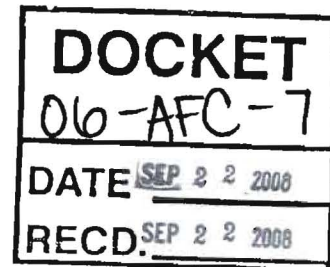


September 22, 2008

Ms. Angela Hockaday  
California Energy Commission  
Docket Unit, MS-4  
1516 Ninth Street  
Sacramento, CA 95814-5512



Re: **HUMBOLDT BAY REPOWERING PROJECT  
PACIFIC GAS & ELECTRIC COMPANY'S  
RESPONSE TO CARE AND ROB SIMPSON COMMENTS ON THE  
PRESIDING MEMBER'S PROPOSED DECISION  
DOCKET NO. (06-AFC-7)**

Dear Ms. Hockaday:

Enclosed for filing with the California Energy Commission are one (1) original and twelve (12) copies of **PACIFIC GAS & ELECTRIC COMPANY'S RESPONSE TO CARE AND ROB SIMPSON COMMENTS ON THE PRESIDING MEMBER'S PROPOSED DECISION**, for the Humboldt Bay Repowering Project (HBRP) (06-AFC-7).

Sincerely,

A handwritten signature in blue ink, appearing to read "Marie Mills".

Marie Mills

Scott A. Galati  
David L. Wiseman  
GALATIBLEK, LLP  
555 Capitol Mall  
Suite 600  
Sacramento, CA 95814  
(916) 441-6575

STATE OF CALIFORNIA  
Energy Resources  
Conservation and Development Commission

In the Matter of:

Application for Certification for the  
Humboldt Bay Repowering Project

**DOCKET NO. 06-AFC-7**

**PACIFIC GAS & ELECTRIC  
COMPANY'S RESPONSE TO CARE  
AND ROB SIMPSON COMMENTS  
ON THE PRESIDING MEMBER'S  
PROPOSED DECISION**

---

On September 17, 2008 Pacific Gas and Electric Company (PG&E) received electronic copies of comments on the Presiding Member's Proposed Decision (PMPD) for the Humboldt Bay Repowering Project (HBRP) prepared by the Californians for Renewable Energy (CARE) and by Rob Simpson, a City of Hayward resident. These commentators' sudden and untimely interest in the HBRP is surprising, since neither has expressed any interest in the proceedings, attended any of the numerous public workshops or hearings, nor has filed any written comments on any of the CEC or PG&E documents throughout the two years that the HBRP has been navigating the public permitting process. It is unfortunate that neither CARE, an experienced and frequent intervener in CEC cases, nor Mr. Simpson, an active participant in the Eastshore and Russell City proceedings, did not participate sooner, as all of the issues raised in their respective comments have been thoroughly evaluated by the North Coast Air Quality Management District (NCUAQMD or District), the California Air Resources Board (CARB), the United

States Environmental Protection Agency (US EPA), and CEC Staff and discussed in several public workshops and forums. Considering CARE's experience with the public nature of the CEC process, its lack of participation until the absolute last minute is suspect and PG&E urges the Commissioners to question why CARE did not participate earlier.

In all events, CARE and Mr. Simpson's contentions are baseless and without merit and for the reasons discussed below the Commission should reject them and approve the HBRP at its September 24, 2008 Business Meeting. The HBRP will improve the air quality by reducing emissions, reduce the use of ocean water for cooling, improve system reliability, enable more natural gas to be available for customer use due to the increased efficiency of the new facility, reduce green house gas emissions, and will reduce the use of diesel fuel during times of emergency and curtailment.

#### **ALLEGED DEFECTIVE NOTICE OF NCUAQMD**

Both CARE and Mr. Simpson allege that the District's Final Determination of Compliance (FDOC) and Prevention of Significant Deterioration (PSD) were not noticed correctly. Notwithstanding that these allegations are completely unrelated to the CEC process and therefore are made in the wrong forum, they are baseless. CARE and Mr. Simpson rely solely on their claim that a recent Environmental Appeals Board (EAB) decision in the Russell City case, in which Mr. Simpson was the Petitioner, renders the District's public notice of the draft documents defective.

