

DOCKETED

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Cabrillo I Power LLC
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January 8, 2020

Mr. Anwar Ali, PhD
Compliance Project Manager
Docket No. 07-AFC-6C
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814

**RE: Carlsbad Energy Center - Docket No. 07-AFC-06C
Update to Phase III and IV - Decommissioning and Demolition of Encina Power
Station**

Dear Dr. Ali:

It is my understanding, Ms. Kerry Siekmann of Terramar, an Intervener during the original license and amended license of the Carlsbad Energy Center Project (CECP), has objected to the City of Carlsbad's granting on November 12, 2019 of an up-to 9-month extension of the Encina Power Station (EPS) demolition obligation, as referenced in the City of Carlsbad's Settlement Agreement, Resolution 2014-010 dated January 14, 2014. As requested and presented herein as Attachment A are the City of Carlsbad's Resolution 2019-228 and the Carlsbad Municipal Water District's Resolution 1623, both dated November 12, 2019, which grant an extension to the EPS demolition schedule. At the November 12th City Council meeting at which the Resolutions were presented and approved, Ms. Siekmann commented that the demolition schedule extension should be addressed by the California Energy Commission (CEC) within the Amended CECP license.

The City's Settlement Agreement, which is included as Appendix 2A of the Amended CECP Petition to Amend (TN #202287-3 of 07-AFC-06C), was fully vetted in the Final Decision of Amended CECP (TN #205625). The EPS demolition schedule was included in the Project Description and Purpose of the Final Decision for informational purposes and not as a Condition of Certification. (See pages 2-7 and 2-8 of the Project Description and Purpose, presented herein as Attachment B.) With close consideration of the Conditions of Certification of the Amended CECP Final Decision, we do not believe any additional analysis or process is needed by the CEC with respect to the EPS demolition schedule in response to Ms. Siekmann's objection.

The CEC may re-refer to the City's Settlement Agreement as to how the City has administered the obligations, including the approval of the demolition extension. Article 6 section 6.1(b)(c), demolition of EPS was to commence 1 year after EPS's shutdown (defined as the commercial online date of December 12, 2018 for the Amended CECP per Article 1, section 1.1(cc)) and be completed 2 years after commencement of demolition, or December 12, 2021, respectively. The up-to 9-month extension granted by Resolutions 2019-228 and 1623 therefore modifies the December 12, 2021 completion date of the demolition obligation. To date, EPS's shutdown and commencement of demolition have been timely, meeting the conditions of the Settlement Agreement. However, as documented in Attachment

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A, the delays in the completion of Encina demolition are related to Poseidon's delays with completion of the Carlsbad Desalination Project pump modifications and delays with the removal of San Diego County Sheriff's Regional Communications Services equipment from the EPS stack.

The decommissioning and demolition schedule in the Final Decision of the Amended CECP was adapted from the City's Settlement Agreement and the Petition to Amend CECP (TN #202287-1). As illustrated in Attachment B, decommissioning and demolition were referred to as Phases III and IV, respectively, in Project Description and Purpose, and tank demolition and construction/commissioning/operation of Amended CECP were referred to as Phases I and II, respectively. Decommissioning and demolition of EPS was predicated on a start of construction in 4th quarter of 2015, which would have led to the commercial online of Amended CECP by December 2017, in time for the retirement of EPS by the State Water Resources Control Board's (SWRCB) Once-Through Cooling (OTC) compliance date of December 31, 2017. Appeals of the CEC license, the San Diego County Air Pollution Control District's Authority to Construct, and California Public Utilities Commission (CPUC) approval collectively delayed the start of construction of Amended CECP by 1 year and therefore delayed the completion of Amended CECP, which consequently resulted in a 1-year extension of EPS's OTC compliance deadline to December 31, 2018 to ensure electricity reliability for the region. The Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) of which the CEC, SWRCB, and CPUC are members recommended the extension of EPS's OTC compliance deadline in 2017; the compliance deadline extension was approved by the SWRCB's Board on August 15, 2017 following the public release of the SWRCB's analysis on May 23, 2017. Hence, Phases II-IV of the estimated project schedule shifted by 1 year, respectively. Amended CECP was constructed and commissioned timely and operation began on December 12, 2018, ahead of EPS's OTC compliance deadline. Phases III and IV of EPS's demolition has therefore pivoted off the commercial online date of Amended CECP.

