

STATE OF CALIFORNIA



CALIFORNIA
ENERGY
COMMISSION



AIR
RESOURCES
BOARD

Notice of Joint Agency Workshop on Emission Offset Challenges for Fossil Power Plants in Southern California

TUESDAY, FEBRUARY 15, 2011

Beginning at 10 a.m.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Auditorium

21865 Copley Drive

Diamond Bar, California 91765

(Wheelchair Accessible)

As part of the *2011 Integrated Energy Policy Report (2011 IEPR)*, the California Energy Commission's IEPR Committee and the Air Resources Board (ARB) will conduct a joint workshop on the challenges to licensing fossil power plants in Southern California. The IEPR Committee is composed of Chairman Karen Douglas, Presiding Member, and Commissioner Jeffrey D. Byron, Associate Member. The ARB will be represented by Robert D. Fletcher, Deputy Executive Officer. Other Commissioners from the Energy Commission may also attend.

Following the workshop, the IEPR Committee will determine the extent to which this issue requires further examination in the *2011 IEPR* and the extent to which the ongoing ARB effort under Assembly Bill 1318 (V. Manuel Perez, Chapter 285, Statutes of 2009) is sufficient.

Remote Attendance

WebEx Web Conferencing - Presentations and audio from the meeting will be broadcast via a WebEx web conferencing system. For details on how to participate via WebEx, please see the "Participation through WebEx" section at the end of this notice.

Purpose

Staffs from the Energy Commission, the ARB, and other collaborating agencies (Joint Staff) have prepared a proposal for conducting analyses to determine the scope and extent of future air pollutant offset requirements and possible changes in power plant permitting mechanisms. The staff proposal, in the form of a draft work plan, including the agenda, will be posted at [www.energy.ca.gov/2011_energypolicy/index.html]. This workshop will provide the opportunity for the Energy Commission, the ARB, and the public to provide comments, questions, and suggestions on the Joint Staff's framing of the emission offsets challenges for power plants in Southern California and on the staff proposed work plan.

Background

Public Resources Code Section 25301 directs the Energy Commission to regularly assess all aspects of energy demand and supply. These assessments provide the foundation for analysis and recommendations to the Governor, Legislature, and other agencies for energy policies that conserve resources, protect the environment, ensure energy reliability, enhance the state's economy, and protect public health and safety. To carry out these assessments, "the [Energy] Commission may require submission of demand forecasts, resource plans, market assessments, and related outlooks from electric and natural gas utilities, transportation fuel and technology suppliers, and other market participants" (Public Resources Code Section 25301(a)). Previous IEPR workshops have initiated the process to secure long-term demand forecasts and resource plan submittals from utilities and other load serving entities.

In the electricity sector, limited availability of air pollutant offsets is a critical challenge in satisfying whatever amount of fossil power plant development will be needed in Southern California. Such offsets have been scarce for many years and are expensive for power plant developers to acquire. In the past, the South Coast Air Quality Management District (SCAQMD) established special mechanisms to enable sufficient power plant development to maintain electricity reliability. However, two court decisions in 2008 suspended these regulatory mechanisms.

In 2009, the Legislature passed and the Governor signed two bills that sought to allow some limited power plant development in Southern California while more fundamental problems were examined. Senate Bill 827 (Wright, Chapter 206, Statutes of 2009) allows the use of SCAQMD's internal offset bank for facilities requiring permits. This effectively allows repowering projects to continue to use the SCAQMD's Rule 1304 exemption from providing offsets for old steam cycle generators being replaced by advanced gas turbine technologies through May 2012. The second bill, Assembly Bill 1318, provides offsets to new power plants meeting certain criteria and also directs the ARB, in consultation with several other agencies, to study the electric reliability needs for power plant development and air quality permitting mechanisms.

In addition to growth in electricity loads (perhaps muted by the current recession and its aftermath), a major force motivating power plant development in many areas of the state

is the once-through cooling (OTC) mitigation policy adopted by the State Water Resources Control Board (SWRCB) which became effective on October 1, 2010. This policy could motivate the repowering and/or replacement of all of the OTC power plant capacity in the Southern California area, thus increasing the amount of new power plant development along with the need for either commercial emission reduction credits for green field proposals and/or internal offsets that SCAQMD must provide to satisfy U.S. EPA New Source Review regulations for repowering projects.

The Joint Staff has developed a draft work plan for satisfying the electric reliability study and review of offset mechanisms for power plants required by AB 1318. The work plan will result in a wealth of information that will reduce the uncertainty about the need for new dispatchable power plant capacity in Southern California, and a review of revisions to existing or new regulatory permitting mechanisms. In addition, the draft work plan will examine the extent to which demand-modification policies, renewables, and transmission development (all strategies for replacement of old OTC capacity) can moderate the need for new fossil development, a key element of AB 1318.

