

M e m o r a n d u m

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

Date: June 24, 1998

Telephone:

From: **California Energy Commission** - PAUL RICHINS, Jr., Project Manager
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EFS & EPD

Subject: **SUTTER POWER PROJECT STATUS REPORT FOR JUNE**

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. On June 3, 1998, we held a third publicly noticed workshop in Yuba City to discuss the change in the transmission line route filed by Calpine on May 13, 1998¹, and to discuss air quality, traffic and transportation, visual resources, water supply and impact to nearby wells, and drainage issues. The workshop was well attended by about 60 people.

We expect to file the Preliminary Staff Assessment (PSA) during the first week in July. The PSA will be incomplete in a number of important areas including air quality, biological resources, water resources and transmission system engineering. We plan to hold workshops during July and August to resolve many of the outstanding issues. However, we may not be able to resolve all issues before the FSA is scheduled to be filed (August 27, 1998) for the reasons noted below. This could cause a delay in either the FSA or Evidentiary Hearings.

In regards to the Committee's interest in the sequencing and coordination of the environmental review by Sutter County and the Energy Commission, we are preparing a separate letter to inform the Committee on this matter. It is our intent to complete and docket the letter early next week.

The following is a summary of the significant issues currently being addressed by staff.

¹ The new route as proposed in Calpine's 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 would interconnect with Western's system.

Air Quality: The issues of best available control technology (BACT), offsets and interpollutant trading were addressed by the Feather River Air Quality Management District (District) in a letter to the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB). In the letter, the District suggests a BACT level for oxides of nitrogen (NO_x) emissions of 3.5 parts per million (ppm) and an interpollutant trading ratio of 1.1:1. (Calpine has proposed a BACT level for NO_x emissions of 3.5 ppm.) It was the District's intent to incorporate comments from EPA and CARB in their preliminary Determination of Compliance (DOC), which they plan to file on or about July 1, 1998. The District has received no comments on the letter, to date, from either EPA or CARB.

However, comments recently filed by EPA, CARB and the Energy Commission staff on the Mojave Desert Air Quality Management District's preliminary DOC for the High Desert project should be instructive to the District on the issues of BACT and emission offsets. In its comments on BACT for NO_x emissions, EPA stated that they "strongly believe that for any combined cycle configuration, BACT (LAER) for NO_x emissions must require a 2.5 ppm limit (over a one hour averaging time)." In their comment letter, CARB recommended that "the District evaluate the recent South Coast Air Quality Management District 2.5 ppm NO_x BACT determination for gas turbines." The Energy Commission staff made a similar suggestion.

With respect to offsets, the comments from EPA, CARB and the Energy Commission staff all identified the need for the offsets to be specifically identified and evaluated in the DOC in order to comply with the District and federal new source review requirements. Although Calpine has made some progress in obtaining offsets, as indicated in the offset package which it filed with the Energy Commission and District on May 29, 1998, it has not yet secured all of the offsets needed, and does not plan to file a complete offset package until August 1, 1998. Based on this schedule, the preliminary DOC, if issued on July 1, 1998, will not contain all of the information on offsets required to meet federal new source review regulatory requirements. Issuing a preliminary DOC which is known to be incomplete on offsets will deny the opportunity for meaningful public comment on this critical issue.

It would be informative for the District to review the EPA, CARB and Energy Commission comment letters on the High Desert preliminary DOC prior to issuing the preliminary DOC on the Sutter project. We have provided copies of these comment letters to the District.

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 and the National Marine Fisheries Service. U.S. Fish and Wildlife Service and the National Marine Fisheries Service will need the results of the water quality and temperature modeling to complete their Section 7 analysis. Calpine is scheduled to complete the modeling by June 30, 1998. We anticipate that the U.S. Fish and Wildlife Service and the National Marine Fisheries Service will be able to complete their Section 7 consultation soon after the modeling is completed so that workshops can be held and conditions included into the Final Staff Assessment. However, due to the workload at the U.S. Fish and Wildlife Service, they may not be able to meet this schedule. Additionally, they have 135 days from the time they receive all pertinent information in which to complete their analysis. If they take the full 135 days, our ability to file a complete FSA on August 27, 1998, will be in jeopardy. 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, which was expected by June 30, 1998, will not be available until mid to late July. This could cause scheduling conflicts if it is delayed much longer.

Visual Resources and Agricultural Impacts: There continues to be concerns expressed by a number of 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. Calpine and Energy Commission staff are continuing to analyze these concerns.

Water Resources: Calpine anticipates completing the temperature and water quality modeling by June 30, 1998. As noted above in Biological Resources, this may cause a delay in the Section 7 consultation process, and may also cause delays for the Regional Water Quality Board that must issue a National Pollutant Discharge Elimination System (NPDES) Permit.

cc: Sutter Power Project Proof of Service List
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George Carpenter, Sutter County
Wayne White, U.S. Fish and Wildlife Service
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