

Memorandum

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

Date: October 15, 2010
Telephone: (916) 654-4640

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

DOCKET	
08-AFC-9	
DATE	<u>OCT 15 2010</u>
RECD.	<u>OCT 15 2010</u>

Subject: **Palmdale Hybrid Power Project (08-AFC-9) Committee Conference Response**

Pursuant to the Notice of Committee Conference dated October 7, 2010, staff files the following comments on the issues that remain outstanding and a proposed schedule for the Palmdale Hybrid Power Project (PHPP).

Outstanding Issues

In the August 26, 2010 status report, staff noted that several critical issues remain unresolved. On September 22, 2010 the applicant filed a response to staff's status report which characterized the issues as an "ongoing disagreement between Staff and the Applicant". Staff maintains its position that the applicant has not met all regulatory requirements nor provided staff with all the information noted in staff's Preliminary Staff Assessment (PSA) needed for completion of the Final Staff Assessment (FSA). Nevertheless, staff is prepared to publish a FSA in accordance with the schedule proposed below and provides the discussion of outstanding issues solely for the purpose of updating the Committee.

Air Quality

The PHPP does not currently fulfill the requirements of Public Resources Code § 25523, subdivision (d)(2), which requires the complete emissions offsets for a proposed facility be identified before the Energy Commission licenses that facility. Although the applicant has provided staff with a tentative agreement which identified Emission Reduction Credits (ERCs) for the project, the PSA stated that in order to demonstrate the mitigation is effective and results in a net air quality benefit, ERCs should be located in the southern San Joaquin Valley with an offset ratio of 1.5:1 (per San Joaquin Valley Air Quality Management District Rule 2201). The applicant has proposed some ERCs outside the 50-mile radius of the project, and at a 1:1 ratio. In addition, staff has concerns about enforceability, since the Applicant identifies a third party as purchaser of the ERCs.

Antelope Valley Air Quality District Management District's (AVAQMD) Rule 1305 (B)(5)(a)(i), requires the AVAQMD to consult with The US Environmental Protection Agency (EPA) and California Resources Board (ARB) in order to approve any inter-district basin offsets. As of this Committee Conference

Response, consultation between AVAQMD and EPA and ARB regarding rulemaking for non-traditional sources ERCs has not taken in place.

Transmission System Engineering

Staff is seeking additional information from the Department of Water Resources (DWR) concerning potential impacts related to reconductoring the existing 230 kV transmission line between Pearblossom Pumping Station and the SCE Vincent substation. The Vincent-Pearblossom 230 kV line is the only source of power for the DWR Pumping Station and the proposed interconnection would take this line out of service for an unspecified amount of time.

Soil and Water Resources

Staff recently discovered that the estimate provided by the applicant for the source of the project's tertiary-treated water is incorrect, raising concerns about the availability of this water for the project's use. Staff is working with Los Angeles County Waterworks to verify supply and demand volumes available to the PHPP.

Alternatives Analysis – Transmission System Engineering

As discussed in staff's status report, staff is investigating the viability of one or more alternative transmission line routes. The County of Los Angeles has filed comments supporting a shorter alternative route in order to reduce impacts and staff believes the Garamendi Principles justifies a thorough review of available alternative routes. Staff is carefully considering several options for an alternative transmission route including both an underground route as well as an overhead route. These alternative routes being considered by staff are substantially shorter than the route proposed (approximately 12 miles versus 36 miles) and some are within existing utility right-of-ways. Staff has preliminarily determined that these alternative routes are feasible. 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. Therefore, staff believes a schedule that will allow for publication of an FSA in November with a detailed analysis of alternative transmission line routes published in December would be appropriate.

Staff's Proposed Schedule

Ongoing ARRA projects have resulted in delays with the publication of staff's FSA, however, staff believes it can publish a FSA by November 20, 2010. Staff also proposes that a complete transmission line alternatives analysis can be filed

as a supplement to the FSA on December 20, 2010. We understand the Applicant's scheduling concerns and are committed to completing our review and filing the FSA as expeditiously as feasible and will do what we can to shorten the review process.

Final Staff Assessment filed	11/20/2010
Final Staff Assessment Workshop	12/3/2010
Supplemental Staff Assessment w/Alternative t-line analysis	12/20/2010
Prehearing Conference*	TBD
Evidentiary hearings*	TBD
Member's Proposed Decision (PMPD)*	TBD
Committee Hearing on PMPD*	TBD
Commission Decision*	TBD

* The assigned Committee will determine this part of the schedule.



