

Memorandum

To: Commissioner James D. Boyd, Presiding Member
Commissioner Arthur H. Rosenfeld, Associate Member

Date: September 10, 2007
Telephone: (916) 654-4640
File: 07-SPPE-2

From : **California Energy Commission** Felicia Miller
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DOCKET 07-SPPE-2	
DATE	SEP 10 2007
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Subject: **ISSUES IDENTIFICATION REPORT FOR THE ORANGE GROVE POWER PLANT PROJECT – SMALL POWER PLANT EXEMPTION (07-SPPE-2)**

Attached is staff's Issue Identification Report for the Orange Grove Power Plant Project Application for a Small Power Plant Exemption (07-SPPE-2). This report serves as a preliminary scoping document identifying potential issues Energy Commission staff believes will require careful attention and consideration. Energy Commission staff will present this Issue Identification Report at the Informational Hearing to be held by the Commission's Orange Grove Project Committee in Fallbrook, San Diego County on September 24, 2007.

Attachment

cc: Docket (07-SPPE-2)
Proof of Service List

**ORANGE GROVE POWER PLANT PROJECT
SMALL POWER PLANT EXEMPTION
(07-SPPE-2)**

ISSUES IDENTIFICATION REPORT

September 10, 2007

CALIFORNIA ENERGY COMMISSION

Facilities Siting Division

**ISSUES IDENTIFICATION REPORT
ORANGE GROVE POWER PLANT PROJECT
APPLICATION FOR SMALL POWER PLANT EXEMPTION
(07-SPPE-2)**

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ISSUES IDENTIFICATION REPORT

This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of potential issues identified in the case thus far. This Issues Identification Report contains a project description, summary of potential issues, and a discussion of the proposed project schedule. The staff will address the issues and progress towards resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On July 19, 2007, Orange Grove Energy, L.P. (OGE) filed an application for a Small Power Plant Exemption (SPPE) which would result in an exemption from the California Energy Commission's licensing requirements. OGE proposes to construct a simple-cycle power plant in northern San Diego County. The project would have a nominal electrical output of 96 megawatts (MW) with construction planned to start in winter 2008 with a six-month construction period. Operation is planned for June 2008. OGE has proposed the project in response to a San Diego Gas & Electric (SDG&E) Request For Offer for new peaking resources for supporting reliability of the local electricity system. This facility would likely be used during times of maximum demand for electricity such as hot summer intervals. Under an agreement with SDG&E, OGE will lease a site on a larger parcel owned by SDG&E and will be responsible for construction of the plant and an approximately 0.2-mile underground electric transmission line interconnection between the power plant and the existing SDG&E Pala substation. OGE will operate the plant and will have a tolling agreement for generating electrical power for SDG&E.

The generating facility would include two 48 MW GE LM6000 PC SPRINT combustion turbine generators (CTG), a gas metering station, water and natural gas pipelines. Transmission interconnection to the Pala substation will occur within the limits of SDG&E's contiguous parcel and would include a 69 kV underground transmission line interconnection. The project would be fueled by natural gas delivered to the site via a 2-mile extension of an existing SDG&E gas line.

The CTGs will be equipped with GE's SPRay-INTERcooled (SPRINT) power boost technology to increase output from the plant, requiring water for power augmentation. OGE is proposing use of dry cooling technology for turbine cooling. A new 1.8-mile waterline will be constructed by Rainbow Municipal Water District between the existing water main and the site boundary to provide water for the project's process, domestic, and sanitary needs. The proposed water usage is estimated to be 117 acre/feet annually. Air emissions from the proposed facility would be controlled by using Best Available Control Technology including a water injection system, carbon monoxide catalyst as well as a selective catalytic reduction system that will further reduce emissions.

The proposed project site would occupy 8.5 acres within a 220-acre site located off Pala Del Norte Road, approximately 3.5 miles northeast of I-5 on SR-76, approximately two miles west of the community of Pala and 16 miles west of Fallbrook in an unincorporated area of San Diego County. The site and overall property are owned by

SDG&E and a lease agreement with OGE for the land to be occupied is being held in escrow. The property is currently zoned General Agricultural (A72) in the San Diego County general plan which would accommodate the construction of a power plant. An existing SDG&E Pala Substation is located on a contiguous SDG&E parcel south of the project site. The site is currently occupied by a former citrus grove.

