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

**APPLICATION FOR
CERTIFICATION FOR THE
EASTSHORE ENERGY CENTER IN
HAYWARD BY TIERRA ENERGY**

DOCKET NO. 06-AFC-6
(AFC Accepted 11/8/06)

**EASTSHORE ENERGY CENTER'S RESPONSE TO COMMITTEE QUESTION IN
REVISED SCHEDULING ORDER ON ALTERNATIVES**

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May 4, 2007

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The Revised Scheduling Order requests that Eastshore Energy, LLC ("Eastshore") address the following issue:

We direct the parties to also include input from the Russell City proponent regarding the feasibility of one site for both projects, potential cumulative impacts of two sites, alternative interconnection locations for this Project, and any other relevant information.

The following provides Eastshore's response to the Committee's question. Eastshore notes that the potential cumulative impacts of including both Eastshore and the Russell City Energy Center (RCEC) are discussed extensively in the existing record. Eastshore prepared and submitted the cumulative air quality analysis today and has included cumulative impacts from RCEC in the remainder of the subject areas where applicable such as in the traffic and transportation analysis. Therefore, further analysis of the cumulative impacts is not included in this filing. If the Committee would like Eastshore to create a separate filing with the cumulative impacts analysis, Eastshore would be happy to produce that document.

Eastshore acknowledges the importance of the Committee gathering sufficient information to evaluate feasible alternatives to the current project site and is committed to working with the Committee to satisfy this informational need. Eastshore coordinated with RCEC in the preparation of this response. As a practical matter, Eastshore has executed a contract with Pacific Gas and Electric Company (PG&E) that requires Eastshore to deliver 115.5 megawatt (MW) of safe and reliable electric supply capacity to PG&E's Eastshore Substation at 115 kV by May 2009. Failure of Eastshore to abide by the contract delivery date carries

substantial penalties that would essentially render the project infeasible if it can not perform on or very close to the current project schedule.

The Eastshore Project has been under development since late 2004 and included seven other area sites. Black Hills Energy (the original developer) spent a significant amount of time and due diligence on evaluating these sites. The results of their analysis indicated that the Clawiter site is the best location with the least degree of environmental impacts and therefore, the lowest development risk.

Since its acquisition of the project from Black Hills Energy in April 2006, Eastshore has spent 13 months actively developing the Clawiter Road site. During this period there has been a substantial investment of time and energy in:

- acquisition of the Eastshore development rights from the prior site developer, Black Hills Energy,
- acquisition of the Clawiter property,
- conducting numerous meetings with Hayward City Manager, City Council, and the Mayor,
- evaluating an additional alternative site (No. 7) proposed by the City Manager
- preliminary engineering to support preparation of the AFC,
- completion of environmental studies to support preparation of the AFC,
- preparation and submittal of the AFC,
- completion of 3 sets of data responses,
- completion of a Project Labor Agreement,
- completion of an Equipment Supply Agreement with the engine manufacturer, Wartsila,
- participation in a site visit, informational hearing and two public workshops,
- preparation and submittal of application materials to the City of Hayward Planning Division and Fire Department,
- coordination with the City of Hayward including preparation and participation in a Planning Commission hearing and two City Council hearings on the site, and
- active outreach with the community.

In order for development to proceed on schedule, Eastshore is planning for a final California Energy Commission (CEC) decision to occur by the end of 2007. This would allow adequate time to complete construction and deliver power from Eastshore on schedule.

Any relocation of the Eastshore Energy Center at this juncture in the development process would result in a substantial loss of time and efforts previously committed to the Clawiter site. In addition, any new site would introduce project risks that have already been overcome with the Clawiter site through development due diligence. Any new site would need

to be evaluated for fatal flaws prior to CEC application efforts to ensure that the time and money spent on a new application for a new location would be acceptable to Eastshore. For any theoretical relocation, Eastshore would need to:

- collect site-specific geotechnical and soil condition information to support property transfer,
- negotiate and complete a cost-effective property acquisition for the new site,
- negotiate co-location or other common site use agreements with Calpine,
- attempt to recover the cost from the purchase of the Clawiter site,
- revise engineering to the extent necessary for a new site or interconnecting voltage,
- have PG&E perform new system impact and facility studies,
- perform new environmental studies for the new site (including season-sensitive biological studies that could not now be completed until Spring 2008),
- prepare a new AFC for a new site,
- complete any data adequacy responses needed to allow CEC to accept AFC as complete,
- participate in a new site & informational hearing, and
- respond to data requests on a new site.

