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The Resources Agency of California

Memorandum

Date: September 13, 2006
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Siting Project Manager



Subject: **SOUTH BAY REPLACEMENT PROJECT ISSUES IDENTIFICATION REPORT
(06-AFC-3)**

Attached is staff's Issues Identification Report for the South Bay Replacement Project. This report serves as a preliminary scoping document that identifies the issues the Energy Commission staff believes will require careful attention and consideration during the Energy Commission's review of the proposed project. We will discuss the issues identified in this report at the Committee's Informational Hearing and Site Visit scheduled for September 15, 2006.

This report also provides a proposed schedule for the review of the South Bay Replacement Project pursuant to a 12-month Application for Certification review.

Attachment

cc: Docket (06-AFC-3)
Proof of Service List

Issues Identification Report
South Bay Replacement Project
(06-AFC-3)

September 2006

CALIFORNIA ENERGY COMMISSION

Energy Facilities Siting Division

Bill Pfanner
Project Manager

**ISSUES IDENTIFICATION REPORT
SOUTH BAY REPLACEMENT PROJECT
(06-AFC-3)**

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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 are identified as a result of discussions with federal, state, and local agencies and our review of the South Bay Replacement Project (South Bay) Application for Certification (AFC), Docket Number 06-AFC-3. This Issues Identification Report contains a project description, summary of potential major issues, and a discussion of the proposed project schedule. Staff will address the status of potential issues and progress towards their resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On June 30, 2006, the AFC for the South Bay Replacement Project (South Bay) was submitted by the LSP South Bay, LLC (applicant). 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 the Energy Commission's final decision.

LSP South Bay proposes to develop South Bay as a natural gas-fired, combined-cycle power plant. The South Bay project will be configured as two natural gas-fired combustion turbines with heat recovery steam generators (HRSG) and one steam turbine. It will have a total capacity of 620 megawatts (MW) due to the design inclusion of HRSG duct firing, which can raise the facility's nominal capacity of 500 MW by an additional 120 MW through boosting the steam turbine's output.

The South Bay project will be a replacement of the existing South Bay Power Plant (SBPP) that is owned by the San Diego Unified Port District (Port) and operated by the applicant under a Lease and Cooperation agreement with the Port. The proposed South Bay project site is immediately adjacent to and south of the existing SBPP, located near 990 Bay Boulevard in the City of Chula Vista, California. The South Bay project site is 12.9 acres and 19.4 acres when including the proposed power plant's related new substation facilities. The property is owned by the Port and within the boundaries of the City of Chula Vista, in San Diego County. The 19.4 acres sits within a 33-acre site commonly referred to as the former Liquefied Natural Gas (LNG) site. San Diego Gas and Electric (SDG&E) operated an LNG storage operation on the 33 acre parcel when it owned the power plant complex. Only two LNG storage tank foundations and overhead electric transmission lines remain on the property.

The project site is bound by San Diego Bay on the west and Bay Boulevard and Interstate 5 (I-5) on the east. To the south is a salt production facility and to the north is the existing SBPP. The immediate area around the project site is industrial in nature, with some residential housing approximately 1,000 feet to the southeast and east of the project site.

The existing SBPP uses steam generation technology characterized by tall prominent steel boiler structures (160 to 180 feet tall structures), while the proposed replacement project will be smaller in height and mass. The most prominent features would be the exhaust stacks and the air cooled condenser, which are approximately 125 and 94 feet tall, respectively. It will be compact and enclosed with architectural screening techniques proposed.

The South Bay project completely eliminates the existing SBPP's once-through cooling system and the use of San Diego Bay water in favor of the air-cooled condenser (ACC) cooling system. South Bay is expected to use a maximum of 129 acre-feet per year of fresh water for process and domestic water needs. Water for drinking, safety showers, fire protection, service water, and sanitary uses will be served from the local potable water system. Discharge of water will also be minimal and disposed of via the City of Chula Vista's sanitary sewer system. A new six-inch diameter sewer line connection will be added to connect to the City's system about 400 feet away.

