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State of California

The Resources Agency of California

Memorandum

To: Commissioner Jeffrey Byron, Presiding Member
Commissioner Art Rosenfeld, Associate Member

Date : June 10, 2009
Telephone (916) 654-4640

From : **California Energy Commission – Felicia Miller**
1516 Ninth Street
Sacramento CA 95814-5512
Project Manager

Subject: **Palmdale Hybrid Power Project (08-AFC-9) Status Report 4**

Pursuant to the Committee Scheduling Order dated December 16, 2008, the following is staff's Status Report 4 for the proposed Palmdale Hybrid Power Project (PHPP).

Current Issues and Activities for Resolution

On April 1, 2009 staff filed Set 2 data requests in the areas of Air Quality, Alternatives, Biological Resources, Cultural Resources, Land Use, Traffic and Transportation, Transmission System Engineering, Visual Resources-Visible Plume, and Water Resources.

The applicant filed Data Responses Set 2 on May 1, 2009. In addition, the applicant provided supplemental information to staff on April 8 (AQ files, responses to DR #3, 147, 155), May 15, (responses to DR 1-3), June 2, (e-mail with cooling tower corrections, DR 152), June 2, (DR #152-53), and June 2 (Joshua tree Inventory Report, DR #3).

Staff has determined that data responses in the following areas are incomplete. Of note, the Air Quality deficiencies, if not resolved in a timely manner, could lead to a significant delay in the schedule, due to the need to complete extensive analyses and rulemakings. The following discussion provides specific details for each topic area.

Air Quality

Data Responses 98, 100, 101, 104 and 106 are incomplete. Each of those data requests concerned the emission reduction credits (ERCs) that the projects needs.

Background

In implementing CEQA, Staff recommends that all operating emissions of nonattainment pollutants and their precursors be mitigated through emission reductions at a minimum ratio of 1:1, with larger ratios required for inter-pollutant, inter-basin and distant ERC sources. The Antelope Valley Air Quality Management District (AVAQMD) and Mojave Desert Air Basin (MDAB) in the area of the project site are classified as nonattainment for the state ozone and PM10 standards and federal ozone standard. Without proper emission reduction mitigation, this project could contribute to existing violations of the state and federal ambient air quality standards. Although the AVAQMD provided a Preliminary Determination of Compliance (PDOC) on February 12, 2009, the project applicant has yet to identify the ERCs it will obtain to address its volatile organic compounds (VOC), nitrogen oxides (NOx), and particulate matter less than 10 and 2.5 microns (PM10 and PM2.5, respectively) emissions.

PROOF OF SERVICE (REVISED 4/30/09) FILED WITH

1 ORIGINAL MAILED FROM SACRAMENTO ON 6/10/09 Status Report 4
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June 10, 2009

NOx and VOC Emissions

The applicant originally had proposed to utilize the South Coast Air Quality Management District (SCAQMD) Priority Reserve (PR) Program to obtain VOC PR credits to offset project VOC and NOx emissions, but due to a court decision in 2008, PR credits from the SCAQMD Rule 1309.1 Priority Reserve are not currently available. As a result, the PHPP is currently considering obtaining emission offsets through inter-basin trades from the San Joaquin Valley Air Pollution Control District (SJVAPCD).

However, obtaining ERCs from the SJVAPCD requires compliance with the requirements of Health & Safety Code §40709.6. This permits the use of inter-basin ERCs when certain findings are made about the relative air quality of the two basins and the effect of emissions in the upwind basin on air quality in the downwind basin. In addition, and critical to this discussion, subdivisions (c) and (d) of the rule require the following:

(c) The district, in which the stationary source at which there are emission increases to be offset is located, shall do both of the following:

(1) Determine the impact of those emission reductions in mitigation of the emission increases in the same manner and to the same extent as the district would do so for fully credited emission reductions from sources located within its boundaries.

(2) Adopt a rule or regulation to discount the emission reductions credited to the stationary source in the other district. The discount shall not be less than the emission reduction for offsets from comparable sources located within the district boundaries.

(d) Any offset credited pursuant to subdivision (a) shall be approved by a resolution adopted by the governing board of the upwind district and the governing board of the downwind district, after taking into consideration the impact of the offset on air quality, public health, and the regional economy. Each district governing board may delegate to its air pollution control officer the board's authority to approve offsets credited pursuant to subdivision (a).

