State Of California

Memorandum

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05-AFC-3
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The Resources Agency of California

To: Commissioner John L. Geesman, Presiding Member
Chairman Jackalyne Pfannenstiel, Associate Member

Date: February 26, 2007
Telephone: (916) 651-8853
File: 05-AFC-3

From: California Energy Commission - Robert Worl
1516 Ninth Street
Sacramento, CA 95814-5512
Siting Project Manager

Subject: **STATUS REPORT #5 FOR THE SUN VALLEY ENERGY PROJECT (05-AFC-3)**

Data Requests and Responses

Staff continues to depend upon the timely status reports of the applicant regarding their due diligence requirements for access to the Priority Reserve Program with the South Coast Air Quality Management District (See discussions below).

Romoland School District

The Romoland School District responded to the applicant's request for additional information regarding school-related traffic and student pedestrian travel routes in a December 13, 2006, letter.

Federal, State and Local Agency Comments

Energy Commission staff have been contacted by the U.S. Forest Service (USFS) regarding potential impacts from nitrogen oxides (NOx) within the Angeles National Forest. Staff and the applicant plan to work with the USFS staff to further clarify this potential issue.

California Air Resources Board

The California Air Resources Board (CARB) have e-mailed staff that they accept the Health Risk Assessment (HRA) modeling that was initially submitted by the applicant. The HRA provides an analytical basis for determining the potential statistical risk of a project's emissions from construction and operations (including combustion and cooling tower operation) for causing health problems to sensitive individuals and the general population within a 10-mile radius of the project site. Energy Commission staff rely upon CARB concurrence with the assumptions, and modeling protocols used in the HRA, and the resulting statistical health risk for cancer and non-cancer impacts from the projects emissions.

County of Riverside

The County of Riverside provided a Draft Advisory Conditional Use Permit (CUP) for the Sun Valley Energy Project on July 25, 2006. Energy Commission staff have incorporated the information from the Draft CUP into the appropriate PSA sections, and we are awaiting a final approved version of that document from the County, due in March of 2007. The County's final Advisory CUP has been delayed due to the heavy work load of the County's planning and administrative staff and discussion between the

applicant and the County regarding certain provisions in the noise component of the CUP for this project. Additionally, staff analysis for biology, land use, traffic and transportation, visual resources, and water and soils will rely on information from the Advisory CUP.

South Coast Air Quality Management District

The South Coast Air Quality Management District (SCAQMD) initiated a process of conducting community-based meetings prior to issuing Preliminary Determinations of Compliance (PDOCs) for projects currently under review at the District. The District held the Sun Valley Energy Project meeting on October 18, 2006, in Romoland, CA. Staff received the PDOC on January 27, 2007, and is reviewing it for incorporation in the Preliminary Staff Assessment (PSA).

The SCAQMD Executive Board adopted a revised Rule 1309.1 (Priority Reserve Program) at its September 8, 2006 Board Meeting. The applicant is depending on acquisition of pollution credits from the Priority Reserve to offset the project's emissions of PM10, SOx, and possibly CO. The SCAQMD has also begun a process of revising the newly-adopted Priority Reserve Rule, and has been conducting public meetings for this new proceeding, Proposed Amended Rule 1309.1, which should culminate with Board action on March 2, 2007.

These new amendments are the result of direction from the Board to address potential environmental justice and community impact concerns regarding the siting of power plants in general. Among the proposals for the amended rule is the creation of three zones with differential requirements regarding access to the Priority Reserve and the cost of offset credits once a determination of eligibility has been made. The Sun Valley Energy Project is located in Zone 1 and thus should expect no zone-related increases in offset credit fees or changes in the project's ability to access the Priority Reserve. Oxides of Nitrogen (NOx) are not a part of the Priority Reserve Program and will be offset through the SCAQMD RECLAIM Program according to the PDOC.

