

**DOCKETED**

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STATE OF CALIFORNIA  
STATE ENERGY RESOURCES  
CONSERVATION AND DEVELOPMENT COMMISSION

***IN THE MATTER OF:***

**Russell City Energy Center**

**Russell City Energy Company, LLC**

**Docket No.: 01-AFC-07C**

**ORDER APPROVING SETTLEMENT**

**I. BACKGROUND**

Russell City Energy Company, LLC (RCEC) owns and operates the Russell City Energy Center (“facility”) licensed by the California Energy Commission (CEC) and located in Alameda County, California. The Final Commission Decision (Commission Decision) was issued on September 11, 2002, certifying the power project (Docket No. 01-AFC-07C). The Commission Decision governs the construction, operation, and decommissioning of the facility.

On May 27, 2021, the steam turbine and generator at the Russell City Energy Center incurred damage as a result of a mechanical failure due to an overspeed event (“May 27th Event” or “Event”).

Following the May 27th Event, RCEC worked with Energy Commission Staff to enable simple-cycle operations at the Russell City Energy Center to provide critically needed generation capacity and frequency and voltage support to serve local and system grid reliability needs for the State of California during the summer and fall of 2021. On June 3, 2021, RCEC filed a post-certification petition with the CEC to modify Russell City Energy Center’s license to allow the facility to temporarily operate in simple-cycle mode. On July 15, 2021, the Energy Commission voted to approve RCEC’s petition for modifications to allow the facility to temporarily operate in simple-cycle mode, subject to certain limitations in the Energy Commission’s Order No. 21-0715-3.

Immediately after the May 27th Event, RCEC retained Structural Integrity Associates (“SIA”) to conduct an independent failure investigation and to perform a root cause assessment. SIA determined that the May 27th Event was caused by a water induction event. When pressurized, high temperature water condensed in the out-of-service HRSG #1.

From June 2021 through March 21, 2022, CEC and California Public Utilities Commission Staff conducted site visits and investigations at the Russell City Energy Center relating to the May 27th Event.

On April 22, 2022, the CEC staff filed its investigation report, titled Russell City Energy Center May 2021 Incident: Root Cause Gap Analysis (Staff's Investigation Report), to the RCEC compliance docket. Staff's Investigation Report determined that there were three causal factors to the incident. The factors included: deficiencies in maintenance for some critical equipment, deficiencies in control room operator interface and training, and inadequate protection from water induction. These factors led the investigation team to develop additional corrective actions to address the deficiencies that contributed to the incident, which are contained in Chapter 4 of the Staff's Investigation Report and supplemented the corrective actions recommended by SIA.

On April 26, 2022, the Energy Commission found that the corrective actions identified by SIA and the additional corrective actions contained in Chapter 4 of Staff's Investigation Report would be sufficient to enable RCEC to safely return to operations in combined cycle mode and issued Order No. 22-0426-3 authorizing the CEC's Executive Director to verify that all required repairs, testing, and corrective actions were completed before notifying Russell City Energy Center that it could return to combined-cycle operations.

By letter dated June 1, 2022, the Energy Commission Executive Director determined that the necessary corrective actions had been completed and notified Russell City Energy Center that it could restart in combined cycle mode and proceed with normal operations.

On October 11, 2022, CEC Staff sent RCEC a Notice of Violation letter alleging "instances of noncompliance with the General Conditions Including Compliance Monitoring Plan for the Russell City Energy Center."

RCEC cooperated with Energy Commission Staff throughout Staff's investigation and committed significant resources to review and audit the Russell City Energy Center following the May 27th Event, implement operational improvements recommended by Energy Commission Staff, and swiftly repair the Russell City Energy Center so that the facility was available to serve critical energy reliability needs of the State. RCEC has submitted all documents requested by Commission Staff, accommodated Commission Staff site visits, and provided access to documents, facility staff, and resources. Commission Staff and RCEC participated in numerous meetings and took action on many identified items.

RCEC's cooperation and other efforts to repair and improve the Russell City Energy Center have saved the Energy Commission time and resources in further investigation and adjudication of the alleged violations. Given RCEC's continuing and diligent cooperation, the Energy Commission Staff and RCEC believe that rather than engaging in formal adjudication, it would be more productive to enter into this settlement.

## **II. STAFF RECOMMENDATION**

In developing this settlement, Commission Staff considered the cooperation of RCEC; the facts developed by Energy Commission and California Public Utilities Commission staff, RCEC, and SIA during the course of the investigation; the successful efforts by RCEC to restore the Russell City Energy Center to simple-cycle operations to meet local and statewide reliability needs; and the continuing dedication of substantial time, money, and other resources by RCEC to further enhance the safety and reliability of the Russell City Energy Center. Commission Staff applied the relevant factors in Public Resources Code Section 25534.1(e) to determine that settlement, rather than formal adjudication, is a more appropriate use of the Commission's and RCEC's collective resources.

The legal requirements at issue, as well as Commission Staff's allegations, and RCEC's admissions and denials, are included in the Settlement Agreement, which provides for payments of \$1,250,000 by RCEC to the CEC for deposit in the General Fund and \$1,250,000 by RCEC to the City of Hayward to fund energy projects in the city.

Staff recommends that the CEC approve the Settlement Agreement and direct the Executive Director to execute the Settlement Agreement on behalf of the CEC.

## **III. ENERGY COMMISSION FINDINGS**

- 1) Public Resources Code section 25532 requires the CEC to establish a monitoring system to assure that any facility certified by the CEC is constructed and is operating in compliance with air and water quality, public health and safety, and other applicable regulations, guidelines, and conditions adopted or established by the CEC or specified in the written decision.
- 2) Public Resources Code section 25534 empowers the CEC to amend or revoke a license or impose administrative civil penalties.
- 3) Public Resources Code section 25534.1 sets forth factors to consider when determining the amount of an administrative civil penalty.
- 4) In reaching resolution, Staff has considered the factors identified in Public Resources Code section 25534.1, specifically the nature, circumstance, extent, and gravity of the alleged violations, the cost to the state in pursuing the enforcement action, efforts by RCEC to resolve issues, and its overall cooperation.
- 5) The agreed settlement is appropriate and reflects a fair resolution of the issues.
- 6) Approval of the settlement is exempt from the California Environmental Quality Act as set forth in California Code of Regulations, title 14, sections 15060(c)(2) & (3), 15061(b)(2) & (3), 15321, and 15378(a) & (b)(5).

## **IV. CONCLUSION AND ORDER**

The CEC hereby approves the Settlement Agreement and directs the Executive Director or their designee to execute the Settlement Agreement on behalf of the CEC, file a Notice

of Exemption with the Office of Planning and Research, and take any other steps necessary to execute the Settlement Agreement.

**IT IS SO ORDERED.**

**CERTIFICATION**

The undersigned Secretariat to the CEC does hereby certify that the foregoing is a full, true, and correct copy of an order duly and regularly adopted at a meeting of the CEC held on May 31, 2023.

AYE: Hochschild, Gallardo, Gunda, McAllister, Monahan  
NAY: NONE  
ABSENT: NONE  
ABSTAIN: NONE

Dated: June 1, 2023

**SIGNED BY:**

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Liza Lopez  
Secretariat