

STANDING SITING COMMITTEE WORKSHOP  
BEFORE THE  
CALIFORNIA ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

In the Matter of: )  
 )  
PALOMAR ENERGY, LLC )  
 ) Docket No.  
Petition for Soil and Water ) 01-AFC-24C  
Condition 5 Modification )  
\_\_\_\_\_ )

CALIFORNIA ENERGY COMMISSION  
FIRST FLOOR HEARING ROOM B  
1516 NINTH STREET  
SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 5, 2006

9:04 A.M.

Reported by:  
Peter Petty  
Contract No. 170-04-001

COMMITTEE MEMBERS PRESENT

John L. Geesman, Presiding Member

STAFF AND CONSULTANTS PRESENT

Arlene Ichien, Staff Counsel

Paul Kramer, Staff Counsel (via teleconference)

Roger Johnson

Brian Ellis

David Vidaver

Connie Bruins

Paul Richins

REPRESENTING THE LICENSEE

James Avery, Senior Vice President  
Dan Baerman, Director of Generation  
San Diego Gas and Electric Company  
Sempra Energy

Taylor Miller, Attorney  
Sempra Energy/San Diego Gas and Electric

Joan Heredia, Permitting Manager  
Joseph H. Rowley, Vice President, Energy Supply  
Sempra Energy

Bob Jackson, Project Director  
Palomar Energy

ALSO PRESENT

Pat Thomas, Director of Public Works  
Mary Ann Mann, Director of HARRF  
Scott Blaising, Attorney  
John Burcham, Superintendent, Wastewater Treatment  
Plant  
City of Escondido

ALSO PRESENT

Corey Briggs, Attorney (via teleconference)  
Bill Powers (via teleconference)  
Border Power Plant Working Group

Quinn Eastman (via teleconference)  
Escondido North County Times

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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

2 9:04 a.m.

3 PRESIDING MEMBER GEESMAN: This is a  
4 workshop by the California Energy Commission's  
5 Standing Siting Committee. I'm John Geesman, the  
6 Presiding Member of that Committee. It's possible  
7 that Commissioner Boyd will join us later, but I'm  
8 not certain if he's available today or not.

9 We're holding this workshop to discuss  
10 the application for an amendment to a license  
11 issued earlier by the Energy Commission. The  
12 amendment is being requested by Palomar Energy,  
13 LLC, and has to do with the existing requirement  
14 to use recycled water for cooling tower makeup  
15 process water, landscape irrigation and all other  
16 nonpotable uses. Apparently there are no backup  
17 provisions in the license as it current stands  
18 when water supply is interrupted.

19 It's my understanding that staff has  
20 requested, contrary to the agenda that we  
21 published, that it would probably be most  
22 expeditious if SDG&E went first, if that's  
23 acceptable to you, it's fine with me.

24 But before we do that I wanted to go  
25 around the table and ask people to introduce

1 themselves. And then I'll go to the people on the  
2 phone to get a sense of who's actually with us.

3 So why don't we start then with -- I  
4 guess we don't call you the applicant today, we  
5 call you the licensee. Mr. Miller.

6 MR. MILLER: Yes, thank you,  
7 Commissioner Geesman. We have with us today Mr.  
8 Jim Avery, Senior Vice President for Electric with  
9 SDG&E, who submitted a comment letter to the  
10 Commission yesterday, which I believe you all  
11 have.

12 We have Dan Baerman, who is the -- hope  
13 I get the title right --

14 MR. BAERMAN: Director of Generation.

15 MR. MILLER: -- Director of Generation  
16 within Mr. Avery's department. And we have Joan  
17 Heredia, who is a staff member with Sempra's  
18 permitting group that helped put the application  
19 together, the petition for the amendment.

20 Myself, as counsel for the petitioner  
21 today.

22 Then I'll turn to the City and ask Pat  
23 to introduce his group.

24 MR. THOMAS: Okay. My name is Pat  
25 Thomas. I'm the Director of Public Works for the

1 City of Escondido. And we have Mary Ann Mann, who  
2 is our Utilities Manager for the City. We have  
3 John Burcham, who is our Wastewater Treatment  
4 Plant Superintendent. And Mr. Scott Blaising, who  
5 is counsel for the City.

6 PRESIDING MEMBER GEESMAN: Thank you all  
7 for being here. Staff, Arlene.

8 MS. ICHIEN: Good morning, I'm Arlene  
9 Ichien; I'm sitting in for Paul Kramer, Counsel to  
10 the Commission Staff. And on my right is Roger  
11 Johnson, Office Manager for the siting program.

12 And we have two members from staff here,  
13 Brian Ellis from the biology office --

14 MR. ELLIS: Water.

15 MS. ICHIEN: I'm sorry, water unit. And  
16 David Vidaver from the electricity analysis  
17 office. And Connie Bruins is the Compliance  
18 Manager for this petition.

