.

State of California
State Energy Resources Conservation and Development Commission

In the Matter of:	)	Docket # 09-AFC-04
	)	Exhibit 400
Oakley Generating Station	)	Alternatives Testimony of
	)	Robert Sarvey
	)	
_____	)	

Alternatives Testimony of Robert Sarvey

Q. Please state you name and qualifications for the record?

A. My name is Robert Savey and my qualifications are in my resume which is attached to this testimony.

Q. What is the purpose of this testimony?

A. The purpose of my testimony is to explain why the No Project Alternative is the environmentally superior alternative?

Q. Please explain why the No Project alternative is the environmentally superior alternative.

A. The need for the Oakley Project was determined in the 2006 Long Term Procurement Proceeding. The proceeding resulted in the issuance of D. 07-12-052. D. 07-12-052 authorized 800-1200 MW of procurement for PG&E in its service territory relying on the CEC's 2007California Energy Demand Forecast. In December of 2009 the California Energy Commission approved the California Energy Demand 2010-2020 forecast a revised demand and peak load forecast. *"The current forecast is markedly lower than the forecast in the 2007 California Energy Demand Forecast, primarily because of lower expected economic growth in both the near and long term as well as increased*

expectations of savings from energy efficiency."[1] The CEC's 2010-2020 Adopted Forecast predicts that peak demand in PG&E's service territory in 2010 will be 810 MW less than the demand for 2010 predicted in the 2007 CEC demand forecast used in the 2006 LTPP.[2]

Table 10: PG&E Planning Area Forecast Comparison

Consumption (GWH)					
	CED 2007 (Oct. 2007)	*CED 2009 Draft* mid-rate case (June 2009)	*CED 2009 Adopted* (Dec. 2009)	Percent Difference *CED 2009 Adopted* and *CED 2007*	Percent Difference, *CED 2009 Adopted* and *CED 2009 Draft*
1990	86,803	86,803	86,803	0.00%	0.00%
2000	101,331	101,331	101,333	0.00%	0.00%
2008	107,591	106,753	111,128	3.29%	4.10%
2010	110,503	106,240	108,344	-1.95%	1.98%
2015	117,806	110,878	115,828	-1.68%	4.46%
2018	121,873	112,959	119,814	-1.69%	6.07%
Average Annual Growth Rates					
1990-2000	1.56%	1.56%	1.56%		
2000-2008	0.75%	0.65%	1.16%		
2008-2010	1.34%	-0.24%	-1.26%		
2010-2018	1.23%	0.77%	1.27%		
Peak (MW)					
	CED 2007 (Oct. 2007)	*CED 2009 Draft* mid-rate case (June 2009)	*CED 2009 Adopted* (Dec. 2009)	Percent Difference, *CED 2009 Adopted* and *CED 2007*	Percent Difference, *CED 2009 Adopted* and *CED 2009 Draft*
1990	17,055	17,013	17,250	1.14%	1.39%
2000	20,716	20,665	20,628	-0.42%	-0.18%
2008	23,413	23,405	23,805	1.67%	1.71%
2010	24,050	23,240	23,479	-2.37%	1.03%
2015	25,760	24,606	25,163	-2.32%	2.26%
2018	26,754	25,341	26,125	-2.35%	3.09%
Average Annual Growth Rates					
1990-2000	1.96%	1.96%	1.80%		
2000-2008	1.54%	1.57%	1.81%		
2008-2010	1.35%	-0.35%	-0.69%		
2010-2018	1.34%	1.09%	1.34%		

Source: California Energy Commission, 2009

The CEC's latest Revised Short Term Peak Demand Forecast for the 2011-2012 period

[1] 2009 IEPR page 3 http://www.energy.ca.gov/2009publications/CEC-100-2009-003/CEC-100-2009-003-CMF.PDF

[2] **CALIFORNIA ENERGY DEMAND 2010-2020 ADOPTED FORECAST**
Page 55 http://www.energy.ca.gov/2009publications/CEC-200-2009-012/CEC-200-2009-012-CMF.PDF

predicts that PG&E's demand in the PG&E service territory for 2012 is 851 MW less than the 2009 IEPR.[3]

Table 5: Revised and *2009 IEPR* Weather-Adjusted Peak Demand (MW) Forecast by TAC/Load Pocket, 2011 and 2012