The Joint Staff expects that the analyses required by AB 1318 will take about a year to complete. A draft final report summarizing reliability needs and possibly recommending new air quality permitting mechanisms for power plants will be released for public comment, with a final report delivered to the Legislature as required by AB 1318. Action upon the recommendations in the report will require further regulatory and legislative action.

Workshop Participation and Comments

Staff is seeking the active participation of power plant developers, environmental advocates, regulatory agencies, and other interested parties in this workshop and encourages parties to present their views either orally at the workshop or through written comments. Staff will take oral comments immediately following the staff presentation at the workshop.

Comments are encouraged before the workshop; final written comments should be submitted no later than 5:00 p.m. on **March 3, 2011**. Comments submitted prior to the workshop will be used to facilitate the discussion. Please include the docket number "**Docket #11-IEP-1D Reliability**" in the subject line or first paragraph of your comments. Please hand deliver or mail an **original copy** to:

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 11-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512

The Energy Commission encourages comments by e-mail. Please include your name or organization's in the name of the file. Those submitting attached comments by electronic mail should provide them in either Microsoft Word format or as a Portable

Document File (PDF) to [docket@energy.state.ca.us]. **One paper copy** must also be sent to the Energy Commission's Dockets Office.

Participants may also provide an original and ten copies at the beginning of the workshop. All written materials relating to this workshop will be filed with the Dockets Office and become part of the public record in this proceeding.

Public Participation

The Energy Commission's Public Adviser's Office provides the public assistance in participating in Energy Commission activities. If you want information on how to participate in this forum, please contact the Public Adviser's Office at (916) 654-4489 or toll free at (800) 822-6228, by FAX at (916) 654-4493, or by e-mail at [PublicAdviser@energy.state.ca.us]. If you have a disability and require assistance to participate, please contact Lou Quiroz at (916) 654-5146 at least five days in advance.

Please direct all news media inquiries to the Media and Public Communications Office at (916) 654-4989, or by e-mail at [mediaoffice@energy.state.ca.us].

If you have questions on the technical subject matter of this forum, please contact Michael Jaske at (916) 654-4777 or by e-mail at [mjaske@energy.state.ca.us]. For general questions regarding the IEPR proceeding, please contact Lynette Esternon Green, IEPR project manager, at (916) 653-3728 or by e-mail at [lesterno@energy.state.ca.us].

The service list for the *2011 IEPR* is handled electronically. Notices and documents for this proceeding are posted to the Energy Commission website at [www.energy.ca.gov/2011_energypolicy/index.html]. When new information is posted, an e-mail is sent to those on the energy policy e-mail list server. We encourage those who are interested in receiving these notices to sign up for the list server through the website [www.energy.ca.gov/listservers/index.html].

Remote Attendance

You can participate in this meeting through WebEx, the Energy Commission's online meeting service. Presentations will appear on your computer screen, and you listen to the audio via your telephone. Please be aware that the meeting's WebEx audio and on-screen activity may be recorded.

Computer Log-on with Telephone Audio:

1. Please go to [https://energy.webex.com] and enter the unique meeting number: **920 704 132**
2. When prompted, enter your name other information as directed and the meeting password: **meeting@10** (password is case sensitive)

Teleconference:

After logging in on the computer, an AUDIO CONFERENCE BOX will offer you the choice of phone connections:

1. TO HAVE WEBEX CALL YOU BACK: Type your area code and phone number and click "Call Me".
2. TO CALL INTO THE TELECONFERENCE: Use the drop-down box to select "I will call in" and follow the on-screen directions.
3. INTERNATIONAL CALLERS: Click on the "Global call-in number" link in part (2) above
4. TO LISTEN OVER THE COMPUTER: If you have the needed equipment and your computer is configured, click on "Use Computer Headset" and then "Call Using Computer" to use VoIP (Internet phone)

TELEPHONE ONLY (NO COMPUTER ACCESS): Call 1-866-469-3239 (toll-free in the U.S. and Canada) and when prompted enter the unique meeting number: 920 704 132. International callers can select their number from [<https://energy.webex.com/energy/globalcallin.php>]

If you have difficulty joining the meeting, please call the WebEx Technical Support number at 1-866-229-3239.

Date: January 13, 2011

KAREN DOUGLAS
Chairman and Presiding Member
Integrated Energy Policy Report Committee

JEFFREY D. BYRON
Commissioner and Associate Member
Integrated Energy Policy Report Committee

Mail Lists: energy policy, electricity, ghg impacts, 33by2020, renewable