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV

APPLICATION FOR CERTIFICATION
For the *PALMDALE HYBRID*
POWER PROJECT

Docket No. 08-AFC-9

PROOF OF SERVICE

(Revised 10/6/2010)

APPLICANT

Thomas M. Barnett
Executive Vice President
Inland Energy, Inc.
3501 Jamboree Road
South Tower, Suite 606
Newport Beach, CA 92660
tbarnett@inlandenergy.com

Antonio D. Penna Jr.
Vice President
Inland Energy
18570 Kamana Road
Apple Valley, CA 92307
tonypenna@inlandenergy.com

Laurie Lile
Assistant City Manager
City of Palmdale
38300 North Sierra Highway, Suite A
Palmdale, CA 93550
llile@cityofpalmdale.org

APPLICANT'S CONSULTANTS

Sara J. Head, QEP
Vice President
AECOM Environment
1220 Avenida Acaso
Camarillo, CA 93012
sara.head@aecom.com

COUNSEL FOR APPLICANT

Michael J. Carroll
Marc Campopiano
Latham & Watkins, LLP
650 Town Center Drive, Ste. 2000
Costa Mesa, CA 92626
michael.carroll@lw.com
marc.campopiano@lw.com

INTERESTED AGENCIES

Ronald E. Cleaves, Lt. Col, USAF
Commander ASC Det 1 Air Force
Plant 42
2503 East Avenue P
Palmdale, CA 93550
Ronald.Cleaves@edwards.af.mil

Erinn Wilson
Staff Environmental Scientist
Department of Fish & Game
18627 Brookhurst Street, #559
Fountain Valley, CA 92708
E-mail preferred
ewilson@dfg.ca.gov

Richard W. Booth, Sr. Geologist
Lahontan Regional
Water Quality Control Board
2501 Lake Tahoe Blvd.
South Lake Tahoe, CA 96150-2306
rbooth@waterboards.ca.gov

Rick Buckingham
3310 El Camino Avenue, LL-90
State Water Project
Power & Risk Office
Sacramento, CA 95821
E-mail preferred
rbucking@water.ca.gov

Manuel Alvarez
Southern California Edison
1201 K Street
Sacramento, CA 95814
Manuel.Alvarez@sce.com

Robert C. Neal, P.E.
Public Works Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534-2461
rneal@cityoflanasterca.org

California ISO
E-mail Preferred
e-recipient@caiso.com

Robert J. Tucker
Southern California Edison
1 Innovation Drive
Pomona, CA 91768
Robert.Tucker@sce.com

Christian Anderson
Air Quality Engineer
Antelope Valley AQMD
43301 Division St, Suite 206
Lancaster, CA 93535
E-mail preferred
canderson@avaqmd.ca.gov

Keith Roderick
Air Resources Engineer
Energy Section/Stationary Sources
California Air Resources Board
P.O. Box 2815
Sacramento, California 95812
E-mail preferred
kroderic@arb.ca.gov

ENERGY COMMISSION

JEFFREY D. BYRON
Commissioner and Presiding Member
jbyron@energy.state.ca.us

ANTHONY EGGERT
Commissioner and Associate Member
aeggert@energy.state.ca.us

*Ken Celli
Hearing Officer
kcelli@energy.state.ca.us

Kristy Chew
Advisor to Commissioner Byron
E-mail preferred
kchew@energy.state.ca.us

Lorraine White
Advisor to Commissioner Eggert
E-mail preferred
lwhite@energy.state.ca.us

Felicia Miller
Project Manager
fmiller@energy.state.ca.us

Lisa DeCarlo
Staff Counsel
ldecarlo@energy.state.ca.us

Jennifer Jennings
Public Adviser
E-mail Preferred
publicadviser@energy.state.ca.us

DECLARATION OF SERVICE

I, Maria Santourdjian, declare that on, October 15, 2010, I served and filed copies of the attached Response to Committee Order Scheduling Conference. 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

1516 Ninth Street, MS-4

Sacramento, CA 95814-5512

docket@energy.state.ca.us

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.

Originally Signed by _____

Maria Santourdjian