

Memorandum

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To: Commissioner Jeffrey D. Byron, Presiding Member
Commissioner Arthur H. Rosenfeld, Associate Member

From: California Energy Commission - Che McFarlin *CM.*
1516 Ninth Street Energy Facility Siting Project Manager
Sacramento, CA 95814-5512

Subject: **CANYON POWER PLANT (07-AFC-9) ISSUES IDENTIFICATION REPORT**

Attached is the staff's Issues Identification Report for the Canyon Power Plant project (07-AFC-9). This report serves as a preliminary scoping document that identifies the issues that the California Energy Commission staff believes will require careful attention and consideration. However, this report may not include all the significant issues that may arise during the case, as discovery is not yet complete, and other parties have not yet had an opportunity to identify their concerns. Energy Commission staff will present the Issues Identification Report at the Informational Hearing and Site Visit to be held on April 15, 2008 in Anaheim, Orange County.

cc: Docket (07-AFC-9)
Proof of Service List

Attachment

PROOF OF SERVICE (REVISED 3/15/08) FILED WITH
ORIGINAL MAILED FROM SACRAMENTO ON 4/11/08 AE

ISSUES IDENTIFICATION REPORT

CANYON POWER PLANT

(07-AFC-9)

April 11, 2008

CALIFORNIA ENERGY COMMISSION

Energy Facilities Siting Division

**ISSUES IDENTIFICATION REPORT
CANYON POWER PLANT
(07-AFC-9)**

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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 staff's discussions with federal, state, and local agencies, and our review of the Canyon Power Plant Application for Certification (AFC), Docket Number 07-AFC-9. This 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 December 28, 2007, Southern California Public Power Authority (SCPPA) submitted an Application for Certification (AFC) to construct and operate a nominal 200-megawatt (MW) natural gas-fired simple cycle generating facility, the Canyon Power Plant (Canyon), in an industrial area of the City of Anaheim (Anaheim). On March 12, 2008, the Energy Commission accepted the AFC as data adequate for informational purposes. This project is proposed as a 12-month AFC. If the project receives a license from the Energy Commission in March 2009, construction would start in the spring of 2009 and full-scale commercial operation would begin by July 2010.

The project would be located on a 10-acre parcel in Anaheim at 3071 East Miraloma Avenue in northern Orange County. The Canyon project would be a peaking power plant using four General Electric LM 6000PC Sprint natural gas-fired combustion turbine generators. The combustion turbine units would be equipped with inlet air evaporative coolers, a four cell mechanical draft cooling tower, step up transformers, a 69 kilovolt (kV) switchyard, buried electric transmission lines, air emissions control equipment, aqueous ammonia storage tank, and two water storage tanks. The facility's design also includes a new natural gas pipeline, a reclaimed water supply pipeline, a connection to Anaheim's potable water system, a connection to Orange County's Sanitation District's (OCSD) sewer system, and a connection to Anaheim's stormwater drainage system.

The proposed Canyon Power Plant would be owned by SCPPA while the City of Anaheim would operate and manage the facility. Canyon is being designed to serve Anaheim's native load during periods of intermediate to high demand. The plant is estimated to operate no more than 4,006 hours per year depending on weather and customer demand, load growth, generation retirements and replacements, the level of generating unit and transmission outages, and other factors. The plant will be dispatched by Anaheim in accordance with its economic dispatch procedures. Canyon may also be designated as Resource Adequacy units under California Independent System Operator (California ISO) scheduling protocols and would be dispatched accordingly.

The proposed Canyon project would interconnect to Anaheim's 69 kV transmission lines via underground cables from the onsite switchyard. Two 69 kV cables would exit the site and run along the south side of East Miraloma Avenue approximately 100 feet to rise up and connect to the existing 69 kV overhead Vermont-Yorba lines via two new transition structures. The second two 69 kV underground cables would exit the site and proceed eastward approximately 4,000 feet in East Miraloma Avenue, turn south on Miller, then proceed approximately 3,000 feet to connect to the Dowling-Yorba 69 kV line at East La Palma Avenue.

