

# Memorandum

Date: June 29, 2007  
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Chairman Jackalyn Pfannenstiel, Associate Member

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<b>DOCKET</b>	
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Subject: **SAN GABRIEL GENERATING STATION PROJECT (07-AFC-2)**  
**ISSUES IDENTIFICATION REPORT**

Attached is staff's Issues Identification Report for the San Gabriel Generating Station Project (07-AFC-2). This report serves as a preliminary scoping document that identifies the 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 July 6, 2007.

cc: Docket (07-AFC-2)  
Proof of Service List

Attachment

PROOF OF SERVICE (REVISED 5/24/07) FILED WITH  
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**SAN GABRIEL GENERATING STATION PROJECT**

(07-AFC-2)

June 29, 2007

**ISSUES IDENTIFICATION REPORT**

**CALIFORNIA ENERGY COMMISSION**

**Energy Facilities Siting Division**

# ISSUES IDENTIFICATION REPORT SAN GABRIEL GENERATING STATION PROJECT

(07-AFC-2)

## Table of Contents

<b>PROJECT DESCRIPTION .....</b>	<b>4</b>
<b>POTENTIAL MAJOR ISSUES .....</b>	<b>6</b>
<b>AIR QUALITY.....</b>	<b>7</b>
<b>TRANSMISSION SYSTEM ENGINEERING .....</b>	<b>8</b>
<b>SCHEDULING.....</b>	<b>9</b>
<b>PROPOSED SCHEDULE .....</b>	<b>10</b>

# ISSUES IDENTIFICATION REPORT

California Energy Commission Staff

This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of the potential issues that have been identified in the case thus far. These issues have been identified as a result of our discussions with federal, state, and local agencies, and our review of the San Gabriel Generating Station Project Application for Certification (AFC), Docket Number 07-AFC-2. The Issues Identification Report contains a project description, summary of potentially significant environmental and engineering issues, and a discussion of the proposed project schedule. The staff will address the status of issues and progress towards their resolution in periodic status reports to the Committee.

## PROJECT DESCRIPTION

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On April 13, 2007, the San Gabriel Power Generation, LLC, a subsidiary of Reliant Energy, submitted an Application for Certification (AFC) to construct and operate the San Gabriel Generating Station (SGGS) Project, a combined cycle electrical power plant facility in the City of Rancho Cucamonga, San Bernardino County. On May 21, 2007, the San Gabriel Power Generation, LLC provided supplemental information to the AFC to satisfy the Energy Commission's informational requirements. On May 23, 2007, the Energy Commission accepted the AFC with the supplemental information as complete. This determination initiated Energy Commission staff's independent analysis of the proposed project.

The proposed SGGS would have a net electrical output of 656 megawatts (MW), with construction planned to begin in fall of 2008 and commercial operation planned by summer of 2010. Primary equipment for the generating facility would include two natural gas-fired combustion turbine-generators (CTGs) rated at 180 MW each, two heat recovery steam generators (HRSGs), one steam turbine-generator (STG) rated at 340 MW, and ancillary equipment. A closed (air-cooled) auxiliary cooling water system will provide for cooling of the CTGs, STG, and lube oil and hydraulic oil systems. The proposed new linear facilities would consist of a natural gas line, an electric transmission line, and on-site water pipelines for fire protection and potable water uses.

The proposed SGGS facility would occupy a 17-acre site in an area zoned for heavy industrial use. The majority of the site consists of approximately 16.2 acres in the northwestern portion of the existing 60-acre Etiwanda Generating Station (EGS) property owned by Reliant Energy, located at 8996 Etiwanda Avenue. It would also occupy approximately 0.8-acre of adjacent property currently owned by the Inland Empire Utility Agency (IEUA). The proposed SGGS project site would be located adjacent to Southern California Edison's (SCE) planned Rancho Vista substation and approximately 1 mile east of Interstate 15 (I-15) and 1.5 miles north of Interstate 10 (I-10). The planned Rancho Vista substation, which is scheduled to start construction in mid-2008 and begin operating in mid-2009, is not part of the proposed SGGS project.

Several areas within the EGS property would be used for onsite temporary construction laydown. In addition, approximately 4.5 acres of land currently owned by IEUA would be used for onsite construction laydown. An offsite construction laydown and parking area, approximately 11.2 acres within a 15-acre site, would be located approximately 1,300 feet west of the proposed SGGS project site. This site is bounded on the north by the Burlington Northern Santa Fe (BNSF) Railroad main east-west line, on the east by a BNSF spur track, and on the south and west by dirt roads. An approximately 3,120-foot temporary access road from 6<sup>th</sup> Street to the offsite laydown/parking area and proposed SGGS project site would be built during the initial project construction phase.

