SAN FRANCISCO ELECTRIC RELIABILITY PROJECT (04-AFC-1)

San Francisco Community Power (SFCP), SET 1

(Responses to Data Requests: 1 through 9)

Submitted by

CITY AND COUNTY OF SAN FRANCISCO

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(04-AFC-1)
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Technical Area:
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BACKGROUND

DATA REQUEST

1. Please provide all analyses and associated workpapers used by the City to support its decision to site three of the combustion turbines at the Potrero Power Plant, as opposed to other locations. In particular, please provide all financial, cost effectiveness, and cost-benefit analyses which examine the implications of different siting locations, as well as the "no project" alternative.

   Response: Please note that the City has not made a final decision on siting. The City has identified a proposed location for purposes of analysis under the California Environmental Quality Act (CEQA) and certification by the California Energy Commission (CEC). The final determination on siting will require approval by the San Francisco Public Utilities Commission and the Board of Supervisors in the context of consideration of environmental impacts and approval of applicable aspects of the project such as any land purchase transactions, other key project contracts and project financing. In addition, please refer to the City's objections filed on July 26, 2004. Consistent with those objections, the City is providing with these responses a first set of documents that has been sent out to Mr. Moss and the CEC by overnight mail today. The City will provide copies of these documents to other parties upon request. The City requires additional time to continue the identification of responsive documents and will provide further documents and an update no later than September 7.

   The documents provided with these responses are in the City's possession and reflect analyses of different siting options. These documents were found in the files of various City staff and are provided for completeness even though most were not presented to or considered by higher level City policy makers in the context of final determinations on the proposed location to be filed with the CEC.

2. Please provide a copy of the Department of Water Resource's agreement related to the siting and operation of the CTs.

   Response: The Power Purchase Agreement between the City and the Department of Water Resources (PPA) is being sent today by overnight mail to Mr. Moss and the CEC and will be provided to other parties upon request.

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3. Please provide all operational scenarios, analyses and associated workpapers, as well as resulting emissions impacts, related to the number of hours the CTs are expected to run.

Response: Please note that the City's application for certification reflects the impacts of running the SFERP for the full number of hours the facility is proposed to be permitted; that is 12,000 hours per year total for the 3 CTs. During the first ten years of operation, the City will not control how many of these hours the CTs will actually run since under the PPA, the Department of Water Resources (DWR) "shall have the discretion to Schedule or Dispatch the Facility and the Seller shall comply with any such direction to Schedule or Dispatch of the Facility, consistent with Facility operating parameters." (PPA section 2.05).

In addition, please refer to the City's objections filed on July 26, 2004. Consistent with those objections, the City is providing with these responses a first set of documents that has been sent out to Mr. Moss and the CEC by overnight mail today. The City will provide copies of these documents to other parties upon request. The City requires additional time to continue the identification of responsive documents and will provide further documents and an update no later than September 7.

The documents provided with these responses are in the City's possession and reflect operational scenarios, analyses, and associated workpapers, as well as resulting emission impacts. These documents were found in the files of various City staff and are provided for completeness. While the documents may reflect particular scenarios about CT running hours developed by or for City staff at different times, they do not reflect a City position on expected CT running hours, since no such position exists at this time beyond the request for permitting for 12,000 hours per year total for the three CTs.

4. Please comment on Pacific Gas and Electric Company's statement, as filed in its marginal cost testimony in its General Rate Case Phase II proceeding, that a CT must operate at least 827 hours annually to pay back its investment costs. (PG&E 2003 GRC, A.02-11-017, Exh. PG&E-2, P. 2-9, June 17, 2004.)

Response: Please refer to the City's objections filed on July 26, 2004. The City is not familiar with the statement in question and hence does not have any formal comment on the matter.

5. Please provide copies of all City-sponsored testimony related to Mirant America's proposed development of Unit 7 at Potrero that could be construed to apply to the City's current application. In particular, please provide all overlapping testimony related to cultural resources, polluting air

emissions, water quality issues, and transportation of hazardous materials.

Response: Please refer to the City's objections filed on July 26, 2004. The City's prefiled testimony in the Potrero 7 case has been sent by overnight mail to Mr. Moss today and will be provided to other parties upon request. The City does not concede that any of these documents "could be construed to apply to the City's current application."

6. The City has indicated that the SFERP's primary purpose is to close existing power plants located in Southeast (SE) SF while ensuring electric reliability. The California Independent System Operator has indicated that the Hunters Point (HP) Power Plant can be retired upon completion of Pacific Gas and Electric Company proposed transmission projects, likely by 2007 if approved by the California Public Utility Commission (i.e., transmission is the project "alternative").

   Is it the City's position that, should the proposed transmission projects be successfully completed and serve to close HP, that the SFERP is intended to close the existing Potrero Power Plant complex? If do, what steps will the City take to achieve this goal? What guarantees will the City provide the impacted local community that these actions will be taken, and serve to close the plant?

