

Memorandum

Date: April 11, 2008
 Telephone: (916) 654-4894

To: Vice Chairman James D. Boyd, Presiding Member
 Commissioner Karen Douglas, Associate Member

From: California Energy Commission – Mike Monasmith 
 1516 Ninth Street Project Manager
 Sacramento, CA 95814-5512

DOCKET	
07-AFC-6	
DATE	APR 11 2008
RECD.	APR 11 2008

Subject: **CARLSBAD ENERGY CENTER PROJECT (07-AFC-6) STATUS REPORT 1**

Pursuant to the Committee Scheduling Order dated December 23, 2007, the following is staff's Status Report #1 for the proposed Carlsbad Energy Center Project (CECP).

Current Issues and Activities for Resolution

Staff has been working through the discovery and analysis phase of the proposed Carlsbad Energy Center Project Application For Certification. This has included two sets of data requests and corresponding data response and issue resolution workshops. The City of Carlsbad has also issued a set of data requests that were responded to by the applicant and discussed during the public workshops. There has been a high level of public participation in the proceedings due to both staff and city outreach activities and healthy media coverage.

The primary issues for which staff continues to works towards resolution include Air Quality, Land Use, Visual Resources and Water Resources. Work still remains necessary for other sections, including Waste Management, where changing circumstances have impacted staff's analysis of related topic areas. The applicant provided new information in the March 18, 2008 Set 2 Data Responses regarding demolition of Encina Tanks 5, 6 and 7. The tanks' demolition will now be considered part of the existing AFC, and thus subject to staff's environmental analysis. The applicant had originally planned for the city permitting the demolition. This change will affect the Project Description and staff analyses in the Air Quality, Cultural Resources, and Waste Management areas. Staff is preparing a new round of data requests on tank demolition which it plans to file by Friday, April 18, 2008.

Air Quality

If the Carlsbad Energy Center Project is approved, the applicant will permanently close circa 1952 Encina Units 1, 2 and 3. The applicant has requested the use of the net emission reduction from the closed Units 1, 2 and 3 for the determination of appropriate CECP mitigation requirements. Staff's preliminary determination of the appropriate operating baseline for Encina Units 1, 2 and 3, which is also expected to be the same baseline used by the San Diego Air Pollution Control District (SDAPCD), differs from that proposed by the applicant. Based on this preliminary determination, SDAPCD would require the applicant to offset Nitrogen Oxide (NOx) emissions and staff would recommend that the applicant provide a small amount of emission reduction credits for particulate matter 10 microns and less in diameter (PM10) and volatile organic compounds (VOCs) to fully mitigate the project. Staff also needs the applicant to complete their corrected air modeling analysis of facility operations, which has been delayed while the issue of stack height and stack sampling port requirements is resolved.

PROOF OF SERVICE (REVISED 3/19/08) FILED WITH
 ORIGINAL MAILED FROM SACRAMENTO ON 4/11/08
 CF

The applicant also needs to provide air emissions estimates associated with the demolition of Encina Tanks 5, 6 & 7 (CECP site).

Land Use

The Land Use component of staff's PSA analysis is complex given the nature of the multiple planning documents governing the CECP site and surrounding area. Based on correspondence and meetings, staff has come to understand a matrix of City of Carlsbad land use documents that would govern the proposed CECP site were it not for the exclusive authority of the Energy Commission. Moreover, due to the specific nature of each city planning document within the matrix, and the period in which it was adopted, certain inconsistencies exist. These city planning/land use documents include:

- The General Plan;
- The Zoning Ordinance;
- Specific Plan 144;
- The Encina Power Station Precise Development Plan;
- The Local Coastal Plan, including the Agua Hedionda Land Use Plan; and
- The South Carlsbad Coastal Redevelopment Plan.

Staff is working closely with the City of Carlsbad to ensure its concerns are addressed in the PSA. The city will be providing analysis of the project's conformance with its planning documents and recommended conditions of certification the city believes are appropriate for the project. Staff is also conducting a cumulative Land Use impact analysis that incorporates the Interstate (I-5) widening project, the proposed Poseidon Desalination project, the city Rail Trail initiative, a potential SDG&E transmission line project, and other associated development proposals in the project's vicinity. The cumulative project scenario for each will be analyzed and recommendations will be made on appropriate conditions of certification to mitigate any cumulative land use impacts.

Visual Resources

Understanding the cumulative impacts for the I-5 widening project related to the Carlsbad Energy Center Project will be critical in regard to visual resources. According to applicant's Data Response (DR-105), all options for I-5 widening would result in removal of the existing earth berm, mature trees and landscaping that visually screen the proposed CECP site from both I-5 and residents to the northeast of Agua Hedionda Lagoon. If this scenario is confirmed by Caltrans, which has not yet been done, it could potentially result in a significant cumulative visual impact, make identification of suitable mitigation challenging, and raise questions about responsibility for and implementation of such mitigation. Thus, the extent to which any of the existing screening components will be removed and anticipating Caltrans' own environmental findings and mitigation measures (their Draft Environmental Impact Report is expected later this summer) for the final I-5 widening project will likely be challenging. The widening project's ramifications will also extend to other subject areas as well, including Hazardous Materials Management, Facility Design and Worker Safety. Staff will continue to collaborate with the applicant, city and Caltrans to determine impacts and recommend solutions.

Water Resources

The CECP proposes to use reclaimed (Title 22) water for process needs and use air for cooling, thereby eliminating once-through ocean water cooling for three of the five Encina Units (1, 2 and 3) which the project's approval will permanently close. The AFC indicates that the Encina Wastewater Authority will provide up to 517 acre-feet per year of Title 22 water to meet CECP's steam cycle needs. However, the applicant does not yet have a will serve letter for the delivery of this reclaimed water from the City of Carlsbad (owner and operator of the Encina Wastewater Authority). The project's demand for water during the peak operation period may exceed the supply. The applicant, at the March 26th workshop, mentioned that they may submit an AFC supplement describing an alternative source and annual peak quantity of reclaimed water for the CECP's industrial water needs.