Transmission interconnection would require a 1,100-foot, single-circuit 525-kV line that would connect the proposed SGGS project switchyard with the future SCE Rancho Vista substation. Natural gas will be supplied to the proposed SGGS project by the Southern California Gas Company, the current supplier of natural gas to the EGS. It will be provided using a new 530-foot, 20-inch-diameter gas line connection from gas transmission line 4002 that will continue generally westward to a new proposed SGGS project metering station on the EGS property.

Dry cooling technology in the form of an air-cooled condenser will be used by the proposed SGGS facility. Water for non-cooling needs will be supplied to the proposed SGGS project site from the existing EGS makeup water reservoir, which contains primarily reclaimed water from the IEUA supplied under an existing water services agreement. Sanitary wastewater will be discharged to a new onsite sanitary waste septic system, which will include a septic tank and leachfield. Plant process wastewater streams will be collected in the plant wastewater sump. From the sump, the wastewater will be pumped via an existing 21-inch pipeline to the IEUA system under the existing EGS Industrial User's permit.

Air emissions from the proposed SGGS facility would be controlled using best available control technology applied to each CTG's and HRSG's exhaust. Dry low nitrogen oxide combustors in the CTGs and selective catalytic reduction (SCR) units in the HRSGs will be used to control oxides of nitrogen (NO<sub>x</sub>). Aqueous ammonia will be used in the SCR unit. An oxidation catalyst unit will be used in the HRSGs for the control of carbon monoxide (CO) and precursor organic compounds (POC). Final permitting by the Energy Commission would reflect conformance with rules and regulations of the South Coast Air Quality Management District and include the issuance of a Determination of Compliance from the District.

## POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential issues 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 government agencies and on our 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 or potential 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 Air Quality and Transmission System Engineering areas where potentially significant issues have 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.

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

This report does not limit the scope of staff's analysis throughout this proceeding, but it acts to aid in the analysis of the potentially significant issues that the SGGs proposal poses. The following discussion summarizes the potential issues, identifies the parties needed to resolve the issues, and where applicable, suggests a process for achieving resolution. At this time, staff does not see these potential issues as non-resolvable.

## **AIR QUALITY**

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San Gabriel Power Generation, LLC, (applicant) faces significant challenges in securing adequate criteria air pollutant mitigation for the proposed power plant project. The project is located in the South Coast Air Quality Management District (SCAQMD) where emission reduction credits (ERCs) and RECLAIM Trading Credits (RTCs) are scarce and expensive. Since the applicant has not yet purchased sufficient ERCs or RTCs necessary for the project mitigation, they may ultimately rely on a pending SCAQMD rulemaking to secure the balance of the mitigation for this project. Staff presents a summary of the most significant issues below and will be issuing data requests addressing these and other matters.

### ***SCAQMD RULE 1309.1 (PRIORITY RESERVE) REVISION***

The applicant may ultimately rely on revisions to the SCAQMD's Priority Reserve program (SCAQMD Rule 1309.1) to mitigate PM<sub>10</sub> (particulate matter less than 10 microns) project emissions. For the purpose of revising SCAQMD Rule 1309.1, the SCAQMD initiated a rulemaking process in December 2005, issued a Notice of Preparation and Initial Study in February 2006, issued an Environmental Assessment (EA) on June 30, 2006, retracted the EA and adopted a modified version of the proposed rule on September 8, 2006. The SCAQMD was subsequently sued by various environmental groups (law suit is still pending) in November of 2006. In an effort to reach agreement with all interested parties, SCAQMD prepared further amendments (six options) for Rule 1309.1 in February of 2007. A final proposed amendment of Rule 1309.1 was issued with a staff analysis on June 12, 2007. The SCAQMD Board is expected to hear the matter on July 13, 2007. The uncertainties associated with the rulemaking are potentially the most significant barrier to the applicant securing an air mitigation package for the project.

If the proposed amendments to Rule 1309.1 are ratified, the applicant might not be eligible to access the SCAQMD Priority Reserve. The proposed amendment to Rule 1309.1 includes a cancer risk limit and a Nitrogen Oxide (NO<sub>x</sub>) emission rate limit as a prerequisite for accessing the Priority Reserve. The project may be in excess of these two limits and thus not be permitted access to the Priority Reserve. Staff is currently working with the SCAQMD and the applicant to better understand the potential SCAQMD findings and determine whether any project modifications would be necessary.

