CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5112

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06-AFC-5
DATE AUG 8 2006
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August 8, 2006

TO: AGENCY DISTRIBUTION LIST

REQUEST FOR AGENCY PARTICIPATION IN THE REVIEW OF THE PANOCHE ENERGY CENTER, APPLICATION FOR CERTIFICATION (06-AFC-5)

On August 2, 2006, Energy Investors Fund, LLC, submitted an Application for Certification (AFC) to construct and operate a simple-cycle power plant, the Panoche Energy Center (PEC), in an unincorporated area of western Fresno County.

As part of our review process, the staff of the Energy Commission works closely with local, state and federal agencies to ensure that all laws, ordinances, regulations and standards are met and incorporated into the final decision of the Energy Commission.

Project Description

The PEC would be a nominal 400 megawatt (MW) simple-cycle power plant consisting of four General Electric LMS100 natural gas-fired combustion turbine generators (CTG) and associated equipment. The PEC is designed as a peaking facility to meet electric generation load during periods of high demand, which generally occur during daytime hours, and more frequently during the summer portions of the year. The project is expected to have an annual capacity factor of approximately 57 percent, depending on weather-related customer demand, load growth, hydroelectric supplies, generating unit retirements and replacements, the level of generating unit and transmission outages, and other factors.

Associated equipment will include emission control systems necessary to meet the applicant's proposed emission limits. Nitrogen oxide (NO_x) emissions will be controlled at the power plant's stack by a combination of Ultra Low NOx combustors in the CTGs and selective catalytic reduction systems. An oxidation catalyst will be installed to limit stack carbon monoxide (CO) emissions using aqueous ammonia.

The project area is located in an unincorporated area of western Fresno County, adjacent to the Panoche Hills. The site is approximately 12 miles southwest of the city of Mendota, 16 miles south-southwest of the city of Firebaugh and approximately 2 miles east of Interstate 5, adjacent to the Pacific Gas & Electric (PG&E) existing Panoche Substation. The proposed site and substation are located south of West Panoche Road.

The facility site will be located on a 12.8-acre site within a 128-acre parcel. The construction laydown area, including laydown and parking, consists of an 8-acre portion of the 128-acre parcel immediately south of the 12.8-acre plant site. The plant site and construction area are leased by the applicant from the property owners. The 128-acre parcel is currently in agricultural production with pomegranate trees and is subject to a Williamson Act Contract. The contract status is an issue that will be addressed by the Energy Commission staff during the analysis phase of the certification process. Offsite improvements associated with the project include a 400-foot paved, 24-foot wide access road south of West Panoche Road to the plant site, 2,400 linear feet of new gas pipeline, and a 300-foot transmission line to tie into the Panoche Substation. A project-related activity is PG&E's planned expansion of its Panoche Substation by approximately 1.1 acres south of the existing substation boundary.

Process wastewater would be disposed of using a deep well injection system. The construction phase would have portable toilets with weekly servicing. During the operational phase sanitary wastes would be directed to a septic system and leach field designed to treat the sanitary flow from the administration and control building and restrooms.

The PEC would connect to the electrical transmission system via a new 230-kilovolt (kV) line that will run 300 feet from the project site to the adjacent PG&E Panoche Substation.

Natural gas will be delivered to the site via a new 2,400-foot high-pressure, lateral pipeline that would connect to a PG&E high-pressure gas trunk line located east of PG&E's electrical substation. This pipeline would connect with the project on the eastern side of the site at a new gas metering station. At the plant site, the natural gas will pass through a flow-metering station, gas scrubber/filtering equipment, a gas pressure control station, electric-driven booster compressors (when required), and a fuel gas heater prior to entering the combustion turbines.

