

Memorandum

Date: December 31, 2009
Telephone: (916) 654-4894

To: James Boyd, Vice Chairman and Presiding Member
Jeffrey D. Byron, Commissioner and Associate Member
Hearing Officer, Raoul Renaud

DOCKET	
08-AFC-8	
DATE	DEC 31 2009
REC'D	JAN 04 2010

From: California Energy Commission – Rod Jones
1516 Ninth Street
Sacramento, CA 95814-5512
Project Manager

Subject: **HYDROGEN ENERGY CALIFORNIA PROJECT (08-AFC-8) STATUS REPORT 2**

Staff submits the following Status Report #2 for the proposed Hydrogen Energy California (HECA) project, pursuant to the Committee Scheduling Order dated September 28, 2009.

Current Issues and Activities for Resolution

Carbon Sequestration - Staff met with representatives from the California Department of Conservation's Division of Oil, Gas, and Geothermal Resources (DOGGR) on November 19, 2009 to discuss coordinated review of the project's proposal to sell carbon dioxide (CO₂) to Occidental Petroleum (Oxy) for permanent sequestration. Occidental operates numerous wells in the adjacent oil field area known as Elk Hills. DOGGR staff indicated that they do not currently believe they have statutory authority to permit oil field activities that have the goal of permanently sequestering carbon, and that such activities could conflict with their duty to ensure the continued availability of petroleum resources. The applicant believes that DOGGR has the necessary authority and, with Oxy, is taking steps to meet with the agency to try to resolve this issue. Staff is concerned that without DOGGR's involvement in permitting Oxy's sequestration of HECA's carbon emissions, there will be no mechanism to ensure the permanent sequestration of carbon produced by HECA, thus raising serious questions whether the project could comply with LORS or meet CEQA significance thresholds concerning greenhouse gas emissions. While staff is hopeful that resolution can be reached, doing so will require significant effort on the part of the applicant to coordinate with DOGGR and could result in a further delay of the schedule.

If the applicant cannot make headway on this issue in a reasonable amount of time, staff suggests that a next step forward may be to have the Committee hold a workshop or conference on this issue with the parties and DOGGR, California Air Resources Board, U.S. Environmental Protection Agency, and any other agencies that may have expertise/regulatory authority in the area of carbon sequestration.

Information Discovery and Analysis

Staff is working through the discovery and analysis phase of the proposed HECA project Application for Certification (AFC). Staff is currently focusing on acquiring more information in the areas of air quality, efficiency, and water resources as noted in status report 1.

Responses to Energy Commission Data Requests Set No.1 (#s 1 through 132)

On November 12, 2009, staff received Hydrogen Energy International's (applicant) data responses and is in the process of reviewing the information. In addition, pursuant to Title 20,

California Code of Regulations, Section 1716(f), the applicant has requested an extension of time (30 to 60-days) and has objected to 48 of the 132 set No. 1 data requests (e.g., air quality, visual resources, public health, soil and water resources, and cultural resources). Staff has recently received the responses to CEC Data Requests Set One (#s. 1, 2, 6, and 19), which covers air quality emissions.

Data Requests Set No. 2 (#s 133 through 141)

Staff is preparing a second set of data requests (#s 133 through 141) which covers biology, land use, public health, socioeconomics, and traffic and transportation, and at the request of the applicant will be filing this document shortly.

Application For Confidential Designation – Response to Energy Commission Data Requests

Pursuant to California Code of Regulations, Title 20, Sections 1209, 1209.5, 1210, and 2505, the applicant has filed with the California Energy Commission's Executive Director a request for confidential designation of responses to Energy Commission Staff's Data Requests Nos. 28, 64, 81, 82, and 115, which represent the technical areas mentioned in the previous section.

Schedule

Given the applicant's request to extend the deadline for data responses and the questions raised concerning DOGGR's involvement with the applicant's proposal to sell its carbon dioxide to Oxy for permanent sequestration, the project schedule has slipped. Once staff has received feedback from the applicant regarding any progress it has made in its efforts to resolve this issue, we will be recommending to the Siting Committee a new project schedule that better reflects the time required to work with other agencies to resolve and analyze all issues associated with sequestration.



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV**

**APPLICATION FOR CERTIFICATION
FOR THE *HYDROGEN ENERGY*
*CALIFORNIA PROJECT***

Docket No. 08-AFC-8

**PROOF OF SERVICE LIST
(Rev. 9/3/09)**

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DECLARATION OF SERVICE

I, April Albright, declare that on January 4, 2010, I served and filed copies of the attached Energy Commission Staff's Status Report 2 dated, December 31, 2009. The original document, filed with the Docket Unit, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at: [www.energy.ca.gov/sitingcases/hydrogen_energy].

The documents have been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:

(Check all that Apply)

FOR SERVICE TO ALL OTHER PARTIES:

sent electronically to all email addresses on the Proof of Service list;

by personal delivery or by depositing in the United States mail at Sacramento, CA with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

AND

FOR FILING WITH THE ENERGY COMMISSION:

sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (*preferred method*);

OR

depositing in the mail an original and 12 paper copies, as follows:

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 08-AFC-8
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.state.ca.us

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

Original signed by: _____
April Albright