

INFORMATIONAL HEARING AND SITE VISIT
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Application for Certification) Docket No.
AES Highgrove Power Plant Project) 06-AFC-2
)
_____)

NORTON E. YOUNGLOVE COMMUNITY CENTER
459 CENTER STREET
HIGHGROVE, CALIFORNIA 92507

TUESDAY, SEPTEMBER 19, 2006

4:00 p.m.

Reported by:
Troy A. Ray
Contract No. 170-04-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMITTEE MEMBERS PRESENT

Jackalyne Pfannenstiel, Presiding Member

Jeffrey D. Byron, Associate Member

HEARING OFFICER AND ADVISORS

Paul A. Kramer, Jr., Hearing Officer

Panama Bartholomy

Gabriel Taylor

STAFF AND CONSULTANTS PRESENT

Robert Worl, Project Manager

Lisa DeCarlo, Staff Counsel

Eileen Allen

Joseph Loyer

PUBLIC ADVISER

Mike Monasmith

APPLICANT

Scott Galati, Attorney
Galati & Blek, LLP

Julie Way
AES

John L. Carrier
CH2M HILL

Geoffrey R. Baxter
Worley Parsons

ALSO PRESENT

Suma Peesapati
California Unions for Reliable Energy

Tom Schwab, City Manager
Gary Koontz, Community Development Director
Richard Shields, Building & Safety Director
Steve Berry, Assistant City Manager
City of Grand Terrace

Jane W. Carney, Senate Rules Committee Appointee
to South Coast Air Quality Management District
Governing Board

Yolanda Garza, Permitting and Corrective Action,
Southern California Branch
Department of Toxic Substances Control

Mike Mills, Permitting Manager
South Coast Air Quality Management District

R.A. "Barney" Barnett, Chairman
CSA 126 Highgrove

Alice Grundman, Director of Facilities, Planning
and Construction
Colton Joint Unified School District

Mohsen Nazemi, Assistant Deputy Executive Officer
South Coast Air Quality Management District

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1 P R O C E E D I N G S

2 4:00 p.m.

3 HEARING OFFICER KRAMER: Before I
4 forget, anybody who speaks today needs to come up
5 to one of the microphones, probably the podium
6 there for members of the public, so that you can
7 be recorded by the court reporter, who will
8 produce a written transcript of the hearing. It's
9 also helpful to him, and helpful to you if you
10 want to make sure that your name is spelled right,
11 if you give him a card or your name on a piece of
12 paper, so he can make sure that's done correctly
13 in the transcript.

14 And eventually this transcript will be
15 posted on the Commission's website if you're
16 curious to refresh your recollection about what
17 happened today.

18 My name is Paul Kramer; I'm the Hearing
19 Officer for this Committee of the Energy
20 Commission that's been assigned to conduct
21 hearings and eventually issue a proposed decision
22 for the full Energy Commission on the Highgrove
23 Power Plant project.

24 The rest of the Committee, to my left is
25 the Chairman of the Energy Commission, Jackalyne

1 Pfannenstiel. And to her left is her Adviser,
2 Panama Bartholomy. The other Commission Member of
3 the Committee is Commissioner Jeffrey Byron,
4 sitting to my right. And his Advisor, Gabriel
5 Taylor is at his right.

6 First order of business today will be to
7 ask the parties to identify themselves. We'll
8 start with the applicant, Mr. Galati.

9 MR. GALATI: My name is Scott Galati,
10 representing AES.

11 MS. WAY: My name is Julie Way for AES
12 Highgrove.

13 MR. CARRIER: I'm John Carrier with CH2M
14 HILL; I'm the Project Manager for the
15 environmental portion.

16 MR. BAXTER: Geoff Baxter with Worley
17 Parsons; we're the owners' engineer.

18 HEARING OFFICER KRAMER: Do you have
19 anyone else in the audience you wanted to
20 introduce?

21 MR. GALATI: No.

22 HEARING OFFICER KRAMER: Okay, and then
23 the staff, the Commission Staff.

24 MR. WORL: My name is Robert Worl; I'm
25 the Project Manager for the Highgrove Power

1 Project application for certification.

2 And on my right is Lisa DeCarlo, who is
3 the staff attorney for the project. And somewhere
4 is Eileen Allen, who is our -- there she is -- she
5 is our siting office -- she's the supervisor for
6 the project managers. And Joe's here; Joe Loyer,
7 our air quality engineer. And I believe we have -
8 - well, we have one of the other project managers,
9 Lorne Prescott is sitting in on the project --

10 AUDIENCE SPEAKER: We can't hear back
11 here.

12 MR. WORL: Pardon?

13 AUDIENCE SPEAKER: We can't hear back
14 here.

15 MR. WORL: You can't hear? Is that
16 better?

17 AUDIENCE SPEAKER: We can now, yes.

18 MR. WORL: Okay, I'm sorry, I apologize.

19 And I think that pretty much sums up the staff
20 that are here.

21 HEARING OFFICER KRAMER: Okay, we also
22 have an intervenor in this case, at least an
23 application to intervene, from California Unions
24 for Reliable Energy. And I believe there's a
25 representative in the audience, is that correct?

1 Could you come to the mike and identify yourself?

2 MS. PEESAPATI: My name is Suma
3 Peesapati from the lawfirm of Adams, Broadwell,
4 Joseph and Cardozo. And I'm here on behalf of
5 CURE.

6 HEARING OFFICER KRAMER: Thank you.
7 Just for the parties, the Committee hasn't ruled
8 on their request for intervention yet, and if you
9 wish to make any objections please file those in
10 the next couple of days; then we will issue a
11 ruling.

12 I understand we have some agencies in
13 the audience, as well. First let's start with
14 representatives, if there are any, from the City
15 of Grand Terrace. If you want to come up and
16 identify yourselves, introduce yourselves.

17 MR. SCHWAB: My name's Tom Schwab; I'm
18 the City Manager for the City of Grand Terrace.

19 HEARING OFFICER KRAMER: Anyone else?

20 MR. KOONTZ: My name is Gary Koontz; I'm
21 the Community Development Director for the City.

22 HEARING OFFICER KRAMER: Thank you.

23 MR. SHIELDS: Hi; my name's Richard
24 Shields and I'm the Public Works Director and
25 Building Official for the City of Grand Terrace.

1 MR. BERRY: I'm Steve Berry, the
2 Assistant City Manager for the City of Grand
3 Terrace.

4 HEARING OFFICER KRAMER: Thank you. I
5 believe we also have representatives from the
6 South Coast Air Quality Management District, is
7 that correct?

8 MS. CARNEY: Good afternoon; I'm Jane
9 Carney; I'm the Senate Rules Committee Appointee
10 to the South Coast Air Quality Management District
11 Governing Board.

12 HEARING OFFICER KRAMER: Did you want to
13 make any statement --

14 MS. CARNEY: No, I didn't. I'm here to
15 learn.

16 HEARING OFFICER KRAMER: Thank you. And
17 did I understand we had a representative from the
18 Department of Toxics.

19 MS. GARZA: Good afternoon; I'm Yolanda
20 Garza; I'm from the Department of Toxic Substances
21 Control; I'm in the Southern California Permitting
22 and Corrective Action Branch.

23 HEARING OFFICER KRAMER: Thank you for
24 coming.

25 MS. GARZA: And we're here just for

1 informational purposes.

2 HEARING OFFICER KRAMER: Thank you. Was
3 there somebody else from South Coast Air District
4 that wanted to introduce themselves?

5 MR. MILLS: I'm Mike Mills from the
6 South Coast AQMD, Permitting Manager.

7 AUDIENCE SPEAKER: I don't think that
8 mike's on.

9 MR. MILLS: I'm Mike Mills from the
10 South Coast AQMD, Permitting Manager.

11 HEARING OFFICER KRAMER: If somebody
12 could turn that mike up that might help
13 ultimately.

14 Okay, any other agencies who wish to
15 identify themselves at this point, or
16 representatives of utilities? Go ahead.

17 MR. BARNETT: My name is R.A. Barnett,
18 Barney Barnett, Chairman of CSA 126 in Highgrove.
19 This is where we have our monthly meetings, so
20 thank you.

21 HEARING OFFICER KRAMER: Let me just ask
22 you, what kinds of services does your CSA provide?

23 MR. BARNETT: We are an advisory to our
24 board of supervisors, Supervisor Ashley, Riverside
25 County. And we are currently in the process of

1 becoming a MAC, municipal advisory committee.

