

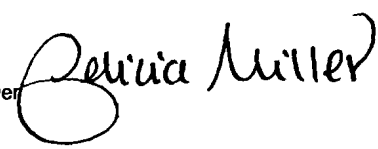
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| DOCKET | |
| 08-SPPE-1 | |
| DATE | MAY 0 8 2008 |
| RECD. | MAY 0 8 2008 |

To: Commissioner Karen Douglas, Presiding Member
Commissioner James D. Boyd, Associate Member

Date : May 8, 2008
Telephone: (916) 654-4640
File: 08-SPPE-1

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



Subject: **ISSUES IDENTIFICATION REPORT FOR THE RIVERSIDE ENERGY RESOURCE CENTER UNITS 3 & 4 PROJECT – SMALL POWER PLANT EXEMPTION (08-SPPE-1)**

Attached is staff's Issues Identification Report for the Riverside Energy Resource Center Units 3 & 4 Project (RERC 3 & 4) Application for a Small Power Plant Exemption (08-SPPE-1). This report serves as a preliminary scoping document identifying a potential issue 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 12, 2008.

Attachment

cc: Docket (08-SPPE-1)
Proof of Service List

PROOF OF SERVICE
ORIGINAL MAILED FROM SACRAMENTO ON 5/8/08
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**RIVERSIDE ENERGY RESOURCE
CENTER UNITS 3 & 4
SMALL POWER PLANT EXEMPTION
(08-SPPE-1)**

ISSUES IDENTIFICATION REPORT

May 8, 2008

CALIFORNIA ENERGY COMMISSION

Energy Facilities Siting Division

**ISSUES IDENTIFICATION REPORT
RIVERSIDE ENERGY RESOURCE CENTER UNITS 3 & 4
APPLICATION FOR SMALL POWER PLANT EXEMPTION
(08-SPPE-1)**

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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 case thus far. This Issues Identification Report contains a project description, summary of potential issues, and a discussion of the proposed project schedule. The staff will address the issues and progress towards resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On March 19, 2008, the City of Riverside filed an application for a Small Power Plant Exemption (SPPE). The City of Riverside is seeking an exemption from the California Energy Commission's licensing requirements. If an exemption is granted, the applicant would need to secure the appropriate licenses and permits for the project from various local, state and federal agencies.

The City of Riverside, Riverside Public Utilities (RPU) proposes to build, own, and operate two simple cycle units at its Riverside Energy Resource Center (RERC) within the City of Riverside, California. The proposed gas-fired peaking project has a nominal generation capacity of approximately 95 MW. The proposed project is an expansion of an existing 96 MW peaking facility (RERC 1 & 2) exempted by the Commission in 2004, which began operation in June 2006. The two new units, RERC 3 & 4, will be located adjacent to the first two units. RERC 3 & 4 will supply internal peaking needs of the City of Riverside primarily during summer peak electrical demands.

The proposed project site is owned by the City of Riverside and is located adjacent to and on the east side of the Riverside Regional Water Quality Control Plant (RRWQCP) in a light industrial/manufacturing area. RERC 3 & 4 would be located immediately north of RERC 1 & 2 and would occupy approximately 2.2 acres of the 16-acre RERC site. The remaining rough graded, undeveloped portion of the RERC site would be used for construction laydown (approximately 5 disturbed acres in total).

RERC 3 & 4 would consist of two LM6000 PC SPRINT NxGen combustion turbine generators with Emission Control Modules (ECMs), the addition of two more bays to the existing RERC switchyard, the addition of two demineralized water storage tanks to the existing make-up water system, a new Dispatch and Scheduling Building for RPU, and a water quality testing monitoring laboratory. Fin-fan coolers would be used for lube oil cooling instead of relying on the cooling tower.

Natural gas fuel would be supplied to RERC 3 & 4 through the existing Southern California Gas metering station on the site property.

The primary source of raw water for the RERC 3 & 4 would be reclaimed water supplied by the City's RRWQCP. Potable water is not used for plant process water needs during normal plant operations. RERC 3 & 4 would have the capability to use potable water as a backup for process needs in an emergency situation. In addition, the plant would recycle all process wastewater. The storm water management system for RERC 3 & 4

would be integrated with the existing RERC storm water management system which collects and routes storm water to an on-site detention basin using a peripheral channel.

The proposed project would interconnect to the City of Riverside's 69kV sub-transmission system at the existing RERC Switchyard. The switchyard would be expanded to add two more bays for connection of the two new generators. No new transmission facilities would be needed as part of the project.

Project construction would require a peak of about 100 workers, with commencement anticipated in the fourth quarter of 2008, with commercial operation of the first of the two new units anticipated in the summer of 2009. Completion of the second unit would follow as soon as possible after the first unit is available for dispatch. The total project costs are estimated at \$110 million.

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 RERC 3 & 4 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, identifies mitigation measures that will reduce any identified impacts to less than significant levels, and establishes proposed conditions of exemption. Staff will use the Environmental Checklist Form contained in CEQA Guidelines Appendix G (California Code of Regulations, Title 14, section 15063 (f)) as a guideline for the issues that will be examined in the Initial Study.

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 case, 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 a potentially significant issue the RERC 3 & 4 project proposal may pose. The following discussion summarizes the potential issue, identifies the parties needed to resolve the issue and, where applicable, suggests a process for achieving resolution. However, staff does not see this potential issue as insolvable.

