

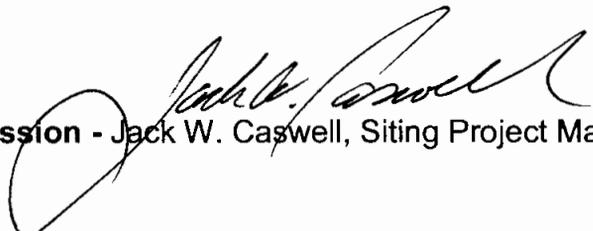
# Memorandum

<b>DOCKET</b>	
<b>06-AFC-9</b>	
DATE	JAN 19 2007
RECD.	JAN 19 2007

To: Commissioner John L. Geesman, Presiding Member  
 Commissioner James D. Boyd, Associate Member

Date: January 19, 2007  
 Telephone: (916) 653-0062

From: **California Energy Commission** - Jack W. Caswell, Siting Project Manager  
 1516 Ninth Street  
 Sacramento, CA 95814-5512



Subject: **COLUSA GENERATING STATION (06-AFC-9) – ISSUES IDENTIFICATION REPORT**

Attached is the staff's Issues Identification Report. This report serves as a preliminary scoping document as it identifies the issues the Energy Commission staff believes will require careful attention and consideration. However, this report may not include all the significant issues that may arise during the case, as discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. Energy Commission staff will be prepared to discuss the Issues Identification Report at the Informational Hearing and Site Visit scheduled for January 25, 2007.

This report also provides a proposed schedule pursuant to the 12-month Application for Certification (AFC) process.

Attachment

cc: Proof of Service List  
 Docket

PROOF OF SERVICE (REVISED \_\_\_\_\_) FILED WITH  
 ORIGINAL MAILED FROM SACRAMENTO ON 1/19/07  


**ISSUES IDENTIFICATION REPORT**  
**COLUSA GENERATING STATION**

(06-AFC-9)

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## PURPOSE OF THE REPORT

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This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of the potential issues that have been identified in the siting process thus far. Issues are identified as a result of discussions with federal, state, and local agencies, and our review of the Colusa Generating Station (CGS) Application for Certification (AFC), Docket Number 06-AFC-9. This Issues Identification Report contains a project description, summary of potentially significant environmental issues, public comments received, and a discussion of the proposed project schedule. The staff will address the status of potential issues and progress towards their resolution in periodic status reports to the Committee.

## PROJECT DESCRIPTION

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On November 6, 2006 E&L Westcoast, LLC (E&LW) filed an AFC with the California Energy Commission for the construction and operation of the CGS, a proposed nominal 660-megawatt (MW) natural gas-fired, combined-cycle electric generating facility. At the Commission's December 13, 2006, business meeting, the AFC was accepted as complete, thus began staff's review of the proposed project.

The proposed CGS would be located approximately 14 miles north of the City of Williams, California and 4 miles west of Interstate I-5. The project will be located within a 100-acre parcel leased from the Holthouse Ranch. The power plant and switchyard will occupy approximately 31 acres of the 100-acre parcel.

**Facility Description:** The proposed CGS would consist of two natural gas-fired combustion turbine generators with two heat recovery steam generators and one steam turbine generator. Output of the generators will be connected to step-up transformers and then to a new switchyard that will be built and operated by Pacific Gas and Electric (PG&E).

The project will use air ("dry") cooling technology for its operation and will install a system to recover all process wastewater for reuse, resulting in zero liquid discharge.

**Fuel:** Natural gas will be supplied to the CGS site via a new 8-inch, 1,500-foot pipeline, interconnected to PG&E's gas transmission pipelines located on the existing PG&E gas compressor station east of the proposed project site. A pressure reducing/metering station will be located within the CGS facility.

**Water:** The project is expected to require approximately 126 acre-feet of water per year. The Glenn-Colusa Irrigation District will provide the water resource requirements to the CGS via the Tehama-Colusa Canal west of the project site. The delivery of the water resource will require the construction of a new 4-inch 2,700-foot water pipeline from the Tehama-Colusa Canal to the CGS site.