2 HEARING OFFICER KRAMER: Thank you.

3 Anyone else wishing to identify themselves?

4 MS. GRUNDMAN: Good afternoon, I'm Alice
5 Grundman; I'm Director of Facilities, Planning and
6 Construction for Cole Joint Unified School
7 District.

8 HEARING OFFICER KRAMER: Thank you. Mr.
9 Monasmith, if you'd raise your hand? He's with
10 the Public Adviser's Office and most of you
11 probably met him on your way in. He'll be giving
12 a little presentation in a few minutes.

13 The purposes of today's hearing are to
14 provide information about the proposed power
15 plant; to describe the Commission's licensing
16 process that we go through in reviewing the
17 application. We call it an application for
18 certification; that's our technical term.

19 And then finally to provide information
20 to the public about how they can participate in
21 that process.

22 Many of you joined us just before this
23 hearing on a bus tour of the site and a portion of
24 the natural gas supply pipeline that is proposed.

25 By way of background AES Highgrove on

1 May 25th of this year filed their application for
2 certification with the Energy Commission to
3 construct and operate this Highgrove Power Plant
4 project. The project is proposed as a 300
5 megawatt peaking power plant facility which would
6 consist of three natural gas fired turbines and
7 the associated equipment necessary to generate
8 electricity.

9 It would be located at 12700 Taylor
10 Street in an area that is industrial zoned in the
11 City of Grand Terrace, in the County of San
12 Bernardino on the site of a power plant that was
13 formerly owned by Southern California Edison.

14 A notice of today's site visit and
15 hearing were mailed on August 16 to all the
16 parties, that would be the staff and the
17 applicant, to landowners who adjoin either the
18 power plant site or the route of the gas pipeline,
19 interested government agencies and other
20 individuals.

21 And in addition, a notice was published
22 last week on September 13th in The Riverside Press
23 Enterprise.

24 Today's hearing is the first of a series
25 of formal Commission events that will extend over

1 roughly a year. The Commissioners conducting the
2 proceeding will eventually issue what we call a
3 Presiding Member's Proposed Decision, which is a
4 recommendation to the full Energy Commission on
5 whether to approve or not to approve the proposed
6 project.

7 That decision, we need to emphasize,
8 must be based solely on the evidence that's in the
9 public record, which will be produced at
10 subsequent hearings.

11 To insure that happens, and to preserve
12 the integrity and impartiality of the Commission's
13 licensing process, our regulations and the
14 California Administrative Procedure Act, expressly
15 prohibit private contacts between the parties with
16 the public and the Committee Members. This
17 prohibition against off-the-record communications
18 is known as the ex parte rule.

19 It means that all contacts between the
20 parties and the Committee regarding a substantive
21 matter, as opposed to a procedural issue about say
22 when the next hearing's going to be, but something
23 about the merits of the application, must occur in
24 the context of a public discussion such as today's
25 hearing, or in the form of a written communication

1 that can be distributed to all the parties.

2 The purpose of the rule is to provide
3 full disclosure to all participants of any
4 information that may be used as a basis for a
5 future decision on this project.

6 There will be additional opportunities
7 for the parties and governmental agencies to
8 discuss the substantive issues with the public.
9 They'll occur in public workshops that will be
10 held by the Commission Staff at later points.
11 Some of those will be held in this area; some may
12 be held in Sacramento. But if they are held in
13 Sacramento normally there is a telephone number
14 provided so that people who cannot travel to
15 Sacramento can participate by telephone.

16 Information regarding communications
17 between the parties and governmental agencies
18 that's contained in the written reports or letters
19 that summarize the communications, those are
20 distributed to the parties and made available to
21 the public.

22 Information regarding hearing dates and
23 other events in the proceeding will also be
24 available on the Commission's website. It is a
25 very good resource for you to look to to find out

1 information about this project, and also other
2 projects if you want to just compare something
3 about this project with other projects that the
4 Commission is considering or has considered in the
5 past.

6 Again, this is a public process. We
7 encourage members of the public and interested
8 organizations to actively participate and express
9 their opinions about the project. The Committee
10 is certainly interested in hearing from the
11 community on any aspect that is relevant to its
12 decision.

13 Members of the public are also eligible
14 to step up their participation, if you will, and
15 become a formal intervenor in this process. If
16 you want to do that, Mr. Monasmith will explain in
17 a little more detail what that means.

18 It's better to do that right away rather
19 than wait until the end of the process, because if
20 you decide to become an intervenor towards the end
21 of the process, the process will not wait and
22 start over for you; and you may have missed some
23 opportunities to gather information you think you
24 need, or to provide input to some of the decisions
25 that are made along the way.

1 In fact, this is the time where we ask
2 Mr. Monasmith to come up and explain intervention
3 and also the various types of notice lists that
4 you can get yourself on to receive information
5 about the project.

6 MR. MONASMITH: Thank you, Hearing
7 Officer Kramer, Chairwoman Pfannenstiel,
8 Commissioner Byron. I'm going to turn my back on
9 you and --

10 HEARING OFFICER KRAMER: Sure.

11 MR. MONASMITH: Hi, I'm Mike Monasmith;
12 I'm with the Public Adviser's Office at the
13 California Energy Commission. Welcome all of you
14 members of the public here in the Highgrove/Grand
15 Terrace area. It's good to see you out.

16 I am your representative on the
17 California Energy Commission for this siting case.
18 The Public Adviser's Office is a Gubernatorially
19 appointed office within the Energy Commission; my
20 boss is Margret Kim. And we work for you. We
21 work to insure full and meaningful public
22 participation in all Commission proceedings.
23 Particularly for siting and power plant siting.

24 And we're your eyes and ears within the
25 Commission. We're here to help you. We're here

1 to answer questions, to direct you towards staff,
2 and sometimes in the very complicated one-year
3 process, at least to lay people, it can be
4 intimidating. But you shouldn't be intimidated;
5 always feel free to contact me.

6 I want to talk a little bit about
7 different ways you can participate in this
8 process. And we can talk more about it later.
9 But there are really three basic ways. And if any
10 of you -- hopefully all of you signed in on the
11 sign-in sheet when you walked in, all of you will
12 be placed on a confidential mailing list. It's
13 called our list serve for this siting case.

14 So everything that comes out from the
15 applicant, their attorney, our staff and all the
16 people that work on behalf of this Energy
17 Commission, as well as the two Commissioners, the
18 Committee on this, will be posted and sent out to
19 you in email, if you wish. That's one way you can
20 be involved without doing anything at all. If you
21 walk out here today and don't care to do much,
22 just receive information, that's a level of
23 involvement.

24 You can also attend meetings. We'll be
25 having a workshop; we'll have evidentiary hearings

1 in the community. There'll be workshops that will
2 take place and meetings that will take place in
3 Sacramento. And if you want to show up to those
4 events and fill out a blue card, which I will
5 distribute later, if any of you want to contact or
6 talk later, this is the process. Hopefully you'll
7 fill a blue card out; you don't have to, but it
8 helps for our purposes.

9 But you go on the record opposing or
10 asking questions, voicing your concerns or
11 support, whatever it may be for this application.
12 That's also a level of participation; and that's
13 kind of a second tier.

14 Really the most involved and the way
15 that you really become an integral part of this
16 siting process is if you become an intervenor like
17 the representative from CURE here today.

18 And an intervenor status provides you an
19 official voice in this proceeding. It comes with
20 certain obligations, as well as opportunities.
21 You have to essentially you become a legal part of
22 this process. You're allowed to present evidence;
23 you're allowed to question evidence and witnesses;
24 provide witnesses. You really are a full party in
25 this proceeding.

1 And I know it sounds kind of
2 complicated, but -- and it can be if you really
3 want to get involved. We're here to make that
4 helpful for you. But this really gives the
5 Commission, and we pride ourselves on having a
6 very active role, as far as the public is
7 involved.

8 In many of these siting cases we have
9 numerous intervenors who are representatives of
10 the community, who are really here to be the voice
11 and to ask questions. And you are an official
12 party to this whole proceeding. And what you
13 present is part of the official record. And only
14 the official record is what the two Commissioners
15 can consider when they make their final decision.

16 I have the sign-in sheet on the side
17 here to become an intervenor. If you want to look
18 it over, or talk to me about it, it's a great
19 opportunity. And it makes us unique within the
20 state government. We really have a very active
21 way of involving the public in this, as we should
22 be.