From the above background, we do not believe any additional analysis or process is needed by the CEC with respect to the City's administration of the Settlement Agreement and the corresponding Resolutions extending the EPS demolition schedule. If you have any questions regarding this information, please contact me at george.piantka@nrg.com or (760) 707-6833 or Eric Leuze at eric.leuze@nrg.com or (916) 200-6187.

Sincerely,



George L. Piantka, PE
Sr. Director, Environmental

Attachments

cc: Shawn Pittard, CEC
Chris Davis, CEC
Jonathan Fong, CEC
Eric Leuze, NRG Energy, Inc.
Ralph Wagner, NRG Energy, Inc.
Paul Mattesich, NRG Energy Services for Carlsbad Energy Center LLC

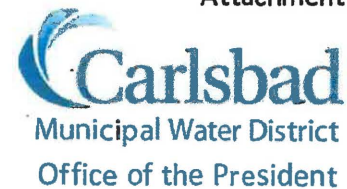
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Attachment A

City of Carlsbad Resolution 2019-228, November 12, 2019
Carlsbad Municipal Water District Resolution 1623, November 12, 2019



Attachment A



November 12, 2019

Eric Leuze
VP, Asset Management
Cabrillo Power I LLC
804 Carnegie Center
Princeton, NJ 08540

Subject: Extension of the Encina Demolition Deadline

Dear Mr. Leuze,

Poseidon's Claude "Bud" Lewis Carlsbad Desalination Plant ("CDP") provides 50 million gallons of water per day to support the integrated water supply of the San Diego County Water Authority and member agencies including the Carlsbad Municipal Water District. CDP's desalination process currently relies on operation of the now-retired Encina Power Station's ("Encina's") circulating water pumps. The city understands that under the Ground Lease Poseidon has with Cabrillo Power I LLC ("NRG"), the owner of Encina, Poseidon's right to continued operation of the Encina pumps into 2020 is limited by several conditions, including a requirement that the city consent to operation of the Encina pumps after Dec. 31, 2019.

The city further understands that based on Poseidon's current schedule for replacement pumps, continued operation of the Encina pumps will be necessary through at least April 20, 2020, but that Poseidon believes Encina pump operation may be necessary through June 2020. There are no alternatives to the continued operation of the Encina pumps during that period, meaning that without operation of the Encina pumps after Dec. 31, 2019, the CDP would necessarily shut down for an additional four to six months. This significant disruption to an essential water supply to San Diego County and Carlsbad is not in the public interest.

The city also understands that the demolition schedule is further complicated by delays in the transition to a new emergency communication system that the San Diego County Sheriff Department is coordinating. The existing system relies on an antenna located on the Encina stack that serves the Sheriff Department and other emergency response agencies. NRG has advised the city that the original plan was to demolish the stack early in the overall schedule, but stack demolition has now been delayed to April 1, 2020, to accommodate the Sheriff Department's transition to the new system.

Under the Jan. 14, 2014, Settlement Agreement among the city, NRG and others, NRG is obligated to begin demolition of Encina no later than Dec. 12, 2019, and to complete demolition no later than Dec. 12, 2021 ("Demolition Deadline"). The city acknowledges that additional delays in the

Mayor Matt Hall

City Hall 1200 Carlsbad Village Drive | Carlsbad, CA 92008 | 760-434-2830 t | www.carlsbadca.gov

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construction of Poseidon's new pumps, and the completion of the Sheriff Department's new communication system could impact NRG's schedule for demolition.