Natural gas would be delivered to the proposed Canyon site from a 12-inch-diameter gas pipeline to be constructed, owned, operated, and maintained by the Southern California Gas Company. The new gas pipeline would originate from a new tap located at the intersection of East Orangethorpe Avenue and Kraemer Boulevard and then head south along Kraemer Boulevard, run approximately 2,660 feet to East Miraloma Avenue, and then run 580 feet west along East Miraloma Avenue to the project site. The natural gas line would cross Canyon Creek about 200 feet south of East Orangethorpe Avenue.

On an annual basis, Canyon would consume approximately 74 acre-feet per year of recycled water for its power plant process needs. Recycled water would be supplied from the Orange County groundwater replenishment system (GWRS) via a new 14-inch pipeline utilizing a new offsite booster pump station. The water pipeline would run from the east of the site along East Miraloma Avenue for 1,850 feet to a new pumping station, then north 210 feet in a new easement from the Orange County Water District (OCWD), then 125 feet easterly in a new easement to the GWRS line on the western side of the Carbon Canyon Diversion Channel.

Sanitary and fire water needs would be met by using potable water from Anaheim's municipal supply through a connection to the water lines running along East Miraloma Avenue. This potable water would also serve as a backup in the event that the recycled water supply is unavailable.

During construction and operation the wastewater discharge from the Canyon Power Plant would consist primarily of process wastewater and a minor amount of domestic sewage which would be discharged to OCSD's sewer system.

Air emissions from the proposed facility would be controlled using best available control technology applied to each engine's exhaust. To reduce emissions of nitrogen oxides (NOx), the GE LM6000 turbine combustors would be equipped with water injection. In addition, a selective catalytic reduction system (ammonia injection) would be used to further reduce NOx emissions, and an oxidation catalyst would be used to reduce carbon monoxide emissions. Final permitting by the Energy Commission would reflect conformance with rules and regulations of the South Coast Air Quality Management District (SCAQMD).

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential major 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 staff's 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 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.

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

Major Issue	Subject Area	Major Issue	Subject Area
No	Alternatives	No	Noise
Yes	Air Quality	No	Paleontological Resources
No	Biological Resources	No	Public Health
No	Cultural Resources	No	Socioeconomics
No	Power Plant Efficiency and Reliability	No	Soils
No	Facility Design	No	Traffic and Transportation
No	Geological Hazards and Resources	No	Transmission Line Safety and Nuisance
No	Hazardous Materials Management	Yes	Transmission System Engineering
No	Worker Safety and Fire Protection	No	Visual Resources
No	Land Use	No	Water Resources
No	Project Overview	No	Waste Management

This report does not limit the scope of staff's analysis throughout this proceeding, but acts to aid in the identification and analysis of potentially significant issues that the Canyon proposal poses. The following discussion summarizes issues, identifies the parties needed to resolve the issue, and outlines a process for achieving resolution.

AIR QUALITY

Southern California Public Power Authority (SCPPA) faces significant challenges in securing adequate criteria air pollutant mitigation for the proposed Canyon Power Plant. The Canyon project site is located in the South Coast Air Quality Management District (SCAQMD) where emission reduction credits (ERCs) and RECLAIM Trading Credits (RTCs) are scarce. Since SCPPA has not yet obtained sufficient ERCs for the project's emissions of particulate matter less than 10 microns in diameter (PM10), they may ultimately rely on SCAQMD rule 1309.1 to secure the balance of the mitigation required. SCPPA is also proposing to purchase RTCs to mitigate for the project's nitrogen oxides (NOx) emissions. Staff will be issuing data requests addressing these emission offset items and other matters.

SCAQMD Rule 1309.1 (Priority Reserve)

Under the current requirements for Rule 1309.1, SCPPA might not be eligible to access the SCAQMD Priority Reserve. Rule 1309.1 contains a significant list of restrictions and performance requirements as a prerequisite for accessing the Priority Reserve. The proposed Canyon project might not be able to demonstrate compliance with these limits and thus not be permitted access to the Priority Reserve.