   Response: It is the City's position that the SFERP should provide for closure of Hunters Point Power Plant, (Units 1 and 4) in the event that the Jefferson-Martin line and related transmission projects are not placed in service. It is also the City's position that if the Jefferson-Martin line and associated transmission projects (set forth in a May 4 letter from PG&E to the CA ISO) provide for closure of the Hunters Point Power Plant (Units 1 and 4), then the SFERP should provide for closure of generating units at the existing Potrero Power Plant complex. The AFC notes that with both the SFERP and the Jefferson-Martin line in place, along with related transmission upgrades, the SFERP should, based on numbers set forth in an October 22, 2003 letter from the CA ISO, at least provide for closure of Potrero Units 4, 5 and 6. More recently, the City's efforts have focused on identifying the conditions for closure of Potrero 3. The City has continued to forcefully press the CA ISO to define the preconditions for closure of Potrero 3. In a recent meeting between the City, community members and the CA ISO, the CA ISO agreed to engage in an expedited six week process to define such preconditions. Further , on Thursday July 29, 2004, Greg Asay on behalf of Supervisor Maxwell, reiterated to the CA ISO governing board the City's need for concrete and clear information from the CA ISO about the preconditions for closure of in-City generation. The City will continue to seek clear written CA ISO communications regarding such preconditions. Although the City cannot guarantee that closure of in-City generation will in fact occur, it is the City's objective in pursuing the SFERP to achieve this goal. As noted above, prior to

construction, key contracts and the financing for the SFERP will have to be approved as applicable by the San Francisco Pubic Utilities Commission and the Board of Supervisors. In this context, if not before, the City will review the extent to which the SFERP complies with the City's objectives.

7. In 2003 SF Power provided the City with an analysis demonstrating the equilibrium polluting air emissions from power plants could be higher in SE SF after HP closure and with the SFERP implemented. Has the City evaluated this analysis, and come to any conclusions about it? Please provide all analyses related to equilibrium emissions under different power plant scenarios.

Response: Please refer to the City's objections filed on July 26, 2004. The City has not formally evaluated or come to any conclusions about the SF Power analysis. In response to question 3, the City is providing documents in the City's possession that reflect operational scenarios, analyses, and associated workpapers, as well as resulting emission impacts.

8. How does the City intend to determine the funding level for emissions offsets and a mitigation package associated with the SFERP? Please provide all supporting documents related to this issue.

Response: As in the case of siting discussed in response to question 1, the ultimate determination about a funding level will not be made until the San Francisco Public Utilities and the Board of Supervisors, as applicable, approve key agreements for the project and project financing after certification of the SFERP by the CEC. Pending this determination, the City is in the process of developing with community input a proposed mitigation/community benefits package to be proposed and considered in the CEC licensing process. With regards to emissions offsets, the City is determining a funding level through a request for proposals for ERCs as described on page 8.1-49 of the AFC. Further, the City intends to develop a mitigation/community benefits package through the process described in response to CEC data requests, set 1A, requests 2 and 3. That process will help the City identify a package of measures to improve air quality in Southeast San Francisco, with an emphasis on addressing the PM10 emissions from the SFERP, and to address other issues of concern to the community related to the SFERP, such as public health. In determining a final proposed package of mitigation measures, and the related funding level, the City will have to consider the following factors: 1) the City's commitment to ensure that the SFERP results in a net improvement in air quality in Southeast San Francisco; 2) the requirement under CEQA to mitigate all significant impacts of the project or demonstrate an overriding public interest; 3) the ability of DWR to terminate the PPA in the event it determines, prior to project financing, that the cost of the SFERP is or will become unacceptable. Among other information, to assess these factors, the City has and will continue to review CEC permitting decisions for other power plants.

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9. I have not yet received a response to an oral request, made at the June workshop, as to whether the City relied solely on a January 14 City Memorandum that provided a financial analysis of the SFERP to make a decision to eliminate the 5th and Jesse St site from consideration.

Response: The City did not rely solely on the January 14 City Memorandum in determining proposed sites for the CTs. The City considered a number of factors in determining not to propose the 5th and Jessie location and to pursue a proposed location at the airport including the following:

- The capital costs of 5th and Jessie vs the airport differed in the order of $40-50 million dollars, and the City had been given informal indications by DWR that it would resist paying those additional costs under the DWR PPA.
- The City faced a site control deadline and there were no prospects for any kind of an agreement with NRG within that time frame. In fact, in the most recent meeting between NRG and the City, NRC had indicated that some of the City's assumptions about operations would not be workable given NRGs operational needs, resulting in additional costs at the site.
- The City's air quality consultant had raised concerns about the potential air quality impacts of the project given the configuration of buildings surrounding the site.

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SAN FRANCISCO ELECTRIC RELIABILITY PROJECT
APPLICATION FOR CERTIFICATION,
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I declare that I transmitted the foregoing document via e-mail, or as indicated by first class postal mail, to the above named on the date indicated thereby. I declare under penalty of perjury that the foregoing is true and correct.

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