.

Again, this is an expedited permitting process. We are scheduled currently for 120 days' full process; 95 of it, about 90 to 95 days to the decision point. The Resources Code up there that relates to allowing us to have the authority to expedite this process is up there. The Valero Cogeneration Project has requested that they fit this process. We drew a conclusion, in a Issue Identification Report, that -- that -- agreed that they did fit this process, and that's why we're working in the timeframes we're working in today.

And that is a recommendation to the Committee. They get a chance to review what we've said in that Issue Identification Report. Again, available out here on the table for you to review. And they make the final decision on that.

Next slide, please. Let's see. Could you go back one? Oh, no, forward again. That's

right. I see I've got to give you the newer version here.

This is the current schedule that we have developed for this process. And, as you see -- you can see we're down here at a decision point around September 10th. Now, this is a recommendation. This -- this schedule is a schedule that I've created, with Staff in mind, and the project needs, and it's a recommendation to the Committee. This schedule can be altered at any time by the Committee. It's their authority to -- to decide whether we stick to this or we don't stick to this. But again, this is my schedule developed through the concerns and the availability of Staff to get through this process. And, again, it's out on the table.

Next slide, please.

Here are your contacts. You've -- I've introduced myself. You have Garret Shean. Roberta Mendonca, the Public Adviser's Office, her number. And, of course, Sam Hammonds has made it clear that he's got information available to you, and handouts for you to contact him. Again, these will be available in that -- out on the table.

And, again, when you contact -- if you

have a computer and you want to write me an e-mail, that's a quick turn-around, quick communication to me about concerns. We have someone from the -- the community here that I've talked to via e-mail and telephone on several occasions, and Robin, she's -- I hope that was quick enough for you.

MS. LANCASTER: Yes, that was nice.

MR. CASWELL: You know, it's -- I'm kind of strapped to my desk these days, and so a notice comes up that somebody's wanting, I'll do a quick flash. If I see it's from the community, or a technical emergency, I'll respond right away. So feel free to e-mail me something if you have the availability of -- of a computer.

Next slide, please.

Staff's Issue Identification Report, which, again, is out on the table, the purpose was to inform participants of potential issues. It's -- it's to give us early focus on those issues. It's not limited to just those issues that are identified in that -- that document, because we're in a discovery phase right at the moment. And in that discovery phase, a lot of things happen. Information that was not known to us, or Applicant

did not know that was necessary to put in the application, or the supplemental information. And we've asked for further information. We may have overlooked it. And in, as we review that information we discover that something is going on and we need to look further into that. So we're not limited to the statements in that Issue Identification. It's an early focus.

We make a recommendation on early qualification for the four-month process, and that's in the summary of that. The criteria for that is impacts that may be difficult to mitigate; non-compliance problems; potentially contentious issues -- and those can be politically based sometimes, within the community, there's a wide range of those areas -- and potential schedule delays because we've discovered something, are identified in that report.

This report is pretty mundane. There wasn't anything that kind of fell into that. Again, potential issues, no potential issues that are unmitigable or of a contentious nature have been identified at this time. And that's what we've discovered so far.

The four-month process recommendation

was the Energy Commission Staff has evaluated the project against the Public Resources Code Section 2552, criteria for qualification for an expedited four-month certification process. Staff has recommended that the Commission find this project qualifies for that expedited process.

And in closing, Staff proposes to provide periodic status reports to the Committee on the progress of this Valero project, addressing any issues that may arise during the course of the Energy Commission Staff's review process. That document, and that status report, is available to you, too, so you can follow that, and it will be posted electronically on the Valero Web page.

If, again, you don't have a computer and can't access that, you give me a call, I'll make sure it gets mailed to you. Or, again, I can send it. If -- if you can't download it for some reason, and you know how the glitches are when you go onto these Web pages, I'll send it to you electronically, as an attachment in a response to you.

So that's about it for our process. I hope it wasn't real redundant, and I -- again, we have a workshop following and it'll be technical

issues. It's a little less formal. It's intended to be less formal, so that you can -- anybody out here can speak with us and -- and participate in this process. That's the full intent of these workshops. I don't know that we'll be able to cover all the ground in one evening. If not, we'll schedule another workshop, and possibly even conference calls at a number that you can call in to and participate in this workshop, if you can't come to the location that we have that in.

And, anyway, I hope that works out for you, and thank you for your time.

HEARING OFFICER SHEAN: Just a couple of things, and we'll get to public comments and questions.

(Inaudible asides.)

HEARING OFFICER SHEAN: Let me just say a couple of things, because you saw Staff's proposed schedule, and its recommendation that this project does qualify for the four-month expedited review.

And on the basis that there appear to be no fatal flaws or show stoppers, or whatever you would like to characterize them, that have been discovered at this point, the Committee is of the

opinion that it is entitled to the expedited four-month review, but that does not mean that the decision is foregone sometime in the middle of September.

