



California Energy Commission
C/O Bob Eller, Siting Project Manager
Systems Assessment and Facility Siting Division
1516 Ninth Street, MS-3000
Sacramento, CA 95814

June 11, 2001

RE: RAMCO Chula Vista II Peaker Generation Station (01-EP-3)

Dear Commissioners and Staff:

The purpose of this letter is to express the City of Chula Vista's opposition to the proposed certification of the Ramco peaker plant unit number 2, proposed to be located at 3497 Main Street in Chula Vista. The City appreciates the gravity of the current energy crisis and the fact that the Governor has expedited the siting of peaker plants as way of alleviating the crisis. However, the City believes that the proposed peaker facility is not a solution to this summer's reliability and supply problems and imposes undue impacts on the region under the circumstances.

The fact that this plant will not be completed until September 30, 2001 at the earliest, and will not be operating in time to meet the need addressed under the executive order suggests that it should not expedited, and the community should be given the time it needs to thoroughly review the applicants requests in context with the other energy projects within the region. There may now be six (6) peak load power generators on the Otay Mesa River rim area within a mile or two of the Otay Mesa and South Bay generating plants: two (2) (dual fuel) generators at the Larkspur facility; the two (2) Cal-Peak plants and should this plant be approved (2) at the Main Street site in Chula Vista.

The City has already approved a maximum 49-megawatt peak load electrical power generating facility at the site. The facility is nearing completion and should be operational in the very near future. Although this first facility was approved only eight (8) months ago, there are dramatically different circumstances surrounding this second plant. The project was approved under the City of Chula Vista's normal permitting process with appropriate environmental review and land use approvals.

The CEC's February 2001 report to the Governor for 2001 to 2003 identified the San Diego area as one that might benefit from peaker plants but indicated that, "all potential sites in the area [are] questionable," due to limited supplies of natural gas. The report went on to say that, "the backbone natural gas system in the San Diego area is at its limit." As the CEC knows natural gas curtailments caused the South Bay Plant to convert to more polluting fuel for parts of this past December and January. The City believes that CEC staff was correct in their February 2001 Report, and recognized that the 150-megawatts of proposed peaking capacity that is already scheduled to be on line by July 1, 2001, within a mile or two from the existing 709-megawatt power plant, is more than sufficient to meet the voltage and other local "load" needs these facilities can provide given the areas natural gas and transmission limitations. It should also be noted that the applicant indicated that the 2nd unit was not originally contemplated to be built in the foreseeable future, however, they reconsidered their development schedule **after** the Governor's expedited review process was in place.

Given the recent approval of the 510-megawatt Otay Mesa plant and the greater need for the 709-megawatt South Bay power plant to be rebuilt on the Bay front, there is a legitimate concern that the South Bay region is being asked to shoulder an unfair and disproportionate share of the energy crisis burden for the greater San Diego area. The City respectfully requests that the CEC decline to approve the applicant's request for expansion at the 3497 Main street location and submits the following concerns:

a. Cumulative Impacts

The San Diego Air Pollution Control District (APCD) conducted an air quality analysis on the first peaker plant unit and incorporated it as part of the project description with the cumulative impact issue addressed. The unit was found to be in compliance with the air basin standards and the CEQA process. However, with respect to the second RAMCO peaker unit, the APCD is presently in the process of preparing a report regarding the cumulative impacts of power plants in the South Bay air basin. Under the normal CEQA review process, the project would be required to be placed on hold until the final results of the APCD report were made available. However, with the 21-day review process now in place, the CEQA process has been suspended and thus not permitting the results of the cumulative analysis to be known in a timely basis to properly evaluate the project.

b. Natural Gas Consumption

Another major concern relates to the less efficient use of natural gas occurring at a time when there are growing concerns about the limitations of the natural gas delivery system and the overall supply of natural gas for the region. Approval of yet another peak load facility in the region adds another relatively inefficient natural gas user as compared to the production of electrical power by larger natural gas and combined cycle plants. The recently approved Otay Mesa plant is a combined cycle unit that produces approximately 510-megawatts of power. The data supplied in the applications for the Otay Mesa facility and the two Main Street peaking facilities, illustrates that the proposed Main Street facilities would use two to three times as much natural gas as would the Otay Mesa plant to generate a comparable amount of electricity. The City is not suggesting that peaker plants do not serve some purpose to enhance system reliability, but is indicating that after balancing all considerations the proposed peaker plant does not appear to be the most fuel-efficient or environmentally appropriate generation solution.

