

September 25, 1997

Mr. Bruce Kaneshiro, Project Manager
c/o Environmental Science Associates
225 Bush Street - Suite 1700
San Francisco, California 94104

Re: Comments on Mitigated Negative Declaration and Initial Study for Pacific Gas & Electric Company's Proposed Divestiture (Application No. 96-11-020)

Dear Mr. Kaneshiro:

Pacific Gas & Electric Company (PG&E) hereby submits the following brief comments on the Mitigated Negative Declaration and Initial Study prepared concerning its proposed divestiture of its Oakland, Moss Landing and Morro Bay Power Plants.

[\[Begin PG&E-1\]](#)

1. p. 5 - Cultural Resources. Section 4.14.b.1

The second paragraph of the mitigation has inadvertently dropped a few words from the mitigation measure accepted by PG&E. The first few sentences of that paragraph should read as follows:

A qualified archaeologist shall be consulted prior to implementing construction or soil remediation activities that will involve earth moving or soil excavation, and the archeologist shall be available for consultation or evaluation of any cultural resources uncovered by such activities. For any previously undisturbed, known archeological areas, a qualified archeologist shall monitor earth moving and soil excavation activities . . .

Corresponding changes should be made when the mitigation measure is described in the body of the report.

[\[End PG&E-1\]](#)

[\[Begin PG&E-2\]](#)

2. p. 2.2 - Project Characteristics

As reflected in the Addendum to the Application, tank farms and marine terminal facilities are all being offered for sale with the plants. PG&E is training only switchyards and transmission related equipment and property.

[\[End PG&E-2\]](#)

[\[Begin PG&E-3\]](#)

The proposal for entering into "bidding contracts" with the buyers if the sales are not able to close before PX operations begin has been deleted from the PG&E's application, as reflected in the Addendum to the Application filed February 25, 1997.

[\[End PG&E-3\]](#)

4. p. 3.2 - Amount and Timing of Construction, Refurbishment, Repowering . . . etc.

[\[Begin PG&E-4\]](#)

The last few sentences in the paragraph could be misunderstood by some readers to suggest that increases of up to 49 MW could be made at a plant site without any permits or environmental reviews. Although such expansions may be exempt from CEC approval, other permit and environmental reviews, such as construction permits or new source review by the air agencies would still apply.

[\[End PG&E-4\]](#)

3. p. 4.4.9 - Combined Issues

[\[Begin PG&E-5\]](#)

PG&E has now completed Phase II testing that further addresses the potential contamination issues identified in the Phase I reports and otherwise characterizes the nature and extent of soil and groundwater contamination at each of the plant sites. Upon testing, many of the potential issues identified in the Phase I reports were found not to exist, or not to require any additional investigation or remediation. Based on the Phase II work and a health based risk assessment, PG&E has concluded that none of the environmental conditions found at the sites currently requires remediation to protect human health and safety. Remediation of some conditions is required, however, to meet various regulatory standards. PG&E is working with responsible environmental agencies to develop appropriate strategies for addressing such conditions.

Corresponding changes should be made in sections on the individual plants that refer to the Phase I results.

[\[End PG&E-5\]](#)

[\[Begin PG&E-6\]](#)

4. p. 4.4.5 - Air Basin Attainment Designations

Table 4.5.2 should indicate that the Bay Area Basin is currently designated as in attainment with federal ozone standards. Footnote /a/ to Table 4.5.2 should reflect only that the EPA has proposed a redesignation of the Bay Area Basin to "moderate" nonattainment.

[\[End PG&E-6\]](#)

PG&E appreciates the opportunity to comment on the proposed Mitigated Negative Declaration and Initial Study, and urges the Commission to adopt a Final Mitigated Negative Declaration as soon as possible.

Sincerely,

M. Chistie Mcmanus
Project Manager
Application No. 96-11-020

PG&E - PACIFIC GAS AND ELECTRIC

PG&E-1.

The first sentence of the last paragraph on page 4.14.4 of the Initial Study, and the corresponding section in the Mitigated Negative Declaration, are revised as follows:

A qualified archaeologist shall be consulted prior to implementing construction or soil remediation activities that will involve earth moving or soil excavation, and the archeologist shall be available for consultation or evaluation of any cultural resources uncovered by such activities. For any previously undisturbed, known archeological areas, a qualified archeologist shall monitor earth moving and soil excavation activities, consistent with relevant Federal, State, and local guidelines.

PG&E-2.

The paragraph identified by PG&E as inaccurate was taken directly from PG&E's own Proponent's Environmental Assessment (PEA), as stated at page 2.2 of the Initial Study. PG&E has since submitted an Addendum to its application showing that the tank farms and marine terminal facilities are included in the property being divested. This information is already accurately reflected in Figures 2.3, 2.4, 2.6 and 2.7, showing the property proposed for sale at the Moss Landing and Morro Bay plants. However, the second item in the list of terms and conditions found on page 2.2 of the Initial Study is revised as follows:

All generating and retired units at a site would be sold to the same buyer, along with equipment and land necessary to the generation function. Related facilities at some of the power plant sites (such as tank farms and marine terminals) ~~may be retained or sold separately~~ are included in the sale, as shown in Figures 2.3, 2.4, 2.6, 2.7, and 2.9.

