



July 10, 2012

Chairman Eric Naslund and Members of the Planning Commission
City of San Diego
202 C Street, Fifth Floor
San Diego, CA 92101



Re: **Public Hearing – July 19, 2012 (trailed from June 28, 2012)**
Request to Initiate Community Plan Amendment
Quail Brush Generation Project Proposal

Dear Chairman Naslund and Members of the Planning Commission:

As you know, we represent Quail Brush Genco, LLC (“Quail Brush”) with respect to its request to initiate an amendment of the East Elliott Community Plan to change the land use designation of approximately 21-acres located south of the Sycamore Landfill and north of State Route 52. The requested plan amendment would change the current East Elliot Community Plan's Open Space designation to a land use designation that would allow Quail Brush to develop and operate a 100 MW gas-fired intermediate peaker plant on the property. The California Energy Commission, who has permitting authority over energy facilities like the proposed power plant, has commenced its review process.

This initiation request was originally scheduled to be heard by the Planning Commission on March 15, 2012. However, it was continued to April 26, 2012 by request of Councilmember Marti Emerald. On April 26, 2012, the item was continued again. On June 28, 2012, with five of the seven Planning Commissioners present and after hearing extensive public testimony, there was disagreement among the five Commissioners present and there were not four affirmative votes to take a particular action. As such, the item was trailed to July 19, 2012 to allow for consideration by all seven Planning Commissioners and to give Commissioners Lydon and Griswold, who were absent on June 28, 2012, an opportunity to review the previous hearing testimony so they are able to participate in a new vote on July 19, 2012.

The purpose of this letter is to supplement our previous letter dated June 20, 2012 and to clarify specific issues related to the criteria for initiating a plan amendment which were raised at the June 28, 2012 hearing.

As you are aware, the process for amending plans in the City of San Diego (“City”) is found in the City’s General Plan (2008), Land Use and Community Planning Element, and more specifically described in the City’s General and Community Plan Amendment Manual: a companion item to the General Plan (“Manual”). As described in the General Plan and Manual, the City has a unique two-step process for amending plans. The first is a preliminary step known as “initiation.” An initiation is “a limited decision and is neither an approval nor denial of the plan amendment and accompanying development proposal.” (See Manual, page 1). In fact, the Manual specifically states that “[t]he decision maker should not discuss or consider the details of an accompanying development proposal.” (*Id.*). Rather, “[t]he focus should be upon the more fundamental question of whether the proposed change to the General Plan and the community plan is worthy of further analysis based upon compliance with the Initiation Criteria.” (*Id.*, page 2).

During the June 28, 2012 hearing, there was some discussion among Commissioners about whether the criteria constituted findings. However, the initiation criteria are “not findings”; rather they are intended to “guide a policy discussion” in order to “evaluate the appropriateness of proceeding with [further analysis of] a plan amendment.” (*Id.*).

As explained in our June 20, 2012 letter, Quail Brush’s amendment request complies with all three Initiation Criteria for privately-proposed land use changes set forth in Policy LU-D.10 of the City’s General Plan. Below is a further discussion of how the proposed amendment satisfies each of the Initiation Criteria and an explanation of why the City should participate in the California Energy Commission’s review process.

LU-D.10(a): “[T]he amendment request appears to be consistent with the goals and policies of the General Plan and community plan and any community plan specific amendment criteria.”

As discussed in more detail below, Quail Brush’s amendment request to change the land use designation to allow for the development and operation of a 100 MW intermediate peaker plant on the property is consistent with the goals and policies of the City’s General Plan and the East Elliott Community Plan. The East Elliott Community Plan does not have “any community plan specific amendment criteria” and thus there is no inconsistency.

General Plan Consistency

The City’s General Plan consists of the following nine elements: Land Use & Community Planning Element; Mobility Element; Urban Design Element; Economic Prosperity Element; Public Facilities, Services & Safety Element; Recreation Element; Conservation Element; Noise Element; and Historic Preservation Element. Of these nine elements, five have stated purposes that are applicable to Quail Brush’s amendment request. The amendment request is consistent with each of the applicable statements of purpose:

- Economic Prosperity Element: “To increase wealth and the standard of living of all San Diegans with policies that support a diverse, innovative, competitive, entrepreneurial, and sustainable local economy.” (General Plan, Strategic Framework, p. SF-13).

- Public Facilities, Services, and Safety Element: “To provide the public facilities and services needed to serve the existing population and new growth.” (*Id.*, p. SF-16).
- Urban Design Element: “To guide physical development toward a desired image that is consistent with the social, economic and aesthetic values of the City.” (*Id.*, p. SF-12).
- Conservation Element: “To become an international model of sustainable development and conservation. To provide for the long-term conservation and sustainable management of the rich natural resources that help define the City’s identity, contribute to its economy, and improve its quality of life.” (*Id.*, p. SF-23).
- Noise Element: “To protect people living and working in the City of San Diego from excessive noise.” (*Id.*, p. SF-26).

