Date: September 21, 1998

From: New York Landing Homeowners Association (NYLHOA)

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

Subj: PG & E Application for Divestiture

Ref: (a) PG&E Public Meeting at PYC on 08/25/98 at 1900;
(b) PG&E "Executive Summary" for Application No. 98-01-008
(c) Application for Certification of PDEF submitted by Pittsburg District Energy Facility, L.L.C. CEC in June of 1998

Encl: (1) Copy of Ref. (c)

Reference (a) was held in accordance with applicable law and provided an oral reiteration of information contained in reference (b) with some additional commentary provided by facilitators and attendees. Reference (c) sets forth data on the PDEF power plant to be constructed by ENRON Capital & Trade Resources Corporation.

PG&E Power Plants located in Contra Costa, Pittsburg and Potrero do not exist in isolation from each other in terms of their cumulative effect relevant to current and future particulate emissions and other toxic hazardous substances. The number of existing refineries, chemical plants, other power plants and heavy industry already in place mandate that careful attention be given to the particulate matter burden already being experienced by the citizens of Pittsburg and Antioch.

Moreover, the thermal and biological effects that both the Pittsburg and Contra Costa PG&E power plants have is a significant impact now and will have in the future on all <u>living beings</u>; this fact cannot be overemphasized!

Specific comments made by your team and the public with regard to the information provided during reference (a) along with relevant questions that have been raised by myself and others are listed below:

[Begin R1]
Comment: (1) The proposed PDEF facility will have a generating capacity of 450 megawatts as shown on an overhead. [End R1]

[Begin R2]
Comment: (2) Additional power generating facilities were not included in APP.No.98-01-008 to the CPUC because they would not become operational before calendar year 2005 or they would be offset by reduced PG&E power generation. [End R2]

[Begin R3]
Comment: (3) Pittsburg and Contra Costa PG&E power plants would ideally be owned and operated by the same company due to the need for coordinated power production; but this requirement will not be a conditions of their sale. [End R3]

[Begin R4]
Comment: (4) The Pittsburg and Contra Costa PG&E power plants will still be operated by PG&E for two years after the date of sale to new owners. [End R4]

[Begin R5]
Comment: (5) The backup fuel for both Pittsburg and Contra Costa PG&E power plants will be residual oil while the PG&E Potrero power plant will use residual oil and distillate fuel oil for backup fuel. [End R5]

[Begin R6]
Comment: (6) The cumulative effect of stack emission plumes and their distribution patterns for power plants located within a fixed radius of the PG&E Pittsburg/Contra Costa power plants were not calculated and were also determined to be not significant. [End R6]

[Begin R7]
Comment: (7) The increase in noise level relevant to increased power generation will not be significant. [End R7]

[Begin R8]
Comment: (8) The alternative of "no project" was not considered nor was demolition of the PG&E Pittsburg power plant. [End R8]

[Begin R9]
Comment: (9) CALPINE is preparing to submit its application to the CEC for its 500 – 800 megawatt "Delta Energy Center" Power Plant located in Pittsburg. This facility will go on-line in the year 2002! [End R9]

[Begin R10]
Question (1) Why doesn't PG&E and/or ESA know that the proposed PDEF will produce 500 megawatts of power as stipulated in their application to the CEC?
[End R10]

[Begin R11]
Question (2) If the PDEF has submitted its application to the CEC for its 500 megawatt power plant and CALPINE has recently purchased the existing Dow Chemical 70 megawatt power plant for their current operations and will submit its application to the CEC within three months for its "new" 500 – 800 megawatt Delta Energy Center, then why weren't these facilities included in the "Impact Study" for the PG&E Pittsburg, Contra Costa and/or Protrero power plants application to the CPUC? [End R11]

[Begin R12]
Question (3) Given the fact that there are five GWF power plants and one mobile power plant in operation between the PG&E power plants mentioned in question (2) above plus PDEF and CALPINE plants, why wasn't a current baseline study for particulate matter emissions done in the area surrounding the PG&E

