

HEARING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Application for)
Certification for the) Docket No. 99-AFC-5
OTAY MESA GENERATING)
PROJECT (PG&E Generating))
_____)

ROOM 358
ADMINISTRATION BUILDING
1600 PACIFIC HIGHWAY
SAN DIEGO, CALIFORNIA

TUESDAY, NOVEMBER 14, 2000

9:00 A.M.

Reported by:
Debi Baker
Contract No. 170-99-001

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P R O C E E D I N G S

9:00 a.m.

PRESIDING MEMBER LAURIE: Ladies and gentlemen, good morning. We're going to take this opportunity to reconvene on the Otay Mesa generating case.

What we will do, for purposes of the record is reintroduce ourselves, and then we'll ask the parties to do the same. My name is Robert Laurie, Commissioner at the California Energy Commission, Presiding Member of the Otay Mesa siting case.

The gentleman to my right is Commissioner Robert Pernell, my colleague on the case. To my immediate right is Ms. Susan Gefter. Ms. Gefter is the Hearing Officer assigned to this case and will administer the proceedings today.

To my left is Mr. Scott Tomashefsky, my Senior Advisor. And to Commissioner Pernell's right will be Ms. Ellie Townsend-Smith, Commissioner Pernell's Advisor.

Ms. Gefter will, at this time, conduct a review of the status of where we are, and the agenda as to what we seek to accomplish today.

Just a couple notes. A reminder that

1 today's hearing is being recorded. If there's any
2 difficulty the reporter will let us know, and we
3 will stop the proceedings so the matter can be
4 repaired.

5 Also, I would ask that you turn off all
6 your cellular phones so the hearing is not
7 disrupted today.

8 Ms. Gefter.

9 HEARING OFFICER GEFTER: I'd ask the
10 applicant to identify your representatives here
11 today.

12 MR. THOMPSON: Thank you. My name is
13 Allan Thompson, one of counsel to PG&E National
14 Energy Group on the Otay Mesa.

15 MR. CARROLL: Mike Carroll, Latham and
16 Watkins, on behalf of PG&E National Energy Group.

17 MS. SEGNER: Sharon Segner, PG&E
18 National Energy Group.

19 HEARING OFFICER GEFTER: Commission
20 Staff.

21 MR. OGATA: Good morning, my name is
22 Jeff Ogata; I'm CEC Staff Attorney.

23 MS. ALLEN: Eileen Allen, Energy
24 Commission Staff, Project Manager.

25 HEARING OFFICER GEFTER: And intervenors.

1 MS. LUCKHARDT: My name is Jane
2 Luckhardt; I'm representing Duke Energy North
3 America today. And with me is Mark Seedall from
4 Duke Energy.

5 MR. GOLDMAN: Good morning. Matt
6 Goldman representing intervenor Cabrillo Power.
7 And I'm accompanied by my colleague, Gene
8 Varanini.

9 MR. CLAYCOMB: I'm William A. Claycomb,
10 Save Our Bay, Inc., intervenor.

11 HEARING OFFICER GEFTER: And I
12 understand a representative from SDG&E is also
13 here? Pat, do you want to come forward?

14 MR. TINOSO: Yes, Robin Tinoso,
15 representing SDG&E transmission planning.

16 HEARING OFFICER GEFTER: Before we begin
17 we're going to ask the parties to give us opening
18 statements before we go into the topics that we'll
19 be taking evidence on today.

20 What the Committee is looking for is we
21 want the parties to focus on what the issues are
22 with respect to the fuel supply question. We want
23 to avoid spending a lot of time on detail where we
24 can all agree on the detail.

25 We want to find out what the parties'

1 positions are, and what they are going to attempt
2 to present to us today.

3 I'd like to start with the applicant.

4 MR. THOMPSON: Thank you.

5 PRESIDING MEMBER LAURIE: Just a note,
6 Mr. Thompson. As we go through the testimony
7 today, the reason we're asking you to do this,
8 we're going to ask you to define in your
9 statements a focus on the issues as you perceive
10 them.

11 And then we're not going to go beyond
12 that, to the extent that we believe the record is
13 sufficient.

14 So, define your concerns. Define the
15 issues as you perceive them, and that's where our
16 questioning is going to go.

17 Mr. Thompson.

18 MR. THOMPSON: Thank you. As the
19 Committee will understand we're in somewhat of a
20 defensive posture as we believe that a sufficient
21 gas supply exists for this project.

22 The testimony of Mr. Eric Eisenman, who
23 is scheduled for today, is our primary natural gas
24 supply witness. We have submitted testimony from
25 Mr. Eisenman that's contained in what's been

1 identified as exhibit 75 to this proceeding.

2 There are many ancillary issues that
3 surround that issue, but we believe that the staff
4 and ourselves are on all fours with regard to the
5 sufficiency of natural gas supply.

6 HEARING OFFICER GEFTER: Staff.

7 MR. OGATA: Thank you, Ms. Gefter.

8 Staff's position is that with respect to gas that
9 there is currently an issue about sufficiency of
10 gas; however, that problem is not being created by
11 this project.

12 And that we believe that by the time
13 this project comes on line that that problem will
14 be resolved.

15 HEARING OFFICER GEFTER: Mr. Goldman.

16 MR. GOLDMAN: On behalf of Cabrillo,
17 which is intervening in light of its operation of
18 the Encina Power Plant, within the general San
19 Diego area electric grid system, we have great
20 concerns that the FSA failed to include an
21 analysis of the issue of reliability of the
22 electric system as required by the Warren Alquist
23 Act.

24 And in particular we think that the
25 evidentiary record, by dodging this statutorily

1 required elements of analysis fails to address a
2 couple of issues.

3 First, whether the existing gas pipeline
4 system would be sufficient for supplying a
5 reliable fuel supply to the proposed Otay Mesa
6 Generating Project in light of commitments to
7 Encina, South Bay and other power plants in the
8 area.

9 And second, whether the existing gas
10 pipeline capacity problem could be resolved prior
11 to whatever scheduled online operation date
12 contemplated for the Otay Mesa Generation Project.

13 Third, whether the applicant can offer
14 specific plans regarding its intention to provide
15 for a system of operation such that its operation
16 would not effectively cause the power grid to
17 short circuit in light of the limited supplies of
18 gas, about which there is no dispute, is the
19 current case.

20 And finally, whether the acknowledged
21 anticipated curtailment of natural gas to existing
22 power plants in light of the increased demand by
23 Otay Mesa might not be mitigated by other
24 alternatives that would preclude curtailment of
25 the use of gas by these other power plants,

1 including Encina, which would cause them to
2 increase air emissions, therefore precluding the
3 full-time operation in light of the Air Pollution
4 Control District rules that have not been changed.

5 So, in sum, we think that the issue of
6 the unreliability of the current gas supply will
7 not only have a reverberating effect on the whole
8 system in terms of reliable electricity supplies,
9 but will also have an impact on air quality which
10 again has the same boomerang effect, if you will,
11 on the reliability issue.

12 HEARING OFFICER GEFTER: Thank you. Ms.
13 Luckhardt.

14 MS. LUCKHARDT: On behalf of Duke Energy
15 North America, operating the South Bay Power
16 Plant, we have concerns and we're not interested
17 in slowing down or stopping the Otay Mesa Power
18 Project; that's not our interest in this
19 proceeding.

20 Our interest is focused on making sure
21 that there's an adequate gas supply for all the
22 projects in the San Diego area served currently by
23 SoCalGas and San Diego Gas and Electric.

24 We believe, at this point, that there is
25 an insufficient current gas supply for the

1 projects that are in operation at this time. And
2 the projected increase in operation of the
3 Rosarita Power Plant, we believe that the addition
4 of Otay Mesa, without any additional improvements
5 to either the San Diego system or the addition of
6 North Baja will exacerbate the current gas supply
7 situation and increase curtailments to all
8 facilities.

9 We believe at this time, since North
10 Baja has just filed an application, that there is
11 no guarantee of a sufficient gas supply at this
12 time for all projects. We are supportive of
13 North Baja.

14 And we believe that there is an
15 interrelation between the ability to operate the
16 system electrically, and the ability to use gas.
17 So you can't just push all the gas to Otay Mesa
18 and say that because it operates more efficiently
19 it can generate all the power for San Diego.

20 Otay Mesa, we believe, cannot operate
21 without South Bay and potentially Encina at some
22 level of operation. And we believe that that
23 interrelation needs to be taken into account when
24 you're looking at gas supply and allocation.

25 And we also are not convinced at this

1 point in time that we will be able to rely on fuel
2 oil for our operations. So we are very concerned
3 that we maintain an adequate supply of gas.
4 Because we have concerns about our ability to
5 shift to fuel oil to operate.

6 PRESIDING MEMBER LAURIE: Question. Is
7 it your position that there currently exists a gas
8 shortfall --

9 MS. LUCKHARDT: Yes.

10 PRESIDING MEMBER LAURIE: -- to serve
11 the greater San Diego area?

12 MS. LUCKHARDT: Yes. That is our
13 position.

14 PRESIDING MEMBER LAURIE: And so every
15 time there's a new house built that runs on gas,
16 that exacerbates the situation, as well?

17 MS. LUCKHARDT: I think taking it down
18 to the level of a house in the winter that may be
19 true.

20 PRESIDING MEMBER LAURIE: Well, when I
21 say a house, I'm using that symbolically. I'm
22 referring to any singular or multiple gas usage
23 exacerbates the problem. That is, does the
24 problem exist with or without Otay?

25 MS. LUCKHARDT: Oh, yes. Yes. We

1 believe Otay will exacerbate it, but it does exist
2 without Otay.

3 PRESIDING MEMBER LAURIE: Okay.

4 (Pause.)

5 MS. LUCKHARDT: Commissioner Laurie, I
6 don't know if you're aware, South Bay was
7 curtailed last night on gas.

8 PRESIDING MEMBER LAURIE: Okay.

9 HEARING OFFICER GEFTER: Mr. Thorp, who
10 represents SDG&E, I'd like you to come up. Mr.
11 Thorp wasn't here when we opened this morning. We
12 are asking the parties to identify and focus the
13 issues that we are going to be discussing today.
14 And we'd like Mr. Thorp to come forward.

15 PRESIDING MEMBER LAURIE: Susan, did you
16 want SDG&E at the table, in which case we'll ask
17 Otay to give up one of your three seats. Move one
18 of your folks behind and --

19 MR. THOMPSON: We'll sell you one.

20 (Laughter.)

21 MR. THORP: My apologies for being late.

22 HEARING OFFICER GEFTER: Please identify
23 yourself for the record, and then if you would,
24 give us an opening statement as to the position of
25 SDG&E on the gas supply issue.

1 MR. THORP: Certainly. My name is
2 Michael Thorp, and I'm an attorney representing
3 San Diego Gas and Electric.

4 Given that we had a curtailment last
5 night, and I believe the curtailment is still
6 continuing this morning through the morning peak,
7 the first noncore curtailment that we've had for
8 interruptible customers in I think six or seven
9 years, and the first noncore curtailment -- well,
10 I don't think any of the noncore customers went
11 down since -- the first curtailment of the power
12 plants in six to seven years.

13 It would be really impossible for me to
14 say that there's nothing wrong with the gas supply
15 situation here in San Diego.

16 Right now we are experiencing a strange
17 situation with respect to power plant demand. Our
18 sendout yesterday to South Bay, Encina, which is
19 now called Cabrillo, and the combustion turbines
20 owned by Cabrillo, I believe, and I don't have all
21 the figures in front of me, I believe was double
22 what it is historically.

23 And we believe that that's a product of
24 the deregulated marketplace that we are now
25 facing.

1 San Diego is working to add capacity.
2 We have signed a contract with Southern California
3 Gas Company to expand line 6900, a SoCalGas
4 pipeline, which serves San Diego. And the effect
5 of that would be to add another 70 million cubic
6 feet a day of capacity into the San Diego system.

7 It is our hope that we can have this
8 addition done by next summer when we'll hit a
9 summer peak again.

10 But we recognize that the situation that
11 San Diego customers have enjoyed over the past
12 decade, which is basically little or no
13 curtailment, may not continue in the foreseeable
14 future.

15 Noncore customers have always been
16 subject to curtailment, that's part of the bargain
17 that you have lower rates in exchange for lower
18 reliability. However, I think San Diego customers
19 and San Diegans, in general, have gotten used to
20 the fact that there just weren't any curtailments
21 because we had a lot of excess capacity.

22 But that's not the situation now. And
23 that is something that I think the California
24 Public Utilities Commission will be carefully
25 looking at. They have instituted an investigation

1 into capacity on the San Diego system. The order
2 went out on November 2nd. Our response is due on
3 November 22nd. And I think as part of that
4 response San Diego will propose some sort of
5 potential solution to the idea that there may be
6 more curtailments now than there were in the past.
7 And that may not be acceptable to folks.

8 It is our position, though, that the
9 Otay Mesa Power Plant should not be delayed in any
10 way because of the gas situation in San Diego
11 County. The gas supply, even with the highest
12 curtailment scenarios that we can look at right
13 now, would still be reliable compared to the
14 proposed reliability of the power plant.

15 I think that under the worst case
16 scenario we estimate something on the order of 95
17 percent reliability to the power plants, even with
18 Otay Mesa added. And I think that the reliability
19 of the new plant, which is great, would be 93
20 percent.

21 So we think that even if there would be
22 some additional curtailments, as Commissioner
23 Laurie correctly points out, anytime you add a
24 customer, whether it's a house, whether it's a
25 power plant, and the power plant sure uses a lot

1 more gas, anytime you add a customer you decrease
2 the headroom on the system, and you increase the
3 potential for curtailments.

4 But we don't think that the increased
5 potential for curtailments that would result from
6 the addition of the Otay Mesa Power Plant would be
7 any reason to delay the project.

8 We believe that there is a substantial
9 need for electric generating capacity in the
10 state, in the County. And we support the
11 application of PG&E Gen wholeheartedly.

12 PRESIDING MEMBER LAURIE: Thank you,
13 sir. Let me just make a note for the record that
14 the above stated comments were commentary at the
15 request of the Committee, and not to be construed
16 as evidence as part of the record.

17 Ms. Gefter.

18 HEARING OFFICER GEFTER: Mr. Claycomb,
19 did you have a comment on the topic?

20 MR. CLAYCOMB: Yes, ma'am. On behalf of
21 Save Our Bay, Inc., and my grandchildren, I would
22 bring down a pox on all their houses because we
23 only got 16 trillion out of 38 trillion cubic
24 meters of gas left in the United States. And we
25 can't depend on Canada because they're only

1 starting out with 15.6, or Mexico, they're
2 starting out with 7.2.

3 It's going to run out.

4 HEARING OFFICER GEFTER: Thank you.

5 MS. LUCKHARDT: Would you like
6 additional clarification as to why Cabrillo is
7 running higher? The --

8 PRESIDING MEMBER LAURIE: No, --

9 HEARING OFFICER GEFTER: No, no, no. We
10 are going to take evidence.

11 MS. LUCKHARDT: Okay. I just want to
12 make sure that the implication is not that
13 Cabrillo is running higher just because of the
14 marketplace.

15 PRESIDING MEMBER LAURIE: All we were
16 trying to do was determine whether or not we'd be
17 able to focus our testimony here today. I'm not
18 sure we were successful in our attempt to do that,
19 but your opening statements were helpful.

20 HEARING OFFICER GEFTER: We're going to
21 take a minute. Let's go off the record.

22 (Brief recess.)

23 PRESIDING MEMBER LAURIE: To the
24 parties. For purposes of discussion assuming that
25 the gas supply, for whatever reason, again

1 assuming for purposes of discussion that the gas
2 supply to the greater San Diego area is
3 constrained, and again assuming for purposes of
4 discussion only that such constraints, in one
5 fashion or another, impacts both Cabrillo and
6 Duke's operations.

7 In light of those assumptions, Cabrillo,
8 in their written documents, had offered a proposal
9 that seeks to mitigate the impacts on at least
10 their project.

11 What I would ask is that Mr. Goldman
12 take three sentences or less and summarize your
13 written proposals. And then we need to have the
14 applicant's response, if any, to that proposal.

15 But I would like to make sure that we
16 have an understanding of what their proposals are,
17 and we have an understanding of what applicant's
18 response is, if any.

19 Mr. Goldman. Can you move the
20 microphone so you are a little bit more
21 comfortable?

22 MR. GOLDMAN: I think it was Abraham
23 Lincoln who wrote a letter to a friend apologizing
24 for the length of the letter, he didn't have time
25 to write a shorter one.

1 In three sentences or less, Cabrillo is
2 not opposed to the Otay Mesa Project, as such. It
3 would like to condition the certification on
4 whatever reasonable conditions that would
5 guarantee a reasonable supply of gas to all
6 projects.

7 And whether that be certification of the
8 completion and approval of the North Baja Project
9 with adequate supplies coming in from Mexico to
10 the San Diego area. That would certainly be one.

11 Another alternative would be for Otay
12 Mesa to have a dual fuel capacity so that in the
13 worst case scenario there would be parity in terms
14 of times of scarcity among all existing power
15 plants, so that Otay Mesa wouldn't be taking the
16 natural gas from the other plants, Cabrillo, South
17 Bay, and using it exclusively on their behalf.

18 So, either way --

19 PRESIDING MEMBER LAURIE: Didn't you
20 have some other proposal? Was there another
21 proposal in your written documents that you
22 recall?

23 MS. LUCKHARDT: Are you referring to the
24 testimony of Dr. Weatherwax? Or are you referring
25 to something else?

1 PRESIDING MEMBER LAURIE: Where's that
2 written, Susan?

3 HEARING OFFICER GEFTER: It was in Mr.
4 Weatherwax's testimony.

5 MR. GOLDMAN: Well, as Dr. Weatherwax,
6 you know, is planning on testifying later this
7 afternoon, the proposal includes that Otay Mesa
8 would take service on basically an interruptible
9 basis just like other customers, so that they
10 effectively wouldn't be preempting the limited
11 supply of gas from other existing projects.

12 PRESIDING MEMBER LAURIE: Okay, thank
13 you. Mr. Thompson.

14 MR. THOMPSON: Thank you. Ms. Segner
15 will respond.

16 MS. SEGNER: I'd like to respond
17 specifically to the comments of Cabrillo and
18 PG&E's position on the request and proposals that
19 Cabrillo has made.

20 First of all, the North Baja pipeline
21 did file an application with FERC on October 30th,
22 and to construct a new pipeline.

23 Our position is that while we are very
24 optimistic of North Baja's success and its
25 permitting success, in order for this project to

1 take a permit condition that is on North Baja
2 being permitted, is completely unacceptable in our
3 view.

4 The result of such a permit condition
5 will mean that this project is delayed until the
6 FERC permit is granted, which will effectively
7 result in a several-year delay of the project.

8 It is not a permit condition that we can
9 live with in any shape or form. It will
10 absolutely impact the financing of this project.

11 Secondly, a permit condition that has us
12 to be the first to be curtailed and the existing
13 generators continuing to run is also not a permit
14 condition that we will accept or can live with.

15 Our view is that the solutions to the
16 San Diego issues are the following. And our view
17 is also that it is a combination of several
18 different issues coming together to form the
19 solution. And it is a regional solution.

20 The first one is the North Baja pipeline
21 coming in. The second one is that San Diego Gas
22 and Electric has indicated that they are looking
23 to expand on 6900, and that is undergoing
24 discussions right now at the CPUC. We
25 wholeheartedly support that expansion.

1 Thirdly, we support a pro rata
2 curtailment scheme among all generators in San
3 Diego. Our view is that that is the right answer
4 for the situation in San Diego.

5 Fourthly, another solution is that all
6 plants --

7 PRESIDING MEMBER LAURIE: Ms. Segner,
8 does pro rata include Otay?

9 MS. SEGNER: Yes, absolutely. In
10 addition, Cabrillo and Duke recently filed with
11 the CPUC comments in support of pro rata
12 curtailment, as well. Our understanding, from San
13 Diego Gas and Electric, in terms of conversations
14 that we've had with them, indicate that they would
15 be supportive of such a scheme, as well.

16 We would like to be included in that pro
17 rata curtailment scheme with the other generators
18 in San Diego.

19 Fourthly, we also believe that
20 additional meters could be added to Otay Mesa, as
21 well as existing power plants in San Diego, which
22 would greatly help the situation in terms of the
23 mechanics of how Rule 14 actually works with --
24 that Rule 14 works.

25 The existence of those additional meters

1 on Otay Mesa and other power plants would resolve
2 some of these issues, as well.

3 We absolutely are not open to a permit
4 condition in any shape or form that we would be
5 the first to be curtailed, and the other
6 generators get the gas.

7 MS. LUCKHARDT: I would like to clarify
8 Ms. Segner's characterization of Duke's filing at
9 the CPUC.

10 Our filing was in support of a pro rata
11 share without Otay Mesa. Should Otay Mesa enter
12 the San Diego market, our position would change.

13 (Pause.)

14 MR. VARANINI: Commissioner Laurie.

15 PRESIDING MEMBER LAURIE: Sir.

16 MR. VARANINI: I'm Gene Varanini,
17 representing Cabrillo. I think one of the
18 important aspects of your function, I think you're
19 wrestling really with what is an extremely
20 complicated situation, both in terms of reality
21 and in terms of discharging your duties.

22 One of the reasons why we were so
23 obsessed yesterday on the modeling was because in
24 order for curtailment or any kind of sub-optimal
25 solution to work, we have to know and you have to

1 know how the electrical system, itself, is
2 optimized.

3 I think we've gone beyond the situation
4 where it's every man and woman for themselves.
5 And what we really need to do is to understand
6 optimization, particularly on some of the
7 oddities.

8 In other words, if you think about this
9 as fundamental fairness and you're going to just
10 cut the pie into three slices, the problem is that
11 the pie is moving, and that in essence some
12 machines have to be on, even though it might not
13 be their fair share, or their fair time.

14 So, we think that it would make some
15 sense to try to simulate that and understand that.
16 And then a decision coming out from the Commission
17 could have kind of a rolling effect, a short-run
18 effect, so that they can go in and build their
19 plant. And then the longer effects of getting
20 more hardware in here and more pipes in.

21 But it seems to me if you're just asked,
22 as the trier of fact and decision-maker, to just
23 put your finger up and let everything go, we could
24 have a disaster here in terms of a breakdown of
25 the system.

1 Some of the things, for example, you
2 have a wheezy plant next to an efficient plant,
3 and the wheezy plant has to work because of
4 problems in reliability on the lines or on the
5 loads.

6 If you don't know this, if you don't
7 have what I would say a common agreed set of facts
8 among all of us, I don't know how you're ever
9 going to reach a conclusion. You're going to be
10 asked to acquire a PhD in physics along with your
11 law degree.

12 And it seems to me the parties ought to
13 just have some common sense here, sit down and see
14 whether there's a way to quickly provide you with
15 information that we all would agree is
16 appropriate. And then that would allow you to
17 make a decision. Rather than having us play
18 cross-examination games or other kinds of tricks
19 that aren't really going to resolve in any ability
20 for you to have the information to make a cogent
21 decision.

22 PRESIDING MEMBER LAURIE: Thank you, Mr.
23 Varanini. Your comments are appreciated.

24 Let me state the issue as the Committee
25 sees it. And I'm not sure it is as complex as

1 Mr. Varanini sees it. Perhaps it's only the
2 manner in which I think in such a simplified
3 fashion.

4 It is alleged that gas supplies in San
5 Diego are constrained. And it's further alleged
6 that as a result of those constraints that both
7 Duke's and Cabrillo's operations have a greater
8 likelihood of being curtailed.

9 And further, if such curtailment exists,
10 there will be secondary fuel of some nature
11 utilized. It's further alleged that if such
12 secondary fuel is utilized, that there may be
13 environmental impacts resulting therefrom.

14 There has not been an environmental
15 analysis of the use of such secondary fuels. So
16 the challenge before this Committee is to
17 determine under the presentation application and
18 the evidence that we expect to be presented during
19 the course of these proceedings, whether that's
20 going to be adequate, or whether appropriate
21 conditions can be imposed on the project that
22 would not require a detailed environmental
23 analysis of the use of secondary fuels.

24 Ms. Gefter, would you like to clarify
25 what I have attempted to say?

1 HEARING OFFICER GEFTER: Do any parties
2 have any questions about what Commissioner Laurie
3 has just requested?

4 MS. LUCKHARDT: I guess the question
5 that we would have is that that assumes that
6 Encina and South Bay can and will, in the future,
7 be able to shift to fuel oil. And we are not
8 convinced that that is going to be an option
9 available to us ongoing in the future.

10 HEARING OFFICER GEFTER: What we're
11 getting at is, you know, the scope of the
12 Commission's review of the evidence and the limits
13 on our jurisdiction to decide whether or not there
14 are going to be systemic impacts.

15 MS. LUCKHARDT: We believe you have two
16 responsibilities. One is environmental, the other
17 is reliability. That is addressing the
18 reliability portion.

19 PRESIDING MEMBER LAURIE: Clarify what
20 you think our responsibility towards reliability
21 is.

22 MS. LUCKHARDT: According to, I believe,
23 Steve Baker's testimony in the staff assessment,
24 it is not to degrade the reliability of the
25 system.

1 If you increase curtailments on all
2 projects and Cabrillo and South Bay cannot operate
3 on fuel oil, you may degrade the reliability of
4 the system.

5 PRESIDING MEMBER LAURIE: Is it your
6 view that the Warren Alquist Act requires an
7 examination of reliability of the system?

8 MS. LUCKHARDT: I believe it does in the
9 regulations.

10 PRESIDING MEMBER LAURIE: Okay, well,
11 I'll be certainly most interested in --

12 MS. LUCKHARDT: I can cite you to the
13 section if you like.

14 PRESIDING MEMBER LAURIE: Okay, well,
15 we're going to be asking you all to do that.

16 MR. GOLDMAN: Commissioner Laurie or
17 Hearing Officer Gefter, I do have a question to
18 follow up Commissioner Laurie's comments. And
19 that is whether or not the Committee considers
20 whether appendix B, the air quality implications
21 of the local Air Pollution Control District's Rule
22 69 prepared by staff is sufficient in terms of
23 discharging the Commission's duties to analyze
24 environmental impacts of the project, as lead
25 agency under CEQA.

1 Because it certainly has been Cabrillo's
2 position that there's been insufficient evidence
3 or insufficient analysis to be presented into the
4 evidentiary record in these proceedings is why we
5 requested some more time.

6 But just in terms of understanding the
7 Committee's perspective on this, is it the
8 Committee's tentative conclusion that the staff
9 has, in fact, engaged in an environmental analysis
10 of the environmental consequences of the use of
11 secondary fuels.

12 HEARING OFFICER GEFTER: There has been
13 testimony submitted by staff, and I believe
14 applicant had a discussion of Rule 69 in one of
15 your filings. But we haven't made any
16 determination as to whether it's sufficient or not
17 at this point, because we haven't taken testimony
18 on that issue.

19 But we did want to alert you that that
20 is the focus of our inquiry, is whether or not
21 there would be environmental impacts if Encina and
22 Duke were curtailed and chose to use fuel oil.

23 MR. GOLDMAN: On behalf of Cabrillo we
24 would request that the Committee consider, during
25 the course of these proceedings, especially when

1 the issue arises, to the extent it occurs next
2 week, on the air quality issue, of determining,
3 basically having an evidentiary hearing during
4 these proceedings as to whether or not the staff
5 has discharged its statutory duty as lead agency
6 under CEQA in connection with analyzing the
7 environmental impacts of what I think we all
8 recognize as the consequences.

9 PRESIDING MEMBER LAURIE: Well, it's
10 always a part of our consideration, Mr. Goldman.

11 MR. GOLDMAN: Thank you.

12 MR. HANSCHEN: Commissioner Laurie, Ms.
13 Gefter, I'm Peter Hanschen. I'm from Morrison and
14 Foerster and represent the applicant on gas supply
15 issues.

16 I'd like to ask your indulgence in that
17 in light of today's discussion is that we'd like
18 to present two additional witnesses today that
19 address the specific issue that you have brought
20 to the fore today.

21 The first witness would be Mr. Tom
22 Beach, who would testify as to the gas supply that
23 would be available to the different plants using a
24 pro rate form of curtailment, or a multiple meter
25 form of curtailment.

1 The second witness would be Mr. James
2 Filippi who would talk about system reliability.
3 That these witnesses will show to you, I think, is
4 that given the different scenarios that are before
5 us, the realistic scenarios that are before us,
6 that there would always be sufficient gas to both
7 South Bay and Encina and Otay Mesa to maintain
8 system reliability.

9 That doesn't mean that there is 100
10 percent gas available to every plant. But there
11 would be enough gas available to Encina and South
12 Bay so that there would not be system disturbances
13 or the possibility of impacts on reliability of
14 the system.

15 And that doesn't also mean that should
16 Encina choose, for commercial reasons, to run
17 their plant, that there would be gas available for
18 that, is that they, like us, would be taking a pro
19 rata curtailment of their gas supply.

20 So it could impact commercial reasons on
21 the gas available to individual plants. But the
22 testimony will show that given the present
23 situation, plus the small addition of 70 million a
24 day to the SoCal system, which Mr. Thorp has
25 indicated is going to be constructed by hopefully

1 the summer of next year, is that there would be no
2 impact to system reliability.

3 We'd like to present that testimony this
4 afternoon because I think it goes exactly to the
5 thrust of the issue that you brought up before us
6 today, Commissioner Laurie.

7 COMMISSIONER PERNELL: Let me ask a
8 question. Has any of that information been shared
9 with Duke and --

10 MR. HANSCHEN: We can share it this
11 morning. It was prepared only because we received
12 Mr. Weatherwax's testimony on Thursday evening
13 about 6:00; we analyzed it over the weekend and we
14 prepared it yesterday. And we have a copy that we
15 can hand out so that people have an opportunity to
16 take a look at it. It's relatively short.

17 MR. GOLDMAN: On behalf of Encina I'd
18 like to raise a procedural objection. As we've
19 indicated all along that there is no dispute, that
20 the applicant has the burden of proof. And the
21 burden of production of evidence to demonstrate
22 that its application for certification will have
23 no adverse environmental impact that can't be
24 mitigated; and pursuant to Public Resources Code
25 section 25525, the Commission is obligated to also

1 consider the issue of electrical system
2 reliability.

3 Given that burden of proof, Encina feels
4 that it's sort of been sandbagged. We have not
5 heard of Mr. Beach until just this moment, and Mr.
6 Filippi's prepared testimony, including this
7 additional testimony, evidently didn't include
8 these new matters.

9 So to the extent that this very
10 afternoon we wouldn't be in a position to cross-
11 examine these witnesses really flies in the face
12 of any established notion of procedural due
13 process.

14 To the extent that this additional
15 evidence should be considered, and I think
16 ultimately it should, Encina would simply request
17 during the course of these proceedings that it
18 have sufficient time to consider this analysis and
19 to provide for the basis for a meaningful cross-
20 examination of these witnesses.

21 The last thing that I think should occur
22 would be for these witnesses to fly into San Diego
23 today --

24 PRESIDING MEMBER LAURIE: That's fine --

25 MR. GOLDMAN: -- and give their

1 testimony --

2 PRESIDING MEMBER LAURIE: -- Mr.
3 Goldman.

4 MR. GOLDMAN: -- and then to fly out
5 never to be seen again --

6 PRESIDING MEMBER LAURIE: Mr. Goldman.
7 Thank you.

8 MR. GOLDMAN: Thank you.

9 HEARING OFFICER GEFTER: Mr. Hanschen,
10 do you have the prepared testimony of your
11 witnesses?

12 MR. HANSCHEN: Yes, we do.

13 HEARING OFFICER GEFTER: Perhaps you
14 could give copies to the other parties.

15 MR. HANSCHEN: I'm advised there's ten
16 copies available. Perhaps we can hand them out to
17 the active participants at this time, and we'll
18 made additional copies available.

19 HEARING OFFICER GEFTER: The Committee
20 would also like copies, thank you.

21 MR. HANSCHEN: Yes.

22 MS. LUCKHARDT: I would just ask that
23 since my expert is not physically in this room,
24 that we have some flexibility on time to review
25 prior to the time that it comes up.

1 HEARING OFFICER GEFTER: Yes.

2 MR. THORP: Could I just add one point
3 for informational purposes that may or may not
4 assist the Commission?

5 In the California Public Utilities
6 Commission's investigation that I mentioned
7 earlier, in which we'll be filing a response
8 November 22nd, one of the questions that the
9 Commission has asked us specifically to address,
10 as well as any other interested parties, is
11 whether there is adequate gas supply and
12 transportation capacity to serve electric
13 generation customers.

14 And if not, what should be done about
15 it.

16 So that issue will be promptly
17 considered by the California Public Utilities
18 Commission.

19 HEARING OFFICER GEFTER: We're going to
20 take a minute break and let people take a look at
21 the written testimony.

22 (Brief recess.)

23 PRESIDING MEMBER LAURIE: We are fully
24 prepared to spend as long as necessary to consider
25 all the evidence that the parties feel a need to

1 introduce and we deem relevant.

2 However, before we do that hopefully the
3 parties have heard the concerns I've expressed by
4 the Committee, what the Committee deems the issue
5 to be.