The CEC's staff report recognizes the limitations on natural gas supply in the area. The City believes that the CEC report appropriately considered the potential impacts this and the other peaker plants in the immediate area will have on the curtailment of natural gas for the South Bay facility and the resulting degradation in air quality that will result if it is forced to run on more polluting fuels.

The efficient use of natural gas and diversification of our power sources is critical to the Governor's stated goals of reducing costs, eliminating blackouts and keeping the utilities solvent. By concentrating on re-powering and potentially increasing the productivity of existing larger plants in an environmentally appropriate way we can generate more power with less impact to the environment and our local communities while using far less natural gas.

c. Environmental Impact Inequities

A great deal of information on chemical, thermal and noise pollution controls as well as fuel consumption and transmission requirements are available for the City's review on individual facilities based on a project by project basis. However, staff has not had the time to develop nor is there data or an analysis available indicating expectations of what the likely impact to the system and region will be as each project is proposed. Additionally, while existing CEC, APCD and other regulatory controls are referenced by the project applicant as the communities' protection against excessive increases in chemical, noise and thermal pollution staff and the communities are concerned about what appears to be a trend to relax environmental restrictions in favor of relief from system reliability issues and higher costs for consumers. As an example, the 709-megawatt South Bay Power Plant experienced 13 days of natural gas curtailment this past December and January long before any of the six less efficient natural gas peaker plants and the 510-megawatt Otay Mesa natural gas facility have come on line. The plant was required to burn oil during this period, with significant adverse impact on local air quality. CEC is relaxing the NOx standard to allow the proposed facility to operate between September 30, 2001 and June 30, 2002.

Staff does not raise these issues to challenge whether reliability and hardship caused by higher energy costs are in fact legitimate concerns but whether or not Chula Vista and the residents of the Otay region are being asked to shoulder a disproportionate share of the burden to address those issues on behalf of the region.

d. Public Convenience and Necessity

One of the CEC considerations in certifying an application is its compliance with applicable state, local or regional standards, ordinances or laws. If compliance cannot be found, under Public Resources Code Section 25525 the CEC must determine that the facility is "required for the public convenience and necessity and that there are not more prudent and necessary means of achieving such public convenience and necessity." The City's view is that this finding cannot be made.

The project will not be completed in time to service the "summer emergency" needs identified by the Governor as the basis for the expedited process. This facility will not be up and running by either the original date for "emergency" facility operations of July 1, 2001 or the expanded date of September 30, 2001. In fact, without further reductions in air quality regulations that allow the plant to operate without a catalytic converter increase the generation of NOx approximately five fold, the facility would not operate before next summer. It therefore does not provide the "urgent" need for "reliability" that was expressed to staff by the CEC and the applicant at the time staff recommended approval of the first plant. Staff believes that before next summer the second generator at San Onofre Plant will have come back on line, the fourth generator at the South Bay Plant will have completed its air quality retrofits and be back on line, the APCD will have had sufficient time to complete their cumulative impacts report, and residents and businesses will have had a chance to demonstrate how well they respond to the energy conservation incentives, tiered pricing increases and variety of programs already approved by the state.

