CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5512

DOCKET
00-AFC-13C
DATE AUG 30 2006
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DATE: August 30, 2006

TO: Interested Parties

FROM: Donna Stone, Compliance Project Manager

SUBJECT: AES Huntington Beach Generating Station Retool Project (00-AFC-13C) Staff Analysis of Extension Review Request to Operate Units 3 & 4 of the Generating Station through September 30, 2011.

In May 2001, the Energy Commission granted an emergency certification for the AES Huntington Beach Retool Project, a 450 MW natural gas-fired power plant. The power plant is located in the City of Huntington Beach in Orange County and uses ocean water for once-through cooling. The project retooled and restarted Units 3 and 4, which had been retired in 1995, at the existing Huntington Beach Generating Station (HBGS). The hope was that the project would come online quickly and help alleviate the energy crisis California was experiencing during that period.[1] Due to the expedited permitting process used, there was not sufficient time to complete lengthy studies normally finished prior to certification to determine impacts and needed mitigation. Therefore, the Commission's Decision contained additional conditions required of the project owner, which are in part:

(1) Prepare a monitoring/study plan and conduct one year of monitoring to determine the actual impingement and entrainment losses resulting from the operation of the once-through cooling water system (**BIO-3**).

(2) Provide one million five hundred thousand dollars to fund the project's impingement, entrainment, and source water sampling studies (**BIO-4**).

(3) Provide mitigation/compensation funds to be used for such things as tidal wetlands restoration, creation of artificial reefs, or some other form of habitat compensation that is sufficient to fully address the species impacts identified, if studies determine that project operations result in significant impacts to one or more species of coastal fish. The amount of mitigation/compensation funds and the final application will be determined by the Commission in consultation with the project owner and state, federal and local resource agencies (**BIO-5**).

(4) Request an extension review, accompanied by evidence of substantial compliance with the conditions of certification and have completed or be in the process of completing required mitigation, if the project owner plans to operate after September 30, 2006 (**Emergency-2**[2]).

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[1] Due to numerous difficulties, the project began commercial operations in a phased approach with Unit #3 becoming available on January 1, 2003, and Unit #4 available on August 7, 2003.

[2] Condition Emergency-2 was subsequently modified in the Commission's July 2001 Decision on a petition for reconsideration to provide as set forth on the following page.

On March 6, 2006, the Energy Commission received a request from AES Huntington Beach, L.L.C. to be permitted to continue to operate Units 3 and 4 through September 30, 2011. This request was in keeping with condition of certification Emergency-2.

The project owner's request for an extension review was accompanied by evidence from the project owner and others to substantiate the assertion of substantial compliance with the conditions of certification. Condition Emergency 2 provides, in its entirety:

> EMERGENCY-2: This certification is granted by the Energy Commission for a limited period subject to an extension review by the Energy Commission as described below, conducted at the request of the project owner made no sooner than January 1, 2006 and no later than March 31, 2006. The project owner's request for extension review shall be accompanied by evidence from the project owner and others relevant to the findings set forth below. The Energy Commission shall approve the continuation of this certification if it finds that:
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> - the project owner has substantially complied with the conditions of certification;
> - the project owner has mitigated or is mitigating the project's contribution to environmental impacts that are the subject of the studies required by the conditions of certification; and
> - all currently required permits (i.e., NPDES) are in force and the project owner is in substantial compliance with each permit.
>
> If the Energy Commission approves the continuation, this certification will expire on September 30, 2011. If the Energy Commission does not approve the continuation or the project owner does not request the continuation before April 1, 2006, this certification will expire on September 30, 2006.

Energy Commission staff reviewed the evidence provided with the request, as well as permits from the South Coast Air Quality Management District and the Santa Ana Regional Water Quality Control Board, and its own compliance files. We found the project to be in substantial compliance with all our conditions of certification with the exception of the biological mitigation required under BIO-5. That mitigation level has yet to be determined.

The project owner provided the study funding required by BIO-4 prior to the reconsideration hearing of July 17, 2001. The study required under BIO-3 was completed in April 2005. Commission staff, in consultation with the project owner and other state, federal and local agencies have been working on an analysis of that study, which was made public July 14, 2006. A Siting Committee workshop was held on July 25, 2006 to discuss the staff analysis, mitigation options and to receive public comment. Staff anticipates that a revised final staff analysis of the impingement and entrainment impacts and their recommended mitigation will be available by August 30, 2006. The

full Commission will hear this item at its Business Meeting on September 14, 2006, and make a decision on the mitigation required.

If the project owner agrees to the level of mitigation determined at that Business Meeting and a reasonable timeline for provision of the mitigation, staff believes that the findings in Emergency-2 can be made, and the project can be permitted to operate through September 30, 2011. If agreement cannot be reached, then the second finding under the Condition cannot be made, and the Commission will determine whether to deny the extension.

The Extension Review Request has been posted on the Energy Commission's webpage at www.energy.ca.gov/sitingcases/huntingtonbeach/compliance/index.html. This analysis and the Commission's order will also be posted on the webpage. Energy Commission staff intends to recommend approval of the request, provided the project owner agrees to the biological mitigation required by the Commission at the September 14, 2006, Business Meeting of the Energy Commission. If you have comments on the extension request, please submit them to me at the address below no later than **September 11, 2006.**

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Comments may be submitted by fax to (916) 654-3882, or by e-mail to: dstone@energy.state.ca.us. If you have any questions, please contact me at (916) 654-4745.