6 And the question before the Committee or
7 what the Committee would like to have considered
8 is does a mitigation measure or measures exist
9 that would address the concerns as expressed by
10 the parties without a full analysis of the
11 environmental impacts of the use of secondary
12 fuel.

13 And we've heard some proposals submitted
14 by Cabrillo. We've heard some discussion by the
15 applicant.

16 Again, we're prepared to spend days on
17 this to the extent that we deem it relevant. But
18 before we do that, the Committee is going to
19 adjourn for a period of 30 minutes.

20 During that time the Committee asks the
21 parties to meet, and to discuss what the Committee
22 considers its issue to be. And then report back
23 to the Committee as to whether or not any
24 possibility of a consensus view is possible.

25 And I expect the parties to have those

1 discussions in good faith. To a point that if we
2 need to mediate this thing, we will do so.

3 That understood the Committee will
4 adjourn for a period of 30 minutes. And, if
5 necessary, we'll take longer if any progress is
6 being made.

7 Commissioner Pernell, did you have any
8 comment?

9 COMMISSIONER PERNELL: I would just add,
10 thank you, Commissioner Laurie, I would just add,
11 given the testimony this morning, it doesn't
12 appear that anyone is trying to stop any project.
13 It's just a matter of their representation of
14 their clients. And given the makeup of the
15 attorneys here, I'm sure that negotiation can take
16 place.

17 What we want to do is move forward and
18 come to a resolution without having a lot of
19 bickering backwards and forth, if you understand
20 what I mean.

21 So I think Commissioner Laurie stated it
22 better than certainly I can, that there's 30
23 minutes, there's new evidence. There should be
24 proof that all of these plants could run and
25 provide power to San Diegans and the State of

1 California.

2 So, let's get it done, folks.

3 PRESIDING MEMBER LAURIE: Mr. Ogata, if
4 you could take the lead and find a room for the
5 folks and make sure everybody's happy and
6 comfortable and in a good mood.

7 MR. OGATA: Commissioner Laurie, I'll
8 look for a room. I can't attest that everybody
9 will be comfortable and happy.

10 (Laughter.)

11 (Brief recess.)

12 PRESIDING MEMBER LAURIE: Back on the
13 record.

14 MR. HANSCHEN: Thank you, Commissioner,
15 Peter Hanschen on behalf of the applicant.

16 We had some discussions with the various
17 parties here. The applicant made a proposal that
18 would, we think, deal with the situation of making
19 sure that there was gas supply available to plants
20 who needed gas to satisfy reliability concerns.

21 That the proposals, I guess, were
22 considered by the other parties. And I'll let
23 them address their reaction to it.

24 MR. GOLDMAN: On behalf of Cabrillo we
25 think that the discussions were certainly

1 undertaken in good faith and we have certainly
2 discussed a lot of issues.

3 We are in the process of trying to
4 engage with our principals so that we can advise
5 them as to the status of our discussions, and
6 would very much like to be able to report later
7 this afternoon that we may be able to make some
8 progress in possibly getting to a point of
9 critical mass in terms of possibly resolving the
10 issue. But we can't make that commitment right
11 now.

12 MS. LUCKHARDT: On behalf of Duke
13 Energy, we have been able to contact different
14 folks and talk about this. We also were present
15 when the Air District made its comments and
16 concerns about the approach presented by PG&E
17 Generating.

18 And we are not in a position to agree,
19 and are not willing to agree to the proposal that
20 they have presented at this time.

21 PRESIDING MEMBER LAURIE: Mr. Ogata, do
22 you have any comment?

23 MR. OGATA: Commissioner Laurie, I think
24 the only thing I'd want to say, I do believe the
25 discussions were helpful in clarifying issues.

1 I'm not sure -- because the time was spent
2 exclusively on trying to resolve the problem, I
3 don't think we have a reaction for you with
4 respect to your concern. And I don't think the
5 time was spent inappropriately. So that's the
6 only report that I have for you.

7 MR. HANSCHEN: Commissioner, I'd be
8 happy to put on the record for you is the proposal
9 that we made, and maybe you can give us some
10 feedback on whether you felt that it addressed the
11 concerns that you were concerned with on this.

12 It is a proposal that the applicant
13 would be willing to present to the Commission on
14 its own, even without complete agreement by the
15 intervenors.

16 PRESIDING MEMBER LAURIE: Let's go off
17 the record for a moment.

18 (Off the record.)

19 PRESIDING MEMBER LAURIE: Thank you for
20 your comments. We will proceed with the
21 evidentiary hearing. We will not ask that the
22 proposal be put on the record at this point.

23 Ms. Gafter.

24 HEARING OFFICER GEFTER: Before we
25 proceed, the Committee wants to make it very clear

1 what the issue is that we are concerned about.

2 The question of whether the use of
3 natural gas by the proposed project would result
4 in curtailment of gas to the Encina and Duke
5 projects, is not necessary to our finding. Except
6 to the extent that adverse environmental impacts
7 to air quality may result from curtailment, which
8 would result in the burning of fuel oil instead of
9 natural gas.

10 And that is the Energy Commission's
11 concern.

12 PRESIDING MEMBER LAURIE: And Ms.
13 Gefter, is it correct that we deem that to be the
14 relevant issue?

15 HEARING OFFICER GEFTER: That's the
16 relevant issue. That is the issue that we are
17 looking at.

18 MR. HANSCHEN: Can I ask for just a
19 point of clarification on that, Ms. Gefter? With
20 respect to when you say is that Otay Mesa coming
21 on stream would result in curtailments that would
22 result in burning something other than natural gas
23 with air pollution impacts on that, did you mean
24 in terms of system reliability, where a plant had
25 to run because to maintain system integrity?

1 And that's how a lot of the testimony
2 was presented by the intervenors. Or do you
3 simply mean if there isn't sufficient gas to go
4 around, where a plant might choose to run, for
5 commercial reasons, but doesn't have to run to
6 maintain system reliability?

7 Because we see some significant
8 differences in that. In one instance the plant
9 has to run to satisfy reliability of the system.
10 And the other instance they just choose to run.
11 And yet they're in an exact place today where,
12 based on yesterday's experience, because we know
13 they're being curtailed, is that -- and whether
14 they choose to burn fuel oil or choose not to run,
15 is a commercial determination, not a reliability
16 determination.

17 HEARING OFFICER GEFTER: I believe those
18 are issues that are issues that will be taken up
19 before the PUC and Cal-ISO and the FERC. And the
20 Energy Commission is concerned about the impacts
21 to the environment. And I don't believe we're
22 even going to distinguish between those two.

23 MR. VARANINI: Ms. Gefter, am I in
24 order?

25 HEARING OFFICER GEFTER: Mr. Varanini,

1 yes.

2 MR. VARANINI: We object to the
3 Committee's interpretation of their primary
4 jurisdiction. We filed papers about the
5 Commission's responsibility for maintaining the
6 system reliability. That that was substituted in
7 SB-110 for the old system of the need conformance.

8 And we think that that's such a
9 fundamental principle that the Commission has to
10 uphold that we would like a ruling, as
11 permissible, that you're not going to go into that
12 area. And then we would exercise additional
13 appellate capabilities.

14 PRESIDING MEMBER LAURIE: We are not
15 going to go into that area.

16 MR. VARANINI: Okay. Then we object.
17 And does that mean, Commissioner, that we should
18 go ahead and file an appeal?

19 PRESIDING MEMBER LAURIE: Yes, sir.

20 MR. VARANINI: Thank you.

21 HEARING OFFICER GEFTER: All right.
22 Now, given that we are limiting the areas that we
23 want to hear about, we had planned to hear about
24 the facility design. And we can proceed if
25 everyone has their witnesses ready.

1 PRESIDING MEMBER LAURIE: And know any
2 testimony that doesn't go -- that goes beyond the
3 issue as stated by the Hearing Officer, and
4 instead goes to the issue of system reliability
5 we're going to deem nonrelevant. And therefore
6 nonpermissible.

7 If you want to maintain a continuing
8 objection, do that, and that will just be
9 considered as part of the record.

10 MR. GOLDMAN: Thank you, Commissioner
11 Laurie. We will do just that. The record is now
12 clear. We do have a continuing objection as to
13 that issue.

14 PRESIDING MEMBER LAURIE: All right.

15 MS. LUCKHARDT: And we will join that
16 objection, as well.

17 HEARING OFFICER GEFTER: So noted.

18 PRESIDING MEMBER LAURIE: So noted.

19 HEARING OFFICER GEFTER: Is the
20 applicant ready to go forward with your witness on
21 facility design?

22 MR. THOMPSON: We are, thank you very
23 much. Applicant would like to call Mr. Al
24 Williams.

25 //

1 would you agree that section 5.12 noise is an
2 area, and that area was covered yesterday, is that
3 correct?

4 A Yes, that's my understanding.

5 Q Now, yesterday we covered project
6 description. And what I would like to do is fold
7 that in with facility design testimony.

8 Am I correct that you are today
9 testifying to sections, those sections in the AFC
10 that are outlined in your prepared testimony, with
11 the exception of those that were covered
12 yesterday, is that correct?

13 A Yes.

14 Q Now, finally, Mr. Williams, you were not
15 here yesterday, however, our Commissioner asked a
16 question on wet versus dry cooling.

17 And what I would like to do is ask you
18 one or two questions about those two heat
19 rejection concepts, if I may.

20 One, would you address the cost
21 difference and include in that discussion, if you
22 could, the water savings. And just how the wet
23 versus dry cooling analysis was performed by Otay
24 Mesa.

25 A Yes, I will. One of the first technical

1 things to consider and understand in San Diego is
2 that San Diego enjoys extremely nice weather. If
3 you look at the temperature averages over the year
4 it averages about 65 degrees, 70 degrees year
5 round. And the relative humidity is very
6 enjoyable, very comfortable, as well.

7 Those two factors, unlike some of the
8 projects that we've certainly done, and I'm sure
9 the Commission has seen, in more drier arid
10 portions of this state, with average annual
11 temperatures about the same, but summertime
12 temperatures in the 100s and humidities in the 20
13 percents.

14 Here in San Diego, and the San Diego
15 area, dry cooling and the thermodynamics that work
16 with dry cooling, are much better for dry cooling
17 than they would be in a more drier hotter climate.

18 So that performance and efficiency
19 losses for a project like Otay Mesa with dry
20 cooling are less than if that same combined cycle
21 system were to be sited elsewhere.

22 The other thing that we're seeing is
23 that the costs of dry cooling systems are a little
24 bit less these days than they would have been four
25 or five years ago.

1 On top of that, and probably the driving
2 decisions for us to make Otay Mesa a dry cooled
3 facility as opposed to the more conventional wet
4 cooling towers system, is the issue in San Diego
5 of long term water reliability, water supply
6 reliability; and on top of that, long term water
7 discharge capability.

8 In our discussions with the Otay Water
9 District, and the San Diego Municipal Wastewater
10 District, there were concerns expressed, not only
11 about the ability for a long term water supply,
12 but also the concern about capacity in the sewage
13 system.

14 By going to dry cooling we basically
15 answered that question once for the life of the
16 plant. We do not have to come back and revisit
17 and subject ourselves to -- subject the project to
18 potential extensive changes in the fundamental
19 thermodynamics of the project five, ten, 15 years
20 out. A dry cooling plant put in today is what it
21 will be for the life of the plant.

22 The advantages to that are a dry cooling
23 plant uses about one-tenth of the amount of water
24 that a conventional wet cooling tower plant would
25 use. And about three-hundredths of the quantity

1 of water that a project using just steam turbines
2 would use. That's probably enough at the moment.

3 Q Mr. Williams, could you give us an order
4 of magnitude, an idea of the differences in water
5 discharge requirements for wet versus dry cooling?

6 A That's another advantage, of course, of
7 the dry cooled system, is that the water discharge
8 is essentially from the cooling system, itself, is
9 zero. The only water discharges that we have are
10 the wastewater products that will come off of our
11 water purification system, which is used to create
12 demineralized water out of our water supply
13 system. And the normal treatment that we would do
14 for oily water separator or storm water that would
15 fall on the plant.

16 So our discharge of our plant is
17 approximately 100,000 gallons a day. Were that
18 same plant to be a wet discharge plant it would be
19 about five times that.

20 Q And has the County given you any
21 indication of how they feel about the sewer line
22 proposal?

23 A Yes, they have, in our discussions with
24 the County sewer capacity is a very high concern
25 on their part, and they were very pleased when we

1 were able to go to them with a dry cooled concept
2 and say we're not going to have the thousands and
3 thousands of gallons a day of cooling tower
4 blowdown, because the dry cooling just doesn't
5 need it.

6 MR. THOMPSON: Thank you very much. Mr.
7 Williams is tendered for cross-examination.

8 HEARING OFFICER GEFTER: Does staff have
9 cross-examination?

10 MR. OGATA: Staff has no questions for
11 Mr. Williams.

12 HEARING OFFICER GEFTER: Do any of the
13 intervenors have cross-examination?

14 MR. GOLDMAN: Yes, on behalf of Cabrillo
15 I have a few questions for Mr. Williams.

16 CROSS-EXAMINATION

17 BY MR. GOLDMAN:

18 Q Mr. Williams, your prepared testimony
19 that was submitted indicates that there are
20 several provisions of the AFC for which you
21 offered prepared testimony, do you recall that?

22 A Yes.

23 Q Okay. I'd like to ask you a few
24 questions about some of those specific sections
25 that were indicated as part of exhibit 1, the AFC.

1 You may or may not want to take a look, I can make
2 a reference to the page and the section of the
3 portion of the AFC.

4 Specifically section 1.5 in the AFC,
5 facility location and description, page 1-4,
6 section 1.5.2 facility description.

7 There's a sentence that says: The
8 project is designed to have very low emissions of
9 air pollutants. Is that consistent with your
10 recollection of the AFC?

11 A Yes.

12 Q And why is the project designed to
13 minimize emissions of air pollutants?

14 A First of all, the project is designed to
15 the present BACT and LAER air emission standards.
16 Because it's designed to the BACT and LAER
17 standards.

18 Q Are there any other reasons why it was
19 designed to minimize emissions of air pollutants?

20 A Not that I can think of.

21 Q In connection with your analysis have
22 you or anyone that you know of on behalf of the
23 applicant given any consideration as to how the
24 project's design might affect air pollution by its
25 affect on gas supply curtailment to other plants

1 in the region, such as Encina, which might then be
2 obliged to use residual fuel oil?

3 A No.

4 Q Why not?

5 A I think fundamentally the reason -- the
6 answer to your question is that PG&E National
7 Energy Group is not convinced that that is a
8 problem that would occur, or would have to occur.

9 Q Are you saying that if it were to occur
10 that PG&E would be concerned with that problem?

11 MR. THOMPSON: Let me object to this
12 line. We have a number of witnesses to talk about
13 that subject. Mr. Williams is here to talk about
14 the project description, the facility design. And
15 effects of gas or not having gas on the system, I
16 do not believe, is within the area he's testifying
17 to.

18 MR. GOLDMAN: I disagree with what
19 counsel has just stated. I'm relying precisely on
20 the specific section of the AFC for which Mr.
21 Williams has indicated he is prepared to offer
22 testimony. So I'm going straight from the section
23 of the AFC which is within his bailiwick as he has
24 just acknowledged.

25 MR. THOMPSON: I guess all I ask is that

1 when he answers a question don't argue with him
2 about his answer.

3 MR. GOLDMAN: I don't intend to argue
4 with him, and I didn't. I just asked him a
5 follow-up question to which you objected.

6 HEARING OFFICER GEFTER: I also believe
7 the witness answered your question.

8 MR. GOLDMAN: Well, with respect, he
9 didn't, because his counsel basically objected.
10 So let me ask the question in the hopes of getting
11 an answer.

12 BY MR. GOLDMAN:

13 Q Mr. Williams, if I understand your
14 answer when I asked you why you did not, or anyone
15 on behalf of the applicant, did not give any
16 consideration to how the project's design might
17 affect air pollution by the project's design
18 effect on gas supply curtailment to other plants
19 in the region, thereby causing air emissions by
20 those other plants, you indicated that you did not
21 think that that was likely to occur in any event,
22 is that correct?

23 A Yes.

24 Q So you're effectively --

25 MR. THOMPSON: To the extent he can

1 answer for himself, you said anyone else on the
2 applicant's team, I don't expect him to answer for
3 anyone else.

4 MR. GOLDMAN: And I don't expect him to
5 answer for anyone else unless he has --

6 MR. THOMPSON: Well, then don't put it
7 as a part of your question.

8 BY MR. GOLDMAN:

9 Q To continue on, Mr. Williams, to the
10 extent that the design of the power plant would
11 have an effect on air emissions from other plants
12 due to their being forced to rely on residual
13 fuel, would that be something that you would
14 consider within the purview of your
15 responsibility?

16 MR. THOMPSON: I will let him answer,
17 but assuming that there are facts that you posited
18 that are not in evidence. And we may disagree
19 with the underlying foundation.

20 MR. WILLIAMS: No, that would not be
21 within my purview of responsibility.

22 BY MR. GOLDMAN:

23 Q Whose would it be, if you know?

24 HEARING OFFICER GEFTER: Only if you
25 know, Mr. Williams. You don't have to answer if

1 you don't know the answer.

2 MR. WILLIAMS: At this moment I don't
3 know exactly who that would be.

4 HEARING OFFICER GEFTER: And, also, Mr.
5 Goldman, that is a question you can ask the
6 applicant directly on discovery. You don't need
7 to ask the witness that question.

8 BY MR. GOLDMAN:

9 Q On what basis you conclude that the
10 project's design would not affect air pollution by
11 its affect on gas supply curtailment to other
12 plants in the region?

13 A I believe I answered earlier that that
14 was not something that was in my responsibility to
15 address and have not.

16 Q Earlier on, though, if I understood your
17 testimony correctly, you answered in the negative
18 when I asked if you understood that the applicant
19 was aware of any effect that its design might have
20 on air pollution by the effective gas curtailment
21 of other plants in the region.

22 If I understood you correctly you said
23 you didn't think that the plant design would
24 increase air pollution by its effect on other
25 power plants in the region, isn't that correct?

1 A No.

2 Q That is not correct. Do you think, or
3 do you understand, in your capacity as director of
4 engineering, that the project's design might
5 affect air pollution by its effect on gas supply
6 curtailment to other plants in the region?

7 A I'm not sure I understand the question.

8 Q What don't you understand about it?

9 HEARING OFFICER GEFTER: Mr. Goldman, I
10 know that you have a point and you're trying to
11 get to some kind of response, but it may be that
12 Mr. Williams is not the right witness to be asking
13 these questions of.

14 And what we're trying to do is you're
15 trying to establish a record for us to review, and
16 I'm not sure whether these types of questions are
17 going to assist us in reviewing the evidence.

18 So, perhaps you can summarize the
19 questions you have and skip over some of these
20 repetitious questions to get to the question
21 you're getting to. Let's get there.

22 MR. GOLDMAN: Well, for the record, I
23 don't believe the questions are repetitious.

24 BY MR. GOLDMAN:

25 Q Mr. Williams, you are responsible for

1 design of the facility, correct?

2 A Yes.

3 Q Okay. Does the lack of analysis of the
4 effect of the plant's design on air pollution by
5 other plants change the fact that gas curtailments
6 to other plants would force these other plants to
7 burn more polluting sources such as residual oils?

8 MR. THOMPSON: I'm going to object.

9 We've been there --

10 PRESIDING MEMBER LAURIE: Sustained.

11 Mr. Goldman, where are you going? What do you
12 want to know?

13 MR. GOLDMAN: I want to know from this
14 witness whether or not there was any analysis when
15 they were designing the plant that the way they
16 were designing the plant including, but not
17 limited to, the lack of a dual fuel capacity,
18 which I know we will get to, as well, would have
19 an impact on air quality in the San Diego region.

20 The concern is that the plant seems to
21 have been designed, to some extent, in a vacuum,
22 ignoring the fact that it's part of an integrated
23 system --

24 PRESIDING MEMBER LAURIE: I know what
25 the concern is. Has the witness already answered

1 that question?

2 MR. GOLDMAN: I don't believe he has, or
3 it's not clear to me.

4 MR. THOMPSON: My turn?

5 MR. GOLDMAN: Well, you're not the
6 witness.

7 MR. THOMPSON: I am the lawyer.

8 PRESIDING MEMBER LAURIE: Mr. Goldman --
9 Mr. Goldman, we are going to conduct this
10 proceeding in a very civil fashion. Do you
11 understand?

12 MR. GOLDMAN: Yes, sir.

13 PRESIDING MEMBER LAURIE: Tone down your
14 rhetoric. Do you understand?

15 MR. GOLDMAN: I do. And I apologize to
16 the extent --

17 PRESIDING MEMBER LAURIE: Fine.

18 MR. GOLDMAN: -- that my tone was
19 misunderstood.

20 PRESIDING MEMBER LAURIE: Period. Take
21 a deep breath.

22 MR. GOLDMAN: Will do.

23 PRESIDING MEMBER LAURIE: Mr. Thompson.

24 MR. THOMPSON: Let me offer this. Under
25 the alternatives area that Mr. Williams is also

1 testifying to when we get there, the -- dual fuel
2 options, and let me suggest respectfully that at
3 that time those would be -- that would be a great
4 time to ask him about dual fuel capabilities of
5 the plant, and the process that the engineering
6 side went into on that.

7 If you want to ask about gas
8 availability to other plants in San Diego, I
9 suspect that goes into the transmission system
10 engineering and gas supply issues. And we will
11 have witnesses that will address those.

12 But I'm not sure this is the right
13 witness.

14 MR. GOLDMAN: I thank counsel for that
15 clarification.

16 BY MR. GOLDMAN:

17 Q Mr. Williams, if we could move on to
18 section 1.5.4 transmission interconnection, at
19 page 1.5 of the AFC there's a sentence that says
20 that the cost of reconductoring for a systemwide
21 benefit, including mitigation expenses related to
22 the existing line, will be continue to be
23 discussed between the three parties, Otay Mesa,
24 SDG&E and Cal-ISO.

25 Do you recall the thrust of that

1 statement in the AFC?

2 A I am not the correct witness to testify
3 to transmission issues.

4 Q Well, the section that quote was in
5 section 1.5.4, which I believe is part of the
6 generic section to which you were called to
7 testify.

8 Do you recall in connection of analyzing
9 the design of the facility factoring in the cost
10 of reconductoring for systemwide benefit?

11 MR. THOMPSON: If I may, Mr. Goldman,
12 the AFC was filed almost a year ago. This section
13 was written many months ago. Since that time many
14 events have occurred, such as the SDG&E system
15 impact study and ISO approval of that study.

16 Let me respectfully suggest that Mr.
17 Filippi would be the right witness. He's more up
18 to speed on where stand on those issues.

19 MR. GOLDMAN: All right, thank you for
20 that clarification.

21 BY MR. GOLDMAN:

22 Q Going to the next section, section 1.5.5
23 fuel gas and interconnection. At page 1-6 of the
24 AFC the statement states, the project will be
25 fueled by natural gas. There is no oil backup

1 fuel supply.

2 Is that consistent with your
3 understanding of the design of the project?

4 A Yes.

5 Q And why is there no oil backup fuel
6 supply?

7 A Natural gas fuel is the BACT for gas
8 turbine combined cycle power plants in California.

9 Q Is there any other reason you're aware
10 of as to why there is no oil backup fuel supply?

11 A No.

12 Q Do you know whether or not air emissions
13 levels were a factor in the decision to not
14 include an oil backup fuel supply for the project?

15 HEARING OFFICER GEFTER: I think the
16 witness testified that it's BACT to burn natural
17 gas, so that question is already answered.

18 MR. GOLDMAN: I'm sorry, I didn't hear
19 the last --

20 HEARING OFFICER GEFTER: I'm not sure --
21 what are you getting at here?

22 MR. GOLDMAN: I would like to know
23 whether or not there was any consideration as to
24 whether or not an oil backup fuel supply would
25 have an adverse impact on air emissions levels for

1 the project.

2 HEARING OFFICER GEFTER: It's implied in
3 his answer that it's BACT to burn natural gas.

4 MR. GOLDMAN: Well, if the witness could
5 make it explicit, I'd greatly appreciate that.

6 BY MR. GOLDMAN:

7 Q Mr. Williams, was there any
8 consideration as to whether or not an oil backup
9 fuel supply would have an adverse impact on air
10 emissions levels from the project?

11 A No.

12 Q And did you know why that was not the
13 case?

14 MR. CARROLL: I'm going to interject
15 here. Mr. Williams testified that the reason
16 there was not a backup fuel oil considered for the
17 proper -- for the project was because the best
18 available control technology requirements of CARB
19 require natural gas.

20 Implied in that answer is the fact that
21 air emissions were a consideration in determining
22 not to propose backup fuel oil. The reason it's
23 not there is because it doesn't comply with the
24 best available control technology requirements,
25 which are for air emissions.

1 He's answered the question, and I think
2 the series of badgering questions merely tend to
3 confuse the witness.

4 HEARING OFFICER GEFTER: And further, I
5 appreciate counsel's comments, as I indicated
6 earlier, Mr. Goldman, this record is being
7 reviewed by this Committee. And it's not helpful
8 to us to have these kinds of questions of the
9 witnesses.

10 If you have a question ask the direct
11 question. You don't need to go through every
12 little detail here to get an answer that you're
13 looking for. Just ask the question.

14 MR. GOLDMAN: Well, that is what I'm
15 trying to do.

16 HEARING OFFICER GEFTER: We're going to
17 keep interrupting as you continue to do this.

18 BY MR. GOLDMAN:

19 Q Mr. Williams, I suspect that Mr. Filippi
20 may be the witness to ask this question, but
21 confirm that for me, if you would.

22 In section 3.1.2, transmission
23 interconnection, granted the AFC was written
24 awhile back, but I assume that the actions have
25 been taken consistent with the intention expressed

1 in the AFC.

2 There's a statement that SDG&E will
3 undertake the detailed transmission studies for
4 review by the Cal-ISO, which will establish
5 whether the reconductoring is needed.

6 Am I correct in assuming that Mr.
7 Filippi is the best witness on behalf of the
8 applicant to answer --

9 A Yes, that's correct.

10 Q Thank you. Moving to section 3.11.3,
11 alternative technologies and equipment.

12 This is also one of the sections of the
13 AFC indicated as within your area in your prepared
14 testimony.

15 At page 3.11-4 of the AFC regarding
16 alternative fuel technologies, there is the
17 following statement, quote, "Other than renewable
18 energy sources, coal or oil could potentially
19 serve the needs of the facility. They were
20 rejected because of the impact on ambient air
21 quality relative to natural gas." End quote.

22 Is that consistent with your
23 understanding of what that section of the AFC
24 says?

25 A Yes.

1 Q Okay. Is it your understanding that the
2 impact on ambient air quality for coal or oil is,
3 in fact, more adverse than natural gas?

4 A Yes.

5 Q Can you think of any reason why burning
6 oil at any other plant in the San Diego region
7 might not have the same, relatively speaking,
8 greater adverse impact on ambient air quality at
9 Otay Mesa?

10 A Not without speculation.

11 Q So if I understand you correctly, to
12 avoid speculation would the answer then be no?

13 MR. CARROLL: I think the answer was
14 that he could not answer the question without
15 speculating.

16 MR. GOLDMAN: I have no further
17 questions at this time.

18 (Laughter.)

19 PRESIDING MEMBER LAURIE: Duke.

20 MS. LUCKHARDT: No.

21 HEARING OFFICER GEFTER: Okay, no
22 questions. All right.

23 PRESIDING MEMBER LAURIE: Perhaps we can
24 come back to you. Thank you.

25 MS. LUCKHARDT: We have no questions of

1 this witness.

2 (Laughter.)

3 HEARING OFFICER GEFTER: Mr. Claycomb,
4 do you have any questions?

5 MR. CLAYCOMB: Me?

6 HEARING OFFICER GEFTER: Yes.

7 MR. CLAYCOMB: You're really going to
8 have to get closer to that microphone.

9 HEARING OFFICER GEFTER: I'm sorry, all
10 right.

11 MR. CLAYCOMB: No.

12 HEARING OFFICER GEFTER: No, okay. Does
13 the applicant have redirect of your witness?

14 MR. THOMPSON: No, we do not.

15 EXAMINATION

16 BY HEARING OFFICER GEFTER:

17 Q I have a question for Mr. Williams with
18 respect to SCONOx. What is the likelihood that
19 the project would actually employ the SCONOx
20 technology?

21 A We are still in the evaluation mode for
22 SCONOx. We have had several discussions, and
23 including discussions with the air district. And
24 now that we have our FDOC, we understand the air
25 district's position better.

1 So, it's still active, but as yet not
2 finally decided.

3 HEARING OFFICER GEFTER: Ms. Duncan, I
4 know you're way in the back. Did you have a
5 question of the witness?

6 MS. DUNCAN: No, --

7 HEARING OFFICER GEFTER: She said she
8 did not.

9 All right, at this point there are no
10 further questions of Mr. Williams. You may be
11 excused on this topic.

12 MR. THOMPSON: I would like to move
13 exhibits 55 and 59 into the record, please.

14 HEARING OFFICER GEFTER: Are there any
15 objections to exhibit 55 and exhibit 59 being
16 received into evidence?

17 MR. GOLDMAN: No objection.

18 HEARING OFFICER GEFTER: Those exhibits
19 are now received into the record.

20 The next topic is transmission system
21 engineering. Is the applicant prepared to go
22 forward.

23 MR. OGATA: Are you going to take
24 staff's witness on facility design?

25 HEARING OFFICER GEFTER: Oh, I'm sorry.

1 I always forget staff --

2 MR. OGATA: Staff's witness on facility
3 design is Steve Baker.

4 HEARING OFFICER GEFTER: Mr. Baker,
5 could you come up and be sworn.

6 Whereupon,

7 STEVE BAKER

8 was called as a witness herein, and after first
9 having been duly sworn, was examined and testified
10 as follows:

11 DIRECT EXAMINATION

12 BY MR. OGATA:

13 Q Mr. Baker, could you please state your
14 job title at the Energy Commission?

15 A I'm Senior Mechanical Engineer.

16 Q And what are your responsibilities?

17 A I prepared the power plant efficiency
18 and power plant reliability testimony. And I
19 supervised preparation of the facility design,
20 noise, geology and paleontology testimony on
21 siting cases.

22 Q Do you have before you the testimony of
23 Steve Baker, Al McCuen, Kisabuli regarding
24 facility design in the FSA which is exhibit 64?

25 A Yes, I do.

1 Q Was that testimony prepared by you or
2 under your supervision?

3 A Yes, it was.

4 Q Do you have any additions or corrections
5 to make to that testimony?

6 A No.

7 Q Would you please summarize your
8 testimony for us?

9 A The purpose of our facility design
10 testimony is twofold. First, we examine the
11 application in order to arrive at the conclusion
12 that the project will likely be designed and
13 constructed in accordance with all applicable
14 engineering LORS.

15 And second, we compose a series of
16 conditions of certification to allow, through our
17 compliance process, allow the Commission to be
18 insured that the project has, in fact, been
19 designed and built to those LORS.

20 Q And what was your conclusion with regard
21 to this project?

22 A The Otay case will likely be designed
23 and built to all applicable engineering LORS, and
24 the conditions of certification here, if adopted,
25 would insure that.

1 MR. OGATA: Thank you. I have no
2 further questions. Mr. Baker is available for
3 cross-examination.

4 HEARING OFFICER GEFTER: Does the
5 applicant have cross-examination?

6 MR. CARROLL: No, we do not.

7 HEARING OFFICER GEFTER: Do any of the
8 intervenors?

9 MR. GOLDMAN: Yes. I would like to
10 introduce as the next exhibit in order a document
11 that Mr. Ogata produced to us yesterday pursuant
12 to the subpoena which we had served.

13 If I might have permission to approach
14 the Hearing Officer? It's a memo that Mr. Ogata
15 produced from Mr. Baker.

16 HEARING OFFICER GEFTER: All right.
17 Also would point out that actually the subpoena
18 was withdrawn yesterday because counsel had agreed
19 on the exchange of documents.

20 MR. GOLDMAN: Yes, that is correct.

21 HEARING OFFICER GEFTER: And it was a
22 request for subpoena, it's not a subpoena.

23 MR. GOLDMAN: Yes.

24 HEARING OFFICER GEFTER: Thank you.
25 Okay, this will be marked as exhibit 79. Has

1 every party gotten a copy?

2 MR. THOMPSON: No.

3 HEARING OFFICER GEFTER: Here's one
4 more, Matt. This is marked as exhibit 79. It is
5 a memo of conversation with Ben Montoya, is that
6 what this is? Want to describe this?

7 CROSS-EXAMINATION

8 BY MR. GOLDMAN:

9 Q Mr. Baker, I'd ask you to read that, and
10 after you have a chance to refresh your
11 recollection I'd like to ask you a few questions
12 about this, if I may.

13 HEARING OFFICER GEFTER: Before we do
14 that, Mr. Goldman, could you describe this
15 document.

16 MR. GOLDMAN: Yes. As I understand
17 this, this is a California Energy Commission
18 report of conversation dated March 16, 2000, from
19 Steve Baker. If I understand it correctly, it is
20 based on a telephone conversation that Mr. Baker
21 had with Ben Montoya of SDG&E. The subject matter
22 indicated is, quote, "Natural Gas Supply to Otay
23 Mesa Generating Project."

