State Of California | The Resources Agency of California

Memorandum

Date : August 9, 2006
Telephone: (916) 654-4640

To : Chairman Jackalyne Pfannenstiel, Presiding Member File: 05-AFC-2
Commissioner John L. Geesman, Associate Member

DOCKET
05-AFC-2
DATE AUG 9 2006
RECD. AUG 9 2006

From : California Energy Commission - Lorne C. Prescott
1516 Ninth Street
Sacramento, CA 95814-5512
Siting Project Manager

Subject : **WALNUT CREEK ENERGY PARK (05-AFC-2) STATUS REPORT #3**

This is staff's third status report on the Walnut Creek Energy Park (WCEP) Application for Certification (05-AFC-2). This report focuses on the status of the applicant's responses to our data requests and provides an update on project issues and schedule.

Project Management

Eric Knight has transferred to the Fuels and Transportation Division. As a result, effective July 17, 2006, Lorne C. Prescott was assigned as the new Siting Project Manager for the WCEP project.

Data Responses

On July 7, 2006, the applicant filed the document "Supplement II in Response to Data Requests 1 through 104 and April 25 Workshop Queries" containing:

1) supplemental responses to data requests from set #1 -104; and
2) responses to informal questions asked at staff's Data Response and Issues Resolution Workshop held on April 25, 2006.

At the time of this writing, the applicant has still not provided complete responses to the data requests, workshop questions and emergent issues. Staff is still waiting for responses in the technical areas of air quality, land use, visible plume modeling, soil and water resources and visual resources. As a result, several sections of the Preliminary Staff Assessment (PSA) cannot be completed. As noted in Status Report #2, receipt of all of the responses is critical to publishing a complete PSA. Staff will continue to encourage the applicant in an effort to expedite their data responses.

Project Issues

As noted in staff's previous status reports and our February 21, 2006 Issues Identification Report, air quality, water supply and visual resources continue to be major issues.

Air Quality

On June 28, 2006, the South Coast Air Quality Management District (SCAQMD) conducted a public workshop to discuss amendment of Rule 1309.1, which if approved, would allow Electric Generation Facilities (EGFs) to purchase the necessary Emission Reduction Credits (ERCs) from the SCAQMD Priority Reserve. As part of this workshop, SCAQMD issued a revised Rule 1309.1 and a related Draft Environmental Assessment for a 45-day public comment period. The proposed adoption of the amended rule by the District Hearing Board is scheduled for September 8, 2006. The applicant is relying on acquisition of pollution credits from the Priority Reserve to offset the project's emissions of particulate matter, sulfur oxides, and possibly carbon monoxide.

SCAQMD has also indicated they will not release a Preliminary Determination of Compliance (PDOC) for this project until approximately 30 days after the adoption of the revised rule. As a result, staff will postpone completion of the Air Quality Preliminary Staff Analysis (PSA) until after the PDOC is received.

On June 29, 2006, the SCAQMD issued a letter to the applicant determining that the Walnut Creek (05-AFC-2) and Sun Valley Energy Project (05-AFC-3) EGFs are eligible to obtain NOx ERCs from the District's RECLAIM program, but denying eligibility to the RECLAIM program for SOx credits. The District reasoned that SOx credits may be available to EGFs through the revised Priority Reserve Program after its adoption in September.

Additionally, to qualify to draw pollutant credits from the Priority Reserve bank, the applicant must document their "due diligence efforts" to secure available ERCs on the open market. Staff still has not received the applicant's second or third air quality status reports (due on June 1 and July 1 respectively in response to staff's data requests) documenting their due diligence efforts. During a July 31, 2006 discussion with the applicant, Staff was informed that the applicant will file a status report in August detailing their due diligence activities toward securing ERCs.

Water Supply

As stated in the AFC, the applicant proposes to use reclaimed water from the Rowland Water District (RWD) for cooling and other power plant processes. As reported in Status Reports #1 and #2, the applicant discovered that the source of RWD's water is currently impaired groundwater wells and not the San Jose Creek Wastewater Reclamation Plant, as documented in the AFC. According to the applicant, in 2008 (the first year the WCEP would operate if approved), 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. The applicant has indicated that the updated water analyses reflecting impaired groundwater as a component of the project's water may be provided to staff by the end of August. Preparation of the water resources and public health sections of the PSA are dependent upon receipt of this information. Staff may have additional data requests after reviewing the information.

Visual Resources

Staff's initial cooling tower modeling is showing very high frequencies of visible water vapor plumes. Staff has issued data requests to further understand and confirm the operating parameters of the cooling tower because they do not compare to the tower data for other recent siting cases. The applicant has requested confirmation of the cooling tower input and airflow data from the turbine manufacturer, General Electric, and cooling tower manufacturer, Marley, and will provide revised input parameters to the staff when the information is available. The applicant expects to provide the revised data to staff by the end of August. Staff may have additional data requests after reviewing the information.

Schedule

As noted above, publication of the PSA is dependent upon receipt of the applicant's responses to various data requests and receipt of the PDOC. Staff believes that a decision regarding bifurcation of the PSA should be postponed until we receive the pending data responses. We will reevaluate our proposed schedule for publishing the PSA and the issue of bifurcation in our next status report.

cc: Docket (05-AFC-2)
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WALNUT CREEK ENERGY PARK
APPLICATION FOR CERTIFICATION
DOCKET NO. 05-AFC-2

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