19 MR. MILLER: I'm sorry, I committed a  
20 faux pas here. I forgot to introduce some  
21 additional members of our team.

22 PRESIDING MEMBER GEESMAN: Okay.

23 MR. MILLER: I'm so sorry, I apologize.  
24 Sort of went with this side of the table.

25 Bob Jackson is at the other side of the

1 table, and Bob was the director of the  
2 construction of the power plant from the  
3 beginning. And will explain just what the status  
4 of the plant is in a few moments.

5 And we also have an honored guest, Joe  
6 Rowley, who was the original developer; conceived  
7 of the project from the beginning and worked as  
8 the developer of the project for the first, I  
9 guess, three, four years. And so he's with us  
10 today, as well.

11 PRESIDING MEMBER GEESMAN: Okay. Now, I  
12 think we have people on the telephone. Would you  
13 identify yourselves, please?

14 MR. POWERS: Bill Powers, Border Power  
15 Plant Working Group.

16 MR. EASTMAN: Quinn Eastman, North  
17 County Times.

18 MR. BRIGGS: Corey Briggs, one of the  
19 attorneys for Border Power Working Group.

20 MR. KRAMER: Paul Kramer, Staff Counsel.

21 PRESIDING MEMBER GEESMAN: Anyone else?  
22 Very well. Why don't we proceed then if it's okay  
23 with SDG&E in terms of going first. I should let  
24 you know I have read the staff analysis dated  
25 March 29th. I have not yet had a chance to read

1 the SDG&E letter dated April 4th. So you can  
2 assume that I do have a knowledge of the staff  
3 analysis, but we're interested in getting your  
4 response to it today, Jim.

5 MR. AVERY: Okay. I'm going to start  
6 with -- well, I guess, good morning, Commissioner  
7 Geesman, and thank you for giving me the  
8 opportunity to talk a little bit about San Diego  
9 Gas and Electric and what this plant means to us,  
10 and what we intend to do with this plant.

11 There are others who are here with me  
12 today who will talk a little bit more about the  
13 specifics and the nuances of the individual  
14 options. But I want to give a high-level overview  
15 of what does this plant do.

16 This is the first new power plant built  
17 in San Diego County in over 50 years. Aside from  
18 small peakers, small qualifying facilities. But  
19 for a large-scale baseload plant, this is the  
20 first plant that has been constructed.

21 The origin of the plant came about,  
22 putting aside I'll say the permitting of the plant  
23 that was done early on when there was a lot of  
24 discussions about the development of actually a  
25 market for electricity in California, as you may

1 remember there was probably over 8000 megawatts of  
2 generation proposed in San Diego, but virtually  
3 none of that energy ever materialized.

4 In 2002 San Diego realized that we were  
5 in a situation where we would be significantly  
6 deficient of local area capacity to satisfy our  
7 reliability needs.

8 As a result of that, in 2003 we issued a  
9 request for proposal to have new generation  
10 constructed in San Diego starting in 2006/7 or '5,  
11 '6 and '7. The Palomar facility was the winning  
12 bidder from the standpoint of the baseload  
13 capacity side of that solicitation.

14 In that solicitation we also looked,  
15 before we ever looked at baseload resources, what  
16 could be done to further expand our energy  
17 efficiency initiatives; what could be done to  
18 actually develop a demand response initiative for  
19 our customers; what could be done to solicit and  
20 get new renewable resources built in the San Diego  
21 basin. And then, and only then, did we then look  
22 at fossil alternatives to satisfy our reliability  
23 needs.

24 The first power plant we built in San  
25 Diego is a major milestone for us because it

1 provides for the first time an opportunity to  
2 allow us to consider weaning ourself of the  
3 existing older fossil plants that are located on  
4 the coast, specifically the South Bay facility and  
5 the Encina facility in Carlsbad.

6           These two power plants have been the  
7 base of our reliability requirements in San Diego  
8 for, well, basically for about 20 years now. And  
9 let me talk a little bit about what does  
10 reliability/must run mean for us. And what  
11 reliability means in San Diego.

12           We have, as a County, a peakload  
13 exposure of about 4500 megawatts. Out of that 450  
14 megawatts we rely upon local area transmission to  
15 deliver about 2500 megawatts of our reliability  
16 criteria. That means we're deficient about 2000  
17 megawatts, and that must be made up by local power  
18 plants.

19           The cost of maintaining the local power  
20 plants has escalated significantly. If I take you  
21 back, four years ago we were paying \$30 million a  
22 year in what I'll call subsidies to keep the older  
23 plants alive. And that \$30 million was to  
24 compensate for the fixed costs of the plant; to  
25 compensate for the difference in the energy costs,

1 meaning if there was energy in a market that we  
2 could buy versus the cost to run the older plants,  
3 that differential fed into that \$30 million  
4 figure.