23 If you have any questions later you can
24 ask them, you can ask now. Again, I'm going to
25 have those blue sheets, those blue cards. After

1 we have presentations from the applicant and staff
2 you may want to come up and address the Committee.
3 Please fill one of those cards out. If you have
4 any questions I'll have my phone number, my card
5 afterwards.

6 And that's about it, so, again, I'm here
7 for you guys. So, thank you.

8 HEARING OFFICER KRAMER: Thank you. As
9 he mentioned we'll now ask the parties to make
10 their presentations. First AES Highgrove will
11 describe the proposed project and their plans for
12 developing it.

13 And then Commission Staff will provide
14 an overview of the Commission's licensing process
15 and staff's role in reviewing the proposed
16 project.

17 Following that we'll discuss scheduling
18 and other matters that the staff has identified in
19 their issues identification report.

20 And after that we will have a time for
21 interested agencies and members of the public to
22 offer comments or ask questions about the project.

23 Any questions about the procedure for
24 the rest of this afternoon? Okay. Mr. Galati or
25 Ms. Way.

1 MS. WAY: Thank you, yes. Good evening,
2 Commissioners, Staff and public. Can you hear me
3 okay? Thanks for the opportunity to talk about
4 the project. And before I get started I'd also
5 like to thank the Norton Younglove Community
6 Center for hosting us this evening and being of
7 assistance to us in setting up.

8 Also I enjoyed meeting with you, some of
9 you on the site visit. We appreciate your
10 interest and we're glad to see you here tonight.

11 I'm the Project Director for the AES
12 Highgrove project. And I'm going to start by
13 telling you a little bit about AES. AES is a
14 global power company; we have 30,000 employees
15 with businesses in 27 countries, and 40,000
16 megawatts of generating capacity on five
17 continents.

18 We're also diversified. We have
19 operating interests in biomass and wind generation
20 projects, as well as natural gas and solid fuel.

21 We also have a significant presence in
22 southern California. Two of our biomass
23 facilities are actually located in the Central
24 Valley. And we have 4000 megawatts of capacity in
25 southern California. So we have a fairly

1 significant presence here.

2 Four thousand megawatts may seem like a
3 lot, but I'd like to put it into perspective in
4 terms of statewide energy needs. California
5 continues to set records for peak electricity
6 demand. In fact, we set a new record on July 21st
7 of this year. Most of us know it was unusually
8 hot and still is hot today.

9 What interesting is that we've actually
10 continued to set records in previous years. And
11 it's also interesting to note that the new record
12 that was set July 21st is over 7000 megawatts
13 higher than the peak demand during the energy
14 crisis. Which means that over 20 plants like the
15 proposed Highgrove plant would have had to have
16 been built in order to produce enough energy to
17 make up for that difference in demand.

18 What's interesting about the southern
19 California region in particular is that southern
20 California already imports approximately 30
21 percent of the power, which is about 10,000
22 megawatts. And we do that by bringing in power in
23 large transmission corridors, which means that the
24 reliability of the grid is dependent on the
25 integrity of those lines.

1 Another concern with a region which is
2 so reliant on imported power is that those lines
3 can only carry a certain amount of capacity. And
4 if growth occurs the only way those lines can
5 carry more capacity is if we build additional
6 lines or the existing lines are expanded.

7 With all the rapid growth in the Inland
8 Empire, it presents a concern. In fact, the U.S.
9 Census Bureau reports that over 25,000 housing
10 permits were issued each month during 2005 for the
11 San Bernardino and Riverside Counties combined.

12 Go to the next slide. This is a map
13 showing the southern California region and the
14 spaghetti network of lines that you see actually
15 represent transmission lines of different sizes.

16 The electricity grid is actually a
17 network of transmission lines and plants that
18 supply generation and inject that into the grid,
19 and customers who take power out of the grid.
20 It's a system that all works together. And
21 changes in one part of the system affect the other
22 part of the system.

23 In order to keep the electricity grid
24 stable, a certain amount of power needs to be
25 generated in the region where it's used. And the

1 California Independent System Operator, Cal-ISO,
2 who's the entity responsible for monitoring grid
3 reliability in southern California, has determined
4 that the need for local capacity in the L.A. Basin
5 to maintain grid reliability is about 40 percent.
6 And that means that in order for the grid to be
7 stable a lot of generation needs to occur here.
8 If we import power we run the risk of having a
9 fluctuation in the system triggering a blackout.

10 Another thing about the -- can you go
11 back two slides? Back up. One more. Another
12 interesting aspect about the power fleet in the
13 L.A. Basin is that a lot of the plants that are
14 currently providing that local capacity were
15 actually constructed in the late '50s and '60s.

16 In fact, AES Alamosa, which is the
17 largest of AES' plants in California, with about
18 2000 megawatts of capacity, just celebrated its
19 50th anniversary for unit 1 today. That unit went
20 into operation in 1956.

21 A lot of those older units are still
22 operational, but they don't have the reliability
23 that a new plant does, obviously. They are much
24 more prone to having emergency outages due to
25 things like boiler leaks. And we know that also

1 they won't operate forever.

2 The other aspect of the older plants is
3 that a lot of them were constructed, obviously, in
4 a time when there were no environmental controls
5 installed on the units. A lot of those plants
6 have been retrofitted to reduce emissions. But
7 there is a recognition that plants constructed
8 within the last five years have the kind of
9 technology that produces emissions at extremely
10 low levels.

11 And the South Coast Air Quality
12 Management District, which is responsible for
13 monitoring air quality in the area just passed a
14 ruling recently, September 8th, to allow the
15 electricity generators to access emissions credits
16 to facilitate building of new plants. And part of
17 the justification for that was that to facilitate
18 displacement of generation from the older, dirtier
19 plants. And replace it with generation from the
20 newer, as they say, super-clean plants.

21 The next thing I'd like to talk about is
22 why peaking technology is needed. This curve
23 shows the fluctuations in power demand throughout
24 the year. You can see how volatile it is,
25 especially during the summertime.

1 So the power demand is volatile
2 throughout the year, and through the -- that's
3 okay, go ahead -- and through the day. This curve
4 shows how the power demand typically varies
5 throughout the day, the lowest being the nighttime
6 hours, obviously. And then growing as businesses
7 start to operate.

8 Baseload resources, which are typically
9 classified as nuclear, and the portion of
10 renewables down there at the bottom of the curve,
11 are usually run at nighttime. Those are resources
12 that are usually very inexpensive to operate or
13 difficult to startup and shutdown.

14 Intermediate load resources are the kind
15 of shown in the band of purple there. And those
16 are loads that can be scheduled ahead of time to
17 come under in the day when everybody knows the
18 load will start to grow.

19 And then the top peak portion of the
20 curve in blue represents the role that peaking
21 units fit in the mix. Peaking units are units
22 that can be turned on very quickly and shut down
23 very quickly to adjust to fluctuations in
24 electricity demand.

25 The unit that we've designed at

1 Highgrove, we have selected to meet the peaking
2 need, gas turbine technology. The plant will
3 consist of three 100 megawatt units. And each
4 unit can produce 100 megawatts in ten minutes. So
5 from the time you push the button from a cold
6 start to full load, it only takes ten minutes. So
7 those units are uniquely suited to meet the rapid
8 demand needed for peaking plants.

9 The unit will also -- it's designed to
10 burn only natural gas. It's equipped with low
11 emissions combustors and state of the art
12 environmental controls.

13 And one thing that we wanted to mention
14 about this resource is, unfortunately in
15 California, on the hottest days the wind always
16 doesn't blow, and this unit will be able to
17 provide electricity during those times when other
18 resources like wind energy cannot. And that's why
19 it's beneficial to have a portfolio of different
20 energy resources.

21 AUDIENCE SPEAKER: Can't hear you very
22 well.

23 MS. WAY: I'm sorry, I'll try to talk
24 louder.

25 The next slide is a brief description of

1 the project. As we've mentioned the project is a
2 proposed to be 300 megawatts, constructed north of
3 the existing facility. The project involves
4 removal of the existing plant, which many of you
5 saw on the site tour.

6 We are required to relocate some of the
7 substation controls from the existing plant to the
8 substation onsite. The substation, which is owned
9 and operated by SCE, and is part of the grid, will
10 remain after demolition.

11 The project involves construction of a
12 new seven-mile natural gas pipeline to tie into
13 Southern California Gas' main backbone system,
14 which is about seven miles from the site.