The potential air impacts from the project would be mitigated by the installation and operation of Best Available Control Technology (BACT) for the combustion turbines and heat recovery steam generators. Emission reductions would be generated from the shutdown of the existing SBPP in sufficient quantities to satisfy San Diego County Air Pollution Control District requirements and to ensure that there is no net increase in emissions of criteria pollutants.

The Applicant has filed the AFC under the Energy Commission's 12-month licensing process. Initial site preparation and demolition activities (of old foundations on the former LNG site), and construction activities are expected to take approximately 28 months. Potential environmental impacts associated with the demolition aspects of the project also will be addressed in the Energy Commission's assessment of the AFC. The demolition of the existing SBPP is expected to take approximately 25 months beginning immediately after South Bay commences commercial operation. Based on this schedule, pre-operational testing of South Bay is expected to commence in the second quarter of 2009, commercial operation is expected to commence second quarter 2010, and demolition of the existing SBPP would commence in the third quarter of 2010.

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential major issues the Energy Commission staff has identified to date. It may not include all the major 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 major issues contained in this report is based on Energy Commission staff's judgment of whether any of the following circumstances will occur:

- Significant impacts may result from the project that 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 Commission staff and applicant about the appropriate findings or conditions of certification for the Commission decision that could result in a delay in the schedule.

The following table lists all the subject areas evaluated and notes those areas where major issues have been identified and if data requests are needed. Although an area is identified as having no major issues, it does not mean that an issue will not arise later 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 at subsequent hearings. As mentioned, intervenors and the public may raise concerns in areas identified by staff as having no major issues.

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

AIR QUALITY

The schedule presented in the AFC indicates that the existing South Bay Power Plant will not be decommissioned (i.e., permanently shut down) until after the proposed South Bay Replacement Project completes the commissioning (i.e., initial testing and start-up) activities. Because the existing facility's shutdown is the proposed source of emission offsets for the operation of the South Bay replacement facility, this proposed schedule would likely leave the new plant unmitigated during the commissioning phase. The applicant has not presented an air dispersion modeling analysis of this circumstance, so it is not known whether the scenario of the combined operations of both power plants would result in significant adverse air quality impacts. The San Diego Air Pollution Control District (District) in their letter dated July 28, 2006, also identified this issue. Staff will prepare data requests, work with the District and Applicant to address the issue, and formulate mitigation strategies to attempt to resolve the issue.

LAND USE

The South Bay project site is located within the San Diego Unified Port District's (Port) jurisdiction, but the Port Master Plan has not been amended to include the site. At present, the City of Chula Vista, the City of Chula Vista Redevelopment Agency, the Port, and Pacifica Companies are involved in the planning, development, and approval of the Chula Vista Bay Master Plan (CVBMP), which is estimated to take several months to complete. The CVBMP will amend the Port Master Plan and guide the planning and development of the South Bay site. Until the CVBMP is implemented, there is no local or state land use plan that controls and guides the planning and development of the site. Without local or state agency land use plan guidance, the staff analysis for land use cannot reach an affirmative conclusion that the project conforms with land use LORS.

Land use planning responsibility for the CVBMP plan area is divided between the Port and City of Chula Vista. The Port is the lead agency for CEQA review of this planning effort and the City is a responsible agency. Prior to Port ownership the South Bay project site was under the jurisdiction of the City of Chula Vista and was subject to the City's land use plans and policies, including the City's adopted local coastal program.

Once the Port's Final Environmental Impact Report for the CVBMP is certified, a series of discretionary actions will have to occur for implementation of the CVBMP. Implementation of the CVBMP will require discretionary actions by the Board of Port Commissioners, Chula Vista City Council/Redevelopment Agency, and other agencies. Such discretionary actions include: amendments to the Port Master Plan, City of Chula Vista General Plan, and local coastal program; coastal development permits; a land exchange; a financial participation agreement between the Port and the City and other related agreements; associated development permits; and State/Federal permits, actions, and approvals.

