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State Of California

The Resources Agency of California

Memorandum

Date: October 6, 2006
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To: Chairman Jackalyne Pfannenstiel, Presiding Member
Commissioner, James D. Boyd, Associate Member

From: California Energy Commission - James W. Reede, Jr., Ed.D
1516 Ninth Street
Sacramento, CA 95814-5512
Siting Project Manager

Subject: **VERNON POWER PLANT PROJECT (06-AFC-4)**
ISSUES IDENTIFICATION REPORT

Attached is the staff's Issues Identification Report for the Vernon Power Plant project (06-AFC-4). This report serves as a preliminary scoping document that identifies the issues that Energy Commission staff believes will require careful attention and consideration. Energy Commission staff will present the issues report at the Informational Hearing and Site Visit to be held in early November 2006.

cc: Docket (06-AFC-4)
Proof of Service List

Attachment

PROOF OF SERVICE (REVISED 10/4/06) FILED WITH
ORIGINAL MAILED FROM SACRAMENTO ON 10/6/06
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VERNON POWER PLANT PROJECT

(06-AFC-4)

October 6, 2006

ISSUES IDENTIFICATION REPORT

CALIFORNIA ENERGY COMMISSION

Energy Facilities Siting Division

ISSUES IDENTIFICATION REPORT
VERNON POWER PLANT PROJECT
(06-AFC-4)

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ISSUES IDENTIFICATION REPORT

California Energy Commission Staff

This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of the potential issues that have been identified in the case thus far. These issues have been identified as a result of our discussions with federal, state, and local agencies, and our review of the Vernon Power Plant project Application for Certification (AFC), Docket Number 06-AFC-4. The Issues Identification Report contains a project description, summary of potentially significant environmental issues, and a discussion of the proposed project schedule. The staff will address the status of issues and progress towards their resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On June 30, 2006, the City of Vernon submitted an AFC to construct and operate a combined-cycle power plant, the Vernon Power Plant project (VPP), in the City of Vernon, Los Angeles County. On August 25 and September 8, 2006, the applicant submitted supplemental information to the AFC to address Energy Commission information requirements. On September 14, 2006, the Energy Commission accepted the AFC as data adequate for informational purposes.

The VPP would be a 943 megawatt (MW) combined-cycle power plant consisting of three Siemens SGT6-5000F natural gas-fired combustion turbine generators (CTG) equipped with Ultra Low Nitrogen (ULN) oxide combustors; three heat recovery steam generators (HRSG) with duct burners; one condensing steam turbine generator; a deaerating surface condenser; a 14-cell mechanical-draft cooling tower; and associated support equipment. The project will include an electric auxiliary boiler, but will not include a standby generator or black start capability. The project is expected to have an overall annual availability of 92 to 98 percent.

Associated equipment will include emission control systems necessary to meet the proposed emission limits. Nitrogen oxide (NO_x) emissions will be controlled at the stack by a combination of ULN combustors in the CTGs and selective catalytic reduction systems in the HRSGs. An oxidation catalyst will be installed in the HRSGs to limit stack carbon monoxide (CO) emissions.

The proposed VPP site would be located at the southeast corner of Fruitland and Boyle Avenues. The City has executed a purchase agreement for the 27-acre parcel in an industrially zoned area in the City of Vernon. As part of the purchase agreement, the seller committed to: (1) obtaining permits and demolishing all structures on the site; (2) complying with all environmental laws regarding site cleanup; and (3) obtaining all necessary site clean-up and closure certificates. In late 2006, the existing manufacturing facility will be demolished and the title transferred. The project site will consist of approximately 13.7 acres of the subdivided 27-acre parcel. The remaining 13.3 acres will be available during construction for parking and equipment laydown. Once construction is completed, the 13.3-acre property will be available for the City's future use.

For cooling tower make-up and other uses, the VPP will use up to 6,266 acre feet per year (afy) of recycled water provided by the Central Basin Municipal Water District (CBMWD). The recycled water will be delivered to VPP through a recycled water pipeline in Boyle Avenue, adjacent to the site. Cooling water would be cycled in the facility's cooling tower five times.

Potable water for drinking, safety showers, fire protection, service water, and sanitary uses will be served from the City's potable water system.

Sanitary and cooling process wastewater will be delivered to the Sanitation Districts of Los Angeles County (LACSD) via the City's sanitary sewer system. A new sewer line connection will be added to connect to the County's system. Specifically, the VPP would include a new 18-inch sanitary sewer line exiting the plant site from the southeast corner, following along the east property line and an abandoned railroad right-of-way to Alcoa Avenue. Turning south on Alcoa Avenue, the line would then be 21 inches in diameter to the point where it will connect to the LACSD's 24-inch line at Alcoa and Slauson Avenues. The total distance of the new line would be 2,400 feet.