TAC Area/Load Pocket	Year	Revised 1-in-2 Peak Demand	2009 IEPR 1-in-2 Peak Demand	1-in-2 Difference	Revised 1-in-10 Peak Demand	2009 IEPR 1-in-10 Peak Demand	1-in-10 Difference
PG&E	2011	21,174	21,988	-814	22,716	23,594	-878
	2012	21,478	22,329	-851	23,033	23,959	-926
PG&E Bay Area	2011	8,870	8,768	102	9,226	9,131	95
	2012	8,995	8,880	115	9,355	9,247	108
PG&E non-Bay	2011	12,304	13,220	-916	13,490	14,463	-973
	2012	12,483	13,449	-966	13,678	14,711	-1,033
SCE	2011	23,077	23,785	-708	25,107	25,878	-771
	2012	23,453	24,142	-689	25,517	26,266	-749
SDG&E	2011	4,365	4,578	-213	4,801	5,036	-235
	2012	4,438	4,658	-220	4,882	5,124	-242
California ISO Total Coincident	2011	47,449	49,143	-1,694	51,361	53,200	-1,839
	2012	48,184	49,902	-1,718	52,150	54,021	-1,871

Source: California Energy Commission, 2011.

Much of the reduction in demand reflected in these forecasts is related to the states aggressive energy efficiency measures. The Incremental Impacts of Energy Efficiency Policy Initiatives Relative to the 2009 Integrated Energy Policy Report Adopted Demand Forecast is a recent study released by the CEC that serves as a supplement to the *2009* IEPR demand forecast. That study provides estimates of the incremental impacts of prospective CPUC funded energy efficiency programs in the years following 2012. The study estimates that 56 percent of energy growth from 2008-2020 projected in the 2009 IEPR demand forecast would be eliminated by the estimated incremental uncommitted savings as the low estimate. The high estimate predicts that 74% percent of energy growth from 2008 to 2020 projected in the *2009 IEPR* demand forecast would be

[3] Table 5 Page 13 http://www.energy.ca.gov/2011publications/CEC-200-2011-002/CEC-200-2011-002-CTF.PDF **Table 5: Revised and *2009 IEPR* Weather-Adjusted Peak Demand (MW) Forecast by TAC/Load Pocket, 2011 and 2012** 1-in-2 Difference

eliminated by estimated incremental energy efficiency uncommitted savings.[4] The study provides evidence that the decline in demand in PG&E's service territory for the 2008-2020 period will continue to fall due to the states successful implementation of energy efficiency measures.

Predicted reserve margins in PG&E's service territory continue to grow and reflect both the economic downturn and the success of the states energy efficiency policies. CAL-ISO's 2009 summer assessment predicted the reserve margin for PG&E's service territory would be 30.6%.[5] CAL-ISO's 2010 Summer Loads and Resources Operations Preparedness Assessment predicts a 38.6 % Planning Reserve Margin in PG&E's service territory.[6]

Summer 2010 Supply & Demand Outlook

Resource Adequacy Planning Conventions	ISO	SP26	NP26
Existing Generation[1]	49,807	23,326	26,481
Retirements (known/expected)[2]	(6)	0	(6)
High Probability CA Additions	1,086	1,057	29
Hydro Derates	0	0	0
Net Interchange (Moderate)	10,100	9,200	2,050
Total Net Supply (MW)	60,988	33,583	28,555
Demand (1-in-2 Summer Temperature)	47,139	27,198	21,154
DR & Interruptible Programs[3]	2,403	1,668	734
Planning Reserve[4]	**34.5%**	**29.6%**	**38.5%**

[1] as of 3/22/2010 (refer to Table 8)
[2] as of 3/22/2010 (refer to Table 8)
[3] (refer to Table 9)
[4] Planning Reserve calculation (Total Net Supply + Demand Response + Interruptibles)/ Forecast Demand)-1.

The Division of Ratepayer Advocates (DRA) predicts an even higher reserve margin of 40% in PG&E's service territory for 2010. DRA also notes that the 40%

[4] http://www.energy.ca.gov/2010publications/CEC-200-2010-001/CEC-200-2010-001-D.PDF

