STATE OF CALIFORNIA — THE RESOURCES AGENCY

ARNOLD SCHWARZENEGGER, *Governor*

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
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TO: AGENCY DISTRIBUTION LIST

REQUEST FOR AGENCY PARTICIPATION IN THE REVIEW OF THE APPLICATION FOR CERTIFICATION FOR THE SOUTH BAY REPLACEMENT PROJECT (SBRP), (06-AFC-3)

On June 30, 2006, the Application for Certification (AFC) for the South Bay Replacement Project (SBRP) was submitted by the LSP South Bay, LLC (applicant). As part of our review process, the staff of the Energy Commission works closely with local, state and federal agencies to ensure that all laws, ordinances, regulations and standards are met and incorporated into the final decision of the Energy Commission.

Project Description

LSP South Bay proposes to develop the SBRP as a natural gas-fired, combined-cycle power plant. The SBRP project will be configured as two natural gas-fired combustion turbines with heat recovery steam generators (HRSG) and one steam turbine, and will have a nominal 500 megawatt (MW) output at 62 degrees Fahrenheit (°F). SBRP includes HRSG duct firing which can raise the output up to an additional 120 MW for a maximum total capacity of 620 MW by boosting the output of the steam turbine.

The SBRP will be a replacement of the existing South Bay Power Plant (SBPP) that is owned by the San Diego Unified Port District (Port) and operated by the applicant under a Lease and Cooperation agreement with the Port. The proposed project site is immediately adjacent to and south of the existing SBPP, located near 990 Bay Boulevard. in the City of Chula Vista, California. The project site is 12.9 acres in size for the SBRP, and 19.4 acres when including the proposed power plant's related new substation facilities. It is property owned by the Port and within the city boundaries of the City of Chula Vista, in San Diego County. The 19.4 acres sits within a 33-acre site commonly referred to as the former Liquefied Natural Gas (LNG) site. San Diego Gas and Electric (SDG&E) operated a LNG storage operation on the 33 acre parcel when it owned the power plant complex. Only two LNG storage tank foundations and overhead electric transmission lines remain on the property.

The project site is bound by the San Diego Bay on the west and Bay Boulevard and Interstate 5 (I-5) on the east. To the south is a salt production facility and to the north is the existing SBPP. The immediate area around the project site is industrial in nature, with some residential housing approximately 1,000 feet to the southeast and east of the project site.

The existing SBPP has an aged appearance and uses steam generation technology characterized by tall prominent steel boiler structures (160 to 180 feet tall structures). The SBRP will be smaller in height and mass. The most prominent features of the SBRP would be the exhaust stacks and the air cooled condenser, which are approximately 125 and 94

feet tall, respectively. It will be compact and will be enclosed. Architectural screening techniques are proposed.

The SBRP completely eliminates the existing SBPP's once-through cooling system and the use of San Diego Bay water in favor of the air-cooled condenser (ACC) cooling system. The SBRP is expected to use a maximum of 129 acre-feet per year of fresh water for process and domestic water needs. Water for drinking, safety showers, fire protection, service water, and sanitary uses will be served from the local potable water system. Discharge of water will also be minimal and disposed of via the City of Chula Vista's sanitary sewer system. A new six-inch diameter sewer line connection will be added to connect to the City's system about 400 feet away.

The potential air impacts from the project would be mitigated by the installation and operation of Best Available Control Technology (BACT) for the combustion turbines and heat recovery steam generators. Emission reductions would be generated from the shutdown of the existing SBPP in sufficient quantities to satisfy San Diego County Air Pollution Control District requirements and to ensure that there is no net increase in emissions of criteria pollutants.