The amendment request, if granted after detailed review and consideration, would allow for the development and operation of the proposed power plant, which would support a sustainable economy and make services available to the community by providing reliable power in San Diego. The proposed power plant would help provide for the long-term conservation and sustainable management of energy, one of the City’s resources. (See Strategic Framework, p. SF-23). Not only would the proposed power plant provide reliable energy generation that is vital to the economic prosperity of the region and to the quality of life of its residents; it would be designed to minimize its impacts on the surrounding areas. Acoustic design features coupled with mitigation measures would limit the amount of noise emanating from the proposed power plant. Plant location, shortened stacks, aesthetic design features and landscaping would limit the populated and recreational areas that would have a prominent view of the proposed power plant. Preservation of open space through mitigation lands as well as siting the proposed power plant near infrastructure, other industrial uses and a freeway would minimize the biological impact of the proposed power plant. Viewed in its entirety, the approval of the amendment request, after detailed review, could promote the economic prosperity and service goals of the General Plan without jeopardizing the City’s other natural resources. Overall, the amendment request is consistent with the General Plan and is therefore worthy of detailed consideration.

The amendment request is also consistent with specific goals and policies included in the applicable elements listed above. While many of these goals and policies were listed in our June 20, 2012 letter, we would like to take this opportunity to provide a more detailed explanation as to how the amendment request and the proposed power plant satisfies these goals and policies.

Economic Prosperity Element

The amendment request is consistent with the Business Development goals of the Economic Prosperity Element, including the goal for the “city to retain, attract, and maintain the type of businesses likely to contribute positively to the local economy. These industries contribute to a diverse economic base, maintain environmental quality, and provide high quality employment opportunities.” (Economic Prosperity Element, p. EP-24). The proposed project, if approved, would help ensure communities receive reliable power, making them more attractive to business and foster economic growth in the region.

Similarly, the amendment request is consistent with the Industrial Land Use goals of the Economic Prosperity Element, including the goal to have “[a] city with sufficient land capacity for base sector industries to sustain a strong economic base” and the goal to have “[a] diversified economy with a focus on providing quality employment opportunities...” (See *id.*, p. EP-5). Without reliable power, the City cannot sustain a strong economic base. The City has seen a “diminishing supply of industrial land” and notes the “potential challenge to the growth and retention of base sector industries” that results. (See *id.*). Participating in the planning process for a proposed power plant that would be sited on available land within the City – close to transportation and other infrastructure – and would help supply power to the City’s homes and businesses, would support the existing industries in the region and provide for employment opportunities within the City.

The amendment request is also consistent with the policies supporting these goals. For example, one Base Sector Industrial Uses policy calls for the City to “consider the redesignation of non-industrial properties to industrial use where land use conflicts can be minimized [and] [e]valuate the extent to which the proposed designation and subsequent industrial development would: [1] [a]ccommodate the expansion of existing industrial uses to facilitate their retention in the area in which they are located; [2] [n]ot intrude into existing residential neighborhoods or disrupt existing commercial activities and other uses; [3] [m]itigate any environmental impacts (traffic, noise, lighting, air pollution, and odor) to adjacent land; [and] [4] [b]e adequately served by existing and planned infrastructure.” (*Id.*, p. EP-10). Changing the designation of the property as requested by Quail Brush is not only consistent with the General Plan, but specifically should be considered by the City. The environmental review process of the City and the California Energy Commission would provide ample opportunity for the amendment request and the proposed power plant to be evaluated as contemplated by this policy.

The type of development contemplated by the amendment request is consistent with the industrial expansion and investment in infrastructure promoted in the General Plan. As quoted in our June 20, 2012 letter,

A city’s most important investment in support of economic prosperity is its investment in infrastructure, particularly infrastructure that helps communities and base sector industries become more productive, leverages private investment, and help direct investment to areas with the greatest need or potential benefits. (*Id.*, p. EP-26).

If ultimately approved, the amendment request would support investment “in public infrastructure that supports and leverages private investment in communities,” which is a Community and Infrastructure Investment policy. (*Id.*, EP-G.3). If the proposed power plant is approved, Quail Brush will invest approximately \$150 million of private funds to ensure adequate energy supplies for all economic drivers in the City and region. Business organizations such as CONNECT, BIOCOM, CleanTECH, San Diego County Taxpayers Association and the East County Chamber of Commerce have written letters in support of initiating the plan amendment because these organizations recognize the importance of energy reliability for economic prosperity. For example, CONNECT explained that because “San Diego’s existing

businesses and start-up ventures depend on reliable electricity to power their operations and continue growing[,] . . . our region's economic prosperity hinges on the approval of additional peaker plants such as Quail Brush." (CONNECT May 31, 2012 letter to California Energy Commission). The East County Chamber of Commerce similarly commented that "[t]he 850 businesses that make up the Chamber's membership depend on a steady supply of electricity to keep their lights and computers on" and "[t]he Quail Brush Generation Project will address this . . . by generating additional power when it's needed most." (East County Chamber of Commerce May 31, 2012 letter to California Energy Commission).

