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November 27, 2007

File No. 030137-0012

VIA FEDEX

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 07-AFC-3
1516 Ninth Street, MS-4
Sacramento, California 95814-5512

| | |
|---------------------------|-------------|
| DOCKET 07-AFC-3 | |
| DATE | NOV 27 2007 |
| RECD. | NOV 27 2007 |

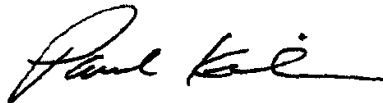
Re: CPV Sentinel Energy Project: Docket No. 07-AFC-3

Dear Sir/Madam:

Pursuant to California Code of Regulations, title 20, sections 1209, 1209.5, and 1210, enclosed herewith for filing please find a copy of a letter from Mark Turner to Bill Pfanner regarding the above-referenced project.

Please note that the enclosed submittal was also filed today via electronic mail to your attention.

Very truly yours,



Paul E. Kihm
Senior Paralegal

Enclosure

cc: Michael J. Carroll, Esq. (w/ encl.)



CPV Sentinel, LLC

MARK TURNER
PROJECT MANAGER
Tel: (415) 293-1463
Fax: (415) 957-9686

Mr. Bill Pfanner
Project Manager
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814

Dear Mr. Pfanner:

CPV Sentinel, LLC ("CPV Sentinel") understands that Commission Staff is processing an unprecedented number of applications for site certification, and we appreciate the time and attention that has been given to the CPV Sentinel Energy Project ("Sentinel Project") application. In light of the current workload at the CEC, and our mutual objective of ensuring an adequate supply of power to meet the needs of the state, we would like to raise a policy issue that we think warrants careful consideration.

On January 23, 2007 CPV Sentinel representatives met with members of the CEC staff. During this pre-filing meeting, CPV Sentinel presented, among other things, the water supply plan for the Sentinel Project, including a detailed discussion of water supply requirements, water source considerations, the use of a sub-basin for storage capacity, and the recovery of stored water via on-site wells. A copy of the presentation that was made at the January 23 meeting is attached. Staff did not express any concerns about the proposal at that time and in fact stated that it was a good water plan, and CPV Sentinel subsequently made certain commitments, including entering into the power purchase agreement with Southern California Edison, premised on the project as designed.

Recently, staff has raised a number of issues concerning the water supply plan for the Sentinel Project CPV intends to be responsive to these concerns and proceed with a detailed evaluation of the water supply plan to ensure that appropriate measures are included in the plan to mitigate potentially significant issues. However, there has been some suggestion that staff is planning to recommend dry cooling for the CPV Sentinel project. In this regard staff has recently suggested that it is CEC policy to recommend dry cooling when it determines that the project is located in areas with limited water supply resources. If this is in fact a new interpretation of the CEC policy with respect to water supply, it was not communicated to CPV Sentinel at the January 23, 2007. As detailed in our responses to the first set of CEC data requests, a change to dry cooling would have dramatic impacts on the cost of delivering the power that CPV Sentinel is obligated to provide under its contract with Edison.

During the Commission's Business Meeting on August 29, 2007 ("August 29 Meeting"), Staff explained that the number of current and anticipated siting applications has surpassed historical standards and presented data illustrating that the Commission



approved a number of projects that are not proceeding to construction.¹ Moreover, Staff stated that it is processing siting applications for many projects that do not have power purchase agreements and, therefore, it is unknown and unclear whether the projects actually will move forward after receiving site certification.² Noting that the Commissioners have expressed concerns in this area, Staff indicated that whether "projects that do not have contracts are currently in discussions with various utilities," is "going to be one of the key issues" for Staff to consider when reviewing siting applications.³

Obviously, the risk that staff is devoting scarce resources to reviewing projects that may not get built is minimized, and virtually eliminated, in the case of projects that already have firm procurement contracts. Based on statements made at the August 29 meeting, and elsewhere, it is our understanding that the CEC looks favorably upon projects with procurement contracts in place prior to receiving site certification, as this practice facilitates efficiency and preserves staff resources for projects that are likely to proceed. As you know, the Sentinel Project is one of the few projects under CEC consideration with a signed power purchase agreement with Edison to provide peaking capacity to the Los Angeles Basin. Thus, it is virtually assured that the Sentinel Project will move forward if certified by the CEC.