SPPE PROCESS AND POTENTIAL MAJOR ISSUES

Public Resource Code section 25541 states “[t]he commission may exempt ... thermal power plants with a generating capacity of up to 100 megawatts and modifications to existing generating facilities that do not add capacity in excess of 100 megawatts, if the commission finds that no substantial adverse impact on the environment or energy resources will result from the construction or operation of the proposed facility or from the modifications.” The SPPE process is different from the Application for Certification (AFC) process since the Energy Commission will not license the project but exempt the project from the licensing process. The Energy Commission is the lead agency for the Orange Grove Power Plant project under the California Environmental Quality Act (CEQA). If an exemption is granted, the applicant will use the Energy Commission’s environmental document to secure the appropriate licenses and permits for the project from various local, state and federal agencies.

The SPPE process also uses a different format of analysis from that used in the AFC process. For an SPPE, staff prepares an Initial Study that evaluates whether the project will result in any significant environmental or energy resource impacts, identifies mitigation measures that will reduce any identified impacts to less than significant levels, and establishes proposed conditions of exemption. Staff will use the Environmental Checklist Form contained in CEQA Guidelines Appendix G (California Code of Regulations, Title 14, section 15063 (f)) as a guideline for the issues that will be examined in the Initial Study.

This Issues Identification Report contains staff’s preliminary findings. The following discussion focuses on issues where staff has concluded that (a) a “potentially significant impact” may occur, (b) resolution of the issue may cause delay in the schedule, and (c) staff has insufficient information at this time to reach a conclusion. The Committee should be aware that this report may not include all the significant 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.

This report does not limit the scope of staff’s analysis throughout this proceeding, but acts to aid in the analysis of potentially significant issues that the Orange Grove Power Plant project proposal may pose. The following discussion summarizes the potential issues, identifies the parties needed to resolve the issues and, where applicable, suggests a process for achieving resolution. However, staff does not see these potential issues as insolvable.

The following section contains staff’s preliminary findings. The table shows the subject areas and identifies major issues. The Initial Study will provide additional analysis supporting staff’s conclusions, descriptions of the recommended mitigation measures and conditions of exemption.

Major Issue	Data Request	Subject Area
Yes	Yes	Air Quality
No	Yes	Biological Resources
Yes	Yes	Cultural Resources
No	No	Energy Resources
No	No	Geology / Paleontology Resources
No	Yes	Hazardous Materials Management
No	No	Land Use, Recreation and Agriculture
No	No	Noise and Vibration
No	No	Project Description
No	No	Public Health
No	No	Reliability / Efficiency
No	No	Socioeconomics
Yes	Yes	Soil & Water Resources
No	No	Traffic & Transportation
No	No	Transmission Line Safety & Nuisance
No	No	Transmission System Engineering
No	Yes	Visual Resources / Plume
No	Yes	Waste Management

AIR QUALITY

Staff reviewed the application for the Orange Grove Power Plant Project Small Power Plant Exemption (SPPE) and found a potential air quality issue that could delay the Commission review process.

Operations Mitigation – Emission Reduction Mitigation

The applicant has not proposed any emission reduction credit (offset) mitigation for this project based on the fact that San Diego Air Pollution Control District permitting requirements for this project do not require emission offsets. However, it is staff's position that all nonattainment pollutants and their precursors need to be mitigated at a minimum ratio of 1:1. The San Diego Air Basin in the area of the project site is classified as nonattainment for the state ozone, PM10 and PM2.5 standards and federal ozone standard. Without proper offset mitigation this project would contribute to existing violations of the state and federal ambient air quality standards. Without appropriate mitigation measures, staff cannot find that this project would have less than significant air quality impacts, which is inconsistent with the Small Power Plant Exemption process.

