

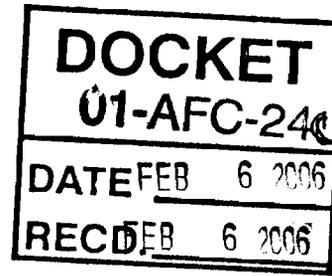
CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512



February 6, 2006

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



Subject: Palomar Energy Project (01-AFC-24C)
Request for Temporary Approval to Use Raw Water

Dear Mr. Jackson:

This letter is in response to your request dated January 31, 2006, for 1) use of raw water supplied via the existing recycled water pipeline and 2) for the temporary use of potable water as a backup to the raw water supply. The raw water would supply the cooling tower, process makeup and fire suppression systems during the commissioning and operations phases of the Palomar Energy Project at times when recycled water is unavailable.

Due to circumstances beyond your control, the reclaimed water supply provided by the Hale Avenue Resource Recovery Facility was interrupted in December 2005. To allow continued commissioning of the facility during the interruption, on December 30, 2005, the Energy Commission staff approved the temporary use of potable water with several stipulations.

We now understand that the potable water being temporarily used will be unavailable from February 3rd through February 17th, 2006 due to a scheduled outage by the San Diego County Water Authority and the Metropolitan Water District of Southern California that is out of your control.

We also understand that due to this scheduled outage in the supply of temporary backup water, the City of Escondido has elected to develop a raw water emergency backup supply by installing a temporary 0.9 mile raw-water pipeline along Hubbard Avenue in Escondido.

Commission Staff considered the following factors in reviewing your request:

- The proposed use of raw water is temporary,
- Staff's analysis dated December 30, 2005, found no significant environmental impacts from the proposal to use potable and/or raw water if the total amount used remained below 970 acre-feet,
- The City of Escondido filed a Categorical Exemption on October 18, 2005, for the installation of a permanent raw water connection to provide emergency backup water to its recycled water customers,

February 6, 2006

Page 2

- The City of Escondido completed the installation of a temporary raw water connection on February 3, 2006, to provide the emergency backup water until the permanent raw water connection is completed, and
- 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 proposed use of raw water with the stipulation that the Palomar Energy Project return immediately to recycled water as soon as it becomes available and continue to make timely reports to Connie Bruins, the Compliance Project Manager (CPM) on the amounts of potable and raw water used during this emergency. This determination to not pursue enforcement action during this emergency will have no bearing on staff's analysis of your petition to amend Soil & Water-5 to provide for the permanent use of raw-water as an emergency backup supply. The project's emergency back-up supply of raw and/or potable water use remains capped at 970 acre-feet. This amount shall not be exceeded without prior approval of the CPM.

Additionally, staff will not pursue enforcement if potable water from Rincon del Diablo Municipal Water District is used as a backup to the recycled or raw water in an emergency until the installation of the permanent City connection to the raw water is completed. After the installation of the permanent raw water connection is completed, the use of potable water is prohibited.

As a stipulation of your request, staff requires that the project owner make all best efforts and use all appropriate and feasible means available to assist the City of Escondido to resolve the problems related to providing adequate supplies of recycled water to the Palomar Energy Project. Until the problems with the Hale Avenue Resource Recovery Facility (HARRF) are resolved, the project owner shall provide biweekly reports to the CPM on the status of the HARRF with a listing and discussion of the actions taken to resolve the problems.

Our decision not to pursue an enforcement action does not affect other parties who could petition the Commission to disallow the use of raw water for power plant cooling during commissioning and/or operation of the facility.

If you have any questions, please contact Connie Bruins of my staff at (916) 654-4545 or via e-mail to cbruins@energy.state.ca.us.

Sincerely,



TERRENCE O'BRIEN, Deputy Director
Systems Assessment & Facilities Siting