

Hearing Officer Vaccaro,

In response to your voicemail and email of last week, here is the response of the Applicant regarding the sale of the Carson refinery and the water issues. The Committee is correct that BP has recently announced an intention to sell the Carson refinery and is entertaining offers for a purchase. However, this proposed sale should not impact the AFC proceeding in any manner because: 1) the sale will not be complete until after the AFC is completed; 2) a more reliable steam supply for the refinery will be valuable to both the seller (BP) and any buyer; 3) Watson and BP have determined to proceed with the AFC without any changes in the project or the schedule resulting from the proposed sale. Applicant will provide any further information that the Committee desires on this topic if so requested.

As to water supply, applicant has not changed its intended sources. Applicant intends to use recycled water to the extent negotiations with local water agencies are successful in making such supplies available. Pending the outcome of such negotiations, and as an interim and back-up supply thereto, applicant intends to use a combination of on-site ground water and municipal water supplies. Applicant will accept a condition of certification ensuring that any combined use of ground water and municipal supply will not result in an increase in the combined use of such water by the applicant. In other words, applicant will accept a condition now under discussion with the staff that would "offset" any use of ground water and/or municipal supplies by the new unit with reductions from the existing four generation units compared with historic use.

As noted, this does not represent a new proposal or change in the project. Applicant discussed this position, including the proposed "offset" condition, with staff in a public workshop in January of 2010. However, at a recent workshop, staff noted that some statements in section 5.5 of the AFC could be interpreted as being inconsistent with this proposal and asked that Applicant submit revisions to these statements. For clarity, Applicant has agreed to do so. As a result, Applicant has agreed to a short delay in the schedule as described in the Staff Status report submitted February 11 to allow for these revisions and further discussions with staff regarding water use.

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STATE OF CALIFORNIA

Energy Resources Conservation
and Development Commission

Application for Certification for the Watson)
Cogeneration Steam and Electric Reliability Project) Docket No. 09-AFC-1
_____)

PROOF OF SERVICE

I, Karen A. Mitchell, declare that on February 15, 2011, I served the attached *Email Response to Hearing Officer Kourtney Vacarro's Voicemail and Email Regarding the Sale of the Carson Refinery and Water Issues* via electronic mail and United States Mail to all parties on the attached service list.

I declare under the penalty of perjury that the foregoing is true and correct.



Karen A. Mitchell



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
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APPLICATION FOR CERTIFICATION
FOR THE **WATSON COGENERATION
STEAM AND ELECTRICITY RELIABILITY
PROJECT**

Docket No. 09-AFC-1

PROOF OF SERVICE LIST
(Revised 2/8/10)

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