

August 12, 2000

Terry M. Winter
President and Chief Executive Officer
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Dear Mr. Winter:

In view of concerns about the reliability of California's electric power system this summer, President Clinton has directed all Federal agencies to do their part to help California meet its electricity needs. This letter is intended to clarify EPA's position on the use of emergency backup generators during power shortage emergencies and to provide additional flexibility in order to help avert blackouts.

In a memorandum dated September 6, 1995, EPA issued guidance to provide flexibility in the permitting of emergency generators by allowing the use of certain reasonable assumptions regarding the expected operations of such units. Specifically, in the guidance, EPA determined that 500 hours was a reasonable and realistic "worst-case" estimate of the number of hours that an emergency generator could be expected to operate per year. However, the guidance is only applicable to a generator "whose sole function is to provide back-up power when electric power from the local utility is interrupted."

EPA has reevaluated its 1995 guidance, and believes it is appropriate that backup generators used to avert a power blackout also be considered "emergency generators" as that term was used in the earlier guidance, provided that a power shortage emergency exists and the units can be operated within parameters that maintain the integrity of the 500-hour estimate. The circumstances under which backup generators may be used to avert blackouts this summer in California while being treated as "emergency generators" under the September 6, 1995 guidance are described in more detail below. To ensure that this guidance change regarding use of emergency generators does not jeopardize the 500 hour estimate, it is limited to operations of emergency generators through October 30, 2000. If it appears that there are risks of blackouts beyond that date, EPA may reevaluate the situation and issue additional guidance.

The California Independent System Operator Corporation's (Cal-ISO's) Electrical Emergency Plan includes three different stages of alert. Stage One is initiated when electricity operating reserves fall below seven percent, at which point all customers are asked to voluntarily conserve electricity. A Stage Two emergency is declared when operating reserves drop below five percent, at which point

large customers that have signed up to voluntarily curtail power during high demand days are asked to do so. When operating reserves fall to one-and-a-half percent, a Stage Three emergency is declared and rotating blackouts may be needed in order to prevent a complete shutdown of the system.

The use of emergency generators to avert blackouts should be restricted to a last resort effort after the implementation of all other options, including the electricity load reduction measures called for under Stages One and Two of California's Electrical Emergency Plan. This will help avoid unnecessary air quality impacts.

EPA will only consider a power shortage emergency to occur when Cal-ISO's system-wide or region-wide available power reserves are two percent or less. In addition, EPA will consider such use to constitute the operation of an emergency generator only when it is limited to no more than six hours of use following any given declaration by Cal-ISO of a power shortage emergency, as defined above. Cal-ISO can renew the declaration if power reserves remain at or below two percent.

I believe that Cal-ISO is best positioned to coordinate with California's electric utilities and establish a system for notifying owners of emergency backup generators in facilities served by these utilities when the criteria for a power shortage emergency have been met. CAL-ISO should also notify EPA.

This letter revises only the Federal guidance on operating criteria for emergency generators. This letter does not address State and local requirements for emergency generators, which can be more stringent. By providing Federal flexibility, the guidance contained in this letter will allow the State and local air pollution agencies in California to work with Cal-ISO to take further steps to avert blackouts. EPA has been and will continue to coordinate with the California Air Resources Board (ARB) and the California Air Pollution Control Officers Association (CAPCOA), and we support their ongoing efforts to provide flexibility with State and local air pollution requirements.

Matt Haber of EPA's Region IX is the lead contact for EPA on this issue. He can be reached at (415) 744-1254.

Sincerely,

Robert Perciasepe
Assistant Administrator

cc: Felicia Marcus, Regional Administrator, EPA Region IX
Steven Herman, Assistant Administrator, EPA Office of Enforcement and Compliance Assurance
Bill Richardson, Secretary, U.S. Department of Energy
James Hoecker, Chairman, Federal Energy Regulatory Commission
Michael Kenny, Executive Officer, California Air Resources Board
Winston Hickox, Secretary for Environmental Protection, State of California
Larry Greene, President, California Air Pollution Control Officers Association
Bill Keese, Chairman, California Energy Commission
Loretta Lynch, President, California Public Utilities Commission