

ON THE CORRELATION BETWEEN THE SAN FRANCISCO ELECTRIC RELIABILITY PROJECT AND CLOSURE OF THE POTRERO POWER PLANT

“It is imperative that the City of San Francisco obtains an agreement from Mirant to secure the closure of the [Potrero] power plant before the final approval of the SFPUC to site the new CTs. The final approval of siting the new CTs should not be permitted unless the plant closure is guaranteed.”

-- San Francisco Department of Public Health
Eastern Neighborhoods Community Health Impact Assessment, Sept. 2007 Final Report

This white paper analyzes the only meritorious argument put forth in favor of the proposed San Francisco Electric Reliability Project (“SFERP”) combustion turbine power plant: that the SFERP, if constructed, will lead to closure of the polluting Potrero Power Plant.

This potentially compelling proposition is undermined by one particularly glaring problem.

It is false.

The California Energy Commission (“CEC”) in its October 3, 2006 Final Commission Decision certifying the SFERP power plant outlined the idea that the SFERP might lead to closure of the Potrero Plant:

"Working collaboratively, CCSF (City and County of San Francisco) and the California Independent System Operator (CAISO) developed a "Revised Action Plan" which would facilitate/allow the release of the existing Potrero units from their "Reliability Must Run" (RMR) agreements. (Ex. 50, p. 3.)" CEC Final Commission Decision, 10/03/06, p. 14.

The ensuing logic is that release of the RMR agreement will lead to the voluntary closure of the Potrero Power Plant by its owner, the Mirant Corporation:

“CAISO uses RMR contracts to provide economic payments to power plants that are needed to maintain reliability but that might not be able to be financially viable if forced to rely solely on revenues from selling energy into the marketplace. It is expected, although not guaranteed, that without an RMR contract, Mirant (the owners of Potrero) will not find it economical to continue operation of the plant.” Memorandum from San Francisco Port Commission Executive Director Monique Moyer, February 21, 2007, p. 5, fn. 3.

However, the Energy Commission considered this argument in issuing its October 2006 certification of the SFERP power plant and found that:

“As also discussed in other portions of this Decision, certification of the SFERP **does not necessarily result in the closure of the existing Potrero units**. While the SFERP may "facilitate" or "create the opportunity" for such closure, the evidence is clear that "only the power plant owner (Mirant) can decide to retire their generator units. (Ex. 50, p. 3, lines 21-22.)” CEC Final Commission Decision, 10/03/06, p. 15. (emphasis added)

The San Francisco Department of Public Health (“SFDPH”) recently struck a cautionary note in regard to relying on the premise that the SFERP will necessarily lead to closure of the Potrero Plant. The SFDPH’s Eastern Community Health Impact Assessment (“ENCHIA”) was initiated in November 2004 with a goal of ensuring that land use planning in San Francisco’s eastern neighborhoods took into account, protected, and improved community health.

The SFDPH’s ENCHIA Final Report was issued in September 2007 and included a Final Policy Brief in Appendix 4 that addressed the concern that the SFERP might not lead to closure of the Potrero Plant, because:

“Representatives from Mirant acknowledge the current situation, but have been reluctant to say if they would shut down the Potrero Plant if the state were to withdraw its financial backing.” SFDPH Eastern Neighborhoods Community Health Impact Assessment, Sept. 2007 Final Report, Appendix 4, “Community-based Mechanisms to Reduce Air Pollution” Policy Brief, p. 1.

The SFDPH continued with a stern warning:

“It is imperative that the City of San Francisco obtains an agreement from Mirant to secure the closure of the [Potrero] power plant **before the final approval of the SFPUC to site the new CTs**. The final approval of siting the new CTs should not be permitted unless the plant closure is guaranteed.” Id. (emphasis added)

Mirant’s most recent public statements regarding its intentions for the Potrero Plant are cryptic at best, ominous at worst:

“At a certain time, the Potrero Plant will close. As a private company, Mirant has a responsibility to the Independent System Operator (ISO) to run the plant for the requirement for reliability for SF. The ISO may determine that the Potrero Plant is no longer necessary. When the RMR contract expires and there is no longer a need for the plant to generate power, Mirant will look for what is the best and highest use of the property.” Report from Mirant Sr. VP, Head of Asset Management Robert Driscoll Sr. to the San Francisco Power Plant Task Force, January 23, 2007.

Brightline Defense Project on October 8, 2007 engaged Chip Little, Mirant's Government Affairs Manager, to discuss the company's current position in regard to the SFERP.

Brightline Research Fellow Lynette Stetler asked, "If the SFERP combustion turbine plant is built, will Mirant shut down the Potrero Power Plant?" Mr. Little responded, "Potrero will operate until it is no longer needed for reliability."

Ms. Stetler followed up, "Does that mean when the RMR designation is released?"

Mr Little responded: "We will operate until it is no longer needed for reliability."

Ms. Stetler pressed one last time and asked, "Who makes the determination of 'no longer needed for reliability'?" Mr. Little answered, "the California Independent System Operator, the Federal Energy Regulatory Commission, and the California Public Utilities Commission."

Thus, it is very important to be mindful that CAISO, who in its aforementioned "Revised Action Plan" pledges to remove the RMR designation, is but one of three actors required to induce Mirant to shutter its Potrero Plant.

It should be clear to all those considering whether or not to authorize the City of San Francisco's construction of the SFERP power plant: in the absence of a signed contract between the city and Mirant Corporation for the closure of the Potrero Power Plant, building the SFERP carries the very real risk that the low-income, minority, and non-English speaking residents of Southeast San Francisco may very well be burdened by not only one polluting power plant, but two.

That is a nightmarish scenario that the City and County of San Francisco has a duty to avoid.

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