The Commission should find the amendment request consistent with this Economic Prosperity Element of the General Plan. The City should participate in the California Energy Commission's review process of the proposed power plant to ensure that the economic benefits to the City are considered in the review process.

Public Facilities, Services and Safety Element

The Public Facilities, Services and Safety Element of the General Plan includes two goals related to public utilities: (1) "Public utility services [should be] provided in the most cost-effective and environmentally sensitive way" and (2) "Public utilities [should] sufficiently meet existing and future demand with facilities and maintenance practices that are sensible, efficient, and well-integrated into the natural and urban landscape." (Public Facilities, Services and Safety Element, p. PF-47). The amendment request is consistent with these goals.

Quail Brush could help meet future demand with a facility designed to minimize environmental impact as well as physically blend into the natural landscape. As stated in the letter from San Diego Gas & Electric (SDG&E) attached as **Exhibit A**, Quail Brush's proposed power plant is a critical part of SDG&E's plan of meeting regional electricity demand and needs. The proposed power plant would be able to meet these needs while maintaining a small footprint. Total permanent disturbed area of the proposed power plant would be approximately 11 acres and the power block would encompass less than five acres. A similarly sized solar facility could take up to 1,000 acres. The project was selected by SDG&E in a competitive Request For Offers process and as such was determined to be a cost-effective option for meeting the energy needs of the local area. In addition, by redesigning its transmission route initially identified the proposed power plant will save SDG&E's ratepayers millions of dollars.

The Quail Brush facility is being designed to minimize its impacts. As mentioned above, plant location, shortened stacks, aesthetic design features and landscaping would minimize the visual impacts of the proposed power plant. Additionally, Quail Brush intends to donate approximately 40 acres of land, which have been identified as priority parcels for inclusion in Mission Trails Regional Park, for open space in perpetuity, thus enhancing the environment. The anticipated design refinements and the environmental review process contemplated for this proposed power plant is consistent with the City's understanding that "as the City becomes fully urbanized, it is essential to fully integrate the design and space requirements for public utilities into all planning efforts," especially given the scarcity of suitable facility sites and the sensitivity of conserved areas. (*Id.*, p. PF-48).

The General Plan recognizes that “...planning for adequate public utilities and the means to transmit, convey, or provide the service is essential to ensuring that services and utilities keep pace with anticipated growth.” (*Id.*, p. PF-48). To ensure that adequate public facilities are available at the time of need, the City must “cooperatively plan for and design public utilities and associated facilities” as set forth in the Public Facilities policies. (*See id.*, p. PF-46). Thoughtful planning maximizes environmental and community benefits. By cooperating with the California Energy Commission and SDG&E, the City would be able to ensure that the proposed power plant is sited in an environmentally sensitive manner that provides economic benefits to the local community. The rigorous permitting and approval process the project must undergo at the California Energy Commission will ensure that the proposed power plant will be designed, constructed and operated in a safe manner and will satisfy all of the environmental conditions imposed on the project.

The amendment request is also consistent with the Regional Facilities goal to plan for “[r]egional facilities that promote and support smart growth and improve quality of life.” (*Id.*, p. PF-51). The proposed power plant would promote and support growth and improved quality of life by supplying energy that is needed in this local area, as well as allowing the additional renewable energy by providing SDG&E with the intermediate peaking power needed. Renewable projects such as wind and solar are inherently intermittent by nature and require rapid response dispatchable resources like Quail Brush to “fill the power gaps” when the sun stops shining or the wind stops blowing. Providing this power would reduce the chance of brownouts and blackouts, which in turn would bring growth and prosperity to the community as new businesses, especially biotech industries, decide to locate in the area with reliable power. As the organization BIOCUM has recognized, “[w]ithout this type of peaker facility, we could experience power outages on hot summer days and at other peak times” causing “dramatic” impact on life science companies in which “[r]esearch projects, some of which are months or years in the making and representing hundreds of thousands of dollars of work, can be ruined in a very short period of time if temperature and other factors are not kept within very narrow boundaries.” (BIOCUM June 14, 2012 letter to California Energy Commission).