**Electricity Market:** The proposed CGS project is in response to PG&E's 2004 "Request for Offer" and a contract executed with E&LW earlier in 2006 to license and

construct the CGS project. The ownership and operation of the project will be transferred to PG&E following the construction, operational testing and commissioning of the CGS project. The proposed project will provide power to PG&E's electrical system and California Independent System Operator (CAISO) controlled grid.

The CGS site is located adjacent to PG&E's Cottonwood to Vaca-Dixon transmission corridor, which includes four 230 kV high voltage transmission circuits. The CGS would interconnect to these circuits by looping the four north-south 230 kV cottonwood to Vaca-Dixon lines into the new CGS switchyard. The CGS project partially contributes to overloads on the Western Area Power Administration, Sacramento Municipal Utility District and City of Roseville transmission systems. The CGS project continues to communicate with the agencies about their potential need to participate in downstream upgrades and related projects. However, Initial load flow studies indicate that no system upgrades will be required to other transmission systems.

**Other Infrastructure:** Heavy construction vehicle traffic will require the replacement of the Teresa Creek Bridge on McDermott Road north of Delevan Road and the Glenn-Colusa Canal Bridge located at the west end of Dirks Road. Additionally, a widening of the northeastern and southeastern corners at the Delevan Road and McDermott Road intersections will be required to accommodate wide-turning radius construction vehicles.

**Schedule:** On site construction would begin in the spring of 2008, with an anticipated operation date by spring of 2010.

## **POTENTIAL MAJOR ISSUES**

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This portion of the report contains a discussion of the potential issues the Energy Commission staff has identified to date. This report may not include all the significant issues that may arise during the case, as discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The identification of the potential issues contained in this report was based on our judgement of whether any of the following circumstances will occur:

- Significant impacts may result from the project which may be difficult to mitigate;
- The project as proposed may not comply with applicable laws, ordinances, regulations, or standards (LORS);
- Conflicts may arise between the parties about the appropriate findings or conditions of certification for the Commission decision that could result in a delay to the schedule.

The following table lists all the subject areas evaluated and notes technical areas where critical or significant issues have been identified and where data requests have been filed with the applicant. Even though an area is identified as having no potential major issues in this report, it does not mean that an issue will not arise related to the subject area.

Major Issue	Data Request	Subject Area
Yes	Yes	Air Quality
No	Yes	Alternatives
No	Yes	Biological Resources
No	Yes	Cultural Resources
No	No	Facility Design
No	No	Geology / Paleontology Resources
No	No	Hazardous Materials Management
Yes	Yes	Land Use
No	No	Noise
No	No	Public Health
No	No	Reliability / Efficiency
No	Yes	Socioeconomics
No	Yes	Soil & Water Resources
No	Yes	Traffic & Transportation
No	No	Transmission Line Safety & Nuisance
No	Yes	Transmission System Engineering
No	Yes	Visual Resources
No	No	Waste Management
No	Yes	Worker Safety/Fire Protection

## TECHNICAL ISSUES

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Staff has begun its analyses of the proposed project and is currently in the discovery phase of the review process. Staff is assessing the environmental and engineering aspects of the applicant's proposal. Potential issues have been identified in the technical areas of Air Quality and Land Use.

### AIR QUALITY

Staff has identified three potential air quality issues:

- Emission Reduction Credits (ERCs)
- use of Agricultural Burn Cessation ERCs

Interpollutant Offset Volatile Organic Compounds (VOCs) for Nitrogen Dioxide (NO<sub>2</sub>)

There are significant air quality concerns for this project related to the emission offset package being proposed by the applicant. The proposed offset package is currently incomplete, and it relies heavily on agricultural burn cessation ERCs that provide uncertain real and long-term project mitigation. It also proposes the conceptual use of an undocumented interpollutant offset trading proposal.

### Emission Offsets – Incomplete Offset Package

The emission offset package provided by the applicant is not yet complete to meet Colusa County Air Pollution Control District (District) requirements. The ERC market within the Sacramento Valley is constrained, so it could take quite some time for the

applicant to secure a complete offset package. In particular, the offset package still requires a significant amount of third quarter NO<sub>2</sub> and PM10 ERCs. While District policy does allow the Preliminary and Final Determination of Compliance (PDOC/FDOC) to be published without a complete offset package, staff cannot recommend licensing of the project without specific identification of all required emissions offset mitigation before the publication of the Final Staff Assessment.