The Applicant is filing this AFC under the Energy Commission's 12-month licensing process. Initial site preparation and demolition activities (of old foundations on the former LNG site), and construction activities are expected to take approximately 28 months. Potential impacts associated with the demolition aspects of the project are addressed in the AFC. The demolition of the existing SBPP is expected to take approximately 25 months beginning immediately after SBRP commences commercial operation. Based on this schedule, pre-operational testing of the SBRP is expected to commence in the second quarter of 2009, commercial operation is expected to commence second quarter 2010, and demolition of the existing SBPP would commence in the third quarter of 2010.

Energy Commission's Facility Certification Process

The Energy Commission is responsible for reviewing and ultimately approving or denying all thermal electric power plants, 50 MW and greater, proposed for construction in California. The Energy Commission's facility certification process carefully examines public health and safety, environmental impacts and engineering aspects of proposed power plants, and all related facilities such as electric transmission lines and natural gas and water pipelines. The issuance of a certificate by the Energy Commission is in lieu of any local, state, or federal permit (to the extent permitted by federal law). The Energy Commission's responsibilities are those of a lead agency under CEQA, except the Energy Commission's analysis takes the form of several environmental and decision documents rather than an Environmental Impact Report.

The first step in the review process is for the Energy Commission to determine whether or not the AFC contains all the information required by our regulations. When the AFC is deemed data adequate, the 12-month licensing process begins and we will begin data discovery and issue analysis phases. During this time, a detailed examination of the issues

will occur. There will be opportunities for your staff to confer with Energy Commission staff regarding issues of concern to your agency.

Over the coming months, the Energy Commission will conduct a number of public workshops and hearings on the proposal to determine whether the project should be approved for construction and operation and under what set of conditions. These workshops will provide the public as well as local, state and federal agencies the opportunity to ask questions about, and provide input on, the proposed project. The Energy Commission will issue notices for these workshops and hearings at least 10 days prior to the meeting.

Agency Participation

During this data adequacy phase, we request that you review the sections of interest to your agency and determine whether the major issues of concern to you have been identified. At this time, we are only concerned that such issues are disclosed, not necessarily that they be discussed in detail. We request that you provide any written comments you may have regarding the disclosure of potential issues of concern by **Friday, July 28, 2006**. Please address your comments to Bill Pfanner, Project Manager, 1516 9th Street, MS-15, Sacramento, CA 95814. Your agency may also present its comments and recommendations in person at the Energy Commission's August 16, 2006 Business Meeting. The limited purposes of that meeting will be to determine whether the AFC is data adequate in accordance with our regulations and to assign a committee of two commissioners to oversee the proceeding.

When the AFC is accepted as data adequate, your participation in the proceeding is encouraged and will allow you to identify and try to resolve issues of concern to your agency. There may be specific requests for agency review and comment during the proceedings after the AFC has been determined to be data adequate. Local agencies may seek reimbursement for costs incurred in responding to these requests. However, this request for comments during data adequacy is not reimbursable under Energy Commission guidelines.

Assuming that the project is found to be data adequate on August 16, 2006, your agency's preliminary and final determinations and opinions (such as those contained in a Determination of Compliance, wastewater discharge requirements, biological opinions, and land use decisions) would be due by **December 14, 2006** (120 days) and **February 12, 2007** (180 days), respectively.

Enclosed is a copy (CD) of the AFC in electronic format. If you would like to have a hard copy of the AFC sent to you, please contact Dora Gomez, project secretary at (916) 653-1608 or by email at dgomez@energy.state.ca.us. If you have questions, or if you would like additional information on reimbursement or on how to participate in the Energy Commission's review of the project, please contact Bill Pfanner, Project Manager, at (916) 654-4206, or by email at bpfanner@energy.state.ca.us. The status of the project, copies of notices, electronic version of the AFC, and other relevant documents are also available on the Energy Commission's Internet web site at

http://www.energy.ca.gov/sitingcases/southbay. You can also receive email notification of all project related activities and availability of reports by subscribing to the Listserve on the website.

Sincerely,

Roger E. Johnson, Manager
Energy Facilities Siting and Compliance Office

Enclosure