

BARRY F. McCARTHY
C. SUSIE BERLIN
SUSAN M. O'BRIEN
MICHAEL G. NELSON

McCARTHY & BERLIN LLP
ATTORNEYS AT LAW
100 W. SAN FERNANDO STREET, SUITE 501
SAN JOSE, CALIFORNIA 95113

Tel.: 408-288-2080
Fax: 408-288-2085
sberlin@mccarthylaw.com

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California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket No. 08-GHG OII-1

Dear Docket Clerk:

Enclosed herewith, please find a copy of the **NORTHERN CALIFORNIA POWER AGENCY COMMENTS ON NOVEMBER 19, 2008 WORKSHOP**, submitted in Docket no. 08-GHG OII-1, Order Instituting Informational Proceeding (OII) on Methods for Satisfying California Environmental Quality Act Requirements Relating to Greenhouse Gas Emissions Impacts of Power Plants. Pursuant to the direction set forth in the written workshop notice, these comments were submitted by email to docket@energy.state.ca.us.

Sincerely,



C. Susie Berlin

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

In the Matter of:)

Order Instituting Informational Proceeding (OII) on)

Methods for Satisfying California Environmental)

Quality Act Requirements Relating to Greenhouse Gas)

Emissions Impacts of Power Plans)

Docket 08-GHG-OII-1

**NORTHERN CALIFORNIA POWER AGENCY COMMENTS
ON NOVEMBER 19, 2008 WORKSHOP**

C. Susie Berlin

MCCARTHY & BERLIN, LLP

100 W. San Fernando Street, Suite 501

San Jose, CA 95113

Phone: 408-288-2080

Fax: 408-288-2085

Email: sberlin@mccarthylaw.com

Attorneys for the:

NORTHERN CALIFORNIA POWER AGENCY

December 15, 2008

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

In the Matter of:)	
Order Instituting Informational Proceeding (OII) on)	Docket 08-GHG-OII-1
Methods for Satisfying California Environmental)	
Quality Act Requirements Relating to Greenhouse Gas)	
Emissions Impacts of Power Plants)	

**NORTHERN CALIFORNIA POWER AGENCY COMMENTS
ON NOVEMBER 19, 2008 WORKSHOP**

The Northern California Power Agency¹ (NCPA) appreciates the opportunity to submit these comments to the California Energy Commission (Commission) on the topics and issues covered during the November 19, 2008 workshop on Greenhouse Gas Emissions from Proposed New Power Plants (November 19 Workshop) in the OII on *Methods for Satisfying California Environmental Quality Act Requirements Relating to Greenhouse Gas Emissions Impacts of Power Plants*.

I. INTRODUCTION

NCPA is a not-for-profit joint powers agency formed in 1968 that represents and provides support for 17 member communities and districts in Northern and Central California. NCPA and its members have a longstanding commitment to the generation of electricity from environmentally-responsible sources. NCPA owns and operates several power plants that together comprise a 95% emission-free generation portfolio from a resource mix of geothermal, hydroelectric, and natural gas facilities. NCPA is committed to reducing the total greenhouse gas (GHG) emissions associated with the provision of safe, reliable, and reasonably priced

¹ NCPA is a Joint Powers Agency whose members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, the Truckee-Donner Public Utility District, and the Turlock Irrigation District, and whose Associate Members are the Plumas-Sierra Rural Electric Cooperative, and the Placer County Water Agency.

electricity to its end-use customers, and is supportive of the goals of both Assembly Bill (AB) 32 and Senate Bill (SB) 1368.

NCPA is currently developing the Lodi Energy Center² (LEC), a natural gas-fired, combined-cycle electrical generating facility rated at a nominal generating capacity of 255 megawatts. The LEC employs state-of-the-art technology to provide both operational flexibility and rapid start and dispatch capability for this much needed generation resource. The advanced nature of the LEC also provides the most efficient power supply available by using natural gas-fired combustion turbine technology capable of supporting the growing power needs of NCPA and its members. Located on an existing industrial site, the LEC reduces construction and related impacts by utilizing existing power plant infrastructure at the proposed site. Equally important, the LEC minimizes environmental and air quality impacts, and while it is not a renewable resource, this clean-operating, natural gas facility would provide NCPA and its members with reliable electric generation that can be used to firm and supplement energy the agency receives from intermittent renewable resources.

