

**BEFORE THE CALIFORNIA ELECTRIC GENERATION FACILITIES
STANDARDS COMMITTEE**

**Proposed Operational Standards and Guidelines
for Generators**

Prepared by the Staff of the
California Electric
Generation Facilities
Standards Committee

August 23, 2004

**Calpine Corporation's Supplemental Comments on the Proposed
Operations Standards and Guidelines for Generators
October 1, 2004**

Calpine Corporation (Calpine) appreciates this opportunity to provide additional comments on the Proposed Operations Standards and Guidelines for Generators (Proposed Standards).¹ Calpine has joined other Generator Asset Owners (GAOs) to provide revisions in a redlined version of the Proposed Standards for consideration by the California Electric Generation Facilities Standards Committee (Committee). Calpine fully supports the joint GAO revisions and recommends that the Committee incorporate them into the final version of the Proposed Standards. Calpine believes that the joint GAO revisions are necessary to clarify the purpose and intent of the Proposed Standards, as well as to fulfill the intent of Senate Bill 39xx without subjecting GAOs to unnecessary and costly burdens.

The intent of Senate Bill 39xx, which was enacted as a result of the California energy crisis of 2000 and 2001, is to make certain that GAOs are properly maintaining and operating their facilities to ensure their reliable operation. The Proposed Standards go beyond what is necessary to enforce Senate Bill 39xx, so much so as to raise the concern of GAOs that the Proposed Standards may be misinterpreted in the future to interfere with a GAO's ordinary and

¹ Calpine is voluntarily providing these comments to the Committee. Calpine reserves its rights to challenge the legality and applicability of (i) CPUC Code Section 761; and (ii) the implementation of such statute by the California Public Utilities Commission (Commission) or any other agency or instrumentality of the State of California in the future.

reasonable business practices. To assuage this concern, Calpine supports the joint GAO revisions to the implementation section:

"The Commission should clarify that:

- A. *In enforcing the Operating Standards, the Commission shall not require GAOs to produce proprietary and confidential information without adequate assurance that the Commission will maintain its confidentiality.*
- B. *Compliance with the Operating Standards shall not interfere with the right of GAOs to manage their employees or business structures, including without limitation, the right to hire, fire, reward, and motivate its employees and structure its management.*
- C. *In enforcing the Operating Standards the Commission shall not require any GAO to act in any manner inconsistent with any existing federal, state or local laws.*
- D. *No GAO shall be required to alter or amend any contractual agreement to comply with the Operating Standards."*

Calpine recommends that the Committee include this language in the final version so as to be clear about the purpose and intent of the Proposed Standards.

Calpine recommends that the Committee delete Standards 1, 10, and 14. As the joint GAO revisions point out, Standards 1 and 14 duplicate the regulations of other state agencies, and Standard 10, which restates that a GAO is obligated to comply with existing laws and regulations, is unnecessary. All three of these standards are duplicative and unnecessary.

Additionally, the Proposed Standards need to be clear that the Committee intends that GAOs will make appropriate cost-benefit analyses in making operational decisions and developing procedures to meet the intent of the Proposed Standards. For example, a GAO should not be expected to make a substantial capital investment to ensure that a unit operates at nameplate capacity, if the unit is rarely called upon to operate at that capacity and a cost-benefit analysis shows that the investment would be uneconomic. The joint GAO revisions include language to address this issue, and the Committee should ensure that the concept of cost-benefit analysis is included in the Proposed Standards.

Finally, the Committee needs to make perfectly clear that the guidelines are recommendations but not enforceable requirements. The joint GAO revisions address this issue by making

numerous changes to the guidelines to remove references to 'minimum requirements' and similar phrases. Calpine strongly encourages the Committee to follow these recommendations. Calpine endorses the proposal that the guidelines be removed from the standards and placed into an appendix. If the guidelines were to be given equal weight to the standards, then in Calpine's view, the Proposed Standards in their entirety would be unworkable.

Thank you for considering these comments.

Respectfully submitted,



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October 1, 2004