

**Comments of the Natural Resources Defense Council (NRDC) on the
Options for Maintaining Electric System Reliability When Eliminating
Once-Through Cooling Power Plants**

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I. Introduction

The Natural Resources Defense Council (NRDC) appreciates the opportunity to offer these comments on the draft 2008 Integrated Energy Policy Report (IEPR) Update. NRDC is a nonprofit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy services that Californians demand. We focus on representing our more than 124,000 California members' interest in receiving affordable energy services and reducing the environmental impact of California's energy consumption. We submit these comments in response to the questions posed to NRDC by Energy Commission Staff for the May 11, 2009 Workshop on Options for Maintaining Electric System Reliability When Eliminating Once-Through Cooling (OTC) Power Plants.

II. Discussion

- 1. How does your organization view the tradeoffs that seemingly exist between reducing biological harm from OTC, new locations for concentrated release of criteria air emissions, even if offset within an airshed, for new generation, visual impacts from new generation and transmission projects, or other environmental impacts?*

Protecting our coastal and estuarine ecosystems can be done in a manner that is fully consistent with ensuring a reliable energy supply for California and enforcement of the Clean Air Act. While adding new fossil generation should not be considered the only way to phase out OTC, we do not believe there is a conflict between the goals of the Clean Air Act and the desire to add new fossil-fueled generation to California for retrofitting, repowering or decommissioning the OTC plants so long as the theory of the Clean Air Act trading system is kept in mind. Because the South Coast Air Basin is in non-attainment for ozone and particulate matter (PM), the CAA requires that any new

proposed emission of criteria pollutants be offset by emission reduction credits that are, in general, purchased in the open market. As in other trading systems, a steep rise in price of the traded permit or allowance is supposed to send an economic signal that business as usual will be very costly. Prices for PM credits have substantially increased in the South Coast air basin, but instead of looking for new, more efficient ways to do business, local industry and the regulators began seeking legislative changes that purport to increase the number of valid emission reduction allowance that the South Coast Air Quality Management District (“SCAQMD”/ “the District”) has and decided to sell into the market open. However, attempts to change state law are not timely or appropriate as the availability of permits (if there are any) is a purely federal issue that is now in litigation in federal court.

Visual and the other impacts from new generation and transmission projects will need to be addressed whether or not OTC is phased out. These impacts can be addressed with transparent planning processes that include stakeholder involvement.

2. *Since the state energy agencies and Air Resources board have already proposed to implement energy efficiency and renewable generation in unprecedented levels to reduce GHG emissions, does your organization believe there are further opportunities for these preferred resource types in reducing the need for replacement generating capacity? If so, please describe what there are and how they could be accomplished.*

NRDC believes there is considerable room for growth in both energy efficiency and renewable energy deployment. Meeting the current state mandates for efficiency and renewables should be considered a first step, and will have considerable air quality and emissions reductions benefits. Still, it is likely that at least in the near term many renewable resources will need to be backed up by fossil plants with ramping capability. While in general increased efficiency and renewable power reduce the need for fossil generation, we do not recommend shutting down plants with ramping capacity until the effects on the grid of such a shut down have been studied and replacement power sources are identified. This does not mean that phasing out OTC is impossible or inadvisable, but only that the timing should be well considered with the state renewable energy mandates and resulting grid reliability needs. CAL ISO has been looking into this issue for some time and the Ocean Protection Council funded a study of the impacts of OTC phase out

on the California grid. We believe that Energy Commission is best equipped to analyze the available information and remaining issues, publicize results and engage stakeholders in a public process, and provide advice to the water board for a timeline for OTC retro-fit requirements.

3. *How does your organization propose to participate in efforts to remove the current inability to locate new power plants within most of the Los Angeles Basin?*

The SCAQMD violated CEQA by enacting rules, without any environmental analysis, that would add more air pollution to the South Coast basin that the Port of Los Angeles emits each year. NRDC and other groups sued the District in state court and obtained a judgment (now on appeal) that requires the District to complete a Program Environmental Analysis (“PEA”) before it can access the emission reduction credits that it claims to have. We anticipate that the PEA will be completed in a few months and submitted to the judge for her approval.

A second issue is how many valid emission reduction credits the District has. NRDC and other groups filed suit in federal court under the Clean Air Act seeking an accounting of particulate matter (“PM”) and other credits in the District’s internal accounts. The Plaintiffs believe that the District has zero PM credits, and in fact is overdrawn. This lawsuit is still in its early stages.

NRDC has participated in attempts to settle the lawsuits described above, so far without result. We are now working with the Legislature and stakeholders to craft a resolution that permits free distribution of emission reduction credits to minor sources and essential public service sources but also prevents the District from selling invalid credits to power generating companies. That being said, the issue of how new fossil-fueled generation can be permitted in areas that are in non-attainment under the Clean Air Act is a difficult one, whether there is litigation or not. We have offered some technical suggestions to the District and to the state legislature to increase liquidity in the market for emission reduction credits. In particular, we suggested a way to create more emission reduction credits when a facility shuts down by looking back at historic emissions over a ten-year rather than a two-year period and suggested that new facilities be allowed to commence construction when they show that they have a contract for valid credits and

that they will have the credits in hand before operation commences. We also suggested to the Legislature that a stakeholder process be set up to address the larger issue of the relationship between the Clean Air Act and California's energy needs.

4. *One implication of the staff proposal to the SWRCB is a seeming delay in the compliance date for reduction of OTC harm. Does the staff proposal offer any tangible benefits by:*
 - a. *Enabling the development of additional infrastructure that would have less environmental harm than the OTC facilities it would replace*
 - b. *Increasing the probability that once a feasible schedule for new infrastructure is developed that the schedule will actually be implemented as planned and OTC harm can be reduced?*

As stated above, NRDC believes that the Energy Commission can and should provide analysis and recommendations to the Water Board on the implications of OTC phase-out on grid reliability in the context of the state's energy efficiency and renewable generation mandates and goals. Based on that analysis, we believe the Commission can make a reasonable timeline for OTC retrofit requirements. Until the results of that analysis are public and available for review, we do not feel able to answer whether delay is necessary or prudent. The Commission should expeditiously complete and make public the necessary analysis as soon as possible to provide critical information for development of a timeline for retrofit, shutdown and/or decommissioning of the OTC plants.

III. Conclusion

Thank you for the opportunity to comment on this important matter. We look forward to working with the Commission to minimize the environmental impact from electricity production in the state.

Respectfully submitted,



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