

DOCKETED

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Project Title:	Compliance - Application for Certification for the Gilroy Foods Cogeneration Project
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Document Title:	Gilroy_Cogeneration_Project_Petition_to_Amend_Staff_Analysis
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CALIFORNIA ENERGY COMMISSION

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DATE: November 1, 2018

TO: Interested Parties

FROM: Mary Dyas, Compliance Project Manager

**SUBJECT: Gilroy Cogeneration Project (84-AFC-4C)
Staff Analysis of Amendment Proposal to Remove Integrated
Assessment of Need Condition of Certification 3**

On October 3, 2018, Calpine Gilroy Cogen, L.P. filed a petition with the California Energy Commission requesting to amend the Final Decision for the Gilroy Cogeneration Project (GCP) by removing Integrated Assessment of Need Condition of Certification 3 (**NEED-3**). The proposed amendment would remove the requirement that the facility operate as a gas-fired cogeneration system. The GCP would still be available to meet reliability and system needs without requiring that the facility also provide thermal energy to a steam host. The 115-megawatt project was certified by the Energy Commission in 1985 and began commercial operation in 1988. The facility is located in Gilroy, Santa Clara County.

Energy Commission staff has reviewed the petition pursuant to Title 20, California Code of Regulations, section 1769 (Post Certification Amendments and Changes) and has concluded that removal of Condition of Certification **NEED-3** would not result in a significant impact on the environment, or cause the project to not comply with applicable laws, ordinances, regulations, and standards. Staff intends to recommend approval of the petition at the December 10, 2018 Business Meeting of the Energy Commission.

The Energy Commission's webpage for this facility, http://www.energy.ca.gov/sitingcases/pre1999_page/index.php?xkm=ajdkha2385duhkasd190dsasjd5598fhajkhs, has a link to the petition and the Staff Analysis on the right side of the webpage in the box labeled "Compliance Proceeding." Click on the "Documents for this Proceeding (Docket Log)" option. If approved, the Energy Commission's Order approving this petition will also be available from the same webpage.

This letter has been mailed to the Commission's list of interested parties and property owners adjacent to the facility site. It has also been e-mailed to the Siting listserv. The listserv is an automated Energy Commission e-mail system by which information about this facility is e-mailed to parties who have subscribed. To subscribe, go to the Commission's webpage for this facility, cited above, scroll down the right side of the project's webpage to the box labeled "Subscribe," and provide the requested contact information.

Any person may comment on the Staff Analysis. Those who wish to comment on the analysis are asked to submit their comments by December 3, 2018. To use the Energy Commission's electronic commenting feature, go to the Energy Commission's webpage for this facility, cited above, click on the "Submit e-Comment" link, and follow the instructions in the on-line form. Be sure to include the facility name in your comments. Once submitted, the Energy Commission Dockets Unit reviews and approves your comments, and you will receive an e-mail with a link to them.

Written comments may also be mailed or hand-delivered to:

California Energy Commission
Dockets Unit, MS-4
Docket No. **84-AFC-4C**
1516 Ninth Street
Sacramento, CA 95814-5512

All comments and materials filed with and approved by the Dockets Unit will be added to the facility Docket Log and become publically accessible on the Energy Commission's webpage for the facility.

If you have questions about this notice, please contact Mary Dyas, Compliance Project Manager, at (916) 651-8891, or by fax to (916) 654-3882, or via e-mail at mary.dyas@energy.ca.gov.

For information on participating in the Energy Commission's review of the petition, call Alana Mathews, Public Adviser, at (916) 654-4489 or (800) 822-6228 (toll-free in California) or send your e-mail to publicadviser@energy.ca.gov.

News media inquiries should be directed to the Energy Commission Media Office at (916) 654-4989, or by e-mail to mediaoffice@energy.ca.gov.

Mail List: 794
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GILROY COGENERATION PROJECT (84-AFC-4C)

Petition to Amend Commission Decision EXECUTIVE SUMMARY

Mary Dyas

INTRODUCTION

On October 3, 2018, Calpine Gilroy Cogen, L.P. (Calpine) filed a petition with the California Energy Commission requesting to amend the 1985 Final Decision for the Gilroy Cogeneration Project.