15 One of the advantages of building at
16 this site is that the substation is just adjacent,
17 so we will not require any new transmission lines
18 to cross third-party-owned property in order to
19 interconnect to the grid.

20 We propose that we use the existing
21 onsite wells, which used to serve the old plant,
22 to serve our limited processed water needs. And
23 we proposed to haul the wastewater, generated by
24 the facility, by truck to the SARI brineline in
25 San Bernardino, which is a -- it's an industrial

1 wasteline designed specifically for concentrated
2 industrial waste.

3 A lot of questions. Why at this site?
4 This is a photo of the existing plant looking kind
5 of to the southwest. In this photo you can see
6 three of the four units, two of the largest units.
7 The two largest units are on the left side of the
8 photo.

9 So one of the reasons that we've chosen
10 to propose construction at this site is that this
11 site has supported a power plant operations since
12 the 1950s. And we can utilize some of the
13 existing infrastructure, especially having to
14 avoid building new transmission lines.

15 And finally, the electricity will be
16 produced in the area where the electricity is
17 consumed, which is strengthening grid reliability
18 and reduce the region's reliance on imported
19 power.

20 This is a visual simulation of the
21 proposed project. There's also a larger view on
22 the board in the back of the room. This first
23 picture, the picture at the top, shows a view of
24 the existing plant. And this is from the
25 viewpoint of someone standing 300 feet east of

1 Taylor looking to the west towards I-15.

2 The second photo is not realistic. It
3 shows both the old plant and the new plant
4 superimposed together. We don't have any
5 intention of constructing the new plant without
6 demolishing the old plant. But we thought this
7 view would be helpful to show you how much more
8 compact the new technology is. And how much the
9 lower visual profile it will have.

10 And then the last slide shows only the
11 new facility with the old plant demolished. And
12 go ahead and click. And we've sort of shown you
13 where the existing substation would -- where it
14 would, it would still be visible. So we showed it
15 to you kind of where it would be and about how
16 tall and long it is.

17 This is an aerial view. I don't have my
18 pointer, but if you look closely you can see three
19 red stars on the -- maybe someone can point that
20 out. That shows the proposed location of the
21 three new stacks. And you can see from this photo
22 how much farther the new equipment will be from
23 Taylor Street, compared to the old facility.

24 Some of the -- this is a nice industrial
25 picture. Some of the CEC Staff requested a

1 picture of the wastewater dumping facility
2 associated with the SARI line, and so that is what
3 this picture is of. This is a map of the
4 projected wastewater haul route. The distance
5 between the plant and the dumping station is about
6 6.1 miles, and estimated time for the truck to be
7 on the road is about ten minutes. I have some
8 more maps if staff members are interested in
9 having copies of those slides.

10 What have we done to minimize impacts.
11 First of all, by developing on a brownfield site
12 we did not have to disturb, from an environmental
13 standpoint, any land that hasn't previously been
14 used for power plant operations. And also, we
15 don't have to build any new lengthy transmission
16 lines.

17 From a visual standpoint, our plan is to
18 construct an eight-foot berm alongside Taylor
19 Street. And we're planning to top that with an
20 eight-foot wall, and we'll also have landscaping.
21 Those things will help -- those attributes will
22 help conceal the plant. And also because the
23 stacks will be located much further from Taylor
24 Street, they'll be less visible.

25 And then finally, from an air quality

1 standpoint, as mentioned before, the facility will
2 only use clean burning natural gas, low emissions
3 combustors, state of the art environmental
4 controls. And we're required to provide complete
5 offset of all emissions, which means that in order
6 to construct this facility some other plant in the
7 L.A. area has either had to shut down or add
8 emissions technology to reduce its emissions.

9 From a noise perspective, the gas
10 turbine inlet and exhaust will be equipped with
11 silencers. The noise models that we provided in
12 our application predict the noise level at the
13 closest proposed high school building to be about
14 56 dba. And per Atco Noise Management, which is
15 the company that provides acoustic controls, they
16 compare that to normal conversation at about 60 to
17 65 dba. The noise projected at the residences are
18 below the City of Grand Terrace noise ordinances.

19 There is a high school proposed across
20 the street from the plant. That's who Alice
21 Grundman represents, who introduced herself
22 earlier. We have investigated the Department of
23 Education siting requirements and have provided
24 some information and analyses to the school as
25 they've gone through their EIR process. And the

1 analyses concluded that there is no impact to the
2 school.

3 In summary we see, and we hope the
4 community will agree, that there are several
5 benefits to the project. We believe that
6 replacement of an old inefficient facility with a
7 new efficient facility equipped for state of the
8 art environmental controls will be beneficial to
9 the region. Especially with all of the rapid
10 growth occurring in the LA. Basin, and the
11 technology that can provide very rapid start
12 capability and high energy efficiency.

13 We think that, while we're kind of
14 becoming fond of the old plant, we know that it's
15 not as beatific as new plants, modern plants can
16 be. And so we believe there will be a significant
17 improvement in the aesthetics along Taylor Street
18 by demolishing the old facility. And also, a new
19 plant constructed in this location will contribute
20 significant property tax revenues to the local
21 community.

22 So that's the end of my presentation.

23 HEARING OFFICER KRAMER: Thank you. I
24 think we'll hold questions until after the staff's
25 presentation.

1 (Pause.)

2 HEARING OFFICER KRAMER: And if people
3 want to speak this would be a good time to raise
4 your hand and let Mr. Monasmith give you a blue
5 card to fill out.

6 MR. WORL: Can you hear me okay? I'm
7 deaf in one ear and can't hear out of the other
8 very well, which is true in my case. But I sound
9 okay?

10 My name is Bob Worl. I'm the Project
11 Manager for this siting case. And what I'd like
12 to do first is take you a little bit through the
13 Energy Commission's process for reviewing an
14 application for certification.

15 The purpose for the siting process is to
16 insure the reliable supply of electrical energy is
17 maintained at a level consistent with the need for
18 such energy, for protection of public health and
19 safety, the promotion of general welfare and for
20 the environmental quality protection.

21 The Energy Commission permitting
22 authority, we have siting authority over all
23 thermal power plants 50 megawatts or larger. And
24 we also evaluate all of the related facilities,
25 electric transmission lines, water supply lines,

1 natural gas pipelines, waste disposal facilities,
2 access roads.

3 We're also the lead state agency for the
4 California Environmental Quality Act in this
5 process.

6 The process begins with the data
7 adequacy determination. We review the application
8 for certification and attempt to insure that the
9 information within that application is adequate to
10 begin our technical review. And we then make a
11 recommendation to the full Commission through the
12 Executive Director. And once the application is
13 accepted as complete, the process is initiated at
14 that point. It becomes day one.

15 That begins the staff discovery and
16 analysis phase. We go through an issues
17 identification phase which we have completed. And
18 there's a few copies of the issues identification
19 report here. And it's also online. And if
20 anybody needs a copy of it, some other way,
21 doesn't have internet access, if you'll contact me
22 I'll insure that you get it, either hard copy or
23 however else you might desire.

24 We also issue data requests to the
25 applicant; and these cover a number of -- well,

1 approximately 23 technical disciplines. And what
2 we do is we request information from the applicant
3 that will allow us to complete our analysis and to
4 make recommendations.

5 After the data requests, we begin a
6 series of workshops. First on the data responses
7 from the applicant. And then we develop a staff
8 assessment. We do a preliminary staff assessment
9 in a 12-month case; and a final staff assessment.

10 Once we publish the staff assessment we
11 again hold a workshop on the preliminary staff
12 assessment and that's another -- any workshop is
13 an opportunity for the public to participate, I
14 might add.

15 At the completion of the final staff
16 assessment, which is revised based on information
17 that we receive after the preliminary staff
18 assessment, through that process of workshops, we
19 then begin a phase that essentially is determined
20 by the Committee and the Hearing Office. And
21 that's the evidentiary hearings leading to a
22 decision by the Committee voting up or down where
23 the project is accepted or not.

24 The Committee holds the evidentiary
25 hearings. The Committee, as you've heard earlier,

1 is two Commissioners of the five Board of
2 Commissioners, I guess you would say. And in this
3 case Commissioner and Chairman Pfannenstiel and
4 Commissioner Byron are the Committee for this
5 case.