I think it is fair to say that from a lawyer's point of view, and we are bound by the canon of judicial ethics, that what guides us is not so much the calendar as the status of the case. Should there be information that comes to us that suggests that more time is required, then we will take sufficient time to review all the issues that are required under the law for us to review.

If it is possible to conclude this proceeding in four months, or something close to four months, then we will do it because there is an obvious advantage to both Valero, as well as the State of California, from having this facility up and operating.

But I just want to assure you that we are guided not by numbers on a calendar, but by the status of the information before us and the adequacy of the public participation that the process affords you.

With that, we'd like to open it up to

some questions. I will indicate that later on this evening, in a less formal setting, the Staff will have its workshop, and you may have some questions that will be answered then. So we'll just go in this order.

FROM THE AUDIENCE: I just have a question --

HEARING OFFICER SHEAN: Okay. And what -- let me indicate. The big mic here is -- is the public announcing system. This microphone is for our reporter here, who is reporting this meeting electronically.

What we would request that you do is to use the microphone in the back, or if you're up front, you can come up to the dais here, and identify yourself by name, and then go ahead and ask your question. Because, as I say, we -- we base our decision upon the entirety of the record of the proceeding, and so we want everything transcribed.

MR. HOOD: My only question is really administrative. If Mr. -- my name is William Hood, and I'm the attorney for Valero.

As part of his presentation, in your schedule it referred to DOC and PDOC, and those

terms were not explained. And I just think it would be helpful to the audience if you did so.

HEARING OFFICER SHEAN: It would.

As part of the Commission Staff's role, and the Commission's ultimate role in contacting other agencies -- you see, our permit, when the Energy Commission was created, was made as an umbrella permit. There are no local permits, there are no city permits. Our permit supersedes all other state permits.

But there are two really important federal permits that are administered by state or local agencies. One of them is the air quality permit, and that is reviewed by the Bay Area Air Quality Management District. And just -- just as if this were not a power plant, but a refinery piece of equipment only, if it has air emissions you've got to go through the air board.

And so the Bay Area Air Quality Management District will conduct an analysis that is the equivalent of what it would conduct for any kind of air pollutant emitting equipment, and provide us with what we initially call a PDOC, or a Preliminary Determination of Compliance.

That document is subject to public

review, under the rules, so the air district and, after comments have been received, they revise it and give us what's called the FDOC, or a Final Determination of Compliance, which, if some of you are familiar with the air quality jargon, it's the equivalent of an authority to construct a permit.

So they are tied in with our review process, and oftentimes their analysis is the critical path, in terms of time, for our schedule.

The only other one I want to indicate is the federal permit would be for discharges into bodies of water, the NPDES permit, which involves the federal Environmental Protection Agency and the U.S. Department of Fish and Wildlife Service.

So all -- all of those are tied in. It's the Staff's job to coordinate the analyses of the federal, state and local agencies, and tie it all in in the Staff Assessment.

Next. Yes, sir.

MR. SWINSON: I'm Ed Swinson, a chest physician.

I'm encouraged by the idea that the net air pollutant load, including particulates, NOx, oxides of sulfur, and the others, will be either held to the same level they are now at Valero, or

will be diminished.

My -- my question concerns, however, one that's never been mentioned in the presentation, and that's carbon dioxide. When any fuel is burned, that I know of, with the exception of nuclear, CO2 is released in large, enormous quantities, and we have to deal somehow with global warming.

Is there any attention being paid in this process to either mitigation or diminution of carbon dioxide production?

HEARING OFFICER SHEAN: Okay. I'm not going to be the one giving you substantive answers, because I'm part of the team that puts together the decision, based upon the information that we review.

Do you want to deal with --

MR. CASWELL: We have -- this workshop will be set up right after this meeting, will address all -- I have an air expert here from the -- the Energy Commission. And -- and that individual can answer any question that you have related to the air, as long as he has the information available for that -- for that. That's the reason for the workshop.

FROM THE AUDIENCE: What's the answer?

MR. CASWELL: I'm not the expert, and that person's just -- if we do periodic -- that's -- that's the intent of the workshop, is to deal with issues just like that. That's why we set it up. This is an Informational Hearing set up to present the project and the ideas. And that's why immediately following, we have a workshop to address anybody's needs on technical issues, and that's why I have Staff members here for that.

That's how we -- that's just how we -- we've set it up, and it's how it's done statewide for all applications and all licensing processes.

HEARING OFFICER SHEAN: And, let me say, I don't think -- Jack's not trying to avoid the answer. Our -- our initial cut on an air quality review is the same as would be performed by the district. We -- we give the information to the district. It conducts the new source review analysis that they otherwise would, the EPA also conducts a prevention of significant deterioration analysis that they otherwise would, and give those results to the Staff.

Part of our determination, as Jack was saying about LORS, is whether or not you do comply

with the laws, ordinances and standards of the Clean Air Act. And so if the answer to that is yes, it is that all the legal standards that have been adopted under the Clean Air Act have been complied with.