24 The report of conversation indicates
25 copies were sent to Bob Strand, Eileen Allen and

1 Jeff Ogata.

2 HEARING OFFICER GEFTER: Thank you.

3 BY MR. GOLDMAN:

4 Q Are you ready, Mr. Baker?

5 A Yes.

6 Q Did I accurately describe what's been
7 marked as exhibit 79?

8 A Yes.

9 Q If I can direct you to the first
10 paragraph, it indicates that Bill Wood, whom I
11 know is on the Commission Staff, has suggested you
12 speak with Mr. Montoya regarding gas supply.

13 Who was concerned with gas supply? Was
14 it Bill Wood or Mr. Montoya?

15 A I prepared the testimony on power plant
16 efficiency and power plant reliability in which I
17 deal with gas supply to the project.

18 Mr. Wood has been acting as a specialist
19 helping us out with this puzzle. In conversing
20 with him about gas supply he suggested that I talk
21 to Mr. Montoya.

22 Q And who expressed concern about the gas
23 supply?

24 A I was concerned because I was trying to
25 prepare my efficiency and reliability testimony,

1 and I needed to know a little bit about the
2 situation before I sat down at a keyboard.

3 Q And if you can recall, based on
4 reviewing this report of conversation, what about
5 the gas supply were you specifically concerned
6 with, in terms of preparing your analysis?

7 A Adequacy of the supply.

8 Q And what is your understanding as to why
9 adequacy of supply would be something that you
10 would have to analyze?

11 A Adequacy of the fuel supply, as well as
12 adequacy of water supply, is an issue that I deal
13 with in the efficiency testimony and the
14 reliability testimony of every project I deal
15 with.

16 Q If you would look at the second
17 paragraph of exhibit 79, there's a reference about
18 Mr. Montoya indicating that SDG&E would have to
19 curtail customers, and that -- limited daily
20 curtailments, that it was likely to increase with
21 the addition of additional power plants to the
22 system.

23 What was your understanding as to how
24 this would impact your analysis on behalf of the
25 Energy Commission?

1 MR. OGATA: Excuse me, Mr. Goldman, I
2 just want to ask a question. So far all of Mr.
3 Baker's responses have indicated to you that this
4 was in connection with his reliability and
5 efficiency testimony.

6 Currently he's on the stand for facility
7 design. So I'd like to find out from you how this
8 cross-examination is related to his testimony on
9 facility design.

10 MR. GOLDMAN: Well, I hope I'm not
11 confused, but if you pointed out that to me it
12 wouldn't be the first time.

13 BY MR. GOLDMAN:

14 Q My understanding, correct me if I'm
15 wrong, Mr. Baker, was that in connection with your
16 analysis of the facility design, that its
17 interaction and interconnection with the system
18 was part of that analysis. Am I wrong? Was that
19 a separate analysis?

20 A Yes, you're wrong. As I expressed in my
21 summary a moment ago, in staff's facility design
22 testimony we solely addressed compliance with the
23 engineering LORS. And that is very separate and
24 very different from adequacy of natural gas
25 supply.

1 If you want to ask staff questions about
2 that, I suggest that you probably wait until we
3 cover efficiency and reliability later on.

4 Q So if I understand you correctly, when
5 you are called upon to testify in connection with
6 the power plant efficiency and reliability,
7 exhibit 79 would be relevant at that time?

8 A I believe so.

9 Q Okay, thank you.

10 MR. GOLDMAN: Well, let's put this
11 aside, then, for now.

12 BY MR. GOLDMAN:

13 Q In connection with your portion of the
14 FSA, facility design and power plant efficiency,
15 and power plant reliability, did you review the
16 AFC in connection with performing your analysis?

17 A Yes, I did.

18 Q Were there any other documents that you
19 reviewed in connection with performing your
20 analysis that you mention with this subject
21 matter?

22 A Yes, there were.

23 Q What would those be?

24 A If you look at the end of the efficiency
25 testimony and the end of the reliability testimony

1 you'll see a list of references, and that covers
2 the references I used.

3 Q And other than the list of materials
4 included in the scope of references and the AFC,
5 do you recall any other written materials that you
6 reviewed when doing your analysis for facility
7 design?

8 A No, I don't.

9 Q Okay. You were in the room when Mr.
10 Williams just gave his testimony, were you not?

11 A Yes.

12 Q Okay. I'd like to ask you some
13 questions in connection with the indications in
14 the AFC to determine whether or not your analysis
15 made any modifications to some of the proposals or
16 require any alterations of those proposals in the
17 AFC.

18 Is it your understanding as we sit here
19 today that the project is designed to have very
20 low emissions of air pollutants?

21 A That's outside my area of expertise. If
22 I were pushed on that I'd have to refer you to our
23 air quality staff.

24 Q Um-hum. In connection with your
25 analysis of the facility design, was it your

1 understanding that the facility was designed to
2 have very low emissions of air pollutants?

3 A Again, that's outside my area of
4 expertise and I do not concern myself with that
5 topic.

6 Q So is it fair to say that when you were
7 analyzing facility design, power plant efficiency
8 and power plant reliability, the impact, if any,
9 on ambient air quality by the plant was something
10 that you did not concern yourself with?

11 A That's correct.

12 Q Is it therefore also accurate to say
13 that any impact of the facility design might have
14 on ambient air quality by its effect on the
15 emissions of other plants is likewise not
16 something you considered?

17 A That's correct.

18 Q In connection with your analysis of
19 facility design, did you consider any issue
20 regarding ongoing plant operation and maintenance?

21 A Yes, maintenance is -- oh, excuse me,
22 let me correct that. Maintenance is covered under
23 reliability, not under facility design.

24 Q Okay, what about general operations and
25 operational capacity. Would that be considered

1 under facility design or another area?

2 A Probably under efficiency.

3 Q Okay. Power plant efficiency, if I read
4 it correctly, is part of the section on facility
5 design, is it not?

6 A I don't understand how gathered that
7 impression.

8 Q Do I understand correctly that power
9 plant efficiency is a separate section of the FSA
10 and does not overlap with facility design?

11 A That's correct.

12 Q Thank you. I apologize for my confusion
13 on that. In connection with your analysis of
14 facility design, was there any discussion about a
15 backup oil fuel supply?

16 A No.

17 Q And why is that, if you understand?

18 A In facility design we analyze the
19 project proposed by the applicant. And in my
20 reading of the AFC I saw no mention of an oil fuel
21 backup, so I saw no way that I could possibly
22 analyze it.

23 Q Do you recall any discussion about the
24 possibility of a backup fuel supply using propane?

25 A No, not on this project.

1 Q Do you recall -- I gather by your answer
2 that that may have been discussed in the context
3 of other projects?

4 A Yes.

5 Q And would that have been because the AFC
6 included a discussion about propane backup?

7 A That was the only reason.

8 Q In connection with your analysis of
9 facility design, did you consider any discussion
10 included in the AFC about the cost of
11 reconductoring transmission interconnection for a
12 systemwide benefit?

13 A No. That's outside my area of
14 expertise. I'd refer you to the transmission
15 system engineering area for that.

16 Q Okay, thank you. And I presume from
17 your answer that your answer would be identical in
18 connection with any discussions about interaction
19 among SDG&E, Cal-ISO and the applicant in
20 determining whether or not reconductoring would be
21 needed?

22 A Yes.

23 Q In connection with your analysis of
24 facility design, did you give any consideration to
25 the statement in the AFC that coal or oil as a

1 potential source of fuel for the facility was
2 rejected because of the impact on ambient air
3 quality relative to natural gas?

4 A I dealt with alternative fuels in the
5 power plant efficiency section.

6 Q And that is separate and distinct from
7 facility design, correct?

8 A Yes.

9 MR. GOLDMAN: Thank you, I have no
10 further questions at this time.

11 HEARING OFFICER GEFTER: Do any other
12 intervenors have questions of the witness?

13 MS. LUCKHARDT: I have no questions.

14 MR. CLAYCOMB: No.

15 HEARING OFFICER GEFTER: Does staff have
16 redirect of your witness?

17 MR. OGATA: No further questions.

18 HEARING OFFICER GEFTER: Mr. Baker may
19 be excused on this topic.

20 And we're going to take a ten-minute
21 break to give our reporter a break, and we'll be
22 back on transmission system engineering.

23 (Brief recess.)

24 PRESIDING MEMBER PERNELL: We're back on
25 the record, please.

1 HEARING OFFICER GEFTER: Thank you.

2 PRESIDING MEMBER PERNELL: Ms. Gefter.

3 HEARING OFFICER GEFTER: All right,
4 we're going to continue the evidentiary hearing on
5 the topic of transmission system engineering.

6 Does the applicant have a witness
7 prepared to go forward at this time?

8 MR. THOMPSON: We do. I'd like to call
9 Gordon Ormsby, who has not been sworn.

10 Whereupon,

11 GORDON ORMSBY
12 was called as a witness herein, and after first
13 having been duly sworn, was examined and testified
14 as follows:

15 DIRECT EXAMINATION

16 BY MR. THOMPSON:

17 Q Mr. Ormsby, would you state your name
18 for the record?

19 A My name is Gordon Ormsby.

20 Q And am I correct your prepared testimony
21 was submitted as a part of what has now been
22 labeled as exhibit 77?

23 A Yes, sir.

24 Q And today you are testifying in the area
25 of transmission system engineering. And if I may,

1 your testimony will be on the transmission
2 facilities necessary to connect the Otay Mesa
3 plant to the SDG&E Miguel substation, is that
4 right?

5 A That is correct.

6 Q And you did no analysis of the electric
7 system beyond Miguel, is that correct?

8 A That's correct.

9 Q And additionally you did an economic
10 conductor analysis that's required for the AFC?

11 A For the line from Otay Mesa to Miguel,
12 yes.

13 Q Good, thank you very much.

14 MR. THOMPSON: Mr. Ormsby is here to
15 sponsor two portions of exhibit 1, which is the
16 AFC section 3.6 and appendix M. Section 4.2
17 transmission line safety and nuisance went in
18 yesterday under a declaration that we submitted
19 with his proposed testimony.

20 With that I would tender Mr. Ormsby for
21 cross-examination in the area of transmission
22 system engineering.

23 HEARING OFFICER GEFTER: Does the staff
24 have cross-examination of the witness?

25 MR. OGATA: Staff has no questions.

1 HEARING OFFICER GEFTER: Any of the
2 intervenors have cross-examination?

3 MR. GOLDMAN: For Cabrillo just a very
4 few questions.

5 CROSS-EXAMINATION

6 BY MR. GOLDMAN:

7 Q Mr. Ormsby, in the AFC, if I understand
8 correctly, you were responsible for section 3.6
9 transmission facilities, and at page 3.6-3,
10 section 3.6.4.1, there's a discussion on
11 transmission system reliability criteria.

12 Do you generally recall addressing that
13 issue?

14 A I did not address that issue. There was
15 probably some discussion of that. I personally
16 didn't address reliability of an entire system. I
17 addressed the issue from Otay Mesa to Miguel, and
18 addressed the terms of the facilities that would
19 be necessary to be improved between Otay Mesa to
20 Miguel, and in terms of those reliability factors,
21 the way the construction looked.

22 That's to the extent that I addressed
23 reliability.

24 Q And why did you address reliability on
25 the connection between the proposed project, Otay

1 Mesa, and the San Miguel?

2 A Those were the facilities that we felt
3 would be most practical for that interconnection
4 to SDG&E at Miguel.

5 Q Am I accurate in understanding that that
6 was the point of contact by which the proposed
7 Otay Mesa Generating Project would be integrated
8 into the SDG&E electrical grid?

9 A Yes.

10 Q Is it your understanding or do you have
11 any understanding as to whether or not the
12 interconnection of Otay Mesa Generating Plant
13 would have an impact on electrical system
14 reliability as a result of that interconnection?

15 A I don't have any expertise in that area.
16 I believe there was an interconnection study done
17 by SDG&E.

18 Q And did you rely on that study?

19 A I didn't even -- at the time the AFC was
20 written it was my understanding that that study
21 was not done yet. I would not have used it
22 anyway. My scope was very limited to those
23 facilities that needed to be improved between Otay
24 Mesa to Miguel.

25 Q Thank you.

1 MR. GOLDMAN: I have no further
2 questions at this time.

3 HEARING OFFICER GEFTER: Is there any
4 other questions of the witness? Cross-
5 examination?

6 MS. LUCKHARDT: No questions.

7 HEARING OFFICER GEFTER: All right. Do
8 you wish to redirect your witness, Mr. Thompson?

9 MR. THOMPSON: No, we do not.

10 HEARING OFFICER GEFTER: All right. Do
11 you have another witness on transmission system.

12 MR. THOMPSON: Can I have 30 seconds?

13 (Pause.)

14 (Off the record.)

15 HEARING OFFICER GEFTER: Okay, yes.

16 MR. BELTER: My name is Leonard Belter.

17 I'm an attorney with the Washington D.C. office of
18 Winston and Strawn. And I'd like to enter an
19 appearance on behalf of applicant.

20 I've also submitted a prepared direct
21 testimony which we'd like to offer as a statement
22 of counsel rather than testimony, since I am
23 entering an appearance.

24 I can read it into the record, or I can
25 summarize it. And I'm available for questions on

1 it.

2 HEARING OFFICER GEFTER: All right, we
3 have copies of it, and it was docketed. But you
4 could summarize it, and then make yourself
5 available if counsel wants to discuss it with you.

6 STATEMENT OF COUNSEL

7 MR. BELTER: Well, it's basically,
8 Commissioners and Ms. Gefter, the import of the
9 prepared statement was to dispel potential
10 implications with respect to the issue of
11 transmission and needed transmission facilities.

12 It was cautionary in attempting to
13 remind the Commission that the Federal Energy
14 Regulatory Commission claims exclusive
15 jurisdiction over these facilities, and has
16 procedures in place for establishing
17 interconnections and precedents and policies with
18 respect to who pays for interconnections.

19 In addition, it was designed to dispel
20 any notion that the process might have to start
21 over again because the Federal Energy Commission
22 is in the process of encouraging the California
23 ISO to resubmit or to submit again standard
24 interconnection procedures. And there cannot
25 afford to be a gap in the existence of the

1 procedures that have to be followed. And I give a
2 brief history of the following of those
3 procedures.

4 If there are any questions I'd be happy
5 to try and answer them.

6 MS. LUCKHARDT: I guess the only
7 question I have is what does that do to -- and
8 this may just be my confusion. Were you going to
9 sponsor the North Baja application? Under the old
10 regime?

11 MR. BELTER: No. Maybe I can expand on
12 this a little bit.

13 MS. LUCKHARDT: Is Mr. Eisenman doing
14 that?

15 MR. CARROLL: Yes, Mr. Eisenman.

16 MS. LUCKHARDT: Okay, I just wanted to
17 know what was going to happen, if that was
18 something that you were doing. Okay. That's
19 fine.

20 MR. BELTER: Counsel for Duke, I'm sorry
21 I've forgotten your --

22 MS. LUCKHARDT: Jane Luckhardt.

23 MR. BELTER: They're part of the case we
24 intend to present on the transmission engineering
25 aspect, designed to address -- it cannot be

1 separated from some of the concerns that were
2 expressed, particularly by counsel for Duke with
3 respect to the potential interaction between the
4 dispatch of Otay Mesa with only the direct
5 connection facilities in place and the dispatch at
6 Encina and South Bay.

7 We intend to present Mr. Filippi,
8 including both his direct testimony as previously
9 submitted, and the testimony that was passed out
10 this morning, which addresses the realistic, or in
11 our view, the unrealistic nature of the concern
12 regarding gas supply.

13 And then again through our gas supply
14 witness, Mr. Beach, address the related aspect of
15 that gas supply, including, you know, what would
16 happen if there are pro rata curtailments. And
17 the likelihood that it would result in having to
18 burn fuel oil.

19 And finally, we expect to put on a
20 proposal that would address all those concerns,
21 and avoid the concern over potential air pollution
22 problems associated with having to burn fuel oil.

23 HEARING OFFICER GEFTER: But right now,
24 Mr. Belter, we're discussing transmission, and if
25 we could limit our comments to that particular

1 topic it would help our record.

2 MR. BELTER: We'll do that, Ms. Gefter.

3 And we would call Mr. Filippi.

4 HEARING OFFICER GEFTER: Thank you.

5 MS. LUCKHARDT: I guess I have an
6 ongoing objection to the introduction of the
7 additional testimony from Mr. Filippi, since I
8 have, as yet, not even received it. So, --

9 HEARING OFFICER GEFTER: I believe that,
10 didn't the applicant distribute copies of that
11 earlier this morning?

12 MR. BELTER: I believe we did.

13 MS. LUCKHARDT: He may have distributed
14 copies to some folks, but not all.

15 MR. OGATA: That's correct, staff hasn't
16 received copies of that this morning yet, either,
17 as a matter of fact.

18 HEARING OFFICER GEFTER: Does the
19 applicant have additional copies of that?

20 MR. BELTER: We have copies, and we
21 don't intend to sandbag anybody here by asking
22 them to cross-examine on it today.

23 HEARING OFFICER GEFTER: So you're going
24 to make Mr. Filippi available again next week?

25 MR. BELTER: That's correct.

1 HEARING OFFICER GEFTER: All right.

2 MS. LUCKHARDT: Well, I would ask that
3 this testimony in this area not be admitted until
4 we've had a chance to look at it on the off chance
5 we might have an objection to its admission at
6 all, in light of Commissioner Laurie's request
7 that we limit our testimony at this point to
8 certain issues.

9 HEARING OFFICER GEFTER: Well, we would
10 take Mr. Filippi's testimony at this point and we
11 will determine whether or not we would hold up
12 until next week and allow you to cross-examine.
13 We will hold it open until next week and allow you
14 to cross-examine; at that point you can make your
15 motion if you want to strike the testimony.

16 MR. GOLDMAN: Just for the record, even
17 though earlier on there was a reference to
18 prepared testimony by Mr. Beach, that has not been
19 disseminated to anyone I'm aware of.

20 HEARING OFFICER GEFTER: Mr. Belter, do
21 you have testimony from Mr. Beach?

22 MR. CARROLL: Yes, we do.

23 MR. BELTER: Yes.

24 HEARING OFFICER GEFTER: Well, let's
25 distribute that, as well. Is Mr. Beach here

1 today?

2 MR. CARROLL: Yes, he is.

3 HEARING OFFICER GEFTER: Again, with Mr.
4 Beach, we will take his direct testimony today and
5 allow the parties the opportunity to cross-examine
6 either today or next week on Monday, the 20th.

7 MR. GOLDMAN: With all due respect, we
8 would object to any scheduled cross-examination of
9 Mr. Beach today inasmuch as it's now 1:20, and
10 this is the first time we've seen Mr. Beach's
11 prepared testimony.

12 MR. GOLDMAN: I do have one question of
13 Mr. Belter, if I may?

14 HEARING OFFICER GEFTER: Mr. Belter,
15 okay, this is a question of counsel to counsel,
16 because his comment was -- were not testimony.

17 MR. GOLDMAN: Yes, I understand that.
18 Mr. Belter, are you admitted to practice in the
19 State of California?

20 MR. BELTER: No, I am not.

21 MR. GOLDMAN: Thank you.

22 HEARING OFFICER GEFTER: Okay, Mr.
23 Belter, are you ready to proceed with your
24 witness?

25 MR. BELTER: Yes, we are. Unless the

1 Commissioners have any questions about the legal
2 aspects of the interconnection procedures at FERC?

3 HEARING OFFICER GEFTER: Not at this
4 time, thank you.

5 MR. BELTER: Mr. Filippi, do you have
6 before you your prepared testimony that's
7 submitted as a part of exhibit 77?

8 PRESIDING MEMBER LAURIE: One moment.

9 HEARING OFFICER GEFTER: Will you swear
10 the witness first, please.

11 Whereupon,

12 JAMES FILIPPI

13 was called as a witness herein, and after first
14 having been duly sworn, was examined and testified
15 as follows:

16 DIRECT EXAMINATION

17 BY MR. BELTER:

18 Q Mr. Filippi, do you have before you your
19 prepared testimony which was submitted as a part
20 of exhibit 77?

21 A Yes, I do.

22 Q Are there any corrections to that
23 testimony?

24 A Yes. In my description of my
25 qualifications attached to my testimony I'd like

1 to point out that the name of my company has been
2 changed to PG&E National Energy Group from the
3 U.S. Generating Company.

4 Q Now, was this testimony prepared by you
5 or under your supervision?

6 A Yes, it was.

7 Q Could you summarize it briefly for us?

8 A Yes. I'm sponsoring several exhibits
9 related to planning studies for the facilities,
10 transmission facilities for the Otay Mesa
11 Generation Project.

12 And that the studies have been
13 completed, and that they have identified a
14 satisfactory means for reliably interconnecting
15 the Otay Mesa Generating Project.

16 Q And, Mr. Filippi, do you have before
17 prepared responsive testimony that has just been
18 passed out to other counsel?

19 A Yes, I do have that.

20 Q Now was that testimony prepared by you
21 or under your supervision?

22 A Yes, it was.

23 Q Could you tell us the purpose of that
24 testimony?

25 HEARING OFFICER GEFTER: Before we do

1 this, is this the testimony that was circulated
2 today, the written testimony?

3 MR. BELTER: Yes, it is, Ms. Gefter.
4 Should we mark it as an exhibit?

5 HEARING OFFICER GEFTER: Let's mark it
6 exhibit 80. And would you describe it for us,
7 please, for the record.

8 MR. BELTER: Exhibit 80 is a document
9 entitled, prepared responsive testimony of James
10 L. Filippi on behalf of Otay Mesa Generating
11 Company consisting of two pages and one attached
12 chart.

13 HEARING OFFICER GEFTER: You may
14 proceed.

15 BY MR. BELTER:

16 Q Could you summarize that testimony --
17 I'm sorry, Mr. Filippi, could you tell us the
18 purpose of submitting this testimony?

19 A Yes. The purpose of the testimony was
20 to analyze whether there would be enough power
21 generation to supply loads in the San Diego area
22 reliably under certain scenarios of limited
23 natural gas availability. The scenarios which
24 were provided by Mr. Beach.

25 Q And what is the conclusion of the

1 testimony?

2 A The conclusion is that, under the
3 scenarios submitted, that there would be
4 sufficient gas for the generation to supply loads
5 reliably in the San Diego area with the pro rata
6 gas curtailment scenarios that were provided here.

7 HEARING OFFICER GEFTER: Again, the
8 topic is transmission system. And are you talking
9 about gas curtailment issues?

10 MR. FILIPPI: I'm talking about whether
11 generation under a constrained dispatch due to
12 natural gas curtailment could reliably, and I'm
13 talking about electric system reliability, could
14 reliably serve the loads in the area; so that the
15 system could operate electrically and satisfy all
16 the relevant electric system reliability criteria.

17 MR. BELTER: Mr. Filippi is available
18 for cross-examination.

19 HEARING OFFICER GEFTER: Does staff have
20 cross-examination?

21 MR. OGATA: We have no questions for Mr.
22 Filippi on the prepared testimony received prior
23 to today.

24 HEARING OFFICER GEFTER: Do any of the
25 intervenors have questions today of Mr. Filippi on

1 either his testimony contained in the prepared
2 testimony before the hearing, or to exhibit 80?

3 MR. GOLDMAN: Cabrillo is not prepared
4 at this time for cross-examination on the prepared
5 responsive testimony of Mr. Filippi that has been
6 marked as exhibit 80 and just provided a few
7 minutes ago.

8 But, we do have a couple of questions
9 based on the initially prepared testimony.

10 CROSS-EXAMINATION

11 BY MR. GOLDMAN:

12 Q Mr. Filippi, in your prepared testimony
13 among the exhibits you introduced is that portion
14 of the AFC section 3.11.5 transmission
15 alternatives, is that correct?

16 A Yes.

17 Q And I don't know if you need to refer to
18 it, but you're welcome to if you'd like, at page
19 3.11-6, the statement is, quote, "operation of the
20 Otay Mesa Generating Plant will act to displace
21 less efficient and less environmental friendly
22 generation in California and in the San Diego
23 area."

24 Is that consistent with your
25 understanding in your testimony today?

1 A Yes, it is consistent, given, but with
2 the qualification that it assumes that there is
3 not a load growth, with load growth, what sort of
4 load growth that exceeds the amount of capability
5 that Otay Mesa provides. And Otay Mesa would not
6 be displacing existing resources then.

7 Q In connection with the situation as
8 contemplated without the consideration of the
9 increased load growth, have you considered the
10 impact of the operation of the Otay Mesa
11 Generating Plant on the San Diego electrical
12 transmission grid?

13 A Yes, that was considered in the planning
14 studies that San Diego Gas and Electric has
15 performed for the project.

16 Q Well, if I understood you correctly, are
17 you referring to the SDG&E study?

18 A Yes.

19 Q And that's exhibit 35?

20 A Yes.

21 Q Is it your understanding that exhibit
22 35, the May 9 SDG&E facilities study report
23 indicates that curtailment management still means
24 that the Encina and South Bay Power Plants must
25 still be running to insure electrical system

1 reliability?

2 A Under certain conditions they must
3 continue to run, yes.

4 Q In connection with exhibit 38, which you
5 also introduced, the June 6, 2000 SDG&E letter to
6 Cal-ISO, I have a couple of questions on that if
7 you have a copy handy.

8 A Yes, I have it.

9 Q Thank you. If you'd look at the last
10 paragraph of the first page, if you would. You
11 don't need to read the whole thing, of course, you
12 can refresh your recollection, but I just have a
13 couple of questions on the last paragraph.

14 A Yes.

15 Q What, if any, discussions are you aware
16 of in connection with what appears to be SDG&E's
17 belief that ISO congestion management might have
18 to effect Otay Mesa on a long-term, as a long-term
19 operating measure as opposed to a temporary
20 measure?

21 A Could you -- I'm not sure I understand
22 the question.

23 Q Well, okay, let me back up to clarify.
24 Am I correct in understanding the statement in
25 this last paragraph on the first page that SDG&E,

1 it states here, that based on a study that it
2 anticipates increased dependence on ISO congestion
3 management to maintain grid reliability.

4 A Yes.

5 Q And that's grid reliability for the
6 SDG&E electrical grid system, correct?

7 A That's correct.

8 Q And Otay Mesa is part and parcel of that
9 integrated grid, correct?

10 A That's -- yes, it would be, we hope.

11 Q Yes, yes, it does obviously speak to
12 that.

13 HEARING OFFICER GEFTER: Okay, Mr.

14 Goldman, you're going to have an opportunity to
15 ask SDG&E witnesses that question because it more
16 appropriately goes to them.

17 MR. GOLDMAN: Well, actually because Mr.
18 Filippi introduced this exhibit in connection with
19 his prepared testimony, I would like his
20 understanding of what is going on.

21 BY MR. GOLDMAN:

22 Q Mr. Filippi, you did receive a copy of
23 this as indicated by the "cc"?

24 A Yes.

25 Q Okay. In connection with the

1 anticipated increased dependence on ISO congestion
2 management to maintain grid reliability, what, if
3 any, conversations are you aware of in connection
4 with discussions about the need for ISO congestion
5 management as a long term operating measure?

6 HEARING OFFICER GEFTER: And why is that
7 relevant to this case?

8 MR. GOLDMAN: In connection with the
9 ongoing operation of the Otay Mesa Project, Mr.
10 Filippi has indicated that he is responsible for
11 insuring electrical system reliability once the
12 project would be operational. And this issue is
13 to what extent the possibility of the requirement
14 of a long term operating measure for ISO
15 congestion management would be considered as part
16 of this application and/or condition to
17 certification.

18 MR. FILIPPI: Yeah, I guess when you
19 refer to conversations, if I may take that more
20 broadly, as including correspondence, yes, I am
21 aware there is a concern by San Diego as expressed
22 in this letter. I'm aware that there is a concern
23 by the California ISO. And I am concerned, as
24 well.

25 That the -- San Diego's studies,

1 including the May 9 study, demonstrated that there
2 are significant constraints on ability to serve
3 load in the San Diego area, and a high dependence
4 on the existing generation. And a limited, very
5 limited ability to re-dispatch that generation
6 during times of peak load.

7 Few options that customers in San Diego
8 have for obtaining their power, other than
9 complete reliance upon those existing generation
10 units.

11 And San Diego, in its planning study,
12 proposed a couple of options that would greatly
13 relieve those constraints. Options A and options
14 B. And then they propose a remedial action
15 scheme, option F, which would somewhat relieve
16 those constraints.

17 And the ISO, in its response letter to
18 the study, stated that they thought that options A
19 and options B would be good solutions to address
20 those problems with the transmission past Miguel
21 into San Diego load area.

22 And they also said that option F would
23 be not the best solution, should not be
24 implemented on more than just a temporary basis.

25 //

1 BY MR. GOLDMAN:

2 Q Was the content of this letter in part
3 relaying the fact that SDG&E was uncomfortable
4 with short term solutions for congestion
5 management, and --

6 HEARING OFFICER GEFTER: Mr. Goldman, we
7 can read the document. And I think that the
8 record is -- it is not adding anything to the
9 record for you to ask him what he thinks it means.

10 MR. GOLDMAN: Well, I think it will
11 because I'm trying to lay a foundation so that I
12 can ask him what, if anything, he may be doing to
13 address the problems that he's just indicated --

14 HEARING OFFICER GEFTER: Why don't you
15 ask him that question right now.

16 MR. BELTER: Ms. Gefter, maybe I could
17 help counsel here. One of the purposes of the
18 prepared statement that I offered was to at least
19 give some background information with respect to
20 how the Federal Energy Regulatory Commission,
21 which has exclusive jurisdiction over these
22 issues, addresses these.

23 And what they do essentially is in order
24 to encourage generators to interconnect and not
25 delay the process, they have divided their

1 exercise of jurisdiction into interconnection
2 facilities needed for interconnect, and those
3 needed after interconnection for deliveries.

4 The whole idea is that expansions beyond
5 that are governed by provisions in the tariffs.
6 There are two tariffs involved. Those procedures
7 have to be followed.

8 The genesis of what they're trying to do
9 is to allow the interconnection first. And then
10 after that if there are expansions that appear to
11 be appropriate or on an economic basis, that they
12 are the responsibility of all parties who have
13 used the system, not just the interconnecting
14 generator.

15 HEARING OFFICER GEFTER: Also, staff is
16 sponsoring testimony of Mr. Tobias from Cal-ISO.
17 And I believe the questions that Mr. Goldman has
18 would be more appropriately asked of Mr. Tobias.

19 So I would ask Mr. Goldman to move on.

20 MR. GOLDMAN: So, I'm trying to
21 establish a record so that in our brief, after the
22 evidentiary hearing is concluded, we will be able
23 to elucidate our position on the record.

24 So there seems to be some tension in
25 terms of our trying to get information on the

1 record that we feel we need to. So I will
2 continue to ask --

3 HEARING OFFICER GEFTER: You're welcome
4 to ask the question that you said you were leading
5 to, but just ask him that question.

6 BY MR. GOLDMAN:

7 Q It's your understanding that SDG&E is
8 effectively asking for the applicant's
9 acquiescence to SDG&E's authority to basically
10 trip the Otay Mesa Generating Plant if necessary
11 to maintain reliability, correct?

12 A If I understand the question, I'm not
13 aware that San Diego has not asked Otay Mesa
14 formally to be subject to generation tripping.

15 Q Has it asked Otay Mesa that informally?

16 A No more than -- actually we asked San
17 Diego if generation tripping was an option to
18 achieving a reliable interconnection. And to
19 relieving transmission constraints.

20 So it has been discussed. We have not
21 reached a point where San Diego has asked us or
22 requested us to implement that.

23 Q Is it your understanding that the
24 applicant would be willing to consider that as a
25 condition to Commission approval of its

1 application for certification?

2 MR. BELTER: Your Honor, that's beyond
3 the scope of this witness.

4 HEARING OFFICER GEFTER: Yeah, he's not
5 a legal expert on that.

6 MR. GOLDMAN: I don't mean to ask that
7 in the capacity of a legal conclusion. I just
8 wanted to know if he is aware of any discussions
9 that he may have been privy to.

10 BY MR. GOLDMAN:

11 Q Have you discussed that?

12 HEARING OFFICER GEFTER: I don't believe
13 that we want to hear that from the witness.

14 MR. GOLDMAN: That's unfortunate.

15 PRESIDING MEMBER LAURIE: Excuse me?

16 MR. GOLDMAN: I think it's unfortunate,
17 Commissioner Laurie, because we're trying to
18 adduce evidence here in this evidentiary
19 proceeding --

20 PRESIDING MEMBER LAURIE: It's a
21 question of relevancy, Mr. Goldman.

22 MR. GOLDMAN: Well, clearly though there
23 is a dispute as to the relevancy. I know
24 yesterday, Commissioner Laurie, you advised the
25 parties that they were to brief the issue as to

1 their respective understanding of the Commission's
2 jurisdiction pursuant to Public Resources Code
3 section 25525 in --

4 PRESIDING MEMBER LAURIE: We didn't
5 request. Mr. Varanini said he wanted to do it.
6 And we indicated that at some point, if he wanted
7 to do that, he could do it.