While having a procurement contract in place furthers the objective of ensuring efficient use of CEC staff resources (and the resources of other reviewing agencies), it must be recognized that the ability of a project developer to significantly modify the proposed project is severely constrained by having a procurement contract in place. The pricing in such contracts are based upon a certain set of assumptions regarding the cost of developing the project and producing the electricity. While some margin for cost increases associated with design modifications are included to be sure, the competitive nature of the procurement process requires that developers keep such contingencies to a minimum.

If, in the interest of ensuring efficient use of agency resources, there is to be a preference for projects obtaining procurement agreements prior to commencing the certification process, and we think there should be, then there must also be a recognition of the fact that the ability to re-design major project components during the certification process will be very limited. This is not to suggest that the CEC is limited in any way in its ability to evaluate project impacts, and alternatives and mitigation measures to address such impacts. However, in cases where project impacts can be addressed within the context of the project as proposed, the CEC should be very hesitant to recommend

¹ August 29 Meeting Transcript at 26:3-5, 26:18-19.

² Id. at 31:19-23.

³ Id. at 26:5-7, 38:14-19.



CPV Sentinel, LLC

modifications to the design of the project. Certainly, there should not be a blanket policy to recommend certain changes to project design, such as changes to the proposed cooling system. Such an approach will severely undercut the objective of having project proponents obtain procurement contracts prior to the certification process.

CPV Sentinel has devoted significant resources to the development of the Sentinel Project. It has also undertaken significant risk by entering into a procurement contract with Edison which ensures that if the Sentinel Project is certified by the CEC, it will be built, and the CEC's resources devoted to certifying the project will not be squandered. CPV Sentinel sought to mitigate some of that risk by pre-viewing critical project elements, such as the proposed method of cooling and water supply, with the staff prior to entering into a contract with Edison and submitting an application to the CEC. A change in the staff's view of the proposed cooling system at this point undoes the work that was done in January, will have a devastating impact on our ability to develop the Sentinel Project, and sends the wrong signal to all developers regarding the wisdom of obtaining procurement contracts prior to certification of the project. If the CEC desires greater certainty that projects will be developed once certified, then it must provide greater certainty to developers that projects will be approved as proposed when efforts are undertaken to pre-view the project with the staff, and to address the impacts associated with the project as proposed.

Thank you for your attention to this matter. We look forward to discussing these issues with you further.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Turner".

Mark Turner

Attachment

**CPV Ocotillo, LLC
Pre-filing Meeting with the CEC**

**Sacramento, CA
Tuesday January 23, 2007**



Agenda

- Introductions
- Project Overview
- Air
- Water
- Land Use

Facility Description

- Nominal 850 MW natural gas-fired, simple cycle facility
 - ☐ High efficiency – over 10% more efficient than LM6K
 - ☐ Equipped with water injection and SCRs for NOx control
 - ☐ Eight (8) General Electric LMS100 combustion turbines
 - ☐ Oxidation catalysts will control CO & VOC emissions
- Design optimizes output and efficiency given the hot, arid site conditions
 - ☐ Mechanical-draft wet evaporative cooling towers
 - ☐ Foggers to enhance performance.
- Water supply/discharge
 - ☐ Plan to use reclaimed water for process supply
 - ☐ Crystallizer/zero-liquid discharge system
- Electric Interconnect
 - ☐ 230 kV Devers substation
 - ☐ Facilities Study complete w/ change to LMS100 technology approved by CAISO
- Gas Interconnect
 - ☐ SoCalGas 24" lateral approximately 2 miles southeast of site
 - ☐ Interconnection Study complete
 - ☐ CPV Ocotillo & SoCalGas coordinating on easement for interconnect

CPV Ocotillo Site

- 37 Acre Site, located within the LA Basin local resource area, 8 miles northwest of Palm Springs in Riverside County.
- Zoned for Public Facilities in the General Plan which allows for electric generation stations and corridors.
- Location adjacent to the Devers substation is characterized by industrial use with wind farms and power lines surrounding site
- SoCalGas linear ~ 2 miles from the site.

