

Memorandum

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To: Karen Douglas, Presiding Member
Julia Levin, Associate Member

From: California Energy Commission - Alan Solomon
1516 Ninth Street Siting Project Manager
Sacramento, CA 95814-5512

Subject: **WATSON COGENERATION STEAM AND ELECTRIC RELIABILITY PROJECT (09-AFC-1) ISSUES IDENTIFICATION REPORT**

Attached is staff's Issues Identification Report for the Watson Cogeneration Steam and Electric Reliability Project (09-AFC-1). This report serves as a preliminary scoping document that identifies any potential issues that Energy Commission staff believes will require careful attention and consideration. Energy Commission staff will present the issues report at the Informational Hearing and Site Visit to be held on September 3, 2009.

cc: Docket (09-AFC-1)
Proof of Service List

Attachment

**WATSON COGENERATION STEAM AND ELECTRIC
RELIABILITY PROJECT
(09-AFC-1)**

August 20, 2009

ISSUES IDENTIFICATION REPORT

CALIFORNIA ENERGY COMMISSION

Siting, Transmission and Environmental Protection Division

ISSUES IDENTIFICATION REPORT WATSON COGENERATION STEAM AND ELECTRIC RELIABILITY PROJECT

(09-AFC-1)

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ISSUES IDENTIFICATION REPORT

California Energy Commission Staff

The purpose of this California Energy Commission staff report is to inform the Committee and all interested parties of the potential issue that has been identified in the case thus far. Issues are identified as a result of our discussions with federal, state, and local agencies, and our review of the Watson Cogeneration Steam and Electric Reliability Project Application for Certification (AFC), Docket Number 09-AFC-1. The Issues Identification Report contains a project description, summary of any potentially significant environmental and engineering issues, and a discussion of the proposed project schedule. The staff will address the identification of any issues and progress towards their resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

The Watson Cogeneration Steam and Electric Reliability (BP Watson) project complements the existing cogeneration facility located within the confines of the BP Carson Refinery in the southwestern Los Angeles County region. The existing facility, which was permitted by the Commission in 1986, has four General Electric (GE) 7EA combustion turbine generators (CTG), four heat recovery steam generators (HRSG) and two steam turbine generators (STG). In operation since 1988, the existing cogeneration facility is owned by Watson Cogeneration Company (Watson) and operated by BP West Coast Products, LLC – BP Carson Refinery. Watson is a joint partnership between subsidiaries of BP America and Edison Mission Energy. Since the project consists of adding a fifth CTG/HRSG to the existing configuration, it is also referred to as the “fifth train.” This fifth train would increase the existing capacity of the 385-megawatt (MW) Watson Cogeneration Facility by approximately 85 MW to a total output of 470 MW.

The project site is located within the boundary of the existing Watson Cogeneration Facility, which is a 21.7-acre area and is part of a larger parcel containing the BP Carson Refinery. The project site is 22850 South Wilmington Avenue, located in the city of Carson, approximately 0.7 mile south of the 405 Freeway, roughly bounded by East 223rd Street to the north, Wilmington Avenue to the west, East Sepulveda Boulevard to the south, and South Alameda Street to the east. The proposed construction laydown and parking area is a paved 25-acre parcel located approximately 1 mile southeast of the project site, and is located at 2149 East Sepulveda Boulevard.

The project’s primary objective is to provide additional process steam in response to the refinery’s process steam demand. Staff’s preliminary evaluation is that the proposed addition to Watson’s cogeneration facility may be considered a distributed energy resource which reduces BP’s overall need for electricity from the interconnected grid in southern California.

No off-site changes or additions such as water supply, natural gas or wastewater pipelines are proposed. Instead, the project would connect to the existing supply pipelines currently used by the Watson Cogeneration Facility. Similarly, the project would obtain its other utility needs and services (compressed air and anhydrous ammonia) from the existing

systems. The project will be using reclaimed water from West Basin Water Treatment Plant, formally known as the Dominguez Water Treatment Plant. Upgrades to existing Southern California Edison transmission lines to accommodate the project's additional generating capacity would not be required.

The Watson Cogeneration Project is located within the South Coast Air Quality Management District (SCAQMD). The applicant has not applied for any emission reduction credits (ERCs) from the District's Priority Reserve account.

The proposed air pollutant mitigation strategy is the following:

- Nitrogen Oxide (NO_x) and Sulfur Oxide (SO_x) mitigation, in the form of Regional Clean Air Initiatives Market (RECLAIM Trading Credits [RTCs]) will be achieved via the SCAQMD RECLAIM program.
- Volatile Organic Compound (VOC) mitigation will be achieved by obtaining sufficient purchased ERCs to fully satisfy the SCAQMD Regulation XIII offset requirements.
- Sub-10 Micron Particulate Matter (PM₁₀) and Sub-2.5 Micron Particulate Matter (PM_{2.5}) mitigation will be achieved by accepting a cap on PM₁₀/PM_{2.5} emissions for all five cogeneration facility units equivalent to the present daily PM₁₀/PM_{2.5} limits on the existing four units. The existing PM emissions limit is 1,244 lbs/day. Therefore, the daily limit for the five turbines/HRSGs combined will not exceed 1,244 lb/day.
- Carbon Monoxide (CO) offsets are not required since the air basin is in attainment.