To satisfy the Regional Facilities goal, the General Plan provides a number of implementation policies that the amendment request and the proposed power plant promote. For example, the City should “[a]ssume an active leadership role in planning and implementing regional facility and infrastructure investments through collaborative efforts.” (*Id.*, p. PF-51). By initiating review of the amendment request, the City would be taking an active leadership role in the planning for and consideration of the proposed power plant. Through collaboration with the California Energy Commission and other agencies, the City would be able to ensure that the development and operation of the proposed power plant serves the local and regional interests.

The City should also “[c]oordinate the timing and development of new or expanded regional serving facilities to precede the development they will support.” (*Id.*). SDG&E and California Independent System Operators (“CAISO”) have both provided testimony of the current need for additional power and specifically this project. Additionally, new housing developments including Castle Rock, Fanita Ranch and the expansion of housing at Miramar

would benefit from the energy generated by the Quail Brush project and in fact are dependent on facilities like Quail Brush to provide economic, reliable power. It is imperative that the City be actively involved in the planning process to ensure that the future needs of the City are met. SANDAG projects that by 2030, the population in the San Diego region will increase by over 700,000 people and that by 2050, the region will add over 1.2 million new residents. This represents a population increase of approximately 40 percent. A variety of energy resources to serve this projected growth is essential. Natural gas power plants are a major goal of the SANDAG Regional Energy Strategy 2009 - Goal 2 of the SANDAG Regional Energy Strategy 2030 is to increase in-county energy generation. Thus, timely planning for the energy needs is critical to ensure a thriving local economy.

The Planning Commission should find the amendment request consistent with this Public Facilities, Services and Safety Element of the General Plan. The City's participation in the California Energy Commission's review process of the proposed power plant will ensure that the goals and policies discussed in this section are considered in the California Energy Commission's review process.

Urban Design Element

The Urban Design Element includes the following policy for planning for and designing of utilities: "Minimize the visual and functional impact of utility systems and equipment on streets, sidewalks, and the public realm." (Urban Design Element, p. UD-15). To satisfy this policy, the General Plan provides the following direction: "Design and locate public and private utility infrastructure ... to be integrated into adjacent development and as inconspicuous as possible." (*Id.*). The proposed power plant's site is privately-owned land which is not dedicated open space under the General Plan. It is close to existing natural gas lines, existing transmission lines, an existing energy substation, and an existing 470+ acre landfill which is proposing its own expansion. Preliminary simulations and studies confirm that the proposed power plant would be inconspicuous in most aspects. The City's initiation of the amendment request and participation in the permitting process will give the City ample opportunities to ensure that the proposed power plant, if approved, satisfies this policy.

Conservation Element

The General Plan has one goal related to Sustainable Energy in its Conservation Element: "An increase in local energy independence through conservation, efficient community design, reduced consumption, and efficient production and development of energy supplies that are diverse, efficient, environmentally sound, sustainable and reliable." (Conservation Element, p. CE-37). The proposed power plant would be a highly efficient, intermediate peaking facility designed to provide rapid capacity response that would help SDG&E bring on new renewable resources by providing grid stability when renewable resources are not available as well as help support local energy independence by providing a source of power generation in the local area. The power equipment proposed for Quail Brush is based on proven technology with a long history of high reliability. As a peaking project, this technology also provides unsurpassed efficiencies across a wide range of ambient temperatures and plant

output. In addition, this technology produces low air emissions and is designed to minimize and conserve water use during plant operations.

By initiating review of the amendment request, the City would commence a process that would satisfy many of the policies supporting the Sustainable Energy goal, including coordination of the “City energy planning programs with federal, state and regional agencies [to] [m]aximize energy efficiency, use of clean renewable resources and demand response”; collaboration “with others to develop incentives to increase the use of renewable energy sources or reduce use of non-renewable energy sources”; and “[u]se [of] small, decentralized, aesthetically-designed and appropriately-sited energy efficient power generation facilities to the extent feasible.” (*Id.*, p. CE-38). According to SDG&E’s 2006 Long Term Procurement Plan which was approved by the California Public Utilities Commission, quick-start energy facilities like the one proposed by Quail Brush are necessary to support intermittent renewable resources and provide reliable capacity at peak load times. Such facilities are critical to meeting SDG&E’s long-term resource adequacy requirements. The City’s collaboration with the California Energy Commission would ensure that the proposed power plant, if approved, would be “efficient, environmentally sound, sustainable and reliable.” (*See id.*, p. CE-37).

In satisfying the Sustainable Energy goal, the requested amendment and the proposed power plant would also be consistent with other goals in the Conservation Element including the goal to “reduce the City’s overall carbon dioxide footprint by improving energy efficiency...” (*id.*, p. CE-7); the goal to “be prepared for, and able to adapt to adverse climate change impacts” (*id.*); the goal to have “[r]egional air quality which meet state and federal standards” (*id.*, p. CE-31); and the goal to reduce “greenhouse gas emissions effecting climate change” (*id.*). In addition to allowing for the development of more utility scale renewable energy facilities, as described in the attached letter from SDG&E, the proposed power plant would also help allow less efficient older power plants to operate less and ultimately retire.