CPV Ocotillo Site Map



Air Quality – Proposed BACT Levels

| | |
|---------|-------------------------|
| ■ NOx: | 2.5 ppm |
| ■ CO: | 6.0 ppm |
| ■ ROG: | 2.0 ppm |
| ■ SOX: | PUC Quality Natural Gas |
| ■ PM10: | PUC Quality Natural Gas |

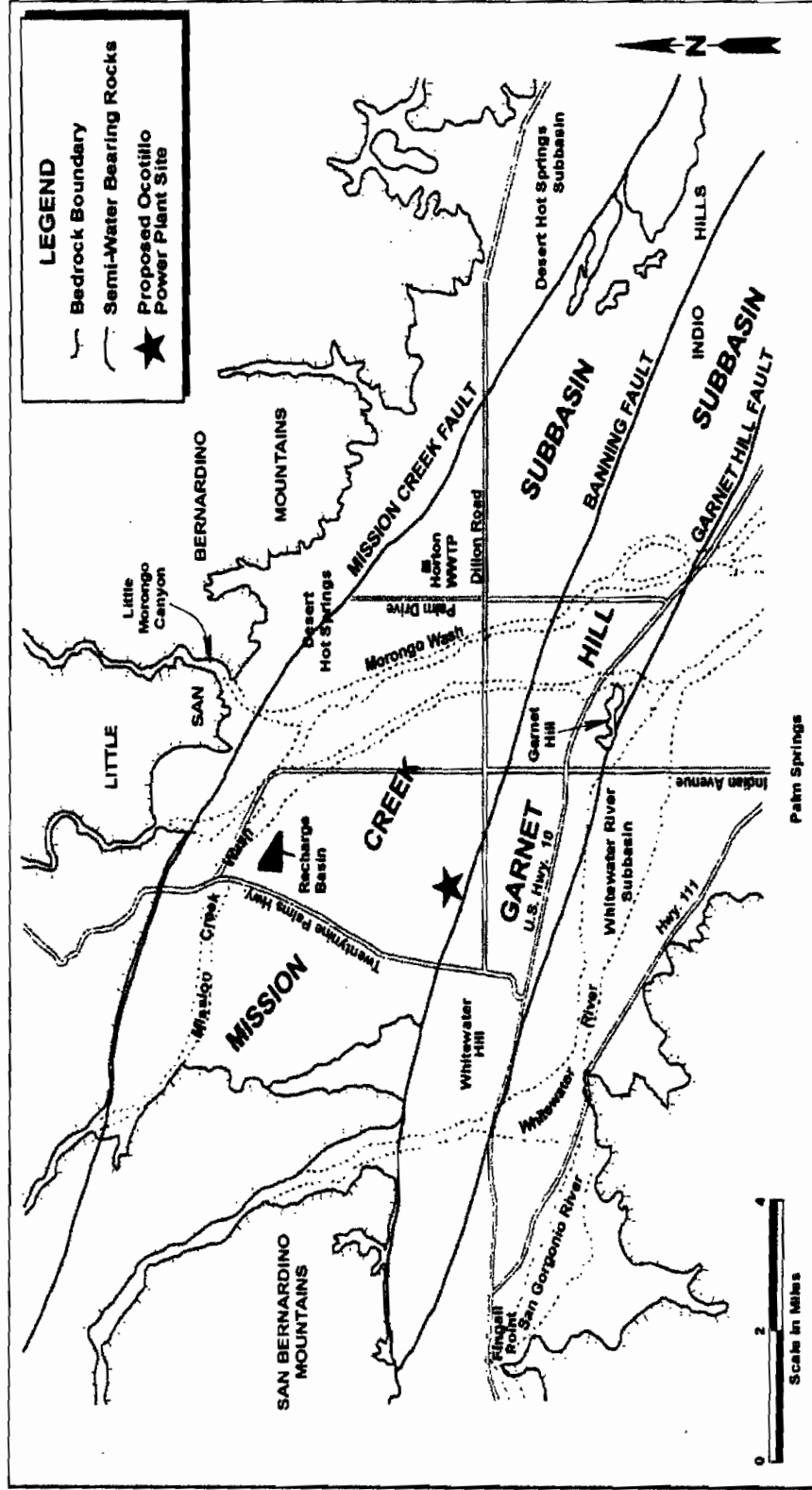
Air Quality – Proposed Offset Strategy

- NOx: RECLAIM Trading Credits
- CO: Not required
- ROG: Emission Reduction Credits from Open Market
- SOX: Priority Reserve Offsets
- PM10: Priority Reserve Offsets

