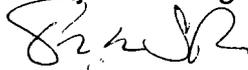


Memorandum

Date: February 26, 2009
 Telephone: (916) 651-0965

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

From: California Energy Commission – Eric K. Solorio
 1516 Ninth Street
 Sacramento, CA 95814-5512
 Project Manager



DOCKET	
07 - AFC - 9	
DATE	FEB 26 2009
RECD.	FEB 26 2009

Subject: **CANYON POWER PLANT (07-AFC-9) STATUS REPORT #3**

The following is staff's Status Report #3 for the proposed Canyon Power Plant project (Canyon).

Background

On July 29, 2008, the Los Angeles Superior Court invalidated the South Coast Air Quality Management District's (SCAQMD) approval of Rule 1309.1 (Priority Reserve) and 1315 (Federal New Source Review Tracking System). The court's decision effectively eliminated the source of emission reduction credits (ERCs) which the City of Anaheim had planned to purchase and utilize for the Canyon project.

Following the court decision, on October 8, 2008, the City of Anaheim provided the Energy Commission with a revised SCAQMD permit application which reduced the proposed operating hours from 4,006 to approximately 2000 hours per year. The operating hours were reduced so the project could qualify for an offset exemption per SCAQMD's Rule 1304, avoiding the need to access Priority Reserve air pollution offset credits through Rule 1309.1. As a result of a later court ruling, AQMD suspended operation of its internal banking system for emission reduction credits, including the use of the District's Community Bank that was used to offset emissions for facilities that met the offset exemptions under Rule 1304, thereby eliminating the ability of the Canyon project to move forward as proposed under Rule 1304.

As a result of the inability of SCAQMD being able to sell priority reserve emission reduction credits (PRCs), or apply up to 4 tons/year of emission reduction credits from the Community Bank to the project, or apply other offset exemptions from Rule 1304 to the project, the Canyon project proponent has procured ERCs from the open market to offset all proposed VOC, SO₂ and PM10 emissions. As such, applicant submitted a third revised SCAQMD permit application based upon having obtained the necessary emission reduction credits.

Recent Activities and Current Issues

1. Applicant has recently submitted to the Energy Commission, detailed information regarding emission reduction credits (ERCs) to offset air pollution emissions from the proposed Canyon project.
2. On Monday, February 23, 2009, staff received a copy of the Preliminary Determination of Compliance (PDOC) from the South Coast Air Quality Management District.

PROOF OF SERVICE (REVISED 2/25/09) FILED
 ORIGINAL MAILED FROM SACRAMENTO ON 2/26/09
 ms

3. Staff is evaluating the ERCs and the PDOC. Staff's goal is to incorporate the information into the Preliminary Staff Assessment (PSA) and publish the PSA according to the proposed schedule.

Staff's Proposed Schedule

Staff proposes the following revised schedule for the Committee's consideration:

**STAFF'S PROPOSED SCHEDULE
 CANYON POWER PLANT PROJECT (07-AFC-9)**

DATE	EVENT
3/12/08	AFC determined to be data adequate
4/15/08	Site visit and informational hearing
4/23/08	Staff files data requests
5/23/08	Applicant files responses to staff's data requests
06/13/08	Staff conducts data response and issue resolution workshop
6/16/08	Parties files status reports
2/23/09	SCAQMD issues Preliminary Determination of Compliance (PDOC)
2/26/09	Staff files Status Report #3
4/14/09	Preliminary Staff Assessment (PSA) filed
4/30/09	PSA workshop
5/07/09	Local, state and federal agency final determinations, including FDOC from SCAQMD
5/14/09	Comments on PSA are due
5/28/09*	Final Staff Assessment filed (*this publication date is contingent upon the FDOC being issued according to the schedule herein)
TBD	Pre-Hearing Conference

Proof of Service List
 Docket



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV

**APPLICATION FOR CERTIFICATION
FOR THE CANYON POWER
PLANT PROJECT**

Docket No. 07-AFC-9

PROOF OF SERVICE
(Revised 2/25/2009)

APPLICANT

Southern California Public Power Authority
(SCPPA)
c/o City of Anaheim
Public Utilities Department
Steve Sciortino, Project Manager
201 S. Anaheim Blvd, Suite 802
Anaheim, CA 92805
ssciortino@anaheim.net
swilson@anaheim.net

APPLICANT CONSULTANT

URS Corporation
Cindy Poire, Project Manager
130 Robin Hill Road, Suite 100
Santa Barbara, CA 93117
cindy_poire@urscorp.com

COUNSEL FOR APPLICANT

***Scott Galati**
Galati & Blek, LLP
455 Capitol Mall, Suite 350
Sacramento, CA 95814
sgalati@gb-llp.com

INTERESTED AGENCIES

California ISO
e-recipient@caiso.com

INTERVENORS

ENERGY COMMISSION

JEFFREY D. BYRON
Commissioner and Presiding Member
jbyron@energy.state.ca.us

ARTHUR H. ROSENFELD
Commissioner and Associate Member
arosenfe@energy.state.ca.us

Paul Kramer
Hearing Officer
Pkramer@energy.state.ca.us

Eric Solorio
Project Manager
esolorio@energy.state.ca.us

Deborah Dyer
Staff Counsel
ddyer@energy.state.ca.us

Elena Miller
Public Adviser
publicadviser@energy.state.ca.us

DECLARATION OF SERVICE

I, Maria Santourdjian, declare that on February 26, 2009, I served and filed copies of the attached Canyon Power Plant (07-AFC-9) Status Report #3. The original document, filed with the Docket Unit, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at: **[<http://www.energy.ca.gov/sitingcases/canyon/index.html>]**. The document has been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:

(Check all that Apply)

For service to all other parties:

_____ sent electronically to all email addresses on the Proof of Service list;

_____ by personal delivery or by depositing in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

AND

For filing with the Energy Commission:

_____ sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (preferred method);

OR

_____ depositing in the mail an original and 12 paper copies, as follows:

CALIFORNIA ENERGY COMMISSION

Attn: Docket No. 07-AFC-9

1516 Ninth Street, MS-4

Sacramento, CA 95814-5512

docket@energy.state.ca.us

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



Maria Santourdjian