Now, perhaps separately -- let me just say, oftentimes we get people who will react to that and say well, for example, the offset program under the law doesn't seem to address my local impact. Now, under certain circumstances where that has occurred, our Staff, and the Metcalf case comes to mind, has done a review under the California Environmental Quality Act, where they think notwithstanding the fact that there's been compliance with the Clean Air Act standards, that there is another impact that needs to be addressed, and in several cases has recommended additional mitigation based upon the California Environmental Quality Act that was not required under some other law.

So that analysis will be performed as part of this particular proceeding, and whether or not they do or do not recommend some additional measure will be based upon the facts.

Okay. Yes, ma'am.

MS. DEAN: Hi. My name is Dana Dean. I am the spokesperson for the Good Neighbor Steering Committee, and I am their representative to the Valero Community Advisory Panel.

As such, I sought in put from the community, and I have actually four questions from groups or citizens who weren't able to attend tonight, that I'm hoping you can answer, so I can report back.

First is from the Native Plant Society. And this actually may be your first contentious issue. They asked me to express their grave concern regarding the 200 million gallons of water that will be used by the cogen plant. Benicia has a water issue. We do not have an abundance. And I'm hoping that you'll give me some information about potential mitigation or revision that I can take back to them. Maybe Sam could --

HEARING OFFICER SHEAN: I'm not sure that I can. At this particular point let me indicate to you that part of the Committee's function in all of these proceedings is to determine whether or not the project conforms with the state water policies, which basically put the use of potable water for cooling purposes in power

plants at the bottom of the list.

The purposes for which they're going to use water here include mitigation of air quality impacts and some component cooling. However, the Staff has traditionally, and I'm sure will here, examined whether or not there are additional non-potable water supplies that can be used by the facility, cleaned up, and then would be sufficient for the operation of the plant.

MS. DEAN: Okay, great.

The next question is, well, you've talked -- Sam has talked a number of times about the decrease -- potential decrease in criteria contaminants. But that's sort of over the long haul. And I'm wondering, nobody has discussed the potential upset situation, or, worst case scenario. What -- we haven't heard what can go wrong with a cogen plant that we might have an incident, or a release. And if that's a possibility, what -- what could we be expecting?

And again, mitigation revision.

HEARING OFFICER SHEAN: Yeah.

MR. CASWELL: Well, that question is really focused towards the Applicant in this, Valero. And I don't know if they're prepared to

answer that. But I'll tell you what happens here is a lot of questions, if they're summarized, are put in written form, if they can't be directly answered here, will be required to be answered prior to the Staff Assessment being completed.

Again, when you're caught, for lack of a better term, flatfooted on some questions, you don't have the -- this -- this doesn't seem like one of those questions, it seems like it's a reasonable question to be answered. And, again, we're kind of crossing across the lines here where it's -- you're asking questions that are more suited for the workshop than they are for this Informational Hearing.

This is if you have -- I --

HEARING OFFICER SHEAN: Well, let me just attempt to answer.

You're going to find in the analysis and in the Proposed Decision basically three areas that will address your questions. One is Public Health, the other is Hazardous Materials Handling, and the third is Waste Management.

In terms of Public Health, we will be addressing whether or not toxic air contaminants can be essentially taken offsite in a manner that

would cause public health impacts. That's part of our standard review, and it also is part of the standard review of the Bay Area Air Quality Management District.

Second will be Hazardous Materials Handling, which will deal with how materials are transported, stored, and used onsite, and whether or not they -- they are being transported, used, and disposed of -- transported, stored, and used, in a manner that would not present a public health impact if there were, let's say, a tank fracture or a release during the -- the shuttling of, let's say, the ammonia they use for SCR in -- in the facility. Okay.

And then lastly will be Waste Management, so that any of the materials that -- some of them could be potentially found during construction or others would be created during the normal operation of the facility, and how those are handled in accordance with the law.

So those, I think you will find that one of those three sections is likely to cover the matter you're concerned with.

MS. DEAN: Okay.

MR. ROACH: Excuse me. Would you like

us to help answer some of these questions --

HEARING OFFICER SHEAN: Sure.

MR. ROACH: -- or do you want to hold this for a workshop environment?

MR. CASWELL: She's up there, and the question has been asked, so maybe you can help expedite the process.

MS. DEAN: Maybe you can --

MR. ROACH: Okay. There's going to be lots of different levels of detail to these kind of questions, and probably the -- the basis for that, I suspect, is, is this going to make the refinery flare more. That's kind of typically where those questions come from, and because some of our flaring is related to gas turbine operation in the existing refinery.

However, these gas turbines are not close to the refining process, per se, so they don't have that same exposure that if the gas turbine trips we have to use the flare system in order to dispose of the gas.

So this one really poses no -- no additional flaring potential for the refinery.

MS. DEAN: Okay, good.

