

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



## Notice of Preparation (NOP)

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**Environmental Impact Report  
for the  
Proposed Divestiture of Electric Generation Assets by Pacific Gas and Electric Company  
Application No. 98-01-008**

### Project Description

On January 14, 1998, Pacific Gas and Electric Company (PG&E) filed an application (Application No. 98-01-008) with the California Public Utilities Commission (CPUC) to sell (divest) four of its fossil-fueled power plants, and its Geysers geothermal power plant (Geysers Plant).

Specifically, PG&E proposes to sell its Hunters Point, Potrero, Pittsburg and Contra Costa power plants to one or more owners through a competitive auction. These plants are in San Francisco and Contra Costa Counties, and consist of a mix of 13 steam boiler units and four combustion turbine units that together represent 3,488 MW of net capacity. These units have accounted for about 51 percent of the net generation from PG&E's fossil plants over the last five years. The Hunters Point Power Plant is at 1000 Evans Avenue, about 0.5 miles northwest of the Hunters Point Naval Shipyard in the southeast portion of San Francisco, on the western shoreline of San Francisco Bay. The Potrero power plant is in San Francisco at 1201 Illinois Street, between 22nd and 23rd Streets. The Pittsburg power plant is at 696 West 10th Street, Pittsburg, California in Contra Costa County, alongside the San Francisco Bay delta. The Contra Costa power plant is about 2.5 miles east of the Antioch town center on the southern bank of the San Joaquin River near the Antioch Bridge. Figure 1 shows the location of these four power plants.

PG&E plans to transfer all facilities, equipment, permits, land interests and other entitlements for use that are required for continued operation of the plants, and to retain facilities and equipment at each site that relate to transmission or distribution. Minor construction activities may be necessary to separate generation from transmission and distribution facilities. The proposed divestiture does not otherwise directly involve any planned expansion, modification or dismantling of existing facilities and structures. The EIR will consider whether any expansion, modification or dismantling of facilities would be a reasonably foreseeable indirect result of the proposed divestiture.

Insert Figure 1: Location Map In Graphics

In addition to the four fossil power plants mentioned above, PG&E also proposes to sell its Geysers Plant, which represents its entire operating geothermal electric generating capacity, to one or more buyers through a competitive auction. The Geysers Plant consists of 14 operating units, two of which are in Lake County and twelve of which are in Sonoma County. The Geysers Plant is in The Geysers area of the Mayacmas Mountains in Sonoma and Lake Counties, approximately 27 miles northeast of Healdsburg, California. Figure 1 shows the location of the Geysers Plant in Northern California. The individual units and related facilities that comprise the Geysers Plant are at 11 sites in various separate, smaller areas of the larger Geysers geothermal area. The total design net installed capacity of the Geysers Plant is 1,224 MW. Over the last five years, generation from the Geysers Plant has accounted for 6.6 percent of the total generation from PG&E's system.

## **Environmental Effects**

Under the terms of this divestiture, PG&E will transfer (or the buyers will seek reissuance of) all environmental permits, leases, contracts, and other land use agreements. PG&E proposes to divest in a manner that they believe will enable the buyers to continue to meet the performance standards in existing permits, thereby minimizing or eliminating differences between PG&E's ownership and that of the buyers. PG&E's Proponent's Environmental Assessment (PEA) identifies three sets of environmental regulations and permit conditions that cause special concerns in light of the potential for sales of the plants to multiple owners. These three areas of concern are:

- (1) Bay Area Air Quality Management District (BAAQMD) Regulation 9, Rule 11 will need to be modified. As written, Regulation 9, Rule 11 only applies to utility-owned boilers and the rule allows PG&E to elect between meeting specific nitrogen oxides (NO<sub>x</sub>) emission targets for each boiler, or meeting specific systemwide emission rates which decline over time, measured as a weighted average of the emission rates from all its Bay Area boilers (the "bubble option"). It is not clear what emissions standards would legally apply if the plants were transferred to multiple, non-utility owners.
- (2) Dispatch Requirements for Pittsburg and Contra Costa Plants: In conjunction with the issuance of the Waste Discharge Requirement Orders (or NPDES permits) issued by the Regional Water Quality Control Boards with jurisdiction over the Pittsburg and Contra Costa plants, PG&E is required to use the Best Technology Available (BTA) for the location, design, construction and capacity of cooling water intake structures to minimize environmental impacts on fish and other biological resources. The conditions in each permit require PG&E, at certain times, to follow a specific protocol for dispatching the units at both plants, even when that protocol results in units being operated out of economic merit order. In general, the protocols require PG&E to preferentially load Pittsburg unit 7, which, in contrast to other Pittsburg and Contra Costa units, uses closed-cycle rather than once-through cooling. Other units at the two plants must also be sequentially loaded in a manner designed to minimize the thermal impacts of the combined operations.