6 The Committee produces the Presiding
7 Member's Proposed Decision. And that proposed
8 decision, by the way, which is also subject to
9 hearings, then goes before the full Commission for
10 the full Commission to make a determination either
11 accepting or rejecting the project application.

12 This is basically a graphic that just
13 looks at the different components of our process.
14 you can see the intervenors, the applicant, the
15 local, state and federal agencies, the public and
16 the Public Adviser, who assist either/and/or
17 intervenors and members of the public who would
18 like to participate in the process.

19 And the staff accept information and
20 rely on questions from agencies to refine our
21 questions. And so this is the information from
22 the applicant and also from other agencies who
23 might have information that bears on our
24 performing an adequate and complete analysis, and
25 putting for the set of recommendations.

1 The evidentiary hearing process and the
2 decision processes depicted here, and again you'll
3 see that the intervenors, the public, the
4 applicant testimony, local, state and federal
5 agency comments. And you'll see that now staff is
6 no longer central to the process, but is
7 essentially one of the peripheral elements. Staff
8 testimony. All of whom then provide information
9 and feedback to the Committee. And that leads to
10 the development of the proposed decision. And
11 eventually to a full decision by the Commission.

12 Staff's analysis of the application
13 attempts to determine if the proposal complies
14 with the laws, ordinances, regulations and
15 standards; we call LORS. You'll often hear that,
16 the term LORS used as a shortcut.

17 We conduct the engineering and
18 environmental analysis. We identify issues;
19 evaluate alternatives to the project; identify
20 mitigating measures for impacts that are
21 identified; and recommend the conditions of
22 certification in each of the areas that would
23 reduce, to a level of insignificance, any impacts
24 from the proposed project.

25 We also attempt to facilitate public and

1 agency participation throughout the process; both
2 through direct contact, soliciting of information
3 and also from fielding questions and also
4 receiving information that's volunteered to the
5 staff.

6 The staff products, as already
7 mentioned, are the preliminary and a final staff
8 assessment. And as I said, the preliminary staff
9 assessment is followed by a workshop; and the
10 final staff assessment, once it is issued is
11 followed by an evidentiary hearings. That's
12 within the bailiwick of the Hearing Office and the
13 Committee.

14 The staff assessments, preliminary and
15 final, make a series of recommendations to the
16 Committee based on the evidence that we have
17 received and evaluated. And once staff's analysis
18 is out, we make our best case proposal of
19 recommendations to the Committee.

20 Local, state and federal coordination is
21 really critical to the process. We try to work
22 closely with local, state and federal agencies.
23 And I think the audience here attests that we've
24 reached out to and been reached for by a number of
25 agencies already.

1 And we try to take into consideration
2 the concerns and interests of each of these
3 parties, local and regional governments, the Air
4 District and the State Air Resources Board, Cal-
5 EPA, in this instance the Department of Toxic
6 Substances Control, who has an interest in this
7 site, and in our process going forward; the
8 Department of Fish and Game for the biological
9 resources. And then the federal governments;
10 usually we work with the Fish and Wildlife Service
11 and the Environmental Protection Agency.

12 After the final staff assessment is
13 issued, as I mentioned before, the Committee
14 issues the Presiding Member's Proposed Decision.
15 And the proposed decision, which is a Committee
16 document, actually contains findings. And the
17 findings are not recommendations, but they're
18 essentially a series of findings of fact based on
19 the evidentiary record that's come forward in the
20 case.

21 And the findings generally related to
22 the environmental impacts, public health impacts,
23 and the engineering aspects, and the compliance of
24 the project with laws, ordinances, regulations and
25 standards.

1 It recommends conditions of
2 certification; recommends whether or not to
3 approve the project. And then the Presiding
4 Member's Proposed Decision goes to the full
5 Commission for the decision, the final decision on
6 the project.

7 Should the project be certified, the
8 Energy Commission then monitors the compliance
9 with all of the conditions of certification for
10 the life of the project. And that also includes
11 facility closure.

12 We view our public process as being
13 quite open compared to many agencies' processes.
14 And, again, as you heard, we hold a series of
15 workshops and hearings. We notice these public
16 events. We maintain a mailing list, a series of
17 mailing lists, actually. And we also insure that
18 our documents are available for public review at
19 various libraries. In this instance we provided
20 copies at Grand Terrace Library, Riverside Library
21 -- City of Riverside, UC Riverside. And then the
22 five California institutions of higher education.
23 And our own Commission library in Sacramento.

24 We maintain a very accurate and complete
25 website of the proceedings. And the site address,

1 I guess you would say, is up there. And most all
2 of the documents except those that are filed with
3 a request for confidentiality, are available and
4 accessible through our docket unit at the Energy
5 Commission.

6 The ways you can participate you've
7 already heard about. You can submit written
8 comments or statements to the Commission. You can
9 provide oral comments at public meetings. Become
10 a formal intervenor. Or provide written comments
11 on the two staff assessments, the preliminary and
12 the final staff assessment.

13 And here are some contact points for
14 information; myself, I'm happy to field comments
15 from anybody at anytime, and direct you to the
16 appropriate source for a response if I can't help
17 you.

18 Paul Kramer is the Hearing Officer in
19 this instance, representing the Hearing Office and
20 the Committee. And Margret Kim is represented
21 here by Mike Monasmith. She is the Public
22 Adviser, the Governor-appointed Public Adviser.

23 And the addresses and phone numbers are
24 there. And they're also on the sheets and also on
25 the website.

1 We also will, at some point in time, go
2 through our issues identification report. I don't
3 know whether you want to do that now, or --

4 HEARING OFFICER KRAMER: I think that
5 would be good and then we can take public
6 questions. They will have heard everything and
7 maybe some of their questions will be answered by
8 your next presentation.

9 MR. WORL: Okay. The staff conducts an
10 issues identification report early in the process.
11 The purpose is to inform the participants,
12 including the applicant, of potential issues that
13 staff finds. And to provide an early focus on
14 important topics. It serves as basically a laser
15 pointer, if you will, for the project. And is
16 helpful, not only to agencies, but also to the
17 public, to staff and others interested in the
18 case.

19 The criteria that we use for determining
20 whether something rises to the level of becoming
21 an issue is whether an impact, it has impacts that
22 may be difficult to mitigate or reduce. Whether
23 there is a noncompliance problem with laws,
24 ordinances, regulations or standards.

25 Whether a particular point is

1 potentially contentious. In other words there's
2 an extreme difference of opinion. And an
3 inability to come immediately to at least some
4 modicum of understanding.

5 And also there are events that may
6 impact the project's schedule that might be an
7 issue or might become an issue as we go through
8 the process.

9 And in this instance air quality is a
10 critical concern for the communities in the area,
11 particularly here in the South Coast area, L.A.
12 area. Timing of the South Coast Air Quality
13 Management District priority reserve rulemaking,
14 which was just completed September 8th, was a
15 potential issue. The emission offset plans and
16 strategies and the content and the access to the
17 priority reserve for any given project.

18 Another thing that staff has identified
19 as being a potential truck emissions, the addition
20 of the emissions in trucking wastewater from the
21 project site to the Santa Ana Recycle Line, the
22 SARI line.

23 Acquisition of the project emission
24 offset package, which is the applicant's
25 obligation, to basically to insure that they have

1 acquired offsets, or in some other ways mitigated
2 air quality impacts, potential air quality impacts
3 from the project.

4 Land use concerns have come up,
5 particularly the proximity to the new proposed
6 high school. And the staff is always concerned
7 anytime that a project -- two projects are this
8 close in proximity.

9 And we are awaiting -- the state needs
10 to finalize its site report for the high school.
11 And the high school, I think, is eagerly awaiting
12 that, as are we. And is hoping to begin
13 construction on the high school, I believe, in
14 January of 2007, which isn't really very far away
15 anymore.

16 The visual resources, visible plume, we
17 combine those two. Visible plumes are possible
18 based on our initial analysis from the LMS100
19 turbines that will be here at this project. And
20 staff is interested in a complete analysis of the
21 potential for the plumes and the potential impact
22 of the plumes in terms of traffic; and potential
23 impact to the very proximal school facility.

24 The term ground-hugging plume is
25 essentially just that. It's a vapor, essentially

1 a plume, a steam plume, if you will, that doesn't
2 rise up, but under certain conditions can come
3 down on the ground and can have an impact on
4 roadways, traffic hazard.

