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

ORDER NO. 01-0425-02

APPLICATION FOR CERTIFICATION
OF THE
ALLIANCE CENTURY ENERGY FACILITY
BY ALLIANCE COLTON LLC

DOCKET NO. 01-EP-4
APPLICATION COMPLETED
APRIL 6, 2001

DECISION

On April 25, 2001, the Commission approved the Application for Certification (AFC) for the Alliance Century Energy Facility, under the limitations presented as conditions contained in this Decision. The proposed facility has been the subject of a hearing and review by the staff of the California Energy Commission and is considered to meet the criteria developed to implement the Governor's Executive Orders expediting the permit process for peaking and renewable energy generating plants. This process has been completed in the time frame called out in the Executive Order.

Executive Orders

On January 17, 2001, the Governor proclaimed a State of Emergency due to constraints on electricity supplies in California. As a result, the Governor issued Executive Orders D-22-01, D-24-01, D-25-01, D-26-01, and D-28-01 to expedite the permitting of peaking and renewable power plants that can be on line by September 30, 2001, and provide power to California. Emergency projects are exempt from the California Environmental Quality Act pursuant to Public Resources Code section 21080(b)(4). Since the Governor has declared a state of emergency, the Energy Commission may authorize the construction and use of generating facilities under terms and conditions designed to protect the public interest. (Pub. Resources Code section 25705.)

Project Description

Alliance Colton, LLC (Applicant), proposes to develop the Alliance Century Energy Facility (the project) a nominally rated 40 megawatt (MW), simple-cycle, natural gas-

fired power plant to be located at 661 South Cooley Drive, City of Colton, in San Bernardino County.

The project is currently under contract to supply capacity and energy to the California Department of Water Resources (DWR). This is a 10-year Power Purchase Agreement (PPA) beginning summer of 2001. The contract provides that the project shall be on line no later than August 1, 2001.

The project is a distributed generation facility[1] that consists of four 10 MW simple-cycle, gas turbine generators located within an electrical substation owned by the City of Colton Department of Utilities. The project site is located in an area designated for electrical infrastructure. The area surrounding the project is zoned for industrial and commercial use. The City of Colton Department of Utilities owns the site. The site was leased by the City of Colton to the Applicant for a term of 15 years, with an option of an additional 10 years. The lease commenced January 31, 2000.

The project will have four General Electric model 10B1 simple-cycle gas turbines, each nominally rated at 10.5 MW. Each of the proposed turbines requires a space of 35 ft. x 75 ft. The turbines are aproximately 22 feet high, with an exhaust stack elevation of 52 feet. One of the turbines will be located within the existing substation walls and the other three will be located outside the existing wall but on the transmission get-away corridor owned by the City of Colton. Applicant will construct a chain-link fence around the the three turbines and ancillary equipment to be located outside the present wall.

Public Hearing

On April 11, 2001 in the City of Colton, Michal C. Moore, the Presiding Commissioner designated to conduct proceedings on this proposal, held a public site visit and informational hearing to discuss the project with governmental agencies, community organizations, and members of the public. At the hearing, Applicant described the project and Energy Commission staff explained the Energy Commission s expedited review process. Local residents and other members of the public presented comments and asked questions about the project.

[1] A distributed generation facility is a relatively small generation facility located near the likely site of power utilization. Thus, the facility depends less on transmission infrastructure.

Issues of Concern

The following issues were identified at the hearing and during the review and consideration period that followed.

1. Odor from the ammonia if it is used as part of the SCR process.

Camilla Herrera, a local resident, asked if any ammonia used would emit an odor and, if so, for what distance. The Applicant responded that if the project uses SCR, which requires aqueous ammonia, by the time the exhaust plume has left the project site, the ammonia level would normally be 1 part per million (ppm), which should not be detectable by smell and which does not pose a health hazard.

2. Proximity of nearest residences to proposed new gas line and distance it will travel along M Street and Mt. Vernon Street.

Camilla Herrera asked the proximity of the new gas line to residential areas and how far the new gas line will extend along M and Mt. Vernon Streets.

Applicant responded that the new gas line will extend a total of approximately 1.5 miles along M and Mt. Vernon Streets. The nearest residences to the proposed gas line connection are along M Street within normal setback from the street. The proposed gas line will be buried except where it exits the ground at the project site. The nearest residences from the site where the gas line is above ground are at least .25 mile away.

