

Memorandum

Date : June 20, 2002

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To : Robert A. Laurie, Commissioner and Committee Presiding Member
William J. Keese, Chairman and Committee Associate Member

From : California Energy Commission - Bob Eller
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Subject : **PALOMAR ENERGY PROJECT (01-AFC-24) STATUS REPORT NO. 3**

Pursuant to the Committee's Scheduling Order of March 29, 2002, the following is staff's status report on the proposed Palomar Energy Project. As requested by the Committee in its Order, staff's previous reports focused on issues related to the schedule for adoption of the Escondido Research and Technology Center (ERTC) Specific Plan by the City of Escondido, and potential to delays to the Committee's adopted schedule for the project. Staff remains concerned that a significant delay in the adoption of the ERTC Specific Plan by the City will delay the Commission's completion of this review of this project.

Since the staff's May 22, 2000, status report, staff continues to work closely with the City of Escondido. On May 1, 2002, the Escondido City Council unanimously adopted a proposed Memorandum of Understanding (MOU) between the City of Escondido and the Energy Commission to coordinate the City's work on the ERTC and our work on the proposed Palomar Energy Project. Staff is preparing a request for a Committee conference to review the MOU. We expect to file this request next week.

Finally, staff would like to take this opportunity to offer its thanks and best wishes to Commissioner Laurie who will be leaving the Commission for the private sector on June 21.

CURRENT DATA REQUEST/DATA RESPONSES

STAFF

As we stated in our Second Status Report, staff submitted 18 follow-up data requests on May 3 requesting additional information in the areas of alternatives, cultural resources, noise, and soil and water resources. Staff received responses to these requests on June 3. Palomar filed additional Cultural Resources information in response to these requests on June 19.

Staff filed additional transmission system data requests on May 23. These requests were the result of staff's review of the applicant's response to Data Request #65, received by staff on April 17. Staff expects to receive these responses on June 24. On June 14 staff received a copy of a letter from the California Independent System Operator (Cal-ISO) granting final contingent approval to connect the project to the grid

on the condition that Palomar satisfy the conditions specified by Cal-ISO. Staff has not had the opportunity to review the studies used by Cal-ISO in granting this approval. We expect to receive these studies from Cal-ISO in the next few weeks.

Staff will identify any additional information needs in its Preliminary Staff Assessment (PSA), and will work with the applicant, during the workshops on this assessment, to resolve any remaining data needs and issues.

INTERVENORS

No data requests have been filed by intervenors to this proceeding.

AGENCY PARTICIPATION

The primary agency interaction to date has been with the City of Escondido and the San Diego Air Pollution Control District (SDAPCD). Both agencies attended and participated in both the Committee's Informational Hearing and Site Visit and staff's Data Response and Issues workshop.

Staff is awaiting the Preliminary Determination of Compliance (PDOC) from the SDAPCD. The Committee's Scheduling Order assumed that the PDOC would be submitted in early June, and that the PSA would follow in early July. The delay in filing the PDOC will result in a delay in filing staff's PSA. Staff plans to file the PSA within one month of receiving the PDOC from the SDAPCD, consistent with the Committee's scheduling order.

ISSUES

In our March 15 Issue Identification Report (IIR) staff identified potential issues with the environmental baseline of the project, air quality, and traffic and transportation. Staff continues to work closely with the parties to resolve any traffic and transportation impacts related to the direct and cumulative impacts of the Palomar Energy Project.

ENVIRONMENTAL BASELINE

The Committee, in its Scheduling Order of April 2, 2002, noted the technical areas which require coordination with the City of Escondido in order to resolve potential environmental baseline related issues. This coordination is ongoing but, as noted by the Committee, has the potential to delay the Commission's action on the proposed project.

Staff reviewed the City's second "screencheck" Environmental Impact Report (EIR) for the ERTC Specific Plan and provided comments to the City earlier this month. The term screencheck, as used by the City, represents a staff draft review document not intended for public release. As a result, staff has not provided this information to the docket or the applicant. Staff will review the public ERTC Specific Plan EIR, scheduled for release in July, and will file any formal comments on this document with the parties.

AIR QUALITY

Staff's IIR identified four potentially critical air quality issues that could affect the timing and outcome of the licensing process for the Palomar Energy Project. They included: 1) accurate representation of construction impacts; 2) cumulative effects; 3) mitigating respirable particulate matter (PM₁₀) impacts; and, 4) mitigation for ozone and secondary PM₁₀ impacts.

Issues relating to construction impacts were resolved by the April 8 data responses, with the exception of PM₁₀. Staff continues to work with the San Diego Air Pollution Control District to resolve any cumulative issues related to the Palomar Energy project, including issues related to natural gas supply raised by the District.

Issues related to the mitigation of PM₁₀ impacts continue to be a concern for staff. Staff received a proposal for additional mitigation in the applicant's May 8 data response submittal. Staff is reviewing the proposed strategy and will provide an analysis in the PSA.

PROJECT SCHEDULE

As stated above, staff anticipates publishing the PSA within one month of the receipt of the PDOC from the SDAPCD. This will delay the schedule beyond the early July PSA completion date contemplated in the Committee's Scheduling Order. Staff will, to the extent feasible, attempt to minimize any potential impacts to the project schedule from this delay.