### **Emission Offsets – Agricultural Burn Cessation ERCs**

The use of agricultural burn cessation ERCs for offsetting the project's emissions may not provide real and/or long-term emission reductions. If this project were in a federal non-attainment area, staff believes that the USEPA would comment negatively upon the use of these credits as it only considers certain rice straw burning cessation ERCs adequate for offsetting stationary source emissions. In such a case, for a project in a federal nonattainment area, staff would likely also find the use of such ERCs inadequate and would not be able to recommend the project be licensed. However, this project is not located in a federal nonattainment area; but the area is within a state ozone and PM10 non-attainment area. Therefore, staff will have to evaluate the proposed use of the ozone precursor and PM10 and PM10 precursor agricultural burn cessation ERCs carefully. Staff is requesting additional information from the applicant and local air District, to confirm the use of these ERCs is consistent with California Environmental Quality Act (CEQA) mitigation requirements.

### **Emission Offsets – Interpollutant Offsets**

Due to limited market availability for NO<sub>2</sub> ERCs, the CGS project applicant is currently proposing the use of VOC interpollutant offsets for approximately one quarter of the project's required NO<sub>2</sub> emissions mitigation. The proposed interpollutant offset ratio (1.4 to 1 VOC for NO<sub>2</sub>) has apparently already been accepted by the District. However, the calculations and other rationale for the determination of the proposed interpollutant offset ratio have not been provided nor has an explanation of the District's early acceptance of this ratio. Staff has requested the applicant to provide a rationale or explanation for the offset ratio determination. Staff is concerned that further review of this interpollutant offset ratio proposal may show that the offset ratio is insufficient, requiring additional NO<sub>2</sub> and/or VOC ERCs to be obtained in this constrained ERC market.

## **LAND USE**

Staff has identified one potential land use technical issue regarding the project:

- consistency with laws, ordinances, regulations, and standards.

### **Consistency with Laws, Ordinances, Regulations, and Standards**

The CGS project requires the following actions from Colusa County to be consistent with land use laws, ordinances, regulations, and standards (LORS):

- approval of a General Plan Amendment on the proposed 100-acre parcel to change the existing General Plan land use designation from Exclusive Agricultural (EA) to Industrial (I);

- approval of a change of zone on the proposed 100-acre parcel from Exclusive Agriculture (EA) to Industrial (M);
- approval of a parcel map to create a 100-acre parcel from an existing 456-acre property; and
- advice on whether the county, were it the permitting agency, would approve of a use permit to allow the operation of the power plant in the M-Zone and a height variance to the M-Zone's 50-foot height limitation to allow for the project's two heat recovery steam generator stacks.

The project owner has submitted an application for a General Plan Amendment, Change of Zone, Tentative Parcel Map and Height Variance to the Colusa County Planning & Building Department for consideration. However, the Colusa County Department of Planning & Building submitted a letter on November 29, 2006, to the applicants' representative identifying the Application for General Plan Amendment and Zoning Amendment as incomplete. The County's document outlined the deficiencies in the application request and identified the additional information required before proceeding with the land change amendments. The County can use the Energy Commission's Staff Assessment as the environmental document for the discretionary actions for the land use applications (as authorized by section 25519(c) of the Public Resources Code).

The County use permit and height variance are actions subsumed by the Commission's permit; however, staff will be consulting with the County to determine whether it believes a height variance could be issued consistent with County land use LORS.

The Colusa County Planning Commission and the Board of Supervisors are the preliminary and final county hearing bodies on general plan amendments, change for zones, and tentative map requests, respectively. The approval of the land use entitlements needs to occur before the Energy Commission certifies the project.

Staff is working with the applicant and County of Colusa to ensure the land use entitlements are processed in a timely manner.

## **PUBLIC COMMENTS RECEIVED**

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To date, two local landowners have expressed interest in the CGS project to Energy Commission staff. On two occasions in November 2006, Energy Commission staff received phone calls and emails from adjacent landowners expressing concerns regarding the environmental review of this project. It appears that they will be involved in the land use entitlements process at the local decision-making level and in the Commission's siting process. Staff provided copies of the AFC to these land owners and directed them to the Public Advisor's office for further information on public participation.