In light of the unavoidable interruption to the supply of water to the CDP that would otherwise result, the city consents to the continued operation of Encina's pumps after Dec. 31, 2019. Additionally, the city agrees that the stack demolition should be delayed until the Sheriff Department has completed the transition to the new communication system. Furthermore, so long as NRG demonstrates reasonable efforts to complete the demolition of Encina as soon as possible, the city hereby authorizes an extension in the Demolition Deadline, such extension not to exceed nine months.

Sincerely,



Matt Hall
Mayor, City of Carlsbad
President, Carlsbad Municipal Water District Board of Directors

cc: Scott Chadwick, City Manager
Celia Brewer, City Attorney
Gary T. Barberio, Deputy City Manager, Community Services
Sachin Chawla, Poseidon Resources (Channelside) LP

RESOLUTION NO. 2019-228

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARLSBAD, CALIFORNIA, AUTHORIZING THE MAYOR TO SIGN A LETTER GRANTING CABRILLO POWER I LLC (NRG) A NOT-TO-EXCEED, NINE-MONTH EXTENSION IN THE DEMOLITION DEADLINE UNDER THE JAN. 14, 2014 SETTLEMENT AGREEMENT BETWEEN AND AMONG THE CITY OF CARLSBAD (CITY), CARLSBAD MUNICIPAL WATER DISTRICT (CMWD), CABRILLO POWER I LLC AND CARLSBAD ENERGY CENTER LLC (COLLECTIVELY NRG), AND SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E)

WHEREAS, on Jan. 14, 2014, the City Council of the City of Carlsbad approved a Settlement Agreement (Agreement) amongst and between the City, CMWD, NRG, and SDG&E (Resolution No. 2014-010); and

WHEREAS, per the Agreement, the City agreed to support NRG's construction of a 500 mw peaker plant located east of the railroad tracks and west of I-5 known as the Carlsbad Energy Center Project (CECP); and

WHEREAS, in exchange, NRG agreed, among other provisions of the Agreement, to shut down the existing Encina Power Station (EPS) on the commercial operation date of the new CECP, which was Dec. 12, 2018.; and

WHEREAS, in addition, NRG agreed to start the above-ground demolition and remediation of EPS within one year following the shutdown date of EPS and to complete the demolition within two years of the start date of the demolition; and

WHEREAS, Poseidon Resources (Channelside) LP (Poseidon) owns and operates the Claude "Bud" Lewis Carlsbad Desalination Project (CDP) and since the December 2018 shutdown of EPS, Poseidon has continued to utilize EPS's circulating water pumps to deliver seawater to the CDP; and

WHEREAS, it was expected that Poseidon would complete the construction of their own new pumps by Dec. 31, 2019. That schedule will not be met due to extensive challenges and time delays in receiving all the agency permits needed to move forward on construction of the new CDP pumps; and

WHEREAS, to ensure continuity of water supply operations, it is necessary for NRG to accommodate Poseidon's need for continued use of the EPS pumps through at least April 2020, and possibly as late as June 2020; and

WHEREAS, the accommodation of Poseidon's water pump needs represents a major constraint to NRG's ability to comply with the demolition completion date currently outlined in the Agreement; and

WHEREAS, the San Diego County Sheriff's Department (Sheriff) operates the Regional Communications System (RCS) utilized by both police and fire emergency response agencies in North San Diego County; and

WHEREAS, the Sheriff is currently working towards the implementation of a new RCS which is not expected to be up and running until April 2020; and

WHEREAS, the existing RCS relies upon an antenna located on the EPS stack for reliable emergency services communication coverage throughout north county; and

WHEREAS, NRG had originally expected to demolish the EPS stack early in their demolition schedule, but NRG has had to defer demolition of the stack until the new RCS is up and running; and

WHEREAS, the accommodation of the Sheriff's RCS needs represents a major constraint to NRG's ability to comply with the demolition completion date currently outlined in the Agreement; and

WHEREAS, NRG, along with Poseidon Resources (Channelside) LP (Poseidon), is now requesting that the City Council grant a not-to-exceed, nine-month extension to the demolition completion date specified in the Agreement.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Carlsbad, California, as follows:

1. That the above recitations are true and correct.
2. That the City Council of the City of Carlsbad (City Council) hereby grants NRG's request for a not-to-exceed, nine-month extension to the demolition completion date specified in the Agreement.
3. That the City Council hereby authorizes the mayor to sign the attached extension letter (Attachment A).