The applicant expects to receive a license from the Energy Commission by August 2007, with construction of the project starting in late summer 2007 assuming completion of project financing. Full-scale commercial operation would begin during the third quarter of 2008. Electric power generated at the PEC facility will be sold to PG&E under a 20-year power purchase agreement (PPA) between PEC and PG&E. Design of the plant and equipment selection is based on requirements in the PPA. The agreement was executed in April 2006 and requires that the facility be online by August 1, 2009 in order to avoid delay–related damages.

Energy Commission's Facility Certification Process

The Energy Commission is responsible for reviewing and ultimately approving or denying all thermal electric power plants, 50 MW and greater, proposed for construction in California. The Energy Commission's facility certification process carefully examines public health and safety, environmental impacts and engineering aspects of proposed power plants, and all related facilities such as electric transmission lines, sewer, water, and natural gas pipelines. The issuance of a certificate by the Energy Commission is in lieu of any local, state, or federal permit (to the extent permitted by federal law). The Energy Commission's responsibilities are those of a lead agency under CEQA, except the Energy Commission's analysis takes the form of several environmental and decision documents rather than an Environmental Impact Report.

The first step in the review process is for Energy Commission staff to determine whether or not the AFC contains all the information required by our regulations. When the AFC is deemed data adequate, we will begin data discovery and issue analysis phases. During this time, a detailed examination of the issues will occur. There will be opportunities for your staff to confer with Energy Commission staff regarding issues of concern to your agency.

Over the coming months, the Energy Commission will conduct a number of public workshops and hearings on the proposal to determine whether the project should be approved for construction and operation and if so, under what set of conditions. These workshops will provide the public as well as local, State and federal agencies the opportunity to ask questions about, and provide input on, the proposed project. The Energy Commission will issue notices for these workshops and hearings at least 10 days prior to the meeting.

Agency Participation

During this data adequacy phase, we request that you review the sections of interest to your agency and determine whether the major issues of concern to your agency have been identified. At this time, we are only concerned that such issues are disclosed, not necessarily that they be discussed in detail. We request that you provide any written comments you may have regarding the disclosure of potential issues of concern by **Tuesday, September 5, 2006**. Please address your comments to James W. Reede, Jr., Project Manager, 1516 9th Street, MS-15, Sacramento, CA 95814. Your agency may also present its comments and recommendations in person at the Energy Commission's September 13, 2006 Business Meeting. The limited purposes of that meeting will be to determine whether the AFC is data adequate in accordance with our regulations and to assign a committee of two commissioners to oversee the proceeding.

When the AFC is accepted as data adequate, your participation in the proceeding is encouraged and will allow you to identify and try to resolve issues of concern to your agency. There may be specific requests for agency review and comment during the proceedings after the AFC has been determined to be data adequate. Local agencies may seek reimbursement for costs incurred in responding to these requests. However, this request for comments during data adequacy is not reimbursable under Energy Commission guidelines.

Assuming that the project is found to be data adequate on September 13, 2006, your agency's preliminary and final determinations and opinions (such as those contained in a Determination of Compliance, wastewater discharge requirements, biological opinions, and land use decisions) would be due by **January 11, 2007** (120 days) and **March 11, 2007** (180 days), respectively.

Enclosed is a copy (CD) of the AFC in electronic format. If you would like to have a hard copy of the AFC sent to you, please contact Angela Hockaday, Project Secretary, at (916) 654-3925, or by e-mail at ahockada@energy.state.ca.us. If you have questions, or if you would like additional information on reimbursement or on how to participate in the Energy Commission's review of the project, please contact James W. Reede, Jr., Project Manager, at (916) 653-1245, or by email at jreede@energy.state.ca.us.

The status of the project, copies of notices, electronic version of the AFC, and other relevant documents are also available on the Energy Commission's Internet web site at www.energy.ca.gov/sitingcases/panoche. You can also receive email notification of all project related activities and availability of reports by subscribing to the Listserve on the website.

Sincerely,

Roger E. Johnson, Manager
Energy Facilities Siting and Compliance Office

Enclosure