8 MR. GOLDMAN: My understanding was that
9 that was authorized, and we have not yet briefed
10 that subject. However, today, you know, the
11 Commission did make its determination. And we
12 have an ongoing objection to that. And I'm just
13 trying to basically punctuate the record with some
14 of these issues that are clearly being discussed
15 by the parties.

16 PRESIDING MEMBER LAURIE: Just state
17 your next question, Mr. Goldman, --

18 MR. GOLDMAN: I shall.

19 PRESIDING MEMBER LAURIE: -- without any
20 sidebar comments, please.

21 MR. GOLDMAN: Will do.

22 BY MR. GOLDMAN:

23 Q The last paragraph of the letter on the
24 second page, Mr. Filippi, it states that, --
25 correctly, that the SDG&E study does not extend

1 beyond the year 2002 in connection with grid
2 reliability.

3 Is that consistent with your
4 understanding?

5 HEARING OFFICER GEFTER: Do you have an
6 objection?

7 MR. BELTER: I think, Ms. Gefter, it's
8 in the same area of reading from the document. It
9 speaks for itself.

10 MR. GOLDMAN: Well, I'm not asking what
11 the document says. I'm asking what his
12 understanding is, that the letter was written in
13 June, and this is now November. I'm just curious
14 as to what, if anything, may have gone on in
15 connection with this issue, whether or not --

16 HEARING OFFICER GEFTER: Ask him that
17 question.

18 BY MR. GOLDMAN:

19 Q Are you aware of any study that deals
20 with grid reliability beyond the year 2002?

21 HEARING OFFICER GEFTER: Could you
22 narrow that question down? Grid reliability --

23 MR. GOLDMAN: It's a yes or no, do you
24 know if there's any study on grid reliability
25 beyond the year 2002.

1 HEARING OFFICER GEFTER: Where? Grid
2 reliability where?

3 MR. FILIPPI: Yes.

4 BY MR. GOLDMAN:

5 Q You are?

6 A Yes.

7 Q What is that, please?

8 A It's -- well, several studies, but for
9 instance, San Diego has an annual grid planning
10 assessment, and the current assessment is
11 extending 2001 to 2005, I believe.

12 Q Okay, any other studies that you're
13 aware of?

14 A The CEC has an annual study program;
15 investigates, in some cases extending out ten
16 years. Matter of fact, all the participating
17 transmission owners in California, under the
18 review of the California Independent System
19 Operators have five year annual planning studies
20 that they do.

21 Q In connection with your analysis of
22 transmission system engineering, have you relied
23 on any of the studies you've just referred to in
24 connection with grid reliability beyond the year
25 2002?

1 MR. BELTER: Ms. Gefter, again, I object
2 on relevance. The whole point of the FERC process
3 to govern interconnections is to determine what is
4 needed to interconnect the plant reliably. And
5 that's it. What happens after that is not the
6 subject of the interconnection request.

7 HEARING OFFICER GEFTER: It's also not
8 the subject of this inquiry here. So, I would
9 sustain your objection.

10 BY MR. GOLDMAN:

11 Q A final question, Mr. Filippi. Do you
12 have any understanding as to why, among the
13 recipients of a copy of this letter, is Eileen
14 Allen of the California Energy Commission?

15 HEARING OFFICER GEFTER: What's the
16 relevance of that?

17 MR. GOLDMAN: I asked why the Energy
18 Commission would receive a copy of this SDG&E
19 letter regarding reliability.

20 HEARING OFFICER GEFTER: I don't believe
21 the witness would have the knowledge, and I'm not
22 interested in hearing his answer to that question.
23 You can ask SDG&E that question.

24 MR. GOLDMAN: Well, I think that might
25 be out of order, but if there might be a time when

1 Ms. Allen would be able to answer that question,
2 we'd like the opportunity to do that.

3 HEARING OFFICER GEFTER: You may ask her
4 that question at some point when she is available
5 for cross-examination.

6 MR. GOLDMAN: Okay. She's not scheduled
7 for cross-examination at this time, but if we
8 could do that at some time, I'd appreciate that.

9 HEARING OFFICER GEFTER: She could be
10 recalled.

11 MR. GOLDMAN: Thank you. No further
12 questions.

13 HEARING OFFICER GEFTER: Does the
14 applicant have redirect of your witness?

15 MR. BELTER: No, Your Honor. Mr.
16 Filippi sponsors exhibits 9, 13, 35, 36, 38 and
17 43, in addition to the prepared testimony.

18 HEARING OFFICER GEFTER: Okay, state
19 those again?

20 MR. BELTER: Nine, 13, 35, 36, 38 and
21 43.

22 HEARING OFFICER GEFTER: Yes. Okay. Is
23 there any objection to those documents being
24 received into evidence?

25 MS. LUCKHARDT: And that was excluding

1 the --

2 MR. BELTER: Yeah, 80 was the -- 80 is
3 the one that --

4 MS. LUCKHARDT: That's excluding 80,
5 yes, that's --

6 MR. BELTER: Haven't offered 80 yet.

7 MS. LUCKHARDT: No objection.

8 MR. OGATA: No objections.

9 HEARING OFFICER GEFTER: Okay. Mr.
10 Goldman.

11 MR. GOLDMAN: What were these? I'm
12 sorry, I was --

13 MR. BELTER: These were the attachments
14 to his first set of testimony.

15 MR. GOLDMAN: Okay. No, we don't have
16 objection to that, no.

17 HEARING OFFICER GEFTER: All right.
18 Exhibits 9, 13, 35, 36, 38 and 43 are received
19 into the record.

20 Do you have another witness on this
21 topic?

22 MR. GOLDMAN: If I could clarify,
23 though, I believe counsel yesterday indicated that
24 exhibits 38 and 43 were one and the same?

25 It seems like the Hearing Officer may

1 have corrected that. The exhibit list that's been
2 prepared, yesterday, does not reflect that.

3 MR. CARROLL: I don't believe that is
4 the case.

5 MR. GOLDMAN: Okay, thank you.

6 HEARING OFFICER GEFTER: Does the
7 applicant have an additional witness on this
8 topic?

9 MR. BELTER: No, Ms. Gefter.

10 HEARING OFFICER GEFTER: All right. At
11 this point, because the other parties did not
12 receive Mr. Filippi's testimony, exhibit 80, we
13 would request that he be made available on
14 November 20th in the afternoon if the parties have
15 cross-examination. And we would request that you
16 let us know so Mr. Filippi doesn't have to appear
17 if you're not going to cross him on that
18 particular document.

19 With respect --

20 MR. BELTER: I wonder if we might have a
21 date, Ms. Gefter, when we could know so that he
22 can schedule, within two days, perhaps?

23 HEARING OFFICER GEFTER: Right. Yeah,
24 by Friday.

25 MS. LUCKHARDT: Is Friday too late to --

1 HEARING OFFICER GEFTER: Friday of this
2 week.

3 MS. LUCKHARDT: Of this week. I know
4 it's just Monday, but --

5 MR. BELTER: No, Friday is fine.

6 MS. LUCKHARDT: Okay.

7 MR. GOLDMAN: You know, in conjunction
8 with testimony, would this be the time also to
9 determine whether or not perhaps some data
10 requests could be submitted to facilitate cross-
11 examination, maybe even obviate it, I don't know.

12 HEARING OFFICER GEFTER: You may discuss
13 that with counsel. Also, there was a testimony of
14 Mr. Thomas Beach that was also submitted by the
15 applicant. In my copy of Mr. Filippi's testimony,
16 Mr. Beach's testimony was attached.

17 Are you going to submit that as a
18 separate exhibit?

19 MR. BELTER: Separate exhibit.

20 HEARING OFFICER GEFTER: All right. And
21 so that -- let's identify that exhibit 81. This
22 is prepared responsive testimony of R. Thomas
23 Beach on behalf of Otay Mesa Generating Company.
24 Is Mr. Beach going to be available for direct
25 examination and cross-examination?

1 MR. HANSCHEN: Yes, he will be, Ms.
2 Gefter.

3 HEARING OFFICER GEFTER: Okay.

4 MR. HANSCHEN: I also have, I think the
5 copy that you have that's attached to Mr.
6 Filippi's copy may not be a complete copy. You
7 should break it apart and Mr. Beach's testimony
8 should stand on its own. And it's, I think, about
9 10 or 11 pages in toto.

10 MS. LUCKHARDT: Can you confirm how many
11 pages it is, so that we know for sure whether we
12 have the complete --

13 MR. HANSCHEN: I'm sorry, I didn't hear
14 your question.

15 MS. LUCKHARDT: Can you confirm how many
16 pages it is, so that we can confirm that we have a
17 complete --

18 MR. HANSCHEN: There's four pages of
19 direct testimony. There is seven pages of charts.
20 And there are six pages of his rÇsumÇ.

21 MS. LUCKHARDT: I'm only counting six
22 pages of charts. That was seven?

23 MR. HANSCHEN: One, two, three, four,
24 five, six pages of charts.

25 HEARING OFFICER GEFTER: Would it be

1 possible, Mr. Hanschen, for you to --

2 MS. LUCKHARDT: Okay, six pages
3 including the notes on the back?

4 HEARING OFFICER GEFTER: Could you make
5 us a copy of that testimony and distribute it --

6 MR. HANSCHEN: I have it right here.

7 HEARING OFFICER GEFTER: Okay, for
8 everybody, for the Committee and for the parties.

9 And while you're distributing that we'll
10 move on. Staff has witnesses on transmission
11 system and we will move on to staff's witnesses.

12 MR. OGATA: Ms. Gefter, staff will first
13 call Linda Davis.

14 Whereupon,

15 LINDA DAVIS
16 was called as a witness herein, and after first
17 having been duly sworn, was examined and testified
18 as follows:

19 DIRECT EXAMINATION

20 BY MR. OGATA:

21 Q Ms. Davis, could you please tell us what
22 your job title is?

23 A Associate Electrical Engineer.

24 Q And what are your duties at the Energy
25 Commission?

1 A I do transmission system engineering for
2 the Siting Division. Also do some other work for
3 the Energy Commission.

4 Q Do you have before you the testimony of
5 Linda Davis and Al McCuen on transmission system
6 engineering, which is in the final staff
7 assessment?

8 A Yes, I do.

9 Q And did you write or supervise the
10 writing of this testimony?

11 A Yes, I did.

12 Q And you're sponsoring this testimony on
13 behalf of yourself and Al McCuen?

14 A That is correct. And there was also
15 some analysis completed by Charles Vartanian.

16 Q Okay. Do you have any changes or
17 corrections you'd like to make to this testimony?

18 A None that I've observed at this time.

19 Q Could you please summarize your
20 testimony for us?

21 A Thank you. The transmission system
22 engineering analysis provides a basis for the --
23 to indicate whether or not the transmission
24 facilities associated with the proposed project
25 conform to all applicable laws, ordinances,

1 regulations and standards required for safe and
2 reliable electric power transmission.

3 MR. OGATA: Okay, the testimony speaks
4 for itself and with that short summary she's
5 available for cross-examination.

6 HEARING OFFICER GEFTER: Does the
7 applicant have cross-examination?

8 MR. BELTER: No.

9 HEARING OFFICER GEFTER: Do any of the
10 intervenors have cross-examination?

11 MR. GOLDMAN: On behalf of Cabrillo I
12 have a few questions.

13 CROSS-EXAMINATION

14 BY MR. GOLDMAN:

15 Q Ms. Davis, I don't know if you have a
16 copy of the transmission system engineering
17 section of the FSA in front of you.

18 A I believe I do.

19 Q Great. If you could turn to page 339, I
20 have a couple of questions.

21 A Oh, unfortunately, mine is numbered
22 differently. Could you give me the title and the
23 section?

24 Q Transmission system engineering, --

25 A Oh, yes, well --

1 MR. OGATA: By Linda Davis and Al
2 McCuen.

3 MS. DAVIS: Yes, I'm sorry. I meant the
4 subsection, but, yes, I have that.

5 BY MR. GOLDMAN:

6 Q Could you describe Al McCuen's role in
7 the preparation of the section in terms of who did
8 what between you and Mr. McCuen?

9 A I conducted the analysis and wrote the
10 section. And Al McCuen verified.

11 Q Okay. And by that I presume verified
12 that your conclusions were consistent with the
13 analytical work that you did?

14 A I'm not certain if he had time -- he's a
15 senior engineer. No, he did not review all the
16 technical supporting data.

17 Q Okay. At page 339, the second paragraph
18 in the introduction, look at the second-to-last
19 sentence. There's a statement that the Commission
20 will rely on Cal-ISO's determinations to make its
21 finding related to applicable reliability
22 standards, et cetera, the need for additional
23 transmission facilities and environmental review
24 of the whole of the action.

25 Is it fair for me to say that that was

1 one of the criteria by which you undertook your
2 analysis of the transmission system engineering?

3 A Yes, however, it is a weak definition of
4 rely, more in a sense that rely on input from the
5 ISO.

6 Q And is that consistent with your normal
7 pattern and practice of analyzing the AFCs? What
8 I mean to say, is do you -- is basically a
9 relationship with the ISO consistent among
10 different types of applications?

11 A It's developing a consistency.

12 Q Okay. If you could turn to page 344,
13 which is the section entitled system reliability.
14 There's a reference that there was consideration
15 of the study, quote, "performed to determine the
16 effects of connecting a new power plant to the
17 existing electrical grid."

18 Is it your understanding that that's
19 required of the CEC in connection with
20 transmission system engineering analysis?

21 A I'm sorry, is what? I didn't hear that.

22 Q I'm sorry. The consideration of a study
23 performed to determine the effects of connecting a
24 new power plant to the existing electrical grid
25 required as part of the CEC's analysis of systems

1 transmission system engineering?

2 A Are you saying the system impact study,
3 is the system impact study required?

4 Q Yes.

5 A For all the projects?

6 Q Well, yes. Well, how about this --

7 A Well, no, it may not be required for
8 some projects.

9 Q Was it required of this one?

10 A Yes, it was.

11 Q Okay.

12 PRESIDING MEMBER LAURIE: Clarification.

13 When you say required --

14 MS. DAVIS: Required to perform the
15 analysis. Required for my analysis. It's --

16 PRESIDING MEMBER LAURIE: Required by
17 whom, by what?

18 MS. DAVIS: I assumed he meant by myself
19 in order to do my analysis.

20 MR. GOLDMAN: Yes. In your capacity.

21 MS. DAVIS: But you're right, I did leap
22 to an assumption there.

23 BY MR. GOLDMAN:

24 Q Well, what assumption do you think you
25 were leaping to, because I don't quite --

1 A Well, I was assuming I understood your
2 question.

3 (Laughter.)

4 BY MR. GOLDMAN:

5 Q What didn't you understand about my
6 question?

7 A I understood you were asking me whether
8 a system impact study was required to perform this
9 particular analysis for this particular project.

10 Q Yes, that was my question. The answer,
11 if I understood you correctly, was --

12 A Was affirmative.

13 Q -- affirmative. Good. I don't think we
14 misunderstand each other and that's a good thing.

15 Was there any analysis of congestion
16 management to address the issue of thermal
17 overload? The reason I ask, if you look at page
18 344 under the section system reliability study,
19 there's a reference to a study indicating that
20 there was analysis as to whether the new project
21 would cause thermal overload.

22 A Could you please restate your question?

23 Q Yes. Was there any analysis of
24 congestion management as a solution to the
25 potential for thermal overloading?

1 A Yes.

2 Q Okay, and is that reflected in the FSA?

3 A Yes.

4 Q Okay.

5 MR. GOLDMAN: I have no further
6 questions at this time.

7 HEARING OFFICER GEFTER: Do you have a
8 question?

9 MS. LUCKHARDT: No, none.

10 HEARING OFFICER GEFTER: No? All right.
11 Does staff wish to redirect your witness?

12 MR. OGATA: No, I have no questions for
13 Ms. Davis.

14 HEARING OFFICER GEFTER: Do you have
15 another witness?

16 MR. OGATA: Yes, we're going to call
17 Larry Tobias from Cal-ISO.

18 HEARING OFFICER GEFTER: Ms. Davis, you
19 may be excused. Mr. Tobias.

20 Whereupon,

21 LAWRENCE TOBIAS
22 was called as a witness herein, and after first
23 having been duly sworn, was examined and testified
24 as follows:

25 //

1 DIRECT EXAMINATION

2 BY MR. OGATA:

3 Q Mr. Tobias, could you please tell us who
4 you are employed by?

5 A Pardon me?

6 Q Who do you work for?

7 A The California Independent System
8 Operator.

9 Q And what is your job title?

10 A As a Group Planning Engineer.

11 Q And what are your duties?

12 A Primarily it's group planning in the San
13 Diego area.

14 Q Do you have before you the testimony of
15 Lawrence Tobias dated November 3, 2000?

16 A Yes, I do.

17 Q And can you tell me if this testimony
18 was prepared by you?

19 A Yes, it was.

20 Q And do you have any corrections you'd
21 like to make to this testimony?

22 A No, it's correct.

23 Q Okay, can you please summarize this
24 testimony for us?

25 A The testimony is basically a restatement

1 of two different letters that I composed and sent
2 to San Diego Gas and Electric. One dealt with a
3 review of their system impact study. One dealt
4 with a review of their facility study.

5 And in summary, San Diego conducted
6 various studies in the system impact. I
7 determined that there was additional studies
8 necessary. Recommended that they be done within a
9 facility study. That was done.

10 In the facility study San Diego Gas and
11 Electric identified various methods of
12 interconnecting Otay Mesa. Otay Mesa and PG&E
13 National Energy Group had only requested to
14 connect. Big difference. Transmission service
15 versus connecting to the ISO grid.

16 Under that premise I determined what was
17 necessary to reliably connect to the ISO grid.
18 And that was my recommendation. And my
19 recommendation, as clearly outlined in the
20 testimony, is equivalent to a suggestion. So that
21 it's up to both parties to decide to accept that
22 or do otherwise.

23 And as we stand now, they both accepted
24 the ISO's recommendation.

25 Q Okay, thank you.

1 MR. OGATA: I have no further questions.

2 HEARING OFFICER GEFTER: Does the
3 applicant have cross-examination?

4 MR. BELTER: Just a few brief ones, Ms.
5 Gefter.

6 CROSS-EXAMINATION

7 BY MR. BELTER:

8 Q Mr. Tobias, am I correct that the ISO
9 currently has no interconnection procedures on
10 file with the FERC?

11 A That's correct.

12 Q And the FERC, in its recent proposed
13 order, has requested the ISO to develop them and
14 file them?

15 A That's correct.

16 Q And in the interim the applicants have
17 followed the interconnection procedures on file
18 under the transmission tariff of San Diego Gas and
19 Electric?

20 A Yes.

21 Q Would you also agree with me, that at
22 least in the interim while the ISO is developing
23 interconnection procedures, it makes no sense to
24 stop the process and start over again?

25 A Yes.

1 MR. BELTER: Thank you very much.

2 HEARING OFFICER GEFTER: Thank you. Do
3 any of the intervenors have cross-examination of
4 the witness?

5 MS. LUCKHARDT: I have no questions at
6 this time.

7 MR. VARANINI: I have a couple of
8 questions, and they really relate to policy
9 consideration.

10 CROSS-EXAMINATION

11 BY MR. VARANINI:

12 Q Good afternoon, my name is Gene
13 Varanini, and I consider myself to be the positive
14 side of the force. I'm trying to understand
15 really the relationship among San Diego Gas and
16 Electric, the applicant and ISO.

17 And as I understand it, your testimony
18 points out that you are responsible for the
19 relationship from the project to the grid, is that
20 correct?

21 A Yes.

22 Q And does the ISO have a process where it
23 selects the most effective or most reliable means
24 of interconnection? Or do you allow the applicant
25 and others to elect options?

1 A As I stated, my responsibilities are to
2 look at per the request of the applicant, which in
3 this case was to connect to the ISO grid, in what
4 manner can that be done to provide reliable
5 operation.

6 And within that context, economics of
7 the various alternatives plays a part in it, as
8 well.

9 And with that in mind, based on the
10 information that was there we deduced that option
11 I as stated in the facility study report would
12 provide reliable operation.

13 Q Before you reached your conclusion on I,
14 did you have, which I assume, which your testimony
15 indicates is a soft approach, did you have hard
16 wiring alternatives in mind?

17 A There were alternatives presented by San
18 Diego Gas and Electric to provide service that
19 would not be constrained at times by congestion.
20 And those were considered in there within the
21 context of the studies that were done for this
22 specific project.

23 Q Is constrained a kind of a euphemism for
24 disconnected or having a generator disconnect or
25 turn down their generation?

1 A In the context of the way this was done,
2 it was such that two things could occur with Otay
3 Mesa. One thing is that Otay Mesa could cause
4 overloads above Miguel, you know, if we're talking
5 about beyond Miguel and that part of the system
6 and reliability.

7 Because obviously with a reconductoring
8 into Miguel that part of the system is reliable.

9 Beyond Miguel, looking at that there's
10 two different parts that were addressed. One is a
11 double line out north of Miguel and the effects of
12 that.

13 And as San Diego Gas and Electric can
14 show you in a nomogram, this is a sample nomogram
15 of what you may see, because we're three years
16 from when you would actually operate. These
17 nomograms are done on a seasonal basis. So,
18 within that context that is covered within that.

19 And also we looked at what was
20 identified as local reliability problems. And
21 those were caused by the fact that San Diego Gas
22 and Electric, up to this period, has not planned
23 their system at less than relying on the full
24 output of our units.

25 And under that context whether or not

1 Otay Mesa is there or not, if those units are less
2 than maximum output you can see some local
3 reliability problems there.

4 And so, within the context of resolving
5 that, and this is a resolution that's in place
6 now, before Otay Mesa, and would be in place with
7 a congestion management after Otay Mesa.

8 And that is the redispatch of existing
9 units within San Diego. Which means that with
10 those local reliability problems that you could
11 identify it as being caused by a combination of
12 either imports, and Otay Mesa coming into the
13 system, increasing the generation of that, Encina
14 and South Bay would solve it.

15 That's no different than what's done
16 right now.

17 Q So is it fair to say that there is a
18 nomogram solution in the short run, and then
19 additional wires in the long run for fully
20 integrating Otay into the system?

21 A To part of your question is contained
22 within this testimony. As far as additional
23 transmission, that's pursued separately outside of
24 that. As I said, to determine what is necessary
25 to connect Otay Mesa, and be reliable, that I've

1 done.

2 To pursue that beyond that and see
3 what's necessary as other reliability problems
4 occur, as there is a need for San Diego to have
5 access to additional resources to serve their
6 load, that will be pursued during the annual
7 transmission study. And as is going on right now.

8 To look beyond that in the long term, as
9 has been referenced prior to this, as far as long
10 term congestion, there's an ongoing study right
11 now to look at a long term solution that would
12 probably be in place in 2008 with a perspective of
13 the last ten years beyond that.

14 And under those conditions we're looking
15 at mitigating everything that's here.

16 Q Can you explain to the Committee, and
17 more particular to me, a layman's definition of a
18 nomogram?

19 A Yes. I've been involved with it quite a
20 bit. Back in with PG&E. Anyway, without talking
21 about what San Diego is going to present, I would
22 prefer that they provide testimony on that more
23 specific, rather than me talking for them.

24 Anyway, on a broader term, talking about
25 southern California, or California as a whole, if

1 you reach a state where you cannot have
2 unconstrained power flow into an area without
3 there being reliability problems, those
4 reliability problems could be thermal, they could
5 be voltage, they could be instability between
6 areas, such that you have to regulate those power
7 flows, monitor each and every one. And provide a
8 means such that you can control those power flows
9 and stay within a safe operating area.

10 Such that you draw a graph, and it could
11 be done a lot of different ways. It could be a
12 line graph, or a chart. Area chart, whatever.
13 And you define, this is a safe area, this is the
14 unsafe area here.

15 And the unsafe area, as you get into
16 there, it's a combination of adding up all these
17 flows. Such that as was done in the past for
18 California, if you reach a point where the
19 totality of those flows would take you to the
20 unsafe area. You cut back your schedules on one
21 of those paths, as had been done between Arizona
22 and California in the past.

23 Q Cut back a schedule means to either ramp
24 plants up or down, or make judgments about who
25 should operate and under what conditions, is that

1 what you mean?

2 A Correct.

3 Q And is that a continuing ISO
4 responsibility?

5 A Correct. It's in place right now as a
6 continuation of what I was doing several years
7 ago, yes.

8 Q Then is there -- just so I understand,
9 is there a fit between kind of the regional
10 nomogram and then the nomogram that's put into
11 operation by SDG&E, or are those all really
12 affected by SDG&E in terms of the control area?

13 A To the extent that in this case they
14 involve different transmission lines, different
15 paths within the California ISO control area, San
16 Diego specifically. First it's all of California,
17 or there's nomograms for other variations of
18 things that can occur on different lines in and
19 out of California. San Diego is separate.

20 Q And when you did your analysis, in
21 effect have you reserved -- you have option on it
22 as the chosen option, that's correct, right?

23 A That's correct.

24 Q And are there options such as option F
25 held in reserve or to be deployed later?

1 A Option F could be a backstop, it's not
2 preferred. It goes to the extent where you're
3 relying on an operating procedure that would be
4 very difficult to track in real time. And it's
5 documented as that in testimony from information
6 coming from ISO operations persons.

7 Q And then are A and B still available?

8 A Yes, they are.

9 Q Do they have intermediate term
10 preference?

11 A No.

12 Q Do you anticipate that under option I
13 that Otay will be, its generation will be tripped
14 from time to time?

15 A That hasn't been determined as to
16 exactly how that would transpire. As you're
17 aware, we can guess at it right now as to the way
18 it would end up.

19 But, there is comprehensive market
20 redesign going on. It's been going on for some
21 time. As part of that, are several very important
22 pieces that bear on this, that probably will not
23 be determined by FERC or approved by FERC within
24 the timeframe of this licensing.

25 So, we're looking at possibly the end of

1 March for that. Nevertheless, that's where you'll
2 see a final decision or determination on
3 congestion management, new generation
4 interconnection, and a long term grid plan that
5 all play a part on that, especially congestion
6 management.

7 With those pieces in place, that's what
8 will be used ultimately to define how the system
9 will be operated under congested conditions.

10 And at this point in time it's defined
11 briefly in the testimony, the present congestion
12 management mechanisms.

13 Q In your analysis, does Otay, from time
14 to time, block transmitted power to San Diego?

15 A As presently proposed, if, depending on
16 where Otay power is scheduled, if Otay power could
17 schedule to Arizona, it's not a problem. It
18 doesn't block. It would unload swivel. It would
19 be a benefit to the system.

20 If Otay was scheduled into the ISO
21 control grid, it may still be scheduled elsewhere
22 in the control grid besides San Diego.

23 One scenario is if it's scheduled into
24 San Diego, that's what you're specifically asking,
25 I know. Under that condition then it's a tradeoff

1 between the import capability and Otay Mesa.

2 Q Who makes that decision? Does ISO make
3 that decision?

4 A That's an outcome of congestion
5 management, and what's necessary to connect Otay
6 Mesa to the grid. Yes, that's an existing means
7 within the ISO to connect a new generator.

8 Q Did you have a chance to review the
9 advice letter that was submitted by San Diego to
10 the PUC in terms of congestion and constraints and
11 other problems in the electrical system in San
12 Diego?

13 A No, I'm not familiar with what you're
14 referring to. The only thing that I've seen is
15 one that went to the PUC related to gas, which I'm
16 not going to speak about. That's all I've seen.

17 MR. VARANINI: Just one second.

18 (Pause.)

19 MR. VARANINI: I have no further
20 questions.

21 HEARING OFFICER GEFTER: Does staff wish
22 to redirect its witness?

23 MR. OGATA: We have no questions.

24 HEARING OFFICER GEFTER: Thank you, Mr.
25 Tobias.

1 MR. TOBIAS: Okay, thank you very much.

2 HEARING OFFICER GEFTER: And before you
3 are excused, exhibit 68 is Mr. Tobias' testimony.
4 Does staff wish to move that into the record at
5 this time?

6 MR. OGATA: Yes, Ms. Gefter.

7 HEARING OFFICER GEFTER: Okay, is there
8 any objection to exhibit 68?

9 MS. LUCKHARDT: No objection.

10 HEARING OFFICER GEFTER: Hearing none,
11 exhibit 68 is received into the record. Thank
12 you.

13 Staff, do you have any other witnesses
14 on this topic?

15 MR. OGATA: No, we have no other
16 witnesses.

17 HEARING OFFICER GEFTER: Then I
18 understand SDG&E has a witness.

19 MR. THORP: Yes, thank you, Ms. Gefter.
20 SDG&E calls Robin Tinoso.

21 HEARING OFFICER GEFTER: Mr. Tinoso,
22 would you be sworn.

23 MR. THORP: What exhibit are we on, 81?

24 HEARING OFFICER GEFTER: Yes, that was
25 the last identified exhibit.

1 MR. THORP: I would ask that the
2 prepared direct testimony of Robin S. Tinoso be
3 marked as exhibit 81 for identification purposes
4 only.

5 HEARING OFFICER GEFTER: I believe -- I
6 think we have identified it, unless this is a new
7 filing.

8 MR. THORP: No, it's not.

9 HEARING OFFICER GEFTER: Okay, we
10 identified the testimony of Robin Tinoso and
11 Benjamin Montoya as exhibit 73. Is that the
12 testimony --

13 MR. THORP: Are they both 73, or --

14 HEARING OFFICER GEFTER: Yeah, they're
15 both 73.

16 MR. THORP: Okay. Thank you.

17 HEARING OFFICER GEFTER: Okay. Will the
18 reporter please swear the witness.

19 Whereupon,

20 ROBIN TINOSO
21 was called as a witness herein, and after first
22 having been duly sworn, was examined and testified
23 as follows:

24 //

25 //

1 DIRECT EXAMINATION

2 BY MR. THORP:

3 Q Mr. Tinoso, would you please state your
4 name for the record.

5 A My name is Robin Tinoso.

6 Q What is your position at SDG&E?

7 A I'm an Engineer in the Transmission,
8 Electric Transmission Planning Section.

9 Q The document entitled, prepared direct
10 testimony of Robin S. Tinoso, is that your
11 testimony in this proceeding?

12 A Yes, it is.

13 Q Was it prepared by you or at your
14 direction?

15 A It was prepared by me.

16 Q Do you have any changes or corrections
17 to your testimony?

18 A Actually, I do. On the second page of
19 my testimony on SDG&E response number two, I would
20 like to change the number from 921 mVa to 912 mVa.

21 Q And, again, that's on page 2?

22 A Yes.

23 Q And that would be to change the number
24 921 to 912?

25 A Correct.

1 Q Do you have any other changes or
2 corrections to your testimony?

3 A No more, that's it.

4 Q Do you have any additional testimony you
5 wish to offer?

6 A No.

7 HEARING OFFICER GEFTER: Sorry, but I
8 missed that change. Would you state it over
9 again?

10 MR. TINOSO: Yes, on the second page of
11 my testimony there was a number 921 mVa, please
12 change that to 912 mVa.

13 BY MR. THORP:

14 Q Could you please just give us a short
15 summary of your testimony?

16 A Basically I would like to correct a
17 couple of numbers that was mentioned in the FSA,
18 the rating of the conductors.

19 MR. THORP: Your Honor, Mr. Tinoso is
20 available for cross-examination.

21 HEARING OFFICER GEFTER: Does the
22 applicant have cross-examination?

23 MR. BELTER: No.

24 HEARING OFFICER GEFTER: Does staff have
25 cross-examination?

1 MR. OGATA: Ms. Gefter, with your
2 permission and the permission of Mr. Thorp and the
3 witness, we would like to ask Mr. Tinoso some
4 questions outside the scope of his direct, but
5 related to the four scenarios that were used to --
6 that were analyzed in terms of the study.

7 CROSS-EXAMINATION

8 BY MR. OGATA:

9 Q Mr. Tinoso, you're familiar, I assume,
10 with what's been marked as exhibit 35, which is
11 the San Diego Gas and Electric Company facility
12 study report May 9th. And I believe you're also
13 familiar with exhibit 36, which is the
14 correspondence of the ISO to SDG&E dated May 19th,
15 are you not?

16 A Yes, I'm aware.

17 Q Those documents refer to four scenarios
18 that were used as part of the study. Are you
19 familiar with those four scenarios?

20 A Yes, I am.

21 Q For the record, let me just briefly
22 summarize what those are. The first scenario was
23 minimum import into the SDG&E system and maximum
24 generation, internal to SDG&E system.

25 Number two, maximum import into the

1 SDG&E system with maximum generation at Encina.

2 Number three, maximum import into the
3 SDG&E system with maximum generation at South Bay.

4 Number four, maximum import with 408
5 megawatts from CFE.

6 Could you please tell us briefly why
7 those four scenarios were chosen?

8 A Those were the cases that we agreed with
9 the applicant when we started doing the study,
10 that's the facility study.

11 The first case, which is the minimum
12 import into San Diego was actually requested by
13 PG&E.

14 And the last three scenarios were
15 actually what we wanted to study to make sure that
16 the interconnection of Otay Mesa can be
17 accommodated.

