

**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

<b>DOCKET</b>	
<b>07-AFC-2</b>	
DATE	<u>APR 27 2012</u>
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**SAN GABRIEL POWER GENERATION, LLC  
REQUEST FOR ADDITIONAL PROJECT SUSPENSION**

April 27, 2012

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REQUEST FOR ADDITIONAL PROJECT SUSPENSION**

In accordance with Section 1716.5 of the regulations of the California Energy Commission (“Commission”), San Gabriel Power Generation, LLC (“San Gabriel”) requests an additional twelve month suspension of this proceeding. This proceeding addresses San Gabriel’s application for certification of the San Gabriel Generating Station (the “San Gabriel Project”), a 696 megawatt natural gas-fired electricity generating facility to be located at the site of an existing power plant in Rancho Cucamonga, California, within the jurisdiction of the South Coast Air Quality Management District (“SCAQMD”). The Committee previously granted suspensions of this proceeding, most recently in an order dated June 8, 2011. The current suspension is due to expire May 10, 2012.<sup>1</sup>

San Gabriel requested the previous suspensions due to permitting difficulties associated with the unavailability within the South Coast Air Basin of emission offsets needed to satisfy applicable SCAQMD rules. Those permitting difficulties still exist and emission offsets are still not available for the San Gabriel Project, as explained below.

It was San Gabriel’s intent to access SCAQMD “Priority Reserve” credits pursuant to SCAQMD Rule 1309.1 (as amended on August 3, 2007) as the source of emission offsets for PM<sub>10</sub> and SO<sub>x</sub>. SCAQMD Rule 1309.1 as so amended would have allowed the use of the Priority Reserve credits for power plant projects such as the San Gabriel Project, as reflected in the SCAQMD’s Preliminary Determination of Compliance (“PDOC”) in this proceeding. In the PDOC, the SCAQMD concluded that the San Gabriel Project would comply with applicable requirements to be qualified to access Priority Reserve credits. Since that time, however, SCAQMD Rule 1309.1 (as amended on August 3, 2007) was challenged in court and the

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<sup>1</sup> As reported previously, San Gabriel is a wholly owned subsidiary of GenOn Energy, Inc. GenOn Energy, Inc. was created through the merger between Mirant Corporation and RRI Energy, Inc., which was effective on December 3, 2010. Before the merger, San Gabriel was a wholly owned subsidiary of RRI Energy, Inc.

SCAQMD has not pursued a rulemaking that would allow power plant projects to access Priority Reserve credits. Priority Reserve credits therefore are not available to the San Gabriel Project at this time.

San Gabriel understands that it will need to provide appropriate and adequate emission offsets prior to issuance of final permits to construct for the San Gabriel Project. Given the current unavailability of the Priority Reserve credits, it is necessary to pursue alternative sources of emission offsets. Unfortunately there are few options for power plants located in the South Coast Air Basin. The Legislature has recognized this problem in Assembly Bill 1318 (“AB 1318”), which requires the State Air Resources Board, in consultation with this Commission, the California Public Utilities Commission (“CPUC”), the California Independent System Operator (“CAISO”), and the State Water Resources Control Board, to prepare a report for the Governor and Legislature that evaluates the electrical system reliability needs of the South Coast Air Basin. The report is to include recommendations for meeting those reliability needs while ensuring compliance with state and federal law. If additional fossil fueled electricity generation facilities are needed, the report is to include recommendations for long-term emission offsets availability and options to ensure sustainable permitting of additional needed capacity. This requirement reflects the unavailability of emission offsets for power plants under SCAQMD’s current program, and recognizes that acquiring offsets from other sources is, as stated in the draft AB 1318 work plan, “a challenging task given the scarcity and exorbitant price of private market emission reduction credits in the SCAQMD.”<sup>2</sup>

The AB 1318 effort has been underway since 2010, and the interagency team has focused on assessing the need for capacity in South Coast Air Basin, how emissions from new capacity match available offsets (or internal bank credits), and whether to develop rule and permitting mechanism changes. The Commission’s *2011 Integrated Energy Policy Report* (issued February 2012) described the status of the AB 1318 effort as follows:

This effort has been slowed by the extraordinary analytic effort needed to identify renewable integration requirements for the mandated 33 percent renewable target by 2020, by the parallel assessment of transmission system upgrades needed to interconnect this renewable development to the bulk transmission system, and by the need to extend assessment of local capacity area

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<sup>2</sup> Draft Work Plan for the *Assessment of Electrical System Reliability Needs in South Coast Air Basin and Recommendations on Meeting those Needs*, prepared by the Interagency AB 1318 Technical Team (January 2011), p. 3.

requirements out to a 10-year horizon in a manner sensitive to the prospective impacts of demand-side and supply-side policy initiatives. Although delayed compared to original time schedules, the analytic work is underway jointly by the Energy Commission, CPUC, and California ISO to support possible modification to OTC compliance dates. The California ISO completed a portion of this effort when it released the LCR assessments as part of the 2011/12 transmission planning process. As of this writing, ARB anticipates developing a draft report that incorporates these assessments and estimates of offsets needed by new capacity in South Coast Air Basin by March 2012, with a final report to the Legislature in the summer of 2012.<sup>3</sup>