Nitrogen Oxides (NOx) Mitigation & the SCAQMD RECLAIM Program

The Canyon project is required to participate in the SCAQMD RECLAIM program for NOx. SCPPA will need to provide proof that they have obtained sufficient NOx RTCs for the first year of operation through either option contracts or outright ownership, by the time of construction commencement. SCPPA has not yet obtained sufficient NOx RTCs either through option contracts or outright ownership, nor provided a schedule for obtaining these offsets.

TRANSMISSION SYSTEM ENGINEERING

The applicant has not yet supplied a System Impact Study (SIS). Staff relies on the SIS to identify impacts on the transmission system resources and the indirect or downstream transmission impacts. The SIS will analyze the effect of the proposed project on the ability of the transmission network to meet reliability standards. If the SIS determines that the project will cause a violation of reliability standards, the potential mitigation or upgrades required to bring the system into compliance will be identified. Mitigation measures often include the construction of downstream transmission facilities. The California Environmental Quality Act (CEQA) requires the analysis of any downstream facilities for potential indirect impacts of the proposed project. Without a complete SIS, staff is not able to fulfill the CEQA requirement to identify the direct and indirect effects of the proposed project.

Staff will prepare data requests to obtain the System Impact Study, and if downstream transmission facilities need to be upgraded, staff will also request an environmental assessment to evaluate the impacts of new or modified downstream transmission system facilities. If the study identifies significant downstream facilities, the environmental analysis of these facilities could affect the project schedule.

SCHEDULING

The following is staff's proposed 12-month schedule for key events of the project. Meeting the proposed schedule will depend on: the applicant's timely response to staff's data requests; the timing of the SCAQMD filing of the Determination of Compliance; determinations by other local, state and federal agencies; and other factors not yet known. The current high workload of siting cases is expected to continue in 2008 and may affect staff's ability to conclude the proceeding in 12 months.

The SCAQMD will be required to provide a Preliminary Determination of Compliance (PDOC) and a Final Determination of Compliance (FDOC). Prior to the publication of the Preliminary Staff Assessment (PSA), and the Final Staff Assessment (FSA), staff normally requires a PDOC and FDOC from the air district, respectively.

PROPOSED SCHEDULE

CANYON POWER PLANT (07-AFC-9)

EVENT	DATE
Applicant files Application for Certification (AFC)	12/28/07
Executive Director's recommendation on data adequacy	1/28/08
Commission accepts AFC as data adequate	3/12/08
Staff files Issues Identification Report	4/11/08
Informational Hearing and Site Visit	4/15/08
Staff files data requests	4/23/08
Applicant provides data responses	5/23/08
Data response and issue resolution workshop	6/4/08
Local, state and federal agency draft determinations & SCAQMD's Preliminary Determination of Compliance (PDOC)	7/10/08
Preliminary Staff Assessment (PSA) filed	8/8/08
Preliminary Staff Assessment workshop	9/3/08
Local, state and federal agency final determinations & SCAQMD's Final Determination of Compliance (FDOC)	9/8/08
Final Staff Assessment filed	10/8/08
Evidentiary hearings*	TBD
Committee files proposed decision*	TBD
Hearing on the proposed decision*	TBD
Committee files revised proposed decision*	TBD
Commission Decision	3/12/09

* The assigned Committee will determine this part of the schedule

BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE
STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION
For the CANYON POWER PLANT
PROJECT

Docket No. 07-AFC-9

PROOF OF SERVICE

INSTRUCTIONS: All parties shall either (1) send an original signed document plus 12 copies or (2) mail one original signed copy AND e-mail the document to the address for the Docket as shown below, AND (3) all parties shall also send a printed or electronic copy of the document, which includes a proof of service declaration to each of the individuals on the proof of service list shown below:

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 07-AFC-9
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DECLARATION OF SERVICE

I, April Esau, declare that on April 11, 2008, I deposited copies of the attached Canyon Power Plant (07-AFC-9) Issues Identification Report in the United States mail with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

OR

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

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



April Esau