During the November 19 Workshop, Commission staff presented four proposals regarding interim environmental review for evaluating GHG emissions impacts from power plants during Commission power plant licensing proceedings for purposes of satisfying the provisions of the California Environmental Quality Act (CEQA). These four options (presented for discussion purposes and not intended to be final recommendations) include: (1) Zero Threshold; Mitigation for All Projects, (2) System Threshold; Mitigation for Some Projects, (3) System/LRA Threshold; Mitigation Based on Local Reliability Areas, and (4) Best Available Control Technology; Mitigation by Technology. During the November 19 Workshop, stakeholders also discussed options related to mitigation measures, including the use of offsets, as contemplated by the California Air Resources Board (CARB) in its implementation of AB 32. NCPA provides the following comments in response to various issues raised during those presentations.

II. COMMENTS

NCPA acknowledges the significance of the problem posed by GHG, and agrees with the Commission that this issue should be addressed as part of the State's CEQA review process. However, this review must be done in the context of the significant steps already being taken by

² 08-AFC-10, September 10, 2008.

the State, including the implementation of SB 1368 and the recent adoption of the CARB Scoping Plan³ which lays the ground work for implementation of GHG reduction measures across the state. Namely, any rules established for review of GHG under CEQA should be interim in nature and should sunset in 2012 when the State implements AB 32. Further, review of GHG impacts and imposition of mitigation measures for new power plants should be reviewed in light of the mandates set forth in SB 1368 and the emissions performance standards (EPS) adopted by this Commission and the California Public Utilities Commission (CPUC).

A. Commission Should Consider Broad Range Of GHG Implications.

California needs safe, reliable, and reasonably priced electricity to fuel its economy. The Commission must review GHG implications in this context; power plants are proposed to meet the demand for electricity. However, new, efficient plants also have the added benefit of potentially being able to reduce the utilization of other high emitting resources or facilitating the delivery of renewable energy.

Accordingly, in addition to the mandates of SB 1368 and AB 32, it is imperative that review of GHG emissions implications for a proposed plant and attendant mitigation measures be considered in the context of the continued supply of safe, reliable, and reasonably priced electricity to California’s consumers. Review of any proposed power plant should be based on an “electric system approach” that factors in all of the relevant impacts of a proposed plant, including the “no project” alternative. If a plant is not constructed, all of the following must be considered:

- What are the potential GHG impacts of importing energy from a high-GHG emitting source?
- What are the GHG impacts of constructing new transmission to deliver power to where it is needed?
- What are the GHG impacts of a possible alternative power plant?
- What are the potential GHG impacts associated with running temporary or back-up generators if reliability is compromised?
- What net GHG reduction benefits are lost if construction of the facility was necessary before a renewable energy resource could have been utilized to meet

³ California Climate Change Proposed Scoping Plan, adopted December 11, 2008.

demand?

Each of these inquiries must be separately evaluated and weighed before the Commission can determine whether or not the facility at issue has an overall negative GHG impact.

Required mitigation must also be considered in the same context. The panoply of mitigation and offset alternatives must be addressed so that power plant developers have the regulatory certainty necessary to fund and pursue essential electric generation facilities.

B. Commission Should Not Adopt A Zero-Threshold, Nor Mandate 100% Mitigation.

The Commission should not adopt a zero-threshold for new power plants, nor should 100% mitigation be required. The need to address GHG impacts is not the same as mandating a zero-threshold for emissions. The Commission must review the GHG emissions and proposed mitigation related to any proposed power plant in light of the global nature of the problem. As noted above, such consideration involves the review of several factors, and overly prescriptive mandates could jeopardize the viability of a proposed power plant and the reliability of the State's electric supply.