Energy Commission staff have had conference calls with the Coastal Commission, the Port, and the applicant to better monitor the progress of the CVBMP and to understand the nexus between the CVBMP and the South Bay project. Energy Commission staff will submit data requests to the applicant.

WASTE MANAGEMENT

Phase I and Phase II environmental investigations were conducted at the existing South Bay Power Plant facility site in 1998. An additional Phase I investigation was conducted in 2005. The investigations identified significant environmental issues including soil and groundwater contamination, from a variety of pollutants. A Workplan was completed for SDG&E in June 2005 in response to a request by the Department of Toxic Substance Control (DTSC) to further characterize the site. The Workplan presents proposed soil and groundwater investigation and remediation activities at the existing facility's site, as well as a summary of contamination assessment data that had been previously obtained.

It is uncertain what, if any, additional investigation and remediation activities have actually been conducted since the Workplan was prepared and whether it is applicable to the site for the proposed project. The Workplan identifies numerous Solid Waste Management Units and Areas of Concern at the project site which may also be found at the adjacent site for the proposed project. The main concerns appear to be petroleum hydrocarbons and metals in soils, and petroleum hydrocarbons and low-level Volatile Organic Compounds (VOCs) in groundwater. A comprehensive assessment of ecological and human health risk posed by contaminants at the project site has not been completed, even though this should be the basis for cleanup activities. DTSC is currently the lead agency overseeing the investigation and remediation of the existing facility site. LSP South Bay LLC, SDG&E and the Port are responsible parties for further investigation and cleanup activities. Staff is working with the applicant to define the issues and it is formulating data requests. Staff also plans to hold an issues resolution workshop for discussion of this topic among other items.

SCHEDULING ISSUES

Staff has begun its analyses of the environmental, public safety and engineering aspects of the applicant's proposed project and is currently in the discovery phase.

Following is staff's proposed 12-month schedule for key events of the project. The ability of staff to be expeditious in meeting this schedule will depend on: the applicant's timely response to staff's data requests; timely filing of the San Diego Air Pollution Control District's Determination of Compliance; determinations by other local, state and federal agencies; and other factors not yet known.

STAFF'S PROPOSED SCHEDULE

Staff's Proposed Schedule for the South Bay Replacement Project (06-AFC-3)

	Activity	Day	Calendar Day
1	Applicant filed Application for Certification (AFC)	-	June 30, 2006
2	Executive Director's recommendation on data adequacy	-	July 28, 2006, August 28, 2006
3	Decision on data adequacy at business meeting	0	August 30, 2006
4	Staff files Issues Identification Report	13	September 12, 2006
5	Information hearing, site visit	16	September 15, 2006
6	Staff files data requests	30	September 29, 2006
7	Data Requests and Issues Workshop	50	October 19, 2006
8	Applicant provides data request responses	62	October 31, 2006
9	Data response and issue resolution workshop	76	November 14, 2006
10	Staff files data requests, (round 2, if necessary)	92	November 30, 2006
11	Applicant provides data responses	114	December 22, 2006
12	Data response and issue resolution workshop (round 2, if necessary)	131	January 8, 2007
13	Local, state, and federal agency draft determinations (e.g., Preliminary Determination of Compliance)	120	December 28, 2006
14	Preliminary Staff Assessment filed	166	February 12, 2007
15	Preliminary Staff Assessment workshops	170-180	Late February 2007
16	Local, state, and federal agency final determinations (e.g., Final Determination of Compliance)	180	February 26, 2007
17	Final Staff Assessment filed	210	March 28, 2007
18	Prehearing Conference	215	April 2, 2007*
19	Evidentiary hearings	220-240	Late April/Early May 2007*
20	Presiding Member's Proposed Decision (PMPD)	303	June 29, 2007*
21	Committee Conference on PMPD	335	July 31, 2007*
22	Energy Commission Hearing--Final Decision	365	August 31, 2007*

* Items 18 through 22 are scheduled by the Committee assigned to South Bay