State Of California The Resources Agency of California

Memorandum

Date: March 15, 2002
Telephone: (916) 651-8835
File: Henrietta

To: Robert A. Laurie, Presiding Member
William J. Keese, Chairman and Associate Member

From: California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Bob Eller,
Project Manager

Subject: **PALOMAR ENERGY PROJECT (01-AFC-24) ISSUE IDENTIFICATION REPORT**

Attached is the staff's Issue Identification Report. This report serves as a preliminary scoping document and identifies any issues the Energy Commission staff believes will require careful attention and consideration during the review of the Palomar Energy Project. Energy Commission staff will present the Issue Identification Report at the scheduled Informational Hearing on March 21, 2001, at 6:00 p.m. at the California Center for the Arts, 340 N. Escondido Blvd., Escondido, California.

Attachments

cc: Proof of Service List

ISSUE IDENTIFICATION REPORT

PALOMAR ENERGY PROJECT

(01-AFC-24)

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PURPOSE OF REPORT

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 case thus far. Issues have been identified as a result of discussions with federal, state, and local agencies, and our review of the Palomar Energy Project Application for Certification (AFC), Docket Number 01-AFC-24. This Issue Identification Report contains a project description, summary of potentially significant environmental issues, 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

On November 28, 2001, Palomar Energy LLC (Palomar) filed an Application for Certification (AFC), for its proposed Palomar Energy Project (PEP) with the California Energy Commission seeking approval to construct and operate a 500 megawatt (MW) natural gas-fired, combined-cycle electric generating facility. The plant will be owned and operated by Palomar, a wholly owned subsidiary of Sempra Energy Resources.

The proposed project would be located on a vacant 20-acre site within a proposed 186-acre industrial park in the City of Escondido, California. The industrial park project is known as the Escondido Research and Technology Center (ERTC). The ERTC project and a draft Specific Plan for the industrial park project area are currently undergoing a California Environmental Quality Act (CEQA) review, with the City of Escondido as Lead Agency.

Schedule. The project is proposed to be operational in the summer of 2004.

Facility Operation. The proposed power plant will consist of two General Electric 7FA natural-gas fired combustion turbine-generators (CTGs) equipped with dry low nitrogen oxide (NO_x) combustors and evaporative inlet air coolers, as well as two heat recovery steam generators (HRSG), a steam turbine generator and associated auxiliary systems and equipment. In addition to the dry low NOx combustors, the power plant will also be equipped with selective catalytic reduction (SCR) systems for NO_x control and oxidation catalyst systems for carbon monoxide (CO) and volatile organic compounds (VOCs) control. NO_x emissions will be controlled to 2.0 parts-per-million volume dry basis (ppmvd) at 15 percent oxygen by the SCR systems. CO emissions will be controlled to 4.0 ppmvd at 15 percent oxygen using an oxidation catalyst system.

The project's electric generation will be connected to a new 230 kV switchyard adjacent to the facility. From the switchyard, generated power will be transmitted to an existing San Diego Gas & Electric (SDG&E) 230 kV transmission line located adjacent to the project site.

Electricity Market. Electricity generated from this facility may be sold to the California Department of Water Resources (DWR) under an existing contract with Sempra Energy Resources. The City of Escondido has also expressed interest in purchasing electricity

from the project. The applicant has indicated that all electricity sales will be in accordance with the appropriate market rules.

Fuel. Natural gas will be the only fuel utilized by the two new CTGs. Natural gas will be supplied to the CTGs via an existing SDG&E natural gas pipeline located immediately adjacent to the project site.

Water. The Palomar Energy Project will utilize approximately 3.6 million gallons per day of reclaimed water provided by the City of Escondido's Hale Avenue Resource Recovery Facility (HARRF). Reclaimed water will be conveyed to the site by a new 1.1 mile, 16 inch, pipeline connecting to an existing City of Escondido reclaimed water main on Harmony Grove Road. The project's cooling tower will evaporate nearly 75 percent of the reclaimed water. The remaining brine will be returned to the HARRF via a new 1.1 mile, 8 inch, pipeline routed alongside the reclaimed water supply and connecting to an existing City of Escondido brine return line.

POTENTIAL MAJOR ISSUES

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 those areas where the critical or significant issues have been identified and if data requests have been issued. Even though an area is identified as having no potential issues, it does not mean that an issue will not arise related to the subject area. For example, disagreements regarding the appropriate conditions of certification may arise between staff and applicant that will require discussion at workshops or even subsequent hearings.

Major Issue	Data Req.	Subject Area	Major Issue	Data Req.	Subject Area
Yes	Yes	Air Quality	No	No	Public Health
No	Yes	Biological Resources	No	No	Socioeconomics
No	Yes	Cultural Resources	Yes	Yes	Traffic & Transportation
No	Yes	Reliability/Efficiency	No	No	Transmission Safety
No	No	Facility Design	No	Yes	Transmission Sys. Eng.
No	No	Geological Resources	No	Yes	Visual
No	Yes	Hazardous Material	No	Yes	Waste Management
No	No	Land Use	No	Yes	Water & Soil
No	Yes	Noise	No	Yes	Worker safety

At this time, the staff does not anticipate any major potential issues that cannot be mitigated to a less than significant level. Staff is ready to participate with the applicant, other agencies, and other interested parties to address any issues that may arise. We plan to use this report and the data responses to focus our analysis on issues that will ultimately be addressed in our analysis.