You know, there's a lot of confusion in

the community about the difference in this process than a standard -- what would've happened, say, two years ago, before the energy crisis. And I'm -- I can see you've tried to address that, but I'm wondering, do you have one single document, or some kind of checklist or something that would give us an -- sort of a more elementary understanding of -- of the difference, and what we might possibly be losing as a result of an expedited process?

HEARING OFFICER SHEAN: Okay. My answer is I -- substantively, I don't believe you're losing anything. If anything, you're seeing time compressed this way, and a lot of the, frankly, inefficiencies in the prior 12-month process removed.

What is tending to happen in these more expedited proceedings is that the Committee gets involved earlier in the proceeding. We don't have the same number of redundant meetings. That is, for example, we used to have the Staff coming out with an assessment, and then they would hold a series of public workshops to revise that. And then that would be presented to the Committee, which in turn would hold a series of workshops or

hearings to take and review that. So we've sort of compressed some of this.

I don't think substantively the analysis suffers due to that. Some of the inefficiencies of the process have been removed.

MS. DEAN: Okay. Thank you.

HEARING OFFICER SHEAN: Yes, sir.

MR. SMITH: Hi. Dan Smith, I'm a Benicia resident, and I have a -- a few questions. I don't know whether you'll be able to answer them now.

One of which is of the refinery. I'm -- I'm curious whether the city might be able to buy power from the refinery in this -- in this case, of -- in case the plants are both built, or even one of them.

Should I take them one at a time, or should I --

MR. ROACH: Yes. We are currently looking for a partner for the second plant. And if a partner does come forward, you know, we would entertain selling power to the City of Benicia.

MR. SMITH: No matter who the partner was?

MR. ROACH: We've actually talked to all

the major energy companies. We've talked to a gas company, and now we're actually talking with another -- what I would say capital venture group that's interested in constructing such a plant.

MR. SMITH: So you're saying only if the second plant is built.

MR. ROACH: Well, the first plant is really just enough power to supply our own needs. And there's basically not additional power on the average that goes to the community.

MR. SMITH: Okay. I have a question, and I'm not sure how to word it, also, about the water source, and that was already addressed, and I guess it's going to be addressed in the -- in the workshop.

But I -- I would particularly wonder if -- if we were in a drought situation, would that curtail the operation of the plant, given its huge water needs?

MR. ROACH: You say huge water needs, and it is a lot of water. But I would also note that it's only five percent of the refinery's needs. We do use a lot of water in order to make gasoline, and this part of the water is used to make electricity. The city does have various

levels of curtailment policies that they go through during those drought periods, as we've all been through.

One step that is always possible is to shut down the power generation. And I wouldn't want to speculate at what point in time that makes sense, but I would like to think that there would be a process that we would all go through that says does this make sense or not. Everybody has different priorities for water, and that's just something we would have to judge at the time.

MR. SMITH: Okay. My last questions are about emissions, which the gentleman that's a Commissioner said that the Commission will be considering the potential for emissions. And then Mr. Hammonds, I think, responded about -- about possible flaring.

One question I have is that if -- if that's the only possible source for emissions. And the other question I would have would be I know some refineries, such as Tosco and Richmond, have recently installed state of the art emission detection devices, using lasers and other devices. And I'm wondering if -- if the refinery would be open to doing that and sharing the data with the

public, as a good faith gesture.

MR. ROACH: As far as sources for emissions, I think we pretty well discussed the emissions from the combustion process that's used to generate power.

Now, I -- as both CEC and the air district finalize and go through their analysis, they're going to be looking is there anything else here that we need to address, and at this point I don't think anybody has identified another issue that would come into that category.

What was the second topic?

MR. SMITH: Well, I was asking about emission detection devices.

MR. ROACH: Detection devices. You described those as state of the art, and I'm not sure everyone would agree with you. There's a lot of controversy as to --

MR. SMITH: I know.

MR. ROACH: -- whether those are worth anything or not. There have been discussions held in the past about the effectiveness of -- of those kinds of devices, and I, you know, we're always open to discuss things like that. But I -- I wouldn't conclude that it's a foregone conclusion

that it's a useful thing to have.

MR. SMITH: Useful for Valero, or for the community?

MR. ROACH: Useful for anyone.

HEARING OFFICER SHEAN: Let me just indicate the air pollution control district does require what are known as continuous -- a continuous emission monitoring system, CEMS, if you want to get into the jargon. And those are installed in the stack, and the data from those are recorded and provided to the district to assure that it is complying with the air quality emissions maximums that are allowed under the permit.

Yes, sir.

MR. WINTERS: Thank you, Garret. You have to give a little bit of a ground rule here. Should I address my question individually to Valero, I believe that's who's going to answer it, or should you monitor this?

HEARING OFFICER SHEAN: No, go ahead. Just fire away.

MR. WINTERS: Sam, I think you can handle this one.

One point in particular, if I was to

press the button tomorrow -- I'm sorry. I do that more times. Shook hands with a corporate -- Riley Bechtel, didn't even introduce myself, about two minutes ago.