5 And then also when our loads exceed 2500  
6 megawatts, the California Independent System  
7 Operator turns on the local power plants and  
8 maintains them in either a minimum-run or an  
9 actual-run condition to cover any load that  
10 exceeds the 2500 megawatt level.

11 Well, over the last four years that \$30  
12 million figure climbed to 88 million, to 125  
13 million, to 200 million. Today, we're spending  
14 close to \$230 million a year. Allowed to go  
15 unchecked that number could easily exceed \$500  
16 million in the next five years.

17 San Diego, when we realized that these  
18 numbers were spiraling out of control we decided  
19 to do something about it. And one of the things  
20 was to install this, or to cause to have this  
21 power plant constructed.

22 When we did our due diligence on the  
23 facility one of the things we looked at very  
24 carefully was water supply. And when we looked at  
25 the water supply for the HARRF facility, going

1 back on its history, it was deemed to be a very  
2 reliable resource.

3 But when we got into the actual  
4 construction of the Palomar facility, we found  
5 that because of an event that happened at the  
6 HARRF facility there was an extended outage. And  
7 that extended outage happened over the summer time  
8 period. Well, that drew into question the ability  
9 for us to use this plant to actually satisfy our  
10 reliability needs.

11 For us, we're spending a significant  
12 amount of dollars to have this plant in place for  
13 our customers for reliability, and the ability not  
14 to call upon it for reliability just did not make  
15 sense. So we started working with the City to  
16 find a way to have an emergency back-source, or a  
17 backfeed, to satisfy this requirement.

18 It's our hope that we never have to use  
19 it. It is our hope that in the case in the future  
20 there are events that curtail the availability of  
21 water, that we'll have other resources that we can  
22 call upon, and not have to rely upon the raw water  
23 as the backup. But if we need this plant for  
24 reliability purposes, then we have to be able to  
25 run the plant.

1           This plant, from a reliability  
2           standpoint, will save our customers over \$50  
3           million a year. The loss of the raw water, or  
4           conditions on the use of raw water that could  
5           limit its use to either staged emergencies or  
6           other events, would eliminate our ability to call  
7           upon it for reliability/must run purposes.

8           Meaning the power plant must be able to  
9           be online, dispatchable pursuant to ISO criteria,  
10          and not subject to well, if it's called upon in an  
11          emergency then you can run it, because obviously  
12          emergencies are instantaneous by most causes of  
13          events. In other words, there's something we know  
14          about in the next couple of minutes, or we know  
15          about instantaneously, and the plant has to be  
16          available.

17          So, from our standpoint this is such a  
18          critical component to us that the conditions that  
19          have been laid out in I think it was option A,  
20          just make this plant unavailable. In fact, we  
21          don't believe the ISO would designate this as an  
22          RMR unit, and we would lose the ability for that,  
23          and all the savings to our customers.

24                 PRESIDING MEMBER GEESMAN: Can I  
25          interrupt you, Mr. Avery, --

1 MR. AVERY: Please.

2 PRESIDING MEMBER GEESMAN: -- and ask,  
3 as you envisioned your use of the Palomar Plant,  
4 did you anticipate the ISO is going to designate  
5 it an RMR plant? Or are you attempting to  
6 substitute Palomar for the need of other RMR  
7 projects?

8 MR. AVERY: The way the process works in  
9 the designation of RMR units, any generation unit  
10 in San Diego has the right to bid into the ISO for  
11 RMR status. San Diego essentially bid in as a  
12 pricetaker to assure that this plant would be  
13 taken.

14 And it is our hope and goal that through  
15 the addition of this plant, the addition of Otay  
16 Mesa, and the addition of the Sunrise Power Link,  
17 which would increase our import capability into  
18 San Diego, that we can reduce that dependency on  
19 the old power plants by a sufficient level to  
20 allow at least South Bay to consider to retire.  
21 And through the addition of additional plants in  
22 the future, look at ways to potentially allow  
23 Encina to retire.

24 Now, that may come about from the  
25 standpoint of either South Bay or Encina looking

1 at repowering options. But at this point in time,  
2 the only course of action that we have over the  
3 next five years to look at starting weaning  
4 ourselves from the older power plants is to allow  
5 this plant to be an RMR unit, to allow Otay to be  
6 an RMR unit, and to allow the Sunrise Power Link  
7 to actually satisfy a good part of the reliability  
8 needs.

9 But even with those three, with Sunrise,  
10 with Palomar, and with Otay, we are still over  
11 1000 megawatts deficient in the San Diego basin  
12 for reliability generation. Which means we're  
13 still going to be dependent on the older power  
14 plants, but we're looking at ways that we might  
15 start to wean ourselves through the addition of  
16 additional power plants.