Lastly, the mitigation proposed by Quail Brush and discussed above makes the amendment request consistent with the City’s goal of “[p]reservation and long-term management of the natural landforms and open spaces that help make San Diego unique.” (*Id.*, p. CE-12). The City’s initiation of review of the amendment request would ensure that the City has a place at the table during the discussion of the mitigation package as well as other conditions of approval that will be considered by the California Energy Commission.

Noise Element

The Noise and Land Use Compatibility goal is to “[c]onsider existing and future noise levels when making land use planning decisions to minimize people’s exposure to excessive noise.” (Noise Element, p. NE-6). For industrial activity, the goal is to have “[m]inimal exposure of residential and other noise-sensitive land uses to excessive industrial-related noise” (*id.*, p. NE-16) and for construction, the goal is to have “[m]inimal exposure of residential and other noise-sensitive land uses to excessive construction...noise” (*id.*, p. NE-17). The General Plan provides the following goal for mitigation: “Attenuate the effect of noise on future residential and other noise-sensitive land uses by applying feasible noise mitigation measures.” (*Id.*, p. NE-18). The California Energy Commission has already begun reviewing the anticipated noise

impact from the proposed power plant and has collected additional data from Quail Brush. Quail Brush's experts have concluded that the noise impact will be minimal and thus the amendment request would be consistent with the Noise Element goals. To ensure that the City's Noise Element policies, such as "[p]rovide for sufficient spatial separation between industrial uses and residential and other noise-sensitive uses"; "[e]ncourage the design and construction of industrial development to minimize excessive off-site noise impacts to residential and other noise-sensitive uses"; and "[e]ncourage industrial uses to utilize operation measures that minimize excessive noise where it affects abutting residential and other noise-sensitive uses," (*id.*, p. NE-16) are considered during the permitting process, the City should initiate review of the amendment request and actively participate in the California Energy Commission's process.

Community Plan Consistency

The site of the proposed power plant and the amendment request is located within East Elliott. The East Elliott Community Plan, which was adopted in 1971, contemplates that "[r]esidential and other forms of urban development are impractical and uneconomical in most of East Elliott because of the rugged topography, environmental constraints, lack of utility and road connections and other services, a multiplicity of small ownerships and proximity to the Sycamore Canyon Landfill." (Community Plan, p. 1). The Community Plan goes on to explain that "urban development is infeasible in much of East Elliott" because of "the natural resources on site and the factors described above." (*Id.*). However, these factors do not apply to the proposed power plant. Many of these factors, in fact, make the proposed site especially suitable for proposed power plant. The rugged topography helps shield the profile of the proposed power plant. While many utility, services and road connections that are necessary for urban development do not exist, the infrastructure most important to the development and operation of a power plant are located near the proposed site. The siting of a power plant near an existing landfill makes sense as well.

Additionally, Quail Brush's anticipated mitigation package would make the proposed power plant consistent with the Open Space Management Guidelines of the Community Plan, which "are designed to foster preservation and enhancement of the natural open space areas" of East Elliott. (*Id.*, p. 2). Specifically, the guidelines contemplate preservation of open space "by other large property owners as mitigation lands for environmental impacts anticipated on other properties." (*Id.*, p. 3).

Due to the proposed property's location adjacent to major streets and near the freeway, the change in designation from Open Space to a land use designation that would allow for the development and operation of the proposed power plant is not inconsistent with the Community Plan. The location of the proposed power plant on this parcel would "minimize habitat fragmentation" as the existing infrastructure around the site already inhibits a wildlife movement corridor through the property. (*See id.*, p. 3). Additionally, the biological surveys that have been conducted to date have not identified any species of concern that would be impacted by the proposed power plant. This determination is consistent with the guidelines that encourage any development or use of land to occur in areas that "do not contain sensitive habitat and wildlife." (*Id.*, p. 2)

Thus, the amendment request that is required for the development and operation of the proposed power plant in East Elliott appears to be consistent with the Community Plan and is therefore worthy of detailed consideration. The City should initiate the review of the amendment request and participate in the California Energy Commission's process to ensure that the proposed power plant, if approved, remains consistent with the General Plan and the Community Plan.

LU-D.10(b): "[T]he proposed amendment provides additional public benefit to the community as compared to the existing land use designation, density/intensity range, plan policy or site design."