My name is Don Winters, and I'm a resident of Benicia. My background is power construction, for about the last 30 years, in one form or another, contractor, engineer, whatever.

As far as emissions and everything, if I had the opportunity I'd press the button tomorrow, you guys could start building.

One thing you've got, you might mention, Sam, is that you are decommissioning three existing power plants that, number one, use fuel. They burn, issue emissions. And they use water. So the new unit isn't exactly consuming. It was, you know, like with your chart that you put up there, you're trading. Hopefully, to come up with a more efficient system.

But along that line, I did notice something that kind of triggered my curiosity here. I noticed your SOx was 44 tons with the new unit. Your old units are four tons. Now, I know for a fact cogens are extremely clean burning, and my curiosity, and the question I have for you, is

that what is the fuel you're using to power this new plant with, if you have that high a sulfur content?

MR. ROACH: The fuel is refinery fuel gas, and it's the same fuel that's used in the boilers today. And the difference is that the boilers are not burning that much fuel, and these pollution control devices, that are state of the art, do not reduce that as a part of the control process.

We're putting on a catalytic converter, which you saw in the diagram, that controls NOx, it controls CO, it reduces the POC, as well. It doesn't do anything to the sulfur dioxide. The controls are on the upstream side, and that's where those controls are operating, and they're the same for both of them. The fact is that the new facilities burn more fuel gas than the facilities that we're shutting down. You just have to -- to burn more fuel in order to make that energy for the electricity. The electricity isn't free. You have to burn fuel to make it. And that's why there is some additional SOx emissions.

But we have been able to go ahead and constrain other equipment's operations in order to

have no -- no increase.

MR. WINTERS: Yeah, I noticed that you traded 40 other credits, more or less, out of other equipment, to reduce that overall sulfur to come out with the balance. Okay.

I was curious. You don't have a generator coming off of your steam generator unit -- I'm sorry, a turbine coming off of your steam generator unit. I was wondering, would that be more efficient than another unit?

MR. ROACH: When we --

MR. WINTERS: Like Unit 2.

MR. ROACH: We don't believe so. When we crank out all the numbers, we see that as a -- not a very efficient process. We use the steam in the refining process, and that's where we need that steam. And a process to make more steam in order to turn a turbine to make more electricity is not a real efficient process for our kind of an application.

MR. WINTERS: Because of the fact you have to suck up so much of your steam for your own process?

MR. ROACH: Well, we need the steam for our process --

MR. WINTERS: Right.

MR. ROACH: -- as a starting point.

MR. WINTERS: Right, versus a regular cogeneration plant, which has a steam generator to produce electricity only.

MR. ROACH: That would be a combined cycle, I believe they call it.

MR. WINTERS: Right. Yeah, okay.

MR. ROACH: Our is not a combined cycle process.

MR. WINTERS: Right, because you want your steam for your other processing.

MR. ROACH: Yes, we do.

MR. WINTERS: Okay. My last question. Regarding your schedule, do I understand your drop dead date for turnkey to operate and put into the grid is April of next year?

MR. ROACH: I don't --

MR. WINTERS: That keeps getting bounced around. I haven't got that --

MR. ROACH: -- I don't think we have a drop dead date, but if the schedule plays out the way we hope it does --

MR. WINTERS: Construction -- no, anyway. Yeah.

MR. ROACH: If things play out the way we hope it does, and if the CEC does decide to approve our project, then April of next year would be our start-up date.

MR. WINTERS: And so you would begin to break ground shortly after the September decision, if it was in your favor?

MR. ROACH: That -- about the day afterwards.

MR. WINTERS: Okay.

MR. ROACH: We -- we're ready now.

MR. WINTERS: Right. And that -- just one more thing, perhaps, I hope it's for general information. One of the reasons you're forecasting this so early is it takes a while to get your engineering and all of your players in line, so that you can begin this. This is why you're acting now, almost as though you have the permit. Is that correct?

MR. ROACH: I -- if we weren't doing this now, there's no way we could --

MR. WINTERS: There's no way you'd meet April.

MR. ROACH: That's right.

MR. WINTERS: Okay. Thank you.

Appreciate it.

HEARING OFFICER SHEAN: Thank you.

MR. ROACH: Yeah. I might comment, the -- the reactions that we are acting like this is a done deal, maybe that strikes the public wrong. We have to do this very quickly in order to be ready for an approval of the project, so we're risking a lot of capital, spending a lot of money, betting and hoping that we'll get approval.

HEARING OFFICER SHEAN: Yes, sir.

MR. GARRETT: I have a quick comment and a question. My name is Phil Garrett. I'm a Trustee of the Benicia Industrial Park Association. We just wanted to express our support for the project.

And my question is, I haven't heard any discussion of what the -- the economic cost or value is for the project. Has that been brought up at all?

MR. ROACH: The actual project cost is $51 million.

MR. GARRETT: That's -- 51 -- is that for the first phase, or both phases?

MR. ROACH: This is the first machine. The second machine is an additional $51 million.

