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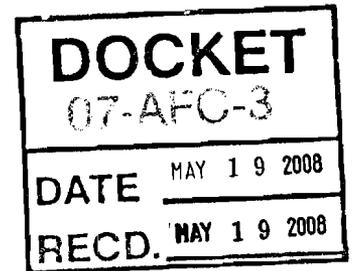
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May 19, 2008

File No. 030137-0012

VIA FEDEX

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 07-AFC-3
1516 Ninth Street, MS-4
Sacramento, California 95814-5512



Re: CPV Sentinel Energy Project: Docket No. 07-AFC-3

Dear Sir/Madam:

Pursuant to California Code of Regulations, title 20, sections 1209, 1209.5, and 1210, enclosed herewith for filing please find Applicant's Status Report #3.

Please note that the enclosed submittal was also filed today via electronic mail to your attention.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul E. Kihm".

Paul E. Kihm
Senior Paralegal

Enclosure

cc: CEC 07-AFC-3 Proof of Service List (w/encl. via e-mail)
Michael J. Carroll, Esq. (w/ encl.)

Michael J. Carroll
LATHAM & WATKINS LLP
650 Town Center Drive, Suite 2000
Costa Mesa, CA 92626
(714) 540-1235
Counsel to Applicant

STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

In the Matter of:) Docket No. 07-AFC-3
)
Application for Certification,) APPLICANT'S STATUS REPORT #3
for the CPV SENTINEL ENERGY PROJECT)
by CPV Sentinel, LLC)
)
)
_____)

Applicant hereby submits its Status Report #3.

Project Issues

As indicated in Staff's Status Report #4, the only significant unresolved issue regarding the project that Applicant is aware of relates to the water supply plan for the project. Set forth below is a more detailed explanation of this issue, which builds upon the summary provided by Staff.

On February 19, 2008, in response to concerns raised by Staff regarding the initial water supply plan for the project, Applicant submitted a supplement to the Application for Certification setting forth a revised water supply plan ("Revised Water Supply Plan"). Under the Revised Water Supply Plan, the Applicant proposes to extract groundwater onsite to meet the project's expected use of approximately 550 acre-feet per year ("AFY") on an average lifetime basis, and up to 1,100 AFY in any calendar year. The water will be withdrawn from the Mission Creek Subbasin, which is part of the Coachella Valley Groundwater Basin. As a result of implementation of two fresh water conservation programs, the project will not result in any net increase of fresh water use. In addition, the proposed project involves a groundwater recharge program that more than offsets groundwater extraction for the power plant's direct cooling requirements. Each of these programs are addressed below.

A. Fresh Water Conservation Program

To ensure that the project does not result in any net use of fresh water, the Applicant entered into a Conservation Agreement with the Desert Water Agency (“DWA”) to implement two fresh water conservation programs within DWA’s service area that would not otherwise have been economically feasible. The programs include: (1) substituting recycled water for fresh water that is currently used at the Palm Springs National Golf Course; and (2) funding a previously proven and tested Irrigation Management Controllers Retrofit Program run by DWA.

Overall, the Conservation Agreement commits the Applicant to conserve fresh water in an amount at least equal to the amount of water used by the power plant over its lifetime. The Conservation Agreement is designed to conserve up to the project’s maximum water use of 1,100 AFY, even though it is anticipated that actual water use levels will be closer to 550 AFY. Moreover, given the Conservation Agreement’s conservative approach, the amount of fresh water that is conserved over the project’s life will likely greatly exceed the amount of groundwater actually used by the project.

1. *Palm Springs National Golf Course Program*

The Palm Springs National Golf Course currently uses fresh water from private groundwater wells for irrigation purposes. Through the Conservation Agreement, the Applicant would fund the retrofit and installation of a recycled water line to serve the golf course’s water requirements. The recycled water line would connect to an existing water feature at the golf course that serves as an irrigation storage reservoir.

The recycled water comes from municipal wastewater produced by DWA’s Water Recycling Plant that has been treated to tertiary levels to meet California Department of Public Health standards under California Code of Regulations Title 22 and is approved by the California Department of Health Services for all uses except drinking. Many golf courses within the City of Palm Springs are already using recycled water.

2. *Irrigation Management Controllers Retrofit Program*

DWA has initiated the Irrigation Management Controllers Retrofit Program to provide new homes built within DWA’s service area with irrigation system controllers that use evapotranspiration and the ambient temperature to avoid excessive outdoor water application. Approximately 70 percent of the water use within DWA’s service area is for outdoor irrigation. Currently, approximately 35 percent of this water use is over-application of water, which either runs off and evaporates or percolates as brackish return flow into the groundwater basin.

The Applicant will fund installation of these irrigation controllers for a portion of existing customers to complement the DWA program. The number of controllers to be funded by the Applicant will be based on those necessary to conserve sufficient fresh water to offset the proposed project’s use of groundwater after accounting for conservation achieved through the golf course program.