The City of Chula Vista respectfully requests that the Commission decline to certify the Ramco facility expansion application on the grounds that the City has outlined above. Should the CEC decide to not find in favor of the City on these grounds or any other appropriate findings available to the Commission, the City recommends that CEC approval of the proposed expansion be contingent on the following:

1. All conditions adopted by the Agency for Phase I will be incorporated and adopted for Phase II.
2. The sound wall built on the south side of the property will be built around the entire perimeter of the site to buffer the sound effects in all directions.
3. The term of the CEC approval be limited to three (3) years. If approved for a period longer than three (3) years, reduce the NOx emissions to 2 PPM.
4. The Applicant should be required to make a significant contribution to local renewable energy projects or mobile air emissions retrofit funding to at least partially mitigate adverse air impacts. Require that if the applicant violates 2001 emissions standards and is not required to pay a penalty to the APCD or comparable authority, then the applicant shall be required to pay the penalty amount to the City of Chula Vista for Chula Vista/South Bay regional air pollution mitigation projects.
5. The Selective Catalytic Reduction (SCR) pollution control equipment should be installed at the earliest possible specified date. The proposed June 1, 2002 date is too relaxed a standard.
6. Any future applications of this type by Ramco or any other entity should be processed locally or at least in a more extensive CEC process that includes a more complete CEQA review and public process.

Also, attached for your review is a copy of Chula Vista staff's specific comments to the CEC staff report and the Resolution adopted by Council authorizing these comments. If you have any questions please feel free to contact me at (619) 691-5122.

Respectfully,

Michael T. Meacham
Michael T. Meacham
Special Operations Manager
City of Chula Vista

CITY OF CHULA VISTA
COMMENTS TO RAMCO CHULA VISTA II PEAKER GENERATION
STATION (01-EP-3) ASSESSMENT FOR EMERGENCY PERMIT

The following are the City's direct comments to the staff report on RAMCO Peaker Plant:

(Page no. references at the end of each numbered comment are to the CEC staff report).

1. CEC staff proposes NO_x reduction to 5ppm by no later than June 1, 2002. In the interim, the plant will run at 25 ppm. NO_x emissions should be reduced sooner. If the permit is for longer than 3 years, the 5-ppm standard should be exceeded. [p.1]
2. The notion that peaker plants are necessary to keep electricity reserves above 7% (the threshold for shutting off interruptible business consumers) is based on a projection of high temperatures with only a 10% chance of occurring. This is a poorly defined emergency to warrant such an extraordinary permitting process. CEC staff has indicated verbally that the peak summer season will last until October 13th. This plant won't be ready until September 30th, if then. By next summer many repaired and new more efficient plants will be on-line and we will be in a better position to determine the extent to which conservation and other more temporary (and benign) measures have worked to minimize reliability issues. The ISO has already indicated that consumers conserved 11% of the state's total generation in May long before the proposed increases and tiered rates have had a chance to further increase conservation levels. Under these circumstances, the Commission cannot find that "all reasonable conservation, allocation and service restriction measures may not alleviate an energy supply emergency." It must make this finding to properly to invoke its emergency authority to approve the project under this expedited process. [p.2-3]
3. The CEC staff report states as follows: "Although it is impossible to accurately calculate the likelihood of system outages, such outages are certainly plausible and are much greater without new generation resources in most California service areas." There is no back-up evidence offered for this conjecture or an application of this statement to the San Diego service area or the proposed project. Under such circumstances, the expedited process should not apply. [p.3]
4. The CEC staff report discusses "heat wave" risks and the benefits of air-conditioning to offset these risks. The report notes that new peaker plants will reduce these risks and create fewer problems than they reduce. Again, there is no project specific analysis of these assertions. (p.3)
5. On-site back-up generators are dismissed as "isolated from the grid". But to the extent they reduce demand on the grid they too should enhance system reliability. Was any study done of available capacity in the San Diego service area as opposed to statewide? [p. 5]
6. Differences in air emissions between a combined cycle and simple cycle plant are cryptically outlined on p. 5 Peaker plant capacity is not identified so one can't really compare. [p.5] The RAMCO plant is not specifically discussed at all.

Assessment Comments continued...

