State Of California | The Resources Agency of California

Memorandum

Date : May 10, 2006
Telephone: (916) 653-1850

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

File: 05-AFC-2

DOCKET
05-AFC-2
DATE MAY 10 2006
RECD MAY 10 2006

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

Subject : **WALNUT CREEK ENERGY PARK (05-AFC-2) STATUS REPORT #1**

Staff's first status report on the Walnut Creek Energy Park (WCEP) Application for Certification (05-AFC-2) focuses on the applicant's responses to our first round of data requests, an update on the issues noted in our Issues Identification Report, the project's compliance with local regulations, and the project schedule.

Data Responses/Staff Workshop

On April 10, 2006, the applicant provided responses to staff's data requests (#1-97). Staff held a Data Response and Issues Resolution Workshop on April 25th in the City of Industry to discuss the applicant's responses to our data requests and to work toward resolving identified issues. The following topic areas were discussed at the workshop: air quality, alternatives, cultural resources, noise, traffic and transportation, visual resources, and water resources. Over the next several weeks, the applicant will be providing responses to data requests for which information was not available in time for their April 10th filing and supplemental information to reply to staff's questions on the data responses discussed at the workshop. We are expecting a supplemental response, and in some cases an initial response, to the following data requests: #29 and #34 (air quality); #43-45 (alternatives); #51 and #58 (cultural resources); #67-68, #70, and #72 (soil and water resources); #77 and #81 (visible plume modeling); and #90-91 (visual resources). In addition, the applicant will be updating the sulfur dioxide (SO_2) modeling to reflect a higher sulfur content in the natural gas supply than what was assumed in the modeling presented in the AFC. Within the same timeframe, the applicant will also provide their responses to our Supplemental Data Requests (#98-99) concerning compliance with local noise requirements. Staff is currently working on the Preliminary Staff Assessment (PSA); receipt of all of the information noted above, and that discussed below, is critical to publishing a complete PSA.

Project Issues

Staff's Issue Identification Report published on February 21, 2006 identified air quality and water supply as major issues.

As discussed in staff's issues report, the applicant is relying on acquisition of credits from the South Coast Air Quality Management District's (Air District) Priority Reserve to offset the project's emissions of particulate matter and possibly sulfur oxides and carbon monoxide. The applicant's success in obtaining pollution offset credits from the Priority

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Reserve bank is dependent on the Air District's approval of a revised rule allowing electric generating plants to buy Priority Reserve credits. According to Mohsen Nazemi, Assistant Deputy Executive Officer of Engineering and Compliance, who represented the Air District at staff's workshop, the Air District's Priority Reserve rulemaking process is on track and scheduled to be completed by July 7, 2006. Mr. Nazemi said that the Preliminary Determination of Compliance (PDOC) for the WCEP would be issued after the revised Priority Reserve rule is adopted. Mr. Nazemi also said that the applicant will need to provide evidence to the Air District, prior to the issuance of the Final DOC, that they have begun a "due diligence effort" to secure available emission offset credits (ERCs) on the open market for any pollutant credits requested from the Priority Reserve bank. Pursuant to the Priority Reserve rule, an electric generating facilitiy is not qualified to draw credits from the Priority Reserve unless the applicant conducts a due diligence effort approved by the Air District's Executive Officer. This effort would need to continue for a specified period of time after issuance of the FDOC as well.

Staff's water resources concerns centered on the availability and reliability of the applicant's water supply for the project. The applicant has proposed to use reclaimed water from the Rowland Water District (RWD) for cooling and other power plant processes. In researching their responses to staff's data requests concerning this supply, the applicant discovered information about RWD's reclaimed water system that differs from information presented in the AFC. This information was shared with staff at the Data Response and Issues Resolution Workshop on April 25th. The AFC states that the source of RWD's reclaimed water is the San Jose Creek Wastewater Reclamation Plant operated by the Sanitation Districts of Los Angeles County (LACSD). In actuality, the primary source of RWD's reclaimed water today is impaired groundwater wells. According to the applicant, the aquifer these wells draw from is undergoing Superfund Site remediation for volatile organic compounds (VOCs) and has high levels of total dissolved solids (TDS). In 2008, a planned tie-in from the San Jose Creek Wastewater Reclamation Plant to the RWD system is scheduled to be completed as part of the City of Industry's Regional Recycled Water Project. However, due to the high cost of reclaimed water from LACSD, impaired groundwater will always be a component of the RWD reclaimed water system.

Presently, the applicant is evaluating the effect the RWD system's water sources will have on the project's design and operation and is considering various water supply options. During the first part of June, the applicant intends to file an AFC Supplement updating the project's water use and supply information. Preparation of the water resources portion of the PSA is dependent on receipt of this supplement. The AFC Supplement will address other affected technical areas, as appropriate, depending on the supply option selected. Staff may have additional data requests after reviewing the supplemental information.

Compliance with City of Industry Laws, Ordinances, Regulations, and Standards (LORS)

On April 20th, staff received the City of Industry's response to our letter asking for the City's opinion on the project's compliance with local LORS. The City of Industry Planning Department has determined that the WCEP is authorized under the City's zoning code as

a conditionally permitted use in the City's Industrial Zone and is consistent with the City's zoning regulations provided a Zone Exception is granted that would exempt the project from the strict application of several design standards. Staff is working with Michael Kissell, City of Industry Planning Director, to ensure that the appropriate documentation regarding LORS conformance is provided to the Energy Commission prior to preparation of staff's testimony on the project.

Schedule

Staff agreed at the Committee's Informational Hearing on February 28th that the PSA could be issued 30 days after receiving the PDOC. Although unable to provide a specific date, Kenneth Coats of the Air District confirmed in a phone conversation with staff that it is their intention to issue the PDOC as soon as possible after the revised Priority Reserve rule is adopted on July 7th. Assuming that procedural matters like public noticing requirements will be accomplished in concert with the rule adoption, staff anticipates we would receive the PDOC no later than the end of July. Therefore, if the Priority Reserve rulemaking process remains on track, staff believes that we could publish the PSA by the end of August. The delay in the project's schedule would provide staff with time to evaluate the new water use information in the PSA and enable us to issue a complete document, which would benefit the public's understanding of the project's impacts.

Because the project's schedule is only expected to slip by two months from what was anticipated in staff's February 21 issues report, staff does not believe it would be efficient or warranted to bifurcate the PSA. Staff will continue to monitor the Priority Reserve rulemaking process and will provide the Committee with an update in the next status report. If the Air District's schedule is substantially delayed, staff will reevaluate our proposed schedule for publishing the PSA and the issue of bifurcation.

cc: Docket (05-AFC-2)
Proof of Service List

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

APPLICATION FOR CERTIFICATION FOR THE WALNUT CREEK ENERGY PARK (WCEP)	**DOCKET NO. 05-AFC-2** **(Revised 2/23/06)**

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-2
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* * * *

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

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No agencies to date.

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DECLARATION OF SERVICE

I, **Dora Gomez**, declare that on **May 10, 2006**, I deposited copies of the attached **RE: Walnut Creek Energy Park Status Report #1**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]

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