Camilla Herrera followed with a comment via e-mail because she felt her concerns were not adequately addressed at the public hearing. In her follow-up comment, she noted that the gas pipeline for this project would run immediately in front of homes along M Street. She expressed concern about the heavy truck traffic, nearby rail lines, and the proximity of an earthquake fault as potential problems for a natural gas line along a residential area. She referred both to the damage in the Mission District of San Francisco from the Loma Prieta earthquake in 1989 and to the Duffy Street explosions in San Bernardino in 1989 as examples of potential problems.

Energy Commission staff believes that current pipeline safety standards are adequate to ensure the safety of an underground natural gas pipeline running along a residential street. Staff has reviewed the seismic risk to pipelines associated with many power plants. Existing pipeline design codes require that pipelines be designed to address site-specific seismic hazards. The performance of modern natural gas pipelines in major earthquakes demonstrates the adequacy of these design codes.

In addition, the accidental release that resulted in the Duffy Street explosion in San Bernardino was the result of an extraordinarily violent train derailment. CEC staff does not believe that an accident of this nature is plausible in the project area. The train tracks in the project area pass through switchyards and a populated area where train speeds are limited. There is no grade in the immediate area that could accelerate a train to the speeds associated with the San Bernardino event.

3. Effect on traffic of construction of gas line along M and Mt. Vernon s Streets and any mitigation.

Carlos Rodriquez, a local resident, asked whether the construction of the new gas line would affect traffic on Mt. Vernon Street or access to M Street and, if so, how would such effect be mitigated. Applicant responded that the construction on M Street would be through the street, along the gutter line, so there will be a minimal effect on traffic. At Mt. Vernon Street, there will be some staged work at the bridge, which will likely require single-lane traffic along Mt. Vernon. The work will be scheduled during off-peak traffic hours.

Air Quality

The project will be constructed and then operated in two phases. The first phase of operations will include operation using dry low-NOx technology. The second phase is expected to commence upon installation of XONON emissions technology[2] or selective catalytic reduction (SCR) to reduce oxides of nitrogen (NOx) and CO emissions to meet or exceed the South Coast Air Quality Management District (Air District) rules for best available control technology (BACT) for prime power simple-cycle units. Applicant has applied for a Title V Federal operating permit from the Air District, which would allow either

[2] This technology involves a catalytic technology that combusts fuel flamelessly.

the XONON technology or SCR, so long as the selected technology meets BACT levels for NOx which is 5 parts per million (ppm) at 15 percent oxygen level for a simple-cycle turbine. The Air District will limit the total operation of the facility based on fuel use to keep the project s emissions of PM10 below the threshold that would require offsets. The fuel limitation will effectively limit the project s four turbines to an average of 2,415 hours per year, though there will not be a specific limit on hours of operation for the individual turbines.

Pursuant to Executive Order Nos. D-24-01, D-26-01, and D-28-01, a Compliance Order is being jointly proposed by the Air District and Applicant to defer the date on which control systems must be in place to ***no later*** than December 15, 2001. This will allow the project to operate during the summer of 2001. The uncontrolled NOx emissions are expected to be at or below 25 ppm. The draft permit and compliance order were published on March 29, 2001, beginning the requisite 30-day public notice period. Offsets are required for NOx and Applicant is working with the Air District to determine an available bank or private party from which to purchase or acquire the necessary offsets. After initial use of temporary credits from the state bank, established by the California Air Resources Board (CARB), Alliance intends to operate under SCAQMD s Regional Clean Air Incentives Market (RECLAIM) and will obtain RECLAIM trading credits to offset its NOx emissions. The decision whether to use XONON or SCR is expected in early May, 2001. In any event, the BACT must be in place no later than December 15, 2001, in accordance with the draft permit and compliance order.

If the Applicant selects SCR as the BACT, aqueous ammonia (water and ammonia) will be used in the control process and a 5,000 gallon tank of acqueous ammonia will be located at the project site. The tank will be located in a spill prevention area. The choice of an inherently safe form of ammonia will result in a very low emission rate in the event of accidental release of ammonia. If XONON is selected, no potentially hazardous materials would be used in the process and therefore none would be located at the project site. The only other potentially hazardous materials that will be used routinely on the site are the lubrication oil used within the turbines and transformer oil used within the new transformer. The turbines and the transformer will be placed on foundations designed to capture 100 percent of any oil spill.