Additionally, on December 6, 2006, the Maxwell Fire Protection District (MFPD), which is composed entirely of volunteers, contacted staff and primarily expressed some concerns with their ability to respond to an emergency. The district's Chief noted their

limited resources and the lack of proper safety and education training for the District's volunteer firefighters. Staff provided the MFPD chief with information on how the department can participate in the review process.

## **SCHEDULING ISSUES**

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In summary, there are several potential scheduling issues that must be resolved in order for the CGS project to meet the 12-month licensing process schedule. The Colusa County Air Pollution Control District (CCAPCD) will be required to provide a Preliminary Determination of Compliance (PDOC) and a Final Determination of Compliance (FDOC). Staff normally requires the PDOC prior to the publication of the Preliminary Staff Assessment (PSA) and the FDOC before staff publishes the Final Staff Assessment (FSA). However, given that the ERC's have not yet been secured by the applicant, it may not be possible for the District to complete the PDOC and FDOC before the staff assessments are due. Delays in the PDOC and subsequent FDOC may affect staff's ability to produce the required project documents on schedule.

Potential delays with the various local hearing bodies and the lack of a schedule for the land entitlement process in Colusa County could potentially affect the staff's ability to make final land use determinations for the PSA and FSA. Additionally, the local fire agency's issues related to resources for responding to fire and medical emergencies will require resolution. The Energy Commission's staff is working with the applicant and local agencies to resolve these issues and to minimize potential delays to staff documents.

On the following page is staff's proposed 12-month schedule for key events of the project. Staffs' ability to meet this schedule will depend on the applicant's timely response to: staff's data requests, obtaining emission reduction credits, obtaining land use approvals, and other factors not yet discovered.

**ENERGY COMMISSION STAFF'S  
PROPOSED SCHEDULE  
COLUSA GENERATING STATION  
12-MONTH SCHEDULE  
(06-AFC-9)**

<b>EVENT</b>	<b>DAY*</b>	<b>DATE</b>
Decision on Data Adequacy at the Business Meeting	0	13-Dec-06
Staff files Data Requests (round 1)	30	12-Jan-07
Staff files Issue Identification Report	37	19-Jan-07
Information Hearing and Site Visit	43	25-Jan-07
Applicant provides Data Responses (round 1)	61	12-Feb-07
Data Response and Issue Resolution workshop (round 1)	70	21-Feb-07
Local, state and federal agency draft determinations	100	23-Mar-07
Preliminary Staff Assessment filed	152	14-May-07
Preliminary Staff Assessment workshop(s)	170-180	6-Jun-07
Local, state and federal agency final determinations	180	11-Jun-07
Final Staff Assessment filed	210	11-Jul-07
Evidentiary Hearings**	220-240	31-Jul-07
Committee files Proposed Decision	306	15-Oct-07
Hearings start on the Proposed Decision	320	29-Oct-07
Addendum/revised Proposed Decision	350	28-Nov-07
Commission Decision	365	13-Dec-07

\* Day is based on standard 12-month schedule. The actual Date may be slightly different from the standard schedule due to conflicts with weekends and holidays. Additional time has been added where necessary. The schedule dates are subject to information or issues not yet discovered.

\*\* All events from this date forward will be subject to the Committee's schedules.

**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE  
STATE OF CALIFORNIA**

**APPLICATION FOR CERTIFICATION  
FOR THE *COLUSA GENERATING  
STATION PROJECT***

**Docket No. 06-AFC-9  
PROOF OF SERVICE**

**INSTRUCTIONS: All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:**

CALIFORNIA ENERGY COMMISSION  
Attn: Docket No. 06-AFC-9  
1516 Ninth Street, MS-4  
Sacramento, CA 95814-5512  
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**DECLARATION OF SERVICE**

I, Angela Hockaday, declare that on January 19, 2007, I deposited copies of the attached Issues Identification Report for the Colusa Generating Station (06-AFC-9), in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

**OR**

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

I declare under penalty of perjury that the foregoing is true and correct.

  
[signature]