### ***NITROGEN OXIDES (NO<sub>x</sub>) MITIGATION & THE SCAQMD RECLAIM PROGRAM***

The project is required to participate in the SCAQMD RECLAIM program for NO<sub>x</sub> (Regulation XX). Based on the Energy Commission Decision for the Inland Empire Energy Center Project (01-AFC-17), the applicant will need to provide proof that they have obtained sufficient NO<sub>x</sub> RECLAIM trading credits (RTCs) for the first year of operation through either option contracts or outright ownership by the time of the Evidentiary Hearings. The applicant has not yet obtained sufficient NO<sub>x</sub> RTCs either through option contracts or outright ownership nor provided a schedule for obtaining these offsets.

## ***VOLATILE ORGANIC COMPOUND (VOC) & SULFUR OXIDES (SOx) MITIGATION***

Based on the offsetting requirements of SCAQMD Regulation XIII, the applicant must offset the project's VOC and SOx emissions with ERCs. The applicant has not yet obtained sufficient VOC or SOx ERCs either through option contracts or outright ownership nor provided a schedule for obtaining these offsets.

## **TRANSMISSION SYSTEM ENGINEERING**

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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 the transmission system resources and the indirect or downstream transmission impacts, staff relies on the System Impact Study.

The study analyzes the effect of the proposed project on the ability of the transmission network to meet reliability standards. When the study determines 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. Without a complete System Impact Study, staff is not able to fulfill the CEQA requirement to identify the direct and indirect effects of the proposed project.

Staff will prepare data requests to obtain the System Impact Study and an environmental assessment in order to evaluate the environmental impacts of new or modified downstream transmission system facilities. If the study identifies significant downstream facilities, the environmental analysis of these facilities could affect the project schedule.



## **SCHEDULING**

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Although staff has experienced some delays early in this AFC proceeding, the proposed schedule reflects accomplishing the processing of the SGGs AFC according to the Commission's normal 12-month AFC schedule. The delays experienced to date and foreseeable are attributable 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 schedule has already been affected due to additional time needed by staff to prepare data requests in conjunction with work on other siting cases. However, staff has prepared a very comprehensive first round of data requests consisting of about 65 information requests, and hopes to avoid or minimize the need for a second round of data requests as well as expediting other activities.

The schedule could also be affected if the South Coast Air Quality Management District (SCAQMD) is delayed in issuing a Preliminary Determination of Compliance attributable to the timing of its final determination of its rules governing the Priority Reserve. The SCAQMD has indicated that at this time, it believes it will be able to issue the Preliminary and Final Determinations of Compliance according to our regulations. Staff will continue to work closely with the SCAQMD to support the efficient processing of the SGGs application and analysis of air quality impacts. Overall, staff, the applicant and agencies will coordinate closely and strive to ultimately achieve a 12-month AFC schedule for the SGGs.

Staff's proposed schedule, assuming that it is not necessary for staff to prepare and the applicant to respond to a second data request set is presented as follows:

**STAFF'S PROPOSED SCHEDULE – SAN GABRIEL GENERATING STATION PROJECT  
(07-AFC-2)**

<u>ACTIVITY</u>	<u>DATE</u>
Applicant files Application for Certification (AFC)	4/13/07
Executive Director's recommendation on data adequacy	5/10/07
Commission's determination on data adequacy	5/23/07
Staff files Issue Identification Report	6/29/07
Staff files data requests	est. 7/02/07
Informational Hearing and Site Visit	7/06/07
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Applicant provides data responses	8/02/07
Data response and issue resolution workshop	8/09/07
Staff and applicant each file Status Report 1	8/15/07
Local, state and federal agency draft determinations & SCAQMD PDOC	9/20/07
Staff and applicant each file Status Report 2	10/15/07
Staff files Preliminary Staff Assessment (PSA)	10/19/07
PSA workshop	11/01/07
Local, state and federal agency final determinations & SCAQMD FDOC	11/19/07
Staff and applicant each file Status Report 3	12/15/07
Staff files Final Staff Assessment (FSA)	12/19/07
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	est. 5/22/08

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

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

APPLICATION FOR CERTIFICATION  
FOR THE SAN GABRIEL  
GENERATING STATION

Docket No. 07-AFC-2  
PROOF OF SERVICE  
(Est. 5/24/2007)

**INSTRUCTIONS:** All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:

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**DECLARATION OF SERVICE**

I, Terry Piotrowski, declare that on June 29, 2007, I deposited copies of the attached Issues Identification Report in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

**OR**

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

I declare under penalty of perjury that the foregoing is true and correct.

  
Terry Piotrowski