

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5512

September 9, 2008

ARNOLD SCHWARZENEGGER, Governor	
DOCKET	
07-AFC-4	
DATE	SEP 09 2008
RECD.	SEP 09 2008

TO: AGENCY DISTRIBUTION LIST

REQUEST FOR AGENCY COMMENTS ON THE FINAL STAFF ASSESSMENT FOR THE CHULA VISTA ENERGY UPGRADE PROJECT (07-AFC-4)

On August 10, 2007, MMC Energy, Inc. (MMC) submitted an Application for Certification (AFC) to construct and operate the Chula Vista Energy Upgrade Project (CVEUP) in the City of Chula Vista, San Diego County. The AFC seeks approval from the California Energy Commission to construct and operate a nominal 100 megawatt (MW) peaking power plant consisting of two (2) General Electric (GE) LM6000 natural gas-fired turbine-generators and associated equipment. The project site is located on a 3.8-acre parcel in the City of Chula Vista's Main Street Industrial Corridor and within the city's Light Industrial zoning district currently occupied by MMC's Chula Vista Power Plant, a 44.5-MW simple-cycle, natural gas-fired peaking power plant using Pratt & Whitney FT4 Twinpac™ technology. The proposed project would replace the existing power plant and, as part of the CVEUP, the existing power plant would be removed from the southern portion of the project parcel.

The enclosed Final Staff Assessment (FSA) contains the California Energy Commission staff's final engineering and environmental evaluation of MMC's proposed CVEUP. The FSA was published electronically on August 28, 2008. Energy Commission staff concludes that with the applicant's proposed mitigation measures and the staff's proposed conditions of certification, the CVEUP would not cause a significant adverse environmental or public health impact and would conform with all applicable laws, ordinances, regulations, and standards (LORS). The Energy Commission staff's findings are summarized as follows:

- The proposed project area is a highly disturbed area with no sensitive biological resources. The proposed laydown areas and linear facilities are similarly developed or barren. Direct impacts to biological resources at the project site are unlikely because of the developed nature of the area. However, construction activities in such close proximity of the Otay River Preserve, a Multiple Species Conservation Program open space and natural preserve area, pose potential indirect impacts to a number of special status species covered under the program. Implementation of the Energy Commission staff's proposed conditions of certification is necessary to avoid or minimize potential indirect impacts to biological resources. The project would not result in take of listed species and no wetlands or other waters of the United States would be directly impacted by the project. The construction and operation of the project would comply with all federal, state, and local laws, ordinances, regulations, and standards relating to biological resources if staff's conditions of certification are adopted and implemented.
- The proposed CVEUP, with the effective implementation of the recommended condition of certification, would be consistent with the applicable laws, ordinances, regulations, and standards pertaining to local land use planning and would not generate a significant impact under the California Environmental Quality Act (CEQA) guidelines with respect to the act's Appendix G issues, "Land Use and Planning" and

"Agriculture Resources." Energy Commission staff believes that the proposed project is consistent with the current development pattern for the area established by the Chula Vista General Plan, Municipal Code, and Southwest Area Redevelopment Plan. In addition, the proposed Chula Vista Energy Upgrade Project would be compatible with existing on-site or nearby uses, as it is consistent with the general character of these permitted uses and the planned development pattern for the City's Main Street Industrial Corridor.

- The San Diego Air Pollution Control District has determined that the project complies with the appropriate rules and requirements of the District and would not contribute to the degradation of air quality. The applicant has agreed to fund the creation of emission reduction credits through the Carl Moyer Fund, in sufficient quantity to fully offset all nonattainment pollutants and their precursors at a minimum ratio of 1:1. The applicant has also agreed to fund, separate from this CEQA process, an additional project mitigation program that would be paid to and administered by the City of Chula Vista.
- Staff evaluated the global climate change and greenhouse gas (GHG) emissions from the project. The CVEUP would replace a less efficient existing facility with lower emissions of carbon dioxide per megawatt hour. The project, as a peaking project with an enforceable operating limitation less than 60 percent of capacity, is not subject to the requirements of Senate Bill 1368 and the Emission Performance Standard. Staff recommends reporting of the GHG emissions as the California Air Resources Board develops greenhouse gas regulations and/or trading markets. The project may be subject to additional reporting requirements and GHG reductions as these regulations become more fully developed and implemented.
- The funding and implementation of the City of Chula Vista water conservation project would offset the potable water used for the power plant. Implementation of this water conservation project is consistent with the intent of Article X of the California State Constitution and the Warren-Alquist Act. The use of a municipal water supply for this project would comply with state water policy found in the State Water Resources Control Board (SWRCB) Resolution 75-58, and the Energy Commission's 2003 Integrated Energy Policy Report (IEPR) water policy since recycled water is currently not available in the project area and the cost for delivery is economically unsound. Staff recommends that the applicant evaluate the feasibility of converting to recycled water for the plant's nonpotable water uses if it is found to be available in the area during the life of the project.
- Transmission system impacts and appropriate mitigation have been fully identified at this point and are acceptable and would comply with all applicable laws, ordinances, regulations, and standards. The project interconnection to the grid would not result in downstream transmission impacts as a result of the Special Protection Schemes proposed by the applicant.
- With the proposed conditions of certification included in the various technical areas, the project's construction and operation impacts can be mitigated to a level less than significant.

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The FSA contains the Energy Commission staff's environmental and engineering evaluation of the CVEUP and will serve as staff's testimony during evidentiary hearings. The Energy Commission Committee assigned to the CVEUP proceedings will consider and weigh the testimony, comments, or recommendations of all interested parties, including Energy Commission staff, the applicant, intervenors, public, and other local, state, and federal agencies, before issuing the Presiding Member's Proposed Decision (PMPD) for consideration by the full Energy Commission. The public, intervenors, and local, state and federal agencies are encouraged to participate in these hearings.

We request that you review the enclosed FSA for the areas in which your agency would normally be responsible but for the Energy Commission's permitting authority. Please provide any written comments to Christopher Meyer, Siting Project Manager by Tuesday, September 23, 2008. You may also present your comments at the evidentiary hearing scheduled for 3:00 PM on October 2, 2008 at the City Council Chambers in the City of Chula Vista as announced in a separate notice. Energy Commission staff will consider comments received and may prepare supplemental testimony or errata as appropriate.

If you desire information on technical or project schedule issues, or how to participate in the Energy Commission's review of the project, your questions should be directed to Christopher Meyer at (916) 653-1639 or at cmeyer@energy.state.ca.us. The status of the project, an electronic copy of the AFC, copies of notices, and other relevant documents are also available on the Energy Commission's web site at <http://www.energy.ca.gov/sitingcases/chulavista>.

Sincerely,



Eric Knight, Manager
Siting and Docket Office

Enclosure