MR. GARRETT: How does that relate to property tax?

MR. ROACH: I believe it's one and a quarter percent per year. And as --

MR. GARRETT: The city gets some percentage of that?

MR. ROACH: It's a --

MR. GARRETT: I'm just curious what the city --

MR. ROACH: -- it's a lot of money.

MR. GARRETT: I'm just curious what the city's percentage, or -- of the property tax would be.

MR. ROACH: About a million dollars a year, Phil. Okay.

HEARING OFFICER SHEAN: I should indicate the socio-economic sections of the Staff analysis, and ultimately the Presiding Member's Proposed Decision, have a section dealing with not only capital cost, work payroll, and other multiplier spinoff benefits or costs to the local area.

MR. GARRETT: Thanks very much.

HEARING OFFICER SHEAN: Uh-huh.

Yes, ma'am.

MS. BARDET: My name is Marilyn Bardet, and I'm a resident of Benicia. And also I have been a member of the Good Neighbors Steering Committee.

One of my assumptions, of course, is that this is to benefit all of the State of California in this energy crisis that we would have two units on the -- on the site, and that also, that there are obvious benefits to Valero, as a corporation, to receive the benefits of selling that power to the grid.

And I'm -- I'm here actually to represent -- maybe -- maybe this is innocent question. Usually, when deals are struck like this with cities, and we weigh the cost benefit analysis, the community and the city represents our interests. I'm not -- I'm not sure of all the benefits the city -- besides the property tax and things like that, that the city might be first concerned about. But one of my concerns is that the pipeline at H Street come down. I have been informed in the past, when Exxon was here, that that pipeline has never been used, and at East H Street it blocks the access into the arsenal, and the new General Plan calls for a hopeful removal

of that pipeline.

And I'm wondering if, for community benefits, that one is a serious one. It impacts how we look at historic preservation in town, and fulfill a dream for added tourism, where we connect the arsenal historic district to the downtown historic district via the old boulevard in town, which is H Street.

And the other thing I would like to recommend personally is -- and I think this would be very good for Valero, and maybe other businesses in town would take up. I feel that there is a lot of cyclone fencing in town, especially along Park Road, where the pipelines are. And you share some common responsibility with the Port operators for the aesthetic environment in that area.

And I also think that there's cyclone fencing now being used, I believe, to fence off Caltrans equipment at the bottom of East Second and Military, where you come off the freeway. Well, it's East Second exit off the freeway, 780. And our entrances and exits in town are not very attractive, although I'm very excited that the city has started to plant roses and some other

plants besides ice plant there.

But we have suffered in this town from a lack of aesthetic concern for on the 780 corridor, we've had fires where the trees aren't pruned by Caltrans. We've had -- we really have an awful lot of eyesores that could use some attention. And if I was to look at a benefit for Valero and a benefit for the community, it would be to take care of some of these aesthetic needs. And I don't believe they're that expensive to take care of. If you found low maintenance vines, even morning glories, if you planted them on the cyclone fencing, I've thought of it myself, of going around with morning glory seeds. I know the realtors adopt a highway, and I -- I think that we could beautify our town, and Valero could take the lead in helping, you know, in a way, soften our city.

Because we are an industrial town, and we're talking about increasing the density of use on your property, and it does, in general, impact us all when you look at the water consumption, and we think of drought. And our town could become quite seedy in a drought, with no plantings, et cetera, et cetera. And it would be nice to take

advantage of plants that you could plant along cyclone fencing that impacts our historic districts and the look of our town coming off the freeway.

And I think that would be a superb contribution as part of a -- if I had to look for a community benefit. Thank you.

HEARING OFFICER SHEAN: Let me just ask you if you're going to be here for the duration of the meeting. Maybe you can come up and show us on the map, at the conclusion of this meeting, the location of the pipe as well as the fencing that you're describing.

Yes, sir.

MR. GOLDIE: Hi. My name is Scott Goldie. I'm the Vice Chairman of the Benicia Chamber of Commerce, and I'm here tonight on behalf of that institution.

I just had a brief comment. We have considered this project at a recent board meeting, after a presentation by Valero, and some information we got out in the community. We voted unanimously to support this project. I think it's a benefit to the state, in terms of the energy crisis. We also feel it's a benefit, net positive

benefit to the environment, the way the plant's being planned.

So we support this public process you're going through. And in the end, we would urge you to approve and get this plant and its second phase constructed.

Thank you.

HEARING OFFICER SHEAN: Thank you.

MR. WOLFE: Good evening. Mark Wolfe, here for CURE. And as Mr. Caswell said, I'm joined in the audience by Dr. Phyllis Fox, who is our environmental consultant.

Thank you to the Committee and to the Staff, and to the Applicant, for their presentations tonight.

I just wanted to let the Committee know that CURE filed a set of data requests, which we served on the Applicant probably about a couple of weeks ago. And if there's anyone in the audience here that would like to see a copy of those data requests, please come see me after this meeting. Give me your e-mail address.

