

## DOCKETED

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<b>Document Title:</b>	La Paloma Generating Plant Letter to CEC/CAISO/ARB/CPUC
<b>Description:</b>	4.18.16 Letter from Jim Maiz at La Paloma Generating Company, LLC regarding the Aliso Canyon Issues.
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<b>Organization:</b>	La Paloma Generating Company, LLC
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April 18, 2016

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Ms. Mary Nichols  
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California Air Resources Board  
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Mr. Michael Picker  
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California Public Utilities Commission  
505 Van Ness Avenue  
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Mr. Ed Randolph  
Director, Energy Division  
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Mr. Robert Weisenmiller  
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California Energy Commission  
1516 Ninth Street, MS-29  
Sacramento, CA 95814

Dear Sir or Madam:

La Paloma is a 1,022 MW natural gas fueled, combined-cycle power plant that achieved commercial operations in 2003. The facility was originally developed and constructed by PG&E NEGTEC, and is strategically located in PG&E's service territory at the northern entry point of Path 26, currently the most constrained major transmission path in the CAISO. Despite being 12 years old, La Paloma's unique turbine technology (the only of its kind in California) allows it to enjoy one of the best heat rates in the state (~7,100 Btu/kWh) and lowest carbon intensities

(0.376 lb/MWh). The plant receives fuel directly off the Kern/Mojave interstate pipeline, and accordingly enjoys fuel certainty and flexibility unlike facilities behind SoCal Gas.

As discussed with many of you, La Paloma is one of the victims of the emergence of on-peak renewables and the “duck curve.” Today, the unit is clearly receiving unjust and unreasonable compensation, rendering the enterprise financially unviable (fixed costs exceed net revenues). Corroborating this assertion are 2015 reports of both the CAISO and CEC, which recognize that the market revenues offered to merchant combined-cycle plants are below the fixed costs of said plants. And La Paloma’s situation is even worse, since less than 25% of its capacity is under RA contract for 2016. Despite all of this, the unit is highly dispatched by the CAISO (not just the capacity under RA contract), and we believe that it now plays a critically important role in sustaining Path 26 flows in the face of a long-term Aliso Canyon outage. The situation is both unsustainable and illogical.

The combination of its location and unique technology offers other benefits to California that no other plant can, as noted below.

- **Critical to support Path 26:** This may be the most important point. La Paloma is the largest combined-cycle generating station supporting the Midway substation (ZP-26 node), and is actually directly interconnected to Midway via a dedicated tie-line. Midway is the northern entry point to Path 26, and as such La Paloma provides critical support to maintain high North-to-South flows on Path 26. Per the Aliso Canyon Risk Assessment Technical Report issued April 5, 2016, it is expected that Path 26 will be required to support maximum design flows with Aliso Canyon out of service, and the report acknowledges that Path 26 is “the most limiting transmission constraint in the California ISO system”. In 2015 La Paloma commissioned a third party study, the results of which CAISO generally concurred with, demonstrating the importance of La Paloma as one of just a few resources (La Paloma being the largest) whose operation is necessary to maintain maximum North-to-South flows on Path 26. Therefore, during situations where maximum utilization of Path 26 is in play, while resources north of Midway can be constrained by transmission capacity and resources in the southern load basin can be constrained by fuel availability on SoCal Gas, we believe La Paloma is essentially a must-run unit.
- **Flexible, efficient unit of today and tomorrow:** La Paloma offers a baseload heat rate of 7,100 Btu/kWh (carbon intensity of 0.376 GHG tons/MWh), and a Pmin heat rate around 7,750 Btu/kWh (0.412 GHG tons/MWh). The Pmin output is 55-60% of full load depending on the unit. But uniquely, La Paloma can be retrofitted to reduce its Pmin to about 30% of full load with a very minor modification (accomplished during a short outage). This is a feature shared by no other combined-cycle plant in the CAISO, to our knowledge, and offers important benefits in the face of growing renewable generation and the need for flexible turndown. This additional turndown translates into reduced fuel consumption, lower GHG emissions, and dramatically lower water consumption - while providing the CAISO a tool to minimize renewable curtailment yet maintain over 700MW of spinning reserve.

Over the past year we have made numerous appeals to the various agencies overseeing the power grid in California. The problem seems to be understood, but inevitably we are directed to speak to someone else. The time has come for action. The fact that an insufficient level of capacity has been sold under RA contract is a market signal that La Paloma is not needed. Yet the continued dispatch of the facility and its importance to sustaining Path 26 flows in the face of Aliso Canyon suggest otherwise. Unit 4 is currently in a long-term outage, and we are making preparations to provide appropriate notices required to wind-down operations and discontinue offering the remainder of the facility into the market by the 3<sup>rd</sup> quarter. If that course of action is inconsistent with the needs of the CAISO grid, we implore you to collectively address the market signal that is being provided to La Paloma, and assist in seeing that it is provided the power purchase agreement and/or RA capacity support needed to remain viable.

Sincerely,



Jim Maiz  
La Paloma Generating Company, LLC  
(281) 863-9006

Cc: Commissioner Cheryl LaFleur, FERC  
Keith Casey, California ISO  
Commissioner Carla Peterman, California Public Utilities Commission  
Peter Weiner, Paul Hasting, LLP