17 So, --

18 PRESIDING MEMBER GEESMAN: So, for the  
19 next five years or thereabouts, you anticipate  
20 Palomar will need to be able to meet ISO RMR  
21 criteria?

22 MR. AVERY: Actually for the next 30  
23 years. It is going to have to be available for  
24 local area capacity needs, and the equivalent of  
25 RMR. As you know, RMR is talked about being

1 replaced or phased out. But even if it's phased  
2 out, that type of resource will still be required  
3 in San Diego.

4 One of the things that troubles us  
5 significantly is if limitations are put on the  
6 plant that it cannot be run in conditions, then  
7 the ISO cannot call upon it for reliability  
8 purposes, which means it won't be able to displace  
9 even a small portion of reliability. And if  
10 that's the case, the alternative is right now, at  
11 least for the five years, to rely upon the older  
12 power plants.

13 And so for the sake of perhaps  
14 curtailing a plant during an emergency situation,  
15 we could be calling upon power plants that emit a  
16 quantum leap more in measurement of emissions.  
17 From, I think, just about anybody's standard, they  
18 will be calling upon water on the once-through  
19 cooling cycle.

20 And if you look at it just from the  
21 economics of it, to maintain the older power  
22 plants you can't shut them down at night and call  
23 upon them in the morning; you have to keep them  
24 running in a minimum-run situation. And the heat  
25 rate of these machines, in a minimum-run

1 situation, is three to four times that of Palomar.

2 So, from the cost, the utilization of  
3 natural gas, the cost from the standpoint of the  
4 price to get that natural gas, and then the  
5 emissions that would be coming about as a result  
6 of that, it just flies in the face of what we're  
7 trying to do here.

8 The last thing I want to touch on is  
9 some of the conditions in here. We put conditions  
10 on San Diego to try to govern or regulate what the  
11 City of Escondido does. I don't think that's a  
12 prudent course of action to try to regulate us as  
13 a way of trying to regulate the City.

14 Our relationship with the City is one  
15 where we're user of a product. We compensate the  
16 City for the use of that product through the form  
17 of a water payment, and through the form of O&M  
18 charges that we pay them, as well. All geared  
19 towards giving them adequate resources to operate  
20 and maintain the HARRF facility.

21 When we started up this facility we did  
22 have some hiccups. But that's expected when you  
23 start any kind of a major power plant. And I  
24 think the City has performed admirably in trying  
25 to resolve those issues very quickly.

1                   And, in fact, during the performance  
2                   tests at Palomar we have relied one hundred  
3                   percent on the HARRF output and not raw water as a  
4                   backup. And, again, it's our goal, and I'm sure  
5                   it's the City's goal, to try to do that in the  
6                   future.

7                   That's all I have, thank you.

8                   PRESIDING MEMBER GEESMAN: Thank you  
9                   very much. Should we turn then to the staff  
10                  presentations, Ms. Ichien.

11                  MS. ICHIEN: Yes. Brian will provide an  
12                  overview of the staff's two options under  
13                  consideration.

14                  MR. ELLIS: I'll go ahead and introduce  
15                  myself. My name's Brian Ellis; I am in the soil  
16                  and water unit of the environmental office in the  
17                  siting division of the Energy Commission.

18                  Dave Vidaver is also here from the  
19                  electricity analysis office to address some of the  
20                  RMR and reliability system reliability issues  
21                  after me.

22                  And I'd just like to thank the  
23                  Commissioners and everyone else here to provide us  
24                  with comments. We're here to seek comments and  
25                  input on the analysis that we published. And I

1 look forward to a very informative workshop.

2 I'd just like to go over the highlights  
3 of the analysis and summarize our suggested  
4 conditions.

5 Just to kind of go over a brief history  
6 of how we understand the commissioning of Palomar  
7 and the problems with the recycled water,  
8 basically during the commissioning of Palomar  
9 Energy Center, there were more than one outages at  
10 the HARRF that lasted several weeks. And those,  
11 it turns out that the HARRF was just commissioning  
12 their recycled water system at the same time.  
13 They hadn't produced recycled water until 2004.

14 And basically these lengthy outages cast  
15 some doubt on the reliability. So the City, as  
16 James mentioned, was constructing a pipeline to  
17 tap into their imported water supply to provide a  
18 backup to all their recycled water customers,  
19 including Palomar.

20 And with this amendment the project  
21 owner is seeking to use the City's new backup  
22 source.

23 So, in response to this petition that we  
24 received to use that backup source, we are seeking  
25 a solution which addresses our statewide water

1 policies on power plant cooling, while mitigating  
2 potential impacts to other users in the Escondido  
3 area that staff identified based on this petition.