The following section contains staff’s preliminary findings. The table shows the subject areas and identifies a major issue. The Initial Study will provide additional analysis supporting staff’s conclusions, descriptions of the recommended mitigation measures and conditions of exemption.

| Major Issue | Data Request | Subject Area |
|--------------------|---------------------|--------------------------------------|
| Yes | Yes | Air Quality |
| No | Yes | Biological Resources |
| No | No | Cultural Resources |
| No | No | Energy Resources |
| No | Yes | Geology / Paleontology Resources |
| No | Yes | Hazardous Materials Management |
| No | Yes | Land Use, Recreation and Agriculture |
| No | No | Noise and Vibration |
| No | No | Project Description |
| No | No | Public Health |
| No | No | Reliability / Efficiency |
| No | Yes | Socioeconomics |
| No | Yes | Soil & Water Resources |
| No | No | Traffic & Transportation |
| No | No | Transmission Line Safety & Nuisance |
| No | Yes | Transmission System Engineering |
| No | Yes | Visual Resources / Plume |
| No | Yes | Waste Management |

AIR QUALITY

Staff reviewed the application for the RERC 3 & 4 SPPE and found a potential issue that could delay the Energy Commission review process. The City of Riverside, Riverside Public Utilities (RPU) faces significant challenges in securing adequate criteria air pollutant mitigation for the proposed RERC 3 & 4 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. RPU is proposing to rely on SCAQMD rule 1309.1 to secure the PM10 ERC balance of the mitigation required. RPU is also proposing to purchase RTCs necessary to offset and mitigate the projects NOx emission impacts. Staff presents a summary of the most significant issues below and will be issuing data requests addressing these and other matters.

SCAQMD Rule 1309.1 (Priority Reserve)

Under the current requirements for Rule 1309.1, RPU might not be eligible to access the SCAQMD Priority Reserve. Rule 1309.1 contains a significant list of limitations, restrictions, and performance requirements as a prerequisite for an Electric Generating Facility (EGF) to access the Priority Reserve. The project may be impacted by Priority Reserve rule limitations, may not be able to demonstrate compliance with the EGF rule restrictions and performance requirements, or current legal challenges to this rule may alter EGF eligibility, and thus RPU may not be permitted access to Priority Reserve PM10 ERCs.

Nitrogen Oxides (NOx) Mitigation & the SCAQMD RECLAIM Program

The RERC 3 & 4 project is required to participate in the SCAQMD RECLAIM program for NOx (Regulation XX). RPU will need to provide proof to SCAQMD that they have obtained sufficient NOx RECLAIM trading credits (RTCs), a dwindling resource, for the first year of operation prior to the start of operation through either option contracts or outright ownership. RPU has not yet obtained sufficient NOx RTCs either through option contracts or outright ownership for the project.

RPU has suggested the addition of SCAQMD permit conditions to limit the total site operation in the case of an emission reduction credit mitigation shortfall for RERC 3 & 4; however, it is uncertain at this time whether SCAQMD would agree to such permit conditions.

SCHEDULING

Although staff has experienced some delays in scheduling the site visit and informational hearing, the proposed schedule very closely reflects accomplishing processing the RERC 3 & 4 project according to the Commission SPPE schedule. The delays experienced to date and foreseeable beyond are attributable to limitations in the availability of staff and its consultants for evaluating an SPPE in light of the very high current and expected workload of siting cases before the Energy Commission. The schedule has already been affected due to additional time needed by staff to prepare date requests in coordination with other siting case load.

**ENERGY COMMISSION STAFF'S
PROPOSED SCHEDULE
Riverside Energy Resource Center Units 3&4 Project
(08-SPPE-1)**

| | |
|--|------------------|
| Information Hearing and Site Visit | 5/12/08 |
| Applicant Provides Data Responses | 6/6/08 |
| Data Response and Issue Resolution Workshop | 6/26/08 |
| Draft Initial Study filed | 7/11/08 |
| Draft Initial Study workshop | 7/23/08 |
| Agency, applicant, public comments on the Application and Initial Study | 7/25/08 |
| Prehearing conference | 8/6/08 |
| Final Initial Study filed | 8/11/08 * |
| Evidentiary hearings | 8/22/08 * |
| Committee files Proposed Decision/Negative Declaration | 9/11/08 * |
| Comments on the Initial Study and Proposed Decision | 9/23/08 * |
| Commission Decision | 9/30/08 * |

Note: All dates are approximate and will be determined by staff and committee.
Actual dates will be announced by staff notices or Committee order.

* Actual date to be determined by the Committee.

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

RIVERSIDE ENERGY
RESOURCE CENTER PROJECT
SMALL POWER PLANT EXEMPTION

Docket No. 08-SPPE-01

PROOF OF SERVICE

INSTRUCTIONS: All parties shall either (1) send an original signed document plus 12 copies or (2) mail one original signed copy AND e-mail the document to the address for the Docket as shown below, AND (3) all parties shall also send a printed or electronic copy of the document, which includes a proof of service declaration to each of the individuals on the proof of service list shown below:

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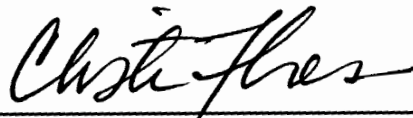
DECLARATION OF SERVICE

I, Christina Flores, declare that on May 8, 2008, I deposited copies of the attached Issues Identification Report in the United States mail at Sacramento, CA with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

OR

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

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

A handwritten signature in black ink that reads "Christina Flores". The signature is written in a cursive style with a horizontal line underneath it.

Christina Flores