PASSED, APPROVED AND ADOPTED at a Regular Meeting of the City Council of the City of Carlsbad on the 12th day of November 2019, by the following vote, to wit:


AYES: Hall, Blackburn, Bhat-Patel, Schumacher.

NAYS: None.

ABSENT: None.



MATT HALL, Mayor

for  *Hector Gomez, Deputy City Clerk*
BARBARA ENGLESON, City Clerk
(SEAL)



RESOLUTION NO. 1623

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CARLSBAD MUNICIPAL WATER DISTRICT, AUTHORIZING THE PRESIDENT TO SIGN A LETTER GRANTING CABRILLO POWER I LLC (NRG) A NOT-TO-EXCEED, NINE-MONTH EXTENSION IN THE DEMOLITION DEADLINE UNDER THE JAN. 14, 2014 SETTLEMENT AGREEMENT BETWEEN AND AMONG THE CITY OF CARLSBAD (CITY), CARLSBAD MUNICIPAL WATER DISTRICT (CMWD), CABRILLO POWER I LLC AND CARLSBAD ENERGY CENTER LLC (COLLECTIVELY NRG), AND SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E)

WHEREAS, on Jan. 14, 2014, the Board of Directors of the Carlsbad Municipal Water District (Board) approved a Settlement Agreement (Agreement) amongst and between the City, CMWD, NRG, and SDG&E (Resolution No. 1487); and

WHEREAS, per the Agreement, CMWD agreed to support NRG's construction of a 500 mw peaker plant located east of the railroad tracks and west of I-5 known as the Carlsbad Energy Center Project (CECP); and

WHEREAS, in exchange, NRG agreed, among other provisions of the Agreement, to shut down the existing Encina Power Station (EPS) on the commercial operation date of the new CECP, which was Dec. 12, 2018; and

WHEREAS, in addition, NRG agreed to start the above-ground demolition and remediation of EPS within one year following the shutdown date of EPS and to complete the demolition within two years of the start date of the demolition; and

WHEREAS, Poseidon Resources (Channelside) LP (Poseidon) owns and operates the Claude "Bud" Lewis Carlsbad Desalination Project (CDP) and since the December 2018 shutdown of EPS, Poseidon has continued to utilize EPS's circulating water pumps to deliver seawater to the CDP; and

WHEREAS, it was expected that Poseidon would complete the construction of their own new pumps by Dec. 31, 2019. That schedule will not be met due to extensive challenges and time delays in receiving all the agency permits needed to move forward on construction of the new CDP pumps; and

WHEREAS, to ensure continuity of water supply operations, it is necessary for NRG to accommodate Poseidon's need for continued use of the EPS pumps through at least April 2020, and possibly as late as June 2020; and

WHEREAS, the accommodation of Poseidon's water pump needs represents a major constraint to NRG's ability to comply with the demolition completion date currently outlined in the Agreement; and

WHEREAS, the San Diego County Sheriff's Department (Sheriff) operates the Regional Communications System (RCS) utilized by both police and fire emergency response agencies in North San Diego County; and

WHEREAS, the Sheriff is currently working towards the implementation of a new RCS which is not expected to be up and running until April 2020; and

WHEREAS, the existing RCS relies upon an antenna located on the EPS stack for reliable emergency services communication coverage throughout north county; and

WHEREAS, NRG had originally expected to demolish the EPS stack early in their demolition schedule, but NRG has had to defer demolition of the stack until the new RCS is up and running; and

WHEREAS, the accommodation of the Sheriff's RCS needs represents a major constraint to NRG's ability to comply with the demolition completion date currently outlined in the Agreement; and

WHEREAS, NRG, along with Poseidon Resources (Channelside) LP (Poseidon), is now requesting that the Board grant a not-to-exceed, nine-month extension to the demolition completion date specified in the Agreement.