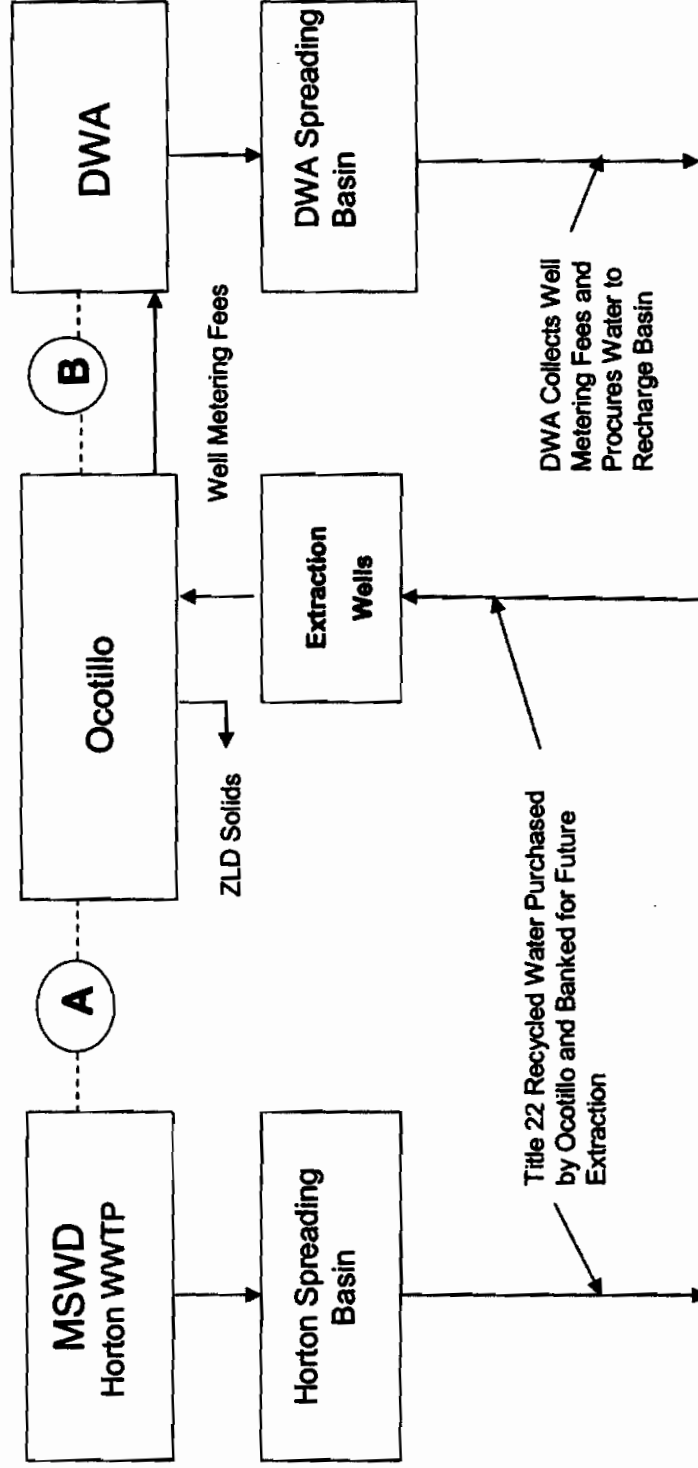
Water Supply

- **Requirements**
 - ❑ Average of 1.0 mgd/1,100 AF/yr
 - ❑ Storage capacity to match peaking dispatch
- **Water Source**
 - ❑ Reclaimed water from MSWD Horton WWTP (negotiations in progress)
 - ❑ Horton current capacity: 1.3 mgd/1,580 AF/yr
 - ❑ Above ground storage impractical (~41 million gallons)
 - ❑ Sub-Basin used for storage capacity of reclaimed water owned by Ocotillo
 - ❑ Recovery of Ocotillo-stored water via on-site wells
- **Recharge of Sub-Basin**
 - ❑ DWA collects fees to recharge sub-basin (thus, Ocotillo pays to recharge even when recovering water for which it holds title)

SUBBASIN MAP



Ocotillo Water Plan



A = MSWD/Ocotillo Reclaimed Water Agreement (In Negotiation)

B = DWA/Ocotillo Well Metering Agreement (Existing)

