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Memorandum

To: Commissioner Janea Scott, Presiding Member
Commissioner Karen Douglas, Associate Member

Date : May 6, 2016
Telephone: (916) 651-0966
File: 16-SPPE-01

From : **California Energy Commission** Leonidas Payne
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Subject: **ISSUES IDENTIFICATION REPORT FOR THE POMONA REPOWER PROJECT – SMALL POWER PLANT EXEMPTION (16-SPPE-01)**

Attached is staff's Issues Identification Report for the Pomona Repower Project (PRP) Application for a Small Power Plant Exemption (16-SPPE-01). 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 and Site Visit to be held on May 18, 2016.

Attachment

cc: Docket (16-SPPE-01)
Pomona Listserve

**POMONA REPOWER PROJECT
SMALL POWER PLANT EXEMPTION
(16-SPPE-01)**

ISSUES IDENTIFICATION REPORT

May 6, 2016

CALIFORNIA ENERGY COMMISSION

Siting, Transmission & Environmental Protection Division

**ISSUES IDENTIFICATION REPORT
POMONA REPOWER PROJECT
APPLICATION FOR SMALL POWER PLANT EXEMPTION
(16-SPPE-01)**

TABLE OF CONTENTS

| | |
|---|----------|
| PROJECT DESCRIPTION | 1 |
| SMALL POWER PLANT EXEMPTION PROCESS AND POTENTIAL MAJOR ISSUES | 2 |
| AIR QUALITY AND GREENHOUSE GASSES | 4 |
| TRANSMISSION SYSTEM ENGINEERING | 6 |
| PROPOSED SCHEDULE | 8 |

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 proceeding thus far. This Issues Identification Report contains a project description, summary of potential issues, and a discussion of the proposed project schedule.

PROJECT DESCRIPTION

On March 21, 2016, AltaGas Pomona Energy Inc. (AltaGas) filed an application with the California Energy Commission (Energy Commission) for a Small Power Plant Exemption (SPPE). AltaGas proposes to replace the existing 44.5 MW San Gabriel Cogeneration Facility (San Gabriel Facility), with the Pomona Repower Project (PRP), a nominal net 100-megawatt (MW) peaking facility. The project would occupy 2 acres at the existing San Gabriel Facility site located in an industrial area at 1507 Mt. Vernon Avenue, in Pomona, Los Angeles County, California. AltaGas owns the existing San Gabriel Facility and would own the PRP upon completion. The project is intended to provide efficient operational flexibility with rapid-start and steep-ramping capability to allow for the efficient integration of renewable energy sources into the California electrical grid.

PRP would be powered by one General Electric LMS100 gas turbine. The LMS100 would use the existing 66 kilovolt Simpson transmission line to connect to the grid. The existing poles would be upgraded with new conductors to account for the additional power generated by the LMS100. The project would include the removal of the existing LM5000 gas turbine currently in operation.

Additional plant equipment would include natural gas compressors, water treatment facilities, emergency services, and an administration/maintenance building. The combustion turbine generator would be equipped with evaporative coolers on the inlet air system, compressor inter-stage cooling, and water injection to control nitrogen oxides (NOx). PRP would use existing supply and discharge lines including natural gas, potable and recycled water supply, process wastewater, and sanitary wastewater. The project would use recycled water from the Pomona Water Reclamation Plant for cooling and appropriate process water uses.

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 Pomona Repower 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 and identifies mitigation measures that will reduce any identified impacts to less than significant levels. Staff will use the Environmental Checklist Form and Environmental Information Form contained in CEQA Guidelines Appendix G and Appendix H as a guideline for the issues that will be examined in the Initial Study. (California Code of Regulations, Title 14, section 15063 (f))

This Issues Identification Report contains staff’s preliminary findings. The following discussion focuses on an issue 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 proceeding, 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 the Pomona Repower Project proposal may pose. The following discussion summarizes potential issues, identifies the parties needed to resolve the issue and, where applicable, suggests a process for achieving resolution. However, staff does not see these potential issues as unresolvable.

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

| Major Issue | Data Request | Subject Area |
|--------------------|---------------------|--------------------------------------|
| Yes | Yes | Air Quality |
| No | Yes | Biological Resources |
| No | No | 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 | Yes | Project Description |
| No | No | Public Health |
| No | No | Reliability / Efficiency |
| No | Yes | Socioeconomics |
| No | No | Soil & Water Resources |
| No | Yes | Traffic & Transportation |
| No | No | Transmission Line Safety & Nuisance |
| Yes | Yes | Transmission System Engineering |
| No | Yes | Visual Resources / Plume |
| No | Yes | Waste Management |

AIR QUALITY AND GREENHOUSE GASSES

BACKGROUND AND MAJOR ISSUES

Staff reviewed the proposed Pomona Repower Project (PRP) Small Power Plant Exemption (SPPE) application and has identified the following air quality issues that could potentially delay the Energy Commission review process or prevent staff from concluding that the project would not have a substantial adverse impact on the environment.