NOW, THEREFORE, BE IT RESOLVED by the Carlsbad Municipal Water District Board of the City of Carlsbad, California, as follows:

1. That the above recitations are true and correct.
2. That the Board of Directors of the Carlsbad Municipal Water District (Board) hereby grants NRG's request for a not-to-exceed, nine-month extension to the demolition completion date specified in the Agreement.
3. That the Board hereby authorizes the President to sign the attached extension letter (Attachment A).

PASSED, APPROVED AND ADOPTED at a Joint Special Meeting of the Board of Directors of the Carlsbad Municipal Water District of the City of Carlsbad, California and the City of Carlsbad, California on the 12th day of November 2019, by the following vote, to wit:

AYES: Hall, Blackburn, Bhat-Patel, Schumacher.

NAYS: None.

ABSENT: None.



MATT HALL, PRESIDENT

for  Hector Gomez, Deputy City Clerk
BARBARA ENGLSON, SECRETARY
(SEAL)



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Attachment B

**Amended Carlsbad Energy Center Final Decision
Project Description and Purpose, Pages 2-7, 2-8**

SCHEDULE

The 64-month ACECP schedule has four phases:¹⁷

Phase I: Tank Demolition and Remediation: 3th Quarter, 2015 through 4th Quarter, 2015

- Demolition of ASTs 1, 2, and 4;
- Removal of berm between ASTs 4 and 5
- Removal of oily sands from under ASTs 1, 2, and 4, as necessary
- Demolition of ASTs 5, 6, and 7
- Berm removal between ASTs 5 and 6 as well as between ASTs 6 and 7
- Soil remediation activities for ASTs 5, 6, and 7, as necessary

Phase II: Construction / Commissioning / Operation of amended CECP: 4th Quarter, 2015 through 4th Quarter 2017

- Construct, commission and operate the reconfigured ACECP power plant
- Construct linear facilities (recycled water pipeline, 138-kV and 230-kV transmission lines)
- Upgrade the SDG&E 230-kV switchyard

Phase III: Retirement and Decommissioning of EPS units: 4th Quarter, 2017 through 4th Quarter, 2018

- De-energize unnecessary electrical equipment. Some electrical supplies may remain in service in support of demolition activities.
- Purge industrial gases from equipment (e.g., natural gas, hydrogen)
- Remove industrial chemicals from the site, including aqueous ammonia, and mercury if present
- Remove oil from all pumps, motors, pipes, oil reservoirs, transformers, and other equipment
- Electrically isolate decommissioned equipment
- Physically isolate decommissioned equipment by disconnecting from piping systems or other means

¹⁷ Ex. 2000, pp. 1-3, 3-8 – 3-10, 4.10-7, 4.10-13.

- Operate and maintain vital equipment as required for environmental permit compliance (e.g., storm drainage system)
- Verify that all facilities are left in a safe and secure condition
- Remove and recycle of equipment for resale or reuse. Candidates include generators, transformers, switchgear, chillers and other power and cooling systems.

PHASE IV: EPS Demolition: 1st Quarter, 2019 through 4th Quarter, 2020

- Demolition of:
 - Power plant building and contents
 - Combustion turbine and structures, east power plant building
 - Ocean water intake/discharge piping, structures and equipment
 - Northwest structures, tanks, and piping
 - Fuel oil piping and supports
 - Southeast corner structures
 - Two domestic water tanks on SDG&E property
- Site restoration (grading and contouring).

**Project Description Table 1
Amended CECP Estimated Schedule**

P H A S E S	I																								
	II																								
	III																								
	IV																								
	YR	2015				2016				2017				2018				2019				2020			
	QTR	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4

The shutdown and decommissioning would take up to three years and occur concurrently with operation of the new ACECP.¹⁸

¹⁸ Ex. 2000, pp. 1-3, 3-1.