18 Q And if you know, can you explain --

19 A Under those conditions.

20 Q I'm sorry, and if you know can you
21 explain why the three that you selected, why were
22 they selected?

23 A Those last three scenarios were selected
24 because they were stressing the system. You'll
25 see that we were maximizing the import into San

1 Diego. And also, at the same time, wanted to make
2 sure that the existing power plants can have
3 maximum generation at the same time.

4 Q So this is --

5 A There could be multiple scenarios that
6 we can study. Basically we want to -- a case
7 that we can analyze, so we can finish it on time.

8 Q That was my question. Do you consider
9 these kind of like worst cases, or best cases
10 or --

11 A This will be the worst cases for case
12 two, three and four.

13 MR. OGATA: Thank you, I have no further
14 questions.

15 HEARING OFFICER GEFTER: Do any of the
16 intervenors have cross-examination?

17 MS. LUCKHARDT: I do, I don't know if
18 Cabrillo does or not.

19 CROSS-EXAMINATION

20 BY MS. LUCKHARDT:

21 Q Going back to your -- in regards to the
22 discussion you just had with Mr. Ogata about
23 bounding the worst cases with the operation in
24 Encina, operation at I guess that would be cases
25 two and three, operation of Encina and operation

1 of South Bay, do those then reflect what would be
2 considered the minimum operation of those units to
3 reliably supply the system?

4 Because that's your maximum import case,
5 is that correct?

6 A That's the maximum import case.

7 Q So, --

8 A I'm not sure if I'm understanding your
9 question.

10 Q -- am I correct in assuming then that
11 that is then the minimum generation case, as well?
12 Minimum in area generation?

13 A Under a maximum import condition there
14 would be no minimum generation condition in San
15 Diego.

16 Q Okay, so, okay, then I am reading that
17 correctly.

18 And then, I'm sorry, I may have the
19 older document, I'm looking at the data request
20 that was attached as a portion of your testimony.
21 And I'm just wondering if you can make sure that I
22 understand this correctly.

23 As I look at this on all but case one,
24 you have a footnote at the bottom for both 2002
25 and 2005 indicating that the Otay Mesa generation

1 is curtailed, or reduced -- is your word, reduced
2 during that time period, is that correct?

3 A Yes.

4 Q And could you explain why that is the
5 case?

6 A Why is the case what? I'm not sure --

7 Q Why is Otay Mesa's generation at such a
8 low level during those cases? I mean you've got
9 Otay Mesa, unit 2, if I'm reading this correctly,
10 at zero. I'm looking at case two for 2002.

11 HEARING OFFICER GEFTER: In what
12 document?

13 MS. LUCKHARDT: The attachment to his
14 testimony, which I believe you marked as exhibit
15 73.

16 HEARING OFFICER GEFTER: Yes.

17 BY MS. LUCKHARDT:

18 Q And it's in the tables in the back in
19 the data response.

20 A Can you tell me which appendix you're
21 looking at?

22 Q Which one?

23 A Which appendix on the data response?

24 Q Appendix B.

25 A Appendix B.

1 Q Yeah. Sorry about that. I guess it's
2 appendix C. My mistake, appendix C.

3 A Okay, the Otay Mesa generation is
4 actually shown 150 megawatts, is that your
5 question?

6 Q Yes, yes.

7 A Yeah, the reason for that is high import
8 level, and that's 2850 megawatts show there. For
9 loss of the two lines north of Miguel there will
10 be some thermal overloads if generation from Otay
11 Mesa is higher than that number.

12 Q Okay, so that's as high as the Otay Mesa
13 generation could go. Now, is that --

14 A And I want to just show that that's
15 point C in the nomogram. You're looking at the --

16 Q Okay, my nomogram is a little tough to
17 read. Could you describe -- oh, no, I see it.
18 Okay.

19 HEARING OFFICER GEFTER: Ms. Luckhardt,
20 where are we going with these questions?

21 MS. LUCKHARDT: I believe that in
22 relation to the testimony that has been
23 identified, but as yet is not accepted, there are
24 some statements about how much certain units will
25 generate or not generate, and whether that will

1 push them onto fuel oil, and therefore have the
2 resulting air quality impacts that I believe the
3 Commissioners said they are interested in hearing
4 information about.

5 And I have not had a complete
6 opportunity to review the testimony that they have
7 given, but it's my understanding that this witness
8 has some conflicts and may not be able to return.

9 And so I would like to make sure that at
10 least his testimony is as clear as possible in
11 light of the fact that I'm working off just an
12 incredibly quick scan of the new testimony that
13 they have provided.

14 So, I just want to be, you know, I'm
15 trying to do the best I can given the fact that we
16 just got this information. I believe this is our
17 only opportunity to talk to this witness.

18 MR. THORP: Again, just to make clear,
19 this isn't new testimony. We've had this filed
20 for a number -- we filed at the deadline, so I
21 don't want any intimation that this witness is
22 coming back because we filed late.

23 MS. LUCKHARDT: No, no, I'm not saying
24 that at all. I'm referring to the testimony that
25 came from the applicants today. And I wouldn't

1 think that you would have had time to look at it,
2 as well. But in my brief skim of it, there are
3 some implications about the SDG&E system in that
4 testimony, that I am not convinced are accurate.

5 And --

6 HEARING OFFICER GEFTER: Well, would you
7 ask the specific questions?

8 MS. LUCKHARDT: You know, I would love
9 to ask specific questions if I had had adequate
10 time to review their testimony so I would know
11 exactly what I needed.

12 So, I'm trying to play two sides,
13 because I just got this. I'm trying to review it
14 as the hearing's been ongoing. So I do feel a
15 little bit at a difficult spot here, and I know
16 that you want to continue quickly. You know, it's
17 just I'm balancing two things at the same time.

18 HEARING OFFICER GEFTER: Will Mr. Tinoso
19 be available next week?

20 MR. THORP: Again, we were hoping not to
21 have to testify. I'm on vacation, though if we
22 don't get off today with Mr. Montoya, I guess I'm
23 coming back. And Mr. Tinoso did have other
24 commitments. I think we were hoping to just get
25 it done with today.

1 We're certainly willing to entertain
2 these broad sorts of questions, but again our
3 testimony here is very limited. We're only
4 talking about three, what we felt were factual
5 inaccuracies in the FSA.

6 HEARING OFFICER GEFTER: I would
7 recommend that Ms. Luckhardt consult with counsel
8 for SDG&E about the questions that you would have.
9 And if you do have extensive cross-examination of
10 Mr. Tinoso or Mr. Montoya, let Mr. Thorp know by
11 Friday.

12 MS. LUCKHARDT: Okay, I will.

13 PRESIDING MEMBER LAURIE: We'll also
14 accommodate -- well, I'll talk to my Hearing
15 Officer first, but we will accommodate vacation
16 schedules to the extent possible.

17 We are going to have additional hearing
18 days, and if one witness needs to be brought back,
19 it need not necessarily be on the 20th.

20 MS. LUCKHARDT: Okay.

21 HEARING OFFICER GEFTER: If you can be
22 prepared by this coming Friday to speak with Mr.
23 Thorp about any cross-examination or any other
24 questions you have, so we can schedule the
25 witnesses if we need to.

1 MS. LUCKHARDT: I will do that, and my
2 hope was to not have to do that if there was any
3 way I could potentially work that out.

4 BY MS. LUCKHARDT:

5 Q And then, Mr. Thorp (sic), just to
6 confirm, because I know that this number is in one
7 of either exhibit 80 or 81, you're showing a
8 maximum import into the system of 2850, is that
9 correct?

10 A Correct.

11 Q And if in your experience as a
12 transmission planner observing the recent, this
13 last past summer's operations, is it reasonable to
14 say that the operation of San Diego based plants
15 are operating longer than they have in the past?

16 A Longer?

17 Q A longer period of time during the day.

18 A I believe so.

19 Q Are you aware of what caused the
20 curtailment today?

21 A No.

22 MS. LUCKHARDT: That's all I have at
23 this time.

24 MR. BELTER: Ms. Gifter, I wonder if I
25 might be permitted one more question in light of

1 staff's questions. I hope to get this witness
2 totally excused.

3 CROSS-EXAMINATION

4 BY MR. BELTER:

5 Q Mr. Tinoso, staff asked you, and you
6 characterized in response to one of his questions,
7 that these were the worst case scenarios. Am I
8 correct that case one is a worst case scenario
9 from a gas supply perspective? That is the one
10 with maximum generation internal and with Otay
11 Mesa?

12 A I would believe so. All internal
13 generation would be on in that case.

14 MR. BELTER: Thank you.

15 HEARING OFFICER GEFTER: Is there other
16 cross-examination of the witness? Mr. Varanini.

17 CROSS-EXAMINATION

18 BY MR. VARANINI:

19 Q I just have one question, and that is
20 what is the maximum import from CFE?

21 A Maximum import that we studied?

22 Q Yes, from CFE.

23 A 408 megawatt.

24 Q How much?

25 A 408 megawatt.

1 MR. VARANINI: Thank you.

2 HEARING OFFICER GEFTER: Do you have any
3 redirect of your witness?

4 MR. THORP: No redirect.

5 HEARING OFFICER GEFTER: You may be
6 excused, Mr. Tinoso. Do you want to move the
7 portion of exhibit 79 --

8 MR. THORP: Yes, if we could move that
9 portion of exhibit 73 into evidence.

10 HEARING OFFICER GEFTER: -- 73. And are
11 you planning to have Mr. Montoya next?

12 MR. THORP: If I could, that would be --

13 HEARING OFFICER GEFTER: In the next
14 topic, I'm sorry we can't do it back-to-back.

15 (Laughter.)

16 HEARING OFFICER GEFTER: So we'll do the
17 entire 73 when he finishes his testimony.

18 I think that Cabrillo has a witness on
19 this topic, is that correct?

20 MR. VARANINI: That's correct. We call
21 Robert Weatherwax.

22 (Pause.)

23 Whereupon,

24 ROBERT WEATHERWAX

25 was called as a witness herein and after first

1 being duly sworn, was examined and testified as
2 follows:

3 PRESIDING MEMBER LAURIE: One moment,
4 Mr. Varanini.

5 (Pause.)

6 HEARING OFFICER GEFTER: Mr. Varanini,
7 we have Mr. Weatherwax's written testimony
8 identified as exhibit 72. There are portions of
9 that testimony relating to transmission system
10 engineering. Could you give us an offer of proof,
11 because I'm not --

12 MR. VARANINI: I couldn't hear you,
13 ma'am.

14 HEARING OFFICER GEFTER: We have
15 identified Mr. Weatherwax's testimony as exhibit
16 72, which deals primarily with the gas issue.
17 Could you give us an offer of proof or a summary
18 of what his testimony would be with respect to
19 transmission system, as I'm not clear from his
20 written testimony where that falls in.

21 MR. VARANINI: If you'd like we can
22 reserve this till the gas issue, because it has a
23 large gas component, and then kind of a ricochet
24 effect into the electricity system.

25 So I would think that it might be better

1 to defer his testimony, then you'll have the
2 benefit of both the applicant's and staff's
3 experts.

4 PRESIDING MEMBER LAURIE: Thank you, Mr.
5 Varanini, we appreciate that.

6 HEARING OFFICER GEFTER: All right,
7 thank you, Mr. Weatherwax, you can come back in
8 another few minutes. Thank you.

9 DR. WEATHERWAX: That was pleasant.

10 HEARING OFFICER GEFTER: All right, at
11 this point I'm not aware of any other witnesses on
12 the topic of transmission system engineering. And
13 so we can close the topic except for exhibits 80
14 and 81, and the testimony of those witnesses
15 which, if the intervenors let the applicant know
16 if you have cross-examination, then those
17 witnesses will be available next week, or at a
18 different hearing time. As well as SDG&E's
19 witnesses, if necessary.

20 We will hold exhibits 80 and 81 until
21 that time.

22 We're going to now move on to the topic
23 of power plant efficiency and reliability as it
24 relates to the gas supply issues, but with a very
25 limited scope along the lines that we indicated

1 earlier today with respect to impacts on the
2 regional air quality.

3 PRESIDING MEMBER LAURIE: Let me ask, do
4 any of the parties want to take a break? Let's go
5 ahead and take ten minutes.

6 HEARING OFFICER GEFTER: Okay. Take a
7 ten-minute break.

8 (Brief recess.)

9 HEARING OFFICER GEFTER: We're back on
10 the record. We're going to proceed on the topic
11 of power plant efficiency and reliability. And
12 the question with respect to gas reliability
13 issues is limited to the impacts on regional air
14 quality, as we discussed earlier today.

15 Does the applicant have your first
16 witness on this topic?

17 MR. HANSCHEN: Yes, Ms. Gefter, I'm
18 Peter Hanschen and I'm calling the gas supply
19 witness for applicant.

20 I'd like to call Mr. R. Thomas Beach as
21 our first witness, please.

22 Whereupon,

23 R. THOMAS BEACH

24 was called as a witness herein and after first
25 being duly sworn, was examined and testified as

1 follows:

2 MR. HANSCHEN: Ms. Gefter, it's my
3 understanding is the prepared responsive testimony
4 of R. Thomas Beach on behalf of Otay Mesa
5 Generating Company has already been identified as
6 exhibit number 81, is that correct?

7 HEARING OFFICER GEFTER: Yes.

8 DIRECT EXAMINATION

9 BY MR. HANSCHEN:

10 Q Mr. Beach, do you have exhibit 81 before
11 you?

12 A I do.

13 Q Did you cause exhibit 81 to be prepared
14 under your supervision and direction?

15 A Yes, I did.

16 Q Do you have any corrections to exhibit
17 81?

18 A Yes, I have two corrections to exhibit
19 81. On page 3 in the first Q&A, the first
20 complete Q&A on page 3, in the answer in the
21 second line it reads: It is my understanding from
22 his testimony that; and then after the word
23 "that", I would insert the words "except in case
24 one, which I have previously testified is
25 unrealistic,". And that's my first correction.

1 MS. LUCKHARDT: Would you mind repeating
2 that again, just to make sure that we've got it.

3 MR. BEACH: Sure. After the word "that"
4 I would insert "except in case one, which I have
5 previously testified is unrealistic,".

6 MS. LUCKHARDT: Which I have previously
7 testified is?

8 MR. BEACH: Unrealistic, comma.

9 MS. LUCKHARDT: Thank you.

10 MR. BEACH: And then my second
11 correction is in the next-to-last line of that
12 same answer. It should read: San Diego rather
13 than Dan Diego.

14 (Laughter.)

15 MR. HANSCHEN: Ms. Gefter, can these
16 changes be made on the face of exhibit 81, please?

17 HEARING OFFICER GEFTER: Yes, we've made
18 those changes.

19 BY MR. HANSCHEN:

20 Q Mr. Beach, would you briefly -- you're a
21 principal at CrossBorder Energy, is that correct?

22 A Yes, I am.

23 Q Would you briefly explain your
24 experience in the gas industry for us?

25 A Yes. I'm the principal of the

1 consulting firm CrossBorder Energy, which is based
2 in Berkeley, California. Our firm does a lot of
3 work in the natural gas industry in California and
4 the western U.S.

5 I've been a consultant for the past 11
6 years. Prior to that I spent eight years working
7 at the California Public Utilities Commission,
8 including five years as an advisor to three
9 different CPUC Commissioners. And during my years
10 at the CPUC I played a principal role in the
11 restructuring of the California gas industry in
12 the mid to late 1980s.

13 Q Mr. Beach, would you just briefly
14 summarize your testimony in exhibit 81?

15 A Yes. My testimony in exhibit 81
16 addresses the issue of whether the presence of the
17 Otay Mesa Power Plant will result in additional
18 gas curtailments on the SDG&E gas system such that
19 there could be additional fuel oil burns in order
20 for the SDG&E electric system to operate reliably.

21 And in looking at this issue my
22 testimony examines the level of service to
23 electric generators on the SDG&E system in the
24 year 2002. By level of service I mean what
25 percentage of the demand for gas for electric

1 generation can be served on a summer peak day.

2 And I looked at the level of service in
3 two scenarios, both with and without the 80
4 million cubic feet a day expansion that SoCalGas
5 and SDG&E are now undertaking.

6 And basically the levels of service that
7 I calculated were then used by Mr. Filippi in his
8 responsive testimony to examine whether the peak
9 demand on the SDG&E electric system can be met on
10 a summer peak day without needing to burn oil.

11 I also talk about whether it's realistic
12 to assume that there could be pro rata
13 curtailments of electric generators on the SDG&E
14 system.

15 And finally I discuss the issue of
16 whether the gas curtailments will be worse in the
17 summer or the winter on the SDG&E system.

18 MR. HANSCHEN: Now, Ms. Gefter and
19 Commissioners, as we understand, this testimony
20 was just provided to people. Mr. Beach will be
21 made available on the 20th and he can be cross-
22 examined and questions can be asked in more detail
23 on exhibit 81.

24 BY MR. HANSCHEN:

25 Q I do have one additional question to

1 Mr. Beach, and that is, Mr. Beach, the direction
2 from the bench here today was that the gas supply
3 testimony is to deal with impacts on regional air
4 quality.

5 Is there a proposal with respect to the
6 gas supply issue, and the environmental impacts,
7 and the impacts on regional air quality that might
8 result from a particular proposal with respect to
9 gas supply that would be acceptable to the
10 applicant?

11 A Yes, the proposal that we've come up
12 with is based upon a pro rata curtailment system
13 on the SDG&E system. And under a pro rata
14 curtailment scheme, whenever there is more demand
15 for gas for electric generation on the SDG&E
16 system that there is capacity available, all of
17 the generators would be cut back by equal
18 percentage.

19 For example, all the generators might
20 get 80 percent of the gas that they require on a
21 particular summer peak day.

22 Now, based upon the analysis that Mr.
23 Filippi and I have done, we believe that SDG&E's
24 electric system can operate reliably under a pro
25 rata gas curtailment on a summer peak day.

1 However, we would, just to add an
2 additional layer of protection, additional layer
3 of assurance that there will not need to be oil
4 burns, we would propose that if on such a summer
5 peak day if a particular generator is called by
6 the ISO under an RMR contract, to produce power at
7 a level above what he has gas available for, then
8 gas would be reallocated to that generator such
9 that the generator can meet their RMR call with
10 the additional gas.

11 And the additional gas would be taken
12 from all the other electric generators, again on a
13 pro rata basis.

14 PRESIDING MEMBER LAURIE: What would be
15 the mechanism for accomplishing that?

16 MR. BEACH: Well, it would be a scheme
17 that SDG&E would administer as the operator of the
18 gas system.

19 PRESIDING MEMBER LAURIE: And then if --
20 I'm sorry, Mr. Hanschen, I didn't mean to
21 interrupt your questioning.

22 MR. HANSCHEN: Please go ahead.

23 PRESIDING MEMBER LAURIE: And then if --
24 so your suggestion is that the gas allocation be
25 taken from all the generating plants, and not just

1 Otay?

2 MR. BEACH: Well, it would be -- the gas
3 allocation that's needed to supply a unit that
4 needs additional gas to satisfy its RMR contract
5 with the ISO, that additional gas would come from
6 all generators, including Otay.

7 BY MR. HANSCHEN:

8 Q Mr. Beach, is it fair to describe this
9 system as kind of a double pro rata system, i.e.,
10 as gas is first curtailed on a pro rata basis, but
11 if there is a generator who has an RMR contract
12 who still needs gas to satisfy that contract,
13 there would be another round of pro rationing
14 taken from the other generators?

15 A Yes, exactly.

16 COMMISSIONER PERNELL: And this is in
17 order to not use alternative fuels?

18 MR. BEACH: Yes, and to avoid the air
19 quality impacts of burning an alternate fuel.

20 BY MR. HANSCHEN:

21 Q Mr. Beach, is this proposal, is it
22 simply limited to situations in which there are
23 RMR concerns or contracts to be fulfilled rather
24 than simply a commercial desire by a particular
25 generator to be on line at that time?

1 A Yes, this proposal is designed to
2 address the reliability aspects of gas
3 curtailments. It's certainly not designed to
4 allow, you know, one particular generator to have
5 additional gas to --

6 MS. LUCKHARDT: I have an objection. If
7 this is simply to address reliability concerns,
8 it's my understanding we're not addressing that in
9 this hearing.

10 MR. HANSCHEN: No, this is meant to
11 address the impacts on regional air quality.

12 MS. LUCKHARDT: But you just said that
13 this proposal is just to address reliability
14 concerns. So I guess I'm confused.

15 MR. BEACH: It's intended to address
16 reliability concerns without the air quality
17 impacts of oil burns.

18 BY MR. HANSCHEN:

19 Q Does that complete your explanation of
20 the proposal, Mr. Beach?

21 A Yes, it does.

22 MR. HANSCHEN: Mr. Beach is available
23 for cross-examination.

24 HEARING OFFICER GEFTER: Does staff have
25 cross-examination?

1 MR. OGATA: We don't at this time since
2 we didn't have an opportunity to review his
3 testimony. So we would like to reserve the right
4 to do that in the future.

5 HEARING OFFICER GEFTER: Okay. Do any
6 of the intervenors have cross-examination today?
7 That does not preclude you from cross-examining
8 next week.

9 MS. LUCKHARDT: We don't have any cross
10 at this time. We prefer to wait till Monday.

11 HEARING OFFICER GEFTER: Mr. Goldman.

12 MR. GOLDMAN: Well, while we certainly
13 reserve our right to substantively cross-examine
14 Mr. Beach once we've had a chance to look at his
15 prepared responsive testimony marked today as
16 exhibit 81, I do have one question.

17 CROSS-EXAMINATION

18 BY MR. GOLDMAN:

19 Q Mr. Beach, does your -- and I apologize,
20 I've not had a chance to read your prepared
21 responsive testimony, does it refer or address
22 winter peak requirements as opposed to summer
23 peak?

24 A Yes, it does.

25 HEARING OFFICER GEFTER: To the parties

1 who want to reserve your right to cross-examine
2 Mr. Beach, would you let counsel know by Friday if
3 you intend to have cross-examination so Mr. Beach
4 can arrange his schedule. Would that be
5 sufficient for you?

6 MR. BEACH: Yeah.

7 MS. LUCKHARDT: Could I ask who we
8 should notify of the variety of you?

9 MR. HANSCHEN: Notify Mr. Thompson.

10 MS. LUCKHARDT: Okay.

11 MR. HANSCHEN: Applicant's counsel.

12 (Laughter.)

13 HEARING OFFICER GEFTER: Thank you, Mr.
14 Beach. We're going to hold on exhibit 81 until
15 the parties have had a chance to cross-examine.

16 MR. HANSCHEN: That's correct.

17 HEARING OFFICER GEFTER: Do you have
18 another witness?

19 MR. HANSCHEN: Ms. Gefter, applicant
20 would next call Mr. Eric Eisenman.

21 Whereupon,

22 ERIC EISENMAN
23 was called as a witness herein and after first
24 being duly sworn, was examined and testified as
25 follows:

1 MR. HANSCHEN: Ms. Gefter, may we have
2 marked as the next exhibit in order the additional
3 prepared testimony of Eric Eisenman?

4 HEARING OFFICER GEFTER: Yes, and I'm
5 not sure if that was included as part of 75 filed
6 November 8th?

7 MR. HANSCHEN: I'm informed that is
8 correct.

9 DIRECT EXAMINATION

10 BY MR. HANSCHEN:

11 Q Would you state your name for the
12 record, please.

13 A My name is Eric Eisenman.

14 Q Mr. Eisenman, did you cause to be
15 prepared under your supervision and direction the
16 additional prepared testimony of Eric Eisenman
17 which is marked as exhibit 75?

18 A Yes.

19 Q Do you have any changes or corrections
20 to that testimony?

21 A No.

22 Q Would you briefly summarize that
23 testimony for us here today?

24 A My testimony shows that the Otay Mesa
25 facility will have sufficient supplies of natural

1 gas for several reasons.

2 First, the PG&E National Energy Group is
3 sponsoring and has filed an application for the
4 North Baja pipeline at the Federal Energy
5 Regulatory Commission. And we believe that
6 application will be processed in due time, and
7 that North Baja will be in service sometime before
8 the Otay Mesa facility will be in service.

9 Second, there's a companion application
10 for the Mexican facilities that is also moving
11 along.

12 Next, as we've heard earlier today,
13 SoCalGas and San Diego are going to expand the
14 system into San Diego by 70 a day, hopefully by
15 next summer, but certainly by the time Otay Mesa
16 is in operation.

17 And related to that we also heard
18 earlier today the PUC has recently opened an
19 investigation into natural gas issues here in the
20 San Diego area, including whether there's
21 sufficient pipeline capacity in the San Diego
22 area.

23 SDG&E and the other Sempra Companies
24 have a filing due next week, responsive comments
25 and reactions from other parties are due the first

1 week in December. So that proceeding will move
2 quite quickly.

3 And as we've heard quite a bit already
4 about pro rata basis, that curtailments are done
5 on a pro rata basis, that is plenty of evidence
6 that generators will get sufficient quantities of
7 natural gas rather than on a rolling curtailment
8 block basis.

9 That completes my summary.

10 Q Mr. Eisenman, I'm also advised is that
11 you submitted other testimony in this proceeding,
12 the prepared testimony of Eric Eisenman, is that
13 correct?

14 A Yes.

15 MR. HANSCHEN: And I may have
16 misidentified and switched the numbers, Ms.
17 Gefter, is, I believe, probably the first
18 testimony was exhibit 75, and the additional
19 prepared testimony was 77.

20 HEARING OFFICER GEFTER: Yes, right, we
21 have both of those.

22 MR. HANSCHEN: Okay, I apologize for
23 that.

24 BY MR. HANSCHEN:

25 Q Do you have exhibit 75 with you, Mr.

1 Eisenman?

2 A Yes.

3 Q Did you also cause that testimony to be
4 prepared under your supervision and direction?

5 A Yes.

6 MR. HANSCHEN: Mr. Eisenman is available
7 for cross-examination.

8 PRESIDING MEMBER LAURIE: Ms. Gefter, I
9 have a question of clarification.

10 HEARING OFFICER GEFTER: Go ahead.

11 EXAMINATION

12 BY PRESIDING MEMBER LAURIE:

13 Q Sir, did you state, and don't let me put
14 words in your mouth, but did you state that in
15 your opinion the operation of this plant is
16 dependent upon the Baja line?

17 A No, I did not state that.

18 Q Okay, I thought you said that in your
19 opinion there would be sufficient gas to serve
20 this project because, and number one item was
21 completion of the Baja line?

22 A There's --

23 Q Did I mis-hear or did I misunderstand?

24 A Well, no, let me try and say it again.

25 We think that the North Baja line will improve the

1 flexibility that the Otay Mesa Plant has in
2 buying, transporting and receiving gas supplies at
3 the plant.

4 But there's a number of other variables
5 going on, including the expansion of the utility
6 system that we know is going to happen. And
7 potential further expansions of that system.

8 And as we heard earlier today, I believe
9 it was from Mr. Thorp, that the reliability of
10 serving the major gas customers in this area is
11 still really really really high.

12 So we are prepared to move forward with
13 this plant with or without North Baja. But given
14 what we are seeing in this situation here in San
15 Diego with insufficient pipeline capacity, we felt
16 that this was a relevant project to move forward.

17 But we're going to move forward with the
18 project with or without North Baja. But the point
19 I'm trying to make is we strongly believe North
20 Baja will be built and in service some months
21 before the scheduled time for Otay Mesa.

22 PRESIDING MEMBER LAURIE: Thank you.

23 MR. HANSCHEN: Based on your questions,
24 Commissioner Laurie, may I ask just a couple other
25 questions of the witness.

1 BY MR. HANSCHEN:

2 Q Mr. Eisenman --

3 HEARING OFFICER GEFTER: Oh, stop. All
4 right.

5 BY MR. HANSCHEN:

6 Q Mr. Eisenman, what would Otay Mesa's
7 position be on having as a condition to a
8 certificate from this Commission that the North
9 Baja pipeline be constructed?

10 A That is not a condition we are willing
11 to accept.

12 Q And can you explain for us why that is
13 the case?

14 A The financing of the project would
15 become very very difficult, if not impossible,
16 with that kind of condition, at least until the
17 condition was met and would lead to a very
18 significant delay in the project.

19 And I would also note that certificating
20 and building natural gas pipelines is a much
21 shorter process than licensing and building a
22 power plant.

23 So we think that the timing of this
24 process for Otay Mesa is consistent with the
25 process that we're going to be going through with

1 FERC with the North Baja pipe.

2 MR. HANSCHEN: Thank you.

3 (Pause.)

4 HEARING OFFICER GEFTER: Before I ask if
5 parties have cross-examination, Mr. Eisenman, I
6 would like to ask Sharon Segner a question.

7 You were under oath before on the
8 project description, and in the project
9 description that is before us it indicates that
10 the Otay Mesa Plant will interconnect with line
11 2000, SDG&E's line 2000 for gas supply.

12 Has that project description changed
13 since that initial AFC was filed?

14 MS. SEGNER: Our plan, in terms of our
15 gas supply at Otay Mesa is to interconnect to both
16 San Diego Gas and Electric and North Baja.

17 HEARING OFFICER GEFTER: So would you be
18 filing additional testimony describing the project
19 to indicate that change?

20 MS. SEGNER: I believe we've already
21 indicated that change in our previous testimony.
22 In addition, there are no permit changes
23 associated with this because we have been actively
24 pursuing the permitting of two lines as part of
25 the project description.

1 HEARING OFFICER GEFTER: Okay, there's
2 also, in Mr. Eisenman's testimony, reference to
3 the TGN line. Is there also part of your project
4 description to interconnect with TGN?

5 MS. SEGNER: I'm sorry, I need to
6 clarify. North -- I meant TGN, and we are tying
7 into TGN not North Baja.

8 HEARING OFFICER GEFTER: Is line 2000 in
9 place at this time, do you know? If you can't
10 answer that, I'll ask the SDG&E people.

11 MS. SEGNER: I think that should be best
12 answered by San Diego Gas and Electric.

13 HEARING OFFICER GEFTER: Thank you.
14 Okay, thank you, Ms. Segner.

15 We're going to go on to cross-
16 examination of Mr. Eisenman. Does the staff have
17 any questions?

18 MR. OGATA: Probably just one or two.

19 CROSS-EXAMINATION

20 BY MR. OGATA:

21 Q Mr. Eisenman, you stated that you
22 strongly believe that the North Baja pipeline is
23 going to be place prior to the operation of Otay
24 Mesa, is that correct?

25 A Yes.

1 Q Could you give us kind of a percentage
2 of your confidence level, 95 percent, 90 percent
3 confident?

4 MR. HANSCHEN: That's really a kind of
5 rank speculation here asking questions like that,
6 because it's asking the process at FERC.

7 BY MR. OGATA:

8 Q Well, I was going to ask, after that
9 answer, he doesn't have to give me an answer then,
10 let me just ask for the basis for your statement
11 that you strongly believe it will be built. What
12 do you base that one in terms of your experience
13 and knowledge about how the process is going to
14 work?

15 A We have binding precedent agreements
16 where we have to build the line we are legally --
17 my understanding is we are legally bound to build
18 this line if we had a FERC certificate.

19 And FERC has said that it will expedite
20 pipeline certificate applications serving
21 generation in California.

22 And in the context of all pipeline
23 certificate applications that FERC sees, this one
24 is not that complicated or difficult.

25 MR. OGATA: Okay, thank you, that's all

1 I have.

2 HEARING OFFICER GEFTER: Do any of the
3 intervenors have cross-examination of Mr.
4 Eisenman?

5 MS. LUCKHARDT: I have no questions.

6 MR. GOLDMAN: On behalf of Cabrillo I
7 have a few.

8 CROSS-EXAMINATION

9 BY MR. GOLDMAN:

10 Q Mr. Eisenman, would you concur with the
11 statement that your counsel made, that quantifying
12 your confidence in regulatory approval for the
13 North Baja pipeline would be, quote, "rank
14 speculation" unquote?

15 (Laughter.)

16 MR. EISENMAN: I guess I'll have to
17 agree with my counsel, but I guess I'll say --

18 MR. HANSCHEN: Now, you don't have to
19 feel that way.

20 (Laughter.)

21 MR. EISENMAN: I guess I would just say
22 we're very confident about it.

23 BY MR. GOLDMAN:

24 Q Given your level of confidence, what is
25 your understanding as to why the potential

1 financiers of the project would not share your
2 confidence in terms of accepting a condition of
3 certification from this Commission --

4 MR. HANSCHEN: I'll object. He's asking
5 him to speculate on the frame of mind and reasons
6 for the financiers. He's not them.

7 MR. GOLDMAN: I don't ask for his
8 speculation based on whatever discussions he may
9 have had or experience in dealing with these
10 issues. He certainly has indicated that he has
11 years of experience and be able to anticipate that
12 he's confident that it will be approved.

13 MR. HANSCHEN: Can you rephrase the
14 question, then?

15 MR. GOLDMAN: Well, what was the
16 specific --

17 MR. HANSCHEN: Well, you asked him to
18 speculate on the reasons the financiers might
19 have, and --

20 BY MR. GOLDMAN:

21 Q What is your understanding as to why you
22 stated under oath that you felt that the reason
23 why a condition to certification would be
24 unacceptable is that financing would be
25 jeopardized? What do you base that on?