These activities would delay the project by at least an additional year and probably longer, placing expected operation in mid-2010 or later, well beyond the contract delivery date. This delay would cause a substantial breach of Eastshore's contract with PG&E, requiring Eastshore to terminate the development effort, e.g. the "no project" alternative. In addition to depriving PG&E ratepayers of the additional power that is needed, Eastshore would suffer the loss of its substantial investment in the Eastshore development and would need to pay significant liquidated damages to PG&E for failure to perform. In turn, PG&E would need to develop and implement a new plan to procure replacement power under a competitive bidding process that would be subject to California Public Utilities Commission (CPUC) approval.

All of the alternatives identified by the Committee in its Revised Scheduling Order essentially constitute a "no project" alternative. However, in the interests of providing a complete response, we address below the infeasibility of each alternative and provide a general discussion of the environmental impacts of each alternative relative to the proposed Clawiter site.

Single site for both projects

The Eastshore Energy Center conducted a preliminary evaluation of the feasibility and potential impacts of locating directly adjacent to the proposed Russell City Energy Center. The

RCEC site is described in the amendment filed with the CEC on November 1, 2006. Data regarding the RCEC site were obtained from documents filed with the CEC as part of the post-certification amendment review process for RCEC.

Location of Eastshore on the RCEC site

The RCEC site is located on 18.8 acres under Calpine control. According to the amendment, RCEC fenced area will occupy 16.5 acres. The Eastshore Energy Center as currently designed, will require approximately 4.86 acres of buildings and equipment footprint on a 6.22 acre parcel.

An Eastshore location on the RCEC site would require that Eastshore access the natural gas supply line being constructed for RCEC. Depending on the capacity of the currently proposed gas supply line, a larger diameter line would need to be installed to accommodate both projects. Eastshore would either need to use RCEC treated feedwater (possibly requiring an expansion of the RCEC water treatment system), another freshwater supply line to the site if one exists, construct a new water supply line, or store large volumes of freshwater onsite to accommodate project requirements. There are only 2.3 acres of “unused” property on the RCEC site and this property is “unused” because it is reserved for easements for the EBDA effluent pipeline and for City access between Enterprise Avenue and the sludge beds. Therefore, the available space is insufficient to accommodate the Eastshore equipment. Even if the RCEC equipment could somehow be arranged to accommodate Eastshore equipment, delays inherent in effectuating an equipment rearrangement would be experienced by both the Eastshore and RCEC projects. Eastshore would not want to be responsible for any delays in the implementation of the RCEC project, since inordinate delay in RCEC’s schedule might jeopardize RCEC’s ability to comply with its PG&E contract and force RCEC into a “no project” condition. For the reasons cited above, this significant delay essentially represents the “no project” alternative.

Environmental Impact Comparison with Clawiter Site

Air Quality and Public Health

Placing the two powerplants at the same location would have the effect of drawing the point of maximum cumulative impact somewhat closer to the combined site location and could

increase the overall magnitude of the cumulative impact. Without additional modeling of the impacts of co-locating both projects on the RCEC site it is not possible to establish whether ambient air quality or public health standards would be jeopardized with a combined RCEC/Eastshore site or whether any Eastshore modifications, such as constructing higher exhaust stacks would be needed in order to attain acceptable air quality impact levels. Regional impacts would be nearly identical to the impacts of the projects as proposed. Since there is not enough space to accommodate a combined RCEC/Eastshore site, detailed analysis of these potential impacts is not warranted.

Traffic & Transportation

Placing both plants at the same location could increase construction traffic impacts for the area as both plants are planning to construct during the same period. Both projects have already identified the Clawiter/92 interchange as a location of unacceptable level of service (LOS). Colocation could further worsen the traffic impacts at this intersection. Since there is not enough space to accommodate a combined RCEC/Eastshore site, detailed analysis of these potential impacts is not warranted.

Noise

Placing the two powerplants together could increase the overall magnitude of the cumulative noise impacts near the site but would shift the impact further from residential areas on the eastern border the Industrial Corridor. Since there is not enough space to accommodate a combined RCEC/Eastshore site, detailed analysis of these potential impacts is not warranted.

Visual Resources

A combined location of the two powerplants would have the effect of increasing the overall visual mass of development in the area. If taller Eastshore exhaust stacks were determined to be needed to meet air quality requirements, these higher stacks would also add to the visual mass of the development. Since there is not enough space to accommodate a combined RCEC/Eastshore site, detailed analysis of these potential impacts is not warranted.

