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BBK
BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

Scott C. Smith
Partner
(949) 263-6561
scott.smith@bbklaw.com

Via Docket 24-OPT-02

September 26, 2025

Drew Bohan
Executive Director
California Energy Commission
715 P Street
Sacramento, CA 95814
drew.bohan@energy.ca.gov

Re: Santa Margarita Water District Comments on Compass Energy Storage Project Health and Safety Concerns

Dear Mr. Bohan:

As general counsel to Santa Margarita Water District (SMWD), we write regarding the pending application before the CEC from Engie North America (Compass Energy Storage, LLC) for the Compass Energy Storage Project (Docket 24-OPT-02). The application contains critical mistakes, incomplete analyses, and faulty conclusions.

Importantly, the deficiencies in the application mask the significant financial and operational burdens that the **developer—not SMWD—would be required to undertake** in order to render the project feasible. To meet even the most conservative fire flow requirements, while also protecting domestic water quality and safeguarding groundwater resources, the project would necessitate substantial infrastructure upgrades, extensive water quality mitigation measures, and long-term groundwater protections. Preliminary estimates indicate these obligations would require **at least $41 million in capital improvements**, along with significant continuing annual operational expenses related to water quality management and mitigation.

For these reasons, SMWD urges the Commission to deny the application as submitted, or alternatively, require its withdrawal and resubmittal to address SMWD's concerns regarding:

1. Jurisdiction and service area;
2. Adequacy of fire flow and firefighting supply;
3. Domestic water quality; and
4. Groundwater quality.

Accordingly, four critical areas where the application is fundamentally deficient and requires substantial revision are discussed below. These deficiencies strike at the core of SMWD's

responsibility to ensure reliable service, protect public safety, and safeguard environmental resources, and therefore must be fully addressed before the application can proceed.

Jurisdiction and Service Area

The project site—Rancho Capistrano property owned by Saddleback Church—lies entirely within SMWD's jurisdiction. While the application acknowledges this, it erroneously states the site is serviced by the Moulton Niguel Water District (MNWD).

> Water service in this area relies upon the Moulton Niguel Water Services [sic] District. . . . Currently water resources are not used on the site as it is vacant. The total estimated water resources for the lifetime of the Project is expected to be 35 acre-feet during construction *and non-existent during operation* . . . . The Project's impacts to water would be less than significant as water would only be used for landscaping irrigation *and to supply onsite fire hydrants*.[1] (Emphasis added.)

No such service applies to this property. SMWD always had and continues to have sole jurisdictional authority over domestic and fire water service to the site and is the local agency for any proposed and future uses.

Adequacy of fire flow and firefighting supply

Recent fire disasters in Los Angeles County and other areas of California have demonstrated that battery energy storage system (BESS) fires and related wildfires cannot be adequately addressed with short-duration suppression efforts. These incidents require continuous firefighting for 24 hours or more. Based on these real-world experiences, SMWD has determined that a 24-hour suppression benchmark is the only reasonable starting point for evaluating this project's water needs. Anything less than this benchmark would raise serious concerns and should only be considered with explicit review and approval by the City of San Juan Capistrano and the Orange County Fire Authority (OCFA)—a process that has not yet occurred.

Against this backdrop, the Compass application is grossly deficient. Its water supply analysis consists only of brief statements in **Section 4.15.1.5.2 (Operations Phase)** and **Section 4.15.2.3 (Water Supply)**, which incorrectly refer to an anonymous "local water purveyor" and assume impacts would be "less than significant."

> "4.15.1.5.2 Operations Phase. . . . [W]ater used is anticipated to be supplied by purchase from the *local water purveyor*. Operation and maintenance water demand for the Project is assumed to be *non-existent* because it would be operated remotely and would not have any permanent on-site staff . . .

> 4.15.2.3 Water Supply. . . . It will be the responsibility of the water purveyor to ensure the quantity provided to the Project site does not exceed safe productions right [sic] and the annual safe yield. Water supply impacts would be less than significant." (Emphasis added.)

These passages fail to identify SMWD as the actual water purveyor, misstate jurisdiction, and omit any assessment of SMWD's requirements for ensuring adequate fire flow and protecting domestic water quality, and more importantly, for firefighting in adjacent communities, many of which lie in high fire hazard areas that depend on SMWD for fire suppression. The application makes no mention of the Uniform Fire Code's requirement for an approved supply capable of delivering sustained fire flow through reservoirs, tanks, or water mains (UFC §§ 507.1–507.2). Nor did the applicant consult SMWD or OCFA, despite both being essential stakeholders.