Transmission Facilities and Engineering

The project will interconnect with existing facilities at Colton s Century Substation The power produced by the generators will be stepped up to 66 kV and will connect to the substation via an approximately 200-foot transmission line. A new transformer and circuit breaker will be built adjacent to the Century substation equipment. Based on the results of the interconnection study, the operation of proposed generators at the Century substation will not require significant downstream electric facilities and will comply with safety standards. The operation of the proposed gas turbines at the Century substation appears to reduce the loading on lines bringing power from the Southern California Edison (SCE) service area into Colton. Applicant may be required to replace circuit breakers in the substation, but that will be determined by a Facilities Study conducted by SCE, which will be completed at a later date. Thus, the interconnection of the project will not require the construction of linear downstream transmission facilities and there are no significant transmission issues.

Fuel Supplies - Natural Gas

Natural gas interconnections including the meter will be supplied by SoCal Gas. Gas line extensions will be designed, permitted, and constructed by SoCal Gas. The formal fuel interconnection application was submitted for the gas line extension in March 2001. The project will include a new approximately 1.5 miles natural gas line conncecting with a gas main near the intersection of 9th and M Streets in the City of Colton. As the line reaches the project, the natural gas line will extend along the levee bordering the Santa Ana River. The estimated natural gas usage for each turbine is 123,000 cf/hr.

Offsite construction of the new natural gas pipeline will occur from west to east from 9th Street along M Street to Mount Vernon Avenue, where the pipeline would be hung by SoCal Gas from the Mount Vernon Avenue Bridge across the Santa Ana River. The pipeline would then follow Cooley Drive to the project site. Pipeline construction may temporarily disrupt local traffic patterns. A Traffic Control Plan (TCP) would be required prior to the start of any roadway construction activities. Construction traffic will be of a temporary nature, (2-3 months), and highly variable. A TCP would be required prior to any road disruption. The project will not generate significant traffic during operation, and normal project operation will not result in significant traffic impacts. Condition TRANS-2

requires the Applicant to obtain necessary encroachment permits from all relevant jurisdictions.

Wastewater and Runoff

Wastewater from periodic turbine cleaning operations will be collected and removed from the project site for disposal at appropriate facilities. The operation of the project will not affect vegetation and wildlife communites within the project site. No mitigation is therefore required.

The project does not require water to control emissions. Potable water is required, however, for the evaporative colers on the turbine air intake. City-supplied water can be used and there is a portable water line form the City of Colton now on-site. The City of Colton has agree to provide a tap for the project. Therefore, no water treatment is needed at the site. Wastewater will not be generated at the facility during normal operations

Noise

Existing noise sources in the vicinity of the project area include traffic from Interstate 10 and Interstate 215, noise generated by the adjacent industrial/office complex to the south, a motorcycle training facility to the southwest, and intermittent noise from the existing railroad line to the north of the project site.

Project noise levels at the property line at the adjacent southern development, assuming use of sound deadeners on each turbine and a 20—foot block wall, would be 65 dBA. These levels are consistent with the City of Colton noise ordinance standard of 65 dBA at six feet above grade on the south side of the project, where the 20-foot block wall would shield project noise from the adjacent industrial/ office complex. However, Applicant has not proposed a similar block wall around the entire project; thus, noise levels to the west, north, and east of the project would exceed the 65 dBA standard. Applicant has applied for and received from the City of Colton a variance from the noise ordinance.

Biological Resources - Endangered Species

Alliance proposes to construct the Century project within the walls of the existing substation and expand out from the existing substation approximately 360 feet on the southwest side. The expansion area is highly disturbed from vehicle use, with vegetation composed of weedy non-native species. The facility and gas pipeline will utilize the existing substation, the additional highly disturbed areas, and existing roads. Equipment will be staged in the substation, on existing access roads or in disturbed areas, all of which will require approval by the Compliance Project Manager.

The Santa Ana River floodplain where the project will be located contains a number of sensitive and listed species: Santa Ana River woollystar, Santa Ana sucker, San Diego horned lizard, Los Angeles pocket mouse, Delhi Sands Flower-loving fly, San Bernardino kangaroo rat and burrowing owl. Applicant conducted no biological surveys. The California Department of Fish and Game (CDFG) recommended that protocol surveys be completed for the undeveloped areas to be affected by this project. A staff biologist visited the site and observed no threatened or endangered plant or animal species. The facility site, pipeline route, and surrounding areas are highly disturbed with little native vegetation. No threatened or endangered species are expected to be found during surveys or to be impacted by construction or operation of the project.

