

**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

California Energy Commission

**DOCKETED**

**07-AFC-2**

TN 70759

MAY 13 2013

**SAN GABRIEL POWER GENERATION, LLC  
REQUEST FOR ADDITIONAL PROJECT SUSPENSION**

May 13, 2013

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**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT  
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Docket No. 07-AFC-2

**SAN GABRIEL POWER GENERATION, LLC  
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 May 15, 2012. The current suspension expires May 15, 2013.

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.

When the application was filed, San Gabriel intended to access SCAQMD “Priority Reserve” credits pursuant to SCAQMD Rule 1309.1 (as amended on August 3, 2007) as the source of 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 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.

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 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 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>1</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* noted that the AB 1318 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 requirements out to a 10-year horizon in a manner sensitive to the prospective

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<sup>1</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.

impacts of demand-side and supply-side policy initiatives.”<sup>2</sup> The AB 1318 study remains a work in progress, and is currently building off assessments by the CAISO and Los Angeles Department of Water and Power (“LADWP”) regarding the need for new generating capacity to replace existing units utilizing once-through cooling technology that are expected to retire by 2021.<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 (“ERCs”) in the market, development of new power plants in the South Coast Air Basin may require other solutions, 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.<sup>4</sup>

San Gabriel is also evaluating a potential solution that involves the retirement of the existing 640 MW Etiwanda Generating Station, which is owned and operated by a San Gabriel affiliate, in order to utilize the offset exemption provided in SCAQMD Rule 1304(a)(2) for steam boiler replacements. Rule 1304(a)(2) provides an exemption to the requirement to provide ERCs to offset any emission increases for the replacement of an electric steam utility boiler with more efficient or advanced technology, such as a combined-cycle natural gas turbine, provided that the replacement project does not increase basinwide generating capacity. Replacement of the Etiwanda Generating Station would provide an offset exemption for up to 640 MW of replacement capacity. Utilizing this exemption, the San Gabriel Project would need to obtain ERCs for only the incremental 56 MW above the 640 MW exempt level. However, the Etiwanda Generating Station is fully contracted to provide summer resource adequacy capacity

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<sup>2</sup> California Energy Commission *2011 Integrated Energy Policy Report* (CEC-100-2011-001-CMF), pp. 118-119.

<sup>3</sup> California Energy Commission *2012 Integrated Energy Policy Report Update* (CEC-100-2012-001-CMF) (“2012 IEPR Update”), pp. 36-38.

<sup>4</sup> The 2012 IEPR Update notes a 2012 report by the SCAQMD that “commercial emission reduction credits for PM<sub>10</sub>, the pollutant with the tightest market, continue to cost in excess of \$100,000 per pound per day and are too scarce to support the level of power plant development identified in either the [CAISO] or LADWP studies.” 2012 IEP Update, p. 37.

through 2015, and the implications for electric reliability of retiring the Etiwanda Generating Station have not been fully evaluated and would require careful consideration by policymakers.

The viability of using the Rule 1304(a)(2) exemption for the San Gabriel Project could be affected by the SCAQMD's currently proposed Rule 1304.1, which would impose a substantial fee – several million dollars per year for a 640 MW replacement project under the currently proposed rule language – on projects that utilize the Rule 1304(a)(2) exemption. Along with many other stakeholders, NRG is actively engaged in the Rule 1304.1 rulemaking process. NRG will continue to evaluate the use of Rule 1304(a)(2) as a path to permitting the San Gabriel Project.

More time is needed to find a solution to the challenges posed by offset requirements in the SCAQMD. 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 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 parallel with the AB 1318 process, the need for new flexible generating resources in Southern California is being evaluated in the CPUC's long term procurement plan ("LTPP") process. In the first track of the current LTPP proceeding, the CPUC directed Southern California Edison Company to procure between 1400 and 1800 megawatts of electrical capacity in the West Los Angeles sub-area of the Los Angeles basin local reliability area, and between 215 and 290 megawatts of electrical capacity in the Moorpark sub-area of the Big Creek/Ventura local reliability area, to meet long-term local capacity requirements ("LCRs") by 2021.<sup>5</sup> The second track of the LTPP proceeding will consider the need for flexible generating capacity beyond that procured to meet LCR needs, to meet system reliability needs and assist in integrating a growing fleet of intermittent renewable

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<sup>5</sup> CPUC Decision 13-02-15, *Decision Authorizing Long-Term Procurement for Local Capacity Requirements* (February 13, 2013).

generating facilities. The LTPP process may lead to additional power contracting opportunities for 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, avoiding the need to construct significant new electric transmission or natural gas pipeline lateral facilities. The San Gabriel Project also would meet the objectives of the SCAQMD's 2011 "Air Quality-Related Energy Policy," which promotes clean energy technologies and "recognizes that fossil fuel electricity generation will still be needed in the Basin to complement projected increased use of renewable energy sources."<sup>6</sup> 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 15, 2014. 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.

May 13, 2013

Respectfully submitted,



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<sup>6</sup> SCAQMD *Air Quality-Related Energy Policy* (September 9, 2011).

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Docket 07-AFC-2

**DECLARATION OF SERVICE**

I, Sallie Lopes, declare that on May 13, 2013, 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**

- 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*

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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 03/04/2013)**

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PARTICIPANTS (LISTED FOR  
CONVENIENCE ONLY):**

After docketing, the Docket Unit will provide a copy to the persons listed below. Do not send copies of documents to these persons unless specifically directed to do so.

TBD  
Commissioner and TBD Member

Ken Celli  
Hearing Adviser

Eileen Allen  
Commissioners' Technical  
Adviser for Facility Siting

\* Indicates change