Pittsburg/ Contra Costa power for existing and proposed power plants? [End R12]

[Begin R13]
Question (4) Why hasn't PG&E stipulated in its application to the CPUC that it will make the purchase of offset credits by the "new" owners a condition of sale for the three PG&E power plants that it is seeking to divest in Contra Costa County? Said Offsets would be purchased from within Contra Costa County as their first priority. [End R13]

[Begin R14]
Question (5) How does the continuance of PG&E management over the new owners of the plant effect its operational profile and/or the business plan prepared by the new owners? [End R14]

[Begin R15]
Question (6) If the interruption of the natural gas supply has a low probability of occurrence, then why does the PG&E Pittsburg power plant fuel farm continue to maintain their tanks at full capacity when they are now using natural gas to fire their boilers? [End R15]

[Begin R16]
Question (7) If PG&E using the Pittsburg PG&E plant fuel farm for TOSCO refinery production storage, delivered by pipeline, and then loading tankers at their fuel pier for shipment to other locations?

Question (8) If they are using the Pittsburg PG&E fuel form for the purposes stated above, do they now have an amended USE PERMIT that allows this process to continue? [End R16]

[Begin R17
Question (9) Since Application No. 98-01-008 submitted to the CPUC by PG&E is based upon natural gas fuel statistics, what is the cumulative effect of particulate emissions for a five day period of operation for the three PG&E plants using residual oil and/or distillate fuel? [End R17

[Begin R18
Question (10) Is the Pittsburg PG&E Plant going to be designated as a "must run" facility by the PUC? [End R18]

[Begin R19]
Question (11) Is the Contra Costa PG&E Plant going to be designated as a "must run" facility by the PUC? [End R19]

[Begin R20]
Question (12) Is the PG&E Plant at Potrero going to be designated as a "must run" facility by the PUC? [End R20]

[Begin R21]
Question (13) Is the PUC aware of the fact that CALPINE is in the final stages of submitting its application to the CEC for its 500 – 700 megawatt power plant in Pittsburg? [End R21

Thank you for your consideration of these comments and questions.

Respectfully,

/s/

William G. Glynn
President, NYLHOA

# R. NEW YORK LANDING HOMEOWNERS ASSOCIATION

R1 Comment noted. Please also see response to Comment B17.

R2 It is assumed that the commenter is referring to the cumulative analysis contained in the DEIR, and not to PG&E's pending application to sell power plants. The cumulative analysis is contained in Chapter 5 of the DEIR. Every effort was made to include all known (at the time of the preparation of the DEIR) proposed power projects having the potential to result in cumulative impacts with the project. Cumulative impacts were analyzed for the year 2005, so only proposed projects expected to be implemented by 2005 were included (with the exception of cumulative air quality analysis conducted for 2015). The commenter is correct that, for the most part, proposed new power plants were not assumed in conjunction with the sale of PG&E's existing plants. The reason for this is that power plant environmental impacts are primarily localized (e.g., air emissions and noise) and, if additional new plants throughout the state were assumed, the analytical maximum capacity factors of the plants proposed for sale would decline due to finite demand for electricity. Thus, in order to conservatively portray cumulative impacts in the context of this divestiture project, assumptions were selected so as to maximize, rather than minimize, generation at the plants for sale. Please see page 5-7 of the DEIR (first paragraph) for an explanation of how proposed new power plants were treated in the cumulative analysis.

R3 The DEIR states in numerous locations that the proposed divestiture includes the sale of the Pittsburg and Contra Costa plants (the Delta plants) together as a single package. The DEIR addresses the potential impacts associated with operation of these two plants by a single owner. The DEIR also analyzes as Alternative 2B the sale of the Pittsburg and Contra Costa plants to separate owners (see DEIR pages 6-16 through 6-23).

R4 The commenter is correct. This is a requirement of AB 1890.

