

STATE OF CALIFORNIA

Energy Resources Conservation and Development Commission

In the Matter of:

Application for Certification
for the Pico Power Project
by Silicon Valley Power

Docket No. 02-AFC-03

**PICO POWER PROJECT
STATUS REPORT #1**

On December 31, 2002, the Siting Committee for the Pico Power Project Application for Certification (AFC) issued a Committee Scheduling Order which requested that all parties file status reports on January 13th and February 7th, 2003 to assist the Committee in determining if satisfactory progress is being made on the case and to bring potential schedule delays or other relevant matters to the Committee's attention. The delivery dates for the two status reports reflect the California Energy Commission's action on November 20, 2002 to review the Pico Power Project AFC on an expedited 6-month licensing schedule.

Silicon Valley Power (SVP) has prepared this first Status Report to provide information on the status of the issues discussed in the CEC Staff's Issue Identification Report dated December 6, 2002. The status report also documents SVP's recent and anticipated efforts to respond to the data requests from the California Energy Commission (CEC) Staff. SVP has also included a table that summarizes all of the project documents that SVP or its consultants have submitted to the CEC since the AFC was accepted on November 20, 2002.

Issues Identification Report

The CEC Staff released its Issue Identification Report on December 6, 2002. This report identified two potential issues that Staff believes could require careful attention and consideration. These two issues, which relate to air quality and biological resources, are discussed below.

Air Quality

Staff indicated in the Issue Identification Report that the setting of emission limits for the Pico Power Project, based on the Best Available Control Technology (BACT) standards, could be an issue in this proceeding. The specific issue centers on the BACT levels for NO_x and CO. SVP has proposed a BACT level of 2.5 ppm for NO_x and 4.0 ppm for CO. The Issues Identification Report cites recent experience that indicates a BACT level for NO_x of 2.0 ppm averaged over 1 hour and 2.0 ppm for CO averaged over 3 hours may be appropriate.

On December 5, 2002, the CEC Staff issued a set of data requests to SVP. Data Requests 13 and 14 asked SVP to submit a Bay Area Air Quality Management District (BAAQMD) specified BACT analysis that considers a NO_x BACT of 2.0 ppm averaged over 1 hour and a CO BACT of 2.0 ppm averaged over 3 hours. This issue was discussed at the Data Request and Issue Workshop held on December 16, 2002 and SVP filed its written responses to Staff's Data Requests on December 23, 2002.

In the data request response, SVP provided a summary review of NO_x BACT requirements for combined cycle turbines from several California air agencies and indicated its concerns regarding the ability of advanced combustion and emission control systems to meet levels as low as those described in Data Requests 13 and 14 on a consistent basis. To the best of SVP's knowledge, these low emission rates have been proposed based on vendor information, which may not actually represent a guarantee of continuous compliance and are generally associated with a larger class of turbines. SVP has designed the project to meet a NO_x level of 2.5 ppm on a short-term (3 hr average) basis, and anticipates receiving vendor confirmation to support that design. To date, SVP has not received any information from either the turbine vendor or the control system vendor who would confirm or guarantee continuous compliance with a 2.0 ppm NO_x limit based on a 1 hour average. With respect to CO, SVP believes that the proposed limit for CO at 4 ppm (1 hr average) is considered BACT, both from the standpoint of being technologically feasible and achieved in practice.

SVP will continue to discuss this issue with the CEC Staff at the Data Response/Issue Resolution Workshop scheduled for January 14, 2003.

Biological Resources

The Issues Identification Report discussed one biological resource issue, the analysis of potential impacts to the Bay checkerspot butterfly caused by the deposition of nitrogen compounds on serpentine soils. In its AFC, SVP indicated its intent to mitigate for potential impacts to the Bay checkerspot butterfly; however, there is some disagreement between SVP and the CEC Staff regarding the appropriate air quality modeling program to be used to assess such impacts. SVP has proposed use of the CALPUFF model, while the Staff is asserting that the ISCST3 model is the more appropriate model to use.

The CEC Staff issued a set of data requests on December 5, 2002. Data Requests 15 through 22 related to the nitrogen deposition issue. SVP summarized its rationale for utilizing the CALPUFF model at the Data Request and Issue Workshop held on December 16, 2002. Subsequently, SVP submitted written responses to the biology-related data requests on December 23, 2002. It is expected that this topic will be the subject of further discussion between the Staff and SVP at the Data Response/Issue Workshop to be held on January 14, 2003. However, the current discussion is not centered on whether to mitigate but rather to what extent SVP should be required to provide mitigation.

Other Key Issues

Preliminary Determination of Compliance from the BAAQMD

CEC Staff has informed SVP that the BAAQMD may have difficulty meeting the regulatory deadline of January 21, 2002 to provide the Preliminary Determination of Compliance (PDOC), and that receipt of the PDOC could be delayed until February 17, 2003. We understand that this delay is caused solely due to the BAAQMD’s internal staffing resource constraints and not due to any unresolved issue in SVP’s application.

However, given this potential delay and the fact that the delay is not the result of unresolved issues, SVP is very interested in working with the CEC Staff and the Siting Committee to explore ways in which the six-month licensing schedule might move forward while the BAAQMD completes their analysis. One possible approach would be to bifurcate the Staff Assessment (SA), wherein the Staff would release a SA that covers all resource topics except for air quality. Another approach, either in conjunction with the bifurcated SA or as a separate strategy, would be to accelerate the schedule between the release of the SA and the Addendum. SVP is very willing to brainstorm with the CEC Staff on ways to keep the six-month process intact, as the schedule for this very important public power project is of the utmost importance to SVP.

Summary of Documents Submitted to the CEC

SVP filed the Pico Power Project AFC with the Commission on October 7, 2002. The AFC was deemed data adequate on November 20, 2002 and was approved for processing under the expedited six-month licensing process. Since that time, SVP has filed the following documents with the CEC:

Date Filed	To	Subject
12/10/02	CEC Docket Office	SVP’s Proposed Schedule for the Six-Month Process
12/23/02	CEC Docket Office	SVP’s Responses to CEC Staff Data Requests #1-65
01/06/03	CEC Docket Office	SVP’s Response to CEC Staff Data Request #55
01/10/03	CEC Docket Office	Additional Information in Support of the Pico Power Project AFC

Conclusion

SVP has been working cooperatively and diligently to respond to the various data requests and other requests for information that have been received from Staff and other parties. SVP is committed to working with the CEC Staff to successfully meet each of the milestones that have been set forth in the Scheduling Hearing Order in support of the expedited six-month AFC review process.

Dated: January 13, 2003

Respectfully submitted,

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By _____
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