The VPP will connect to the electrical transmission system via a new double circuit 230-kilovolt (kV) line that will connect to Southern California Edison's (SCE) Laguna Bell Substation. The 230-kV transmission lines will run from the project site to the existing SCE Laguna Bell Substation via one of two route options. Both of these routes will be less than 5 miles in length and require crossing the Los Angeles River and Interstate 710. The Randolph Route Option would combine and replace two existing 66-kV lines along 4 miles of Randolph Avenue, while the River Route would only combine the existing lines approximately one mile in length. Please see the attached Figure 1.2-5 for a visual depiction of the two routes.

Natural gas will be delivered to the site via a new 24-inch-diameter pipeline. This 2,300-foot-long pipeline would exit the plant site heading east along East 50th Street, north on Alcoa Avenue and east on Fruitland Avenue to the Southern California Gas Company's (SoCalGas) transmission pipeline (Line 765) on Downey Road. At the plant site, the natural gas will pass through a flow-metering station, gas scrubber/filtering equipment, a gas pressure control station, electric-driven booster compressors (when required), and a fuel gas heater prior to entering the combustion turbines.

The project is estimated to have a capital cost of approximately $475 million. During construction, an average of 266 construction jobs will be created over the 24-month construction schedule with a peak total work force of 499 per month during month 16.

The City expects to receive a license from the Energy Commission by September 2007, with construction of the project starting in late 2007 assuming completion of project financing. Full-scale commercial operation would begin during the third quarter of 2009.

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential issues the Energy Commission staff has identified to date. The Committee should be aware that this report might not include all of the significant issues that may arise during the case. Discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The identification of the potential issues contained in this report is based on comments of other government agencies and on our judgment of whether any of the following circumstances will occur:

1. Potential significant impacts which may be difficult to mitigate;
2. Potential areas of noncompliance with applicable laws, ordinances, regulations or standards (LORS);
3. Areas of conflict or potential conflict between the parties; or
4. Areas where resolution may be difficult or may affect the schedule.

The following table lists all the subject areas evaluated and notes those areas where significant issues have been identified. Even though an area is identified as having no potential issues, it does not mean that an issue will not arise related to the subject area.

For example, disagreements regarding the appropriate conditions of certification may arise between staff and applicant that will require discussion at workshops or even subsequent hearings. However, we do not currently believe such an issue will have an impact on the schedule or that resolution will be difficult to achieve.

Major Issue	Subject Area	Major Issue	Subject Area
Yes	**Air Quality**	No	Paleontological Resources
No	Biological Resources	**Yes**	**Public Health**
No	Cultural Resources	No	Socioeconomics
No	Efficiency and Reliability	No	Soils
No	Electromagnetic Fields & Health Effects	No	Traffic and Transportation
No	Facility Design	No	Transmission Line Safety
No	Geology	No	Transmission System Engineering
No	Hazardous Materials	No	Visual Resources
No	Industrial Safety and Fire Protection	No	Waste
No	Land Use	No	Water Resources
No	Project Overview	No	Alternatives
No	Noise		

This report does not limit the scope of staff's analysis throughout this proceeding, but acts to aid in the analysis of potentially significant issues that the VPP proposal poses. The following discussion summarizes each potential issue, identifies the parties needed to resolve the issue, and where applicable, suggests a process for achieving resolution. At this time, staff does not see any of these potential issues as non-resolvable.

AIR QUALITY

The City of Vernon (City) faces significant challenges in securing adequate criteria air pollutant mitigation for the power plant project. The project is located in the South Coast Air Quality Management District (District or SCAQMD) where mitigation options such as emission reduction credits (ERCs) and RECLAIM Trading Credits (RTCs) are scarce and expensive. Since the City has not yet purchased sufficient ERCs or RTCs necessary for the project mitigation, they may ultimately rely on a recent District rulemaking to secure the balance of the ERC mitigation for this project.

Staff is working with the City and the District to fully understand the rule changes. Staff presents a summary of the most significant issues below and will be issuing data requests addressing these and other matters.

District Rule 1309.1 (Priority Reserve) Revision

The City may ultimately rely on revisions to the District's Priority Reserve program (District Rule 1309.1) to mitigate PM10 (particulate matter less than 10 microns), and possibly SOx (sulfur oxides), and CO (carbon monoxide) project emissions. For the purpose of revising District Rule 1309.1, the District initiated a rulemaking process in December 2005, and adopted an Amended Rule 1309.1 on September 8, 2006.

Nitrogen Oxides (NOx) Mitigation & the District RECLAIM Program

The project is required to participate in the District RECLAIM program for NOx (Regulation XX). The City will need to provide proof that they have obtained sufficient NOx RECLAIM trading credits (RTCs) for the first year of operation through either option contracts or outright ownership, by the time of the Evidentiary Hearings. The City has not yet obtained sufficient NOx RTCs either through option contracts or outright ownership.