B. Groundwater Recharge Program

The Applicant has executed a groundwater recharge Implementation Agreement with DWA to ensure that the proposed project will not result in any long-term decrease in groundwater levels within the Mission Creek Subbasin. Under the Implementation Agreement, DWA will purchase new water supplies from established storage programs south of the Delta. In general terms, these storage programs have accumulated non-State Water Project (SWP) water in groundwater storage through prior conservation measures and have approval to transfer these water supplies from storage into the SWP. Water from storage in these programs would either be delivered directly into the SWP or delivered to end users of SWP water in lieu of their use of SWP supplies. Water so delivered either directly or indirectly into the SWP would be delivered to Metropolitan Water District (MWD) in exchange for delivery of Colorado River water to DWA under the existing MWD/DWA exchange program. Based on existing water rights, MWD will at all times have adequate water supplies in the Colorado River Aqueduct to meet its exchange obligations with DWA.

Regarding the reliability of DWA supplies pursuant to the Implementation Agreement, DWA has taken consistent and progressive actions to purchase additional State Water Project supplies to ensure that adequate supplies exist to meet existing and future delivery obligations. As recently as last November, DWA purchased additional State Water Project entitlements to receive delivery of additional waters beginning in year 2010. Nevertheless, through the Implementation Agreement, the Applicant has ensured a source of replenishment water for the project, the adequacy of which does not depend upon the adequacy of DWA's existing or future water supplies. This agreement has been undertaken by Applicant despite assurances from DWA that its existing water supplies from the State Water Project, and purchases of additional excess water during wet years in the state and additional entitlement water, are adequate to meet the replenishment needs within its boundaries for all existing users and for all future users currently approved for development, plus the demands of the project.

Under the Implementation Agreement, the Applicant would purchase water through DWA equal to 108 percent of the proposed project's groundwater production. In turn, DWA would exchange this water for Colorado River Aqueduct water and deliver it to recharge spreading grounds in the Mission Creek Subbasin. Under the Implementation Agreement, DWA would spread enough water to ensure a recharge of at least 100 percent of the project's pumping. Legal title to the additional 8 percent of imported water would remain with DWA to cover incidental losses in the delivery and would go towards the benefit of all water users within DWA's service area.

Moreover, the Applicant would continue to pay the DWA replenishment assessment on all its groundwater production. This assessment, which is already intended to mitigate for groundwater use, along with the 8 percent water duty paid to DWA under the Implementation Agreement, more than ensures that recharge waters will exceed the Applicant's groundwater production, likely resulting in a net benefit for all users within DWA's service area.

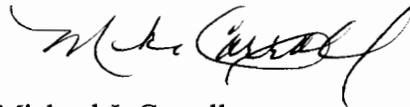
Schedule

Applicant understands that modification of the proposed water supply plan for the project has necessarily resulted in some delay in Staff's review of the project. However, in light of

Applicant's need to meet specific on-line dates pursuant to its power purchase agreement with Southern California Edison, Applicant is deeply concerned about the extent of the anticipated delay. Applicant has been working with staff to find opportunities to make up some of the lost time in the schedule, and requests that the Committee encourage the parties to continue those efforts.

DATED: May 19, 2008

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael J. Carroll". The signature is fluid and cursive, with a large initial "M" and "C".

Michael J. Carroll
of LATHAM & WATKINS LLP
Counsel to Applicant

**STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION**

| | | |
|---|---|---|
| In the Matter of: |) | Docket No. 07-AFC-3 |
| |) | |
| Application for Certification, for the CPV SENTINEL ENERGY PROJECT |) | ELECTRONIC PROOF OF SERVICE LIST |
| |) | |
| |) | (October 15, 2007] |
| _____ |) | |

Transmission via electronic mail and by depositing one original signed document with FedEx overnight mail delivery service at Costa Mesa, California with delivery fees thereon fully prepaid and addressed to the following:

DOCKET UNIT

CALIFORNIA ENERGY COMMISSION

Attn: DOCKET NO. 07-AFC-3
1516 Ninth Street, MS-4
Sacramento, California 95814-5512
docket@energy.state.ca.us

Transmission via electronic mail addressed to the following:

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CPV SENTINEL ENERGY PROJECT
CEC Docket No. 07-AFC-3

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CPV SENTINEL ENERGY PROJECT
CEC Docket No. 07-AFC-3

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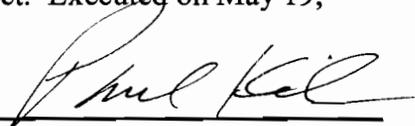
DECLARATION OF SERVICE

I, Paul Kihm, declare that on May 19, 2008, I deposited a copy of the attached:

APPLICANT'S STATUS REPORT #3

with FedEx overnight mail delivery service at Costa Mesa, California with delivery fees thereon fully prepaid and addressed to the California Energy Commission. I further declare that transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service List above.

I declare under penalty of perjury that the foregoing is true and correct. Executed on May 19, 2008, at Costa Mesa, California.



Paul Kihm