

Lupe Anguiano

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Cc: "Bill Powers" <bpowers@powersengineering.com>
Sent: Friday, October 09, 2009 3:41 PM
Attach: 01-apr-08_SWRCB_electric reliability study_OTC.pdf; OTC Comments Final.doc; EHC_Final_Letter_SWRCB_OTC_Policy.pdf
Subject: OTC Plants Update - ISO and Water Board
All:

Reliant Energy
Texas NRG Energy

There have been several recent developments on the OTC Power Plant front.

First, on September 24, I went to Sacramento for a briefing from the ISO. Others attending were Ed Sotelo, Oxnard City Manager, and Matt Winegar, Oxnard Director of Development Services, Bill Brand, Redondo Beach City Councilman, and Callie Hurd, field rep for Sen Pavley. Andres Herrera could not come because of a death in the family.

The ISO staff gave us a full policy-level briefing on their recent analysis of the status of the OTC plants and the prospects for retirement (and possible repowering) to maintain grid reliability. As expected, the ISO has proposed a worst case timeline which they would characterize as entirely reasonable and sound. For the Ventura Basin and the LA Basin, they say the plants could not be retired until 2020.

This conclusion contradicts the SWRCB/OPC Study on Grid Reliability performed by the consultants, Jones and Stokes (attached above). You will recall that that report stated that: "...the vast majority of the transmission upgrades identified in the analysis to compensate for OTC plant retirements are relatively modest, requiring only 1-3 years to construct and place in service....with as little as \$135 million in in-state transmission system upgrades."

Bill Powers, an energy consultant out of San Diego, gave us the benefit of his perspective, below, on the CAISO party line. He much prefers the Jones and Stokes study as does anyone who wants the OTC plants to go away sooner rather than later.

http://www.waterboards.ca.gov/water_issues/programs/npdes/docs/cwa316/draft_sed.pdf This link to the Water Board website takes you to a document addressing new once-through cooling regulation under the NPDES program. Appendix C of this document is the Joint Proposal of Energy Agencies to the Water Board that presents their argument for the delayed timeline. Note also the chart at the end of Appendix C which shows the implementation for grid reliability (replacement infrastructure) in the Ventura Basin and LA Basin by 2020. This proposal by the ISO, CEC, and PUC was bought hook, line, and sinker, as far as I can tell, by the staff representatives from the Water Board, the Coastal Commission, the State Lands Commission, and the Air Resources Board. At least for now. See the following link to the proposed draft Water Board Policy. http://www.waterboards.ca.gov/water_issues/programs/npdes/docs/cwa316/draft_otcpolicy.pdf

The representative of the Coastal Commission told me that we should be happy because this means that the energy agencies have all now agreed for the first time that the OTC plants will go away. This, of course, does not say anything about their stance regarding repowering in the same place. And, to repeat, it assumes another ten years of all the negative impacts of these plants on the coast.

Written comments on the draft policy were due on Sept. 30. I don't think they would ignore letters submitted after that date. And there will be a hearing(s) this fall. See two letters attached. One from Sen.

Pavley. Callie did a great job of quickly getting up to speed on behalf of Fran. As the author of AB 32 and a member of the OPC, the Senator states that this policy must be implemented immediately and sooner than the timeline proposed. In contrast to most documents especially from the Water Board, she notes the many impacts on coastal communities over and above the water uptake and specifically highlights that fact that these plants by their location inhibit implementation of major coastal wetland restoration projects that have many possible benefits including improved water quality and urban runoff abatement.

Please also see the letter from the Environmental Health Coalition of San Diego. They make many strong points. Note item #2 re. Environmental Justice. Also, note their strong criticism of the ISO based on long experience, item #3. "We understand that ISO wants to keep all options open - forever. That does not work for the community or the Bay." Finally, see their recommendation that community representatives should be included in the OTC Statewide Advisory Committee.

One of the points we made to the ISO in Sacramento was that in contrast to their worst case approach, we would be looking for a best case retirement scenario for the individual plants of concern. For example, I learned from an ISO staffer who did not attend the meeting that fixing a grid bottleneck at the Fillmore substation could do a great deal to hasten the retirement of OTC plants in Ventura. More on that later.

I hope you find this helpful. Let me know if you have any questions. Also, please let us know if any of you submit letters to the Water Board as well.

Best,

Peter

From: Bill Powers [mailto:bpowers@powersengineering.com]
Sent: Wednesday, September 23, 2009 5:43 PM
To: brand@scc.ca.gov
Subject: May 11th CEC/CAISO workshop & Jones/Stokes participation - transcript

Hello Peter,

Hear is the link to the CEC/CAISO May 11th OTC phase-out workshop transcript. The discussion of interest is at pdf pp. 192-213.

http://www.energy.ca.gov/2009_energy_policy/documents/2009-05-11_workshop/2009-05-11_Transcript.pdf

I would recommend searching the entire May 11th workshop transcript for "Mansour" and "Peters". Both gentlemen are with CAISO. Mr. Mansour is the president of CAISO, Peters is the external affairs manager. They paint a picture during the workshop of the OTC boiler plants as essential and the cost of replacement, via transmission, as extraordinarily high. The CAISO as an institution was not aware that the April 2008 ICF Jones & Stokes reliability report, paid for the SWRCB, existed at the time of the May 11th hearing.

The Jones & Stokes report is significantly more detailed and referenced than any written document, mostly PowerPoint presentations, the CAISO has put out on the OTC boiler phase-out topic.

CAISO is painting the conversion or replacement of these plants as difficult, extremely expensive, and a threat to grid reliability. The Jones & Stokes report paints the phase-out of the OTC coastal boilers as straightforward and relatively low-cost.

I think Jones & Stokes did a good job technically without any pre-conceived notions about what the answer was supposed to be. CAISO is very opposed to the phase-out of the OTC coastal boilers for reasons that appear more

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political than technical. To some degree the speed at which phase-out of the OTC boiler plants takes place is dependent on the extent the Jones & Stokes report is perceived as sound and credible by the end of the CEC/CAISO July 28th workshop. The Jones & Stokes report was prepared at the request of the SWRCB, and the SWRCB is the agency responsible for the OTC boiler phase-out. To the extent the Jones & Stokes report is perceived as credible, it carry's more weight than CAISO's opinions on the matter.

I contributed what I knew as a panelist during the May 11th workshop and all of that is in the transcript. CAISO will attempt to dismiss the Jones & Stokes report by alleging obscure technical deficiencies that no one will be able to corroborate one way or the other at the workshop unless Jones & Stokes has someone there with significant grid reliability expertise who can counter CAISO's statements on the fly.

Regards,

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