4 Just to describe the state policy, the  
5 2003 Integrated Energy Policy Report, which is the  
6 Energy Commission's policy document, added a  
7 policy which is consistent with State Water  
8 Resources Control Board policy 7558, which  
9 states -- and in this report we stated that the  
10 Energy Commission will approve the use of fresh  
11 water for cooling purposes by power plants only  
12 where alternative water sources and alternative  
13 cooling technologies are shown to be  
14 environmentally undesirable or economically  
15 unsound.

16 So, being that raw water is a fresh  
17 water source, staff had to take this policy into  
18 account.

19 And in terms of the potential impacts I  
20 talked about, we looked at the numbers in the  
21 petition we received, and taking in mind that the  
22 times of high demand for power also coincide with  
23 those of high demand and scarcity of water, we  
24 looked, on average, at the City's average water  
25 use and the amount that would be taken by recycled

1 water customers, including Palomar.

2 And basically it looks like, according  
3 to our calculations, that the City's water balance  
4 would be kind of put in the red if there was an  
5 outage of recycled water production, HARRF had to  
6 supply its full capacity to recycled water  
7 customers. And this pipeline that connects to the  
8 City's imported water connection would take a  
9 significant fraction of that water out.

10 So if there was a lengthy outage during  
11 a drought it's conceivable that there could be  
12 potential impacts to other local users.

13 So, in short, our objective is to avoid  
14 the use of raw water to the maximum extent  
15 feasible, while allowing Palomar Energy Center to  
16 operate when necessary to keep the lights on,  
17 during peak demand, and when necessary.

18 So, just a brief history on the HARRF.  
19 James really kind of went over this, but basically  
20 I already mentioned the outages that occurred in  
21 2004, 2005. The new tertiary process, and this is  
22 in SDG&E's comments, but it was recently upgraded.  
23 It seems to be working fine, but work still  
24 continues and staff has no clear assurance that  
25 reliability will be achieved in going forward.

1                   And future outages may lead to potential  
2                   impacts if raw water is used at Palomar for long  
3                   periods of time.

4                   So we have our two options in this  
5                   analysis. And at present, you know, just trying  
6                   to achieve those goals, we came up with a couple  
7                   different ideas. And at present the staff is  
8                   indifferent as to which of its proposals is more  
9                   desirable. And we're looking for more information  
10                  at this workshop to allow us to make a  
11                  recommendation.

12                  So, what the two options share, to go  
13                  over them briefly, the new conditions, is they  
14                  both require a comprehensive report on the past  
15                  outages. They require a flexible work plan that  
16                  would allow Palomar and the SDG&E, the project  
17                  owner, to help the City, if necessary, to improve  
18                  the HARRF to a level of very high reliability,  
19                  which is possible. There are recycled water  
20                  treatment plants that produce recycled water  
21                  pretty much a hundred percent reliability, have  
22                  been doing it for years, and never needed to use a  
23                  backup supply.

24                  We are also requiring the reporting and  
25                  metering of all raw water use, if it occurs. And

1 the payment of a mitigation fee to a water  
2 conservation program which would offset potential  
3 impacts by saving water when Palomar is using it.  
4 So it would only kick in when raw water use  
5 occurred. And it would be a per-day kind of  
6 mitigation fee. And it would also keep the power  
7 plant consistent with the objectives of state  
8 policy, I think, which is important.

9 And the differences between the options  
10 is in the manner in which they place limits on the  
11 raw water use. We believe that both are  
12 reasonable and feasible. And especially because  
13 future outages at the HARRF are predicted to be  
14 rare by the project owner and by the City.

15 So staff proposal A allows the use of  
16 raw water only when the electricity is necessary,  
17 and that is during the summer and during Cal-ISO  
18 emergencies. And Dave Vidaver is going to talk  
19 about that proposal.

20 And that option addresses our water  
21 policy of power plant cooling, while also  
22 complying with state law, which requires the  
23 Energy Commission to take into account local  
24 electricity needs in its siting process. And  
25 that's in the Warren Alquist Act.

1           Staff proposal B allows the use of raw  
2 water for up to seven consecutive days, or 20 days  
3 in a calendar year. Beyond which Energy  
4 Commission approval is required.

5           So, in conclusion, we're here to listen  
6 to the project owner, the City of Escondido and  
7 all the other interested parties here in order to  
8 gather information so we can make a recommendation  
9 consistent with our goals. And that is primarily  
10 to avoid the use of raw water.

11           So, when drafting our proposals we were  
12 concerned about San Diego's electricity situation,  
13 which James went over, especially during critical  
14 times of the year.

15           So Dave is here to discuss the reasoning  
16 behind proposal A.

17           MR. VIDAVER: Thank you. Good morning,  
18 Commissioner. I'm Dave Vidaver and I'm with the  
19 staff's electricity analysis office. I usually  
20 work in the areas of resource adequacy and  
21 procurement, so I appreciate this opportunity to  
22 expose myself to the exciting world of power plant  
23 siting.

24           (Laughter.)