San Gabriel continues to monitor and participate in the AB 1318 process and to evaluate options for acquiring or creating emission offsets. San Gabriel does not expect the AB 1318 report to solve the problem, but the report should provide a foundation for the relevant state agencies, including SCAQMD, to identify the scope of the issues facing power plants in the region and to begin tailoring solutions to facilitate development. Given the lack of emission reduction credits in the market, development of new power plants in the South Coast Air Basin is likely to remain stalled until other solutions are developed, such as access to agency-banked emission credits at a cost that supports development, along with more flexible programs for creating new sources of offsets. To this end, San Gabriel also has participated in the SCAQMD working group that was formed to develop new mechanisms for creating PM<sub>10</sub> offsets.

It is clear that more time is needed to find a solution to this problem. Because offsets are an important part of the analysis of whether the San Gabriel Project would comply with applicable air quality laws, ordinances, regulations and standards, it would be appropriate to continue the suspension in this proceeding until a solution for obtaining the necessary offsets can be identified. To this end, San Gabriel requests an additional twelve month suspension of this proceeding. This would allow more time for the AB 1318 report to be published and evaluated, and for identifying a strategy for obtaining the offsets needed to allow development of the San Gabriel Project to proceed.

San Gabriel also continues to look for contracting opportunities that would support development of the San Gabriel Project. An additional twelve month suspension of this proceeding would allow more time for that effort. In addition to the AB 1318 process, the need

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<sup>3</sup> California Energy Commission *2011 Integrated Energy Policy Report* (February 2012) (CEC-100-2011-001-CMF), pp. 118-119.

for new flexible generating resources in Southern California is currently being evaluated in the CPUC's long term procurement plan ("LTPP") process. The CPUC recently opened a new rulemaking proceeding to continue its evaluation of this potential need. The new LTPP proceeding will consider the need for new generating capacity to meet local reliability needs and to address reliability impacts as a result of implementing the State Water Resources Control Board's policy for generating units utilizing once-through cooling technology ("OTC"), and the requirement for load serving entities to meet a 33 percent renewables portfolio standard by 2020. The CAISO studies so far have shown a need for new generation in the Los Angeles Basin local reliability area to replace retiring OTC capacity, and additional studies are in progress that will further clarify the need. The CPUC has stated that it intends to issue a determination regarding local capacity needs by the end of this year. The LTPP process may lead to competitive solicitations that provide power contracting opportunities to support development of the San Gabriel Project.

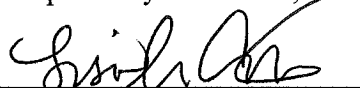
The San Gabriel Project would provide capacity and energy that could be used to serve reliability needs in Southern California while offering benefits associated with the use of an existing power plant site, including by avoiding the need to construct significant new electric transmission or natural gas pipeline lateral facilities. In light of these benefits, the San Gabriel Project should be well suited to meet reliability and capacity needs, and to provide other services necessary to operate and maintain the system, as may be identified through the AB 1318 and LTPP processes. This could lead to contracting opportunities that could help facilitate a solution to the problem of identifying emission offsets.

Because these planning processes could lead to competitive solicitations for new capacity or services, San Gabriel asks the Committee to keep the San Gabriel Project in suspension to reflect its continued status as a project that is in development and available for contracting. Any determination that could be construed as a termination or cancellation of the San Gabriel Project would be contrary to San Gabriel's intent to continue to pursue its development, and would send the wrong signal to potential buyers of the San Gabriel Project's output.

For these reasons, San Gabriel requests that this proceeding be suspended for an additional twelve months, which would end May 10, 2013. San Gabriel would continue submitting suspension status reports according to any schedule established by the Committee. San Gabriel very much appreciates the Committee's consideration of this request.

April 27, 2012

Respectfully submitted,



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Lisa A. Cottle

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**DECLARATION OF SERVICE**

I, Sallie Lopes, declare that on April 27, 2012, I served and filed copies of the attached *San Gabriel Power Generation, LLC Request for Additional Project Suspension*. These documents are accompanied by a copy of the most recent Proof of Service list, located at the web page for this project at <http://www.energy.ca.gov/sitingcases/sangabriel/index.html>.

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


- For service to all other parties: Sent electronically to all email addresses on the attached Proof of Service list; and by depositing in the United States mail at San Francisco, California with first-class postage thereon fully prepaid and addressed as provided on the attached Proof of Service list to those addresses **NOT** marked as "email preferred;"

**AND**

- For filing with the Docket Unit at the Energy Commission: Sent an electronic copy to the email address below:

[DOCKET@energy.state.ca.us](mailto:DOCKET@energy.state.ca.us)

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

  
\_\_\_\_\_  
Sallie Lopes



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT  
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APPLICATION FOR CERTIFICATION  
FOR THE **SAN GABRIEL**  
**GENERATING STATION**

Docket No. 07-AFC-02

PROOF OF SERVICE  
(Revised 3/21/2012)

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