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

DOCKET
01-AFC-5C
DATE OCT 17 2005
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DATE: October 17, 2005

TO: Interested Parties

FROM: Jeri Zene Scott, Compliance Project Manager — J. Z. Scott

SUBJECT: VALERO COGENERATION PROJECT (01-AFC-5C)

- **NOTICE OF RECEIPT OF PETITION TO EXTEND THE ON-LINE DATE OF PHASE 2, AND**
- **PUBLIC REVIEW OF STAFF ANALYSIS**

On July 22, 2005, the California Energy Commission received a petition from the Valero Refining Company – California (Valero) to amend the Energy Commission Decision for the Valero Cogeneration Project (VCP).

The VCP is a nominal 102 megawatt natural gas-fired power plant located in the City of Benicia in Solano County. The project, certified on October 31, 2001, was designed to be constructed in two 51-MW phases, with both phases on line no later than December 31, 2002. Phase 1 was constructed on schedule and commenced commercial operation on December 31, 2002. Phase 2 was not completed and is 37 percent complete due to infrastructure and shared facilities with Phase 1.

On October 22, 2003, the Energy Commission approved a petition to modify the Decision and extend the on-line date for Phase 2 to November 1, 2005.

DESCRIPTION OF PROPOSED MODIFICATION

The petitioner requests approval to extend the on-line date an additional two years to November 1, 2007.

The petitioner believes this extension is necessary because it cannot currently assess the economic viability of proceeding with construction of Phase 2 due to legislative uncertainties whose outcomes could have significant financial impact on the Valero Cogeneration Project. These legislative uncertainties stem from unresolved California Public Utilities Commission (CPUC) proceedings considering the imposition of "exit fees" on entities that supply their own power and the CPUC's methodology relating to pricing and procurement of power, and from the ballot initiative Proposition 80 which could significantly impact the electric market structure in California.

The petitioner expects that all of these issues will be resolved by some time in 2006, at which point Valero should have the information it needs to make the business decision whether to complete construction. Valero anticipates that it would take a minimum of nine months to complete Phase 2 if it decides to proceed.

The modifications proposed by the petitioner would result in amending Condition of Certification GEN-10.

STAFF ANALYSIS

Energy Commission staff reviewed the petition and assessed the impacts of this proposal on environmental quality, public health and safety. Energy Commission staff determined that there will not be any additional unmitigated impacts to environmental quality, public health and safety if the project's on-line date is extended.

Valero has already made substantial progress in construction of the Valero Cogeneration Project. Phase 1 was built as expected and is fully operational. Some progress has been made on construction of Phase 2.

Staff also assessed the impacts of this proposal on electricity supply and determined that a two-year extension should not significantly impact current and near-term electricity supplies because reserve margins are anticipated to be adequate in Northern California during this time.

If this petition is approved, Valero must still either secure a new Authority to Construct (ATC) permit or an extension of their existing ATC from the Bay Area Air Quality Management District (BAAQMD) before the commencement of construction of Phase 2. Valero has a pending application with the BAAQMD and will likely have the permit by December 2005.

It is Staff's opinion that with the implementation of the revised condition, the project will remain in compliance with applicable laws, ordinances, regulations, and standards pursuant to Title 20, California Code of Regulations, Section 1769, and no adverse environmental impacts will result from this change.

PROPOSED REVISIONS TO CONDITION OF CERTIFICATION

Please note that deleted text is in ~~strikethrough~~ and new text is **bold double-underlined.**

Project Operation Requirement – GEN-10
Phase 2 (51 MW) of the Valero Project shall be on line no later than November 1, ~~2005~~ **2007. The project owner must possess an approved Authority to Construct (ATC) Permit from the Bay Area Air Quality Management District prior to the commencement of construction.**

Verification: The project owner shall provide the CPM a copy of the approved ATC within 30 days of receipt.

RECOMMENDATIONS

Energy Commission staff intends to recommend approval of the petition at the November 3, 2005 Business Meeting of the Energy Commission.

PUBLIC REVIEW PROCESS

The petition to amend the project is available on the Energy Commission's webpage at www.energy.ca.gov. If you would like to receive a hard copy of the petition, and/or the

Energy Commission Order if the modifications are approved, please complete the enclosed Information Request Form and return it to the address shown. If you have comments on this proposed modification, please submit them to Ms. Jeri Zene Scott, Compliance Project Manager, at the address on this letterhead, or by fax to (916) 654-3882, or by e-mail at jscott@energystate.ca.us no later than 5:00 p.m., October 31, 2005. The Energy Commission Order (if approved), will be posted on the webpage.

For further information on how to participate in this proceeding, please contact Margret J. Kim, the Energy Commission's Public Adviser, at (916) 654-4489, or toll free in California at (800) 822-6228, or by e-mail at pao@energy.state.ca.us. If you require special accommodations, please contact Lourdes Quiroz at (916) 654-5146. News media inquiries should be directed to Assistant Director, Claudia Chandler, at (916) 654-4989, or by e-mail at mediaoffice@energy.state.ca.us.

Enclosure: Information Request Form

Mail List # 7066

STATE OF CALIFORNIA **CALIFORNIA ENERGY COMMISSION**

Privacy Policy: You will receive only the information requested, and the Energy Commission will make no additional use of your personal information and it will not be provided to any other entity.

INFORMATION REQUEST FORM

COMPLETE & MAIL TO: CALIFORNIA ENERGY COMMISSION
COMPLIANCE UNIT
ATTN: JERI ZENE SCOTT
1516 NINTH STREET, MS-2000
SACRAMENTO, CA 95814

OR FAX TO: (916) 654-3882

NAME AND/OR TITLE (AS IT IS TO APPEAR ON MAIL LABEL)

ORGANIZATION (IF APPLICABLE)

STREET ADDRESS OR P.O. BOX

CITY STATE ZIP CODE

PROPOSED AMENDMENT TO THE COMMISSION DECISION TO EXTEND THE VALERO COGENERATION PROJECT'S ON-LINE DATE AN ADDITIONAL TWO YEARS TO NOVEMBER 1, 2007.

PLEASE CIRCLE THE DOCUMENTS YOU WOULD LIKE TO RECEIVE:

- PETITION TO AMEND
- ENERGY COMMISSION ORDER

PROJECT: Valero Cogeneration Project
DOCKET NO: 01-AFC-5C
MAIL LIST NO: 7066