PG&E believes there is no cost-effective alternative to this coordinated dispatch that can be implemented in a way consistent with a timely divestiture. Mechanical alternatives, such as fish screens or modifications to the cooling water cycles at the plants, have not been demonstrated to be technically feasible, would be extremely time consuming to evaluate and costly to build, and could only be implemented with approval of both the San Francisco Bay and Central Valley Regional Water Quality Control Boards. PG&E believes it is also infeasible for competing owners to accomplish the coordinated dispatch required by the permits through contractual agreements or other forms of cooperation. PG&E has therefore concluded that the best way to ensure equivalent protection for the environment while preserving the market value of the plants is to require the Pittsburg and Contra Costa plants to be sold to a single owner.

- (3) The “Habitat Conservation Plan.” The ongoing operation of the Pittsburg and Contra Costa power plants requires the intake of large quantities of circulating water for condenser cooling. The operation of these plants also requires routine repair and maintenance activities. These operation and maintenance activities have the potential to cause “incidental take” of endangered and threatened species, which is prohibited under the federal Endangered Species Act (ESA) and the California Endangered Species Act (CESA), unless valid incidental take authorization is obtained. PG&E has developed a Habitat Conservation Plan (HCP) in which it has agreed to specific operational controls that under most operating scenarios should have the effect of reducing cooling water flow at each of the two plants. PG&E plans to transfer the Pittsburg and Contra Costa plants to a single owner in order to address this issue. In addition, to facilitate both plants’ compliance with federal and state requirements for incidental takes, PG&E plans to convey to the new owner sufficient title or beneficial interest in the Montezuma Enhancement Site to allow the property to continue to serve as mitigation for both power plants.

The fossil-fueled power plants affect the environment primarily through air emissions resulting from combustion of fossil fuel, non-consumptive use of water and thermal discharges of water associated with cooling water and the wash-down of various plant components, as well as the handling and disposal of hazardous chemicals used in maintenance and production activities.

At the Geysers Plant, major potential environmental effects such as air pollution and hazardous wastes result primarily from naturally occurring constituents of geothermal steam. The quantities of many air pollutants and hazardous wastes generated from individual units are approximately proportional to the level of generation. The Geysers Plant has a “zero water discharge” program due to the fact that condensate produced at the Geysers Plant is returned to steam suppliers for re-injection into the steam field. Activities and physical structures on the site may affect sensitive species and available habitat. Noise is associated with the operation of cooling towers and other plant equipment.

The sale of any of the fossil-fueled plants or the Geysers Plant could have an effect on the environment, which might be significant, if the sale causes changes such as:

- the amount or pattern of generation;
- maintenance practices or pollution control technologies employed;
- the type of fuel used at each plant;

- the timing of unit retirement or refurbishment;
- employment levels, taxes, or other socioeconomic factors;
- the extent and character of the land use;
- the approach to plant decommissioning and environmental clean-up; or
- applicable regulatory requirements.

The Draft EIR will examine these issues. The EIR will focus on the topical areas that could be affected by the project, including: land use and planning; population and housing; geology; hydrology; air quality; transportation and circulation; biological resources; energy and mineral resources; hazards; noise; public services; utilities and service systems; aesthetics; cultural resources; and recreation. The EIR will address both project and cumulative effects, and will contain an analysis of alternatives to the sale of the power plants proposed by PG&E. PG&E has proposed mitigations in the PEAs which it believes ameliorate the significant environmental effects of the project. The PEAs are available for review at the CPUC at 505 Van Ness Avenue; please contact Mr. Kaneshiro to arrange to review them.

This Notice of Preparation has been sent to interested state, local, and federal agencies and to the State Clearinghouse. Affected agencies should identify the issues, within their statutory responsibilities, that should be considered in the Draft EIR. Written responses from all parties are due by March 18, 1998 to:

Bruce Kaneshiro  
CPUC EIR Project Manager  
C/O Environmental Science Associates  
225 Bush Street, Suite 1700  
San Francisco, CA 94104-4207

Messages for Mr. Kaneshiro may be left at (415) 989-1446 ext. 42. His fax number is (415) 896-0332. E-mail comments are encouraged; e-mail messages should be sent to: [tmorgan@esassoc.com](mailto:tmorgan@esassoc.com), attention CPUC/Bruce Kaneshiro.

Information about this divestiture will be made available on the "Internet" (information on divestiture is available on the CPUC World Wide Web page at "<http://www.pgedivest.com>"; additional information regarding the overall electrical utility restructuring process is available at "<http://www.cpuc.ca.gov>").

This Notice of Preparation of an EIR has been issued by the California Public Utilities Commission.

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Paul Clanon, Director  
Energy Division