The requests went primarily to the topic of air quality impacts. We felt that the Application for Certification, as supplemented,

lacks some information that we felt was necessary for a properly circumspect review of the project's impacts. And we're looking forward to getting answers to those. And, as I said, we'd be more than happy to share copies of those questions with anybody who would ask.

We will be at the workshop, also, after this hearing, where we will present those and some other questions to the Applicant in more detail, and I would encourage everyone to join us and participate in that.

Thank you.

HEARING OFFICER SHEAN: Thank you.

I thought she was going to the mic.

Is there anyone else who would like to make a comment or ask a question?

Yes, ma'am.

MS. LANCASTER: Yeah. Jack --

HEARING OFFICER SHEAN: Ma'am, can you please use the mic.

MS. LANCASTER: Jack, how many plants are you currently project manager of?

MR. CASWELL: Two. Well, actually one, right now. I've done five in the last -- counting this, five in the last 15 months.

MS. LANCASTER: Have any of those been turned down?

MR. CASWELL: One.

MS. LANCASTER: Where is the plant close by that will look like the 51 megawatt currently proposed? Where is the closest one?

MR. CASWELL: I don't really know, right now, offhand. I could ask --

FROM THE AUDIENCE: There's a --

MR. CASWELL: There we go.

FROM THE AUDIENCE: -- there's two plants in Sacramento that have -- there's a -- excuse me, the Procter and Gamble project --

HEARING OFFICER SHEAN: Why don't you let me do this over the mic. Okay.

In Sacramento, there are two facilities that are operated by SMUD. They are at Campbell Soup, and actually I live not too -- just across the airport from -- the Executive Airport, from the Campbell Soup. And if you really do want to see it, it's on the 47th Street exit of Highway 99.

MS. LANCASTER: I'm not -- excuse me. I'm not interested in looking at it.

HEARING OFFICER SHEAN: Okay.

MS. LANCASTER: I'm interested in knowing the acoustical impact to the immediate community. If -- if there is any at the same sound mitigation as proposed --

HEARING OFFICER SHEAN: It appears, based upon the essentially first look at this, that the turbine building enclosure will, as far as the turbine equipment, essentially be the package that is available, and the most mitigating to the sound of that equipment.

MS. LANCASTER: Uh-huh. Okay.

HEARING OFFICER SHEAN: There's also -- I just wanted to indicate --

MS. LANCASTER: Okay.

HEARING OFFICER SHEAN: -- there's more that we do look at, because there's also, as was described by the Applicant, the intake with the filters. These facilities gulp a lot of air, and that tends to make some sound. And there are ways to mitigate that sound, as well as -- so, I think our -- our noise people are very conscious about this, and we have a separate Noise section that deals with both construction noise, as well as operational noise.

MS. LANCASTER: Uh-huh.

HEARING OFFICER SHEAN: And I --

MS. LANCASTER: And I understand --

HEARING OFFICER SHEAN: -- as described here --

MS. LANCASTER: -- I understand -- excuse me -- that we will have what, a half a decibel more of sound experienced on average, 24 hours a day, seven days a week, from one cogen plant.

MR. ROACH: Those projections are for two, and that's a half a decibel increase. There's at least one noise consultant here tonight who is going to be available during the workshop period that I'm sure would be glad to discuss it in some -- quite a bit of detail, if that would be helpful.

MS. LANCASTER: Yes. Thank you.

HEARING OFFICER SHEAN: Any other questions or comments?

All right. This is sort of, you know, going once, going twice. If we don't have anything more, then what is going to happen is the Committee will adjourn our portion -- yes.

MS. LOPEZ: Yes. My name is Laura Lopes.

I wanted to know how many --

HEARING OFFICER SHEAN: I'm going to ask you if you'll go to the mic, because he -- he cannot get your question, and while I could repeat it, I want to make sure that it's asked the way you want -- you want it.

MS. LOPEZ: Yes. I want to know how many tons of sulfur are you going to produce with the two plants?

REPORTER: Ma'am, can you repeat your name, please?

MS. LOPEZ: My name is Laura Lopez. I live in Benicia.

REPORTER: Thank you.

MR. ROACH: As a refinery, we produce elemental sulfur as a product, and this project will have no impact on that.

MS. LOPEZ: No. As the plants, the new plants like you are going to construct, how many tons of sulfur are they going to produce?

MR. ROACH: No additional tons of -- of elemental sulfur. Now, with -- the air emissions are going to have emissions of sulfur dioxide.

MS. LOPEZ: How many?

MR. ROACH: Forty-four tons.

MS. LOPEZ: Forty-four tons.

MR. ROACH: Forty-four tons per day. However, there are going to be reductions elsewhere in the refinery of 44 tons per day, also, so that there will be no increase overall from the refinery in the sulfur dioxide emissions.

MS. LOPEZ: But the sulfur dioxide, you produce in your refinery is different than the one that you are going to produce in the plants, because one goes to the air and the other goes to wherever.