PG&E-3.

This comment actually applies to the first paragraph on page 2.4. To clarify and correct the report, the entire seventh enumerated set of Terms and Conditions is fully deleted.

7. ~~If the PX operations begin before the plant sales are able to close, PG&E would enter into "Bidding Contracts" with the buyer, which would give the buyer bidding and dispatch control and thereby mitigate market power concerns, until such time as full ownership can be transferred.~~

PG&E-4.

To provide clarification the sixth sentence of the first paragraph of page 3.2 is revised as follows:

With that exception, however, expansion or repowering of facilities at the plants would require issuance of new permits and accompanying environmental review by the CEC. Regardless of CEC jurisdiction, any plant expansion would require other permits and environmental reviews such as new construction permits or new source review by the affected air agencies.

PG&E-5.

The following text changes will be made:

The fifth paragraph on page 4.9.2 is revised as follows:

PG&E recently conducted both Phase I and Phase II Environmental Site Assessments at the plant ~~and will follow up, as appropriate, with Phase II testing~~ to determine the nature and extent of contaminants. The Phase I report (Camp Dresser & McKee, 1997a) identified 26 “recognized environmental conditions” at the Morro Bay Power Plant; these conditions represent past or present incidents of release of hazardous substances or petroleum products to the ground, groundwater, or surface water of the property. The Phase I report went on to identify at least 11 impaired conditions at the Morro Bay plant as “material recognized environmental conditions,” defined in the report as a situation of environmental contamination “requiring extensive investigation and/or remedial efforts to address.” The Phase II work (Fluor Daniel GTI, 1997a) investigated among other things the specific Phase I identified environmental concerns and concluded, “The risk assessment showed the cumulative risk posed to human health and the environment by chemicals in soil and groundwater did not exceed the acceptable level established for this project throughout the risk assessment process and by regulatory policies.” The Phase II report also indicated that remediation of two environmental concerns (relating to contaminated soil and groundwater) would likely be required. PG&E will work with appropriate environmental agencies to develop specific remediation plans.

The fifth paragraph on page 4.9.3 is revised as follows:

PG&E recently conducted both Phase I and Phase II Environmental Site Assessments at the plant ~~and will follow up, as appropriate, with Phase II testing~~ to determine the nature and extent of contaminants. The Phase I report (Camp Dresser & McKee, 1997b) identified 17 “recognized environmental conditions” at the Moss Landing Power Plant. The Phase I report went on to identify at least nine impaired conditions at the Moss Landing plant as “material recognized environmental conditions.” The Phase II work (Fluor Daniel GTI, 1997b) investigated among other things the specific Phase I identified environmental concerns and found them to “pose no unacceptable risks to current site workers or future construction workers.” The Phase II report also indicated that remediation of four environmental concerns (relating to contaminated soil and groundwater) would likely be required. PG&E will work with appropriate environmental agencies to develop specific remediation plans.

The second paragraph on page 4.9.4 is revised as follows:

PG&E has recently conducted both a Phase I and Phase II Environmental Site Assessments at the plant ~~and will follow up, as appropriate, with Phase II testing~~ to determine the nature and extent of contaminants. The Phase I report (Camp Dresser & McKee, 1997c) identified 15 “recognized environmental conditions” at the Oakland Power Plant. The Phase I report went on to identify at least nine impaired conditions at the Oakland plant as “material recognized environmental conditions. The Phase II work (Fluor Daniel GTI, 1997c) investigated among other things the specific Phase I identified environmental concerns and found them to “pose no unacceptable risks to current site workers or future construction workers.” The Phase II report also indicated that remediation of five (relating to contaminated soil and groundwater) environmental concerns would likely be required. PG&E will work with appropriate environmental agencies to develop specific remediation plans.

The fourth paragraph on page 4.9.9 is revised as follows:

Because of the fuels, water treatment chemicals, and other hazardous materials historically used at the power generating stations and discussed above, the three stations to be divested could have contaminated soils, structures, or equipment. Phase I and Phase II environmental site assessments have identified potential surface or subsurface contamination at specific facilities. Known conditions are summarized above under “Setting.” The transfer of plant ownership may advance the time at which existing hazards are remediated.

The fourth paragraph on page 4.9.10 is revised as follows:

Appropriate Phase I and Phase II Environmental Site Investigations have been conducted for each plant site. These reports document known site conditions, and would be provided to prospective new owners as part of the due diligence process and to appropriate regulatory agencies as part of the remediation process. Therefore, all likely areas of known and potential contamination have been identified and will be known to prospective buyers.

PG&E-6.

Refer to response to BAAQMD-1.

REFERENCES:

Fluor Daniel GTI, Phase II Environmental Site Assessment Morro Bay Power Plant, Morro Bay, California, prepared for Pacific Gas and Electric Company, July 1997a.

Fluor Daniel GTI, Phase II Environmental Site Assessment Moss Landing Power Plant, Highway 1 and Dolan Road, Moss Landing, California, prepared for Pacific Gas and Electric Company, July 1997b.

Fluor Daniel GTI, Phase II Environmental Site Assessment Oakland Power Plant, 50 Martin Luther King Jr. Way, Oakland, California, prepared for Pacific Gas and Electric Company, July 1997c.