7. APCD preliminary results suggest cumulative impacts will not “violate air quality standards” But the actual APCD report is not to be made available until June 11th. The City and the public needs more time to review and analyze this report to understand its findings and to comment on them to the CEC. CEC can’t make an informed decision without full consideration of this report. [p. 6]
8. Land Use: The report’s discussion of land use issues is inadequate. It refers only to “citizen groups” and not to the formal opposition adopted by the Chula Vista City Council on June 5, 2001. Exclusive jurisdiction is declared as if the local jurisdiction’s comments do not matter. But the project must comply with local laws, ordinances regulations and standards (LORS). According to City LORS, a CUP and OPA would be required for this use. The City Council has indicated it would not make the required findings to support a CUP based on changes circumstances and knowledge since their previous approval of Unit #1. These findings are (1) That the proposed use at the location is necessary or desirable to provide a service or facility which will contribute to the general well being of the neighborhood or the community; (2) that such use will not under the circumstances of the particular case, be detrimental to the health, safety, or general welfare of persons residing or working in the vicinity or injurious to property or improvements in the vicinity. (3) that the proposed use will comply with the regulation and conditions specified in the code for such use; (4) that the granting of this special use permit will not adversely affect the general plan of the City or the adopted plan of any government agency. Therefore, LORS compliance cannot be established. Where LORS compliance does not exist, the CEC must find under PRC 25525 that the facility is “required for the public convenience and necessity and that there are not more prudent and necessary means of achieving such public convenience and necessity.” This finding cannot be made here where the project will not be completed in time to meet summer peak demands and other measures with lower adverse impacts may prove successful in the interim. [pp 12-18]
9. Environmental Justice. This issue is framed in terms of impacts on minority and low-income populations in the immediate vicinity. The report indicates that project mitigation measures will avoid “significant adverse impacts” so no injustice will occur. But it is the South Bay (with a number of areas that tend to have higher minority populations and more lower income residents than other parts of the service area) that is being asked to bear the brunt of the peaker plant installations in the service area. [p.18-19]
10. The proposed term of certification is “for life of the project”. How is this defined? What if the project is not operated for a certain period of time, is it considered “abandoned” with a new permit required? Where did these “life of project” criteria come from. The three-year “report” of compliance requirement is not a sufficient limitation; it should be replaced with a three-year permit limitation. [p. 30]

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AND THE CHULA VISTA REDEVELOPMENT AGENCY DIRECTING STAFF TO COMMUNICATE THE CITY'S POSITION AND CONCERNS REGARDING THE APPLICATION FROM RAMCO, INC. REQUESTING A 62 MW EXPANSION OF THEIR ELECTRICAL POWER GENERATING STATION AT 3497 MAIN STREET IN THE SOUTHWEST REDEVELOPMENT PROJECT AREA

WHEREAS, on September 26, 2000 the City Council and Redevelopment Agency approved a Special Use Permit (SUP) and an Owner Participation Agreement (OPA) allowing for the development of a maximum 49 MW peak load electrical power generating facility at 3497 Main Street in the Southwest Redevelopment Area; and

WHEREAS, the previous project was approved under the City of Chula Vista's normal permitting process with appropriate environmental review and land use approvals; and

WHEREAS, the current facility is nearing completion and should be operational in the very near future; and

WHEREAS, RAMCO, Inc., the new owner of the Main Street power plant is proposing to expand the existing facility with a second phase; and

WHEREAS, the proposed expansion includes the installation of an additional 62 MW natural gas-fired combustion turbine generator; and

WHEREAS, the applicant is processing these plans through the California Energy Commission (CEC) pursuant to Governor Davis' 21-day emergency plant siting procedure; and

WHEREAS, under this process the proposed expansion is exempt from CEQA review and the CEC has asserted authority as the exclusive permitting authority over the project; and

WHEREAS, the CEC has scheduled a public hearing in Sacramento on June 11th to make a final determination on the application after having held a community meeting on May 29th to receive public input; and

WHEREAS, the City Council has comments and concerns regarding the proposed project.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Chula Vista and the Chula Vista Redevelopment Agency hereby direct Staff to Communicate the City's position and concerns regarding the application from RAMCO, Inc. for the expansion of their electrical power generating station at 3497 Main Street consistent with City Council deliberations and instructions, in a final form prepared by Staff and approved by the City Attorney.

Presented by

Chris Salomone
Director of Community Development

Approved as to form by
Glen Googins for John Kaheny
John M. Kaheny
City Attorney