Construction Mitigation Measures

The applicant proposed only minimal fugitive dust mitigation measures on Page 6.2-22 and -23 of the SPPE application and proposed no diesel engine mitigation measures. For staff to conclude no significant air quality impacts for construction, all feasible mitigation measures must be included in this project. Staff will propose its standard construction measures be incorporated into the project.

CULTURAL RESOURCES

Staff reviewed the application for the Orange Grove Power Plant Project Small Power Plant Exemption (SPPE) and found potential cultural resources issues that could delay the Commission review process.

The applicant provided under confidential cover information to substantiate there are significant cultural resources located in the area near the project site. This information did not provide sufficient data as to the exact location of the project, in relation to the archeological sites. Therefore, staff could not determine whether or not cultural resources were located close enough to be impacted by the project. In order to determine whether there is an impact to any cultural resources, a map detailing the location of the archeological sites in relation to the project area must be provided and a testing program conducted to determine whether nearby sites may extend into areas where the project would disturb ground.

If there are cultural resources located within the project site, significant impact is likely.

WATER QUALITY

Staff reviewed the application for the Orange Grove Power Plant Project Small Power Plant Exemption (SPPE) and found potential water quality issues that could delay the Commission review process.

The Orange Grove Project would use approximately 44 acre-feet/year of potable water for evaporative cooling of the air inlet chiller system. The potable water would be provided by Rainbow Municipal Water District via a pipeline to be constructed as part of the project. In addition, the project wastewater would not be discharged onsite, but would instead be trucked offsite to a licensed wastewater treatment facility.

In order to fully assess the project options and impacts, staff has requested economic and environmental assessments for both water supply and cooling technology options for gas turbine inlet cooling, and also for zero-liquid discharge technology options for management of project wastewaters. Staff is continuing its analysis of the project's water and wastewater elements in preparation for receipt of the applicant responses to the data requests.

SUMMARY

Staff provided quality data requests for air quality, biological resources, cultural resources, hazardous materials management, soil and water resources, visual resources/plume and waste management to Orange Grove Energy on September 5, 2007, which address its concerns regarding the project. Staff will address any additional technical concerns in the Initial Study. Timely responses to data requests and resolution of the above issue are necessary to stay within the time frames of the attached proposed schedule. All agencies, intervenors, and interested parties will be informed of future workshops and project events. The following page presents staff's proposed schedule.

**ENERGY COMMISSION STAFF'S
PROPOSED SCHEDULE
Orange Grove Power Plant Project
(07-SPPE-2)**

EVENT	DATE
Applicant files Application for SPPE	7/19/07
Staff Provides Data Requests to Applicant	9/5/07
Information Hearing and Site Visit	9/24/07
Applicant Provides Data Responses	10/5/07
Data Response and Issue Resolution Workshop	10/15/07
Draft Initial Study filed	10/24/07
Draft Initial Study workshop	11/7/07
Agency, applicant, public comments on the Application and Initial Study	11/26/07
Final Initial Study filed	12/17/07
Prehearing conference	1/3/08 *
Evidentiary hearings	1/14/08 *
Committee files Proposed Decision/Negative Declaration	2/4/08 *
Comments on the Initial Study and Proposed Decision	2/14/08 *
Commission Decision	2/19/08 *

Note: All dates are approximate and will be determined by staff and committee. Actual dates will be announced by staff notices or Committee order.

* Date to be determined by the Committee.

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

**ORANGE GROVE POWER
PLANT REPLACEMENT PROJECT
SMALL POWER PLANT EXEMPTION**

Docket No. 07-SPPE -2

PROOF OF SERVICE

INSTRUCTIONS: All parties shall either (1) send an original signed document plus 12 copies or (2) mail one original signed copy AND e-mail the document to the address for the Docket as shown below, AND (3) all parties shall also send a printed or electronic copy of the document, which includes a proof of service declaration to each of the individuals on the proof of service list shown below:

CALIFORNIA ENERGY COMMISSION

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DECLARATION OF SERVICE

I, Dora Gomez, declare that on September 11, 2007, I deposited copies of the attached Issues Identification Report for the Orange Grove Power Plant Project in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

OR

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

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



Dora Gomez