The EAB decision cited by CARE and Mr. Simpson relates solely to the noticing procedures contained in 40 CFR Part 124. Part 124 simply does not apply to the District's actions. Specifically, 40 CFR 124.1 (e) states, "Part 124 does not apply to PSD Permits issued by an approved state." The District's permitting program, including the provision for issuing PSD permits, has been approved by the EPA as part of California's State Implementation Plan (SIP). Therefore, Part 124 and all of the noticing requirements identified by CARE and Mr. Simpson are inapplicable to the District FDOC

and PSD-related documents. In fact, the District issued the FDOC, the Authority to Construct, and the PSD on April 14, 2008. According to District Rules and Health and Safety Code Section 42302.1, the Statute of Limitations for appealing the District actions was 30 days after issuance or on May 14, 2008. No person, including CARE or Mr. Simpson, filed such an appeal. In fact, the District complied with the noticing requirements contained in its own rules and any notion that such rules would have required noticing to Mr. Simpson, a resident located hundreds of miles away from the HBRP, or to CARE, an organization that expressed no interest in the District's actions, is meritless. Therefore, the Commission should summarily reject all of the allegations of defective notice in the comments filed by CARE and Mr. Simpson.

## **AIR QUALITY**

CARE's first contention is that the HBRP's air quality impacts are higher than those of other projects approved by the Commission. The CEC Staff and applicant both agreed that the impacts from the HBRP require mitigation. That mitigation takes the form of real-time emission reductions from the shutdown of the existing less efficient and larger emission sources currently operating. Therefore, citing the potential modeled impacts during the times the HBRP will operate on diesel without mentioning the mitigation is only telling half the story. As discussed in great detail in the AFC, many filings made by PG&E during the course of the two-year-long proceeding, the Staff Assessments, and the PMPD, the technology selected for the HBRP is unique because the needs of the region are unique. The Humboldt Region is essentially an electrical island, within which PG&E's operations at the Humboldt site provide much of the electricity consumed by the region. It is with that understanding that PG&E needed to develop a load-following dual-fuel technology. The NCUAQMD, CARB, US EPA, CEC Staff and PG&E all believe the HBRP will fully offset its maximum potential emissions, thereby mitigating any impact alleged by CARE.

CARE also claims that the emission reductions from the existing facility were calculated incorrectly and further alleges the interpollutant offset ratio is not supported. As

discussed in the FDOC and in Response to CEC Staff Data Requests, the emission reductions from the existing facility were calculated in accordance with District Rules. Those rules specify that historical emissions from the last two years prior to filing of an application be used for determining emission reductions. This method discounts earlier years when emissions may have been higher and also discounts emission fluctuations that may occur while the project is being processed. In addition, if CARE had participated in the CEC and District process, it would know that CARB participated in evaluating the offset ratio and, as a result, recommended that the District and CEC Staff use a ratio more conservative than the one proposed by PG&E. This conservative estimate was adopted by PG&E, the District, and CEC Staff.

CARE also would have benefitted from participation in the public workshop discussion on BACT for PM<sub>10</sub>, CO and NO<sub>x</sub>, in which US EPA, the District, CEC Staff, and PG&E explored technologies that could reduce emissions, and concluded that the HBRP was employing all technologies that were feasible and demonstrated in practice for similar large engines. While some technologies could be employed for smaller internal combustion engines, similar technologies could not be adapted for use on the larger Wärtsilä equipment. For example, the use of Diesel Particulate Filters was studied and it was determined that up to 48 filter units would be required. The backpressure created by these devices operating in series would inhibit the operation of the engines and therefore the District concluded that such units were technologically infeasible.

CARE also claims that the District failed to specify BACT for CO. CARE points to smaller engines but fails to recognize, as the District explains in the FDOC that emission controls for CO tend to result in increased emissions of NO<sub>x</sub>. As discussed in the FDOC, the District strives to achieve the lowest NO<sub>x</sub> formation rate possible while keeping CO emission rates at acceptable levels. For example, CARE cites two examples of lower CO emission rates for smaller engines but fails to point out that both examples have significantly higher NO<sub>x</sub> emissions than the HBRP. CARE is also focusing its attention almost entirely on the HBRP's diesel operations, which are

extremely limited. If there are no emergencies and no gas curtailment, the HBRP will not operate on diesel.

