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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of: Preparation of the 2009 Integrated Energy Policy Report (2009 IEPR).	Docket Number 09-IEP-10
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MIRANT'S COMMENTS FOLLOWING JULY 28, 2009 IEPR WORKSHOP

ADDRESSING INTER-AGENCY ANALYSIS OF THE ELIMINATION OF ONCE-THROUGH COOLING

Mirant California, LLC , Mirant Delta, LLC, and Mirant Potrero, LLC (collectively, "Mirant") provide these comments on policy issues related to the State Water Resources Control Board's (Water Board's) development of a regulation to address the use of once-through cooling (OTC) by power plants in California. The Integrated Energy Policy Report (IEPR) proceeding is not the appropriate venue to present a comprehensive discussion of all Mirant's concerns it may have regarding the Water Board's draft OTC regulation. Accordingly, Mirant will address those concerns in the Water Board's proceeding where comments are due in September 2009. Furthermore, nothing in these comments should be construed as Mirant's implicit or explicit support for a draft regulation that improperly aims to eliminate OTC instead of embracing broad approaches for minimizing the environmental impacts of OTC. These comments focus on the procurement policy issues raised should the Water Board adopt a regulation that effectively eliminates the use of OTC.

Retrofits

Any procurement policies adopted by the energy agencies in response to the possible elimination of OTC should be flexible enough to include the option of retrofits of existing OTC plants. As Mirant has explained in previous comments filed in this proceeding, Mirant's Pittsburg Power Plant may

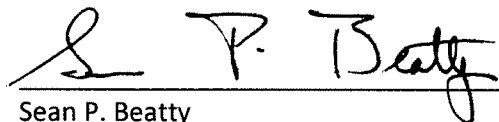
have a unique opportunity to convert its two OTC units to cooling towers by retiring a less flexible unit at that same plant which is wet-cooled, and retrofitting the two OTC units to the existing cooling towers. The benefits of brownfield development are recognized in California, and the retrofitting of a unit provides many of the same benefits that repowering would provide (e.g., access to transmission, reduced impacts on existing population).

While the cost to retrofit would result in a project significantly less expensive than a repower in the context of a long-term RFO process, Mirant understands that there is some opposition to including retrofits in a long-term RFO process. Mirant is less concerned about the particular context in which a retrofit is considered, but that a proposed retrofit is given fair consideration and is not viewed negatively based on a particular process in which it is considered. Accordingly, the energy agencies should adopt procurement policies that give due consideration to retrofits where they are feasible.

Costs to Ratepayers Associated with Draft OTC Regulation

Mirant concurs with the comments made by Southern California Edison at the July 28th workshop regarding the absence of any cost-benefit analysis associated with the Water Board's draft regulation. The energy agencies are well-situated to analyze the anticipated costs associated with the Water Board's proposal. Those costs, which will be borne ultimately by California's ratepayers, should be part of the conversation, but to date that has not been the case. For example, Mirant's two Delta plants run at less than 3% capacity factors, meaning they have very little environmental impact resulting from OTC, but the cost to replace the capacity represented by these plants could exceed \$1 billion. Such extreme results are likely not uncommon for other OTC plants in California. Mirant urges the energy agencies to analyze and publish a comprehensive cost estimate associated with the Water Board's draft regulation.

Dated this 11th day of August, 2009, at Pittsburg, CA.



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