ENVIRONMENTAL BASELINE

Staff expects that the City of Escondido will act on the Specific Plan, and other land use permits for the ERTC industrial park, prior to final Energy Commission action on the Palomar Energy Project. Staff is working with the City to assure that their environmental analysis may be used as a part of our analysis of the specific impacts of the power plant and cumulative impacts of the development of the industrial park. Staff will actively review and comment on the City's Environmental Impact Report for the ERTC Specific Plan. Staff is currently working to refine the details of that cooperative approach and will report further information to the Committee as soon as possible.

AIR QUALITY

There are four potentially critical air quality issues that may affect the timing and outcome of the licensing process for the Palomar Energy Project. They include: 1) accurate representation of construction impacts; 2) cumulative effects; 3) mitigating respirable particulate matter (PM_{10}) impacts; and, 4) mitigating ozone and secondary PM_{10} impacts.

CONSTRUCTION IMPACTS

The initial construction impact analysis provided in the AFC indicates that there are potentially significant impacts as a result of the construction of this project. The impact analysis predicts that project construction will potentially cause or worsen violations of the 24-hour and annual PM_{10} California Ambient Air Quality Standards (CAAQS). Staff also has concerns that the methodology for considering the terrain of the area and for modeling impacts of nitrogen oxides (NOx) and nitrogen dioxide (NO_2) are flawed, and that violations of the annual NO_2 National Ambient Air Quality Standards (NAAQS) may also occur. Staff

has submitted a data request asking the applicant to revise its analysis to correct any errors and omissions. Staff will review the revised construction impact analysis and provide a discussion of potential construction mitigation measures, if needed, in its Staff Assessment.

SDAPCD EMISSION BUDGET/CUMULATIVE EFFECTS

The cumulative air quality context of the Palomar project warrants special consideration. In the last year, the San Diego County Air Pollution Control District (SDAPCD) permitted approximately 800 MW of new generation, 281 MW of which are now operating and were not offset for NOx, SOx, PM_{10} or VOC. Staff is concerned that emissions from the new and existing electricity-generating facilities in the region may not be consistent with the SDAPCD emissions budget for electricity-generating sources. Staff and the SDAPCD will need to coordinate efforts to verify that the planning budgets have not been exceeded. Staff will also evaluate the cumulative effects of Palomar on air quality in the context of other new sources in the region, as appropriate.

MITIGATION OF PM_{10} IMPACTS

The applicant has suggested mitigation for PM_{10} in the form of mitigation fees made payable to the SDAPCD. However, the applicant has not provided any information on the environmental effects/benefits of this mitigation strategy. The effectiveness of this strategy would depend greatly on when and how the mitigation fees are utilized by the SDAPCD and whether the mitigation would affect the seasons when and locations where project impacts occur. This strategy does not demonstrate with certainty that project impacts are mitigated.

Staff will work with the applicant and the air regulatory agencies throughout the discovery and analysis phases of our review to resolve this issue. Early and continuing agency coordination is critical to the timely processing of the application.

MITIGATION OF OZONE AND SECONDARY PM_{10} IMPACTS

The applicant is not required by SDAPCD regulations to provide offsets for ozone precursors or PM_{10} precursors except for NOx. Because volatile organic compounds (VOC) and sulfur oxides (SOx) are also precursors to ozone and PM_{10}, respectively, it is staff's position that to meet CEQA compliance, the project VOC and SOx emissions must be mitigated. Staff will suggest that VOC and SOx emissions be offset at a minimum ratio of 1-to-1. Because limited offsets are available, the applicant may propose to use mobile-source emission credits or a mitigation fee program. During the Otay Mesa case, such a strategy was developed; however, the U.S. EPA has recommended that Otay Mesa be considered unique and not precedent-setting. Based on staff experience with Otay Mesa, staff anticipates that it may be difficult for the parties to reach consensus on an appropriate mitigation strategy which could adversely affect the schedule.

TRAFFIC AND TRANSPORTATION

The Application for Certification for the Palomar Energy Project does not provide sufficient information regarding the overall build-out of the Escondido Research and Technology Center (ERTC). Data requests have been submitted to obtain information so that the traffic and transportation impacts of the construction and operation of both the ERTC and Palomar Energy Project can be appropriately assessed.

SCHEDULE

STAFF'S PROPOSED SCHEDULE FOR PALOMAR ENERGY PROJECT

DATE	DAYS	EVENT
11/28/01	-	Palomar Energy Project AFC filed (01-AFC-24)
2/6/02	0	Energy Commission Deems AFC Complete
3/8/02	30	Staff files Data Requests
3/15/02	37	Staff files Issue Identification Report
3/21/02	43	Information Hearing & Site Visit
4/8/02	61	Data Responses Due From Applicant
4/16/02	69	Data Response and Issue Workshop
4/22/02	75	Staff Files Second Round Data Request If Necessary
5/22/02	105	Second Round Data Responses Due From Applicant
5/29/02	112	Second Data Response and Issue Workshop
6/6/02*	120	San Diego County Air Pollution Control District (SDAPCD) files Preliminary Determination Of Compliance (PDOC)
7/5/02	149	Staff files Preliminary Staff Assessment (PSA)
7/26/02	170	Staff holds PSA workshop(s)
8/6/02*	180	SDAPCD files Final DOC
9/5/02	211	Staff Files Final Staff Assessment
9/12/02	218	Committee Prehearing Conference

*Anticipated filing dates only