Other Impact Areas

There are no notable differences in the impacts associated with a combined RCEC/Eastshore site for other environmental areas.

Location of Eastshore on property directly adjacent to the RCEC site

Another option would be to potentially acquire property adjacent to the RCEC site so that the two facilities would be located adjacent to each other. Property to the immediate south of RCEC is currently occupied and not available for purchase. Property to the immediate east of RCEC is occupied by the City wastewater treatment plant and is not available. Property to the immediate west of RCEC is the City's sludge drying and processing yards. Significant assessment (for both contamination and geotechnical integrity) and engineering analysis would be needed to establish constructability on this property. The property to the immediate north of RCEC is an extensive auto salvage operation. Significant assessment (for both contamination and geotechnical integrity) and engineering analysis would be needed to establish constructability on this property.

Neither property to the north or to the west is being offered for sale. Furthermore, relocating the project to a new site would result in significant project delays that would constitute the "no project" alternative as discussed above.

Environmental Impact Comparison with Clawiter Site

The comparative impacts discussed above for a hypothetical location on RCEC property would be expected to apply equally to an adjacent site. In addition to the impacts discussed above for air quality, public health, traffic & transportation, noise, and visual resources, the following area would also be potentially impacted.

Waste Management

Soil contamination may exist at properties adjacent to the RCEC site. Construction of the Eastshore Energy Center on these properties would require the removal of a large quantity of

automobiles in various states of salvage. The salvage of automobiles and the possible spillage of fuel and oil over the years may have led to petroleum hydrocarbon contamination. Some of the businesses in this area have been under order by state and federal agencies to cleanup contamination. The presence and extent of existing contamination that would need to be addressed during construction is unknown. It is certainly possible that contamination on these properties is too extensive to allow for cost-effective development and such contamination would therefore constitute a fatal flaw to Eastshore development. Further study of site soil conditions is beyond the scope of this analysis. Since relocating Eastshore to a site adjacent to RCEC represents the “no project” alternative, detailed analysis of these potential impacts is not warranted.

Alternative Interconnection Locations

Eastshore submitted an approved System Impact Study (SIS) and Facility Study (FS) with the AFC demonstrating that the proposed electrical interconnection to the Eastshore substation can be accomplished with no significant system impacts to PG&E’s electrical system. Alternative interconnection corridors and locations may result in adverse system impacts and may require significant, costly system upgrades in order to establish a reliable interconnection for Eastshore and the RCEC project.

The PG&E contract with Eastshore Energy specifies that electricity from Eastshore Energy Center must be tied into the Eastshore Substation at 115 kV. A tie-in to any other substation besides the Eastshore Substation essentially constitutes the “no project” because any alternative tie-in is not part of the previously completed SIS and FS or of the CPUC-approved contract with Eastshore. Any attempt by Eastshore to alter the point of tie-in to a different substation would need to be reviewed by PG&E under a new SIS and FS with no assurance that the results of the study would be favorable. Eastshore would essentially lose its place in the transmission queue and would need to restart the SIS process from the beginning. Completion of a SIS and FS typically requires 3 to 4 months. Even if the results indicated that the tie-in at an alternative substation could be accomplished without significant impacts, such tie-in was not part PG&E’s originally bid evaluation. Other bidders to the RFO could legitimately argue that

PG&E unilateral acceptance of an alternate tie-in deprived other bidders from the opportunity to similarly modify their bids. For these reasons, we anticipate that a change of the location or voltage of the interconnection would essentially result in the “no project” alternative.

Additional information regarding the other 115kV substations within immediate proximity to Eastshore is provided below and shown in Figure 1.

Grant Substation

Grant Substation is approximately 3.1 miles northwest of the Eastshore Energy Center site. The substation is located at the terminus of Grant Road in San Leandro. An examination of aerial views available from Google Earth indicates that there may be undeveloped land adjacent to the substation that could possibly be used for the Eastshore Energy Center. The availability, suitability and ownership of the parcel are unknown. The site is within 500 feet of residences and would likely be subject to similar concerns including, but not limited to air quality, traffic, noise, visual impacts and land use compatibility. A SIS and FS would also need to be conducted to evaluate the availability and capacity for a potential Eastshore interconnection at Grant. If Eastshore were to remain in its present location, but tie into the Grant substation instead of the Eastshore substation, Eastshore would require a longer transmission line with greater construction and visual impacts. There is an existing 115 kV transmission line corridor connecting the Grant substation to the Eastshore substation. Construction of a new transmission line from Eastshore in this corridor would potentially cross sensitive shoreline habitat that would need to be addressed.