The air filtration systems for the turbines are designed in such a manner that they pose no danger to animal or bird life, or even small insects. The filters are self-cleaning with sensors to detect any reduction in intake pressure, which activates the cleaning process and alerts the operator of a problem

Land Use and Fiscal Considerations

The project site is located in an area designated for electrical infrastructure in the City General Plan. The area surrounding the project is zoned for industrial and commercial use. The City of Colton Department of Utilities owns the site. The site was leased by the City of Colton to the Applicant for a term of 15 years, with an option of an additional 10 years. The lease commenced January 31, 2000.

Existing land uses in the immediate project vicinity include the Santa Ana River to the west and north, a railroad line and railroad facility to the northeast, a motorcycle training

facility immediately adjacent the site to the southwest, and an industrial/office complex located to the immediate south of the existing substation

The City of Colton Zoning Ordinance has a height restriction of 50-feet. The proposed project would include four 52—foot exhaust stacks. Applicant has applied for and received a variance from the City of Colton, thus allowing the exhaust stacks.

The Applicant has not provided detailed information regarding either an equipment laydown area or additional parking areas that will be necessary during the construction phase of the project. However, in a letter to Kevin Kennedy, the CEC Project Manager, dated April 4, 2001, the Applicant did indicate that additional land east of the project site will be leased as an equipment lay down area, and land adjacent to the existing substation will be leased to provide additional parking during the construction phase of the project.

Although financial arrangements between Alliance Power and General Electric are confidential and have not been disclosed, California Energy Commission staff estimates that the total cost of the proposed project would likely be on the order of $40 Million. As Applicant has signed a lease with the City of Colton that requires the existing substation to be returned to its original condition upon termination of the lease, the project is not expected to impact the assessed property value of the existing substation, now or in the future. In addition, because the existing substation is city-owned and does not provide property tax revenue to the city, the proposed project would have no impact on current property tax revenues collected by the City of Colton. Applicant will provide annual lease payments to the city for use of a portion of the substation.

Public Comment

Gary Anderson, who is affiliated with Clear Lake Energy which is seeking one or more emergency siting permits from the Commission, spoke in favor of the project.

Staff Assessment

On April 20, 2001, Energy Commission staff issued its Staff Assessment, which is attached hereto and incorporated herein by reference. Staff conducted a fatal flaw analysis and found no areas of major concern related to the project.

The conditions contained in the Staff Assessment are hereby incorporated herein and adopted as the Conditions of Certification for the Alliance Century Energy Facility.

Authority to Construct Permit (ATC)

As noted above, on March 7, 2001, Applicant filed an application with the Air District for an ATC permit. The ATC permit is a requirement of the U.S. Environmental Protection Agency (USEPA). The application is subject to a 30-day notice and public review and comment period that commenced on March 29, 2001. The ATC permit shall become effective on the date designated by the Air District, including any modifications approved during the comment period. The conditions and any modifications thereto contained in the ATC permit shall be incorporated herein by reference on the effective date of the ATC permit.

TERM OF CERTIFICATION, PERMIT VERIFICATION, AND AMENDMENT

The project is a simple-cycle project that will operate during periods of high demand and Applicant requests certification for the life of the project. Construction will begin upon issuance of the ATC permit by the South Coast Air Quality Management District (Air District). At the time of the informational hearing, 4 of the 8 turbines for this project and the Alliance Drews Energy Facility had been shipped from Italy and are scheduled to arrive in Long Beach on May 15, 2001, with delivery to the Drews project within the two days thereafter. All four turbines for this project are expected to be delivered, set up, and energized by July 4, 2001. The expected hours of operation may not exceed an average of 2,415 hours per year for each turbine. Construction will begin upon issuance of the ATC permit by the Air District; however, Alliance has requested, and may receive if this project is certified by the Commission, a letter from the USEPA allowing Alliance to begin construction at its own risk during the comment period on the draft ATC that was issued by the Air District on March 29, 2001.

Alliance Century Energy Facility shall be certified for the length of the project if at the expiration of its power agreement purchase agreement with the California Department of Water Resources (DWR), the project owner can verify that the project meets the following continuation criteria. The certification shall expire if the continuation criteria are not met.

