

October 24, 2007

Honorable Jackalyn Pfannenstiel
Chair, California Energy Commission
1516 9th Street
Sacramento, California 95814-5512

DOCKET 01-AFC-5C	
DATE	OCT 24 2007
RECD.	NOV 05 2007

Re: Valero Cogeneration Project (01-AFC-5C) – Phase 2

The Valero Cogeneration Project (VCP) is a nominal 102 megawatt power plant located at the Valero Benicia Refinery, within the City of Benicia (Solano County). The VCP was certified on October 31, 2001, and was designed to be built in two 51-MW phases. Both phases were to be on-line no later than December 31, 2002. Phase 1 was constructed and operational on December 31, 2002. While Phase 2 is not operational, it remains 30-40% complete due to infrastructure and shared facilities with Phase 1.

The VCP on-line date for Phase 2 was extended twice. CEC action and resulting on-line dates were as follows:

<u>CEC Action</u>	<u>Modified On-Line Date</u>
October 22, 2003	November 1, 2005
November 3, 2005	November 1, 2007

The CEC granted both extensions based on the fact that the request would not have a significant effect on the environment, mitigations were made a condition of approval, and a statement of "Overriding Consideration" was not adopted for the project.

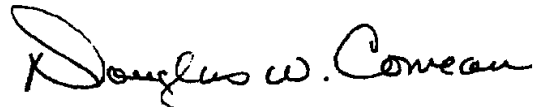
The Valero Refining Company of California (Valero Benicia Refinery) appreciates efforts by the California Energy Commission to help us bring cogeneration to our refinery, both in terms of the original AFC and subsequent extensions. While Phase 1 continues to meet a majority of the electrical needs of the refinery, economic, regulatory, and resulting operational uncertainty associated with Phase 2 remains a substantial impediment to completion.

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Rather than request a third extension, Valero will let the Phase 2 portion of the VCP certification lapse. We are in the process of identifying additional internal power needs and steam efficiencies that will be the basis for an Application for Amendment to the VCP, albeit less than the 51-MW contained in the original Phase 2 project. We anticipate that this application should be ready to file for consideration in late 2009, with an on-line date in 2013.

We continue to appreciate the help and professionalism of your staff and look forward to bringing an amendment before you that provides additional cogeneration/electrical reliability to our refinery, with self-generated economic certainties.

Sincerely,



Douglas Comeau
Vice President and General Manager
Valero Refining Company of California

DWC:iqs

- c: J. Boyd, Vice Chair California Energy Commission
- A. Rosenfeld, Commissioner, CEC
- J. Geesman, Commissioner, CEC
- J. Byron, Commissioner, CEC
- B.B. Blevins, Executive Director, California Energy Commission
- T. O'Brien, Deputy Director, CEC Energy Facility Siting Division