

Memorandum

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07-AFC-3	
DATE	DEC 28 2007
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Date: December 28, 2007
Telephone: (916) 654-4679

To: Vice Chair James Boyd, Presiding Member
Commission Chairman, Jackalyne Pfannenstiel, Associate Member

From: California Energy Commission –
1516 Ninth Street
Sacramento, CA 95814-5512

Bill Pfanner
Project Manager

Silvan Allen for Bill Pfanner

Subject: **CPV Sentinel Energy Project (07-AFC-3) STATUS REPORT 1**

Pursuant to the Committee Scheduling Order dated October 15, 2007, the following is staff's Status Report 1 for the proposed CPV Sentinel Energy Project (CPV Sentinel).

Background & Milestones to Date

As background, staff filed its Issue Identification Report on September 27, 2007 and identified various unresolved issues and the need for additional information, particularly in the area of Air Quality and Soil and Water Resources. Staff has been coordinating a number of activities to facilitate the discovery and analysis phase of the Application for Certification (AFC) process as follows:

- September 27, 2007 – Staff published the Issues Identification Report.

Regarding Air Quality, the Issues Identification Report identified that the CPV Sentinel project faces significant challenges in securing adequate criteria air pollutant mitigation for the proposed power plant project. The project is located in the South Coast Air Quality Management District (SCAQMD) where emission reduction credits (ERCs) and RECLAIM Trading Credits (RTCs) are scarce. Since CPV Sentinel has not yet purchased sufficient ERCs (for VOC, SO_x or PM₁₀ emissions) or RTCs (for NO_x emissions) necessary to mitigate the project's impacts, it will need to rely on SCAQMD rule 1309.1 to secure the balance of the mitigation (for SO_x and PM₁₀ emissions) for this project. Three issues were identified related to the technical area of Air Quality: SCAQMD Rule 1309.1 (Priority Reserve) compliance; Nitrogen Oxides (NO_x) mitigation and the SCAQMD RECLAIM Program; and Volatile Organic Compound (VOC) offsets.

For Soil and Water Resources, the Issues Identification Report noted that the project proposes using high quality groundwater from onsite wells for power plant cooling. Staff understands from the draft Comprehensive Water System Master Plan (2005-URS) provided by the Mission Springs Water District, that the groundwater sub-basin the project will be drawing water from is in a state of overdraft and requires constant replenishment. The applicant proposes mitigating the use of the groundwater by purchasing recycled water that is currently providing groundwater recharge and by paying for recharge with State Water Project (SWP) water through a recharge program administered by the Desert Water Agency. However, because the recycled water source identified by the applicant is currently providing groundwater replenishment, and because the amount of SWP water available to recharge the sub-basin is likely to be

curtailed by up to 35 percent due to a recent court ruling and because of the high quality of the groundwater, staff believes the proposed use of groundwater may not conform to the Energy Commission's water policy, and may create significant adverse environmental impacts. The Issue Identification Report identified that the Energy Commission staff is working with water districts/agencies and the applicant to evaluate alternative water sources and alternative cooling technologies (i.e., air-cooling) to resolve these issues.

- October 4, 2007 - Staff provided the applicant with Data Request Set #1 requesting additional information for the following technical areas: Air Quality, Cultural Resources, Land Use, Socioeconomics, Soil and Water Resources, Transmission System Engineering, Visual Resources, and Waste Management.
- October 24, 2007 – Applicant submitted a letter objecting to certain of staff's Data Request Set #1 and requested additional time to provide responses. The letter indicated that completion of the response to Data Request Set #1 would not occur until early 2008.
- November 5, 2007 – The applicant filed its partial Responses to Data Request Set #1.
- November 14, 2007 –Staff conducted a Data Response and Issues Resolution Workshop in Desert Hot Springs to review the applicant's responses to staff's Data Request Set #1. Staff identified that the response to Data Request Set #1 was not complete, the applicant was in the process of completing the outstanding information, and that a second data response workshop would be held when all information was submitted.
- November 27, 2007 - Applicant submitted a letter regarding the CPV Sentinel AFC process. The subject of the letter is discussed below under the Project Issues heading.

Other Coordination Activities

- Air Quality – At this time, the air quality issues identified in the Issues Identification Report are being addressed jointly by staff, the applicant and the local air district (SCAQMD). The SCAQMD is expected to issue the Preliminary Determination of Compliance (PDOC) in early spring 2008.
- The Energy Commission staff is working with water districts/agencies and the applicant to evaluate alternative water sources and alternative cooling technologies (i.e., air-cooling) to resolve potential Laws, Ordinances, Regulations and Standards (LORS) and environmental issues.

Project Issues

On November 27, 2007 the CPV Sentinel Applicant submitted a letter regarding the CPV Sentinel AFC process. It contained a claim that at staff's pre-filing meeting on January 23, 2007, staff had conceptually approved the project's "wet cooled" water system.

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On December 21, 2007, staff provided a response to the applicant's November 27, 2007 letter. The response letter stated that the Energy Commission has adopted a policy regarding the use of fresh water in association with power plants. Specifically, the Energy Commission's 2003 Integrated Energy Policy Report (IEPR) states: the Energy Commission will approve the use of fresh water for cooling purposes by power plants which it licenses only where alternative cooling technologies are shown to be "environmentally undesirable" or "economically unsound." The letter said at this time, staff could not recommend approval of the proposed CPV Sentinel project since we do not believe it complies with the State Water Resources Control Board and the Energy Commission's IEPR policy regarding the use of fresh inland water for power plant cooling. Further, staff is in the process of assessing whether the project would cause a significant adverse impact to water resources in the region associated with depleting an already overdrafted water basin.

Staff requested that the applicant evaluate project alternatives that would mitigate a potential significant environmental impact and resolve non-compliance with the Commission's 2003 IEPR water policy.

The letter also contained four new data requests dealing with groundwater modeling and cooling alternatives and stated that staff would like to meet with the applicant to discuss these issues.

Schedule

Due to a six to eight week delay in the Data Request Set #1 process, the schedule issued by the Committee in its order dated October 15, 2007 will not be met. Staff is working with the applicant to respond to data requests and to redefine potential project alternatives addressing LORS and environmental concerns regarding the project's water proposal. The applicant is completing their Data Request Set #1, based on staffs' revised data requests. Staff anticipates receipt of a complete response to Data Request Set #1 by January 21, 2008, at which time staff anticipates issuing Data Request Set #2. A public workshop will be held to address all issues not addressed in the first Data Response workshop held in November 2007. At this time, staff anticipates the publication of the Preliminary Staff Assessment in May 2008, which reflects a six to eight week slip from the current PSA schedule date of March 12, 2008 identified in the Committee Schedule.

cc: Docket (07-AFC-3)
Proof of Service List

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

APPLICATION FOR CERTIFICATION
FOR THE **CPV SENTINEL ENERGY
PROJECT**
Power Plant Licensing Case

INSTRUCTIONS: All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:

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**Docket No. 07-AFC-3
PROOF OF SERVICE**
(Revised 10/15/07)

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