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June 8, 2007

Ms. Raquel Rodriguez
California Energy Commission
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET
06-AFC-2
DATE JUN 0 8 2007
RECD JUN 0 8 2007

Re: **AES HIGHGROVE PROJECT'S STATUS REPORT NUMBER 4**
**DOCKET NO. (06-AFC-2)**

Dear Ms. Rodriguez:

Enclosed for filing with the California Energy Commission are one original and 12 (Twelve) copies of the **AES HIGHGROVE PROJECT'S STATUS REPORT NUMBER 4**, for the AES Highgrove Project (06-AFC-2).

Sincerely,

Marguerite Cosens

Marguerite Cosens

Scott A. Galati
GALATIBLEK, LLP
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STATE OF CALIFORNIA

Energy Resources
Conservation and Development Commission

| In the Matter of: | **DOCKET NO. 06-AFC-02** |
|---|---|
| Application for Certification for the AES Highgrove Project | **STATUS REPORT NUMBER 4** |

In accordance with the Siting Committee Scheduling Order dated October 5, 2006, AES Highgrove LLC (AES) files its Status Report to assist the Committee in determining if satisfactory progress is being made with the licensing of the AES Highgrove Project and to bring potential schedule delays or other relevant matters to the Committee's attention.

**Water Supply Supplement**

On January 17th, 2007 AES filed Informal Data Response, Set 1A for the Highgrove Project. The filing was prepared to provide additional information to the California Energy Commission (CEC) Staff as discussed at a Data Response Workshop (Grand Terrace, CA, November 16th, 2006). At the Data Response Workshop, representatives of AES, CEC Staff, and representatives from local water agencies participated in a round table discussion of alternate water supply sources with the potential to reduce or eliminate the use of onsite well water for cooling. Alternate sources identified and discussed at the workshop included nitrate-impaired wells in the Highgrove vicinity ("Spring Street" wells), water from the Riverside Canal, which is adjacent to the site, and water from Gage Canal, an underground canal in the vicinity of the site. As discussed at the workshop, modification to the water supply source and quality also affects the quality of wastewater generated and therefore the volume and economics of various water disposal options. Based on the ideas discussed at the workshop, AES conducted an engineering and economic evaluation to further assess alternative sources identified and the feasibility of corresponding water disposal options. The objectives of the evaluation were to identify an alternate water and wastewater proposal, which would:

- Reduce to the extent feasible the use of onsite well water for cooling
- Maximize to the extent feasible the use of an impaired or degraded water source
- Review the concept of trucking wastewater offsite for disposal and reduce wastewater truck traffic to the extent feasible

As presented in the Data Response, AES concluded that a blend consisting of equal parts of water from the impaired Spring Street and onsite well(s), in conjunction with a wastewater treatment system and combination of sewer discharge and minimized wastewater trucking will most economically:

- Reduce onsite well water use for plant cooling (by 49 percent)
- Provide a regional benefit by using impaired water for plant cooling
- Reduce the average number of wastewater trucks per day (by 75 percent)

After submitting the Data Responses, AES received a letter from Roger E. Johnson dated March 20, 2007 outlining additional information that would be required if AES wished to modify its water supply and wastewater discharge plans to utilize a 50/50 blend of Spring Street and onsite wells. That letter requested an AFC Supplement that would address the following:

- The economic and environmental feasibility of using a zero liquid discharge system;
- The economic and environmental feasibility of utilizing dry or hybrid cooling;
- Any potential impacts to the aquifer from the use of Spring Street wells;
- The economic and environmental feasibility of any on-site water treatment options that would allow a greater percentage, including 100 percent, of the degraded water from the Spring Street wells to be used for plant cooling;
- The potential availability and reliability of a reclaimed water supply by 2012.
- A thorough description of all infrastructure associated with the preferred plan, including pipelines, tanks, and the proposed means of disposing of generated wastewater;
- The associated cost information for the preferred plan and any alternatives, providing sufficient detail to enable independent analysis by staff.

AES is preparing the detailed Supplement as requested and plans to file it by June 15, 2007. AES and Staff have discussed that a Staff Workshop may be necessary to discuss the Supplement.

**Air Quality**

As the Committee is aware, the AES Highgrove Project plans to participate in the South Coast Air Quality Management District (SCAQMD) Priority Reserve Program. Rule 1309.1, which establishes and implements the Priority Reserve Program, was approved on September 8, 2006, allowing electricity generating facilities including the AES Highgrove Project to access emissions credits from the Priority Reserve. SCAQMD has been processing additional amendments to Rule 1309.1 and its current amendment proposal will allow the AES Highgrove Project access to the Priority Reserve Program, although at a much higher cost. The SCAQMD Board will consider the amendment, and its accompanying CEQA analysis at its July 13, 2007 meeting.

We understand that the SCAQMD Staff is continuing to process the Preliminary Determination of Compliance (PDOC) but has not given AES a firm delivery date. The delay in this project has been the associated with the Priority Reserve rulemaking.

**Department of Toxic Substances Control (DTSC)**

AES submitted a revised RCRA Facility Assessment/Current Conditions Report (RFA/CCR) and a RCRA Facility Investigation (RFI) Workplan to DTSC for review. DTSC provided preliminary comments this week on the RFI Workplan, which identifies areas that require additional investigation to determine the presence/absence or extent of impacted soils.

Dated: June 8, 2007

Scott A. Galati
Counsel to AES Highgrove LLC

**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**<br>**PROOF OF SERVICE**<br>***(Revised 4/23/07)*** |

**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:**

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Attn: Docket No. 06-AFC-02
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## DECLARATION OF SERVICE

I, Marguerite Cosens, declare that on June 8, 2007, I deposited the required copies of the attached **AES HIGHGROVE PROJECT'S STATUS REPORT NUMBER 4** 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.

Marguerite Cosens