5 Water resources has also indicated some
6 concern about the proposed use of the onsite wells
7 for plant processes and cooling. Staff is looking
8 for a thorough review of alternatives, including
9 impaired water sources and cooling alternatives.
10 Staff conducts an independent analysis and has
11 prepared data requests to the applicant to better
12 get a handle on what has been done to look at
13 this.

14 And then also the truck hauling to the
15 SARI line, as opposed to the usual thing that we
16 see, which is a proposed pipeline that would take
17 the wastewater to a disposal site.

18 Waste management has identified that
19 there's existing site contamination that's been
20 identified by DTSC. And DTSC currently has a
21 corrective action on the site based upon its
22 previous uses. And corrective action can take
23 sometimes a long period of time. And it has the
24 potential, not necessarily to stop a project, if
25 you will, but mitigation and completion of the

1 appropriate tests is sometimes a consuming process
2 that takes time, and requires final reports, et
3 cetera. So it could have some impact in delaying
4 our schedule.

5 We believe that most of these issues,
6 not all of these issues, are capable of successful
7 resolution in a timely manner. And that we
8 require aggressive effort on the part of the
9 staff, the applicant and the agencies involved.
10 And I'm sure that all the agencies are already
11 sometimes a little bit tired of hearing from us
12 about when are you going to, or what have you done
13 about, or what is the process going forward, from
14 us.

15 If issues surface which significantly
16 delay, exceeding the proposed timeline, the
17 timeline will be adjusted appropriately.
18 Basically our timeline is set in our rules of
19 proceeding. We try very hard to complete an
20 application review and determination up to a
21 decision within a year's time, 12 months.

22 Sometimes that takes a little bit
23 longer; and some of the things that I discussed
24 earlier are the determining factors in whether or
25 not the schedule requires adjustment.

1 Currently we have a proposed schedule
2 that we essentially try to put forward early on in
3 the process, about right now. And this indicates
4 the schedule beginning July 19th, which was when
5 the AFC was deemed complete at the business
6 meeting by the Commission.

7 And we have issued the issues
8 identification report about a week ago with this
9 schedule. And we're in the process of finalizing
10 our first set of data requests. It says September
11 20th; it's going to be somewhat longer than that.

12 And that also impacts September 26 data
13 request and issues clarification workshop. That
14 would be adjusted based on the final issuance of
15 our data requests to the applicant.

16 We then will hold a data request and
17 data response workshop. And in all likelihood
18 that will be held proximal to this area, within
19 the Grand Terrace area if we can find a location,
20 so that it's accessible to people that would like
21 to hear what's going on with the case.

22 Some other things -- I think I'd note
23 here there's a number of things that are in red.
24 And these are what you call critical path items.
25 In other words, we can't move beyond these, we

1 can't jump ahead and do other things on the
2 schedule. These critical path items need to be
3 completed pretty much in order.

4 And one of the things that is an
5 important critical next step is the South Coast
6 Air Quality Management District's preliminary
7 determination of compliance. They have just
8 completed their rulemaking, and I'm sure that they
9 are awaiting information from the applicant that
10 will allow them to move forward and provide the
11 preliminary determination of compliance. And
12 that's critical for our air quality people and our
13 public health people to complete their analysis.

14 So, essentially this schedule, as I
15 said, will be adjusted based on the reality on the
16 ground. But we try to publish a schedule that
17 gives people a rough idea of the process, the
18 proceedings that are ahead, and what we're
19 proposing to get done in the assigned period of
20 time.

21 And I think that we've basically just
22 done a pretty complete job there, so I think it's
23 a good time for questions.

24 HEARING OFFICER KRAMER: Thank you.

25 First, let me ask if any members of the Committee

1 have any questions they want to ask at this point
2 of either staff or the applicant.

3 PRESIDING MEMBER PFANNENSTIEL: Not at
4 this point, but I would like, after we hear from
5 the members of the public and the other agencies,
6 there may be some follow-up questions.

7 HEARING OFFICER KRAMER: Okay. Mike, do
8 you have the blue cards?

9 Go ahead and come up, Mr. Nazemi.

10 MR. NAZEMI: Good afternoon,
11 Commissioners Byron and Pfannenstiel. My name is
12 Mohsen Nazemi; I'm Assistant Deputy Executive
13 Officer of the South Coast Air Quality Management
14 District. Also in our audience there's one of our
15 Board Members, Board Member Jane Carney who sits
16 on our governing board, and other staff from AQMD.

17 Thank you for the opportunity to come to
18 the public hearing and provide input. First, I
19 want to just make a couple of comments about the
20 role of our agency. There was a number of times
21 that our agency was mentioned.

22 Based on the projections by CEC and
23 other state experts, our agency supported
24 construction of new and clean technology power
25 plant generation for southern California with the

1 understanding that there are projections that
2 there will be shortfalls under adverse conditions,
3 such as the high temperatures that was mentioned
4 in July. That there's a need for additional power
5 in order to maintain the electricity on the grid.

6 Therefore, our staff began working on
7 amendments to our rules, and without making any
8 specific commitment to any special projects, there
9 are a number of these projects that we felt that
10 might come forward and has, so far.

11 Our role in the CEC process, as was
12 mentioned earlier, is twofold. One is through the
13 CEC application for certification process we
14 provide to your agency a preliminary and a final
15 determination of compliance, which then gets
16 incorporated into your preliminary and final staff
17 assessment. And move forward toward a decision up
18 or down.

19 But in addition to that, our agency is
20 the local agency that's responsible for issuing
21 the Title 5, which is a federal operating permit
22 program. CEC does not have that delegation from
23 the United States Environmental Protection Agency.
24 So, in addition to our determination of
25 compliance, we also have to issue a permit to

1 power plants that are being built in our district.
2 However we cannot issue those permits until your
3 process is complete, because your process is a
4 CEQA equivalent process, and we can't issue our
5 Title 5 permit until your process is complete.

6 In our preliminary determination of
7 compliance or our Title 5 permit, we look at a
8 number of air quality related issues, but most
9 important of all are resource review, which
10 includes a number of requirements for all new and
11 modified sources in our basin.

12 As you know, our basin has some of the
13 worst air quality problems in the nation. And
14 used to be the only extreme ozone nonattainment.
15 But now it's the only severe 17 ozone
16 nonattainment. We're also nonattainment with both
17 PM10 and PM2.5 standards.

18 The elements of new source review
19 program that are very important that we consider
20 are application of best available control
21 technology to make sure that the plant emits that
22 minimum amounts that have been achieved by other
23 plants.

24 We also look at modeling to determine
25 what type of air quality impacts are associated

1 with ordinary smog-forming pollutants to make sure
2 there is no new violation of standards or existing
3 standards that are violated are not made any
4 worse.

5 The other element is what was mentioned
6 about emissions offsets; that any increases from a
7 new project is offset by more than the amount of
8 increase of emission reductions from other
9 sources.

10 But in addition to new source review, we
11 also have requirements for localized impacts
12 related to toxics emissions. We look at toxics,
13 both carcinogen or cancer-causing and noncancer-
14 causing agents.

15 And, in fact, our district adopted the
16 only rule that I'm aware of in the nation that
17 relates to sources that new sources that will be
18 located near a school. And there are much more
19 stringent requirements of toxics emissions for
20 those sources. So we'll be looking at, depending
21 exactly how far this source is going to be from
22 the school, as those requirements.

23 And finally, the other important element
24 of our program is public noticing and public
25 participation in our program. Since the offset

1 issue was mentioned a couple of times, I just want
2 to make a couple of clarifications.

3 Our governing board adopted the staff
4 proposal on September 8th to amend rule 1309.1,
5 which is the priority reserve rule, to allow new
6 power plants to be able to access the district's
7 offset bank, because there are not enough emission
8 reduction credits in the open market for certain
9 pollutants, such as PM10, such as sulfur oxide and
10 carbon monoxide.

11 However, as part of the adoption of the
12 amendments, the board also has directed staff to
13 come back with additional proposal in respect to
14 how to address power plants that may be located in
15 an environmental justice areas.

16 The timing for that at this point is
17 projected to be around January of next year, to
18 come back with additional proposal to the
19 governing board. We are having a board committee
20 meeting this Friday that there will be further
21 discussions about that. And, again, at the end
22 I'll defer to our Board Member Jane Carney to see
23 if she has any comments she wants to also make.