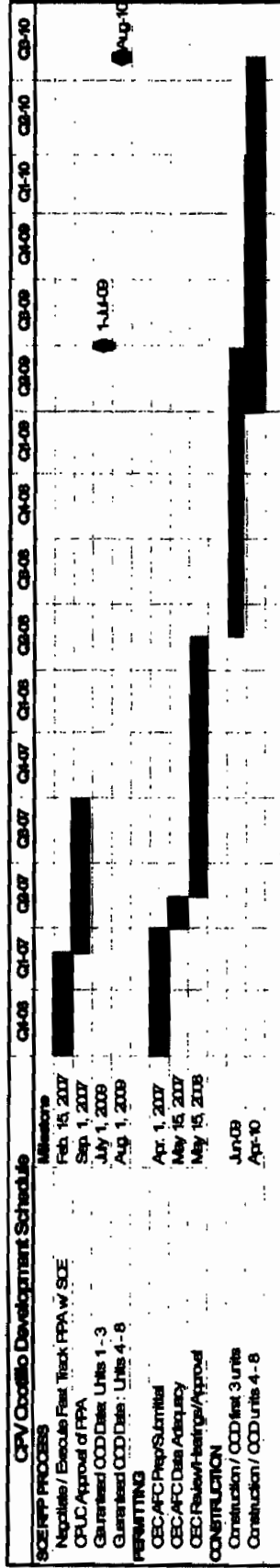
Land Use

- **General Plan Designation**
 - ☐ Site designated as Public Facilities
 - ☐ Electric Generating Stations are a specifically allowed use
- **Zoning Designation**
 - ☐ Pending designation of Community Development Foundation Public Facilities
 - ☐ Electric Generating Stations are a specifically allowed use
 - ☐ Amendment passed by Planning Commission on October 18, 2006
 - ☐ Amendment scheduled to come before Board of Supervisors on March 27, 2007

SCE RFO Process

- **CPV Ocotillo short-listed in SCE NewGen RFO process for up to 8 LMS100 units**
- **CPV Ocotillo one of a handful of projects capable of meeting SCE's Fast Track criteria**
 - ☐ Completed Facilities Study
 - ☐ On line date prior to August 2010
 - ☐ SCE has preference for projects with earlier on-line dates
- **Project is designed for needs identified in LA Basin by SCE and CAISO**
 - ☐ Quick Start Capability – Start within 10 minutes
 - ☐ Black Start Service – plant equipped w/ one black start generator
 - ☐ Regulation Service – each unit equipped with AGC
- **Advanced negotiations with SCE underway for Tolling Agreement under Fast Track**
 - ☐ Negotiations complete by January 31, 2007
 - ☐ Execution of contracts by February 15, 2007
- **Guaranteed Delivery Dates in Contract**
 - ☐ Units 1 -3: July 1, 2009
 - ☐ Units 4-8: August 1, 2010

Project Schedule



| | |
|---|-------------------|
| Tolling Agreement Executed | February 15, 2007 |
| AFC Submittal to CEC | April 1, 2007 |
| AFC Data Adequacy | May 15, 2007 |
| AFC Certification/ Other Permits Completion | June 2008 |
| Construction NTP Issued | June 2008 |
| Commercial Operations Date (first 3 units) | June 2009 |
| Guaranteed Commercial Operations Date (first 3 units) | July 1, 2009 |

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

| | | |
|--|---|------------------------------------|
| In the Matter of: |) | Docket No. 07-AFC-3 |
| |) | |
| Application for Certification, |) | ELECTRONIC PROOF OF SERVICE |
| for the CPV SENTINEL ENERGY PROJECT |) | LIST |
| <i>Power Plant Licensing Case</i> |) | |
| |) | (Revised October 15, 2007] |
| <hr style="width:50%; margin-left:0"/> | | |

☒ Transmission via electronic mail and by depositing one original signed document with FedEx overnight mail delivery service at Costa Mesa, California with delivery fees thereon fully prepaid and addressed to the following:

DOCKET UNIT

CALIFORNIA ENERGY COMMISSION

Attn: DOCKET NO. 07-AFC-3
1516 Ninth Street, MS-4
Sacramento, California 95814-5512
docket@energy.state.ca.us

☒ Transmission via electronic mail addressed to the following:

APPLICANT

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CPV SENTINEL ENERGY PROJECT
CEC Docket No. 07-AFC-3

INTERESTED AGENCIES

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CPV SENTINEL ENERGY PROJECT
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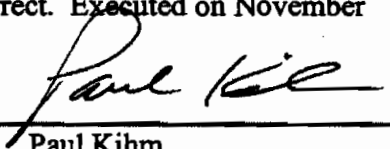
DECLARATION OF SERVICE

I, Paul Kihm, declare that on November 27, 2007, I deposited a copy of the attached:

LETTER FROM MARK TURNER TO BILL PFANNER

with FedEx overnight mail delivery service at Costa Mesa, California with delivery fees thereon fully prepaid and addressed to the California Energy Commission. I further declare that 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. Executed on November 27, 2007, at Costa Mesa, California.



Paul Kihm