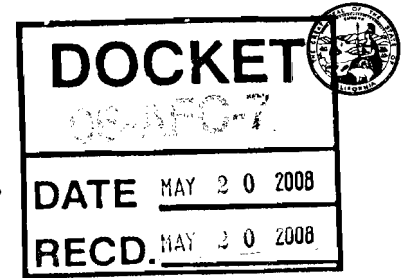


CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



May 20, 2008

Dear Librarian:

**DOCUMENT HANDLING FOR THE HUMBOLDT BAY REPOWERING PROJECT
(06-AFC-7)**

The enclosed Final Staff Assessment (FSA) contains the California Energy Commission staff's final engineering and environmental evaluation of the proposed Humboldt Bay Repowering Project. Please make this FSA available for those who may wish to be informed about the project. We request that you not allow the FSA or any of its contents to be removed from the library. To increase accessibility of the document, we ask, if possible, that you cross reference it as a general reference work under the title and author categories, as well as under such subjects as "Energy Commission," "electricity energy/generation," "power plant siting," or any other relevant subject. Please retain the enclosed letter to the public behind the front cover of the FSA.

The Energy Commission's siting process is open to the public and incorporates the input of the public as well as local, state and federal agencies. To facilitate public participation in our review process, the Energy Commission distributes copies of staff documents such as the FSA to public libraries in communities near the proposed project, and in major cities throughout the state.

Thank you for your cooperation. If you have any questions, please contact John Kessler, Project Manager, at (916) 654-4679, or by e-mail at: jkessler@energy.state.ca.us

Sincerely,

A handwritten signature in black ink, appearing to read "Eileen Allen". The signature is written over a horizontal line.

Eileen Allen
Siting and Compliance Office Manager

Enclosure

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



May 20, 2008

To: MEMBERS OF THE PUBLIC

PUBLIC PARTICIPATION IN THE REVIEW OF HUMBOLDT BAY REPOWERING PROJECT FINAL STAFF ASSESSMENT (06-AFC-7)

The enclosed Final Staff Assessment (FSA) contains the California Energy Commission staff's final 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 FSA was published on May 15, 2008. Energy Commission staff concludes that with the applicant's proposed mitigation measures and the staff's proposed conditions of certification, the HBRP would not cause a significant adverse environmental or public health impact and would conform with all applicable laws, ordinances, regulations, and standards (LORS) including the California Coastal Act. **Staff will conduct a separately noticed FSA workshop to discuss its conclusions on June 16, 2008 in Eureka.**

In its evaluation of Cultural Resources, staff believes the project as proposed would cause a significant indirect impact on a significant historical resource, the Humboldt Bay Power Plant Historic District (HBPPHD). Although Unit 3 is part of the overall HBPPHD, staff has not identified any indirect impact to Unit 3 and its associated structures. PG&E has already determined Unit 3 to be historically significant; staff agrees that as a single unit, it is not affected by the HBRP. Staff considers the overall HBPPHD consisting of the existing operating Units 1 and 2, Unit 3 which is being decommissioned, and associated facilities of the HBPP to be historically significant as it is the first and only combined conventional and nuclear power plant in California. However, staff believes that the indirect impact on the HBPPHD would be fully mitigated with implementation of staff's proposed mitigation measures and conditions of certification that would require PG&E, before demolishing Units 1 and 2 and appurtenant structures, to perform a historical recordation of the existing HBPP, and to maintain these records in perpetuity.

Because of Public Health concerns identified by staff regarding the potential cancer risk associated with diesel use by the project as originally proposed, the applicant proposed several project modifications that reduced the health risks to below levels of significance. These modifications included raising the exhaust stack heights from 75 to 100 feet to improve air dispersion characteristics and reducing the hours of operation when using only diesel fuel from 1,000 to 510 hours per year combined for all engines. The applicant also found that its assumptions regarding operation in diesel mode for performing annual emission testing could be less than originally proposed and reduced the testing requirements. In addition, the applicant provided evidence that diesel particulate matter - the major contributor to health risks - would be reduced 30% by the proposed oxidation catalyst treatment of exhaust from the engines. Staff has proposed conditions of certification that would establish an initial operational limitation of 510 hours on diesel fuel, would require PG&E to conduct emission source testing following commercial operation, and to update its Health Risk Assessment based on the project-specific emission data. . The results of the Health Risk Assessment could alter the permitted hours of diesel

operation either upward or downward subject to the project not exceeding the threshold of significance for causing a significant human health hazard resulting from either an acute (short-term) or chronic (long-term) non-cancer health impacts or cancer risk.

