

Memorandum

Date: February 21, 2008

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To: Jackalyne Pfannenstiel, Presiding Member
James D. Boyd, Associate Member

From: California Energy Commission – Mike Monasmith
1516 Ninth Street Project Manager
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DOCKET 06-AFC-4	
DATE	FEB 21 2008
RECD.	FEB 21 2008

Subject: **VERNON POWER PLANT PROJECT (06-AFC-4) STATUS REPORT #5**

The following is staff's fifth status report on the proposed Vernon Power Plant (VPP) project. Staff has reviewed the applicant's January 21, 2008 response to its January 18, 2008 Status Report #4 and believes Air Quality is still an issue affecting its progress towards publishing a Preliminary Staff Assessment (PSA).

AIR QUALITY

The South Coast Air Quality Management District (District) adopted its proposed amendments to Rule 1309.1 – Priority Reserve on August 3, 2007. Staff believes there is general agreement regarding these rules limiting the eligibility of power plant owners to use Priority Reserve emission reduction credits (ERCs) in certain areas of the District to an output no greater than native load requirements. Given that the VPP project is located within the District's Zone 3, Environmental Justice Area designation, staff believes the applicant would not have access to Priority Reserve credits for air quality impacts mitigation at its proposed capacity of 943 MW. This capacity would exceed the District's peak native load requirement by 203 MW which was established during the summer of 2007. Moreover, given the applicant's lack of a power purchase agreement, whereby access to Priority Reserve credits would be allowed, from staff's perspective the project does not appear to be moving forward. The District has not provided staff with an expected publication date for a Preliminary Determination of Compliance, which would address the issue of the project's conformance with the Priority Reserve rule.

PROJECT STATUS

Staff believes numerous technical areas (i.e., air quality, public health, environmental justice, cooling tower plumes, transmission system engineering and waste management) have unresolved issues and information gaps which would result in an incomplete PSA. With respect to outstanding information, staff has not received all responses to data requests filed on February 5, 2007 and April 24, 2007 regarding waste management and transmission system engineering. The alignment of transmission line routes is still unclear; staff needs a response from applicant's inquiry to the Los Angeles Department of Water & Power regarding potential transmission system impacts. With the date of issuance of the PDOC by the District still undetermined, a date for filing the PSA cannot be identified at this time. However, in accordance with the Committee's order staff will continue to work cooperatively with the applicant, all local, state and federal agencies and the Committee to resolve outstanding issues in as timely a manner as feasible.

PROOF OF SERVICE (REVISED 1/22/08) FILED WITH
ORIGINAL MAILED FROM SACRAMENTO ON 2/21/08

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

APPLICATION FOR CERTIFICATION
FOR THE VERNON POWER PLANT PROJECT
BY THE CITY OF VERNON

DOCKET NO. 06-AFC-4
PROOF OF SERVICE LIST
(REVISED 1/22/2008)

INSTRUCTIONS: All parties shall (1) file a printed, original signed document plus 12 copies OR file one original signed document and e-mail the document to the Docket address below, AND (2) all parties shall also send a printed OR electronic copy of the document, plus a proof of service declaration, to each of the entities and individuals on the proof of service list:

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DECLARATION OF SERVICE

I, Maria Sergoyan, deposited copies of the attached Vernon Power Plant Project (06-AFC-4) Status Report #5 in the United States mail on February 21, 2008, 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.



Maria Sergoyan