

Memorandum

Date: November 2, 2001
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To: Robert Pernel, Presiding Member
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From: **California Energy Commission** Cheri Davis,
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Subject: **GWF TRACY PEAKER PROJECT ISSUE IDENTIFICATION REPORT**

Attached is the staff's Issue Identification Report. This report serves as a preliminary scoping document and identifies the issues the Energy Commission staff believes will require careful attention and consideration. Energy Commission staff will present the Issues Report at a scheduled Informational Hearing on November 28, 2001 in Tracy, California.

Part of this report deals with scheduling issues. The Energy Commission is reviewing the GWF Tracy Peaker Project pursuant to the expedited four-month Application for Certification (AFC) process set forth by Public Resources Code section 25552. The Energy Commission staff recommends that the AFC review process be completed in 120 days.

Attachments

cc: Proof of Service List

ISSUE IDENTIFICATION REPORT

GWF TRACY PEAKER PROJECT

(01-AFC-16)

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PURPOSE OF REPORT

This report has been prepared by the California Energy Commission staff to inform the Committee on the Tracy Peaker Project 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 GWF Tracy Peaker Project Application for Certification (AFC), Docket Number 01-AFC-16. 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 August 16, 2001, GWF Energy LLC (GWF) filed an AFC with the California Energy Commission seeking approval to construct and operate a 169 megawatt (MW) natural gas-fired, simple-cycle electric generating facility called the Tracy Peaker Project (TPP). If certified, the plant will be owned and operated by GWF.

The proposal is for a natural-gas-fired, simple-cycle generating facility with two 115-kilovolt (kV) switchyards and an on-site electric transmission interconnection that ultimately connects to the Tesla substation. The applicant proposes to build the TPP on a nine-acre fenced site within a 40-acre parcel of land in unincorporated San Joaquin County, immediately southwest of the City of Tracy and approximately 20 miles southwest of Stockton. The property is bounded by the Delta-Mendota Canal to the southwest, agricultural property to the south and east, and the Union Pacific Railroad to the north. The power plant access road would extend southward from Schulte Road to the project site. Natural gas would be delivered to the TPP via a new interconnect with PG&E's natural gas pipeline that crosses beneath the proposed site.

The applicant plans to supply the plant's cooling and process water requirements with untreated water from the Delta-Mendota Canal, supplied under an existing contract with the Plain View Water District. The TPP would include a reverse osmosis system for treated the Delta-Mendota Canaly water. The simple cycle design of the TPP does not include a cooling tower, thus the TPP would have minimal demand for cooling and process water. Drinking water for the facility would be provided by a local bottled water vendor.

A wastewater recovery system would be used to reduce the volume of wastewater produced by the plant. Small quantities (less than one gallon per minute) of industrial wastewater from the plant would be stored on site and periodically transported from the plant via licensed haulers for off-site recycle or disposal.

Associated equipment would include emission control systems necessary to meet emission limits. The combustion turbine generators (CTGs) would be equipped with a dry low NO_x (DLN) combustor system to control the NO_x concentration exiting each CTG. The exhaust gas temperature would be reduced with ambient air to allow for

additional post-combustion NOx control with a selective catalytic reduction (SCR) system. In addition, GWF would provide offsets for all proposed criteria pollutant emissions from the TPP, including CO.

The applicant plans to begin construction immediately following certification with work being conducted Monday through Saturday. The project is scheduled to be operational in a simple-cycle mode beginning the summer of 2002. Electricity generated from this facility will be sold to the California Department of Water Resources (DWR) under a 10-year contract, operating in simple-cycle mode for the duration of the contract. The contract with DWR provides for the purchase of up to 4,000 hours per year of plant generating capacity, but GWF wishes to retain the flexibility to operate the plant for sale of electricity beyond the contracted hours. Total operating hours will be ultimately limited by the conditions set forth in the air permit.

Public Resources Code section 25552(e)(5) requires that, within three years, projects requesting a 4-month AFC review will be modified for combined cycle operation. GWF has requested that the Commission suspend this requirement and, on October 17, 2001, the commission voted to approve this waiver.

The project is estimated to have a capital cost of \$107 million.

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential issues the Energy Commission staff has identified to date. The Committee should be aware that this report may not include all of the significant issues that may arise during the case. Discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The issues identified in this report have the potential, in staff's judgement, to result in one or more of the following outcomes:

- Significant impacts which may be difficult to mitigate;
- Noncompliance with applicable laws, ordinances, regulations or standards (LORS);
or
- Conflict or potential conflict between the parties about the appropriate findings or conditions of certification that could result in a delay to the schedule.

The following table lists 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 may be currently identified as having no potential issues, it does not mean that an issue will not arise as staff moves further along in its analysis. 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.

POTENTIAL ISSUE AREAS

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

Staff is ready to work with the applicant, other agencies, and other interested parties to address these and any other issues that may arise. Staff plans to use this report and the data responses to focus the analysis on issues that will ultimately be addressed in the Staff Assessment (SA).