Orange County Fire Authority has had no consultation with SMWD in connection with the project. OCFA has taken no official position supporting or opposing the Compass project. This analysis and consultation are more important than ever given the recent fire disasters in Los Angeles County, where lack of integration of water supply and firefighting capability and under-investment in water infrastructure have been cited as contributing factors to the incalculable losses to those communities. Immediate areas on all sides of this project site have been reclassified recently as high fire hazard areas facing the challenges with insurability that come with that classification. This application fails to take any of that into account.

SMWD conducted its own hydraulic modeling based on the 24-hour suppression benchmark. That modeling evaluated system capacity under multiple parameters, including site-specific fire suppression requirements and BESS fire history, as well as simultaneous needs for additional fire protection in the surrounding high fire hazard area. The results are clear:

- A minimum of an additional 12 million gallons of dedicated storage would be required for a single 24-hour suppression effort.
- Delivering that service would necessitate substantial upgrades to SMWD's water delivery infrastructure.
- Meeting the 24-hour fire suppression benchmark would require at least $41 million in new capital infrastructure, including major upgrades to storage, distribution, and delivery systems capable of sustaining extended firefighting operations. These costs must be borne by the developer.
- In addition to capital outlays, the developer would also be responsible for substantial recurring annual expenses to manage water quality impacts, including treatment, monitoring, and mitigation measures necessary to protect domestic supplies and groundwater quality.

Domestic water quality

Water storage of the magnitude required for this project would create unmitigable and unacceptable challenges for domestic water quality. Unlike typical storage volumes that are cycled regularly through SMWD's distribution system, the excessive reserves needed for this facility

could not be turned over in a timely manner. This would lead to water age problems, including loss of disinfectant residuals, bacterial regrowth, and the formation of disinfection byproducts, rendering the water unsafe for domestic consumption.

Because this water would stagnate, blow-offs—the controlled discharge of stored water—could be required on a recurring basis to preserve minimal water quality in SMWD's system. However, such blow-offs would generate large quantities of treated potable water that must be wasted, directly undermining California's state-mandated water conservation efforts. This practice is fundamentally inconsistent with the State's conservation and sustainability policies, and it would also create disposal and compliance burdens tied to State and regional discharge regulations.

The application gives no consideration to these unavoidable impacts. Any attempt to mitigate them would demand costly and continuous treatment, monitoring, and disposal programs, well beyond ordinary municipal operations. All such costs must be borne exclusively by the developer, and all resulting water quality obligations must be assessed back to the project property—not SMWD or its ratepayers.

Groundwater quality

The provisions of Section 4.15 of the application addressing groundwater and groundwater quality were prepared without any consultation with SMWD or the San Juan Basin Authority, the primary agencies responsible for the use, reuse, and protection of groundwater quality in the San Juan Basin. This omission is significant, and SMWD also shares the serious concerns raised by the City of San Juan Capistrano and other commenters regarding the project's lack of meaningful groundwater analysis.

The applicant has failed entirely to identify or scope SMWD's interests in local groundwater or to evaluate how the project could compromise those interests, if a fire were to occur, which would undoubtedly contaminate the precious groundwater basin. Such basin-wide contamination would create long-term environmental harm, regulatory violations, and loss of potable supply for multiple agencies. Not only would this event result in a significant financial hardship to SMWD's ratepayers, but would have commensurate impacts to the South Coast Water District and its constituents reliant on groundwater stores. It would undermine efforts to transition from water imports to local sources.

Conclusion

The Compass application is incomplete and deficient. It misstates jurisdiction, fails to address even a 24-hour fire suppression benchmark, ignores completely industrial and residential fire risks, and disregards significant capital improvements and substantial annual operational costs necessary to provide water supply and avoid impacts on water quality. The project would create unmitigable domestic water quality challenges, require wasteful blow-offs in conflict with State conservation mandates, and risk groundwater impairment affecting both SMWD and South Coast Water District customers. Given these omissions, the Commission must deny or dismiss the application, or

require Engie to withdraw and resubmit it. As noted, the scope and magnitude of these deficiencies mean that a complete analysis of jurisdiction, supply, fire flow, and water quality issues would need to be undertaken—if they can be addressed at all—in a new application, effectively restarting the process.

Very truly yours,

Scott C. Smith
Ryan M. F. Baron
of BEST BEST & KRIEGER LLP

cc: Robert Grantham, General Manager
SMWD Board of Directors
Renee Longmann, Project Manager

[1] TN 255535-19, *Section 4-15_Water Resources* (Apr. 5, 2024).