1 A I base that on discussions with my
2 colleagues who are dealing with that more
3 directly. I'm not personally dealing with the
4 potential lenders to this project.

5 Q Based on your discussions with your
6 colleagues, is it, in fact, your understanding
7 that the project could not be financed without --
8 or, I'm sorry, with a condition to certification?

9 A I don't know that for sure.

10 Q Have you discussed with your colleagues
11 the possibility of, and I'm going to distinguish
12 it -- I know you're on the records indicating that
13 the applicant is on the record opposed to a
14 condition to certification, but have there been
15 discussions among you and your colleagues in
16 connection with a potential contingency for having
17 to submit to a condition of certification?

18 PRESIDING MEMBER LAURIE: Relevance, Mr.
19 Goldman?

20 MR. GOLDMAN: Pardon me?

21 PRESIDING MEMBER LAURIE: Relevance?

22 MR. GOLDMAN: I think the relevance is
23 whether or not there is a reasonable basis to
24 believe that there will be a reliable supply of
25 gas if the Otay Mesa has the capacity --

1 PRESIDING MEMBER LAURIE: Well, this
2 witness testified that in his belief, based upon
3 hearsay testimony, that he doesn't think investors
4 would be available with this condition.

5 Beyond that, I don't know what would be
6 additionally relevant to the decision making by
7 this body.

8 MR. GOLDMAN: Well, I think the
9 relevancy is whether or not it is reasonable for
10 this body to conclude that, in fact, there will be
11 a reliable supply of gas from the North Baja
12 pipeline. That's the whole issue.

13 If North Baja isn't built, then this
14 confidence, based on additional supply, isn't
15 going to materialize.

16 PRESIDING MEMBER LAURIE: I don't see
17 your question getting to that answer.

18 MR. GOLDMAN: Well, then I must be
19 failing in terms of my attempt, because that's
20 precisely where I want to go.

21 PRESIDING MEMBER LAURIE: Why don't you
22 rephrase your question.

23 BY MR. GOLDMAN:

24 Q Do you understand that a condition to
25 certification based on regulatory approval of the

1 North Baja pipeline would, in fact, kill the
2 financing of the Otay Mesa Project?

3 A I don't know that for a fact.

4 MR. HANSCHEN: But we would like to find
5 out a lender who would lend on that basis.

6 BY MR. GOLDMAN:

7 Q It is a fact, is it not, Mr. Eisenman,
8 that the agreement among the parties regarding the
9 potential for a supply of gas from the North Baja
10 pipeline has not been finalized, correct?

11 I think you made a reference to a
12 precedent agreement?

13 A That's correct, but once the conditions
14 from a precedent agreement are met, you can't
15 wiggle out of it. You're bound by it.

16 Q I understand. And the conditions
17 include regulatory approval, correct?

18 A I believe our sole condition is for the
19 relevant FERC approval.

20 Q And what about the Mexican regulatory
21 approval?

22 A I'd have to look at the contracts, or
23 the precedent agreements --

24 HEARING OFFICER GEFTER: We can read the
25 document.

1 BY MR. GOLDMAN:

2 Q Do you have any understanding as to the
3 status of the companion application for
4 certification that you indicate you're informed
5 was filed with the appropriate Mexican regulatory
6 authorities in March 2000?

7 A My understanding is those approvals are
8 expected in the next couple of months, so it's a
9 little further ahead in the regulatory calendar
10 than at FERC.

11 Q What is the factual basis for your
12 understanding?

13 A I've been told that by the people --

14 Q And who have you been told --

15 A -- working on it.

16 Q Who? Do you know, do you have any names
17 for us in terms of who has told you that?

18 HEARING OFFICER GEFTER: I'm sorry,
19 again, this doesn't help our record. If you want
20 to have that information you can ask counsel.

21 MR. GOLDMAN: Well, the record that I'm
22 trying to --

23 HEARING OFFICER GEFTER: We don't need
24 that on the record.

25 MR. GOLDMAN: -- establish is that there

1 may not be the reliable source of gas that Mr.
2 Eisenman certainly hopes for. And to the extent
3 that that is up in the air, we would, of course,
4 argue that a condition to certification that the
5 Commission should ultimately require would be that
6 North --

7 HEARING OFFICER GEFTER: Okay, Mr.
8 Goldman, you --

9 MR. GOLDMAN: -- Baja be finalized.

10 HEARING OFFICER GEFTER: -- may argue
11 whatever you wish. But in terms of asking the
12 witness the names of people who might have more
13 information, that's something you can ask the
14 counsel, ask his attorney. We don't need to have
15 that on the record. If you can identify those
16 individuals, then you can ask them to testify, or
17 applicant can make them available.

18 But, let's move on.

19 MR. GOLDMAN: Well, for the record, it
20 is in his prepared testimony. He doesn't name
21 names, but he indicates that he is informed. And
22 I was just trying to get some factual basis from
23 his conclusory statement.

24 MS. SEGNER: I believe there are
25 representatives of the North Baja pipeline in the

1 audience today.

2 MR. GOLDMAN: I was not aware of that.

3 BY MR. GOLDMAN:

4 Q Other than the expression from the FERC
5 that the Commission is committed to expeditiously
6 process an application, are you aware of any
7 prospective date for anticipated FERC approval?

8 A I believe the application at FERC
9 requested a certificate by January 2002.

10 Q And has there been any indication from
11 FERC that it would accommodate the request by that
12 date?

13 A My understanding is there were
14 discussions with the FERC Staff before the
15 application was filed, and that the schedule we
16 requested is consistent with the discussions that
17 took place before the filing was made.

18 Q Do you have any understanding as to what
19 percentage of the gas originating in Mexico would
20 be committed to Mexican sources and therefore not
21 available for export into the United States
22 including San Diego?

23 MR. HANSCHEN: I'm going to object to
24 the question. I don't think there's any
25 foundation for the question about gas originating

1 in Mexico. And I don't see the relevancy to the
2 question.

3 MR. GOLDMAN: Well, he can --

4 HEARING OFFICER GEFTER: Your objection
5 is sustained.

6 BY MR. GOLDMAN:

7 Q What is your understanding as to where
8 the gas that would be available from the North
9 Baja pipeline would originate from?

10 MR. HANSCHEN: By originate, you mean
11 where is it produced from?

12 MR. GOLDMAN: Yes.

13 MR. EISENMAN: Well, among other places,
14 New Mexico, Texas, Wyoming.

15 BY MR. GOLDMAN:

16 Q Do you have any understanding as to what
17 percentage of that supply of gas would be
18 available to the San Diego region?

19 MR. HANSCHEN: Objection, relevancy.

20 MR. GOLDMAN: Well, the relevancy is
21 what -- if it's not available to San Diego, it's
22 irrelevant for the purposes of insuring a
23 reasonable supply to the Otay Mesa Project.

24 MR. HANSCHEN: What's relevant is what
25 he testified to, is there's a precedent contract

1 that has been signed by an affiliate of Otay Mesa
2 and he also expressed about the additional extra
3 capacity --

4 HEARING OFFICER GEFTER: Your objection
5 is sustained, and if Mr. Goldman wishes to
6 question the representative from the North Baja
7 pipeline on these issues, who may be more informed
8 on your particular specific questions, the
9 Committee will call the representative from North
10 Baja and make him available for your examination.

11 BY MR. GOLDMAN:

12 Q Mr. Eisenman, if I could refer you to
13 your additional prepared testimony, question 16.

14 A I'm with you.

15 Q Basically the sentence where you state,
16 quote, "One can reasonably assume that if the CPUC
17 determines that there is insufficient pipeline
18 capacity, SDG&E will take steps to rectify the
19 situation or the CPUC will order the appropriate
20 utilities to carry out their public utility
21 obligations."

22 My question to you is what is the
23 factual bases, if any, for your assumption as to
24 that?

25 A I think that the CPUC is aware of the

1 potential constraints on the gas system in San
2 Diego. They are -- the gas pipeline facilities
3 owned by SoCalGas, San Diego Gas and Electric are
4 under the jurisdiction of the CPUC.

5 So, they have the right to open an
6 investigation. That's what they've done.
7 Clearly, if they feel there's not adequate
8 infrastructure from the two utilities, they have
9 the right to tell the two utilities, what are you
10 doing, and you might have to consider building
11 more capacity.

12 And I think it's a very -- it's a
13 potential scenario where either by Commission
14 order, or with Commission authorization after
15 their request, that more capacity, over and above
16 the 70 a day will potentially be built into the
17 San Diego area.

18 Q In connection with that, do you have any
19 understanding as to whether or not Cal-ISO would
20 be involved in that process?

21 A The Cal-ISO has as much right to
22 intervene in a CPUC proceeding as my company does,
23 as your clients do. And I would suspect they
24 would intervene, but you would have to ask them
25 that.

1 Q Are you aware of any protests that they
2 have been filed by Cal-ISO to highlight
3 reliability issues raised by SDG&E proposed --

4 MR. HANSCHEN: Gas reliability issues?

5 MR. GOLDMAN: Yes.

6 MR. HANSCHEN: Can you reference a
7 docket number, please?

8 MR. GOLDMAN: No, I can't.

9 MR. HANSCHEN: Well, I'll object to the
10 question, then, it's without foundation.

11 HEARING OFFICER GEFTER: Your objection
12 is sustained. We had a representative from Cal-
13 ISO here. You could have asked him that question.
14 He's still available, I believe. And we could
15 recall him if you have questions.

16 BY MR. GOLDMAN:

17 Q Are you aware of any concerns that Cal-
18 ISO may have expressed in connection with any
19 deficiencies within the SDG&E gas transportation
20 system?

21 HEARING OFFICER GEFTER: You don't need
22 to respond to that. You can ask Mr. Tobias,
23 representative of Cal-ISO, we can recall him.

24 Your questions now are quite speculative
25 and you're asking the witness to testify about

1 items that obviously are not within his personal
2 knowledge. And it's not helping the record, it's
3 not adding anything to the record.

4 MR. GOLDMAN: Well, I'm actually trying
5 to determine whether or not he does have any
6 personal knowledge to that.

7 HEARING OFFICER GEFTER: And what would
8 be the relevance of that?

9 MR. GOLDMAN: It would impact on his,
10 what he considers to be his reasonable assumption
11 that the situation will basically take care of
12 itself. And that's the basis for that.

13 BY MR. GOLDMAN:

14 Q Mr. Eisenman, the same exhibit, question
15 number 19, you indicate that steps are being taken
16 to insure that the Otay Mesa Generating Facility
17 will have sufficient supplies of natural gas.

18 There is no dispute, is there, that a
19 sufficient supply of natural gas is a significant
20 issue that needs to be addressed prior to
21 certification?

22 MR. HANSCHEN: Object, calls for a legal
23 conclusion.

24 BY MR. GOLDMAN:

25 Q Not based on -- based on your

1 understanding of your professional responsibility.

2 MR. HANSCHEN: I object, it's not
3 relevant.

4 HEARING OFFICER GEFTER: The objection
5 is sustained.

6 BY MR. GOLDMAN:

7 Q In connection with your activities on
8 behalf of the applicant, have you had any
9 discussions regarding steps taken to insure that
10 Otay Mesa would have a sufficient supply of
11 natural gas?

12 MR. HANSCHEN: Your Honor, I mean this
13 is the man's testimony is that he put in today
14 explaining this. I don't know what we're supposed
15 to do here, with the cross-examination --

16 MR. GOLDMAN: It's just a yes or no
17 question to establish foundation.

18 HEARING OFFICER GEFTER: A foundation
19 for what?

20 MR. GOLDMAN: A foundation that the
21 natural gas supply, which is the topic of this
22 portion of the proceedings, is something that he's
23 considered and something that's relevant.

24 HEARING OFFICER GEFTER: He filed
25 testimony on it. Speaks for itself, Mr. Goldman,

1 move on to another question.

2 MR. GOLDMAN: I have no further
3 questions at this time.

4 HEARING OFFICER GEFTER: Thank you.
5 Does the applicant have redirect of your witness?

6 MR. HANSCHEN: No.

7 HEARING OFFICER GEFTER: Thank you, Mr.
8 Eisenman.

9 Do you have another witness?

10 MR. HANSCHEN: Yes, there's one
11 additional witness. Ms. Gefter, may I move into
12 evidence exhibit 77 and that portion of exhibit 75
13 that is sponsored by -- oh, I'm sorry --

14 HEARING OFFICER GEFTER: I believe in
15 both exhibit 77 and 75 had several documents, and
16 Mr. Thompson has indicated that he would --

17 MR. HANSCHEN: Maybe I should let Mr.
18 Thompson do this.

19 HEARING OFFICER GEFTER: -- right, he
20 would move the entire exhibit in when all the
21 witnesses have testified. Is that what you
22 intend?

23 MR. THOMPSON: Yeah, and if I may, we
24 move exhibits 34, 42, 47, 49, 50 and 51 into
25 evidence.

1 HEARING OFFICER GEFTER: And those are
2 exhibits that Mr. Eisenman is sponsoring?

3 MR. THOMPSON: Those are exhibits that
4 Mr. Eisenman sponsored and are contained within
5 his prepared testimony which is a part of exhibit
6 77.

7 HEARING OFFICER GEFTER: Right, okay,
8 34, 42, 47, 49, 50 and 51?

9 MR. THOMPSON: Exactly.

10 HEARING OFFICER GEFTER: Any objection?
11 No objection?

12 MR. GOLDMAN: No objection.

13 HEARING OFFICER GEFTER: Those exhibits
14 are now received into the record. Thank you.

15 Mr. Thompson, are there any other
16 witnesses on the topic of transmission -- I'm
17 sorry -- on reliability and efficiency?

18 MR. THOMPSON: Yes, we would like to
19 recall Mr. Williams. He's previously been sworn.

20 HEARING OFFICER GEFTER: Mr. Williams.
21 Whereupon,

22 ALAN WILLIAMS
23 was recalled as a witness herein and having been
24 previously duly sworn, was examined and testified
25 further as follows:

1 DIRECT EXAMINATION

2 BY MR. THOMPSON:

3 Q Mr. Williams, in your prepared testimony
4 that was filed with this Commission as a part of
5 exhibit 77, a section of that testimony dealt with
6 power plant efficiency and reliability, is that
7 correct?

8 A Yes.

9 Q And as the sections of the AFC that you
10 were responsible for, are those sections in
11 section 4 of the AFC, safety and reliability, is
12 that correct?

13 A Yes.

14 Q And more specific, facility safety,
15 natural hazards, safety precautions, emergency
16 systems, is a part of that safety and reliability
17 testimony, is that correct?

18 A Yes, that's correct.

19 MR. THOMPSON: Mr. Williams is tendered
20 for cross-examination on those areas of safety and
21 reliability.

22 HEARING OFFICER GEFTER: Does staff have
23 cross-examination?

24 MR. OGATA: No questions.

25 HEARING OFFICER GEFTER: Do any of the

1 intervenors have cross-examination?

2 MS. LUCKHARDT: No questions.

3 HEARING OFFICER GEFTER: Thank you,
4 Mr. --

5 MR. GOLDMAN: On behalf of Cabrillo I
6 have --

7 HEARING OFFICER GEFTER: Oh, you do have
8 a question?

9 MR. GOLDMAN: Yes.

10 HEARING OFFICER GEFTER: All right.

11 CROSS-EXAMINATION

12 BY MR. GOLDMAN:

13 Q Mr. Williams, in connection with your
14 analysis of the gas supply have you given any
15 consideration to the impact that the Otay Mesa
16 Generating Plant would have on available gas
17 supplies for existing power plants in San Diego?

18 MR. THOMPSON: I'm going to object. If
19 you want to ask him if he did any analysis of the
20 gas supply prior to that question maybe it's okay.
21 We supplied a witness on gas supply. I don't know
22 that Mr. Williams is capable of answering that
23 question.

24 MR. GOLDMAN: Isn't Mr. Williams being
25 introduced now under power plant efficiency and

1 reliability and that is the gas supply issue as it
2 relates to air quality?

3 MR. THOMPSON: The power plant
4 efficiency and reliability are two areas that the
5 AFC addresses, and they range far beyond only gas
6 reliability issues.

7 MR. GOLDMAN: My understanding is that
8 Mr. Williams was called earlier today in the more
9 limited topic of facility design.

10 MR. THOMPSON: That's correct.

11 MR. GOLDMAN: And he is now being
12 recalled in connection with power plant efficiency
13 and reliability which, as I understand from the
14 Committee, is gas supply issue limited, as the
15 Committee has seen fit to do today, to the
16 ultimate impact of regional air quality.

17 So I'm not asking Mr. Williams any
18 questions about facility design, I did that
19 earlier. And in fact there were certain
20 questions, these same questions I had where I was
21 told that when he comes back in connection with
22 this issue that I could ask him now.

23 MR. THOMPSON: Let me try and clarify.
24 Mr. Williams is a witness on facility design.
25 He's also a witness on power plant efficiency and

1 power plant reliability.

2 Those are staff terms. What we use, the
3 same term in our AFC, was safety and reliability.
4 But it should come under the same rubric, a part
5 of that. And I think what the Committee was
6 attempting to do was to direct the gas supply
7 issue to tell all of us in this hearing that
8 that's where those gas supply issues would be
9 heard.

10 Mr. Williams is not being presented as a
11 witness on gas supply. He is being offered as a
12 witness on those other areas of efficiency and
13 reliability, whose sections of the AFC are
14 contained in his prepared testimony.

15 MR. GOLDMAN: Well, I guess I would ask
16 for direction from the Committee. I'm looking at
17 the notice of evidentiary hearing --

18 HEARING OFFICER GEFTER: Okay, Mr.
19 Thompson's characterization is the intent, which
20 was that when we first scheduled the hearing on
21 the gas supply issue these were the topics under
22 which that particular issue would be heard.

23 Staff has two separate sections, one on
24 efficiency, one on reliability. And I believe
25 that what Mr. Thompson is indicating is that

1 Mr. Williams prepared the AFC on those topics
2 other than gas.

3 And that applicant presented a witness
4 on gas and Mr. Williams is available to be cross-
5 examined on the topics in those two issues other
6 than gas.

7 MR. GOLDMAN: Do I understand correctly
8 then that the schedule contained in the notice of
9 evidentiary hearings, in hearing order, the
10 parenthetical gas supply issues is therefore
11 incorrect?

12 HEARING OFFICER GEFTER: No, it's not
13 incorrect. It was the place where we were going
14 to hear those issues. That's why it was put under
15 that topic.

16 BY MR. GOLDMAN:

17 Q And for clarification from Mr. Williams,
18 what is the scope of your analysis in connection
19 with power plant efficiency and reliability?

20 A I believe the answer to that is my scope
21 of responsibility has to do with the efficiency of
22 the power plant, exclusive of gas and supply
23 questions.

24 Q And in terms of reliability, how does
25 that topic fit into efficiency, if it does?

1 A Again, the reliability of the facility
2 as it pertains to the equipment within the
3 facility versus gas supply.

4 Q So am I correct in understanding your
5 testimony that in the context of your analysis
6 reliability deals purely with operational issues
7 assuming a reliable gas supply?

8 A No, that's not correct. My analysis
9 made no presumption of reliability of gas supply.
10 My analysis and work went to the design of the
11 facility and its competence.

12 Q Could the facility operate without
13 natural gas?

14 A No.

15 Q So is it fair to say that without a
16 reliable supply of natural gas you would not have
17 a comfort level in stating that the power plant
18 could operate reliably?

19 A Yes.

20 MR. GOLDMAN: No further questions.

21 HEARING OFFICER GEFTER: Does the
22 applicant have redirect of your witness?

23 MR. THOMPSON: No, we do not.

24 HEARING OFFICER GEFTER: All right. Do
25 you have any other witnesses on this topic?

1 MR. THOMPSON: No.

2 HEARING OFFICER GEFTER: Thank you, Mr.
3 Williams, you are excused. And, staff, can you go
4 forward now with your witnesses on the topic of
5 power plant efficiency and reliability?

6 MR. OGATA: Thank you, Ms. Gefter. And
7 I think you still need to speak a little closer
8 into the mike, I'm having a difficult time hearing
9 you.

10 HEARING OFFICER GEFTER: Oh, sorry.

11 MR. OGATA: Staff would like to call
12 Steve Baker, Bill Wood and Charles Vartanian.

13 HEARING OFFICER GEFTER: Would the
14 reporter swear in the witnesses, please.

15 MR. OGATA: Mr. Baker has been sworn.
16 Mr. Vartanian and Mr. Wood need to be sworn.

17 MR. GOLDMAN: Point of clarification.
18 Is there a particular reason why these witnesses
19 are apparently going to be testifying as a panel
20 as opposed to individually?

21 HEARING OFFICER GEFTER: Staff has asked
22 that they testify as a panel, and we have --

23 MR. OGATA: Yes, Mr. Goldman, let me
24 explain. The testimony was authored by Mr. Baker
25 on both reliability and efficiency. Mr. Wood and

1 Mr. Vartanian collaborated with Mr. Baker in the
2 preparation of appendix A, and I'm making them
3 available now for cross-examination, since it has
4 to do with the testimony of Mr. Baker in both
5 those areas.

6 So if you have questions about appendix
7 A, which is part of their testimony, that's why
8 these other two gentlemen are available. Mr.
9 Vartanian is going to be very difficult to bring
10 back, so I just wanted to be sure to give an
11 opportunity to cross-examine him at this time.

12 MR. GOLDMAN: Thank you for that
13 clarification.

14 Whereupon,

15 WILLIAM WOOD and CHARLES VARTANIAN
16 were called as witnesses herein and after first
17 being duly sworn, were examined and testified as
18 follows:

19 Whereupon,

20 STEVE BAKER
21 was recalled as a witness herein and having been
22 previously duly sworn, was examined and testified
23 further as follows:

24 //

25 //

1 DIRECT EXAMINATION

2 BY MR. OGATA:

3 Q Mr. Baker, you have before you the
4 testimony of Steve Baker on reliability and
5 efficiency, is that correct?

6 A Yes, it is.

7 HEARING OFFICER GEFTER: Mr. Ogata,
8 you're going to have to move the mike closer to
9 the witnesses if they are answering questions,
10 otherwise the reporter can't hear.

11 MR. OGATA: Right, at the time they
12 speak we'll -- is it on now?

13 BY MR. OGATA:

14 Q Was this testimony prepared, both these
15 pieces of testimony, were they prepared by you or
16 at your direction?

17 A Yes.

18 Q Do you have any changes or corrections
19 you'd like to make at this time?

20 A No.

21 Q Could you please summarize your
22 testimony in reliability first?

23 A In the area of power plant reliability
24 we examined the AFC to see if the applicant
25 proposes to build a power plant that will exhibit

1 normal electric industry levels of reliability.

2 The reason this criterion was chosen
3 because there is no specific direction in the
4 Warren Alquist Act as to what we're supposed to
5 find in reliability. We're only required to
6 examine it.

7 So, I've interpreted that to mean that
8 the power plant, if it's as reliable as a typical
9 power plant on the utility system will not cause
10 any adverse impacts on the system.

11 Q And what is the scope of your testimony
12 on reliability?

13 A The scope includes an examination of the
14 plant's equipment availability, its
15 maintainability, the availability of fuel and
16 cooling water, and power plant's reliability in
17 relation to natural hazards, such as earthquake.

18 Q Okay, thank you. With respect to
19 appendix A, can you briefly summarize appendix A?

20 A I think that would be better done if you
21 asked Mr. Wood or Mr. Vartanian.

22 Q All right.

23 MR. OGATA: Mr. Wood, could you please
24 tell us your job title at the Energy Commission.

25 MR. WOOD: I'm the Chief Natural Gas

1 Forecaster at the Energy Commission.

2 MR. OGATA: And what are your duties?

3 MR. WOOD: My responsibilities are to,
4 in essence, work with the gas utilities and
5 pipelines inside and outside California so that
6 I'm able to be in a position to forecast gas
7 supplies and prices for the California market
8 within each of the utility service areas.

9 MR. OGATA: You're familiar with what's
10 been labeled appendix A, titled, San Diego Gas and
11 Electric Company's summer August peak hour natural
12 gas demand and natural gas pipeline capacity,
13 adequacy determination that's in the final staff
14 assessment?

15 MR. WOOD: Yes.

16 MR. OGATA: And was this written by you
17 under your supervision?

18 MR. WOOD: Charles and I worked together
19 on putting this piece of information together.

20 MR. OGATA: Would you please summarize
21 what's in appendix A?

22 MR. WOOD: Back in the July 24th
23 workshop the parties agreed that we needed to have
24 a multidiscipline study that looked at several
25 scenarios with regards to generation and gas

1 requirements associated with that generation, and
2 also there were several proposals for new
3 pipelines to come into the state and to be used
4 also in going out of the state, also. For
5 instance, the North Baja pipeline.

6 So we put, in conjunction with working
7 with San Diego Gas and Electric we've already
8 heard about cases one, two, three and four with
9 regards to power generation inside the San Diego
10 area and associated with imports.

11 We prepared a gas supply demands
12 scenarios associated with that and the pipeline
13 capacity, new pipeline capacities, and that is
14 reported in attachment A.

15 MR. OGATA: Mr. Vartanian, could you
16 please tell us -- well, first of all, let me ask
17 you, you're familiar with appendix A?

18 MR. VARTANIAN: Yes.

19 MR. OGATA: And were you a participant
20 in preparing that document?

21 MR. VARTANIAN: Yes, I was.

22 MR. OGATA: Were yo a Commission
23 employee at the time you prepared that document?

24 MR. VARTANIAN: I was.

25 MR. OGATA: Are you employed by the

1 Commission now?

2 MR. VARTANIAN: Through an expert
3 witness contract for today.

4 MR. OGATA: Okay. Could you please
5 describe for us what was your role in the
6 preparation of appendix A?

7 MR. VARTANIAN: My role was to provide
8 dispatch scenarios as input to Bill's work on
9 coming up with the gas demand. The electrical
10 dispatch scenarios that would be consistent with
11 scenarios one through four, discussed by San
12 Diego, but updated for the then current
13 information on the operating constraints that
14 would apply.

15 MR. OGATA: At the time you worked at
16 the Energy Commission what was your area of
17 expertise?

18 MR. VARTANIAN: Transmission system
19 engineering. I was an Associate Electrical
20 Engineer.

21 MR. OGATA: That concludes our summary
22 of testimony on reliability, appendix A, and these
23 witnesses are available for cross-examination.

24 HEARING OFFICER GEFTER: Thank you.
25 Does the applicant have cross-examination?

1 MR. HANSCHEN: I just have one question,
2 Ms. Gefter, but I don't know, I think this may be
3 addressed to Mr. Wood.

4 CROSS-EXAMINATION

5 BY MR. HANSCHEN:

6 Q Mr. Wood, you put forward four cases in
7 this study dealing with system load, system
8 imports and system generation.

9 The question I have for you is there
10 have been proposals made here today that, for
11 example, the contention Otay Mesa with respect to
12 the North Baja proposal going forward, and there's
13 been testimony today that that would have the
14 effect of delaying the Otay Mesa project.

15 Do you have an opinion on what would be
16 the impact if Otay Mesa wasn't on line at all in
17 the year 2003 under the case proposals that you
18 set forth?

19 MR. WOOD: I haven't specifically looked
20 at 2003, but if you come to table A-5 for 2002 I
21 did a quick analysis this morning to look at cases
22 one, two and three as to what would happen if Otay
23 Mesa was not there.

24 Under case one there would be, by my
25 calculation, insufficient generation capacity to

1 meet the requirements. And given the constraints
2 that this case had, with regards to imports, that
3 would indicate that not only would there be
4 curtailments in natural gas, but there would also
5 be curtailments in available supply of electricity
6 for customers inside the San Diego service area.

7 For case number two, I looked to see, we
8 have 150 megawatts of generation for Otay Mesa
9 One. Otay Mesa Two is not operational. If you
10 took that 150 megawatts out, that would require
11 then that possibly under this scenario South Bay
12 or even Encina might have to work harder.

13 If that was the case, then you would
14 need an additional 38 million cubic feet a day of
15 supply coming into the system.

16 Given the scenarios associated with that
17 particular year, if you look at table A-4, you
18 will note that for 2002 in case two, for every
19 year there's a curtailment occurring for that
20 particular moment.

21 That would indicate then that this
22 curtailment would be even deeper because of not
23 having Otay Mesa available on line.

24 If you look at case number three, if we
25 take the 249 megawatts out of the system and

1 assuming that there's no other imports available,
2 or no other capacity available, I've applied this
3 to Encina. And came up with we would be short 64
4 million cubic feet per day.

5 This would then indicate that either
6 that more oil would have to be burned in Encina,
7 since it is also under case three for all years,
8 and in 2002 there would be insufficient gas to
9 meet all requirements. So curtailments would be
10 even deeper.

11 MR. HANSCHEN: Mr. Wood, when you talk
12 about gas curtailments being deeper, is it because
13 the existing generation, South Bay and Encina, are
14 not as efficient at generating in terms of the
15 megawatts generated for mcf used that you would
16 have deeper curtailments?

17 MR. WOOD: That is correct. If you look
18 at this particular document you'll see that for
19 these cases that Otay Mesa has a heat rate of 7857
20 Btus per kilowatt hour. In comparison to roughly
21 for Encina and South Bay, something like 10,600
22 million Btus per cubic -- or per kilowatt.

23 MR. HANSCHEN: Okay, so the effect of
24 delay of Otay Mesa is to actually increase the gas
25 demand on the system, is that correct?

1 MR. WOOD: That is correct.

2 MR. HANSCHEN: Now on the electric side,
3 did I hear you correct to say a delay in Otay Mesa
4 would lead to a shortfall of electric supply
5 within the region? Are we talking brownouts?

6 MS. LUCKHARDT: I object to this line of
7 questioning. I don't believe that Mr. Wood is
8 here to testify on electric system.

9 MR. HANSCHEN: Well, my question stands.
10 It's to the panel then, it could be to either one
11 of the panel.

12 MS. LUCKHARDT: I don't believe that
13 anyone in the panel is testifying on transmission
14 system engineering.

15 HEARING OFFICER GEFTER: It seems to be
16 part of their testimony, part of the appendix that
17 Mr. --

18 MR. OGATA: Actually Mr. Vartanian
19 prepared the electrical part of this, and maybe we
20 could just ask him if he's able to answer that
21 question.

22 MR. VARTANIAN: No. Scenario one
23 assumes 2000 megawatts of import. And it was a
24 minimum import scenario. If you want to change
25 the scenario and say something was not available,

1 there's more than adequate import between that
2 level of 2000 and 2850 that would make up the
3 shortfall.

4 Brownouts, under this limited case,
5 would not be a conclusion.

6 MR. HANSCHEN: How about scenarios three
7 and four that Mr. Wood referenced?

8 MR. VARTANIAN: Under three and four?
9 I'd have to give that a little more consideration.
10 I could conclusively say no on one. But two and
11 three, I don't know right offhand.

12 MR. HANSCHEN: All right, that's all the
13 questions .

14 MR. VARTANIAN: I'm sorry, actually
15 there is additional dispatchable generation. The
16 real impact is just the incremental difference in
17 gas burned due to efficiency difference. There's
18 not going to be a shortfall of capacity.

19 MR. HANSCHEN: So it's the first line of
20 questions that I had to Mr. Wood is that you end
21 up having more demands for gas such that you may
22 have to actually switch it to fuel oil, is that
23 correct, Mr. Wood?

24 MR. WOOD: Provided there's not pipeline
25 capacity available to supply the gas, yes.

1 MR. HANSCHEN: All right, thank you.

2 That's all the questions I have.

3 COMMISSIONER PERNELL: Mr. Wood, help me
4 understand what's being said here. I think I do,
5 but if nothing else -- if Otay Mesa was to go away
6 and nothing else happened, are you suggesting that
7 we would still have a gas shortage, and these
8 plants would have to go to some other type of
9 fuel?

10 MR. WOOD: The analysis indicates in
11 2002 that there is a shortage to begin with. And
12 that they have to go to another fuel in order for
13 them to generate to make these megawatt
14 requirements.

15 And if Otay Mesa were to go away,
16 because of its efficiency, in other words it's
17 about 30 to -- 30 percent more efficient than the
18 existing Encina and South Bay units, that would
19 then require that more fuel would have to be
20 burned.

21 And in this case, since we're already
22 into a situation where there is insufficient
23 quantities of gas to meet the requirements, that
24 more oil therefore would have to be burned.

25 COMMISSIONER PERNELL: Thank you.

1 HEARING OFFICER GEFTER: Do any of the
2 intervenors have cross-examination of staff's
3 witnesses?

4 Ms. Luckhardt?

5 CROSS-EXAMINATION

6 BY MS. LUCKHARDT:

7 Q Mr. Wood, that is assuming, follow the
8 same line of questioning, that is assuming that
9 there are no other changes to the system, is that
10 correct?

11 A It's as the scenario was designed.

12 Q Okay, and was that scenario designed for
13 the evaluation of Otay Mesa?

14 A I don't know what the basis was behind
15 the different generation cases. I think the
16 gentleman from San Diego explained that to some
17 extent. How the cases went to two, three and four
18 were pulled together.