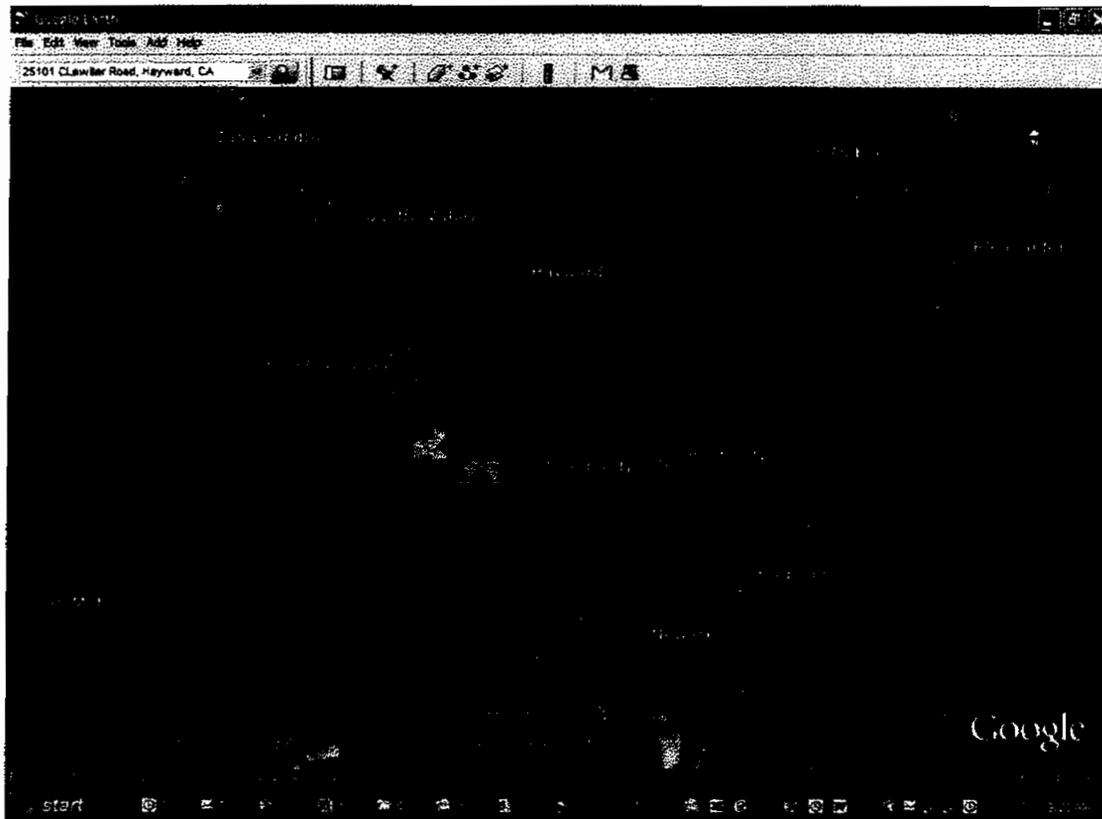


FIGURE 1
Alternate Substation Interconnection Locations

San Leandro Substation

San Leandro Substation is approximately 5.3 miles northwest of the Eastshore Energy Center site. The substation is located near the intersection of Washington Ave. and San Leandro Blvd. in San Leandro. An examination of aerial views available from Google Earth indicates that there may be undeveloped land adjacent to the substation that could possibly be used for the Eastshore Energy Center. The availability, suitability and ownership of the parcel are unknown. The site is within 600 feet of residences and would likely be subject to similar concerns including, but not limited to air quality, traffic, noise, visual impacts and land use compatibility. The substation is not electrically connected to the Grant Substation. The existing 115 kV line to Grant Substation is operated normally open due to existing reliability problems in the San Leandro area. Connection of Eastshore to San Leandro would electrically connect Eastshore to a

different location in PG&E's system. The availability and capacity of this new connection point would need to be assessed via a new SIS and FS.

If Eastshore were to remain in its present location, but tie into the San Leandro substation instead of the Eastshore substation, Eastshore would require a longer transmission line with greater construction and visual impacts. Construction of a new transmission line to San Leandro from Eastshore Energy Center would either need to follow the existing transmission line routes (with the complications noted in Grant above) or would require an exceptionally complicated transmission line routing in an intensely developed urban environment.