These provisions require additional rulemaking, as well as AVAQMD and SJVAPCD board approval. Neither the applicant's responses to Energy Commission data requests (DR 99, 100 and 106) nor the AVAQMD PDOC provide any information on how these requirements will be met. In addition, the United States Environmental Protection Agency (USEPA) has noted that the current AVAQMD ozone attainment plan does not include a demonstration of the net air quality benefit from ERCs obtained from the SJVAPCD. Therefore, it is likely that the AVAQMD will have to revise their ozone attainment plan and receive plan approval from the California Air Resources Board (ARB) and the USEPA. Staff believes that this could be a lengthy process. The applicant will also need to provide information on ARB consultation and USEPA approval of the proposed inter-basin offset ratios pursuant to AVAQMD Rule 1305(B).

In addition, the USEPA, in their comments on the PHPP PDOC, is on record as stating that the AVAQMD inter-pollutant offset ratio of 1.6:1 is not technically justified. The applicant did not provide any justification in their response to an Energy Commission data request regarding inter-pollutant offset trading (VOC for NOx), but has stated that sufficient NOx and VOC ERCs have been identified in the SJVAPCD to avoid inter-pollutant offset trading. However, the applicant has not provided any detailed information on the composition of their proposed ERC package.

Because the applicant is now proposing to obtain offsets from a basin other than the SCAQMD, staff needs additional information on inter-basin, inter-pollutant (if any) offset trading ratios, as well as resolution of the required AVAQMD and SJVAQMD Board approvals. Therefore, it is not possible at this time to calculate the PHPP ERC liability. In their comments on the PDOC, the USEPA has requested that the AVAQMD provide additional modeling to support the use of inter-pollutant and/or inter-basin ERCs from the SJVAPCD, as well as a revised ozone air quality attainment plan. As noted above, revising the ozone attainment plan will not be easily or quickly accomplished.

PM Emissions

The Applicant proposes to obtain PM10 ERCs through a new AVAQMD Rule that would be modeled on the Mojave Desert Air Quality Management District (MDAQMD) Rule 1406. However, the rulemaking has not been initiated, and the applicant has not provided the specifics of the mitigation (what roads will be paved). Thus, a full analysis of the effectiveness of the proposed mitigation cannot be completed. ERCs must be federally enforceable and be quantifiable, surplus, real and permanent. Currently, the proposed PM10 ERCs do not meet any of the required criteria.

The Applicant has not provided information in Data Response 102 through 105 on the status of this proposed rule and the AVAQMD Rule Development Calendar does not provide any information on proposed Rule 1309.5 ([AVAQMD Rule Development Calendar 2009](#)). Even if the AVAQMD successfully passes a new rule allowing for PM10 and PM2.5 offsets from road paving, the ERCs would not be valid until the AVAQMD updates their attainment plan and the State Implementation Plan is revised and approved.

Cultural Resources

Cultural staff viewed the proposed project's impact areas on April 23, 2009 and determined several potentially eligible cultural resources that could be subject to impacts from the project were not recorded. As a result, on April 28, 2009, staff requested additional information from the applicant. Staff is still working with the applicant to obtain additional clarification of the applicant's responses.

Transmission System Engineering

Data Responses 144, 145 and 146 are incomplete. Staff has been unable to determine whether the proposed interconnection to Southern California Edison's (SCE) Vincent Substation is acceptable to transmission owners (in this case SCE, the California Department of Water Resources which operates the Pearblossom Pumping Plant, and the Los Angeles Department of Water and Power). The proposed interconnection includes a transmission line segment requiring replacement of the single circuit 230 kV line between the Vincent Substation and the Pearblossom Pumping Plant with a double circuit 230 kV line. The proposed line would cross beneath five 500 kV transmission lines; two owned by SCE and three owned by the Los Angeles Department of Water and Power.

Energy Commission staff has had several conversations with SCE and there are ongoing discussions between Inland Energy and SCE regarding the proposed interconnection between the project and the Vincent substation. The Energy Commission has requested that the applicant provide information to document SCE's approval of proposed changes to the transmission facilities, but to date information submitted lacks the specificity needed to allow our staff to fully analyze the proposed transmission line route and the proposed

interconnection plan. Staff has sent a June 10, 2009 letter to SCE requesting information related to the negotiations for the transmission interconnection.