Sulfur Oxides (SOx) Mitigation & the District RECLAIM Program

The City proposes to obtain SOx offsets from either the District RECLAIM program for SOx (Regulation XX), the ERC market or the Priority Reserve. While power plants are specifically excluded from the SOx portion of the RECLAIM rule, power plants can petition to participate. The District indicates that power plant petitions to participate are not routinely granted, with the one exception being the AES Huntington Beach facility during the power emergency of 2000/2001. The City has not yet filed a petition with the District. If a petition is not granted, the City will need to either obtain SOx offsets on the ERC market or from the Priority Reserve. However, SOx ERCs are in short supply in the District.

Particulate Matter (PM10) Mitigation

Per District Regulation XIII, the applicant must offset the project's PM10 emissions with ERCs or Priority Reserve credits. However, PM10 ERCs are in short supply in the District, and the applicant has not yet obtained sufficient PM10 ERCs either through option contracts or outright ownership.

Fine Particulate Matter (PM2.5) Mitigation

The District is classified as non-attainment for both the State and federal PM2.5 standards. The District is in the process of preparing a State Implementation Plan (SIP), that when approved by the California Air Resources Board and USEPA, would result in the preparation of revised New Source Review rules that would likely require offsetting of PM2.5 emissions. The timeline for the District to address PM2.5 in their rules is well beyond the schedule for the proposed project. However, staff has a CEQA responsibility to address the PM2.5 issue since there are current ambient air quality standards for this pollutant, and the air basin is classified as non-attainment. In the AFC, the City discusses the project's expected PM2.5 impacts; however, they have not proposed any mitigation specifically for PM2.5. Staff is concerned that acquiring and analyzing the necessary PM2.5 mitigation for this project could take considerable time and could delay the project schedule.

Volatile Organic Compound (VOC) Mitigation

Based on the offsetting requirements of District Regulation XIII, the applicant must offset the project's VOC emissions with ERCs. The applicant has not yet obtained sufficient VOC ERCs either through option contracts or outright ownership.

PUBLIC HEALTH

Staff has concerns that the emissions from the proposed plant could increase the levels of pollutants in the project area. This area was identified by the South Coast Air Quality Management District in its Multiple Air Toxics Exposure Study II and 10-Year Air Toxics Control Plan, as one of the areas with elevated levels of the toxic air contaminants that will be considered in staff's analysis. Staff will be working closely with SCAQMD and local officials to address the issue during the analysis process.

ENVIRONMENTAL JUSTICE

Based on Census 2000, staff has determined that there is a minority population of greater than 50 percent (actual 95%) within a six-mile radius of the proposed power plant. Therefore, there is a potential for an environmental justice issue with this project. Whether there is in fact an environmental justice issue will not be known until staff analyses in a number of technical areas have been completed and determinations of whether there are any unmitigated significant impacts falling disproportionately on minority populations have been made. Staff has also determined that the low-income population within a six-mile radius of the proposed power plant is below the 50 percent threshold (actual 31%) eliminating the possibility of disproportionate impacts to a low-income population.

SCHEDULING

Timely resolution of the ERC issues is critical to the schedule of this project. These must be resolved by November 15, 2006, to allow the SCAQMD to prepare their PDOC on time. Staff's proposed 12-month schedule is below.

PROPOSED SCHEDULE

VERNON POWER PLANT PROJECT (06-AFC-4)

EVENT	DATE
Applicant files Application for Certification (AFC)	6/30/06
Executive Director's recommendation on data adequacy	9/11/06
Decision on data adequacy at the business meeting	9/14/06
Staff files data requests	10/6/06
Staff files Issue Identification Report	10/6/06
Information hearing and site visit	11/2/06
Applicant provides data responses	11/6/06
Data response and issue resolution workshop	11/15/06
Local, state and federal agency draft determinations & SCAQMD PDOC	1/12/07
Preliminary Staff Assessment (PSA) filed	1/19/07
Staff Assessment workshop	2/2/07
Local, state and federal agency final determinations & SCAQMD FDOC	3/12/07
Final Staff Assessment filed	3/26/07
Evidentiary hearings*	TBD
Committee files proposed decision*	TBD
Hearing on the proposed decision*	TBD
Committee files revised proposed decision*	TBD
Commission Decision	9/15/07

* The assigned Committee will determine this part of the schedule

FIGURE 1.2-5
VPP SITE AND LINEAR FACILITIES LOCATION MAP
VERNON POWER PLANT
CITY OF VERNON, CALIFORNIA

CH2MHILL

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 10/4/06)

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, Angela Hockaday, declare that on October 6, 2006, I deposited the required copies of the attached Issues Identification Report for the Vernon Power Plant Project, in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

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

[signature]