Staff is proposing that PG&E fund the construction of a public use area in the form of the Truesdale Point to Hilfiker Lane Trail element of the Elk River Access Project. The new 2,265 foot long waterfront trail would follow along the Humboldt Bay shoreline in the city of Eureka and would link public access from two primary parking locations at Truesdale Point and Hilfiker Lane, as well as contribute to larger plans for development of the California Coastal Trail.

Background

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 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 not available. This project is a replacement of the existing 105 MW Units 1 and 2 and the two 15 MW Mobile Emergency Power Plants (MEPP) at PG&E's Humboldt Bay Power Plant site.

The proposed HBRP site is located at 1000 King Salmon avenue, approximately three miles south of the city of Eureka, in an unincorporated area of Humboldt County. The project would be located on 5.4 acres within a 143-acre parcel currently occupied by PG&E's existing Humboldt Bay Power Plant

Air emissions from the proposed facility would be controlled using best available control technology applied to each engine's exhaust. Each system would consist of a selective catalytic reduction unit for oxides of nitrogen (NO_x) control and an oxidation catalyst unit for carbon monoxide (CO) and volatile organic compounds (VOC) control. In order to be considered for licensing by the Energy Commission, the project would be required to conform with rules and regulations of the North Coast Unified Air Quality Management District (NCUAQMD) and be issued a Determination of Compliance from NCUAQMD.

The HBRP proposes using approximately 2,400 gallons of water per day (2.7 acre-feet/year) on average for cooling or other industrial purposes, which is a fraction of the water required for traditional combined-cycle turbine design. The generators would use an air radiator cooling system in a closed loop system (similar to automobiles). The HBRP would discharge industrial and sanitary wastewater into the Humboldt Community Services District (HCSD) sanitary sewer system at an average rate of about 860 gallons per day. Raw water for industrial processes and site landscape irrigation would be supplied from PG&E's existing ground water well via a direct connection to an onsite 6-inch-diameter water pipeline. Domestic water required for non-process uses (i.e., sinks, toilets, showers, drinking fountains, eye wash/safety showers, etc.) would be provided from a new 4- to 6-

inch-diameter on-site pipeline running 1200 feet to a connection with the existing HCSD line that runs along King Salmon Avenue.

The project would be connected from the generators to the existing switchyard via two 60 kilovolt (kV) tie lines and one 115-kV tie line. No new transmission lines would be required. Natural gas would be supplied to the HBRP via an onsite 10-inch-diameter, high-pressure, natural gas pipeline owned and operated by PG&E. PG&E seeks to begin construction of the project in Fall 2008, and to achieve commercial operation during the second quarter of 2010.

The Energy Commission is responsible for reviewing and ultimately approving or denying all applications for construction and operation of thermal electric power plants, 50 MW and greater, proposed for construction in California. The Energy Commission's facility certification process carefully examines public health and safety, environmental impacts and engineering aspects of proposed power plants, and all related facilities such as electric transmission lines and natural gas and water pipelines. The Energy Commission is the lead agency under the California Environmental Quality Act (CEQA), and produces several environmental and decision documents rather than an Environmental Impact Report.

The FSA contains the Energy Commission staff's environmental and engineering evaluation of the HBRP and will serve as staff's testimony during evidentiary hearings. The Energy Commission Committee assigned to the HBRP proceedings will consider and weigh the testimony, comments, or recommendations of all interested parties, including Energy Commission staff, the applicant, interveners, public, and other local, state, and federal agencies, before issuing the Presiding Member's Proposed Decision (PMPD) for consideration by the full Energy Commission. The public, intervenors, and local, state and federal agencies are encouraged to participate in these hearings and the preceding (June 16) FSA workshop. The Energy Commission has scheduled the hearings for 10:00 AM on June 17, 2008 at the Wharfinger Building in Eureka as announced in a separate notice.

If you desire information on participating in the Energy Commission's review of the project, please contact the Energy Commission Public Adviser's Office, at (916) 654-4489 toll free in California at (800) 822-6228, or by email at: pao@energy.state.ca.us. Technical or project schedule questions should be directed to John Kessler, Energy Commission Project Manager, at (916) 654-4679, or by email at: jkessler@energy.state.ca.us. If you need reasonable accommodation in terms of American Disabilities Act assistance or for language translation, please contact Lourdes Quiroz of the Administrative Services Division at (916) 654-5146, or e-mail Lourdes at lquiroz@energy.state.ca.us. The status of the project, copies of notices, and other relevant documents are also available on the Energy Commission's Internet web site at: <http://www.energy.ca.gov/sitingcases/humboldt>. News media inquiries should be directed to the Media and Public Communications Office, at (916) 654-4989, or by email at: mediaoffice@energy.state.ca.us.

Note: Please retain this letter behind the front cover of the FSA. Thank You.