The applicant's proposed transmission line, upgrades to the affected substations and the existing transmission system are to be constructed and owned by SCE. Without corroboration of the applicant's information from SCE, staff is unable to complete its technical assessments in the areas of transmission system engineering, biological resources, cultural resources, land use, visual, and waste.

On June 1, 2009, staff received comments and a request for information from the CA Department of Water Resources (DWR). DWR stated their concerns regarding potential disruption to water deliveries resulting from the proposed transmission-related construction impacts to the Pearblossom Pumping Plant. DWR intends to conduct its own study of impacts. Staff needs to review all of the studies in conjunction with the information provided by the applicant, in order to complete the assessment of the potential for impacts, and, whether identified impacts will require mitigation.

In addition, DWR is requesting information from the applicant regarding the following:

- shutdown-related information at Pearblossom Pumping Plant due to the PHPP project transmission line construction;,
- details on circuit breaker data at the Vincent Substation that feeds power to the Pearblossom Pumping Plant,
 - short circuit ratings
 - conductor size and length of the transmission line between Vincent and Pearblossom Pumping Plant
 - short circuit MVA rating and X/R ratio of 230 KV Pearblossom Pumping Plant line feeder at Vincent Substation, information should include the existing configuration and the new configuration resulting from the addition of the PHPP
- System Impact Study analysis of the proposed PHPP interconnection to the existing grid at the Vincent substation which includes the three and single phase ground fault conditions, and design and technical information for the proposed 230 KV dual circuit transmission line between the Pearblossom Pumping Plant and the Vincent substations.

Biological Resources

Data Responses 3, 4, 5, 6, 7, 130, 131, 132, 133 are incomplete or contain items and issues that are unresolved. CA Department of Fish and Game (CDFG) has asked questions relating to most of these items, including the proposed location of transmission towers and the transmission line route. An alteration of the transmission line route currently presented in the AFC would require new spring surveys for rare plant and animal species.

Soil and Water

The applicant is proposing the use of recycled water for the project. However, the actual agreements that will be required for the applicant to obtain the water have not yet been provided. In addition, staff's understanding is that the water is not tertiary treated, which means an upgrade will be required in order for the project to be able to use the water. The

applicant has provided no information to staff on the schedule for this activity. In sum, the applicant will need to reach an agreement with the County of Los Angeles for the purchase of the water, identify the process for completing the needed upgrade, and consult with the Regional Water Quality Control Board and the Department of Health Services for the use of recycled water. Staff will incorporate the information it has in the PSA, but will need considerable additional detail and assurances regarding the availability of this supply for preparation of the FSA.

Visual Resources

Initial review and analysis of existing view (AFC Figure 5-15-4a) and the provided simulation (AFC Figure 5-15-4b) after construction indicates that a potentially significant adverse impact to visual resources could occur to the area along the north side of east M street. The applicant has suggested screening through transplanting of Joshua trees from the site to this area. However, staff has no basis for reviewing the level of screening that would occur based on this transplanting. Staff would need a simulation of both a 5-year and a full-growth view of the Joshua tree screening plan that includes cacti and other local vegetation native to the project site. This would allow staff to fully analyze the value of landscaping mitigation available from KOP-1. Staff will contact the applicant to discuss when this information can be provided.

Schedule and Staff Request for a Scheduling Conference

Staff proposes to hold a data response workshop in July to address the concerns identified in this status report. Subsequent to that workshop, staff anticipates providing a follow-up status report identifying whether there is agreement on the project schedule or whether a scheduling conference should be held.



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**APPLICATION FOR CERTIFICATION
For the *PALMDALE HYBRID
POWER PROJECT***

**Docket No. 08-AFC-9

PROOF OF SERVICE
(Revised 4/30/2009)**

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DECLARATION OF SERVICE

I, Hilarie Anderson, declare that on June 10, 2009, I served and filed copies of the attached Status Report 4. The original document, filed with the Docket Unit, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at:

[<http://www.energy.ca.gov/sitingcases/palmdale/index.html>]. The document has been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:

(Check all that Apply)

For service to all other parties:

sent electronically to all email addresses on the Proof of Service list;

by personal delivery or by depositing in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

AND

For filing with the Energy Commission:

sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (preferred method);

OR

depositing in the mail an original and 12 paper copies, as follows:

CALIFORNIA ENERGY COMMISSION

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

Original Signature in Dockets
Hilarie Anderson