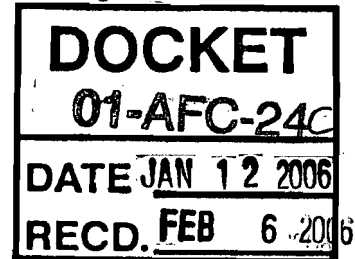


## CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET  
SACRAMENTO, CA 95814-5512

January 12, 2006

Mr. Robert C. Jackson  
Project Director  
Sempra Energy  
101 Ash Street  
San Diego, CA 92101-3017



**Subject:** Palomar Energy Project (01-AFC-24C)  
Emergency Variance for Commissioning Phase of Project Construction

Dear Mr. Jackson:

This letter is in response to your petition for an emergency variance to the San Diego County Air Pollution Control District (District) Hearing Board on January 10, 2006.

The District's Final Determination of Compliance Condition 23 and the Commission's Condition of Certification AQ-23 restrict commissioning operation to 300 hours per turbine. Due to events beyond your control pertaining to water availability and transmission constraints, your petition to extend the commissioning period to 600 hours per turbine was approved by the District on January 12, 2006 and is retroactive to January 10, 2006. The commissioning phase of project construction is expected to be completed by end of January 2006.

Restrictions on recycled water and transmission-line outages have required the facility to run at low loads, thereby increasing the commissioning time necessary to fully test and demonstrate operation of all plant systems. During the term of the variance, the aggregate 12-month rolling average of all air emission limits imposed by the District and the Commission's Decision will not be exceeded. The District concurs that not granting the variance would be an "unreasonable taking of property" as it would not allow the plant to complete commissioning and therefore would not allow the plant to operate. It is not feasible to curtail commissioning tasks and activities, since all such activities are necessary to assure safe and timely operations of the facility.

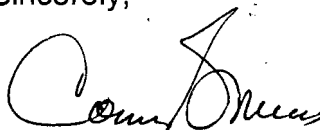
Commission Staff agrees with the District that it is important to avoid delaying the commercial operation of this power plant in an area of critical need. In light of this, Staff will not pursue enforcement action regarding the extended commissioning hours with the following stipulations. Palomar Energy, LLC, must:

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- ensure that all emissions be kept within all District and Energy Commission current permit limits applicable during commissioning,
- operate the plant with NOx and CO emission control equipment, and
- maintain operation of a NOx and CO Continuous Emission Monitoring System to quantify emissions during the term of the variance.

Our decision not to pursue an enforcement action does not affect other parties who could petition the Commission to disallow the continued commissioning of the facility. If you have any questions, please contact me at (916) 654-4545 or via e-mail to [cbruins@energy.state.ca.us](mailto:cbruins@energy.state.ca.us).

Sincerely,



CONNIE BRUINS  
Compliance Project Manager