25           MR. VIDAVER: The purpose of my

1        hopefully brief presentation is to discuss the  
2        reliability and cost implications of allowing  
3        Palomar to only run during nonsummer months and  
4        offpeak hours during the summer in the absence of  
5        a primary water source.

6                    Staff doesn't dispute the reliability  
7        value of Palomar; the need for additional  
8        generation in the San Diego area --

9                    MR. BRIGGS: I'm sorry to interrupt.  
10       This Corey Briggs. Can the speaker speak a little  
11       louder; it's hard to hear.

12                   MR. VIDAVER: Yes, sir, sorry.

13                   MR. BRIGGS: Thank you.

14                   MR. VIDAVER: Staff doesn't dispute the  
15       reliability value of Palomar; the additional  
16       generation in the San Diego basin is well known.  
17       And in deference to San Diego Gas and Electric,  
18       the need for additional transmission to get power  
19       into the basin is also well known.

20                   The need for additional generation in  
21       the San Diego basin is evidenced by the ratio of  
22       power plant capacity in the San Diego basin to  
23       what the ISO believes is necessary for local  
24       reliability.

25                   Their September 23, 2005 local capacity

1 technical analysis, which has been revised as  
2 recently as March 24th, indicates that of the 2950  
3 megawatts of inbasin generation, more than 2600  
4 megawatts of it, or almost 90 percent, is needed  
5 to meet local area reliability. 2400 megawatts,  
6 or more than 80 percent of it, requires  
7 reliability-based contracts.

8 This need, however, is based on a one-  
9 in-ten-year peak load forecast in excess of 4500  
10 megawatts. Staff does not propose to curtail  
11 Palomar at any point in time at which loads might  
12 even approach this level.

13 There is no formal forecast of hourly  
14 loads in San Diego, but a review of recent  
15 historical hourly data, based on San Diego Gas and  
16 Electric's FERC 714 filing, indicates that a  
17 reasonable one-in-two forecast for maximum loads  
18 that would need to be met when Palomar was  
19 curtailed is about 3300 megawatts, or almost 1300  
20 megawatts below the loads at which 2600 megawatts  
21 of local area capacity is needed for reliability.

22 The proposed curtailment is not  
23 inconsistent with the contractual arrangements  
24 under which reliability services are procured.

25 The pro forma RMR contract allows for failure to

1 provide service from a unit if it would violate  
2 environmental limitations as set forth in the  
3 schedule that accompanies the document. Or would  
4 violate law, regulation, license or permit.

5 Now, while San Diego Gas and Electric,  
6 no doubt, did not anticipate this potential  
7 curtailment of Palomar in the RMR contract that it  
8 jointly submitted to FERC with the ISO recently,  
9 the pro forma contract also calls for failure to  
10 deliver reliability services in the event of force  
11 majeure which includes acts or failures to act of  
12 governmental authority or natural catastrophes.  
13 Force majeure also includes acts of God, which,  
14 while the decision here will be rendered by the  
15 entire Commission, and not just the Presiding  
16 Member of this Committee, may render that  
17 irrelevant.

18 Palomar's competition --

19 PRESIDING MEMBER GEESMAN: What did you  
20 just say?

21 MR. VIDAVER: It was a joke, sir.

22 PRESIDING MEMBER GEESMAN: Hopefully  
23 that'll be reflected on the transcript, because  
24 I'm not certain I understood it verbally. Why  
25 don't you proceed.

1           MR. VIDAVER: Palomar's competition for  
2 the provision of RMR services within the San Diego  
3 local reliability area is currently defined as  
4 limited to aging units with high fixed revenue  
5 requirements and high variable operating costs.

6           Moreover Palomar would be under an  
7 agreement which limits remuneration from the ISO  
8 to those costs, and only those costs, which arise  
9 for the provision of reliability services.

10           In as nutshell, Palomar would remain an  
11 extremely attractive, if not necessary, unit for  
12 the provision of reliability services in the San  
13 Diego area.

14           The restrictions suggested by staff on  
15 Palomar's operation would not reduce the chances  
16 of it receiving an RMR contract in the future.  
17 However, staff agrees that the restrictions  
18 suggested would have financial consequences for  
19 ratepayers. These would be far greater than those  
20 indicated by merely removing 540 megawatts of sub  
21 7000 Btu energy from a portfolio. If that were  
22 the case, one could argue that in many hours of  
23 the year replacement power would be available from  
24 units at a cost roughly equal to that that would  
25 be provided by the Palomar unit.

1                   However, because Palomar will be  
2                   providing local reliability services, and will  
3                   have to be displaced by very high cost units for  
4                   many hours of the year should it be curtailed, we  
5                   estimate that the daily cost for Palomar being  
6                   down would be based on a \$6 per million Btu heat  
7                   rate, \$6 gas and a heat rate differential of about  
8                   4000 Btu per megawatt hour -- kilowatt hour.