[5] http://www.caiso.com/23ab/23abd69829524.pdf
[6] http://www.caiso.com/2793/2793ae4d395f2.pdf

predicted reserve margin does not include 2,333 MW of approved new capacity including Colusa, Russell City, Mariposa, Marsh Landing, GWF Tracy, and Los Esteros.[7]
The Oakley Project is not needed for reliability when considering the huge reserve margins and the CEC's recent demand forecasts. The FSA states that the Oakley Project is needed to integrate intermittent renewables but provides no analysis demonstrating that need. Adequate generation currently exists in the Bay Area Load Pocket to back up intermittent renewables. The CPUC has approved contracts for the 184 MW Mariposa Project, the 719 MW Marsh Landing Project and the 109 MW upgrade of the Los Esteros Critical Energy Facility for another 1,012 MW of fast start natural gas generation in the Bay Area Load Pocket.[8] The CAL-ISO 2012-2014 Local Capacity Technical Analysis reports that for the 2012-2014 planning period it relies on only 208 MW of wind capacity for LCR.[9]

The cost of the Oakley Project is estimated to be 1.5 billion dollars.[10] This amount of money can provide significant energy efficiency reductions without the Greenhouse Gas emissions and the other environmental impacts of the Oakley Project. Rejection of the no project alternative will prevent the conversion of Farmland of Statewide Importance[11] which is currently used as a vineyard. The no project alternative will prevent further nitrogen deposition at the Antioch Dunes Preserve. The no project alternative will prevent further health impacts in the minority community. Under the existing circumstances without evidence of reliability issues the no project alternative is the superior environmental alternative.

Q. Does that conclude your testimony?
A. Yes.

[7] Attachment A DRA Ex Parte Contact October 12, 2010 http://docs.cpuc.ca.gov/efile/EXP/125179.pdf
[8] Peak July Conditions
[9]
[10] DRA Annual Report http://www.dra.ca.gov/NR/rdonlyres/2AFEE10F-0102-4AF0-AD51-972ED9F52131/0/FINALDRAAR11011.pdf Page 56
[11] FSA Page 6-7

DECLARATION OF

Robert Sarvey, MBA, BS

I Robert Sarvey declare as follows

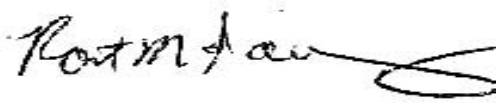
1) I prepared Exhibit 400: Alternatives Testimony of Robert Sarvey.

2) It is my professional opinion that the prepared testimony is valid and accurate with respect to the issues addressed therein.

3) I am personally familiar with the facts and conclusions related in the testimony and if called as a witness could testify competently thereto.

4) A copy of my professional qualifications is attached.

I declare under penalty of perjury, under the laws of the State of California, that the forgoing is true and correct to the best of my knowledge and belief, and that this declaration was executed on March 9, 2011 in Tracy, California.



Signed 3-9-11

Resume of Robert Sarvey

Academic Background

BA Business Administration California State University Hayward 1975
MBA California State University Hayward 1985

Experience

San Joaquin Valley Air Pollution Control District Citizens Advisory Board Industry Representative: Analyzed proposed air quality regulations and made recommendations to the Governing Board for approval.

GWF Peaker Plant 01-AFC-16: Participated as an Intervenor in the project and helped negotiate and implement a 1.3 million dollar community benefits program. Successfully negotiated for the use of local emission reduction credits with GWF to offset local air quality impacts.

East Altamont Energy Center 01-AFC-14: Participated as an Intervenor and helped develop the conditions of certification for hazardous materials transportation, air quality, and worker safety and fire protection. Provided testimony for emergency response and air quality issues.

Tesla Power Project 01- AFC-04: Participated as an Intervenor and provided air quality testimony on local land use and air quality impacts. Participated in the development of the air quality mitigation for the project. Provided testimony and briefing which resulted in denial of the PG&E's construction extension request.

Modesto Irrigation District 03-SPEE-01: Participated as Intervenor and helped negotiate a $300,000 air quality mitigation agreement between MID and the City of Ripon.

Los Esteros: 03-AFC-2 Participated as an Intervenor and also participated in air quality permitting with the BAAQMD. Responsible for lowering the projects permit limit for PM-10 emissions by 20%.

SFERP 4-AFC-01: Participated as an Intervenor and also participated in the FDOC evaluation. My comments to the BAAQM D resulted in the projects PM -10 emission rate to be reduced from 3.0 pounds per hour to 2.5 pounds per hour by the District. Provided testimony on the air quality impacts of the project.

Long Beach Project: Provided the air quality analysis which was the basis for a settlement agreement reducing the projects NOx emissions from 3.5ppm to 2.5ppm.

