

PUBLIC UTILITIES COMMISSION

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Jonathan Bishop
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Subject: Extension of Once-Through Cooling Policy Compliance Deadlines

Dear Mr. Bishop:

The California Public Utilities Commission (CPUC), The California Energy Commission (CEC) and the California Independent System Operator (CAISO) are committed to the permanent retirement of the once-through-cooling (OTC) plants that are currently scheduled for retirement. In order to ensure sufficient new resources were online to replace some of the remaining OTC facilities, in Decision D.19-11-016, the CPUC directed load serving entities in California to procure 3,300 MW of new resources to ensure electric reliability in California. The CPUC directed that half (1,650 MW) of the new resources were to be online by August 1, 2021; 825 MW by August 1, 2022; and the remainder by August 1, 2023.

However, the Statewide Advisory Committee on Cooling Water Intake Structures (SACCWIS) acknowledged that due to several unanticipated factors, there is a risk of a mismatch in timing between when the new electric resources could be completed and when the water discharge permits of four electric generation facilities that use once through cooling technologies would expire.¹ These concerns have been further reinforced by the recent historic heat wave and tight supply resources in California and other western states.

The CPUC and SACCWIS have recommended extensions of the four OTC facilities' permits to eliminate the risk that the retirement of those plants before the new resources can be brought online would lead to electric reliability problems for California.

Given the critical nature of the 1,650 MW of new resources to meet reliability requirements by August 1, 2021, CPUC staff has established a process to track the procurement and development of the specific projects. At this point in time, the process suggests that most projects needing to be developed by August 1, 2021, are meeting their development milestones. However, potential impacts from COVID-19, shelter at home, and social distancing requirements are creating new delay risks. In its tracking, CPUC staff has already identified a small number of projects that report a risk of delays in their targeted online dates, but at this time indications are that even with delays, most if not all of the CPUC-ordered 1,650 MW will be online by August 1, 2021.

Beyond these specific permitting delays, a number of developers have communicated to the CPUC the possibility of delays of individual projects, citing COVID-related supply chain issues (*e.g.*, the potential for disruption in manufacturing, shipment, or delivery of equipment; labor disruptions from quarantines; travel restrictions; social distancing requirements; or other areas as a result of the pandemic) and/or potential permitting or inspection delays resulting from agency staff, budget, or procedural constraints related to COVID-19.

The staff of the CPUC, CEC, and CAISO are also tracking changes in overall electricity demand resulting from increased telework, home schooling, and the decline in the economy. The energy organizations are also examining supply conditions to meet demand. While there has been a recent decline in overall demand for electricity, demand at peak times of day is consistent with peak demand in previous years, and the current need for these OTC plants to meet peak demand remains the same until the new generation and storage resources are brought online. In the May 27, 2020, joint CPUC, CEC, and CAISO letter to the Water Board, staff stated:

¹ Alamitos Generating Station Units 3, 4, and 5; Huntington Beach Generating Station Unit 2; Redondo Beach Generating Station Units 5, 6, and 8; and Ormond Beach Generating Station Units 1 and 2.

“It is unclear whether the ongoing COVID-19 pandemic will significantly disrupt supply chains and construction timelines, and it is also unclear how demand patterns may shift, particularly if 2021 is a dry, hot year with higher-than-average air conditioning loads and lower-than-average hydroelectric capacity. We continue to monitor and analyze the effects of the pandemic but note that at the very least, it exacerbates uncertainty” and that accordingly, we have continued to monitor the situation since then.

The CPUC, CEC, and CAISO staff will continue to monitor peak demand to determine if forecasts need to be adjusted.

Even with the limited number of projects with risk of delay and some uncertainty about future demand, the vast majority of the new reliability resource projects ordered by the CPUC are currently meeting their milestones. However, if the CPUC’s tracking of project development starts to indicate a significant risk of delay of project online dates or other factors show that California’s electric reliability maybe at risk, the staff of the CPUC, CEC, and CAISO may return to the Water Board by early 2021 to request an additional extension of OTC permits for units that may retire at the end of 2021.

The staff of the CPUC, CEC, and CAISO will not make such a recommendation unless an extension is absolutely necessary, and we intend for the process that would lead to such a request to be fully transparent. To that end, staff of the CPUC, CEC, and CAISO will provide a quarterly report to the Water Board that provides the status of all of the projects that are anticipated to be online by August 1, 2021; their targeted online dates; and any identified risk of delays. The staff of the CPUC, CEC, and CAISO will also work with the federal, state, and local permitting agencies involved with these projects to help ensure that the permit processes move forward as expediently as possible.

Sincerely,



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