DOCKET
06-AFC-2
DATE FEB 2 1 2007
RECD. FEB 2 2 2007

State Of California

The Resources Agency of California

Memorandum

To: Chairman Jackalyne Pfannenstiel, Presiding Member
Commissioner Jeffrey Byron, Associate Member

Date: February 21, 2007
Telephone: (916) 651-8853
File: 06-AFC-2

From: **California Energy Commission** - Robert Worl
1516 Ninth Street
Sacramento, CA 95814-5512
Siting Project Manager

Subject: **STATUS REPORT #3 FOR THE HIGHGROVE PROJECT (06-AFC-2)**

DATA REQUESTS AND RESPONSES

Energy Commission staff received additional information from the applicant on January 17, 2007, following the Data Response and Issues Resolution Workshop that was held on November 16, 2006, in Grand Terrace. The new information provided by the applicant covered four key areas: 1) an expanded discussion of alternatives (e.g., degraded groundwater) for the proposed facility's process water supply and revised water disposal options; 2) waste management questions regarding the current status of the applicant's work with the Department of Toxic Substances Control regarding cleanup requirements associated with the project area; 3) air quality; and 4) additional cultural resources information.

On January 17, 2007, the applicant provided staff with information regarding an alternative to the currently proposed groundwater approach for the plant process water supply and waste water discharge. If the applicant selects a degraded groundwater alternative, it would involve development of an approximately 1.5-mile water pipeline that will be within public rights of way within City of Riverside streets (Informal Data Response, Set 1A, in response to Staff's discussion and oral Data Requests at the November 16, 2006, Data Response and Issue Resolution Workshop).

FEDERAL, STATE AND LOCAL AGENCY COMMENTS AND CONTACTS

U.S. Environmental Protection Agency

The U.S. Environmental Protection Agency (EPA) is proposing to grant a California request for attainment status for carbon monoxide (CO) within the South Coast air basin. If approved, this would eliminate this project's need for CO emission reduction credits (ERCs). The EPA decision was published in the Federal Register on February 14, 2007, and EPA is accepting comments until March 16, 2007.

California Department of Toxic Substances Control

Energy Commission staff continue to work with the applicant and the Department of Toxic Substances Control (DTSC) to develop appropriate conditions of certification for the proposed facility. The conditions will address coordination of actions required for the DTSC-managed cleanup of the former Southern California Edison Highgrove Generating Station site (HGS). The eventual demolition of the HGS facility is a part of

the proposed project, since an applicant land exchange with the City of Grand Terrace is dependent on completion of the clean up. The applicant has recently entered into a Corrective Action Consent Agreement with DTSC regarding the detention pond location cleanup and is developing a work plan covering the demolition and subsequent clean up of the facilities at the old HGS site. Further information was provided by the applicant in their February 7, 2007, Status Report filed for this project.

City of Grand Terrace

Energy Commission staff continue to work with the City of Grand Terrace regarding potential project impacts to traffic, land use and visual resources. Grand Terrace currently is considering multiple land use plans that would impact the areas to the north of the project site and could change the area roads and potential access to the site in the near future. No one plan has been fully approved at this point.

Colton Joint Unified School District

Based upon recent discussions with School District staff, Colton Unified School District's planned high school east of Taylor Road has received Department of Education approval of the site and construction plans and is expecting to begin construction in August of 2007.

South Coast Air Quality Management District

Since the last Status Report the South Coast Air Quality Management District (SCAQMD) has responded to their Executive Board's direction and has held public meetings regarding a Proposed Amended Rule (PAR) 1309.1 for the Priority Reserve Program. One of the additional public meetings was held at Grand Terrace, CA, on January 3, 2007. In late January, the SCAQMD staff proposed six options for consideration by the Executive Board that are presented in the PAR 1309.1, with at least two options that will allow projects within the newly-identified Zone 3 (the zone most impacted by the exceedances of the PM2.5 24-hour standards) to access the Priority Reserve. The project site is located in Zone 3. The SCAQMD is expecting to take final action at its Executive Board meeting on March 2, 2007.

SCHEDULE

Uncertainties in the water resource and air quality areas make it difficult to prepare a schedule for the remainder of the project at this time. Energy Commission staff and the applicant will be discussing the options such as an AFC Supplement for presentation of a possible new water supply/disposal approach and any implications for the project schedule. Staff does not know the SCAQMD's timeframe for issuance of the Preliminary Determination of Compliance. Staff continues to work with the applicant and the SCAQMD regarding the issues related to the PAR 1309.1 and the subsequent impact to the project schedule. As we receive new information, we will continue to update the Committee in status reports. A brief Status Report #4 will be provided to the Committee after the March 2, 2007 SCAQMD Executive Board Meeting adoption of a final version

of the PAR Amended Rule 1309.1. Additionally, staff will have more information regarding the applicant's water resources and waste water disposal plans.

cc: Docket (06-AFC-2)
Proof of Service List

BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION FOR THE AES HIGHGROVE POWER PLANT PROJECT	**Docket No. 06-AFC-2** **PROOF OF SERVICE** *(Established 8/2/06)*

INSTRUCTIONS: All parties shall 1) send an original signed document plus 12 copies OR 2) mail one original signed copy AND e-mail the document to the web address below, AND 3) all parties shall also send a printed OR electronic copy of the documents that shall include a proof of service declaration to each of the individuals on the proof of service:

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 04-AFC-01
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.state.ca.us

APPLICANT

Julie Way
Project Director
AES Highgrove
690 N. Studebaker Rd.
Long Beach, CA 90803
Julie.Way@aes.com

APPLICANT'S CONSULTANTS

John Carrier
CH2M HILL Project Manager
2485 Natomas Park Drive, Suite 600
Sacramento, CA 95833
jcarrier@ch2m.com

COUNSEL FOR APPLICANT

Scott Galati, Project Attorney
GALATI & BLEK, LLP
555 Capitol Mall, Suite 600
Sacramento, CA 95814
sgalati@gb-llp.com

INTERESTED AGENCIES

Electricity Oversight Board
770 L Street, Suite 1250
Sacramento, CA 95814
esaltmarsh@eob.ca.gov

INTERVENORS

*** CURE**
Suma Peesapati
Marc D. Joseph
Adams Broadwell Joseph & Cardozo
601 Gateway Boulevard, Suite 1000
South San Francisco, CA 94080
mdjoseph@adamsbroadwell.com
speesapati@adamsbroadwell.com

ENERGY COMMISSION

JACKALYNE PFANNENSTIEL
Presiding Committee Member
jpfannen@energy.state.ca.us

JEFFREY D. BYRON
Associate Committee Member
jbyron@energy.state.ca.us

Paul Kramer
Hearing Officer
pkramer@energy.state.ca.us

Robert Worl
Project Manager
rworl@energy.state.ca.us

Lisa DeCarlo
Staff Counsel
ldecarlo@energy.state.ca.us

Margret J. Kim
Public Adviser
pao@energy.state.ca.us

DECLARATION OF SERVICE

I, Joann Gonzales, declare that on February 22, 2007, I deposited copies of the attached Status Report #3 for the Highgrove Project (06-AFC-2), in the United States mail at Sacramento, CA with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

OR

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.

[signature]