24 And finally, I just want to point out
25 that our executive officer has made commitments

1 that not only we will participate in all the CEC
2 hearings and workshops, as we have in the past in
3 other power plant projects, but that we will
4 provide the public opportunity to provide their
5 comments and input to us prior to making any of
6 our determinations.

7 We'd like to be able to provide a
8 similar type of a public process and public input
9 for all power plant projects that may go to
10 priority reserve as the amendments took place last
11 September 8th.

12 With that, I'll be happy to answer any
13 questions.

14 PRESIDING MEMBER PFANNENSTIEL: Thank
15 you for being here and participating. And thank
16 you especially for laying out so clearly your role
17 and your relationship with the Energy Commission
18 process. I think that helps us all to see that
19 the same way.

20 On the rule 1309.1 that has been much
21 discussed; it was discussed way before September
22 8th; and will be, I'm sure, for some time to come.
23 Am I correct in understanding that all of the
24 issues -- that that rule is final, and that all of
25 the issues, except for the environmental justice

1 issues, have been determined? That is a final
2 rule for all other purposes, I guess?

3 MR. NAZEMI: The staff's understanding
4 is that the governing board adopted staff
5 recommendation. The rule has a number of elements
6 in it in terms of eligibility for a power plant to
7 access priority reserve.

8 One of those eligibilities, for example,
9 is to demonstrate a due diligence that they have
10 looked in the open market and have not been able
11 to find any emission reduction credits prior to
12 coming to the priority reserve.

13 That due diligence process is not a
14 snapshot. They have to show that throughout the
15 process of permitting.

16 And I guess my answer to your question
17 is that the element of environmental justice has
18 not been determined at this point. So, depending
19 on what ultimately is taken to our board and
20 adopted in the January timeframe, there may be
21 additional requirements for projects that are
22 sited in environmental justice areas.

23 PRESIDING MEMBER PFANNENSTIEL: I
24 understand. Thank you.

25 HEARING OFFICER KRAMER: Will that

1 additional work cause any delay in your production
2 of the preliminary determination of compliance?

3 MR. NAZEMI: You know, I'll be able to
4 answer that better maybe after this Friday's board
5 committee meeting. At this point there is -- I
6 notice that on the schedule that you went through,
7 they showed the middle of November as the DOC for
8 our agency. And there is a potential two-month
9 delay depending on which direction our board
10 decides to go.

11 PRESIDING MEMBER PFANNENSTIEL: Can you
12 be a little more specific? What is happening with
13 your board this Friday that's going to affect
14 that?

15 MR. NAZEMI: Our governing board has a
16 number of standing committees, where one or more
17 board members sit on those committees. And, in
18 fact, our Board Member Carney requested that this
19 item be put on the agenda for this Friday's board
20 committee, stationary source committee, to further
21 discuss the decision that the board made with
22 respect to what staff needs to produce to bring
23 back proposal related to environmental justice.

24 PRESIDING MEMBER PFANNENSTIEL: Thanks.

25 ASSOCIATE MEMBER BYRON: Mr. Nazemi,

1 thank you very much for coming. Clearly your
2 board's and agency's representation involved in
3 this project is extremely important on about three
4 or four different levels. So we'll certainly be
5 looking forward to your input over the next couple
6 of months, maybe even further.

7 I don't have any additional questions at
8 this time. Thank you.

9 MR. NAZEMI: Thank you.

10 PRESIDING MEMBER PFANNENSTIEL: Thank
11 you.

12 HEARING OFFICER KRAMER: Ms. Carney, did
13 you want to make a statement? Your choice. It
14 just seemed logical that you come up next if you
15 wanted to.

16 MS. CARNEY: Let me just say that our
17 board appreciates the need to come to a final
18 determination on this rule, including this
19 possible amendment.

20 At the hearing on September 8th there
21 was a great deal of community involvement, which
22 really had not been present during our regular
23 committee meetings on this rule.

24 And so that's why we left open the
25 possibility for this amendment, but we realize

1 that we need to move forward with this as
2 expeditiously as we can. Thank you.

3 PRESIDING MEMBER PFANNENSTIEL: Thanks.

4 HEARING OFFICER KRAMER: Okay, I guess
5 nobody wanted to fill out a blue card. But I
6 presume that other people want to make some public
7 comments? Oh, we have a couple? Sir, please come
8 up and give the card to Mr. Monasmith.

9 And before you start, just by a show of
10 hands how many other people want to make a public
11 comment? Okay, or ask a question?

12 Go ahead, sir. Please first give us
13 your name.

14 MR. BARNETT: Okay, my name is R.A.
15 Barnett. And I'm from Highgrove. And I noticed
16 in your presentation that the City of Grand
17 Terrace, at their library, will have documents and
18 information available.

19 I just want to make sure, too, I noticed
20 that the Riverside Library system also will have
21 those documents.

22 And what I want to do is make sure that
23 our Highgrove Library, which is part of that, at
24 the corner of Garfield and Center, has those
25 documents. Because what we'd like to do for those

1 people that are unable to attend today, is to
2 publish the fact that anyone in our area will be
3 able to go to the Highgrove Library and look at
4 those documents and examine them.

5 Because actually the people in
6 Highgrove, we have residents that are actually
7 closer to the facility than in Grand Terrace, even
8 though it is on the other side of the street.

9 So, I just want to make sure that the
10 Highgrove Library will be furnished that
11 information so we can publish in The Highgrove
12 Happenings newspaper that anyone interested will
13 be able to go to that location.

14 HEARING OFFICER KRAMER: Thank you for
15 your help in getting the word out, because we want
16 to -- we don't honor community boundaries here.
17 We want everybody who is interested in this
18 process to have a chance to give us their
19 comments.

20 MR. BARNETT: We'd be more than happy to
21 help anytime you --

22 HEARING OFFICER KRAMER: You might also
23 put in Mr. Worl's and Mr. Monasmith's contact
24 information in your article. And they can give
25 comments to them, and they will see that they get

1 distributed.

2 MR. BARNETT: Okay, we can do that.

3 MR. WORL: And if I could get the
4 address, we'd be happy to make sure they get a
5 complete set of the preliminary information and
6 whatnot, if they don't already --

7 MR. BARNETT: Address of the library?

8 MR. WORL: Sure.

9 MR. BARNETT: Okay.

10 MR. WORL: Yeah, just need the address.

11 MR. BARNETT: Anything else? I don't
12 know what to say -- oh, yes, and if need be,
13 future meetings could be held at this location,
14 too; and just see Kathy and she can probably make
15 the arrangements, if that would be agreeable with
16 you. Thank you.

17 ASSOCIATE MEMBER BYRON: Thank you.

18 HEARING OFFICER KRAMER: Does anyone
19 else wish to make a public comment?

20 Okay, we need to finish our discussion
21 of the scheduling. Just largely an issue for
22 staff and the applicant at this point. And CURE -
23 - the CURE representative has left apparently.

24 The Committee is required by the
25 regulations to issue a scheduling order within 15

1 days of this event, and we will do so.

2 I had a question for the parties,
3 though. I notice in the proposed schedule that
4 there's a very short time interval between the
5 filing of the final staff assessment and the
6 prehearing conference, and then the start of
7 evidentiary hearings.

8 And at least in my opinion that's way
9 too tight. I wondered what your thoughts were on
10 that.

11 MR. GALATI: First of all, on behalf of
12 AES, we support your schedule. We do believe that
13 you have pointed out something that would be very
14 difficult for us to prepare testimony if there was
15 anything that the Committee needed to adjudicate.

16 Like always, we work to avoid having to
17 bring things to the Committee; and we'll work very
18 hard in workshops to resolve those issues that we
19 can.

20 But we think that there should probably
21 be at least 14 days from the final staff
22 assessment to the prehearing conference so that we
23 can at least give you an opportunity to completely
24 review the staff assessment, and be able to
25 explain to you are there any outstanding issues

1 that need to be adjudicated.

2 HEARING OFFICER KRAMER: Any comments,
3 staff?

4 MS. DeCARLO: Yes, I agree with what Mr.
5 Galati stated. I believe we tried to squeeze the
6 proposed schedule into the one-year time period,
7 assuming that the latter dates would remain
8 undefined until we get further along in the
9 process.

10 But I would definitely support Mr.
11 Galati's suggestion that we at least have 14 days
12 between issuance of the final staff assessment.
13 And I would like to see, as well, 14 days between
14 the prehearing conference and evidentiary
15 hearings, once we know exactly what issue areas
16 are in contention.

