

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5112

September 17, 2007

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07-AFC-6

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**TO: AGENCY DISTRIBUTION LIST****REQUEST FOR AGENCY PARTICIPATION IN THE REVIEW OF THE CARLSBAD ENERGY CENTER PROJECT, APPLICATION FOR CERTIFICATION (07-AFC-6)**

On September 14, 2007, Carlsbad Energy Center, LLC, (the Applicant) submitted an Application for Certification (AFC) for the Carlsbad Energy Center Project (Carlsbad EC) to the California Energy Commission to develop a thermal power plant at the Encina Power Station in the city of Carlsbad, California.

Project Description

The proposed project would be a 558 megawatt (MW) gross combined-cycle generating facility configured using two Siemens SCC6-5000F, natural gas-fired combustion turbine generators (CTG), two heat recovery steam generators (HRSG), and two steam turbine generators (STG). The Carlsbad EC units would connect to the electrical transmission system via 138 kilovolt (kV) and 230 kV lines that connect to the nearby SDG&E switchyards at the existing Encina Power Station.

Associated equipment would include emission control systems necessary to meet the applicant's proposed emission limits. Nitrogen oxide (NO_x) emissions would be controlled at the power plant's stack by a combination of Ultra Low NO_x combustors in the CTGs and selective catalytic reduction systems in the HRSGs using aqueous ammonia. An oxidation catalyst would be installed to limit stack carbon monoxide (CO) emissions.

The Carlsbad EC site is located in the city of Carlsbad, in San Diego County in an area zoned Public Utility (PU) which specifically allows electrical generation and transmission facilities. The total land acreage of the existing Encina Power Station is approximately 95 acres. The Encina Power Station consists of an approximately 65 acre parcel containing the existing generating equipment (Assessor Parcel Number [APN] 210-01-43) and an approximately 30 acre parcel west of the railroad tracks containing the fuel tanks that are being removed and upon which Carlsbad EC would be constructed (APN 210-01-41).

The operation of the Carlsbad EC would use both Title 22 reclaimed water and potable water supplied by the city of Carlsbad. The Carlsbad EC would use an average of approximately 112 acre-feet of reclaimed water per year, with a maximum peak reclaimed water use of 517 acre-feet per year. The reclaimed water would be delivered to Carlsbad EC by the city of Carlsbad through a reclaimed water pipeline, approximately 3,600 feet long, from a connection point to the existing reclaimed water pipeline system at Cannon Road and Avenida Encinas. Approximately 1,000 feet of this line would be in publicly dedicated or publicly used property. Steam cycle makeup water for Carlsbad EC would be provided by treating reclaimed water using reverse osmosis and mixed bed ion-exchange technology. Up to approximately 5 acre-feet per year of reclaimed water would be used to irrigate site landscaping annually.

Potable water for drinking, eye protection, safety showers, fire protection and service water would be served from the city's existing potable water system. Sanitary/industrial wastewater disposal would be to the city of Carlsbad (Encina Wastewater Authority) sanitary sewer system. A new 12-inch, 1,100 foot sanitary sewer line would connect the Carlsbad EC

site to an existing Encina Wastewater Authority sewer line located within an existing right-of-way on the Encina Power Station site adjacent to the west side of the Carlsbad EC site.

The two CTGs and STGs would be interconnected to the regional electrical grid through new 138 kV/230 kV transmission connection lines that would exit the Carlsbad EC site to the west and be routed to the respective existing SDG&E switchyards. No offsite electrical transmission lines would be required.

The CTGs would be designed to burn natural gas only. Natural gas would be delivered to the Carlsbad EC site via an 18-inch-diameter pipeline from an existing Southern California Gas high-pressure natural gas pipeline located on the Encina Power Station. This pipeline would extend from the existing Southern California Gas natural gas pipeline which runs adjacent to the Carlsbad EC site, on the west side parallel to the rail line. At the Carlsbad EC site, the natural gas would flow through a flow-metering station, gas scrubber/filtering equipment, a gas pressure control station, and electric-driven booster compressors prior to entering the CTGs. Two 100-percent capacity electric-driven fuel gas compressors would be provided to boost the pressure to that required by the CTGs. The gas compressors would be located outdoors.