R5 The commenter is correct. The backup fuel for both Pittsburg and Contra Costa plants is residual oil. At the Potrero plant, residual oil is the backup fuel for Unit 3, while the three Potrero combustion turbine units (4, 5, & 6) can only use distillate as fuel, i.e., there is no backup fuel for these three units. As is noted repeatedly in the DEIR, any use of residual oil at any of these plants is governed by BAAQMD rules and regulations and is only permissible in specific, limited circumstances.

R6 The air quality analysis conducted for the DEIR did account for the proposed cumulative projects (those listed starting on page 5-5 of the DEIR). Please see the response to Comments B6 and B15 for a full discussion of this issue.

R7 The commenter is correct. As stated in Impact 4.10-2 of the DEIR, potential increases in ambient noise associated with project-related operational changes at the divested power plants would not be significant.

R8 The No Project Alternative (PG&E retaining ownership of the plants) is evaluated as Alternative 1 in Chapter 6, Alternatives Analysis, of the DEIR. The commenter is correct that demolition of the Pittsburg Power Plant was not included in the alternatives examined in the DEIR. That plant, which continues to be a viable power plant, is designated by the ISO as "Reliability Must Run" and, in particular, is needed during summer months to support the local 115 kV distribution system. There was therefore no reason to examine demolition of the plant as one of the project alternatives since it is neither a reasonably foreseeable occurrence nor a feasible alternative to the sale of the plant.

R9 The commenter is making a point that the Calpine Delta Energy Center will go on-line in the year 2002. The commenter is referred to responses to Comments B6 and B15, which address this proposed power plant project.

R10 Please see response to Comment B17.

R11 The Pittsburg District Energy Facility (PDEF) is included in the DEIR as part of the cumulative analysis (Section 5.3.4, commencing on page 5-39). The DEIR studies the impacts of the sale of the three PG&E fossil-fueled power plants, as well as the Geysers geothermal units. The DEIR is not an analysis of the construction of Calpine's proposed Delta Energy Center Project (DECP) facility as that facility will undergo its own environmental review by the CEC. The DECP was not included in the DEIR because the potential for the DECP actually being constructed was unknown until a few days prior to publication of the DEIR. The cumulative effects with the proposed DECP are analyzed in the response to Comment B15. As this FEIR goes to press, Calpine has still not filed an Application for Certification with the CEC for the DECP; it is expected to do so by the end of 1998.

According to Calpine, generation from the existing 70 MW facility on the Dow Chemical site in Pittsburg will decrease substantially once the DECP facility is on-line because Calpine intends to convert the existing facility into a peaking plant. Conversion to a peaking facility would result in significantly reduced generation at the existing 70 MW facility, and Calpine intends to apply to the Bay Area Air Quality Management District for emissions credits earned from the reduced generation at the existing facility and apply those credits to the new facility (Brian Bertacchi, Calpine DECP Plant Manager, November 1998). Thus, studying the future cumulative effects of generation from both the existing 70 MW facility and the proposed DECP is essentially equivalent to studying the proposed DECP alone because emissions credits earned from reducing generation at the former will be applied to the latter. In other words, Calpine intends to mitigate the air quality impacts of the new facility by reducing the air quality impacts at the existing facility. This should result in a net positive benefit because air emissions credits earned are a factor of at least 1.15 higher than air emissions credits applied, i.e., for every ton of emissions from the new facility, Calpine must reduce emissions from the old facility by at least 1.15 tons (BAAQMD Regulation 2, Rule 2, Section 2-2-302).

R12 Table 4.5-31 on page 4.5-67 and Table 4.5-32 on page 4.5-69 of the DEIR present particulate matter background concentrations at the Bethel Island air quality monitoring station that are used for the analysis in the DEIR. The PM-10 background values (except the annual averages) represent the average of the 2nd highest values recorded each year from 1994 to 1996. Using long-term data from the BAAQMD monitoring stations to determine conservative future background concentration levels is standard practice for determining future forecasted background levels. Using District data assures that the data is as accurate as can be measured because it goes through strict quality control steps developed by the BAAQMD and the California Air Resources Board. Because PM-10 is considered to be a regional pollutant, the data from the Bethel Island station is considered to be a good indication of PM-10 concentrations in the area of all the Delta power plants. Short-term site-specific measurements would not be expected to have the data integrity of BAAQMD monitoring stations, and would be unlikely to suggest that a higher background concentration would be more appropriate than the 2nd highest value recorded over a three year period at a BAAQMD monitoring station.

