September 15, 1998

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

Subject: Public Comment on Draft Environmental Impact Report (EIR) for California Public Utilities Commission Proceeding No. 98-01-008

Dear Mr. Kaneshiro:

[Begin M1]
Pages S-16 and 6-28 of the draft EIR state that a combination of Alternative 2A, the bundling of Potrero, Contra Costa and Pittsburg and Alternative 3, the sale of the Geysers plant to the steam field operators is the "environmentally superior alternative". The logic for selection of this alternative as superior seems to be based on the EIR author's assumption that, if one company owned all three fossil fueled power plants, the company would not operate the plants at their maximum generating capacity. The assumption on which the alternative selection has been made would appear to conflict with the most basic precept of free enterprise: obtaining maximum profit from investments. The plants will be operated according to market demand, not according to plant ownership.

The conclusion in the EIR that it is unnecessary to scientifically model the project as proposed by PG&E (to sell the plants in four packages: Pittsburg and Contra Costa together, Potrero separately, the Sonoma Geysers units and the Lake County Geysers units) seem to conflict with the recommendation of an alternative to the proposed project formulated on the basis of a dubious market assumption. ARCADIS Geraghty & Miller, Inc. recommends that this conflicting language in the Draft EIR be rectified before issuance of the final EIR. If the Public Utilities Commission allows PG&E to proceed with the sale as proposed, while the EIR appears to recommend a different approach, the ambiguity may cause some consternation among the public. We recommend the Draft EIR be amended to delete the reference to the "environmentally superior alternative" because there is no empirical evidence to support selection of that alternative and the statement itself is misleading.
[End M1]

Sincerely,

/s/

Donald M. McArthur
Associate, Officer Manager

COMPANIES

M. ARCADIS GERAGHTY & MILLER

M1 The choice of Alternative 2A in combination with Alternative Three as the "environmentally superior" alternative was based on factors not necessarily reflected in the modeling results. In each divestiture scenario analyzed, the same assumption was used that the new owners could run the fossil-fueled plants up to their Analytical Maximum. Alternative 2A, selling the plants as a bundle, does not change this assumption, but it does lessen to some unquantified degree the tendency of new owners to operate more than PG&E would if it retained the plants. Alternative 3 was chosen for the Geysers because integration of the plants with the steam suppliers is likely to lead to more efficient and greater use of the available steam resource, as well as coordination between the steam fields and the generating units. This difference does show up in the model outputs when comparing this scenario (Table G-7) to the baseline (Table G-1). (The decrease in Geysers generation shown in Table G-5 is an anomaly caused by divestiture of the fossil-fueled plants, and not divestiture of the Geysers plants. Please see response to Comment H18.)

The project as proposed by PG&E (selling the plants in four packages) was indeed modeled. The Analytical Maximum capacity factors of the plants sold in the packages proposed by PG&E form the basis for the environmental analysis in the EIR.

The designation in the DEIR of an "environmentally superior alternative" is a requirement of CEQA and, therefore, this cannot be removed. However, the CPUC is not obligated to select the "environmentally superior alternative."