MR. ROACH: Sulfur dioxide is the gaseous form.

MS. LOPEZ: Yes.

MR. ROACH: And -- and that's into the air. The product that we produce in the refinery is elemental sulfur --

MS. LOPEZ: Uh-huh.

MR. ROACH: -- and it's -- at ambient conditions, it's a yellow solid.

MS. LOPEZ: Yes, it's different.

MR. ROACH: But that's not going to change with this project. No change in that.

MS. LOPEZ: But I think it's a lot, what you are going to produce. And I think it's a --

it's bad for the environment that they say is --

MR. ROACH: Well, there's going to be --

MS. LOPEZ: Because it's different sulfur than what -- what you produce in your refinery and what you produce in the plants.

MR. ROACH: The -- the amount of sulfur dioxide isn't going to increase, though. There will be no increase.

MS. LOPEZ: But these different. One go in the air, and the other, doesn't matter. You can keep it in whatever --

MR. ROACH: Neither one will change. Neither the -- the yellow part will change, that will not change, nor will the sulfur dioxide to the air.

MS. LOPEZ: Yes, but the one that is the yellow power, to have it there. You can contain in whatever place. But the other go in the air.

MR. ROACH: I -- I'm afraid I don't understand your comment.

MS. LOPEZ: Yes. The one that you are going to produce in the plants go in the air. No?

MR. ROACH: I -- the new --

MS. LOPEZ: Or no?

MR. ROACH: -- the new equipment will

have sulfur dioxide emissions --

MS. LOPEZ: Yes.

MR. ROACH: -- into the air. That is correct.

MS. LOPEZ: Yes.

MR. ROACH: But there will be other equipment within the refinery that will --

MS. LOPEZ: Yes, I understand that.

MR. ROACH: -- reduce --

MS. LOPEZ: You are going to --

MR. ROACH: Okay.

MS. LOPEZ: -- reduce this -- the amount. But the -- the sulfur that you produce in -- in one place is different than the one that you produce in the other one.

MR. ROACH: No, the same. The same.

(Comments from the audience.)

FROM THE AUDIENCE: What I'm hearing is that the plant currently produces --

MS. LOPEZ: But one go -- how much go in the air and how much --

(Comments from the audience.)

HEARING OFFICER SHEAN: Okay. Let's let him answer it on the mic, please.

MR. ROACH: We currently do have sulfur

dioxide going to the air today. And when we build the new facilities, there will not be an increase in the amount. There will be some coming from the new facilities, but we will reduce a portion from the other facilities.

MS. LOPEZ: Okay. But this not the same.

MS. FINLEY: I'm Nancy Finley, a Benicia resident.

And this is just a question out of --

HEARING OFFICER SHEAN: There are no dumb questions at this --

MS. FINLEY: Okay.

HEARING OFFICER SHEAN: -- there are just dumb answers. Okay.

MS. FINLEY: I'm wondering if there's any possibility, if both units go up online, is there any possibility of working with the City of Benicia to create our own Benicia Municipal Utilities District, and take us off the PG&E grid; is that at all possible?

MR. ROACH: Well, unfortunately, I think I'm probably going to have to defer some of that answer to the City of Benicia. I can tell you that, you know, we would entertain any proposals

by a third party or the City of Benicia on the second unit.

HEARING OFFICER SHEAN: Okay. We'll do this going, going, gone one more time.

Yes, sir.

MR. PENDERGAST: Yes, my name is Tom Pendergast. I'm a reporter for the Benicia News.

I'm just wondering. The 44 tons of sulfur dioxide that is going to be reduced from the ending -- getting rid of the old equipment, where -- is that going to be the three boilers that are going to be taken out, or where is that going to be coming from?

MR. ROACH: Part of that is from the three boilers, but it's also a group of other sources. For instance, we have a different boiler that we newly installed two years ago, and at that time we made reductions within our refinery with our fuel gas treating system in order to allow the permitting for that piece of equipment to have full SOx emissions. We're going to constrain the operation so that we don't do that there.

Also, there's some shipping activities that we're going to constrain, as well, in order to have less SOx emissions there.

MR. PENDERGAST: Okay. Thank you.

HEARING OFFICER SHEAN: Okay. With that, then, let me thank you for coming. This meeting was for you, I hope you found it to be informative and meet your expectations. Please be in touch with us, or get on your e-mail server or the U.S. Postal mailing list.

Did you have something, Priscilla?

MS. ROSS: The mailing list is outside --

HEARING OFFICER SHEAN: Yeah, the mailing list is on the table. And the information about how to sign up for the list server is there.

Thank you all. We appreciate the hospitality of the City of Benicia for their room here, and we look forward to seeing you again.

Thank you.

We'll take about five minutes here.

(Thereupon, the Informational Hearing was concluded at 8:30 p.m.)

CERTIFICATE OF REPORTER

I, JAMES RAMOS, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Informational Hearing; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said Hearing, nor in any way interested in the outcome of said Hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of July, 2001.