Schedule

Staff anticipates schedule delays due to an ongoing series of events and developments, including: awaiting Set 2A Data Responses from the applicant and extraneous project factors complicating the proceeding (including the specifics of the planned I-5 widening project adjacent to the CECP site and preparation of new data requests on the potential impacts of tank demolition and information on site alternatives anticipated from the City of Carlsbad). With a large and increasing number of other power plant projects (particularly complicated, large solar projects) under review by this division, continued schedule delays are expected.

Therefore, at this time staff anticipates the publication of the Preliminary Staff Assessment by July 1, 2008, reflecting a three month delay from the April 4, 2008 publication date identified in the December 23, 2007 Committee Scheduling Order.

cc : Docket (07-AFC-6)
Proof of Service List

Committee's Initial Schedule	Staff's Current Projected/Schedule	Hearing/Workshop/Planned Event or Filing
31-Oct-07	31-Oct-07	AFC data adequate
17-Dec-07	17-Dec-07	Informational Hearing and Site Visit
N/A	21-Nov-07	Staff transmits Data Request, Set 1
N/A	21-Dec-07	Applicant provides Data Responses, Set 1
8-Jan-08	24-Jan-08	Data Response and Issue Resolution Workshop 1
N/A	28-Feb-08	Staff transmits Data Request, Set 2
N/A	18-Mar-08	Applicant provides Data Responses, Set 2
N/A	26-Mar-08	Data Response and Issue Resolution Workshop 2
N/A	11-Apr-08	Parties file Status Report 1
N/A	18-Apr-08	Staff files Data Requests, Set 2A
28-Feb-08	30-April-08	Draft PDOC from San Diego County Air Pollution Control District
4-Apr-08	1-July-08	Staff files Preliminary Staff Assessment (PSA)
15-Apr-08	15-July-08	PSA Workshop
28-Apr-08	1-Jul-08	Local, state and federal agency final determinations and Air District FDOC
30-May-08	15-Sep-08	Staff files Final Staff Assessment (FSA)
TBD	TBD	Evidentiary hearings*
TBD	TBD	Committee files proposed decision*
TBD	TBD	Hearing on the proposed decision*
TBD	TBD	Committee files revised proposed decision*
1-Nov-08	1-Feb-09	Commission Decision*

* The

Committee will determine this part of the schedule

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

**APPLICATION FOR CERTIFICATION
FOR THE *CARLSBAD ENERGY CENTER*
*PROJECT***

**Docket No. 07-AFC-6
PROOF OF SERVICE
(Revised 3/19/2008)**

INSTRUCTIONS: All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 07-AFC-6
1516 Ninth Street, MS-14
Sacramento, CA 95814-5512
docket@energy.state.ca.us

APPLICANT

David Lloyd
Carlsbad Energy Center, LLC
1817 Aston Avenue, Suite 104
Carlsbad, CA 92008
David.Lloyd@nrenergy.com

Tim Hemig, Vice President
Carlsbad Energy Center, LLC
1817 Aston Avenue, Suite 104
Carlsbad, CA 92008
Tim.Hemig@nrenergy.com

APPLICANT'S CONSULTANTS

Robert Mason, Project Manager
CH2M Hill, Inc.
3 Hutton Centre Drive, Ste. 200
Santa Ana, CA 92707
robert.Mason@ch2m.com

Megan Sebra
CH2M Hill, Inc.
2485 Natomas Park Drive, Ste. 600
Sacramento, CA 95833
Megan.Sebra@ch2m.com

COUNSEL FOR APPLICANT

John A. McKinsey
Stoel Rives LLP
980 Ninth Street, Ste. 1900
Sacramento, CA 95814
jamckinsey@stoel.com

INTERESTED AGENCIES

Larry Tobias
Ca. Independent System Operator
151 Blue Ravine Road
Folsom, CA 95630
LTobias@caiso.com

Electricity Oversight Board
770 L Street, Suite 1250
Sacramento, CA 95814
esaltmarsh@eob.ca.gov

City of Carlsbad
Joseph Garuba,
Municipals Project Manager
Ron Ball, Esq., City Attorney
1200 Carlsbad Village Drive
Carlsbad, CA 92008
jgaru@ci.carlsbad.ca.us
rball@ci.carlsbad.ca.us

Allan J. Thompson
Attorney for the City
21 "C" Orinda Way #314
Orinda, CA 94563

Mike Monasmith
Siting Project Manager
mmonasmi@energy.state.ca.us

INTERVENORS

California Unions for Reliable Energy ("CURE")
Suma Peesapati
Marc D. Joseph
Adams Broadwell Joseph & Cardozo
601 Gateway Boulevard, Suite 1000
South San Francisco, CA 94080
speesapati@adamsbroadwell.com

Dick Ratliff
Staff Counsel
dratliff@energy.state.ca.us

Public Advisor's Office
pao@energy.state.ca.us

ENERGY COMMISSION

JAMES D. BOYD
Commissioner and Presiding Member
jboyd@energy.state.ca.us

KAREN DOUGLAS
Commissioner and Associate Member
kldougla@energy.state.ca.us

Paul Kramer
Hearing Officer
pkramer@energy.state.ca.us

DECLARATION OF SERVICE

I, Christina Flores, declare that on April 11, 2008, I deposited copies of the attached Carlsbad Energy Center Project, Status Report #1, in the United States mail at Sacramento, CA with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

OR

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.


Christina Flores