19 Q Okay, so you -- okay, I -- that's fine.

20 MS. LUCKHARDT: I do have some other
21 questions. And you guys will have to figure out
22 who needs to answer this.

23 In looking at your cases in the appendix
24 A, it shows, and especially in cases two, three
25 and four, and I think that relates back to your

1 table A-3, a low generation level from Otay Mesa,
2 is that correct?

3 MR. VARTANIAN: Yes.

4 MS. LUCKHARDT: Okay, so those cases do
5 not evaluate a full operation of Otay Mesa?

6 MR. VARTANIAN: Otay Mesa is not a full
7 output in scenarios two, three and four.

8 MS. LUCKHARDT: Okay, so the only case
9 where Otay Mesa is a full output, is that correct,
10 case one?

11 MR. VARTANIAN: Yes, and in fact the
12 number was slightly reduced in our scenario below
13 full output, 249 megawatts per unit versus 279
14 megawatts per unit.

15 MS. LUCKHARDT: And can you explain why
16 there's that discrepancy?

17 MR. VARTANIAN: The resource planning
18 department gave us feedback that they felt that it
19 was a more conservative operating level that they
20 would expect to see for those units. So that was
21 just input from --

22 MS. LUCKHARDT: Okay, so it does not
23 fully characterize the full operation of Otay Mesa
24 then? Otay Mesa could operate at a higher level
25 than you've analyzed here, is that correct?

1 MR. VARTANIAN: Under different weather
2 conditions. We are considering this a peak
3 performance scenario, a peak Otay Mesa output
4 scenario under summer peak conditions.

5 MS. LUCKHARDT: Okay, so it's under
6 summer peak temperatures in that, okay.

7 MR. VARTANIAN: Yes.

8 MS. LUCKHARDT: So I can understand.
9 Okay. And I gather in this evaluation you're
10 showing Rosarito at 182?

11 MR. WOOD: Yes.

12 MS. LUCKHARDT: Have you had an
13 opportunity to review the North Baja application?

14 MR. WOOD: No, I was on vacation when
15 that was sent to the office. I haven't had a
16 chance to see it yet.

17 MS. LUCKHARDT: Assuming that the North
18 Baja application indicates a 200 mm/cfd for
19 Rosarito, would that further impact the gas
20 system?

21 MR. WOOD: Yes.

22 MS. LUCKHARDT: Your analysis in table
23 A-4 reviews a variety of cases, some of them have
24 SDG&E's various proposed upgrades 70, and then to
25 200, and then the North Baja application at

1 various levels. Did you assume when you said
2 North Baja is supplying Otay Mesa, that it was
3 supplying Otay Mesa's full capacity?

4 MR. WOOD: No, just the capacity, the
5 supply that came out that was shown on the --
6 shown on table A-3 I believe.

7 MS. LUCKHARDT: Okay, so it's just
8 analyzing the supply requirement that's there?

9 MR. WOOD: Yes.

10 HEARING OFFICER GEFTER: Ms. Luckhardt,
11 where are you going with these questions?

12 MS. LUCKHARDT: I'm just trying to get a
13 full understanding of what his tables show and
14 don't show in relation to the output of the
15 facilities in light of their questions about
16 dispatch and which facility would operate.

17 HEARING OFFICER GEFTER: What's the
18 point?

19 MS. LUCKHARDT: I believe that Otay
20 Mesa's questions to Mr. Wood were to show that the
21 situation would be worse in light of if you do not
22 add Otay Mesa, the gas curtailment situation would
23 be worse.

24 His analysis, I believe, is based on
25 certain assumptions that are not consistent

1 necessarily with the information that's provided
2 in the North Baja application. And that that
3 would change the numbers.

4 And I want to be able to show that that
5 numbers would change, so I need to make sure that
6 he hasn't considered that in his numbers.

7 HEARING OFFICER GEFTER: And, again,
8 what would be the point of showing that the
9 numbers that appear in the North Baja application
10 are different than the numbers that Mr. Wood has
11 presented with respect to --

12 MS. LUCKHARDT: Because they are basing,
13 I assume, from the line of questioning that they
14 just had that they will argue that without Otay
15 Mesa there will be increased gas curtailments in
16 the area.

17 And that is based upon the information
18 which is here. If the information that is here is
19 based upon information which is not consistent
20 with their actions in North Baja, that may put
21 into question whether their conclusions are
22 correct.

23 HEARING OFFICER GEFTER: How many more
24 questions --

25 MS. LUCKHARDT: That's all I'm --

1 HEARING OFFICER GEFTER: -- do you have?

2 MS. LUCKHARDT: On this issue, I believe
3 I'm finished on that issue.

4 Staff has made some conclusions
5 regarding in the staff analysis that the facility
6 will not degrade the existing system, is that
7 correct? I thought you said that in your initial
8 comments today that it would not degrade the
9 situation. Am I incorrect?

10 MR. BAKER: I was summarizing the
11 purpose of the reliability testimony which I use a
12 criterion will the power plant exhibit reliability
13 typical of that of other power plants on the
14 utility system.

15 MS. LUCKHARDT: Does that include the
16 gas supply?

17 MR. BAKER: Yes, it does.

18 MS. LUCKHARDT: And is that conclusion
19 based upon construction of full North Baja and the
20 two proposed SDG&E, SoCal proposals?

21 MR. BAKER: Yes, for this reason. In
22 this case I concluded that the Otay project, the
23 Otay power plant would be as reliable as the other
24 power plants on the San Diego Gas and Electric
25 system, assuming that whatever constraints apply

1 to the other power plants would also apply to
2 Otay, and vice versa.

3 MS. LUCKHARDT: And so if Otay were to
4 degrade the reliability of that system, that
5 wouldn't factor in?

6 MR. BAKER: If I had found that I would
7 have put that in my conclusions. But I did not
8 determine that.

9 MS. LUCKHARDT: Okay. I thought that
10 you indicates that it would make the situation
11 worse in the near term?

12 MR. BAKER: To put it colloquially, the
13 San Diego Gas and Electric's gas distribution
14 system is broken. Otay Mesa didn't break it and
15 Otay Mesa can't fix it.

16 MS. LUCKHARDT: Okay, so you're relying
17 upon the actions, I gather, of other parties to
18 solve that problem?

19 MR. BAKER: What I'm saying is that I
20 don't believe it will matter whether Otay Mesa is
21 built or not. I believe there's a problem with
22 San Diego's gas distribution system. And I
23 believe that there is work underway to solve the
24 problem.

25 The problem exists now with or without

1 Otay Mesa. The problem will be solved in the
2 future with or without Otay Mesa.

3 MS. LUCKHARDT: Even though you indicate
4 that you believe that the North Baja pipeline is
5 still speculative?

6 MR. BAKER: That's right.

7 MS. LUCKHARDT: Okay, you make a couple
8 statements in your testimony, and I don't know if
9 you have the same page numbering I do, I have it
10 at 334 and 330, regarding the greater efficiency
11 of the Otay Mesa facility.

12 MR. OGATA: You're referring to the
13 efficiency testimony, is that correct?

14 MS. LUCKHARDT: One of them is in -- are
15 we splitting this testimony?

16 MR. OGATA: Well, I had them just
17 basically do reliability first, but certainly is
18 testifying efficiency can coincide with this.

19 MS. LUCKHARDT: Okay, do you want me to
20 wait on that, or -- I can --

21 MR. OGATA: No, you may as well ask him
22 now. I mean I'll just follow up with him
23 sponsoring efficiency testimony as well, later.

24 MS. LUCKHARDT: Okay, I'm sorry.
25 Everything's so interrelated, I was confused.

1 In that section you talk about the
2 greater efficiency of the Otay Mesa plant would
3 tend to lessen cumulative impacts.

4 Does that take into account the
5 operating requirements, the electricity operating
6 requirements in the San Diego area?

7 MR. BAKER: In general, yes. I didn't
8 address the electric system, as such, in any
9 detail at all. Believe me, I don't do wires. I
10 only do pipes.

11 But I'm assuming that within the box of
12 the San Diego Gas and Electric service area, that
13 the more efficient Otay Mesa plant, in operation,
14 would make problems, the gas supply problems less.

15 MS. LUCKHARDT: And did you, in making
16 that conclusion, rely upon the oil burning
17 capability of the other facility?

18 MR. BAKER: No. Because it's my
19 understanding that whether they burn gas or oil
20 there's no significant impact on their efficiency,
21 therefore there would be no difference. Remember,
22 I'm not addressing air quality.

23 MS. LUCKHARDT: I understand that. I'm
24 just trying to get the basis for your conclusion.

25 In your analysis, or this may be Bill

1 Wood, did you look at potential of gas
2 curtailments in the winter?

3 MR. WOOD: No, I haven't taken an
4 opportunity to look at gas curtailments in the
5 winter principally because I didn't have any
6 scenarios that showed how the generators would be
7 dispatched. There is more capacity available for
8 imports in the wintertime, so it makes it a little
9 more difficult to come up with doing a back-of-
10 the-envelope analysis without having some sort of
11 simulation that's been done under given scenarios.

12 So, no, I have not. But -- no, I have
13 not.

14 MS. LUCKHARDT: Okay. And then in
15 reviewing appendix A, is it correct to assume that
16 to truly resolve the gas problem in San Diego you
17 need both the 200 SDG&E addition and the North
18 Baja? Is that a fair general statement to make?

19 MR. WOOD: If we consider that case one
20 is a potential that can happen, then, yes.

21 MS. LUCKHARDT: And in all the other
22 cases Otay Mesa does not operate at a very high
23 level, is that correct?

24 MR. WOOD: Under those cases, yes.

25 MS. LUCKHARDT: Okay, thank you. That's

1 all I have.

2 HEARING OFFICER GEFTER: Thank you. Is
3 there any other cross-examination?

4 MR. GOLDMAN: On behalf of Cabrillo I
5 have a few questions of either Mr. Wood or Mr.
6 Vartanian.

7 HEARING OFFICER GEFTER: Okay.

8 CROSS-EXAMINATION

9 BY MR. GOLDMAN:

10 Q To either Mr. Wood or Mr. Vartanian, in
11 connection with appendix A, on page 2 there's a
12 reference to case four, -- SDG&E. Do either of
13 you know what is the assumed megawatts in terms
14 of --

15 MR. VARTANIAN: 408 megawatts.

16 MR. GOLDMAN: 408 megawatts. And how
17 did you come up with that?

18 MR. VARTANIAN: That was provided by San
19 Diego Gas and Electric.

20 MR. GOLDMAN: I presume that Mr. Wood
21 will be able to answer this because it deals with
22 gas and not electricity.

23 Do I understand correctly that winter
24 peak demand at San Diego is higher than summer
25 peak demand for natural gas?

1 MR. WOOD: Yes, it is.

2 MR. GOLDMAN: By how much?

3 MR. WOOD: The most recent demand that
4 I'm aware of this summer, the peak demand was
5 about 545 million cubic feet per day this summer.
6 The highest that I've heard for the winter was
7 January of 1999, I believe it was 580 million
8 cubic feet per day.

9 MR. GOLDMAN: I have several questions
10 of Mr. Baker. And, Mr. Baker, if you could refer
11 back again to what was marked as exhibit 79, which
12 was the March 16, 2000 report of conversation.

13 Until our discussion of this exhibit was
14 deferred to this time, I think we had started with
15 the first paragraph that you had put in, because I
16 recall the question was who expressed concern with
17 the gas supply to the area affected by the Otay
18 Mesa project.

19 MR. BAKER: As I recall, the answer was
20 I was the one concerned.

21 MR. GOLDMAN: Okay, and why was that?

22 MR. BAKER: Because I was analyzing the
23 reliability of the fuel supply to the Otay Mesa
24 Project.

25 MR. GOLDMAN: Okay. In connection with

1 your discussion with Mr. Montoya, do I accurately
2 read your statement here, it's the second-to-last
3 paragraph, that as you understood from him he
4 indicated that it would take five years to put
5 additional lines in operation?

6 MR. BAKER: That's what was said in our
7 conversation. Understand two things. First, this
8 was all -- this whole discussion was broad
9 generalities; and second, it took place a long
10 time ago. Much has transpired since then.

11 MR. GOLDMAN: Okay.

12 HEARING OFFICER GEFTER: Also, Mr.
13 Montoya is here to testify, so if you have
14 questions that go to what Mr. Montoya said, you
15 can ask him directly.

16 MR. GOLDMAN: Well, we certainly intend
17 to do that, but this is a document that was
18 prepared by Mr. Baker without Mr. Montoya's
19 participation as an author of the document.

20 In connection with your reference that
21 much has changed since March 16th when you wrote
22 this report of conversation, are you aware of any
23 facts that lead you to indicate that the five year
24 timeframe that you heard from Mr. Montoya is no
25 longer applicable?

1 MR. BAKER: Well, I've been told that
2 San Diego Gas and Electric has proceeded with the
3 70 million cubic foot a day upgrade to their
4 system.

5 I'm also aware, as you are, of the
6 progress that's been made toward building the
7 North Baja line.

8 MR. GOLDMAN: And as you've been sitting
9 here today you've heard the testimony that was
10 offered by Mr. Eisenman on the North Baja line.
11 Other than that that you've heard, do you have any
12 knowledge of any other type of progress in
13 connection with the North Baja line?

14 MR. BAKER: No.

15 MR. GOLDMAN: If we could go to the FSA,
16 your testimony regarding power plant reliability,
17 I do have a few questions. It starts at page 317.

18 Under the LORS discussion, you state
19 that staff takes the approach that a project is
20 acceptable if it does not degrade the reliability
21 of the utility system to which it is connected.

22 Am I correct in assuming that you,
23 meaning the staff, not necessarily you personally,
24 but you in conjunction with your colleagues, are
25 charged with analyzing reliability issues to

1 prevent certification of a project that would
2 degrade the overall reliability of the electrical
3 system to which a project is connected?

4 MR. BAKER: The mandate to examine
5 reliability is in the Warren Alquist Act, our
6 enabling legislation. It tells us that we must
7 examine reliability. It does not tell us what
8 we're supposed to find.

9 I will take blame or credit for coming
10 up with this criterion, since in a vacuum it fell
11 to me years ago to try to decide what we are
12 looking for.

13 I proposed that it would be reasonable
14 to examine reliability in a context of will this
15 power plant degrade the reliability of the utility
16 electrical system to which it is attached. And
17 that criterion has held with staff and with the
18 Commission through numerous siting cases over the
19 last 13 years.

20 MR. GOLDMAN: So is it your testimony
21 that that standard has been consistently applied
22 over those 13 years?

23 MR. BAKER: Yes.

24 MR. GOLDMAN: And do you have any reason
25 to expect that that would not be applicable in

1 this proceeding?

2 MR. HANSCHEN: Objection, calls for
3 speculation.

4 MR. GOLDMAN: He knows or he doesn't.

5 HEARING OFFICER GEFTER: It's up to the
6 Committee to determine whether it's applicable or
7 not.

8 BY MR. GOLDMAN:

9 Q You state, also, under your discussion
10 of LORS, that in the case of the Otay Mesa
11 Generating Project, a reliable fuel supply to the
12 project is in question in the further discussion
13 below.

14 As we sit here today, is that still the
15 case?

16 MR. BAKER: Yes, but let me repeat again
17 what I said a few moments ago. San Diego's gas
18 system is broken. Otay Mesa didn't break it.
19 Otay Mesa can't fix it.

20 The San Diego gas distribution system is
21 under repair. At the moment everyone in that
22 system is a potential victim of curtailment, as I
23 understand it.

24 On a bad day a lot of people could go
25 without gas, including power plants. On a good

1 day there's enough gas for everyone.

2 After what I've heard recently about the
3 possibility of an agreement among the power plant
4 owners for pro rata curtailments on curtailment
5 days I'm even more convinced than before that the
6 Otay Mesa Project's existence and operation in the
7 system will not change anything. It won't make
8 the system any less reliable than it is,
9 understanding, of course, that the system is not
10 as reliable as it could be.

11 MR. GOLDMAN: Do I understand you to say
12 that based on your analysis that you are aware of
13 no scenario under which operation of the Otay Mesa
14 Project would worsen the gas supply situation?

15 MR. BAKER: I can't speak from the
16 electrical end. As far as the gas supply end, my
17 understanding is that when Otay is dispatched,
18 because of its greater efficiency, it will
19 actually lessen the problems. It will burn less
20 gas than what the other plants in the region, in
21 the service area, and therefore ease up the
22 curtailment situation.

23 MR. GOLDMAN: Does that analysis include
24 any consideration of the impact on air quality in
25 the region as a result of curtailments to other

1 plants?

2 MR. BAKER: No.

3 MR. GOLDMAN: And I presume that's
4 because that is not within the scope of your
5 analysis, correct?

6 MR. BAKER: That's very correct.

7 MR. GOLDMAN: On page 319, in really the
8 context of the discussion of the setting, there's
9 a reference that the applicant proposes to provide
10 reliability to the San Diego region and sell
11 ancillary services, but offer no specific plans.

12 Since the time that you wrote this
13 section of the FSA, are you aware of any specific
14 plans that the applicant has presented in
15 connection with providing reliability to the San
16 Diego region?

17 MR. BAKER: No, I'm not. Repeat your
18 question, please.

19 MR. GOLDMAN: Since the time that you
20 wrote this statement in the FSA, are you aware of
21 any specific plans that the applicant has provided
22 to you to provide reliability to the San Diego
23 region?

24 MR. BAKER: No.

25 MR. GOLDMAN: Going to page 321 of your

1 analysis under fuel supply reliability, the second
2 paragraph indicates, quote, "It is questionable
3 whether there will be adequate distribution
4 capacity to serve the Otay Mesa Generating Plant."

5 Has that situation changed since the
6 time that you wrote this section of the FSA?

7 MR. BAKER: No. There is less doubt now
8 than there was at the time I originally wrote
9 this, that the problems will be fixed. However,
10 at this very moment there is still a question of
11 adequate capacity, as witnessed by the current
12 curtailment.

13 MR. GOLDMAN: Meaning today's date?

14 MR. BAKER: Yes.

15 MR. GOLDMAN: Have you, in your
16 analysis, ever considered the requirement that
17 certification of the Otay Mesa Generating Project
18 be conditioned upon its offering specific plans to
19 provide reliability to the San Diego region.

20 MR. BAKER: No.

21 MR. GOLDMAN: And why not?

22 MR. BAKER: I concluded that the gas
23 supply problems in the San Diego service area are
24 being solved now. There's steps underway to solve
25 the problems.

1 I concluded that the problems will be
2 solved sooner or later. I don't believe that
3 certifying Otay Mesa will slow down or stop any of
4 these solutions. I believe the problems will be
5 solved with or without Otay.

6 MR. GOLDMAN: You indicate in the same
7 section, it's the third paragraph into your fuel
8 supply reliability discussion, that in the past
9 when curtailment was imminent, the Encina and
10 South Bay Power Plants switched to fuel oil for
11 the duration of the curtailment.

12 This is becoming less feasible, however,
13 as the owners of these plants are under pressure
14 to improve air emissions, and then you indicated
15 that any reliance on oil presents these owners
16 with substantial problems, and referred to the air
17 quality section of this document.

18 I gather that while you were not the
19 author of the air quality section of the FSA, you
20 did discuss with your colleagues the connection
21 between curtailment of natural gas supply to
22 existing power plants, and air quality issues?

23 MR. HANSCHEN: Objection, vague and
24 ambiguous. I mean I don't know what the
25 connection is.

1 MR. GOLDMAN: Well, what did you mean by
2 the sentence: Any reliance on oil presents these
3 owners with substantial problems?

4 MR. BAKER: I based this paragraph on
5 discussion at a workshop in San Diego several
6 months ago in which the owners of the Encina and
7 South Bay Plants, or at least the Encina Plant,
8 discussed at some length restrictions on oil
9 burning and the problems that it causes them, and
10 how they're under pressure from the air quality
11 people to reduce oil burning to the extent
12 possible.

13 MR. GOLDMAN: And does the presence of
14 this statement by you in this section of the FSA
15 and your referral to the air quality section
16 indicate that the issue of curtailment can have an
17 impact on air quality in the San Diego region?

18 MR. BAKER: I did not make that claim.
19 I only refer you to the air quality section.

20 MR. GOLDMAN: Why do you refer the
21 reader to the air quality section in this section?

22 MR. BAKER: Because I profess no
23 expertise in the matters of air quality, and I
24 will not pretend to be an expert in air quality.

25 MR. GOLDMAN: What did you mean by

1 saying that reliance on oil presents these owners,
2 meaning Encina and South Bay, with substantial
3 problems?

4 MR. BAKER: Drawing from the discussion
5 of that earlier workshop they were talking about
6 the situation where they're only allowed to burn
7 oil so many hours a year. And if they're forced
8 by gas curtailments to burn up their hours early
9 in the year, then later on when they may need that
10 oil at other times, or at peak times to catch the
11 market, they'll have used up their allotment for
12 the year and won't be allowed to burn any more
13 oil.

14 MR. GOLDMAN: What is your understanding
15 as to why these owners would not be allowed to
16 burn any more oil in terms of using up their
17 allotment?

18 HEARING OFFICER GEFTER: That's better
19 asked of the air district and SDG&E, referring to
20 Rule 14, the air district. The witness isn't an
21 expert on that topic. And we're getting into all
22 kinds of minutiae here which is beyond the scope
23 of the testimony and beyond the scope of this
24 witness' expertise.

25 MR. GOLDMAN: Well, I'm --

1 HEARING OFFICER GEFTER: Let's move on.

2 MR. GOLDMAN: -- asking him about what
3 he wrote in the power plant reliability section,
4 as I understand it. The Committee has decided
5 that the issues of reliability are to be limited
6 to the potential impact on regional air quality.
7 And --

8 HEARING OFFICER GEFTER: And we intend
9 to take testimony on regional impact to air
10 quality in the air quality section when we take
11 evidence on it next week.

12 MR. GOLDMAN: That is true, but to
13 repeat, the Committee indicated today on the
14 record that the issue of plant reliability would
15 be limited not to electrical grid system
16 reliability, but rather the impact of fuel
17 reliability in terms of its connection to air
18 quality.

19 And not surprisingly, that is referred
20 to here in this discussion. I'm just asking him
21 questions about what he wrote.

22 HEARING OFFICER GEFTER: And I believe
23 the witness has answered the question, and let's
24 move on.

25 MR. GOLDMAN: Do you have any reason to

1 believe, Mr. Baker, that your reference to the air
2 quality section of this document in the context of
3 other power operators reliance on oil is
4 misplaced?

5 MR. BAKER: No. It's simply a pointer
6 suggesting that the reader study the air quality
7 section for further information on this topic.

8 MR. GOLDMAN: Is it your understanding
9 that there is a connection between curtailment of
10 natural gas to the Encina and South Bay Power
11 Plants, and a potential for an adverse impact on
12 regional air quality?

13 MR. BAKER: I am not qualified to make
14 that judgment.

15 MR. GOLDMAN: Were you qualified to
16 include in this paragraph the statement you wrote,
17 quote, "This is becoming less feasible, however,
18 as the owners of these plants are put under
19 pressure to improve air emissions?"

20 MR. BAKER: I was paraphrasing or
21 quoting the discussion that I heard at that
22 workshop earlier this year.

23 MR. GOLDMAN: Did you have any reason to
24 doubt the credibility of what you heard at the
25 workshop?

1 MR. BAKER: If I doubted the credibility
2 I would not have repeated it in my testimony.

3 MR. GOLDMAN: So, is it fair to say that
4 since you repeated it in your testimony you
5 thought that it was worthwhile to include, at
6 least by reference, in your analysis of power
7 plant reliability?

8 MR. BAKER: Again, I put it here as a
9 pointer. This is one of the questions that's
10 floating around in the air. I'm not the one to
11 answer the question. If you look in air quality
12 you may find the answer.

13 HEARING OFFICER GEFTER: The question's
14 been asked and answered about ten times, Mr.
15 Goldman. Let's move on.

16 MR. GOLDMAN: You then discuss in the
17 next paragraph discussions among SDG&E, Southern
18 California Gas and the CPUC regarding the need to
19 expand capacity of SDG&E's delivery system.

20 Do you have any reason to conclude in
21 the passage of time since you wrote this analysis
22 that there is no longer a need to expand the
23 capacity of SDG&E's delivery system?

24 MR. BAKER: While this testimony is a
25 little dated I don't believe any of it needs to be

1 changed. The process has moved along a little
2 farther than it was at the time I wrote this, but
3 I believe everything here is still true to some
4 degree or another.

5 MR. GOLDMAN: Along those lines, in the
6 paragraph you conclude that, quote, "Until
7 discussions have been made on how to finance these
8 improvements, however, no expansion is likely."

9 Is that still an accurate assessment as
10 we sit here today?

11 MR. BAKER: I believe that goes without
12 saying. If there's no money to do the work, the
13 work will not be done. Neither you, nor I, nor
14 anyone else in this room is willing to reach into
15 his pocket and pull out the cash to build another
16 pipeline. And I think we can extend that to
17 anyone and everyone in the San Diego service area.

18 MR. GOLDMAN: So, to summarize you are
19 still of the opinion, are you not, that no
20 expansion of the SDG&E delivery system is likely
21 until financing arrangements have been made,
22 correct?

23 HEARING OFFICER GEFTER: That question
24 is more appropriately asked of SDG&E, and they've
25 indicated, in fact, that they do intend to expand

1 the pipelines. The question is inappropriate. I
2 wish you'd move on.

3 MR. GOLDMAN: Well, I'm asking him about
4 if he still agrees with what he wrote in his
5 analysis. I presume you still do?

6 HEARING OFFICER GEFTER: He also
7 indicated previously that he agrees with what he
8 wrote. So, let's move on. That's enough, Mr.
9 Goldman.

10 If you're asking the questions for the
11 record, we don't need any more of these questions.
12 Let's go.

13 MR. GOLDMAN: Well, I just want to
14 reiterate for the record that it is important,
15 from the intervenor's perspective, to enrich the
16 record so that we will be able to properly brief
17 the issue. So, that's why we're here. And I ask
18 the Committee's continued indulgence.

19 In this same section on fuel supply
20 reliability, it's actually the last two paragraphs
21 I'd ask you to focus on. If you'd just take a
22 moment to read the two paragraphs and let me know
23 when you've done so. I just have a few follow-up
24 questions.

25 MR. BAKER: These two paragraphs?

1 MR. GOLDMAN: Yes.

2 (Pause.)

3 HEARING OFFICER GEFTER: Do you have a
4 question?

5 MR. GOLDMAN: I'm waiting for him to
6 read it.

7 MR. BAKER: Go ahead.

8 MR. GOLDMAN: Are your comments in those
9 two paragraph still applicable as we sit here
10 today?

11 MR. BAKER: Yes.

12 MR. GOLDMAN: Okay. Do your comments
13 reflecting your analysis of the fuel supply
14 reliability issue constitute an analysis of the
15 impact of Otay Mesa on gas reliability as an
16 additional user?

17 MR. BAKER: In a qualitative sense, yes.

18 MR. GOLDMAN: And what do you mean by in
19 a qualitative sense?

20 MR. BAKER: I've not performed a
21 quantitative analysis of any impacts. I've relied
22 on this study done by Mr. Wood and Mr. Vartanian,
23 and other information that I've gathered, some of
24 which you have before you, and other information
25 which, for instance, I gained at a workshop or at

1 other venues in this project.

2 I've put all this together and what you
3 see is these two paragraphs.

4 MR. GOLDMAN: If you could turn to page
5 325, the conclusion. You indicate in the second
6 paragraph that delivery problems with the SDG&E
7 gas system have existed for some time.

8 You then indicate that the Otay Mesa
9 Generating Plant did not cause these problems.
10 Although its operation could serve to worsen the
11 situation in the near term.

12 What did you mean by that?

13 MR. BAKER: Just generally acknowledging
14 the possibility that at some moment during the
15 year the Otay Plant might cause a little more
16 curtailment than might otherwise be the case,
17 perhaps not.

18 Again, I did not do a detailed
19 quantitative analysis. This is just a qualitative
20 conclusion.

21 MR. GOLDMAN: You also indicate that
22 once other distribution options have been brought
23 on line reliability of gas supply to the Otay Mesa
24 Generating Plant should not be of concern, nor
25 would its effect on the reliability of gas supply

1 to others on the SDG&E system.

2 Is that still your conclusion as we sit
3 here today?

4 MR. BAKER: Yes.

5 MR. GOLDMAN: Without other distribution
6 options, would the reliability, which is in fact
7 the situation we see here today, would the
8 reliability of gas supply to Otay Mesa still be a
9 concern?

10 MR. BAKER: I'll repeat something I said
11 a few minutes ago. I've evaluated the reliability
12 of the Otay Mesa Plant in relation to the
13 reliability of other power plants in the San Diego
14 Gas and Electric system.

15 And I've concluded that it will likely
16 exhibit the same or better level of reliability.
17 It will not degrade the reliability of power
18 plants in the San Diego Gas and Electric system.

19 HEARING OFFICER GEFTER: Mr. Goldman, at
20 this point you are asking the witness the same
21 questions over and over. And we are getting to
22 the end of the day. We have several witnesses
23 waiting to testify.

24 We're going to ask you to wind up. And
25 we want SDG&E to put their witnesses on. They've

1 indicated that they are not available next week.

2 Mr. Baker would be available at another
3 hearing. And you can continue cross-examination
4 at that time. At this point we'd like you to --

5 MR. GOLDMAN: Well, given the time
6 constraints, I will take you up on your offer, if
7 need be, to ask Mr. Baker questions at another
8 time. Thank you.

9 HEARING OFFICER GEFTER: SDG&E, I know
10 that you have witnesses that are anxious to leave.

11 MR. THORP: Yes, actually only one
12 witness. We call Benjamin Montoya as soon as
13 these witnesses are finished.

14 HEARING OFFICER GEFTER: And, staff, I
15 don't know if you had any redirect of Mr. Baker or
16 of any of your other witnesses, but let's hold
17 that till, if necessary, the next time next week.

18 MR. OGATA: That's fine. The only
19 problem is the ability of Mr. Vartanian. So we'll
20 have to work around it if there's any questions
21 for Mr. Vartanian, it would be helpful to know
22 that.

23 HEARING OFFICER GEFTER: He will not be
24 available?

25 MR. OGATA: I think we may have just one

1 additional question for Mr. Vartanian.

2 HEARING OFFICER GEFTER: Well, let's do
3 that later. I want to go forward with San Diego
4 Gas and Electric.

5 MR. OGATA: Well, Mr. Vartanian, if he's
6 through he's --

7 HEARING OFFICER GEFTER: When are you
8 leaving?

9 MR. OGATA: Oh, okay, excuse me. I
10 thought he had to catch a plane, but apparently
11 he's going to be available for a few more minutes.
12 So that's fine.

13 HEARING OFFICER GEFTER: Okay. We are
14 going to move on and ask SDG&E to present your
15 witness.

16 MR. THORP: Thank you, Ms. Gefter.
17 SDG&E calls Benjamin Montoya.

18 HEARING OFFICER GEFTER: Mr. Montoya can
19 be sworn, please.

20 Whereupon,

21 BENJAMIN MONTOYA
22 was called as a witness herein and after first
23 being duly sworn, was examined and testified as
24 follows:

25 //

1 DIRECT EXAMINATION

2 BY MR. THORP:

3 Q Mr. Montoya, can you state your name for
4 the record, please.

5 A Yes. My name is Benjamin A. Montoya.

6 Q And what is your position at SDG&E?

7 A I am a Senior Engineer in the Gas System
8 Planning section at SDG&E.

9 Q Is the document entitled, prepared
10 direct testimony of Benjamin A. Montoya your
11 testimony in this proceeding?

12 A Yes, it is.

13 Q Was it prepared by you or at your
14 direction?

15 A Yes, it was prepared by me.

16 Q Do you have any changes or corrections
17 to your testimony?

18 A Yes, I do. On page 3, under SDG&E
19 response number four, the date that says April of
20 1999 should be April of 2000.

21 Q Do you have any other changes or
22 corrections to your testimony?

23 A No, I don't.

24 MS. LUCKHARDT: Wait, wait, can you
25 again -- where was that?

1 MR. MONTOYA: That was page 3 under
2 SDG&E response number four, the date April of 1999
3 should be April of 2000.

4 MS. LUCKHARDT: Thank you.

5 BY MR. THORP:

6 Q I'd like to follow up with just one
7 question on a point that staff made -- or the
8 Commission made earlier today, is Pipeline 2000
9 constructed?

10 A Yes, Pipeline 2000 was constructed.
11 Another clarification is that there is a separate
12 pipeline which we call the border extension which
13 extends from the end of Pipeline 2000 in the Otay
14 area to the border.

15 Q And that has been constructed, as well?

16 A Yes, it has.

17 MR. THORP: Mr. Montoya is available for
18 cross-examination.

19 HEARING OFFICER GEFTER: Pipeline 2000
20 is available then for the Otay Mesa Project to
21 interconnect, is that correct?

22 MR. MONTOYA: Yes. And as I understand
23 it, there are two alternative routes. They could
24 potentially connect to the end of Pipeline 2000 or
25 to the border extension pipeline. But both of

1 those are available.