Air Quality Mitigation

South Coast Air Quality Management District (SCAQMD) requires emission offsets for increases in emissions of nonattainment pollutants that would occur at PRP above SCAQMD offset threshold levels, including volatile organic compounds (VOCs) and nitrogen oxides (NOx). These are shown in the SPPE in Table 4.1-34.

At the time of the SPPE submittal, the applicant controlled only a portion of the NOx RECLAIM trading Credits (RTCs) needed by the district. In addition, the application did not identify the specific emission reduction credits (ERCs) or RTCs that would be used as mitigation for this project. The application stated that emission offsets could be acquired through a combination of options, including NOx RTCs, VOC ERCs, emission reductions from the shutdown of the existing equipment at the San Gabriel Facility, and funding of a portion of the Carl Moyer Program or a similar emission reduction program specific to this project. However, this does not mean these emission offsets are available for purchase or use as mitigation for this project. Because the emission offset proposals are only generally described at this time, these mitigation measures cannot be included by the applicant in the project description nor could the Energy Commission include them in any decision approving the SPPE.

The Energy Commission also generally requires CEQA mitigation of all nonattainment criteria pollutants and their precursors at a ratio of at least 1:1 for any emissions increase of a non-attainment pollutant or precursor, without consideration of an offset or mitigation threshold. CEQA mitigation for this project would include all emissions of NOx, VOC, sulfur oxides (SOx), particulate matter less than 10 microns (PM10) and particulate matter less than 2.5 microns (PM2.5). Therefore, the Energy Commission would generally require mitigation in addition to offsets specified by the District rules. PRP does not propose any mitigation beyond that required by the District. This lack of additional CEQA mitigation could be another potentially significant issue for PRP.

Cumulative Air Quality Impacts

The application describes the methodology to be used for the cumulative effects analysis but does not include the analysis itself because a final project list had not been provided by the District at the time the SPPE application was prepared and submitted to the Energy Commission. The cumulative analysis should include all reasonably foreseeable projects with a potential to emit at least 5 tons per year within a 6-mile radius. This would include projects that have received construction permits but are not yet operational and those that are either in the permitting process or can be expected to be in permitting in the near future. A complete cumulative impacts analysis should identify all existing and planned stationary sources that affect the baseline conditions and these should be included in the modeling effort. The applicant has submitted the request for the projects list to the SCAQMD. At this time SCAQMD is still in process of developing the requested information. Staff has issued a data request asking the applicant to provide this information once available. Any delay in the processing by SCAQMD and submittal of this information by the applicant could delay staff's analysis.

TRANSMISSION SYSTEM ENGINEERING

The California ISO Phase I and Phase II Interconnection Studies are not available for staff to review. The Phase I Study is required for staff to determine the potential need for downstream transmission facilities.

If the studies show the project would cause any transmission line overloads which might require transmission line reconductoring or other significant downstream upgrades, a general CEQA analysis will be required. The environmental analysis of potential upgrades could cause a delay in the exemption analysis process for the Pomona Repower Project (PRP).

Staff has submitted Data Requests requesting Phase I and Phase II Interconnection Studies.

SCHEDULING

The proposed schedule which follows reflects the best case scenario for processing the Pomona Repower Project SPPE application, as guided by Title 20 Sections 1709.7, 1944, and 1945, and taking into account informational needs, noticing requirements, and applicable comment periods. Staff understands that this schedule exceeds the 135 days envisioned in our regulations which would require the applicant to stipulate to this timeline, as outlined in Title 20 Section 1947, to permit a full and fair exploration of the issues.

**ENERGY COMMISSION STAFF'S
PROPOSED SCHEDULE
Pomona Repower Project
(16-SPPE-01)**

| EVENT | DATE |
|---|----------------------|
| Applicant filed Application for SPPE | 3/21/16 |
| Committee appointed | 4/13/16 |
| Staff Provided Data Requests to Applicant | 4/27/16 |
| Issue ID report released | 5/6/16 |
| Information Hearing and Site Visit | 5/18/16 |
| Applicant Provides Data Responses | 5/27/16 |
| Data Response and Issue Resolution Workshop (if needed) | 6/13/16 |
| Draft Initial Study and Negative Declaration Recommendation filed | 7/1/16 |
| Draft Initial Study workshop | 7/13/16 |
| Agency, applicant, public comments on the Application and Initial Study and Negative Declaration Recommendation | 8/1/16 |
| Prehearing conference | 8/15/16 ¹ |
| Final Initial Study and Negative Declaration Recommendation filed | TBD ² |
| Evidentiary Hearings | TBD ² |
| Committee files Proposed Decision | TBD ² |
| Commission Hearing and Decision | TBD ² |

Note: Schedule dates for future deliverables, hearings, and workshops are approximate—the actual dates will be announced via staff notices or Committee order.

¹ Actual date to be determined by the Committee.

² Actual date to be determined by the Committee at the Prehearing Conference.