

# **SECTION 1**

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## **INTRODUCTION**

This Initial Study has been prepared in accordance with CEQA Guidelines Section 15063 to evaluate the potential environmental consequences of Pacific Gas and Electric Company's (PG&E's) proposed sale of three fossil fuel power plants in PG&E's current service area. The California Public Utilities Commission (CPUC), which is the CEQA lead agency for this project, is issuing this document for a 30-day review and comment period to Parties of Record in A.96-11-020, other potentially affected agencies, and other interested members of the public.

### **BACKGROUND**

Electric energy is generated using a turbine and a generator, which together comprise a generating unit. A generating facility or power plant normally consists of several generating units. In California, there are approximately 550 generating power plants (250 thermal plants and 300 hydroelectric plants) owned by publicly- and privately-owned electric utilities. Additionally, 900 additional smaller plants are owned and operated by non-utility generators.

Electric power systems consist of three components: generating plants, transmission lines and local distribution systems. Generating facilities may consist of one or more units which can be operated separately to make electricity. The transmission system is a network of lines providing multiple paths from electricity suppliers or generators to distribution substations. Transmission lines feed electricity from generating units into distribution substations located near demand areas. Transformers located at the substations reduce or step-down the high voltage transmitted over the transmission lines to a lower voltage for local distribution. Distribution lines connect the substations to the consumer.

Consumers in California purchase the majority of their electricity from one of the state's largest investor-owned utilities (IOUs) -- Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), or Southern California Edison Company (Edison). These utilities are state regulated entities that generally provide a "bundled" service for a single rate. A bundled service refers to all stages of electricity transmission including: electricity generation at power plants; routing power to broad regions via transmission lines; distributing power to consumers over local wires or distribution lines; and, administrative activities incurred when providing electric services.

Although California's current electricity rates are among the highest in the world and are about 50 percent higher than the national average, electric bills are not high when ranked with the national average. The California Public Utilities Commission (CPUC) sets electric utility rates. These rates are based on a cost-of-service regulatory framework plus a reasonable profit margin for IOUs. Regulated utilities must seek approval from the CPUC prior to making any changes to rates or services.

In order to make California's electric industry more competitive, improve consumer choices, and lower utility rates, California's Legislature and Governor have taken a series of steps to restructure and reform the industry. These reforms, their evolution, and their likely consequences for consumers are summarized in two attachments to this report: Attachment A "How Electric Industry Change Will Affect You," and Attachment B "Regulatory Background." As an end result, consumers of electricity will be able to purchase electricity either from their current utility or from another electricity supplier.

### **DIVESTITURE OF PG&E GENERATION ASSETS**

To further competition, the CPUC has requested that the two largest IOUs voluntarily divest ownership of some of their generating capacity. The CPUC believes that this reform, by increasing the number of electrical suppliers, will foster competition.

In November 1996, PG&E filed an application (A.96-11-020) to respond to the CPUC's request for voluntary divestiture, requesting authority to sell four of its eight fossil-fueled power plants: Hunter's Point, Morro Bay, Moss Landing, and Oakland. In late June, 1997, PG&E withdrew the Hunter's Point Power Plant from this application. Therefore, this Initial Study only evaluates the proposed sale of the three remaining plants.

Approval of the specific divestiture plans by the CPUC is required by Public Utilities Code Section 851 prior to the sale of these power plants.

### **RELATED PROJECTS**

PG&E has announced its intent to apply in fall, 1997, for approval to sell most of its remaining fossil-fueled power plants (Contra Costa, Hunter's Point, Pittsburg, and Potrero Hill, but not Humboldt) and the Geysers geothermal power plant.

Southern California Edison (Edison) has also applied (Application No. 96-11-046) to the CPUC under Public Utilities Code Section 851 for the sale of 12 of Edison's fossil-fuel generation plants, which are located in Southern California. In considering cumulative impacts for PG&E's current application, this Initial Study takes Edison's application as well as PG&E's future application into account.

## **PUBLIC AGENCY PARTICIPATION PROGRAM**

In order to gather information related to the possible environmental effects of these divestiture applications, the California Public Utilities Commission (CPUC) initiated a concerted effort to consult other affected agencies and jurisdictions. The CPUC's Public Agency Outreach Program was developed for the purpose of establishing early contact and opening lines of communication with key public agencies directly affected by the divestiture plans proposed by PG&E and Edison, and obtaining local level insight and information for the Initial Study.

The Agency Outreach Program included consultations with forty-five agencies conducted at central meeting locations, agency offices, and by telephone. Documents and plans were obtained from the communities where the plants are located that provided information regarding the potential environmental effects of divestiture to these communities. Local agency representatives provided historic background on plant operations, permitting requirements, land use information, community perceptions, and local environmental concerns. Section 6 of this Initial Study presents a list of individuals contacted from the various affected agencies, and a schedule of meetings held as part of the Agency Outreach Program.

## **DRAFT INITIAL STUDIES**

On June 3, 1997 the CPUC published a Draft Initial Study, (DIS) for the divestiture application. Public workshops were conducted for the DIS. Written comments on the DIS were submitted by numerous parties. Upon review of the comments, as well as further consideration of the preliminary analysis and conclusions in the DIS, it was determined that some impacts identified as potentially significant in the DIS will not, in fact, be significant. Other impacts identified as significant in the DIS can be feasibly mitigated to a less than significant level. Some of the comments on the DIS identified potential new environmental impacts that required additional analysis to determine the level of significance. All of the comments submitted were reviewed and considered in the process of completing this Initial Study.