The purpose of the Energy Commission's review process is to assess whether the proposed amendment would have a significant impact on the environment or cause the project to not comply with applicable laws, ordinances, regulations, and standards (LORS) (Cal. Code Regs., tit. 20, § 1769).

Energy Commission staff has completed its review of all materials received. The Staff Analysis below is staff's assessment of the project owner's proposal to remove Integrated Assessment of Need Condition of Certification 3 (**NEED-3**).

PROJECT LOCATION AND DESCRIPTION

The 115-megawatt project was certified by the Energy Commission in 1985 and began commercial operation in 1988. The facility is located in Gilroy, Santa Clara County. The project was originally licensed to use groundwater for all of its uses. In 2005, the project was amended to use recycled water for cooling purposes (CEC 2005). Thus the project currently uses two streams of water: groundwater for steam generation, and recycled water for cooling. Wastewater, which consists primarily of blowdown from the cooling towers, is discharged to the steam host for disposal by land application pursuant to a waste discharge permit issued by the Central Coast Regional Water Quality Control Board (RWQCB). A reverse osmosis (RO) system is used to treat groundwater for steam boiler makeup and other process purposes. Backwash water from the RO system is recycled back to the cooling tower.

DESCRIPTION OF PROPOSED MODIFICATIONS

Calpine is requesting to remove Condition of Certification **NEED-3**. This condition is in the Need/Alternatives section of the November 13, 1985 Commission Final Decision and reads as follows:

The facility shall be operated as a gas-fired cogeneration system in accordance with the definition of cogeneration contained in Public Resources Code Section 25134 (a) and (b) and Title 18 CFR 292.205 (a)(1) and (2)(i)(B).

NECESSITY FOR THE PROPOSED MODIFICATIONS

The proposed modification will remove the requirement that the facility operate as a cogeneration unit producing thermal energy for a steam host in addition to electrical energy. This would be consistent with current requirements regarding cogeneration facilities, and the facility's intended operations in 2019 when its contract with its thermal host ends. This requirement was imposed at a time when provisions of the Warren-Alquist Act (former Pub. Resources Code, §§ 25523 (f) and 25524 (a)) required the Energy Commission to conduct an "integrated assessment of need" prior to certifying a facility. The California State Legislature removed these provisions in 1999. The project could still supply steam to the thermal host, but would not be required to do so.

STAFF'S ASSESSMENT OF THE PROPOSED AMENDMENT

Energy Commission technical staff reviewed the petition for potential environmental effects and consistency with applicable LORS. Staff's conclusions in each technical area are summarized in the following **Executive Summary Table 1**.

Executive Summary Table 1
Summary of Impacts for Each Technical Area

TECHNICAL AREAS REVIEWED	STAFF RESPONSE			Revised Conditions of Certification Recommended
	Technical Area Not Affected	No Significant Environmental Impact or LORS Inconsistency*	Process As Amendment	
Air Quality		X	N/A	N/A
Biological Resources	X		N/A	N/A
Cultural Resources	X		N/A	N/A
Efficiency	X		N/A	N/A
Facility Design	X		N/A	N/A
Geological & Paleontological Resources	X		N/A	N/A
Hazardous Materials Management	X		N/A	N/A
Land Use	X		N/A	N/A
Noise & Vibration	X		N/A	N/A
Paleontological Resources	X		N/A	N/A
Public Health	X		N/A	N/A
Socioeconomics	X		N/A	N/A
Soil & Water Resources		X	N/A	N/A
Traffic & Transportation	X		N/A	N/A

TECHNICAL AREAS REVIEWED	STAFF RESPONSE			Revised Conditions of Certification Recommended
	Technical Area Not Affected	No Significant Environmental Impact or LORS Inconsistency*	Process As Amendment	
Transmission Line Safety & Nuisance	X		N/A	N/A
Transmission System Engineering	X		N/A	N/A
Visual Resources	X		N/A	N/A
Waste Management	X		N/A	N/A
Worker Safety & Fire Protection	X		N/A	N/A

*There is no possibility that the proposed modifications may have a significant effect on the environment, and the modifications will not result in a change in or deletion of a condition adopted by the Commission in the Final Decision, or make changes that would cause project noncompliance with any applicable laws, ordinances, regulations, or standards (Cal. Code Regs., tit. 20, § 1769 (a)(2)).