AIR QUALITY

The Applicants' revised construction impact analysis provided in the AFC Supplement (Table 8.1-18) indicates that there are potentially significant impacts as a result of the construction of this project. The modeling results show significant increases to the existing PM₁₀ ambient air quality violations. Staff also has concerns that some of the modeling assumptions may underestimate the impacts of the other pollutants. Staff has requested that the Applicant revise its emission estimates to correct both errors and omissions. Staff will then conduct a revised modeling analysis to determine reasonable worst-case pollutant impacts from construction. Staff will include the results of the revised construction impact analysis, along with a discussion of recommended construction mitigation measures in its Staff Assessment.

SOCIOECONOMICS

Section 25552 (d) (3) of the Public Resource Code requires an applicant to contract with a general contractor and contract for an adequate supply of skilled labor to construct, operate, and maintain a thermal power plant. In order for the Commission to make a finding that Section 25552 (d) (3) has been met, a contract for the required labor must be in place.

A data request was submitted which requires evidence of a contract with a California-licensed general contractor and contract(s) with one or more sources of skilled labor to construct, operate and maintain the proposed project, including any associated linear facilities.

TRANSMISSION SYSTEM ENGINEERING

Staff requires a complete interconnection study in order to analyze the reliability impacts of the Tracy Peaker Project, and to be confident in identifying the interconnection facilities and any downstream facilities necessary to support interconnection of the

project to the Pacific Gas and Electric (PG&E) system and/or any other transmission owner's system. The study filed with the AFC was for an interconnection of 252 MW to the adjacent 230 kV transmission system under 2003 summer peak conditions. Staff understands that a new PG&E interconnection study will analyze the interconnection of 252 MW to the PG&E 115 kV transmission system under 2003 summer peak and spring (off-peak) system conditions. The Tracy Peaker Project, however, is a 169 MW facility interconnecting in July, 2002. Staff, therefore, needs a System Impact Study that analyzes the transmission system impacts of a 169 MW interconnection under 2002 summer peak and spring (off-peak) system conditions. This study should be coordinated with adjacent transmission owners (i.e. SMUD, MID, TID, and Western).

Staff has been informed that the new, 169 MW study will be available on November 11, 2001. As long as the study is completed on schedule, and the findings are such that 1) no downstream linear facilities (new, rebuilt or re-conducted) are required, and 2) the project does not require significant coordination with any adjacent Transmission Owners, staff should be able to complete its analysis within the 4-month schedule. Staff will be coordinating with the Cal-ISO, applicant, and PG&E to resolve any issues that may arise from the interconnection study.

SCHEDULING ISSUES

Staff has begun its analyses of the project and is currently in the discovery phase.

Public Resources Code Section 25552(b)(2) requires that the Committee determine, within 25 days of the data adequacy, whether the project is eligible for the four-month review process described in Section 25552. In this case, the Committee's determination is required by November 11, 2001. On the basis of information currently before it, and in anticipation of sufficient documentation from the applicant of the required labor contracts, staff believes that this project is eligible because conditions of approval can be imposed upon the project to assure:

- (1) that the project and related facilities will not have a significant adverse effect on the environment as a result of construction or operation;
- (2) the protection of public health and safety;
- (3) that the project will comply with all applicable federal, state, and local laws, ordinances, and standards;
- (4) that both turbines comprising the project, will be in service before December 31, 2002; and
- (5) the project will obtain offsets or, where offsets are unavailable, pay an air emissions mitigation fee to the air quality management district based upon the actual emissions from the project.

An additional prerequisite that the project convert to either combined cycle or cogeneration within three years of licensure was suspended by the Commission at its October 17, 2001 Business Meeting.

On the basis of the above information, and in anticipation of sufficient documentation from the applicant of the required labor contracts, staff recommends that the Committee find that the project continues to qualify for the four-month process. Given that any potential issues identified by staff to date are viewed as feasible to mitigate, it appears that a 120-day project review schedule will be achievable.

Following is staff's proposed schedule for the project. In order to ensure maximum public participation in the Staff Assessment workshop, staff is proposing to hold it during the first week in January, after the holidays. The ability of staff to be expeditious in meeting this schedule will depend on the applicant's timely and thorough response to staff's data requests as well as other factors not yet discovered.

ENERGY COMMISSION STAFF'S PROPOSED SCHEDULE

DAY NO.	DATE	EVENT
	August 16	Application filed
	October 5	Final DOC from San Joaquin AQMD
Day 0	October 17	CEC determines Data Adequacy
Day 6	October 23	Staff files Data Requests
Day 16	November 2	Staff Files Issue Identification Report
Day 16	November 2	Staff's recommendation on eligibility for 4-mo. Process
Day 27	November 13	Applicant files Data Responses
Day 34	November 20	Workshop on Issues & Data Responses
Day 42	November 28	Informational Hearing & Site Visit
Day 61	December 17	Staff files Staff Assessment
Day 78	January 3	Workshop on Staff Assessment
Day 83	January 8	Staff files addendum to Assessment (if needed)
		Committee Hearings
		Proposed Decision
Day 119	Wednesday, February 13	Final Decision