R13 It should be noted that PG&E has proposed to sell two power plants in Contra Costa County (not three). Also, from a regulatory standpoint, no offsets are required for the emissions increases identified in the DEIR since such increases would be allowed under existing air permits. Offsets are generally required only in connection with new stationary sources or major modifications to existing stationary sources.

R14 There will not be any PG&E management over the new owners. As mentioned on page 2-6 of the DEIR, PG&E personnel will operate the plants at the direction of the new owners pursuant to the Operation and Maintenance Agreement (O&M Agreement) that will have a term of two years after the sale closes. California Public Utilities Code Section 363 requires PG&E (or an affiliate) to operate and maintain the plants for at least two years to "ensure the continued safe and reliable operation" of the plants. Under the Agreement for each plant, PG&E will serve as an independent contractor of the new plant owner, and will provide all operation and maintenance services as directed by the new plant owner, consistent with the terms of the O&M Agreement. Specifically, PG&E will provide a safety supervisor, first line supervisors, operators, maintenance personnel, and other bargaining unit employees. The new owner will provide all other personnel at the plant, including all other management personnel. The form of the O&M Agreement has been reviewed and approved by the CPUC.

R15 None of the fuel tanks at the Pittsburg plant are full. Several tanks do contain fuel oil. Per an agreement with the CPUC, PG&E maintains an oil inventory sufficient to provide about three weeks of operating capability for the plant in the event of a natural gas curtailment (CPUC Interim Decision, Application 96-04-001, 12/20/96).

R16 PG&E is not currently storing or shipping product from the TOSCO refinery. The Pittsburg Power Plant and the TOSCO refinery are not connected by pipeline.

R17 As stated in the DEIR, BAAQMD Regulation 9, Rule 11, which was adopted in 1995, prohibits the PG&E plants from using fuel oil in the steam boilers except for a *force majeure.* (*Force majeure* natural gas curtailment refers to an interruption in natural gas service due to an unforeseen failure or malfunction, an unexpected and uncontrollable event such as a natural disaster, or a curtailment pursuant to CPUC rules or orders.) A detailed discussion on emergency conditions under *force majeure* is given in footnote #6 on page 4.5-17 of the DEIR. Since 1994, the PG&E plants have not used residual fuel oil in the boilers. If in the future there is an emergency condition that may require the use of fuel oil for a short time, the impacts would be similar to those analyzed in the Health Risk Assessments (HRAs) that were carried out for the plants in 1992/93 to comply with the Air Toxics "Hot Spots" rule (AB2588). During this time period, fuel oil was occasionally used at the plants. The health risks from fuel oil usage were shown to be well below the cancer risk significance threshold of 10 in a million and were below the hazard index significance criterion of 1.0 for acute and chronic exposure to non-carcinogens.

With respect to distillate fuel, the only units that are equipped to burn this fuel are the combustion turbines at the Potrero plant. The operation of these turbines is limited to 10 percent of the year (870 hours per year), usually under maximum power demand conditions. Operation of the combustion turbines was addressed in the DEIR when determining possible worst-case short-term impacts. These impacts are also less than significant.

R18 The Pittsburg plant is designated as "must run" with a Reliability Must Run Agreement (RMRA) by the ISO, as discussed at page C-11. The CPUC has no role in designating whether power plants are designated "must run."

R19 The Contra Costa plant is designated at "must run" with an RMRA by the ISO, as discussed at page C-11. The CPUC has no role in designating whether power plants are designated "must run."

R20 The Potrero plant is designated at "must run" with an RMRA by the ISO, as discussed at page C-11. The CPUC has no role in designating whether power plants are designated "must run."

R21 Please see the response to Comment B15.