Staff has determined that the only technical areas affected by the proposal to remove Condition of Certification **NEED-3** are Air Quality and Soil and Water Resources. For these areas, staff concludes that removal of **NEED-3** would not result in a significant impact on the environment or cause the project to not comply with applicable LORS. Staff notes the following for these areas:

AIR QUALITY - The facility is currently permitted with the Bay Area Air Quality Management District (BAAQMD) to operate with or without a thermal host. Staff understands the BAAQMD would not require a permit modification to accommodate operation without a thermal host. The facility would continue to operate in compliance with the BAAQMD air permit. In addition, there are no proposed changes to the Air Quality conditions of certification.

SOIL & WATER RESOURCES – Water Supply: There would be no change in the water supply by eliminating **NEED-3**. As discussed above, groundwater is used to generate steam for delivery to the host. Given the expiration of the steam contract at the end of December 2018, the likelihood that the project owner may increase the cost of steam delivered to the host, and the host’s new addition of a different drying system, the host would likely halt or limit steam deliveries from GCP for the foreseeable future. This would result in reductions in groundwater use. There are no conditions of certification that place limits on groundwater use and the anticipated decrease in use would be beneficial.

Water Quality: Any GCP wastewater streams generated as a result of steam boiler operation and delivery to the host are recycled to the GCP cooling towers for use. Blowdown from the power plant cooling towers is pumped to and disposed of by the steam host under a permit from the RWQCB. There would be no change in the method of wastewater disposal by eliminating **NEED-3**. If groundwater use for delivery to the

steam host decreases, then wastewater generated from its cleanup and use would also decrease. Decreases in this wastewater stream, which is recycled to the cooling towers, would have to be made up using recycled water. The plant currently disposes wastewater to the host in accordance with the host's prescribed requirements and the host in turn complies with the RWQCB permit requirements. GCP has been operating without providing steam to the host and disposing of blowdown from the cooling towers and is able to meet the host's prescribed requirements. Staff concludes that there would be no significant change in the wastewater discharge from GCP which would result in a significant impact.

Drainage: The modification would not result in a change in volume or method used to manage storm water at the project.

STAFF RECOMMENDATIONS AND CONCLUSIONS

Staff concludes that the following required findings, mandated by Title 20, California Code of Regulations, section 1769 (a)(3), can be made, and staff recommends approval of the petition by the Energy Commission:

- The removal of Condition of Certification **NEED-3** would not cause a significant impact on the environment;
- The project would remain in compliance with all applicable laws, ordinances, regulations, and standards;
- The anticipated decrease in groundwater use would be beneficial to the project owner and the public.
- There have been substantial changes in circumstances since certification of the facility due to amendments to the Warren-Alquist Act that removed the requirement that the Energy Commission conduct an Integrated Assessment of Need prior to certifying a facility. The proposed modification will remove an obsolete requirement that the facility produce thermal energy for a steam host in addition to electrical energy, which is consistent with the facility's intended operations in 2019 when its contract with its thermal host ends.

REFERENCES

CEC 1985 -- California Energy Commission Final Commission Decision on the Application for Certification of Gilroy Foods Cogeneration Facility (84-AFC-04), November 1985.

CEC 2005 – California Energy Commission Order Approving Modifications to Change the Source of Power Plant Cooling Water to Recycled Wastewater. TN 36080. December 14, 2005.

GCP 2018-- Calpine, Petition for Modification to Remove Integrated Assessment of Need Condition of Certification-3, October 2018, Docket No. 84-AFC-04C (TN #: 221243-2)