

Memorandum

To: Commissioner Jeffrey Byron, Presiding Member
Commissioner Anthony Eggert, Associate Member

Date: August 26, 2010
Telephone: (916) 654-4640

From: **California Energy Commission – Felicia Miller**
1516 Ninth Street
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Project Manager

DOCKET
08-AFC-9

Subject: **Palmdale Hybrid Power Project (08-AFC-9) Status Report 8**

DATE	<u>AUG 26 2010</u>
RECD	<u>AUG 26 2010</u>

Pursuant to the Committee Scheduling Order dated July 23, 2009, the following is staff's Status Report 8 for the proposed Palmdale Hybrid Power Project (PHPP).

Preliminary Staff Assessment

Staff published the Preliminary Staff Assessment (PSA) in two parts: part one was published on December 23, 2009, and part two was published on February 8, 2010. Staff conducted two PSA workshops; the first workshop on February 12, 2010 at the Energy Commission and a second workshop held in Palmdale on March 16, 2010.

Staff and the applicant made encouraging progress at both workshops and resolved issues in many of the technical areas. The applicant responded to these workshops by filing supplemental documents on February 8, March 9, March 20, and on May 13, 2010. Staff reviewed the applicant's filings and believes there are several critical issues which remain unresolved, as discussed below.

Current Issues

Air Quality

The applicant filed an Application for Confidentiality, Emission Reduction Credits (ERCs) with the Commission on April 19, 2010. The Energy Commission responded to the applicant's application on May 20, 2010 granting confidentiality status with the contingency that the applicant's ERCs remain confidential only until the air district issues the Final Determination of Compliance (FDOC) and stated, "Public Resources Code § 25523, subdivision (d)(2), requires that complete emissions offsets for a proposed facility be identified before the Energy Commission licenses that facility."

On May 13, 2010, the Antelope Valley Air Quality Management District (AVAQMD) filed the draft FDOC. Staff reviewed the draft FDOC and filed their comment letter with AVAQMD on June 16, 2010. In their comment letter, staff outlined issues related to the ERCs. Specifically, the applicant proposes to obtain ERCs from a variety of sources outside the AVAQMD, as sufficient ERCs to

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mitigate the PHPP are currently not available within the Mojave Desert Air Basin. Staff commented that the district failed to identify the ERCs and their specific locations. As the Mojave Desert Air Basin in the area of the project site is classified as nonattainment for the state ozone and particulate matter and federal ozone levels, identification of ERCs are critical to fully evaluate the validity and effectiveness of ERC mitigation.

In addition, staff pointed out that each air district's board must approve interdistrict transfer of ERCs, and transfers from the San Joaquin Valley Air Pollution Control District (SJVAPCD) to the AVAQMD are less than certain, and that there should be some indication from each District that they would be amenable to approving the interdistrict/interbasin transfer. In addition, staff noted that the United States Environmental Protection Agency (EPA) and California Air Resources Board (ARB) need to be consulted regarding the interdistrict ERC transfers, and that the FDOC provides no information that such consultations have taken place. Therefore, it is not clear whether or not ERCs from the SJVAPCD or Mojave Desert Air Quality Management district can be used to offset PHPP emissions in the AVAQMD's portion of the Mojave Desert Air Basin.

On July 23, 2010, the applicant filed with the Energy Commission a tentative agreement between the City of Palmdale and Calpine Energy Services, LP to purchase nitrogen oxides and volatile organic compounds ERCs. The document outlines a contingent agreement and provides a summary of the ERCs. Staff is reviewing the document to determine if the ERCs identified by the applicant use acceptable distance ratios to mitigate project air quality impacts.

Pursuant to AVAQMD Rule 1305(B)(5)(a)(i), the AVAQMD must consult with ARB and EPA staff in approving any inter-district/inter-basin offsets. To date, no consultation has taken place between ARB or EPA and air district staff. In addition, staff has contacted the SJVAPCD to determine whether the air district will permit the transfer of ERCs from their district to a neighboring air district.

Staff has contacted ARB and EPA for comments on the FDOC. ARB and EPA are finalizing comment letters on the FDOC which they will file with the Energy Commission when completed. Staff will review and consider these comment letters in their air quality analysis, however agencies have been unable to commit to a reply date

On July 22, 2010, the Center for Biological Diversity (CBD) filed a comment letter on the draft FDOC. They cited a recent Court of Appeals decision that requires the Mojave Desert Air Quality Management District to "conduct environmental review on any scheme to offset particulate matter emissions via road paving before they issue any ERCs", and nullified the district's Rule 1406 addressing ERCs from road paving. Staff reviewed the CBD comment letter and AVAQMD regulations and has determined the AVAQMD currently does not have rulemaking in place for these non-traditional sources of ERCs. Staff also believes that the AVAQMD cannot issue PM10 ERCs from paving absent a new rule, and

has also received concurrence from ARB and EPA that a new rule would be required to generate “non-traditional” ERCs from road paving.