Mt. Eden Substation

Mt. Eden Substation is located within approximately 1.2 miles of the Eastshore Energy Center. The site is located on Darwin Street west of Bahama Avenue. Mt. Eden is directly interconnected to the Eastshore Substation and serves as the local electricity distribution hub for the City of Hayward. An examination of aerial views available from Google Earth indicates that there is no undeveloped land adjacent to the substation that could possibly be used for the Eastshore Energy Center. The substation is surrounded by residential and park uses. A SIS and FS would also need to be conducted to evaluate the availability and capacity for a potential Eastshore interconnection at Mt. Eden.

If Eastshore were to remain in its present location, but tie into the Mt. Eden substation instead of the Eastshore substation, Eastshore would require a longer transmission line with greater construction and visual impacts. Transmission interconnection from Eastshore directly to Mt. Eden Substation would need to follow the existing Eastshore – Mt. Eden transmission line corridor and would approximately double the length of the required transmission line.

Dumbarton Substation

Dumbarton Substation is located approximately 8.8 miles south of the Eastshore Energy Center on Enterprise Drive in the City of Newark. Dumbarton is directly connected to the Eastshore Substation to the north via 115 kV transmission lines. An examination of aerial views available from Google Earth indicates that there may be undeveloped land adjacent to the substation that could possibly be used for the Eastshore Energy Center. The availability, suitability and ownership of this land are unknown. It appears that the majority of the vacant land is salt marsh that is likely to be considered sensitive biological habitat. In addition, the

apparently vacant areas are within 300 to 2000 feet of residences and development there would likely be subject to similar concerns including, but not limited, to air quality, traffic, noise, visual impacts and land use compatibility. A SIS and FS would also need to be conducted to evaluate the availability and capacity for a potential Eastshore interconnection at Dumbarton.

If Eastshore were to remain in its present location, but tie into the Dumbarton substation instead of the Eastshore substation, Eastshore would require a longer transmission line with greater construction and visual impacts. Construction of a new transmission line to Dumbarton from Eastshore Energy Center would either need to follow the existing transmission line routes or would require an exceptionally complicated transmission line routing in an intensely developed urban environment. It is questionable as to whether a transmission line could be cost-effectively constructed for a distance of 8.8 miles, but a detailed analysis would be needed to establish cost.

Newark Substation

Newark Substation is located approximately 12 miles south of the Eastshore Energy Center and is accessible via both Auto Mall Parkway and Weber Drive just west of Boyce Road in the City of Newark. Newark is directly connected to the Dumbarton Substation to the north via 115 kV transmission lines. It is also a major transmission hub for regional 230 kV transmission lines. An examination of aerial views available from Google Earth indicates that there may be undeveloped land adjacent to or in close proximity to the substation that could possibly be used for the Eastshore Energy Center. The availability, suitability and ownership of this land are unknown. It appears that the majority of the immediately surrounding land use is industrial and the nearest residences appear to be more than 5000 feet from the substation. A SIS and FS would need to be conducted to evaluate the availability and capacity for a potential Eastshore interconnection at Newark.

If Eastshore were to remain in its present location, but tie into the Newark substation instead of the Eastshore substation, a new, Eastshore would require a longer transmission line with greater construction and visual impacts. Construction of a new transmission line to Newark from Eastshore Energy Center would either need to follow the existing transmission line routes or would require an exceptionally complicated transmission line routing in an intensely developed urban environment. It is doubtful that a transmission line could be cost-effectively constructed for a distance of 12 miles, but a detailed analysis would be needed to establish cost.

Summary

In response to the Committee's Revised Scheduling Order, an evaluation of the potential merits and impacts of combining the Eastshore Energy Center and the RCEC at a single site has been completed. An evaluation of alternate transmission options has also been provided. All of the alternatives identified by the Committee in its Revised Scheduling Order would result in substantial delay, permitting risks and significant costs to the Eastshore project and would force Eastshore into a breach of its contract with PG&E. Each of these alternatives are not feasible and essentially constitute a "no project" alternative.

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PROOF OF SERVICE

INSTRUCTIONS: All parties shall either (1) send an original signed document plus 12 copies or (2) mail one original signed copy AND e-mail the document to the address for the docket as shown below, AND (3) all parties shall also send a printed or electronic copy of the document, which includes a proof of service declaration to each of the individuals on the proof of service list shown below:

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DECLARATION OF SERVICE

I, Lois Navarrot, declare that on May 4, 2007, I deposited copies of the attached Eastshore Energy Center's Status Report April 25, 2007 in the United States mail at Sacramento, California 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 the 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.



Lois Navarrot