The proposed amendment offers numerous public benefits to the community which are not currently provided. If ultimately approved, Quail Brush's proposed power plant will: provide energy to San Diego and create a more reliable electricity grid; contribute to the integration of renewable energy resources; reduce system-wide emissions of air pollutants and greenhouse gases (GHGs); ensure habitat preservation for sensitive species; provide at no cost to the City priority land for inclusion in Mission Trails Regional Park, for open space in perpetuity; and contribute to community economics by providing much-needed employment opportunities.

Electricity Grid Benefits

As explained in the attached letter from SDG&E, the proposed power plant would make significant contributions to the reliability of the electric grid in the San Diego area and the State as a whole. As the population continues to grow, more power generation facilities are necessary to meet increased demand. Renewable facilities such as wind and solar photovoltaic cannot by themselves meet the growing demand, because customers need power even when the sun is not shining or the wind is not blowing enough to support the whole electric system.

As a natural gas-powered intermediate peaking facility, the output of the proposed power plant would be able to be quickly ramped up or down to balance the changing demand on the grid. Thus, the proposed project could be run at or near its full capacity only when it is needed most (such as on hot summer evenings), and it could be run in partial operation mode when SDG&E requires only a portion of the plant's maximum output to meet demand (such as late night or early morning hours). This flexible load-following quality of the power plant can help SDG&E meet its peak demand on short notice, thereby helping ensure that the lights stay on in San Diego.

Renewable Energy Integration Benefits

The City's initiation of review of the amendment request could help promote renewable energy in California and support SDG&E's efforts to meet the State's 33% Renewables Portfolio Standard. Although it may seem counter-intuitive, when more renewable resources are added to the electricity grid, more natural gas-fired plants are needed, not less. This is true because the sun and wind cannot produce power around-the-clock, and also because the power output

of wind and solar facilities tends to fluctuate up and down. In order for the grid to function properly, the amount of electricity added to the grid must match the amount of electricity being used at all times. When wind or solar facilities suddenly increase or decrease in output, utilities such as SDG&E need to be able to call on flexible, quick-start power plants like the proposed project to balance the vacillating supply. Accordingly, the proposed project will help SDG&E and the CAISO meet customer demand when intermittent renewable generating sources are not available in sufficient quantities. By adding the proposed project to the grid, therefore, SDG&E will be able to integrate more renewable resources than are currently connected to the system.

Environmental Benefits

The proposed project is highly efficient and very flexible. As discussed in the attached letter, SDG&E must follow a policy-prescribed “loading order” when it chooses which plants to dispatch to meet its customers’ electricity demand. After energy efficiency, demand response, and renewable energy resources, SDG&E must dispatch its clean and efficient fossil fuel resources before its higher-polluting fossil fuel plants. If the proposed project is added to the grid, the power it provides will displace power that would otherwise come from older, less efficient, and higher-polluting plants. The San Diego region would therefore enjoy the environmental benefit of less overall air pollution from the electric power sector.

By initiating the amendment, the City could also contribute to the State’s aggressive GHG reduction goals. The proposed project would replace power from older, less-efficient plants, and would emit fewer GHGs for the same amount of power supplied to the grid. This would result in a system-wide reduction of GHG emissions, and benefit the community by mitigating the causes of global climate change.

Initiation of the amendment could also enhance the environment by supporting the mitigation measures associated with the proposed project’s approval. As discussed above, Quail Brush proposes to acquire and dedicate approximately 40 acres of priority land for open space in perpetuity. The acreage purchased not only would immediately expand Mission Trails Regional Park’s footprint, but also would geographically align with existing Park parcels so as to avoid non-contiguous pockets of Park land. This dedicated land would provide dramatic environmental benefits, by ensuring that sensitive plants and animals in San Diego can forever enjoy a rich, protected habitat.

Economic and Employment Benefits

Initiation of the amendment would provide economic benefits to the community. In addition to the economic benefits discussed above, the proposed power plant would generate short-term and long-term employment opportunities in the area with approximately 150 construction jobs over an 18 month period and 11 full-time permanent jobs. Quail Brush expects to hire approximately 90% of the work force locally, which would reduce unemployment burdens in San Diego.

LU-D.10(c): “[P]ublic facilities appear to be available to serve the proposed increase in density/intensity, or their provision will be addressed as a component of the amendment process.”

As explained in our June 20, 2012 letter, the proposed location is quite suitable for Quail Brush’s proposed power plant. The project site was chosen in part for its proximity to existing natural gas to supply to the facility with fuel, an existing substation into which the power plant can interconnect, and existing electric transmission lines which will deliver the plant’s output power. Accordingly, the project can be constructed and operated without a dramatic impact on public facilities in the local area. Moreover, Quail Brush is prepared to assist the City and other public agencies in addressing the proposed project’s impact on public facilities during the comprehensive review process.