To qualify for air emission reduction credits (ERCs) from the District's Priority Reserve bank, the applicant must document its "due diligence efforts" to secure these credits on the open, regional emission offset market. Staff is awaiting receipt of the applicant's next air quality status report documenting the applicant's efforts to secure ERCs (due monthly beginning on May 1, 2006, in response to staff's data requests 4, 5, and 9).

The U.S. Environmental Protection Agency (EPA) has made a determination approving the South Coast Air Quality Management District's request for attainment status for carbon monoxide (CO) within the South Coast air basin. This determination will, upon final approval, eliminate this project's need for CO emission reduction credits (ERCs). The EPA decision was published in the Federal Register on February 14, 2007.

Visual Resources, Visible Plume

Cooling tower modeling done with the revised information provided by the applicant shows high frequencies of visible water vapor plumes. Energy Commission staff and the applicant have revised their respective plume analyses and both agree that, as currently configured, there is a potential for large plumes during certain operating and meteorological conditions, including any winter season operations. Staff are completing their analyses including whether the visible plumes will be significant, and whether they would require additional mitigation. The applicant states that a cooling tower vendor has not yet been determined, and final cooling tower design is not yet complete.

Schedule

Staff has now received the PDOC and is planning to issue the Preliminary Staff Assessment for the Sun Valley Project by March 16, 2007. Regarding the March 6, 2006, Committee Scheduling Order, staff is now working towards the following revised schedule:

SUN VALLEY ENERGY PROJECT (05-AFC-3)
ENERGY COMMISSION STAFF'S PROPOSED REVISED SCHEDULE

	Activity	Calendar Day
1	Valle del Sol Energy, LLC (VSE), filed the Application for Certification (AFC)	December 1, 2005
2	Decision on data adequacy at business meeting	February 1, 2006
3	Information hearing, site visit	February 27, 2006
4	Staff Data Requests Issued	**March 15 & 30, 2006**
5	VSE provided Data Responses	**April 17, May 1, 2006**
6	Data Response and Issue Resolution workshop	**April 25, 2006**
7	Parties File Status Report #1	April 14, 2006
8	SCAQMD Preliminary Determination of Compliance	**January 27, 2007**
9.	Parties File Status Report #5	**February 21, 2007**
10	Preliminary Staff Assessment filed	**March 30, 2007**
11	Preliminary Staff Assessment workshops	**April 5, 2007** (PSA+ 20 days)
12	VSE Files Comments on PSA	**April 16, 2007** (PSA+ 30 days)
13	SCAQMD Issues Final Determination of Compliance (FDOC)	TBD
14	Final Staff Assessment Filed	FDOC + 30
15	Prehearing Conference	TBD

BOLD =Dates modified from the Committee Scheduling Order of March 6, 2006

cc: Docket (05-AFC-3)
Proof of Service List

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

APPLICATION FOR CERTIFICATION FOR THE SUN VALLEY ENERGY PROJECT (SVEP)	**DOCKET NO. 05-AFC-3** **(Revised 1/29/2007)**

PROOF OF SERVICE LIST

DOCKET UNIT

Send the original signed document plus the required 12 copies to the address below:

CALIFORNIA ENERGY COMMISSION
DOCKET UNIT, MS-4
*Attn: Docket No. **05-AFC-3**
1516 Ninth Street
Sacramento, CA 95814-5512
E-mail: docket@energy.state.ca.us

* * * *

In addition to the documents sent to the Commission Docket Unit, also send individual copies of any documents to:

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INTERESTED AGENCIES

None listed as of 3/3/2006

INTERVENORS

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*** Romoland School District**
Roland Skumawitz, Superintendent
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DECLARATION OF SERVICE

I, Joann Gonzales, declare that on February 26, 2007 I deposited copies of the attached Status Report #5 for the Sun Valley Energy Project, in the United States mail at Sacramento, CA with first class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above. Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210.

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

[signature]

**Revisions to POS List, i.e. updates, additions and/or deletions*
SUN VALLEY ENERGY PROJECT Docket No. 05-AFC-3