2 HEARING OFFICER GEFTER: Does the
3 applicant have cross-examination?

4 MR. HANSCHEN: Just a few questions.

5 CROSS-EXAMINATION

6 BY MR. HANSCHEN:

7 Q Mr. Montoya, Peter Hanschen for the
8 applicant. Your corrected testimony now is that
9 the Encina Power Plant became a firm customer in
10 April of this year, is that correct?

11 A That's correct.

12 Q Is that also true of South Bay?

13 A Yes, it is.

14 Q Prior to that time both the Encina and
15 South Bay Plants were owned by SDG&E, is that
16 correct?

17 A Not directly prior to that time, but,
18 yes, SDG&E was the owner of those plants.

19 Q And when they were under the ownership
20 of SDG&E did they take firm service or
21 interruptible service?

22 A Interruptible.

23 Q And did SDG&E in terms of its design of
24 its gas system, did it take into account that
25 these were interruptible customers, and not firm

1 customers?

2 A It took into account that they were
3 interruptible customers, and in fact in our last
4 VCAP, where we submitted a resource plan, our
5 design criteria were designed for firm noncore and
6 core customers; interruptible customer load was
7 not considered.

8 Q Okay. Is it fair to say that the design
9 of the SDG&E gas system as we know it today
10 reflects the fact that Encina and South Bay Plants
11 historically were interruptible gas customers?

12 A Yes, the design today, as I said, April
13 1st is when they became firm. So the design today
14 reflects that they were interruptible, yes.

15 Q And the fact that they have modified
16 their service requirement from an interruptible
17 status to a firm status, has that put increased
18 pressure on the SDG&E gas system?

19 A Let me say that in the past our criteria
20 has been to design for core primarily, which is
21 residential customer load. And under that
22 criteria we have been able to serve firm noncore
23 load, which traditionally was not power plants.

24 Now that the power plants have assumed
25 firm service, now that firm noncore load is higher

1 than that core criteria.

2 So, yes, that question has been brought
3 up. And in fact one action we took this summer in
4 conjunction with SoCalGas was to offer an open
5 season to solicit customer response to, you know,
6 additional capacity and customer commitment to
7 that capacity.

8 So, SDG&E has taken some action to
9 remedy that.

10 Q Do you recall the timing and the
11 relationship of the filing of the AFC by Otay Mesa
12 as compared to Encina and South Bay switching to
13 firm service?

14 A Was the filing a year ago, roughly?

15 Q I'm asking you. Do you recall?

16 A I recall that it was sometime about a
17 year ago.

18 Q Does it predate Encina and South Bay
19 opting to switch for firm service?

20 A Are you asking does the filing predate
21 April 1st of 2000?

22 Q That's correct.

23 A Yes, as I understand it.

24 Q Now, let me turn to page 3 of your
25 testimony. In the bottom of that page you have

1 FSA statement number five.

2 It says, page 4 of appendix A of the FSA
3 states that, quote, "While this level of flow
4 would not be expected to occur for more than a few
5 hours, to meet the peak hour level of demand the
6 delivery system would have to have the same
7 capability as if it did occur for the full 24
8 hours." Do you see that?

9 A Yes, I do.

10 Q You went on to comment about how you
11 felt that that statement, at least in part, was
12 incorrect, is that right?

13 A That's right.

14 Q And then you specifically referenced the
15 footnote that goes with that statement that made
16 an analogy to an automobile, is that right?

17 A Yes.

18 Q I want you to focus on the first part of
19 that statement where it says: While this level of
20 flow would not be expected to occur for more than
21 a few hours. Do you see that?

22 A Yes, I do.

23 Q Do you agree with that portion of the
24 statement?

25 A No, I'm trying to recall what the

1 statement was before that.

2 Q I think the statement's in terms of peak
3 demands. Do peak demands occur across a full 24-
4 hour period, or do they tend to be for a shorter
5 period of time?

6 A I would say no, they do not typically
7 occur over a 24-hour period.

8 Q Okay. When you have a gas peaker on,
9 for example, it's not taking at its peak maximum
10 demand for the full 24-hour period, is that right?

11 A No. We haven't seen that.

12 Q Now, SDG&E currently operates under a
13 rolling block form of curtailment of gas supplies,
14 is that right?

15 A Rotating block, yes.

16 Q Rotating block, that's right.

17 A Yes.

18 Q And one of the proposals made today at
19 least by the applicant was perhaps adopting a pro
20 rata portion for curtailment to electric
21 generators, is that right?

22 A Yes, I heard that.

23 Q Can you obtain the same approach to pro
24 rata curtailment by requiring multiple meters for
25 electric generators and having smaller blocks?

1 A Obtain the same result as what?

2 Q As pro rata curtailment.

3 A Multiple meters for each customer, I
4 guess explain it a little further.

5 Q Multiple meters, perhaps, for each unit
6 or even portions of their gas supply, would that
7 further ameliorate some of the impacts of a
8 rolling block curtailment?

9 A Are you saying that individual meters --
10 well, I'm putting words in your mouth -- but if a
11 customer has multiple meters, that one meter would
12 be in a block, and then other meters of other
13 customers would be in a block?

14 Q Well, is that a possible way that SDG&E
15 would administer its rolling block curtailment?

16 A That is a possible way.

17 Q And if a customer has multiple meters,
18 more meters than it presently has, has a meter on
19 each unit, does that give SDG&E additional
20 flexibility in administering its multiple block
21 curtailment approach?

22 A Yes, as I understand Rule 14, it is the
23 meter that we use. Not necessarily the full
24 customer assigned to each block.

25 Q Do you know, Mr. Montoya, whether meter

1 costs are acceptable costs reflected in RMR
2 contracts?

3 A No, I don't.

4 MR. HANSCHEN: That's all the questions
5 I have.

6 PRESIDING MEMBER LAURIE: Ms. Gefter, I
7 have a question of Mr. Montoya.

8 HEARING OFFICER GEFTER: Yes.

9 EXAMINATION

10 BY PRESIDING MEMBER LAURIE:

11 Q In your opinion, assume the construction
12 of Otay Mesa. Are the two other plants more or
13 less likely to be curtailed because of gas
14 constraints? If you have an opinion.

15 A More likely to be curtailed in a single
16 event, curtailment event? I guess assuming that
17 Otay was built, they would be included in Rule 14
18 randomly assigned to a rotating block. They would
19 have equal chance of being curtailed with other
20 electric generation customer.

21 Q But if, as some of the intervenors have
22 alleged, that this project utilizes a part of the
23 gas supply that would otherwise be available to
24 them, and that gas supply is suddenly less
25 available because this project exists, does that,

1 in your opinion, result in a greater likelihood of
2 curtailment?

3 A Assuming all other conditions being the
4 same when you add an additional load in a
5 particular customer class it would increase the
6 chances of curtailment.

7 PRESIDING MEMBER LAURIE: Thank you.

8 HEARING OFFICER GEFTER: Does staff have
9 cross-examination of the witness?

10 MR. OGATA: We have no questions, but we
11 do want to state for the record that we do accept
12 the factual corrections of Mr. Montoya and Mr.
13 Tinoso, and we appreciate their bringing those
14 changes to our attention.

15 HEARING OFFICER GEFTER: All right. And
16 those corrections were contained in exhibit 73.

17 MR. OGATA: Correct.

18 HEARING OFFICER GEFTER: Okay. Is there
19 cross-examination of the witness from any of the
20 intervenors?

21 Ms. Luckhardt, do you have questions?

22 MS. LUCKHARDT: I have a couple
23 questions. I'm trying to see if Mr. Hanschen has
24 already asked them so that I don't need to take
25 your time to ask them.

1 CROSS-EXAMINATION

2 BY MS. LUCKHARDT:

3 Q Referring to your testimony, Mr.
4 Montoya, response to number five, which I believe
5 was the same one Mr. Hanschen was asking you
6 about.

7 A Yes.

8 Q In the very last paragraph of your
9 testimony is what I'm referring to, where you're
10 talking about design of the system.

11 Isn't it true that when you're looking
12 at electric generation load that that would be
13 expected to peak at the same time considering the
14 electric peak?

15 A Yes.

16 Q So, when you're designing your system
17 you wouldn't design it to have electric generators
18 peak at different times?

19 A No, you wouldn't.

20 Q And then in response to another question
21 from Mr. Hanschen, isn't it correct that SDG&E --
22 I'm not sure whether it was SoCal or SDG&E, I'm
23 assuming it's SDG&E, initiated the open season?

24 A SDG&E and SoCal, in conjunction, issued
25 that open season.

1 Q Okay, so that was not something that
2 either South Bay or Encina created, isn't that
3 true?

4 A When you say created, what do you mean?

5 Q There was an implication that South Bay
6 and Encina entered that -- or initiated that open
7 season or caused that open season to occur after
8 their application was filed.

9 A I think -- well, you may be referring to
10 a filing we've made saying that summer conditions
11 we have seen a local generation at higher levels
12 than we expected.

13 Q Okay, and in response to that you
14 initiated your open season?

15 A That was one factor we took into
16 account. In other words, it changed our
17 assumptions for future curtailment.

18 Q And then you indicated briefly in your
19 initial comments on the open season that you do
20 that open season so that you can finance upgrades,
21 is that correct?

22 A It was one method of gauging customer, I
23 guess customer interest in expansion. Because
24 there is no automatic criteria which requires us
25 to build. So that was a way of gauging customer

1 interest in further expansion of the system.

2 Q Okay.

3 A And possibly getting commitment for
4 financing.

5 Q Okay.

6 HEARING OFFICER GEFTER: Again, it seems
7 that we're ranging widely here. And if you have a
8 point, get to that.

9 MS. LUCKHARDT: I have gotten to that
10 point. I simply wanted to dispute the implication
11 that was presented by applicant.

12 BY MS. LUCKHARDT:

13 Q Now, when you talk about the impacts to
14 the system from a peak load situation, even if
15 that peak load is over, say, an hour or a four-
16 hour period, as opposed to a 24-hour like daily
17 type average, the curtailment or any curtailment
18 or the maximum use on the system would have to
19 address that peak use, would it not?

20 A Yes, it would. That's typically when
21 you would be curtailing.

22 Q Okay, and I bring this up in relation to
23 the discussion we had outside earlier where there
24 was some implication that you --

25 MR. HANSCHEN: Well, wait a second. I

1 think those discussions were in the nature of
2 settlement, and if I'm going to have --

3 MS. LUCKHARDT: I really want to object
4 to this because you brought up all kinds of things
5 that have come out of that discussion.

6 MR. HANSCHEN: We brought up our
7 proposal. We're making our proposal outside of
8 that, those discussions. But if I'm going to be
9 quoted back, as to what I said during that
10 meeting, I object very very strongly.

11 HEARING OFFICER GEFTER: I have a
12 question for Mr. Montoya, because what we're
13 concerned about are the impacts on the air quality
14 in the region.

15 And if the Encina and South Bay Plants
16 are curtailed, do they have any times that they
17 have to burn fuel oil, you know, to your knowledge
18 during times of curtailment?

19 MR. MONTOYA: In previous curtailments?
20 I mean as it was stated, we're in the process of a
21 curtailment now.

22 HEARING OFFICER GEFTER: Yes.

23 MR. MONTOYA: Historically over the last
24 six years the power plants were curtailed for one
25 hour on each of two episodes. And that was the --

1 HEARING OFFICER GEFTER: Did they burn
2 fuel oil at that time?

3 MR. MONTOYA: Yes, for one hour on each
4 of those two episodes. We're in a new environment
5 now, so those periods of time could definitely be
6 longer. And that's, I believe we saw some of that
7 last night.

8 HEARING OFFICER GEFTER: Were they
9 burning fuel oil last night?

10 MR. MONTOYA: As I understand it they
11 were.

12 HEARING OFFICER GEFTER: Okay, that's
13 what we're interested in. And all the other stuff
14 about --

15 MS. LUCKHARDT: I understand that --

16 HEARING OFFICER GEFTER: -- arguing with
17 counsel --

18 MS. LUCKHARDT: -- if I could --

19 HEARING OFFICER GEFTER: -- and that
20 sort
21 of --

22 MS. LUCKHARDT: -- give you a brief
23 offer of proof. I believe in the testimony filed
24 either by Mr. Beach or Mr. Filippi, I'm not sure
25 which, they seemed to indicate that the loads can

1 shift over 24 hour period, and I think it's
2 important to bring out the point that if there is
3 a four hour or six hour peak period, that that has
4 to be addressed, and that that could cause a
5 curtailment in itself, and it's not just the 24
6 hour load that is important here.

7 BY MS. LUCKHARDT:

8 Q Are you in agreement with that, Mr.
9 Montoya?

10 A I'm not --

11 MR. HANSCHEN: Was that a question?

12 MS. LUCKHARDT: That's fine, that's
13 fine. No, that's fine, I just --

14 MR. HANSCHEN: Just restate it then,
15 make it easier to understand.

16 BY MS. LUCKHARDT:

17 Q Okay. I just want to get your opinion
18 on whether you can balance out a 24 hour load when
19 you have say a peak period for four to six hours
20 in the afternoon like we've seen on the
21 electricity system.

22 A I think, you know, the reason I
23 responded to this, I think the presumption was
24 being made that you need to assume a peak for 24
25 hours, and therefore it turned into a larger

1 number that was added to the demand. And the
2 numbers were showing that we were under capacity
3 by some huge amount.

4 And so, no, that's not the case. You
5 look at a realistic situation. You have a period
6 of that peak. And, yes, that number has an
7 effect, and it's the peak that we're looking at.

8 Now, the duration of the peak is
9 significant to our system. And the, you know, the
10 quantities we're talking about during that peak.

11 And, in fact, the effect this summer, we
12 saw the power plants ramp up early and ramp up
13 high. And that serves to draw down on our system
14 quicker, and the power plants stayed on longer
15 than we've seen them in the past.

16 It actually reduces the capacity, the
17 number that we've stated is actually less because
18 of the profile of that load. If that makes sense.

19 Q No, that's very helpful, thank you.

20 A Okay.

21 MS. LUCKHARDT: That's all I have.

22 HEARING OFFICER GEFTER: Thank you. Mr.

23 Varanini.

24 //

25 //

1 CROSS-EXAMINATION

2 BY MR. VARANINI:

3 Q Mr. Montoya, I'm Gene Varanini with the
4 Livingston lawfirm, for Cabrillo. I have just a
5 couple questions for you.

6 In your discussion with counsel from
7 PG&E you talked quite a bit about concepts
8 involving interruptible status for the historic
9 electric generators in San Diego, is that correct?

10 A Yes.

11 Q Would it be fair to say that the reason
12 for interruptibility of those machines was the
13 fact that they were dual fueled, and that in that
14 era you could use either gas or fuel oil as
15 required?

16 A That was part of the reason. And
17 another reason was the fact that they were owned
18 by the utility and we had more control over them,
19 also.

20 Q It seems to me going along a little bit
21 further in your discussion with counsel for
22 PG&E --

23 MR. HANSCHEN: Can I -- counsel for Otay
24 Mesa, not PG&E.

25 MR. VARANINI: Fine.

1 BY MR. VARANINI:

2 Q It seems to me that the discussion
3 really centered on peak gas requirements versus
4 kind of average gas requirements against electric
5 generation requirements, is that right? Do you
6 remember that?

7 A Which discussion?

8 Q Well, several you've had, I can't keep
9 them all straight, myself. But I understood you
10 to say that you were making a differential between
11 the way you build your system to meet electricity
12 peak and issues related to kind of averaging
13 requirements for load duration over some period of
14 time.

15 HEARING OFFICER GEFTER: Mr. Varanini,
16 you're characterizing the witness' testimony when
17 he was cross-examined by counsel for Otay Mesa --

18 MR. VARANINI: Yes.

19 HEARING OFFICER GEFTER: -- so that was
20 a few minutes ago that you're talking about?

21 MR. VARANINI: Um-hum.

22 MR. MONTOYA: Okay, yes, we were talking
23 about peak versus --

24 BY MR. VARANINI:

25 Q Right. My question is whether or not,

1 to the extent to which you know, in managing the
2 system, what type of a buildup do you need in the
3 a gas system to get in the peak period, and then
4 how much time does peak take, and then is there an
5 ability to ramp down the system in terms of
6 serving peak electrical load?

7 A Well, giving specific times and amounts,
8 there are various other loads occurring. There
9 are core peaks. If you're talking about a cold
10 day like, you know, colder weather, we have core
11 peaks in the morning that have a different effect
12 than if we're talking about summer load where
13 there isn't a core peak in the morning.

14 So that answer would vary depending on,
15 you know, which conditions we're talking about.

16 Q In your judgment, do you believe that
17 the Energy Commission Staff numbers were, in terms
18 of requirements, were more focused on the buildup
19 and peak than average loads?

20 MR. HANSCHEN: Can we just get some
21 clarification on what numbers Mr. Varanini is
22 referring to?

23 MR. VARANINI: I'm referring to the
24 discussion that's gone on for awhile, which we
25 certainly have no ability to criticize, but we're

1 talking about basically the gas loads for meeting
2 electrical generation peak requirements.

3 HEARING OFFICER GEFTER: He's talking
4 about appendix A, Mr. Wood's testimony.

5 MR. VARANINI: Appendix A, and I'm just
6 suggesting -- I'm just asking Mr. Montoya's
7 judgment as to whether he believes that those
8 higher numbers were focused on a systems buildup
9 and peak, rather than simply peak.

10 MR. HANSCHEN: Well, can I -- are we
11 talking about table A-3, and if so, which case
12 under A-3? I mean there's a whole series of
13 scenarios here.

14 MR. VARANINI: I'm really just trying to
15 find out whether, in a general way whether the
16 notion that a peak number is wrong because it
17 occurs for a limited period of time, and that when
18 you're looking at gas availability and systems
19 delivery capability versus the notion of simply
20 taking the peak number, dividing by 24 and having
21 a different requirement.

22 So, I'm --

23 HEARING OFFICER GEFTER: What is the
24 point of your question?

25 MR. VARANINI: Well, the point of my

1 question is simply that peak doesn't mean
2 instantaneous peak in the gas system like it does
3 in the electricity.

4 You have a build-up time period and you
5 have the peak period, and you need the
6 infrastructures worked out.

7 HEARING OFFICER GEFTER: And what does
8 that go to? To what issue are you addressing --

9 MR. VARANINI: I think you're going to
10 find next week, at the next thrilling installment,
11 that there's going to be one heck of a battle
12 about gas availability and gas delivery
13 capabilities based on a judgment of whether you're
14 looking at a peak number or average number.

15 And I'm suggesting that we ought to
16 start thinking about peak periods and buildup
17 periods rather than comparing and contrasting peak
18 versus average. That's all.

19 I'm just asking Mr. Montoya in terms of
20 his listening to staff testimony if he has any
21 opinion about that they have taken that into
22 account in the way they've done their gas
23 requirement numbers.

24 MR. HANSCHEN: Well, I'm going to object
25 to the question because it now misstates the

1 staff's testimony. Being as Mr. Varanini won't
2 exactly refer me to which table he's looking at, I
3 can only surmise he's looking at table A-3, which
4 is expressed in mmcf per day. It's not expressed
5 in build-ups or ramp-downs or peak periods. It is
6 a 24 hour period. And --

7 HEARING OFFICER GEFTER: I was going to
8 direct Mr. Varanini to ask staff that question.

9 MR. VARANINI: All right. I'll do that
10 next week.

11 I think that's all I have.

12 HEARING OFFICER GEFTER: Thank you. Do
13 you have redirect of your witness?

14 MR. THORP: No redirect, Ms. Gefter.

15 HEARING OFFICER GEFTER: Okay.

16 EXAMINATION

17 BY HEARING OFFICER GEFTER:

18 Q Mr. Montoya, the Committee is concerned
19 about the impacts when the fuel oil is burned,
20 okay, and when the plants were owned by SDG&E you
21 were subject to Rule 69. And subsequently Rule 69
22 continued to apply to these power plants, is that
23 right?

24 A Yes, it does.

25 Q Okay. So, to what extent are these

1 plants limited in producing electricity by burning
2 fuel?

3 A You asked by burning fuel, in other
4 words does it limit their ability, to the extent
5 that they have oil available, it shouldn't affect
6 their ability to -- in other words, if they burn
7 the equivalent oil burn as natural gas, they'll
8 have the same generation capacity.

9 Q So the concern is the impacts to the
10 regional air quality and the constraints of Rule
11 69?

12 A Um-hum.

13 HEARING OFFICER GEFTER: Thank you.

14 Okay, Mr. Montoya, thank you.

15 MR. THORP: We'd offer exhibit 73 into
16 evidence.

17 HEARING OFFICER GEFTER: Any objection
18 to exhibit 73?

19 MR. OGATA: No objection.

20 MS. LUCKHARDT: No objection.

21 HEARING OFFICER GEFTER: Exhibit 73 is
22 now received into the record.

23 I understand that Cabrillo had a witness
24 on this topic. It's also very late in the day.
25 Why don't we go off the record and discuss whether

1 we want to continue at this point.

2 (Off the record.)

3 HEARING OFFICER GEFTER: Okay.

4 MR. HANSCHEN: Peter Hanschen for the
5 applicant. This is an item that we would like the
6 Committee to take administrative notice of. It's
7 an official filing that was made with the Air
8 Pollution Control District on November 8, 2000.
9 It's entitled, District answer to petition for
10 variance number 3709, Duke Energy, South Bay, LLC.

11 We're not planning on introducing this
12 into evidence. It doesn't have to be. I think we
13 just simply want that to be a portion of the
14 record, and that the Commission can take
15 administrative notice of the filing with the Air
16 Pollution Control District Hearing Board.

17 MS. LUCKHARDT: We would object to that.
18 At this point I haven't even seen the filing he's
19 talking about. And to have it be a one side --
20 it's not a decision of the Air District. It
21 doesn't sound like it's a final determination by
22 the Air District --

23 PRESIDING MEMBER LAURIE: But what we
24 will do --

25 MS. LUCKHARDT: It sounds like it's a

1 part of an ongoing procedure.

2 PRESIDING MEMBER LAURIE: Well, what we
3 will do, if you desire to have us take
4 administrative notice of a specified document, you
5 have to make that document available to us and
6 other parties, and provide them an opportunity to
7 consider and object. And you can do that for next
8 week if you desire.

9 MR. HANSCHEN: All right, thank you.

10 HEARING OFFICER GEFTER: Meantime, as it
11 is a very late hour we're going to put over the
12 testimony of Mr. Weatherwax on behalf of Cabrillo,
13 and also the two witnesses that the applicant had
14 presented direct testimony, exhibits 80 and 81,
15 they will also be available next Monday on
16 November 21st to continue this topic.

17 I also wanted to point out that we are
18 scheduled to begin next Monday at 3:00 p.m. So
19 the testimony of the witnesses on this topic of
20 gas availability and impacts on regional air
21 quality, the testimony will be taken late in the
22 day. Hopefully the witnesses will be available at
23 that time.

24 Before we close we understand that the
25 Intervenor Cabrillo had one more question of

1 Mr. Vartanian for staff, because he's not going to
2 be available next week. We want you to ask that
3 question now.

4 And then we have a few housekeeping
5 matters, and then we're going to adjourn.

6 MR. GOLDMAN: There are about three or
7 four questions that should go rather quickly.

8 CROSS-EXAMINATION

9 BY MR. GOLDMAN:

10 Q Mr. Vartanian, if you could take a look
11 at appendix A to the FSA. Specifically page 3,
12 the middle paragraph which begins with the words,
13 "As illustrated".

14 If you'd take a look at the paragraph,
15 read it, I have a question about the following
16 sentence: While aggregate SDG&E import capability
17 is not reduced, this constraint may limit the
18 ability of SDG&E's internal transmission system to
19 incorporate maximum power delivery from the
20 Southwest power link 500 kV import path coincident
21 with high levels of output from Otay Mesa.

22 Mr. Vartanian, I have a question about
23 some of the variables I think you're possibly
24 considering here. Does the "this" in terms of
25 "this particular constraint" to which you refer

1 mean that limits on the imports with Otay Mesa in
2 operation?

3 A The constraints, the threat to overloads
4 downstream of Miguel 230 kV without the physical
5 upgrades that are discussed in the final facility
6 study report May 9, 2000, without the physical
7 upgrade the scenario one and two or the remedial
8 action scheme, yes. Evacuating full output of
9 Otay Mesa coincident with full import, up to full
10 simultaneous import levels, is not possible.

11 Q Okay, so the constraint to which you
12 speak is the scenario assuming that Otay Mesa is
13 in operation, correct?

14 A The constraint is irrespective of Otay
15 Mesa operating or not.

16 Q Does Otay Mesa have any impact on this
17 constraint?

18 A Not as modeled. The output is reduced
19 to a level whereby it does not have an impact on
20 that constraint, or the impact is mitigated.

21 Q How is it mitigated?

22 A By them accepting reduced dispatch to
23 congestion management in the operating scenario we
24 modeled.

25 Q If it were fully operational, though,

1 would that affect your conclusion?

2 A Well, the plant is fully operational;
3 it's the output level, at full output level
4 coincident with full use of the Southwest power
5 link portion of their simultaneous import paths
6 without the downstream -- there's threat of
7 overloads which San Diego will not accept --

8 Q So is --

9 A -- that are --

10 Q Didn't mean to interrupt.

11 A So, yeah, under that scenario in which
12 they would not allow to happen, yes, there would
13 be a threat of overloads that exceeds San Diego's
14 reliability criteria.

15 Q So are you assuming that Otay Mesa would
16 not be fully operational under this scenario?

17 A I would be assuming that they're fully
18 operational, but operating at less than full
19 output.

20 Q And in terms of when you refer to the
21 constraint that you discuss here, this constraint
22 may limit the ability of SDG&E's internal
23 transmission system to incorporate maximum power
24 delivered, isn't this always a limitation on
25 imports until new transmission upgrades are

1 concluded?

2 HEARING OFFICER GEFTER: What's the
3 relevance of this? Where are we going?

4 MR. GOLDMAN: This is again going to the
5 issue of fuel reliability which has, as has been
6 discussed and acknowledged by Mr. Montoya, an
7 impact on air quality.

8 So it's basically again from step one to
9 step two without the limitations on fuel supply,
10 then there's no curtailments. And if there's no
11 curtailment, there's no air emissions issue.

12 So the reason that there is an air
13 emissions issue is because there is anticipated to
14 be curtailments in light of limitations on the
15 system.

16 HEARING OFFICER GEFTER: Well, that's
17 what we've been talking about all day.

18 MR. GOLDMAN: That's what I'm talking
19 about --

20 HEARING OFFICER GEFTER: Could you just,
21 can you ask the question specifically.

22 MR. GOLDMAN: I just did.

23 MR. VARTANIAN: I'll need to rehear it.

24 MR. GOLDMAN: Okay.

25 MR. THORP: For the record I'd just

1 object to counsel's characterization. Mr. Montoya
2 didn't say anything about air quality.

3 MR. GOLDMAN: Well, the record will
4 speak for itself.

5 BY MR. GOLDMAN:

6 Q In using your, as I understand it, the
7 variable, which is that the constraint which you
8 have described just moments ago may limit the
9 ability of SDG&E's internal transmission system.

10 Isn't this always going to be a
11 limitation on imports until new transmission
12 upgrades are completed?

13 A With the project without physical
14 upgrade you cannot get maximum output of Otay Mesa
15 coincident with that level of import on that
16 particular portion of the Southwest power link.

17 Q So, is the answer then yes?

18 A Yes, but that's not required to meet the
19 operating scenario presented in terms of loads and
20 resources. It's not, in my mind, a credible
21 operating scenario for that load level in that
22 year.

23 Q And is that given the limitations on the
24 SDG&E system? Is that why it's not a credible
25 scenario?

1 A No, it's not credible because under a
2 minimum import/maximum internal generation they
3 would not be running at maximum import levels of
4 2850 megawatts. The scenario we're talking about
5 is a scenario in which you would not need maximum
6 generation and maximum import at the same time to
7 meet the load levels that are modeled in the
8 scenario.

9 So, maybe at some future time when the
10 load levels get to a point you would need full
11 internal resources, plus full import capability,
12 then, yes, there would be that constraint.

13 But for the load levels that San Diego
14 did the dispatch for --

15 PRESIDING MEMBER LAURIE: Sir, to the
16 extent that you can answer yes or no, answer yes
17 or no. And please ask questions that can be
18 answered in an appropriate timeframe. You have
19 three minutes, Mr. Goldman.

20 MR. GOLDMAN: Okay, was the answer -- I
21 can repeat it. It was phrased as a yes or no
22 question.

23 BY MR. GOLDMAN:

24 Q When -- applies, isn't this always a
25 limitation on imports until new transmission

1 upgrades are concluded?

2 A No.

3 MR. HANSCHEN: I'm going to object.

4 This question has been asked and answered at least
5 three times now.

6 HEARING OFFICER GEFTER: You just asked
7 that question.

8 MR. VARTANIAN: The answer is no.

9 BY MR. GOLDMAN:

10 Q Okay. Final question. If you would
11 refer to table A-5, looking at case two, do I --
12 how great would the curtailment be looking at the
13 year projected for 2005?

14 A Well, you'd have only 50 megawatts of
15 Otay Mesa Generation Project operational. That's
16 basically absorbing the full curtailment in 2005.

17 Q Is that 500 megawatts?

18 HEARING OFFICER GEFTER: He already told
19 us what it says. We can read it.

20 MR. GOLDMAN: It says 50 there.

21 HEARING OFFICER GEFTER: That's what he
22 said.

23 MR. VARTANIAN: Well, subtract 50 from
24 whichever basis you want, full installed capacity
25 or operating value of 498, and you have the amount

1 of reduced output, not reduced capability, just
2 reduced output under that operating scenario.

3 HEARING OFFICER GEFTER: Okay, thank
4 you. We're going to move on now.

5 We have a couple of issues that we want
6 to bring to staff's attention and to the parties.
7 One of the concerns that we have is with respect
8 to the alternatives analysis.

9 The Committee is not satisfied with
10 staff's alternatives analysis, especially with
11 respect to smaller alternative projects. And we
12 would like to see an amplification of that
13 analysis.

14 Can you give us an estimate of how long
15 it would take to amplify that analysis.

16 MR. OGATA: Could you give us some more
17 definition about --

18 HEARING OFFICER GEFTER: There was a
19 section in the alternatives testimony --

20 MR. OGATA: -- smaller?

21 HEARING OFFICER GEFTER: -- which talked
22 about a 250 megawatt project. Or any other size
23 project. Smaller, or even larger than the one
24 that we're looking at. And we need amplification
25 of that particular analysis.

1 MR. OGATA: You want additional
2 scenarios about different sizes, and how much
3 detail are you looking for?

4 HEARING OFFICER GEFTER: About the same
5 amount of detail that would be required under
6 CEQA, which would -- staff's analysis of no
7 project alternative, for example, or staff's
8 analysis as has appeared in other project
9 analyses.

10 Do you have a sense of how long it would
11 take you to do that analysis?

12 (Pause.)

13 HEARING OFFICER GEFTER: We would like
14 to see it by December 4th, is that too soon? And
15 if you can't give us a date right now, we'll set
16 it for December 4th, and we will talk about it
17 next week if that date is too soon.

18 All right. Also, that --

19 MR. OGATA: Are you stating that you
20 wanted the testimony for hearing on December 4th,
21 or --

22 HEARING OFFICER GEFTER: For hearing on
23 December 4th, so it would have to come before --

24 MR. OGATA: Okay, so you need to have
25 it --

1 HEARING OFFICER GEFTER: -- it would
2 have to be available before December 4th. And I
3 think at this point we're all very -- it's been a
4 long day. We will talk about timing on it next
5 week.

6 In the meantime in the next week or so
7 perhaps we can discuss it among the parties in
8 terms of timing. I just wanted to give everyone a
9 heads up that we are going to look for that
10 further analysis.

11 The other issue that we want to see
12 analysis on is with respect to Rule 69 and the
13 impacts on regional air quality.

14 We have received testimony from staff on
15 that, and also the applicant has submitted some
16 information on that. We'd like to see that
17 analysis amplified, perhaps in testimony next
18 week. We'd like to focus on that. We believe
19 that is the issue at hand here.

20 We're not exactly clear why Encina and
21 Duke have been so diligent in their cross-
22 examination of our witnesses with respect to
23 curtailment. We all know that there is
24 curtailment, there will be curtailment, and the
25 impacts that we're looking at, that we're

1 concerned about are the impacts to regional air
2 quality.

3 And we'd like everyone to focus on that,
4 give us some information on that, particularly the
5 intervenors. We haven't seen anything from you.
6 We've just seen allegations and assertions and
7 cross-examination. We'd like to see some actual
8 evidence of the impacts.

9 And we are going to review staff's and
10 applicant's filings on that, and we may want
11 amplification as well. We'll talk about that.

12 PRESIDING MEMBER LAURIE: And we will
13 hold such additional hearings as may be necessary
14 to accomplish that.

15 HEARING OFFICER GEFTER: And at this
16 point, unless there are any other housekeeping
17 matters, the hearing is adjourned.

18 (Whereupon, at 5:20 p.m., the hearing
19 was adjourned, to reconvene at 3:00
20 p.m., Monday, November 20, 2000, at this
21 same location.)

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CERTIFICATE OF REPORTER

I, DEBI BAKER, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Hearing; that it was thereafter
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I further certify that I am not of
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