9                   Although we don't know the exact extent  
10                  to which Palomar would be needed to meet local  
11                  reliability needs, a conservative estimate of the  
12                  daily cost of curtailing Palomar is in the  
13                  \$175,000 range, and an estimate of \$250,000 a day  
14                  would not be unreasonable.

15                  PRESIDING MEMBER GEESMAN:   And that's at  
16                  \$6 gas?

17                  MR. VIDAVER:   That's at \$6 gas, yes,  
18                  sir.   That number would, of course, go up as it  
19                  got higher.

20                  PRESIDING MEMBER GEESMAN:   And could you  
21                  explain the basis for your determination which  
22                  seemed to be at odds with Mr. Avery's, as to the  
23                  ability of Palomar, subject to the staff  
24                  recommendation recommended curtailment to qualify  
25                  for an ISO RMR contract?

1           MR. VIDAVER: As I noted, there are  
2 clauses in the pro forma RMR contract which allow  
3 for the failure to deliver reliability services  
4 due to environmental limitations or other  
5 restrictions.

6           Numerous RMR contracts have these  
7 limitations in place. Potrero, frequently units  
8 are subject to constraints. The ISO,  
9 nevertheless, contracts with them for reliability  
10 services. In --

11           PRESIDING MEMBER GEESMAN: Now, those  
12 are air quality --

13           MR. VIDAVER: Yes.

14           PRESIDING MEMBER GEESMAN: -- limited?

15           MR. VIDAVER: I believe there is one  
16 unit that has a water discharge restriction. One  
17 contract that involves a water discharge  
18 restriction.

19           PRESIDING MEMBER GEESMAN: And which one  
20 would that be?

21           MR. VIDAVER: I believe it's Delta. The  
22 essence of this, though, is that the ISO does not  
23 have any choice in the short run with respect to  
24 whom it contracts with in the San Diego area for  
25 reliability services. It cannot simply ignore

1 Palomar.

2 Assuming that the curtailments are  
3 relatively infrequent, one can just view this as a  
4 slightly higher forced outage rate from the ISO's  
5 perspective. And would simply -- could not ignore  
6 Palomar because it would not have a sufficient  
7 amount of RMR capacity in the basin. And even if  
8 it did, would probably not ignore Palomar because  
9 the services could still be provided at an  
10 acceptable level of performance by a unit that  
11 would do so much cheaper.

12 PRESIDING MEMBER GEESMAN: Okay. Does  
13 that conclude your statement?

14 MR. VIDAVER: Yes, sir.

15 PRESIDING MEMBER GEESMAN: Why don't we  
16 then hear from the City. Do you have anything to  
17 share with us?

18 MR. MILLER: I'm sorry, could we just --  
19 maybe we need to do a little planning here.

20 PRESIDING MEMBER GEESMAN: Okay.

21 MR. MILLER: Mr. Avery has to leave at  
22 10:15, and so we wanted to work in whatever  
23 interchange there needs to be on the RMR stuff.  
24 We do have some additional background material  
25 we'd sort of like to provide before the City

1 provides its report, which we don't want to take a  
2 long time. But I think it might work a little bit  
3 better if we could follow that order.

4 PRESIDING MEMBER GEESMAN: That sounds  
5 fine.

6 MR. BAKER: So, perhaps the response,  
7 while we're hot on the topic of the RMR, would be  
8 good to do now, and then we could jump to --

9 MR. AVERY: Actually, David covered, I  
10 think, the overall concept of how the ISO  
11 determines or selects units for RMR. But I think  
12 I need to elaborate on that a little bit and just  
13 state the determination of the amount of total  
14 capacity for reliability is based upon our peak  
15 load. But the order in which the units are called  
16 upon, or how those units play into actually being  
17 called upon for RMR depend upon the heat rate of  
18 the machines, environmental restrictions, as you  
19 pointed out, and the physical load on our system.

20 And as I noted earlier, essentially  
21 anytime our load exceeds 2500, which is our non-  
22 simultaneous import capability, the ISO turns on a  
23 unit. And, in fact, if our load drops below that  
24 level, then the ISO determines if it's going to go  
25 back up, how long does it take to start up a unit.

1                   So what happens right now, and by the  
2                   way, our load exceeds 2500 megawatts almost every  
3                   day, or every weekday during the year. And that  
4                   means that the ISO takes the older steam plants,  
5                   puts them down into a minimum run condition during  
6                   the evening hours, and then ramps them up in the  
7                   morning hours when loads continue to climb.

8                   So, Palomar, by being able to displace  
9                   these older, less efficient units, we anticipate  
10                  will be running virtually every week of the year  
11                  for reliability purposes and satisfying the  
12                  reliability needs of San Diego every single week.

