

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512



July 12, 2001

J. Nelson Happy
CENCO Electric Company
12345 Lakeland Road
P.O. Box 2108
Santa Fe Springs, CA 90670

INITIAL REVIEW OF THE CENCO ELECTRIC EMERGENCY PERMITTING PROPOSAL (01-EP-15) APPLICATION SUPPLEMENT

Dear Mr. Happy:

Energy Commission staff has completed its initial review of the July 3, 2001, supplement to the CENCO Electric Company (CENCO) emergency permitting application. Staff has also reviewed the July 10, 2001, letter from Pang Mueller of the South Coast Air Quality Management District (SCAQMD) to June Christman of CENCO that outlines the information needed to complete the application for permits to construct and operate the project. Staff has determined that the application is not complete. Based on the information provided and the anticipated timeline for permit review, staff also finds that this project is unlikely to be on-line by September 30, 2001, as required under the emergency permit process.

One requirement of the application for an emergency permit is a copy of the complete application for air permits. According to SCAQMD, the information needed to complete your application for air permits includes the health risk assessment, the ambient air quality impact analysis, the Prevention of Significant Deterioration (PSD) analysis, the Title V application, and technical specifications and the delivery and installation schedule for the air pollution control catalyst systems. In order to assure that SCAQMD will be able to complete their analysis of the project in time for that analysis and a draft permit, if one is issued, to be included in the Energy Commission decision, we cannot begin our 21-day emergency permit clock until this information is received and reviewed by SCAQMD. We understand that your staff is working to provide the missing information to SCAQMD by this Friday, July 13. If you do complete your application by the end of this week and we are able to start our emergency process early next week, we would anticipate a Commission decision on the project in early August. Further delays will result if you remain unable to provide SCAQMD information needed to complete your application this week.

The construction schedule included in your supplemental application shows that site preparation work must begin ten weeks prior to the start of operation, and grading must begin nine weeks prior to the start of operation. This schedule is revised from the one included in the original application, and staff understands that it represents the minimum time required for construction of the foundations and installation of the equipment. The Commission will not allow construction to begin prior to the Commission's certification of

the project and a determination by the Compliance Project Manager that all pre-construction Conditions of Certification have been satisfied. With no possibility of a Commission decision until early August, staff concludes that the most optimistic scenario would not have your project on-line before early to mid-October. A more detailed construction schedule, including information on the number of shifts per day and per week and a more detailed listing of the construction milestones with start and completion dates, will assist staff in evaluating your ability to bring the project online by September 30.

As I noted in my letter of June 28, staff is also concerned about two additional timing issues that could significantly delay the initial start-up of this project. Based on federal Clean Air Act requirements, this project will require a 30-day public comment period on the draft Permit to Construct. In your application, you state that you will request an Administrative Order of Consent from the US EPA to allow construction to begin without the Permit to Construct. EPA has issued such orders for some of the emergency projects, but we understand that they are determining whether to issue the orders on a case by case basis. The EPA has not been willing to grant such orders until the draft Permit to Construct has been issued by the local district and the Energy Commission has certified the project. In addition, the orders that EPA has issued for other projects merely state that EPA will not take enforcement action, though the local district and other parties are not enjoined from taking action to stop construction. Based on these considerations, staff believes that the start of construction is likely to be delayed to the end of the 30-day comment period or longer. Such a delay would push the start of operation of this facility to the end of October or later.

The application also states that CENCO plans to initially operate with a water injection system designed to limit NOx emissions to 25 ppm, and to install "within one year of initial operation" a selective catalytic reduction (SCR) system to reduce NOx emissions to 5 ppm. SCAQMD has not granted a permit to any project that would allow them to exceed the BACT emissions limits. However, SCAQMD has agreed to a stipulated Order of Abatement in some emergency cases that allows initial operation for a period of months without SCR equipment in place. SCAQMD has reviewed such requests for an Order of Abatement on a case by case basis, and has not agreed to stipulate to such an order in all cases. Based on the information supplied in your application to the Energy Commission, it appears that CENCO does not yet know when it will be able to install SCR for this project. If CENCO is not allowed to operate without SCR, the information in the application suggests that the project might not be online before the second half 2002.

I have attached a copy of the checklist that summarizes staff's findings concerning the completeness of the application. Beyond the information missing from the application for air permits, the only deficiency staff has identified is the lack of a water supply agreement or other proof of water supply. If you choose to pursue this project further in

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the emergency process, you will need to submit this information along with the complete air permit application.

As discussed above, Energy Commission staff believes that your project cannot be online before mid-October, and could be delayed for months beyond that. While staff does not currently believe that this project qualifies for the emergency permit process, we understand that you intend to pursue this emergency application, and plan to file additional information with SCAQMD by the end of this week. Your application to the Energy Commission will not be complete until SCAQMD confirms that you have submitted the information needed for the district to conduct its analysis of the project. Once the application is complete, staff will make a final determination whether the project can be online by September 30 and therefore qualifies for the emergency permit process.

If you decide not to pursue a permit under the emergency process, you may re-file the project under one of our other permitting processes. If you have questions or would like to discuss the project further, please contact Kevin Kennedy, Siting Project Manager, at (916) 651-8836, or by e-mail at kkennedy@energy.state.ca.us.

Sincerely,

ROBERT L. THERKELSEN, Deputy Director
Systems Assessment & Facilities Siting

Enclosure

cc: Mohsen Nazemi, South Coast Air Quality Management District