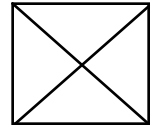


CALIFORNIA ENERGY COMMISSION

MEDIA & PUBLIC COMMUNICATIONS OFFICE
1516 NINTH STREET, MS-29
SACRAMENTO, CA 95814-5512



May 18, 1998

To: Michal C. Moore, Presiding Member
William J. Keese, Associate

From: PAUL RICHINS, Jr., Project Manager
EFS & EPD

Re: SUTTER POWER PROJECT STATUS REPORT FOR MAY

This letter report is in response to the Committee's Scheduling Order of March 17, 1998, requesting periodic updates on the status of the Sutter Power Project. We have held two, well-attended workshops in Yuba City in March. During those two workshops, staff asked Calpine to provide additional information in the areas of water quality, water supply, biological resources, socioeconomics and air quality. Calpine has provided responses to these requests and to the data requests staff made in February. In total, Calpine has provided responses to 68 data requests, which have been helpful to staff in preparing our Preliminary Staff Assessment (PSA).

On May 13, 1998, Calpine filed a transmission route supplement to the Application for Certification. Based on concerns expressed by residents, PG&E and Western, Calpine has altered the transmission line route and the point of interconnection with Western's transmission system¹. This new route will replace the transmission line and switching station as originally proposed by Calpine.

If the supplemental filing is complete and if it contains the necessary information for us to complete our analysis, we will attempt to file the PSA (including the analysis on the new route) by July 1, 1998, as scheduled. However, if there is information missing, we will work closely with Calpine to secure the information in a timely manner so that the schedule is not significantly affected. We will be holding a publicly noticed workshop on the new route prior to filing the PSA to gather input from the public.

¹ The transmission line, as proposed in the original AFC, exits the Sutter Power Project site and runs south along South Township and then west along O'Banion to a new switching station that Calpine would build and interconnect with Western's transmission system. This line is about 4 miles long. The new route as proposed in the May 13, 1998 supplemental filing is about 5.7 miles long. The new route would exit the site as originally proposed and run south along South Township Road, and instead of turning west on O'Banion Road, the route would continue south along South Township Road. At the end of South Township Road, the line would either continue south across an open field or jog west along Tudor Road and then south along Murray Road to a new switching station that they would build and interconnect with Western's system.

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Below is a summary status of the other significant issues currently being addressed.

Air Quality: The issues of best available control technology (BACT), offsets and interpollutant trading will be addressed by the Feather River Air Quality Management District (District) in a letter to the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB), the Energy Commission and Calpine. This letter is expected by mid-May. Following this letter and comments from all concerned, the District plans to complete the preliminary Determination of Compliance (DOC) by the end of June.

Calpine has proposed a BACT level for oxides of nitrogen (NO_x) emissions of 3.5 parts per million (ppm). The U.S. Environmental Protection Agency (EPA) is considering levels in the 2.0-2.5 ppm range. The California Air Resources Board (CARB) has expressed interest in assuring that the project, which is one of the first merchant plants in California, achieve the best feasible emission control levels. The EPA and CARB are also aware that the Sacramento Municipal Utility District (SMUD) Campbell Soup Project, which was permitted by the Commission at the 3.0 ppm of NO_x level, is operating at about 2.5 ppm. Given this level of interest, EPA, CARB and the Energy Commission staff are all expected to comment on the District's BACT, offset and interpollutant trading determinations.

Calpine still plans to present their offset package to the District and Energy Commission staff by the end of May. This is consistent with the schedule contained in the March 17, 1998, Committee Scheduling Order.

Biological Resources: Western Area Power Administration (Western), the lead federal agency on the Sutter Power Project has requested a Biological Opinion and the Section 7 endangered species consultation from the U.S. Fish and Wildlife Service. Western requested a due date of July 2, 1998. If the U.S. Fish and Wildlife Service is able to meet this date, the pertinent information from the Biological Opinion will be incorporated into our Final Staff Assessment. Due to the workload at the U.S. Fish and Wildlife Service, they have not yet given us assurances that they will be able to meet the July 2, 1998, due date. This is an area of concern that could impact the schedule. Western and our office will continue to work with them to encourage a timely review.

Transmission System Engineering: We are continuing to work with Western on the timely filing of the final interconnection study. The stability analysis has been received from Western and the final interconnection study is expected by June 30, 1998.

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Visual Resources and Agricultural Impacts: There continues to be concerns expressed by a few residents regarding the visual aspects of the transmission line as well as impacts to aerial agricultural applications. Staff also has concerns regarding the potential of a sizeable cooling tower vapor plume and is monitoring the SMUD Campbell Soup and Procter and Gamble projects for plume formation. We are continuing to analyze these concerns.

Water Resources: Calpine has provided the additional information and water quality sampling as requested. Written comments from the public and local, state and federal agencies were received on the methods and assumptions to be used in modeling the water quality and temperature of the surface water discharge. Based on this input, Calpine will begin the water quality modeling. They anticipate completing the modeling by the end of June.

Localized flooding and drainage issues are a major concern to the residents and farmers in the area. In April, we met with Sutter County Public Works to discuss the county's plans and progress towards completing a master drainage plan. It is unclear what ramifications, if any, the master plan will have on the Sutter Power Project as they will not complete the masterplan in time for inclusion in the Commission's final decision. We will continue to work with the county on this issue. Calpine is also working with the County on this matter.

A number of local citizens with nearby wells are concerned that the pumping of groundwater for the Sutter Project will negatively impact their wells. Calpine has provided additional modeling information to those that have expressed a concern showing that the pumping from the project will have a minimal affect on their nearby wells. This data will be closely reviewed by staff in our analysis.

cc: Sutter Power Project Proof of Service List
Ray Menebroker, ARB
Richard Corey, ARB
Ken Corbin, APCO Feather River AQMD
Matt Haber, U.S. EPA
George Carpenter, Sutter County
Wayne White, U.S. Fish and Wildlife Service