17 HEARING OFFICER KRAMER: Thank you. Any
18 comments about an appropriate interval between
19 status reports? In my mind, 30 days sounds a
20 little too frequent, especially at this stage.
21 Does 45 or 60 days make sense?

22 MR. GALATI: One of the things that has
23 worked in the past, Mr. Kramer, is if you
24 scheduled status reports after events. We think
25 that we have more to say. Sometimes the status

1 reports come up two days before we have an issue
2 resolution workshop and so I don't have very much
3 to tell you. But the next two days, I do. And I
4 want another 30 days to do that.

5 So, I don't know if that would be maybe
6 appropriate to say so many days after a workshop
7 or a document comes out? That, from my
8 perspective, that can float if the date changes.
9 And then the Committee is informed of what
10 progress is being made.

11 MR. WORL: I think that that basically
12 has often been the way things work out, is that we
13 try to -- sometimes we have an event and then feel
14 like, gee, we just issued a status report; well,
15 we should really be doing on this week. So I
16 don't have any problems with that.

17 We're talking about schedule, so I
18 thought it would be important to acknowledge
19 something that Mr. Nazemi brought up, and that is
20 he did indicate that there might be as much as a
21 60-day delay in the preliminary determination of
22 compliance issuance. And so I think that we
23 should acknowledge that, and also acknowledge the
24 fact that that's a critical path item that will
25 drive the schedule. So I think that we need to

1 take that into consideration, looking at our
2 schedule.

3 And, yes, we did develop this schedule
4 looking at the 12-month schedule. And had
5 absolutely no inclination that we would be
6 limiting the proceeding based on what we listed as
7 the proposed schedule.

8 Generally, 60 days and 120 days are the
9 period of time allotted for state and federal
10 agencies to provide us preliminary and final -- or
11 excuse me, 120 and 180 days. And so the dates are
12 based on that, rather than on reality in this
13 instance.

14 We know that the Air District is
15 somewhat constrained in being able to meet an
16 external schedule to their processes.

17 MR. GALATI: If I could comment on that.
18 We did hear for the first time what Mr. Nazemi
19 said, and while we appreciate that, we see that as
20 a potential delay, not a delay. There is no
21 proposed rule change; the rule was adopted on the
22 8th.

23 I would also like to point out that the
24 applicant has done the environmental justice
25 analysis in its AFC. And we urge the District to

1 review that, as well, to see that if the kinds of
2 environmental justice issues that may be more
3 appropriate for other projects are even
4 appropriate in the case of this project.

5 So, maybe after Mr. Nazemi has an
6 opportunity on the Friday board meeting to find
7 out if there is a proposed rule change, maybe we
8 could, rather than move the date from the 16th, we
9 could get an update from Mr. Nazemi or his staff
10 as to whether or not whatever is discussed in that
11 meeting looks like our project would need to be
12 delayed.

13 Because even if there was a rule change,
14 adding some sort of requirement of an
15 environmental justice determination, we believe
16 we've already demonstrated that the project does
17 not have a disproportionate impact on lower
18 minority income -- low income or minority
19 populations in accordance with federal guidance.

20 HEARING OFFICER KRAMER: Okay, well, we
21 probably won't get our order out immediately
22 anyway. So we will make a note to wait until
23 you've heard from Mr. Nazemi and tell us what the
24 results of that conversation were sometime next
25 week.

1 MR. GALATI: I think that's acceptable.

2 HEARING OFFICER KRAMER: All right. So
3 the Committee will be issuing a scheduling order
4 based on today's proceedings. Does any party wish
5 to make any final remarks?

6 MR. GALATI: I would like to just
7 clarify two things in the staff, in the issues
8 identification report. And that is in the issues
9 identification report we agree that the issues
10 that were identified by staff are issues in this
11 project, and that we look forward to working to
12 resolve them.

13 A couple of things I wanted to make
14 clear to the public is at this stage of the game
15 it's very rare for an applicant to have all of
16 their emission reduction credits for offsets in
17 place or purchased. They are very very expensive.
18 Some of the programs like the NOx reclaim program
19 requires you to purchase for a certain year of
20 emissions.

21 While we have not purchased those, I
22 just didn't want anyone to read the issues
23 identification report and get the impression that
24 we were not going to purchase them, or that we
25 were behind the game in purchasing them. We think

1 that we are right on schedule. And as the process
2 moves forward we will continue to look for
3 emission reduction credits, purchase them,
4 purchase options on them. And inform staff how
5 that schedule is going.

6 Again, there is one issue that we
7 disagree with staff on, the NOx reclaim credits.
8 And I just wanted to give the Committee a heads-up
9 to be straight up and fair about this, we believe
10 that the rules require us to purchase NOx reclaim
11 credits prior, for the first year of operation
12 prior to starting construction.

13 Staff has taken the position and has had
14 an applicant agree in another case to purchase
15 those NOx reclaim credits prior to evidentiary
16 hearings. It's not something that we would feel
17 comfortable purchasing without knowing we had a
18 permit or authorization to proceed, especially in
19 the NOx reclaim program.

20 What we intend to do is to demonstrate
21 that those NOx reclaim credits are readily
22 available and it's a robust market. And we will
23 comply with the District rules on the timing of
24 their purchases.

25 And we continue to work with staff to

1 see if there is some compromise between what's
2 been written and what I have just said. But I
3 wanted to give the Committee a heads up that that
4 is one issue in which we'll need to continue to
5 work towards.

6 HEARING OFFICER KRAMER: What was the
7 case where the applicant agreed to have them prior
8 to the evidentiary hearings?

9 MR. GALATI: I believe that was Inland
10 Empire. I think staff quotes it in the issues
11 identification report, that Inland Empire was --
12 that was done.

13 HEARING OFFICER KRAMER: Did staff want
14 to comment on that?

15 MR. WORL: Yeah, I just wanted to say
16 that staff had misstated in this, based on earlier
17 experience, and had used prior to evidentiary
18 hearings as opposed to start of construction,
19 which has been a more realistic goal, in
20 recognition of both the expense and the timing of
21 acquisition of these offsets. So we don't have
22 any problem with that.

23 MR. GALATI: Thank you. We hope to
24 resolve all issues this way.

25 (Laughter.)

1 HEARING OFFICER KRAMER: Staff, any
2 final comments?

3 MR. WORL: The only thing I can say is
4 that we're finding that working in this area with
5 South Coast, the Air District, the constraints
6 that the District's been under, and also we do
7 have to work through the DTSC issues. Those are
8 things that could -- both of those are things
9 which could potentially impact the schedule.

10 The schedule that we developed was an
11 idealized schedule. We knew that going in, and we
12 will work with either expediting, or depending on
13 when we get closure on these issues, or delaying
14 based upon things that are external to our, you
15 know, to our ability to control.

16 So I think that we're on the same page
17 in that regard.

18 And I also, I concur with adjusting the
19 timing of the status reports to be more
20 contemporaneous with events in the case. I think
21 that that would be more meaningful for everybody
22 concerned.

23 HEARING OFFICER KRAMER: Okay, one last
24 chance for public question or comment.

25 Mr. Loyer.

1 MR. LOYER: My name is Joe Loyer; I'm
2 the California Energy Commission air quality
3 expert. And as the California air quality expert
4 I feel it's my duty to say at this point to
5 clarify our position on ERCs and RTCs.

6 We strongly prefer RTCs prior to
7 construction. They're required by the District
8 prior to operation.

9 The ERCs are required prior to
10 construction. Staff is not going to put together
11 an FSA with zero ERCs or RTCs prior to the
12 hearing. We will want some information.

13 Now, between zero and 100, there's room
14 to debate.

15 HEARING OFFICER KRAMER: Thank you.
16 Just for your information, having been the staff
17 attorney on the Inland case, I can tell you that
18 what the Commission did there was to require that
19 reclaimed credits before start of construction.
20 Staff had argued for before the evidentiary
21 hearings, but the ultimate ruling was before
22 construction, which is consistent with what both
23 sides were saying a few minutes ago.

24 Hearing nothing and seeing nothing
25 further, by way of hands, this meeting is

1 adjourned. Thank you all for coming, and thank
2 you to the Community Center for making this
3 facility available.

4 (Whereupon, at 5:20 p.m., the
5 informational hearing was adjourned.

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CERTIFICATE OF REPORTER

I, TROY A. RAY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Informational Hearing; that it was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing, nor in any way interested in outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of September, 2006.

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