At least six months prior to the expiration of its power purchase agreement with the DWR, the project owner shall provide verification that the project will meet the following criteria in order to continue the permit through the life of the project:

1. The project is permanent, rather than temporary or mobile in nature.

2. The project owner demonstrates site control.

3. The project owner either has secured permanent emission reduction credits (ERCs) approved by the South Coast Air Quality District (Air District) and the California Air Resources Control Board (CARB), or has secured RECLAIM trading credits (RTCs) as required by the Air District. The ERCs or RTCs must be adequate to fully offset project emissions for its projected run hours, and must have been in place prior to the expiration of the temporary ERCs obtained from CARB if temporary ERCs were used for the initial operation of the project. If the project owner is using RTCs to offset emissions, this certification shall expire if the project owner does not maintain appropriate offset credits consistent with Air District Regulations.

4. The project is in current compliance with all Energy Commission permit conditions specified in the Decision.

5. The project is in current compliance with all conditions contained in the Authority to Construct permit from the Air District.

6. The project meets all Best Available Control Technology (BACT) requirements under Air District rules as established in the ATC permit, and CARB requirements.

FINDINGS AND CONCLUSIONS

1. There is an energy supply emergency in California.

2. All reasonable conservation, allocation, and service restriction measures may not alleviate the energy supply emergency.

3. Public Resource Code section 21080(b)(4) exempts emergency projects from the requirements of the California Environmental Quality Act. The Alliance Century Energy Facility is an emergency project.

4. Executive Order D-28-01 states that [a]ll proposals processed pursuant to Public Resources Code section 25705 and Executive Order D-26-01 or this order [D-28-01] shall be considered emergency projects under Public Resources Code section 21080(b)(4).

5. Alliance Century Energy Facility is a simple-cycle facility that will operate during periods of high demand.

6. The Application for Certification of the Alliance Century Energy Facility has been processed pursuant to Public Resource Code section 25705 and Executive Orders D-26-01 and D-28-01.

7. Pursuant to Executive Orders D-26-01 and D-28-01, Alliance Century Energy Facility is expected to be on-line by August 1, 2001, and no later than September 30, 2001, in order to help reduce blackouts and other adverse consequences of the energy supply emergency in the state.

8. In order for the Alliance Century Energy Facility to be on-line by August 1, 2001, and no later than September 30, 2001, it is necessary to substantially reduce the time available to analyze the project.

9. To the greatest extent feasible under the circumstances, the terms and conditions specified in this Decision (1) provide for construction and operation that does not threaten the public health and safety, (2) provide for reliable operation, and (3) reduce and eliminate significant adverse environmental impacts.

APPROVAL

The implementation of the Conditions of Certification contained in the Staff Assessment, as amended in Staff s April 24, 2001, comments on the PMPD, the Authority to Construct Permit, and the additional conditions described below, and specifically the mitigation measures identified in the Application and contained in the record, ensure

that the proposed facility will be designed, sited, and operated in a safe and reliable manner to protect the public interest. Therefore, the Energy Commission adopts this Decision, and the conditions referred to herein, and certifies the Alliance Century Energy Facility as described in this proceeding.

MONITORING CONDITIONS

The project owner shall comply with the following monitoring conditions in addition to the Permit Verification process contained in this Decision and in addition to the General Compliance Conditions delineated in the Staff Assessment and incorporated herein by reference:

Start of Operations: Alliance Century Energy Facility shall be on-line by the expected date of August 1, 2001, or the earliest possible date thereafter, but no later than September 30, 2001. If Alliance Century Energy Facility is not operational by September 30, 2001, the Energy Commission shall conduct a hearing to determine the cause of the delay and consider what sanctions, if any, are appropriate. If the Energy Commission finds that the project owner failed to proceed with due diligence to have Alliance Century Energy Facility in operation by September 30, 2001, the Energy Commission will set a specific date by which Alliance Century Energy Facility must be brought on-line as a condition precedent to continue the certification.

BACT Standards: Operation of Alliance Century Energy Facility shall be in compliance with all Best Available Control Technology (BACT) standards imposed by the Air District in its Authority to Construct permit. Failure to meet these standards will result in a finding that Alliance Century Energy Facility is out of compliance with the certification or as further stipulated in Condition AQ-3.

Three-Year Review: No later than 15 days after completion of the first three years in operation, Alliance Century Energy Facility shall submit to the Energy Commission a report of operations that includes a review of Alliance Century Energy Facility s compliance with the terms and conditions of

certification, the number of hours in operation, and the demand for power from the facility during the three year period.

Dated April 25, 2001, at Sacramento, California.

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WILLIAM J. KEESE, Chairman MICHAL C. MOORE, Commissioner

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ROBERT LAURIE, Commissioner ROBERT PERNELL, Commissioner

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ARTHUR ROSENFELD, Commissioner