ATC Explosive Testing at Site 300: Filed challenge to Authority to Construct for a permit to increase explosive testing at Site 300 a DOE facility above Tracy. The permit

was to allow the DOE to increase outdoor explosions at the site from 100 pounds per charge to 300 pounds per charge and also grant an increased annual limit on explosions from 1,000 pounds of explosive to 8,000 pounds of explosives per year. Succeeded in getting the ATC revoked.

CPUC Proceeding C. 07-03-006: Negotiated a settlement with PG&E to voluntarily revoke Resolution SU-58 which was the first pipeline safety waiver of GO 112-E granted in the State of California. Provided risk assessment information that was critical in the adoption of the Settlement Agreement with PG&E which, amongst other issues, resulted in PG&E agreeing to withdraw its waiver application and agreeing to replace the 36-inch pipeline under the sports park parcel after construction.

East shore Energy Center: 06-AFC-06 Intervened and provided air quality testimony and evidence of cancellation of Eastshore's power purchase agreement with PG&E.

Colusa Generating Station: 06-AFC-9 Participated as air quality consultant for Emerald Farms. Filed challenge to the PSD Permit.

CPUC proceeding 08-07-018: Tesla Generating Station CPCN participated in proceeding which was dismissed due to motion by IEP. Reviewed all filings, filed protest, signed confidentiality agreement and reviewed all confidential testimony.

GWF Tracy Combined Cycle 08-AFC-07: Participated in negotiation of the Air Quality Mitigation Agreement with the San Joaquin Valley Air Pollution Control District and GWF.

CPUC Proceeding 09-09-021: Provided Testimony on behalf of CAlifornians for Renewable Energy. Demonstrated PG&E failed to follow its environmental protocol in the LTPP. Provided testimony and evidence that PG&E's need had fallen since 2007 and that the Commission should limit PG&E's procurement to the 950-1000 MW Range.

CPUC Proceeding A. 09-04-001: Represented CAlifornians for Renewable Energy in the proceeding.

CPUC Proceeding A. 09-10-022: Provided Testimony on behalf of CAlifornians for Renewable Energy. Provided confidential evaluation of PPA value. Provided testimony and evidence that PG&E had violated the Mariposa Settlement. Provided testimony that demonstrated PG&E's demand had fallen sharply since the issuance of D. 07-12-052.

Contact: Cheryl Cox, DRA Policy Advisor - (415) 703-2495 - cxc@cpuc.ca

PROCEEDING NO: A.09-09-021 and A.09-10-022/034 10

FILED
10-18-10
04:59 PM

PG&E's Petition for Modification of D.10-07-045 Regarding the Oakley Power Plant

DRA Position: The Commission should deny PG&E's Petition to Modify (PFM) D.10-07-045 and implement the Oakley project only if the conditions ordered in D.10-07-045 are met.

Background: The Commission rejected the Oakley project in July 2010

- The Commission approved GWF Tracy and Los Esteros Upgrades in D.10-07-042 on the condition that the Oakley Project was rejected.
- PG&E filed a petition to modify D.10-07-045 requesting the Commission reverse its decision and approve the Oakley project.
- The Commission ordered in D.10-07-045 that the Oakley project could only be proposed again via an application under certain conditions:
  - An approved power plant project fails.
  - PG&E retires a Once Through Cooled (OTC) plant of comparable size 3 years early.
  - Final results of CAISO 33% renewable integration study demonstrates significant negative reliability risk.

PG&E has not met any of the conditions required by the Commission to pursue the Oakley project

- PG&E misleads the Commission that its PFM represents a two year delay in the project.
  - The PFM extends the "guaranteed commercial availability date" which only provides the project developer more flexibility.
  - The PFM attempts to re-litigate PG&E's approved need found in LTPP D.07-12-052.
  - Oakley is not needed in 2016.
  - The Commission cannot reverse a decision that vested the right of private parties in the GWF Tracey and Los Esteros proceeding.
- PG&E's primary motivation seems to be to rate base the capital cost of the Oakley power plant for the benefit of shareholders, not for ensuring system reliability for ratepayers.
  - The revenue requirement for Oakley is greater than $1.5 billion.
  - PG&E currently has a 40% reserve margin (not including 2,333 MW of approved new capacity: Colusa, Russell City, Mariposa, Marsh Landing, GWF Tracey, Los Esteros).
  - PG&E's load forecast is down and exports are overstated.
  - PG&E's approved need is fulfilled.
  - LTPP proceeding (R.10-05-006) will define where, when, and what types of resources are needed going forward.