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BEFORE THE
ENERGY FACILITY SITING COUNCIL
OF THE STATE OF OREGON

In the Matter of Compliance with) ORDER on PROGRAM to OFFSET
Condition IV.B.1 of the Klamath) EMISSIONS of CARBON DIOXIDE,
Cogeneration Project Site) NITROGEN OXIDES and PM-10
Certificate

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Summary

8 The Energy Facility Siting Council ("Council") approves the program to offset CO₂
9 proposed by PPM Inc. (PPM) in its August 31, 2007 letter from Michael Roberts of PPM to
10 Adam Bless of the Oregon Department of Energy, as required by condition IV.B.1 of the
11 Klamath Cogeneration Project (KCP) site certificate, subject to certain conditions. The Council
12 finds that the KCP complies with the terms of condition IV.B.1.

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Background

15 Condition IV.B.1 of the KCP site certificate states:

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17 "KCP's off-site industrial use shall be at least the steam energy equivalent of 200,000
18 pounds of steam per hour at 375 psig and 455° F on a five year basis, measured in discrete,
19 successive five-year periods. "Use" of the steam means that the steam is used to displace another
20 source of carbon dioxide emissions from fossil fuels that would have otherwise occurred or
21 continued to occur. At the end of each five year period following commercial operation, KCP
22 shall determine and report to the Council the hourly average steam volume, pressure and
23 temperature delivered to off-site industrial use for the applicable five year period. Should the
24 hourly average steam used by KCP's off-site industrial use be less than the steam energy
25 equivalent of 200,000 pounds per hour at 375 psig and 455°F, KCP shall develop, present to the
26 Council for approval, and implement a plan to make available and sell to another steam use the
27 steam energy equivalent not used by KCP's existing off-site industrial use at the same or similar
28 cost incentive as provided to KCP's existing off-site industrial use. If within twelve months after
29 Council approval, KCP has not contracted to make available and sell to another steam user the
30 steam energy equivalent not used by KCP's existing off-site industrial use, then KCP shall
31 develop, present to the Council for approval, and implement a program to offset an amount of
32 CO₂, NO_x or PM-10, or any combination thereof, equivalent to the monetized incremental
33 emissions resulting from the existing off-site industrial use of less than the steam energy
34 equivalent of an average of 200,000 pounds of steam per hour at 375 psig and 455°F. In any
35 event, KCP shall offset an amount equivalent to the monetized incremental emissions resulting
36 from the existing off-site industrial use of less than the steam energy equivalent of an average of
37 200,000 pounds of steam per hour at 375 psig and 455°F, measured on a five year basis, for 30
38 years. Calculations of monetized emissions shall use the same methodology and monetary values
39 of emissions employed in the 500 megawatt exemption Final Order."
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1 In its Annual Report to the Council for 2007, KCP disclosed that steam sales to the
2 industrial steam host have averaged a rate of approximately 70,000 pounds per hour. Therefore,
3 the above condition requires KCP to develop and present to the Council for approval, a plan to
4 offset emissions of CO2, NOx or PM-10, sufficient to make up the shortfall. The plan must
5 cover the expected plant life of 30 years, and is subject to Council approval.
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7 In a letter dated August 31, 2007 from Michael Roberts (PPM) to Adam Bless (Oregon
8 Department of Energy), PPM, acting as facility manager on behalf of the City of Klamath Falls,
9 offered the plan required by the above condition. The letter is attached to this Order.
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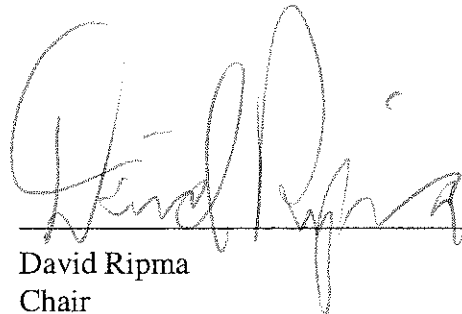
11 The Council finds that the proposal in PPM's August 31, 2007 letter is consistent with the terms
12 of condition IV.B.1 .Certain detailed calculations remain, such as:
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- 14 a. Verification of PPM's shortfall calculation. ODOE, acting as Council staff, has performed a
15 preliminary review and recommends that PPM used a reasonable methodology. However, a
16 more detailed review is necessary to ensure that the final numbers are correct.
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- 18 b. PPM has taken credit for emissions in DEQ pollutants. ODOE must ask DEQ to verify that
19 the emissions reported in PPM's letter are consistent with its reports to DEQ, and that those
20 reductions in DEQ pollutants are above and beyond the emissions described in the Final
21 Order on the 1997 500 MW exemption contested case.
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- 23 c. ODOE and PPM must work out final details of the payments to the Climate Trust.
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25 The Council approves PPM's proposal in its August 31, 2007 letter, subject to resolution of
26 items (a), (b) and (c) above, as determined by the Department of Energy.
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29 Issued September 21, 2007
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David Ripma
Chair
Energy Facility Siting Council

Attachment: Letter from Michael Roberts, PPM to Adam Bless, ODOE, August 31, 2007