The applicant expects to receive a license from the Energy Commission by September 2008, with construction of the project starting in late October 2008 assuming completion of project financing. The applicant has proposed two construction scenarios. In the Single Phase Project Schedule scenario, Unit 1 commercial operation would begin during May 2010, with Unit 2 commencing commercial operation June 2010. In the Phased Construction Schedule scenario Unit 1 commercial operation would begin during July 2010, with Unit 2 commercial operation beginning January 2011. Electric power generated at the Carlsbad EC facility would be sold to a southern California load-serving entity under a long term power purchase agreement.

Energy Commission's Facility Certification Process

The Energy Commission is responsible for reviewing and ultimately approving or denying all thermal electric power plants, 50 MW and greater, proposed for construction in California. The Energy Commission's facility certification process carefully examines public health and safety, environmental impacts and engineering aspects of proposed power plants, and all related facilities such as electric transmission lines, sewer, water, and natural gas pipelines. The issuance of a certificate by the Energy Commission is in lieu of any local, state, or federal permit (to the extent permitted by federal law). The Energy Commission's responsibilities are those of a lead agency under CEQA, except the Energy Commission's analysis takes the form of several environmental and decision documents rather than an Environmental Impact Report.

The first step in the review process is for Energy Commission staff to determine whether or not the AFC contains all the information required by our regulations. When the AFC is deemed data adequate, we will begin data discovery and issue analysis phases. During this time, a detailed examination of the issues will occur. There will be opportunities for your staff to confer with Energy Commission staff regarding issues of concern to your agency.

Over the coming months, the Energy Commission will conduct a number of public workshops and hearings on the proposal to determine whether the project should be approved for construction and operation and if so, under what set of conditions. These workshops will provide the public as well as local, State and federal agencies the opportunity to ask questions about, and provide input on, the proposed project. The Energy Commission will issue notices for these workshops and hearings at least 10 days prior to the meeting.

Agency Participation

During this data adequacy phase, we request that you review the sections of interest to your agency and determine whether the major issues of concern to your agency have been identified. At this time, we are only concerned that such issues are disclosed, not necessarily that they be discussed in detail. We request that you provide any written comments you may have regarding the disclosure of potential issues of concern by **Friday, October 19, 2007**. Please address your comments to James W. Reede, Jr., Project Manager, 1516 9th Street, MS-15, Sacramento, CA 95814. Your agency may also present its comments and recommendations in person at the Energy Commission's October 24, 2007 Business Meeting. The limited purposes of that meeting will be to determine whether the AFC is data adequate in accordance with our regulations and to assign a committee of two commissioners to oversee the proceeding.

When the AFC is accepted as data adequate, your participation in the proceeding is encouraged and will allow you to identify and try to resolve issues of concern to your agency. There may be specific requests for agency review and comment during the proceedings after the AFC has been determined to be data adequate. Local agencies may seek reimbursement for costs incurred in responding to these requests. However, this request for comments during data adequacy is not reimbursable under Energy Commission guidelines.

Assuming that the project is found to be data adequate on October 24, 2007, your agency's preliminary and final determinations and opinions (such as those contained in a Determination of Compliance, wastewater discharge requirements, biological opinions, and land use decisions) would be due by **February 21, 2008** (120 days) and **April 22, 2008** (180 days), respectively.

Enclosed is a copy (CD) of the AFC in electronic format. If you would like to have a hard copy of the AFC sent to you, please contact Angela Hockaday, Project Secretary, at (916) 654-3925, or by e-mail at ahockada@energy.state.ca.us. If you have questions, or if you would like additional information on local agency reimbursement or on how to participate in the Energy Commission's review of the project, please contact James W. Reede, Jr., Project Manager, at (916) 653-1245, or by email at jreede@energy.state.ca.us.

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The status of the project, copies of notices, electronic version of the AFC, and other relevant documents are also available on the Energy Commission's Internet web site at www.energy.ca.gov/sitingcases/carlsbad. You can also receive email notification of all project related activities and availability of reports by subscribing to the Listserve on the website.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger E. Johnson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Roger E. Johnson, Manager
Energy Facilities Siting and Compliance Office

Enclosure