CARE claims that the project's cumulative impacts were incorrectly analyzed; specifically identifying that commissioning of the HBRP units will take place for a limited time while the existing units are operating. As stated before, if CARE had participated earlier in the proceedings it would know that PG&E's Response to Data Request 13 and its Revised Cumulative Air Quality Impacts Analysis did quantify and model the potential impacts from operation of the existing units while the commissioning the HBRP. The results have been entered and received into the evidentiary record as Exhibits 7 and 31.

CARE also contends that PG&E does not comply with District Rule 110 because it is in violation of its permits. PG&E is either in compliance or on a schedule for compliance with all permit conditions as required by Rule 110 and, in fact, has an exemplary compliance record.

## **CONCLUSION**

As described above, CARE and Mr. Simpson's respective comments are without merit were filed at the last minute for the sole purpose of causing delay, and should be summarily rejected.

Dated: September 22, 2008

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Scott A. Galati', written over a horizontal line.

Scott A. Galati  
Counsel to PG&E



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE  
STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION FOR THE  
HUMBOLDT BAY REPOWERING PROJECT  
BY PACIFIC GAS AND ELECTRIC COMPANY

Docket No. 06-AFC-7  
PROOF OF SERVICE  
(Revised 7/24/2008)

**INSTRUCTIONS:** All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:

**\* CALIFORNIA ENERGY COMMISSION**

Attn: Docket No. 06-AFC-07  
1516 Ninth Street, MS-15  
Sacramento, CA 95814-5512  
[doCKET@energy.state.ca.us](mailto:doCKET@energy.state.ca.us)

**APPLICANT**

Jon Maring  
PGE  
245 Market Street  
San Francisco, CA 94105  
[J8m4@pge.com](mailto:J8m4@pge.com)

Susan Strachan  
Environmental Manager  
Strachan Consulting  
P.O. Box 1049  
Davis, CA 95617  
[strachan@dcn.org](mailto:strachan@dcn.org)

**APPLICANT'S CONSULTANTS**

Gregory Lamberg  
Project Manager,  
Radback Energy  
P.O. Box 1690  
Danville, CA 94526  
[Greg.Lamberg@Radback.com](mailto:Greg.Lamberg@Radback.com)

Douglas M. Davy, Ph.D.  
CH2M HILL Project Manager  
2485 Natomas Park Drive, Suite 600  
Sacramento, CA 95833  
[ddavy@ch2m.com](mailto:ddavy@ch2m.com)

**COUNSEL FOR APPLICANT**

Scott Galati, Project Attorney  
GALATI & BLEK, LLP  
555 Capitol Mall, Suite 600  
Sacramento, CA 95814  
[sgalati@gb-llp.com](mailto:sgalati@gb-llp.com)

**INTERESTED AGENCIES**

Tom Luster  
California Coastal Commission  
45 Fremont, Suite 2000  
San Francisco, CA 94105-2219  
[tluster@coastal.ca.gov](mailto:tluster@coastal.ca.gov)

Paul Didsayabutra  
Ca. Independent System Operator  
151 Blue Ravine Road  
Folsom, CA 95630  
[PDidsayabutra@caiso.com](mailto:PDidsayabutra@caiso.com)

**INTERVENORS**

**ENERGY COMMISSION**

JEFFREY D. BYRON  
Commissioner and Presiding Member  
[jbyron@energy.state.ca.us](mailto:jbyron@energy.state.ca.us)

KAREN DOUGLAS  
Commissioner and Associate Member  
[kldougla@energy.state.ca.us](mailto:kldougla@energy.state.ca.us)

Gary Fay  
Hearing Officer  
[gfay@energy.state.ca.us](mailto:gfay@energy.state.ca.us)

John Kessler  
Project Manager  
[jkessler@energy.state.ca.us](mailto:jkessler@energy.state.ca.us)

Lisa DeCarlo  
Staff Counsel  
[ldecarlo@energy.state.ca.us](mailto:ldecarlo@energy.state.ca.us)

Public Adviser  
[pao@energy.state.ca.us](mailto:pao@energy.state.ca.us)

**DECLARATION OF SERVICE**

I, Marie Mills, declare that on September 22, 2008, I deposited copies of the attached **PACIFIC GAS & ELECTRIC COMPANY'S RESPONSE TO CARE AND ROB SIMPSON COMMENTS ON THE PRESIDING MEMBER'S PROPOSED DECISION** in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

**OR**

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

I declare under penalty of perjury that the foregoing is true and correct.

  
\_\_\_\_\_  
Marie Mills