

Memorandum

Date: March 14, 2007
Telephone: (916) 654-4679

To: Commissioner John Geesman, Presiding Member
Commissioner Jeffrey Byron, Associate Member

From: California Energy Commission – John S. Kessler
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Subject: **HUMBOLDT BAY REPOWERING PROJECT (06-AFC-7) STATUS REPORT 2**

Pursuant to the Committee Scheduling Order dated January 3, 2007, the following is staff's Status Report 2 for the proposed Humboldt Bay Repowering Project (HBRP).

Current Issues and Activities for Resolution

Staff has been working diligently through the discovery and analysis phases of the Application for Certification (AFC) process for the proposed HBRP. At this time, the primary issues continue to be in the areas of Air Quality and Public Health. Several factors are contributing to the challenges before the respective staffs of the Energy Commission, North Coast Unified Air Quality Management District (District) and California Air Resources Board (ARB), with ARB providing technical assistance to the District. These are summarized as follows:

1. The proposed dual-fuel reciprocating engine-generators in this size range (16.3 MW each) have not been previously used in California, and thus have not been permitted for conformance with California and local District air quality requirements. In addition, there are no other projects elsewhere in the United States that are using this model engine with the emission controls and CARB diesel employed at HBRP to compare emissions and operations experience. In addition to the uncertainty surrounding emission factors, CARB and air district are working to define BACT for dual-fueled generation units that must respond to foreseeable natural gas curtailments and unforeseeable transmission and natural gas supply emergencies.
2. Since the North Coast Air Basin is designated as non-attainment for the state 24-hour PM10 standard, emission offsets for project PM10 emissions are required. The applicant is proposing NOx for PM10 interpollutant trading. The CARB and air district are considering the technical basis of the proposed interpollutant trading ratio and the effect of the determination of a ratio on other potential interpollutant trades in the air district.
3. Preliminary results of the Energy Commission staff's Health Risk Assessment are indicating the proposed project could potentially cause an adverse impact to Public Health associated from the use of diesel fuel. Staff, the agencies, and the applicant are conducting refined Health Risk analyses and pursuing additional representative emissions data.

4. The respective staffs of the Energy Commission, District and ARB are finding it necessary to perform significantly greater and more comprehensive levels of data exchange and analyses for air emissions and health risks, lacking availability of source data, and the precedence-setting nature of this project for other similar projects that may follow.

The staffs of the Energy Commission, District and ARB, as well as PG&E, are working cooperatively and expeditiously to support the comprehensive review and analysis of the proposed HBRP. This is demonstrated by processing three sets of Data Requests, and having conducted Data Response and Issue Resolution Workshops on February 1 and March 12, 2007. The agencies have also been collaborating at weekly intervals, including through these workshops with the applicant, and amongst ourselves to update each other on results of our modeling and analyses, and to maintain focus on understanding and resolving potential air quality and public health issues. During the most recent workshop on March 12, 2007, the agencies and PG&E conducted a very productive working session which included discussion of possible alternatives for control of diesel particulate matter, should the air quality and public health analyses evolve to more definitively conclude their need for alternative controls.

Schedule

During the workshop on March 12, 2007, PG&E and the agencies also discussed the schedule of this normal 12-month AFC proceeding. PG&E expressed its interest in expediting the schedule, while staff responded that due to the factors noted above, and the overall workload of siting cases before the Energy Commission, that expediting the schedule may not be attainable. At this time, staff is projecting about an 8-week delay in schedule as a result of time required for the extensive exchange of data from PG&E, and the Air Quality and Public Health analyses by staff, ARB and the District. This is predicated on the applicant providing remaining data responses associated with Data Request Set 2 (the bulk of responses were received on February 13, 2007), the applicant filing complete data responses associated with Data Request Set 3 by March 30, 2007, and receipt of preliminary comments or determinations from all local, state, and federal agencies, including the Preliminary Determination of Compliance (PDOC) from the District by April 30, 2007.

The Coastal Commission is advising staff that their report preparation schedule normally follows our Preliminary Staff Assessment (PSA) publication date. Therefore, in light of additional time needed for obtaining data and evaluating air quality/public health impacts affecting the PDOC and Energy Commission staff's PSA schedules, the Coastal Commission staff now expects to issue their report during mid to late May (one month later) for consideration at their June 2007 Coastal Commission meeting. The June meeting that will be held in Santa Rosa, may also be more convenient for Humboldt-area residents to participate, than in Southern California where the May meeting is scheduled. This schedule would accomplish Coastal Commission review of the proposed HBRP prior to publishing the Energy Commission Final Staff Assessment (currently scheduled for July 2007), consistent with the Energy Commission's/Coastal Commission's Memorandum of Agreement for coordinating AFC proceedings.

The following table summarizes the Committee's initial schedule in comparison to staff's currently-projected schedule, which has been updated to reflect completing preliminary analyses and receiving the PDOC by April 30, 2007, rather than March 8, 2007 as originally anticipated. Staff's projected schedule also indicates the normal duration of about 60 days between publishing the PSA and FSA. Staff, in coordination with the District, ARB, and PG&E, will strive to expeditiously complete its analysis and look for opportunities to condense the schedule to the degree possible.

**Committee's Initial & Staff's Projected Schedule
 Humboldt Bay Repowering Project**

Committee's Initial Schedule	Staff's Projected Schedule	Event
N/A	January 11, 2007	Staff transmits Data Request Set 2
January 12, 2007	January 12, 2007	Applicant provides Data Responses – Set 1
January 24, 2007	February 1, 2007	Data Response and Issue Resolution Workshop 1
January 30, 2007	January 30, 2007	Parties file Status Report 1
N/A	February 13, 2007	Applicant provides Data Responses – Set 2
N/A	February 28, 2007	Staff transmits Data Request Set 3
N/A	March 12, 2007	Data Response and Issue Resolution Workshop 2
March 14, 2007	March 14, 2007	Parties file Status Report 2
N/A	March 30, 2007	Applicant provides Data Responses – Set 3
March 8, 2007 ¹	April 30, 2007	Agency draft determinations and NCUAQMD PDOC
April 6, 2007 ²	May 30, 2007	Staff files Preliminary Staff Assessment (PSA)
May 2, 2007	June 8, 2007	Staff conducts PSA workshop
May 7, 2007 ³	June 29, 2007	Agency final determinations and NCUAQMD FDOC
May 11, 2007	May 11, 2007	Parties file Status Report 3
June 6, 2007 ⁴	July 29, 2007	Staff files FSA

Proof of Service List
 Dockets

¹ Actual date of publication designated "N"
² To be issued on N+30 days
³ Actual date of publication designated "M"
⁴ To be issued on M+30 days