As outlined above, the City’s Initiation Criteria are intended to guide the policy discussion about the appropriateness of proceeding with further analysis of a plan amendment. Consideration of the merits of the proposed project is not a part of the initiation process. Instead, because the amendment request satisfies each of the Initiation Criteria, the Commission need only determine that the request is “worthy of further analysis.” (See Manual, page 2). We therefore believe it is very important for you to initiate the process to evaluate the amendment request on its merits. Without doing so, the City will deprive itself of the ability to fully participate in the California Energy Commission’s comprehensive review of the proposed power plant. The Energy Commission will not interpret the City’s initiation of the amendment process as a decision on or an endorsement of the proposed project itself; instead, the City will have ample opportunity to evaluate and weigh in on the merits of the proposed power plant through its own and the Energy Commission’s approval processes.

Very truly yours,



Robin M. Madaffer

Attachment

Exhibit A: Letter from SDG&E

cc: Mary Wright, Development Services Department, Planning Division
Dan Monroe, Development Services Department, Planning Division
Cecelia Gallardo, Development Services Department
Nina Fain, Deputy City Attorney



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July 10, 2012

Mr. Eric Naslund
Chairperson
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RE: Quail Brush Peaker Plant Community Plan Amendment Initiation

Dear Chairman Naslund and Members of the Planning Commission:

It is our understanding that, at your June 28 meeting, the City of San Diego Planning Commission had several questions about how the proposed Quail Brush Generation Project (Quail Brush) fits into SDG&E's system, how the project helps retire older, less efficient power plants, and how SDG&E is working to fulfill the Energy Action Plan (EAP) Loading Order established by the California Public Utilities Commission (CPUC) and California Energy Commission (CEC). The purpose of this letter is to clarify these issues and to encourage you to initiate the Quail Brush Community Plan Amendment so that the City will remain actively involved in the CEC's environmental review and approval process for Quail Brush.

How Quail Brush Fits Into SDG&E's Long-Term Plans

In 2009, SDG&E issued a Request for Offers (RFO) to the market, requesting proposals for new generation facilities in the San Diego region. The purpose was to meet a projected demand for new electric capacity by 2014. SDG&E's 2006 Long Term Procurement Plan (LTTP), which was approved by the CPUC, also identifies a need for quick-start units that can be used to support intermittent renewable resources and to provide reliable capacity at times of peak load. This is especially important as we bring more wind and solar facilities online to meet California's 33 percent Renewables Portfolio Standard (RPS). Quail Brush will help offset intermittency issues on the transmission grid resulting from an increase in renewable energy projects on our system. Quail Brush was awarded a contract during the RFO process as a result of its being one of the low cost offers within SDG&E's service territory and its ability to provide flexible resources capable of starting and shutting down quickly as needed.

On May 19, 2011, SDG&E filed an application with the CPUC for authority to enter into Purchase Power Tolling Agreements (PPTA) with three natural gas-fired peaker plants – the 305 megawatt (MW) Pio Pico Energy Center in the County of San Diego adjacent to the existing Otay Mesa Generating Project, the 45 MW Escondido Energy Center and the 100 MW Quail

Brush facility in the East Elliott area of the City of San Diego. These facilities are critical to meeting SDG&E's long-term resource adequacy requirements and ensuring a reliable and accessible supply of power in San Diego beginning by 2014.

SDG&E sees a need for plants that can be used to fill in the difference between the demand for power from our customers and the supply for power from other resources. As an example, power from solar facilities starts dropping off at about 1:00 p.m., but the demand from our customers continues to grow until about 4:00 p.m. Also, loads peak again at about 8:00 in the evening.

Additionally, we would like to clarify that, historically, peaker plants used to run roughly 10 percent of the time. However, we are seeing this operation change in order to integrate renewables. As an example, some of SDG&E's peakers are now operating roughly 20 percent of the time. Their operation is expected to increase as we move from 20 percent renewable power to 33 percent renewable power, as driven by the RPS requirements. Quail Brush is being licensed to be operational up to roughly 43 percent of the time because of its state-of-the-art emissions technology, lower gas usage and quick start and stop capability. This allows SDG&E to better manage the variations in the load between our current generation assets and our growing portfolio of new renewable projects that will be coming online, allowing us to follow our customers' needs. In fact, our 2009 RFO specified that respondents must provide generating facilities designed and permitted for operation for a minimum availability of 2,700 hours per year, or more than 30 percent of the time. Quail Brush meets those requirements. The project would provide peaking and load following services quickly and with fewer emissions than older, less efficient units.