POTENTIAL MAJOR ISSUE

This portion of the report contains a discussion of the potential major issue the Energy Commission staff has identified to date. The Committee should be aware that this report might not include all of the significant issues that may arise during the case. Discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The identification of the potential issues contained in this report is based on comments of other public agencies, and on staff's judgment of whether any of the following circumstances will occur:

1. Potential significant impacts which may be difficult to mitigate;
2. Potential areas of noncompliance with applicable laws, ordinances, regulations or standards (LORS);
3. Areas of conflict between the parties; or
4. Areas where resolution may be difficult or may affect the schedule.

The following table lists all the subject areas evaluated and notes the area where a potentially significant issue has been identified. Even though an area is identified as

having no potential issues, it does not mean that an issue will not arise related to the subject area.

Disagreements regarding the appropriate conditions of certification may arise between staff and applicant that will require discussion at workshops or even subsequent hearings. However, staff does not currently believe such disagreements will have an impact on the siting schedule, or that resolution will be difficult to achieve.

Major Issue	Subject Area	Major Issue	Subject Area
No	Air Quality	No	Noise and Vibration
No	Biological Resources	No	Paleontological Resources
No	Cultural Resources	No	Public Health
No	Efficiency and Reliability	No	Socioeconomics
No	Electromagnetic Fields & Health Effects	No	Soils & Water Resources
No	Facility Design	No	Traffic and Transportation
No	Geological Resources	No	Transmission Line Safety
No	Hazardous Materials	Yes	Transmission System Design
No	Worker Safety and Fire Protection	No	Visual Resources
No	Land Use	No	Waste Management
No	Project Overview	No	Alternatives

This report does not limit the scope of staff’s analysis throughout this proceeding, but acts to aid in the identification and analysis of potentially significant issues that the proposed Watson Cogeneration Project poses. The following discussion summarizes the issue, identifies the parties needed to resolve the issue, and outlines a process for achieving resolution.

Transmission System Engineering

The California Environmental Quality Act (CEQA) requires the identification and description of the “Direct and indirect significant effects of the project on the environment.” The Application for Certification requires discussion of the “energy resource impacts which may result from the construction or operation of the power plant.” For the identification of impacts on Southern California Edison’s transmission system resources, adjacent systems, and the indirect or downstream transmission impacts on proposed projects connecting to the California Independent System Operator’s controlled grid, staff relies on the Phase 1 and/or Phase 2 Interconnection Studies.

The Phase 1 and Phase 2 interconnection studies analyze the effect of the proposed project on the ability of the transmission network to meet reliability standards. When the studies determine that the project will cause a violation of reliability standards, the potential mitigation or upgrades required to bring the system into compliance are identified. The mitigation measures often include the construction of downstream transmission facilities.

CEQA requires the analysis of any downstream facilities for potential indirect impacts of the proposed project.

The Phase 1 Interconnection Study was docketed on August 19, 2009 and is currently being reviewed by staff. If the Phase 1 Study identifies a significant impact on downstream facilities, the environmental analysis of changes to these facilities could delay the Commission's certification process.

PUBLIC COMMENT TO DATE

This section serves as a summary of any public comments received. To date, the Commission has received no public comments.

SCHEDULING

Although the proposed schedule reflects accomplishing the processing of the BP Watson AFC according to the Commission's normal 12-month AFC schedule, delays are possible due to limitations in the availability of staff and its consultants for evaluating the AFC in light of the very high current and expected workload of siting cases before the Energy Commission.

The following is staff's proposed 12-month schedule for key events of the project. Meeting the proposed schedule will depend on: the applicant's timely response to staff's data requests; the timing of the SCAQMDs filing of the Determination of Compliance; determinations by other local, state and federal agencies; and other factors not yet known. The SCAQMD will be required to provide a Preliminary Determination of Compliance (PDOC) and a Final Determination of Compliance (FDOC). Prior to the publication of the Preliminary Staff Assessment (PSA), staff normally requires a PDOC from the air district, and the FDOC before it publishes the Final Staff Assessment.

**STAFF'S PROPOSED SCHEDULE – WATSON COGENERATION STEAM AND ELECTRIC
RELIABILITY PROJECT (09-AFC-1)**

<u>ACTIVITY</u>	<u>DATE</u>
Applicant files Application for Certification (AFC)	3/19/09
Executive Director's recommendation on data adequacy	7/21/09
Commission's determination on data adequacy	7/29/09
Staff files Issue Identification Report	8/20/09
Staff files data requests	8/27/09
Informational Hearing and Site Visit	9/03/09
Applicant provides data responses	9/28/09
Data response and issue resolution workshop	10/07/09
Staff and applicant each file Status Report 1	10/07/09
Local, state and federal agency draft determinations & SCAQMD PDOC	11/25/09
Staff and applicant each file Status Report 2	12/17/09
Staff files Preliminary Staff Assessment (PSA)	1/07/10
PSA workshop	1/14/10
Local, state and federal agency final determinations & SCAQMD FDOC	1/26/10
Staff files Final Staff Assessment (FSA)	2/18/10
Prehearing Conference*	TBD
Evidentiary hearings*	TBD
Committee files proposed decision*	TBD
Hearing on the proposed decision*	TBD
Committee files revised proposed decision*	TBD
Commission Decision	7/29/10

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