Alternatives Analysis

On March 8, 2010, staff received a comment letter from Los Angeles County Department of Regional Planning which provided substantive comments regarding a shorter alternative transmission line route and encouraged staff to take a closer look at alternative routes proposed by the applicant.

The Garamendi Principles, which addresses the role of future transmission development, encourages staff to consider the use of existing rights-of-way by upgrading existing transmission facilities where technically and economically feasible.

As a result, staff is expanding our analysis of the project’s alternative routes for transmission. The alternative routes being considered by staff are substantially shorter and some are within existing utility right-of-ways. These alternative routes have obvious benefits including reduced visual impacts, reduced impacts on desert vegetation and wildlife, and could also reduce the potential for impacts to cultural or archaeological resources. In addition, the alternative routes avoid potential impacts with transmission upgrades between the Pearblossom and Vincent substations and avoid the need for acquisition of a right-of-way corridor through the Angeles National Forest.

Traffic and Transportation

In response to a comment letter from the City of Lancaster dated January 14, 2010, staff sought an independent third party to prepare traffic impact study to address Lancaster’s concerns regarding traffic impacts and staff’s concern that the applicant did not fully address traffic impacts in the City of Lancaster and in the City of Palmdale. Although staff has received the results from the study, staff has determined that the study requires additional effort from the contractor as vital information was overlooked in the area of roadway intersection assessment.

In a June 9, 2010 email from Lt. Col. Ronald Cleaves, Commander of Air Force Plant 42, to Jim Ledford, Mayor of the City of Palmdale, the Air Force outlines their concerns regarding potential safety of flight risks that glare and reflections from the solar arrays may pose to pilots flying in the area of Plant 42. The Air Force proposed to conduct a flight study in order to determine any potential safety flight risks from the solar arrays and requested the City of Palmdale fund the flight study. A subsequent letter from Lt. Col. Ronald Cleaves to Mayor Ledford, dated July 16, 2010 states that reflections are not widespread and present in only some circumstances. The letter also suggested that the Aeronautical Systems Center further investigate specific conditions through a modeling/simulation and develop operating procedures to mitigate any hazards. The Air Force also noted in their letter they received information from Inland Energy Inc. to further assist the Air Force and stated that the Air Force was

withdrawing their request for flight testing. Staff notes that this information from Inland Energy was not forwarded to the Energy Commission for analysis and consideration.

The Los Angeles County Airport Land Use Commission Review Procedures states that actions affecting land uses within the influence area of an airport require review, including projects having the potential to create visual hazards to aircraft in flight, including glare which may impair pilots flying aircraft into or out of Plant 42. Staff has determined the issue of glare from the project's proposed solar arrays could have significant impacts and has a consultant who will analyze the potential effects on Plant 42 operations. Results from this study could take approximately 45 days and will be included in staff's final assessment.

Energy Commission staff is interested in the project's heat plume thermal signature, air clarity (visibility) and possible need for radio frequency encroachment permits. Air Force Plant 42 sensing devices, tracking systems and instrumentation may be affected by the thermal signature generated by the heat recovery steam generator stacks or the cooling tower, which may create refractive effects. Staff is conducting an analysis in order to evaluate the potential impacts of these issues.

Schedule

The unusually heavy workload in the Siting, Transmission and Environmental Protection Division have delayed progress on this project. Taking our current workload into account and the expected workload in the Fall, staff believes we can publish a complete Final Staff Assessment (FSA) by late November. Alternatively, staff could bifurcate the FSA and publish most of the technical sections in part 1 late October.



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APPLICATION FOR CERTIFICATION
For the *PALMDALE HYBRID*
POWER PROJECT

Docket No. 08-AFC-9

PROOF OF SERVICE

(Revised 7/1/2010)

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DECLARATION OF SERVICE

I, Hilarie Anderson, declare that on, August 26, 2010, I served and filed copies of the attached Status Report # 8. 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;
- by delivering on this date, for mailing with the United States Postal Service with first-class postage thereon fully prepaid, to the name and address of the person served, for mailing that same day in the ordinary course of business; that the envelope was sealed and placed for collection and mailing on that date 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

Attn: Docket No. 08-AFC-9
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I declare under penalty of perjury that the foregoing is true and correct, that I am employed in the county where this mailing occurred, and that I am over the age of 18 years and not a party to the proceeding.

Original Signature in Dockets
Hilarie Anderson