How Quail Brush Helps Retire Older Generation in San Diego

Another major question posed during the June 28 Planning Commission hearing was how the addition of Quail Brush would help shut down older, less efficient generation facilities in San Diego County. Specifically, Quail Brush and the two other facilities will add new capacity to the San Diego load pocket. SDG&E must have sufficient local generation available in order for older plants such as the nearly 60-year-old Encina Power Station in Carlsbad to be closed.

Plants such as Quail Brush are more efficient in meeting our peaking and renewable integration needs than the older steam technology used at Encina. The older steam technology has start up lead times that exceed 12 hours and requires the plants to be operated at their least efficient minimum load point over night if needed from day to day. Quail Brush can be started in ten minutes, shut down as needed and even restarted within a single day. This will allow the plant to be operated exactly when needed and at its most efficient point. Older units require more fuel and produce more emissions to generate the same amount of power as the lower emitting and more efficient Quail Brush project.

Additional information about the need for Quail Brush may be found in our PPTA application at <http://docs.cpuc.ca.gov/efile/A/135778.pdf>.

SDG&E's Loading Order

We would also like to take this opportunity to provide details about the EAP Loading Order that governs SDG&E's resource additions and explain how Quail Brush would be used within that prioritization. As discussed during your June 28 meeting, the current Loading Order calls first for cost-effective energy efficiency and demand response, followed by the use of renewable energy resources and fossil fuel generation that is both clean and efficient. Peaker plants are used on an as-needed basis once these resources have already been brought online. It is important to understand that, while we do not rely on facilities such as Quail Brush all the time, they are absolutely essential to ensuring electric reliability during peak times when demand exceeds what can be provided by SDG&E's other generation resources.

One common misperception is that San Diego's demand for energy can be met entirely with rooftop solar facilities because our peak demand is during the afternoon when the sun shines brightest. While SDG&E is fully committed to supporting a robust rooftop solar system in San Diego, the reality is that we need both renewable resources and natural gas facilities to meet our future demand for electricity in the region. Ironically, as SDG&E has brought more renewable resources onto our system, our peak demand for power, after accounting for solar power, has shifted to 8:00 p.m. Clearly, the sun is not shining brightest at this time of day. This gap between renewables and our peak loads, which need to be met quickly, is the reason that plants like Quail Brush are the best fit when needed.

Finally, we would like to encourage the City of San Diego to approve a Community Plan Amendment initiation for Quail Brush and take an active role in the CEC process. Your input will be critical as the project moves forward and the environmental analysis takes shape. We urge you to continue looking out for the best interests of the City by staying involved.

Should you have any questions, please don't hesitate to contact me at (858) 650-6102.

Sincerely,



James P. Avery
Senior Vice President -- Power Supply

CC: Vice Chairperson Tim Golba
Commissioner Robert Griswold
Commissioner Stephen Haase
Commissioner Mary Lydon
Commissioner Susan Peerson
Commissioner Michael Smiley



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
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**APPLICATION FOR CERTIFICATION
FOR THE *QUAIL BRUSH GENERATION PROJECT***

DOCKET NO. 11-AFC-03
PROOF OF SERVICE
(Revised 7/18/2012)

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DECLARATION OF SERVICE

I, Margaret Pavao, declare that on July 18, 2012, I served and filed a copy of the Applicant's Letter to Planning Commission - Request to Initiate Community Plan Amendment, dated July 10, 2012. This document is accompanied by the most recent Proof of Service list, located on the web page for this project at: <http://www.energy.ca.gov/sitingcases/quailbrush/index.html>.

The document has been sent to the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit or Chief Counsel, as appropriate, in the following manner:

(Check all that Apply)

For service to all other parties:

- Served electronically to all e-mail addresses on the Proof of Service list;
- Served by delivering on this date, either personally, or for mailing with the U.S. Postal Service with first-class postage thereon fully prepaid, to the name and address of the person served, for mailing that same day in the ordinary course of business; that the envelope was sealed and placed for collection and mailing on that date to those addresses **NOT** marked "e-mail preferred."

AND

For filing with the Docket Unit at the Energy Commission:

- by sending an electronic copy to the e-mail address below (preferred method); **OR**
- by depositing an original and 12 paper copies in the mail with the U.S. Postal Service with first class postage thereon fully prepaid, as follows:

CALIFORNIA ENERGY COMMISSION – DOCKET UNIT
Attn: Docket No. 11-AFC-03
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.ca.gov

OR, if filing a Petition for Reconsideration of Decision or Order pursuant to Title 20, § 1720:

- Served by delivering on this date one electronic copy by e-mail, and an original paper copy to the Chief Counsel at the following address, either personally, or for mailing with the U.S. Postal Service with first class postage thereon fully prepaid:

California Energy Commission
Michael J. Levy, Chief Counsel
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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, that I am employed in the county where this mailing occurred, and that I am over the age of 18 years and not a party to the proceeding.