Any system threshold should be based on laws already enacted by the State legislature, including, SB 1368. Pursuant to the provisions of SB 1368, both the Commission and the CPUC have adopted an EPS of 1,100 pounds of CO₂ per megawatt hour for power plants. If the Commission wants to establish an interim threshold for mitigation purposes, NCPA strongly encourages the Commission to utilize the existing EPS, which was adopted by both State agencies after considerable deliberation. If the Commission is contemplating an interim threshold, it should be 1,100 CO₂ per megawatt hour.

NCPA supports the adoption of "best available control technology" (BACT) standards and requirements that BACT be employed as a mitigation tool when it is technologically and economically feasible to do so. This review and any mitigation mandates should be done in the context of a programmatic review of the power plant at issue, including the associated cost of the mitigation measure. For example, if the power plant is necessary to facilitate the delivery of electricity from a renewable resource, then the overall benefits of such an arrangement must be considered when determining proposed mitigation, including alternatives that may thwart the development of an associated renewable resource. Additionally, mitigation measures must not be so onerous that the end result is a state-of-the-art power plant that nobody can afford to develop. Reduction of GHG emissions is a laudable goal, but this goal must be tempered with

economic viability of a proposed project.

C. Resolution of This Proceeding Should Not Delay Approval of Currently Pending Applications.

The Commission should not delay review and consideration of applications currently before it pending resolution of this proceeding. It is important that projects not be delayed and that current applications not be subject to extensive additional requirements not known or reasonably anticipated when the original applications were filed. As noted above, NCPA currently has an application pending for certification of the LEC. NCPA's members intend to use this resource to meet energy demands. They have chosen to invest in this project because it not only provides participants with a reliable source of electricity, but because the design of the facility itself, co-located with an existing facility, maximizes the environmental benefits possible from a natural gas facility and allows for clean and efficient operation.

Delaying review and approval of environmentally sound facilities such as LEC until the conclusion of this proceeding could have significant adverse consequences, both in terms of potentially impacting reliability for some retail providers, and in the increased utilization of higher GHG emitting resources to supplement electricity demand. Likewise, imposition of additional or stringent mitigation measures on facilities currently under review, without consideration of the many interrelated factors set forth above, could force compliance costs to become uneconomic, resulting in the continued utilization of less efficient, higher-emitting resources.

In the case of the LEC project, for all but one participant-member, the energy from this facility will replace California market purchases, resulting in a 30-40% reduction in GHG emissions. For the remaining participant-member, the GHG reduction projections are even greater (70%), since coal generation is being displaced. Furthermore, mitigation measures requiring new plants like LEC to buy emissions credits or allowances freely allocated to existing plants will increase the variable cost of operating a cleaner facility, increasing the likelihood that a higher-carbon power plant will be dispatched before newer, cleaner facilities.

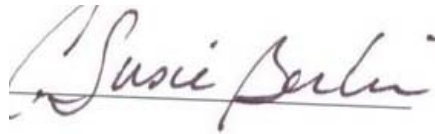
III. RECOMMENDATION

NCPA recommends that the Commission review GHG emission impacts associated with power plant citing in a manner that recognizes the already established EPS, acknowledges the imminent implementation of AB 32 programs, and considers the consequences associated with

all the potential mitigation measures by reviewing the project's impacts on a programmatic basis in the context of the entire electric system. If necessary, mitigation measures should be imposed that are both technologically and financially feasible, and that do not jeopardize the viability of proposed plants, or their potential to have a net positive impact on GHG emissions overall.

December 15, 2008

Respectfully submitted,

A handwritten signature in cursive script that reads "Susie Berlin". The signature is written in dark ink and is positioned above the typed name and contact information.

C. Susie Berlin
MCCARTHY & BERLIN, LLP
100 W. San Fernando Street, Suite 501
San Jose, CA 95113
Phone: 408-288-2080
Fax: 408-288-2085
Email: sberlin@mccarthylaw.com
Attorneys for the:
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