

CALIFORNIA ENERGY COMMISSION
 1516 NINTH STREET
 SACRAMENTO, CA 95814-5512

December 14, 2007

DOCKET
06-AFC-7



DATE DEC 14 2007
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TO: AGENCY DISTRIBUTION LIST

**REQUEST FOR AGENCY COMMENTS ON THE PRELIMINARY STAFF
 ASSESSMENT FOR THE HUMBOLDT BAY REPOWERING PROJECT (06-AFC-7)**

The enclosed Preliminary Staff Assessment (PSA) contains the California Energy Commission staff's initial engineering and environmental evaluation of Pacific Gas and Electric Company's (PG&E's) proposed Humboldt Bay Repowering Project (HBRP) Application for Certification (06-AFC-7). The PSA was published on November 29, 2007. The PSA contains the California Energy Commission staff's initial engineering and environmental evaluation of the HBRP, and staff's findings are summarized as follows:

- **Public Health** - Based on staff's preliminary health risk assessment, the HBRP could cause a significant cancer risk to public health and would not conform to related laws, ordinances, regulations, and standards (LORS). The potential health risk is associated with HBRP's proposed use of diesel fuel as a backup during natural gas curtailments. Natural gas with a diesel pilot would be the normal source of fuel for the dual-fueled reciprocating engine-generator units.
- **Air Quality** - Staff cannot conclude the project's impacts would be less than significant in Air Quality or that the project would conform with all applicable LORS in the area of Air Quality. Air Quality issues stem primarily from PG&E's goal to operate the HBRP during natural gas curtailments on diesel fuel. Energy Commission staff and North Coast Unified Air Quality Management District (NCUAQMD) both propose an upper limit for hours of operation using diesel fuel, which is needed to support evaluation of emission impacts and to establish necessary air emission offsets. In addition, PG&E and staff disagree on whether natural gas curtailments qualify as an emergency condition, which is a factor in determining allowable emission limits under the regulations.
- **Biology** - Staff is unable to make a final recommendation regarding the HBRP due to staff's pending review of Coastal Commission documents regarding compliance with the Coastal Act.
- **Land Use** - The potential public health risk also has the effect of causing land use non-conformity under Humboldt County's Humboldt Bay Area Plan as a cancer risk would not be compatible with adjacent land uses that are occupied by residences.

On September 29, 2006, PG&E submitted an Application for Certification (AFC) to construct and operate the Humboldt Bay Repowering Project (HBRP) near the City of Eureka, Humboldt County. The AFC seeks approval from the California Energy Commission to construct and operate a nominal 163 megawatt (MW) power plant consisting of ten (10) dual-fueled (natural gas with a diesel pilot or diesel) reciprocating

December 14, 2007


Page 2

engine-generator sets rated at 16.3 MW each. The HBRP would normally be fueled by natural gas with a diesel pilot, and would operate using California Air Resources Board (CARB)-certified diesel fuel when natural gas is curtailed or otherwise not available.

We request that you review the enclosed PSA for the areas in which your agency would normally be responsible but for the Energy Commission's permitting authority. Please provide any written comments to John Kessler, Siting Project Manager by Wednesday, January 2, 2007. The staff will also be taking into account comments made at the PSA workshop held in Eureka on December 14, 2007. Comments received will be used for preparing the Final Staff Assessment which will be staff's testimony in evidentiary hearings.

If you desire information on technical or project schedule issues, or how to participate in the Energy Commission's review of the project, your questions should be directed to John Kessler at (916) 654-4679 or at jkessler@energy.state.ca.us. The status of the project, an electronic copy of the AFC, copies of notices, and other relevant documents are also available on the Energy Commission's web site at <http://www.energy.ca.gov/sitingcases/humboldt>.

Sincerely,



Eileen Allen
Siting and Compliance Office Manager

Enclosure