13                  I think the calculations that look at  
14                  what are the costs of Palomar not being available,  
15                  or not being called upon for reliability purposes,  
16                  would have to then factor in what are the minimum  
17                  run costs of keeping the older plants alive if  
18                  this were not in here.

19                  And, again, the heat rate of taking  
20                  South Bay 4 down to 20 megawatts for a minimum run  
21                  condition, or 25 megawatts, jumps over 20,000 Btus  
22                  per kilowatt hour; and yet you could take Palomar  
23                  and run it in an economic situation at below 7000  
24                  Btus per kilowatt hour. It's easy to see the  
25                  differential at \$6. Or I think gas prices have

1       been known to have been higher in recent months,  
2       could just extremely cripple the San Diego  
3       economy.  Because all of those costs do flow on to  
4       our customers.

5               PRESIDING MEMBER GEESMAN:  Yeah, and  
6       although I suspect none of you can quantify here  
7       today, it is a concern of the Commission that  
8       there's an air quality impact associated with  
9       those higher heat rates, as well.

10              MR. AVERY:  Absolutely.  And in fact,  
11       one of the things I'd like to point out, the South  
12       Bay facility right now is under -- it's owned by  
13       the Port; it's under a lease to Duke Energy.  And,  
14       as I understand it, that is being sold over to LS  
15       Powers, a new operator of that facility.

16              That lease is due to expire in 2009.  
17       And everybody knows the controversy around the  
18       once-through cooling of the South Bay facility,  
19       and the Encina facility.  But the South Bay  
20       specifically because of what it does to the Bay,  
21       itself, in raising temperatures.

22              So there are restrictions around the  
23       operation of that facility.  And there's an  
24       example of an environmental restriction that the  
25       ISO must adhere to.

1           But from the standpoint of the water  
2           restriction, if we are in a situation where the  
3           plant does not have the ability to basically be  
4           depended upon by the ISO, we don't think it will  
5           be chosen. It's not just -- and, in fact, there  
6           are other plants, by the way, the ISO has not  
7           chosen because of their belief that it can't be or  
8           will not be available for reliability purposes.

9           So, it's our position that while we  
10          don't want to use raw water, and we're hoping that  
11          the facility will demonstrate, just as you've  
12          mentioned the other facilities throughout the  
13          state have performed admirably well, that we do  
14          need to have some kind of an emergency backup that  
15          we can call upon.

16          And the notion that we could restrict  
17          the plant during the nonsummer months, right now  
18          today, we will exceed 3000 megawatts on our  
19          system. Almost every weekday throughout the year  
20          we have exceeded or come very close to 3000  
21          megawatts, which far exceeds the 2500.

22          So our dependence on this plant is going  
23          to be very heavy, without a doubt, for reliability  
24          purposes.

25          And the notion that there may be

1 alternatives at comparable costs to Palomar, they  
2 just don't exist in the San Diego basin. And  
3 until Otay goes online they won't exist. Now,  
4 once Otay goes online maybe there can be some  
5 restrictions that in a case like this we call upon  
6 Otay first, which we'd be more than happy to do.  
7 But until that point in time we have to depend,  
8 and we have to rely upon this. And we have to be  
9 able to get it designated for reliability  
10 purposes. Thank you.

11 MR. MILLER: I guess what we'd like to  
12 do now is just quickly run through the outline  
13 that we --

14 PRESIDING MEMBER GEESMAN: Okay.

15 MR. MILLER: -- passed around. And then  
16 we could return to the path you care about, just  
17 what's been going on at HARRF so that -- address  
18 that curiosity.

19 PRESIDING MEMBER GEESMAN: Good.

20 MS. HEREDIA: My name's Joan Heredia;  
21 I'm a Permitting Manager for Sempra Global. I was  
22 responsible for developing the petition that was  
23 submitted to staff.

24 I appreciate Mr. Ellis' comment about  
25 the fact of the workshop being a time to gather

1       some information because I think, based upon the  
2       staff analysis, that some additional information  
3       might help provide some clarity. And also due to  
4       the discussions today, I would like to present  
5       that the impacts that are discussed in the staff  
6       analysis might not be as significant as they have  
7       thought, if I provide you a better understanding  
8       of how the raw water is obtained, different  
9       information. So I think that this is a good  
10      dialogue to enter into today to hopefully come to  
11      some resolution.

12               And then also, I will have Mr. Thomas;  
13      he's going to be discussing a little bit about  
14      some of the questions raised by staff in regard to  
15      the reliability of the facility and what has been  
16      done at the facility.

17               One of the key tenets here is that the  
18      City really has a goal of expanding its reclaimed  
19      water users, and has determined that having a  
20      robust system of backup supply makes the system  
21      more attractive for all its users. While we have  
22      focused today here upon Pastoria Energy project,  
23      it really is larger than Palomar. It's in regard  
24      to the reclaimed water system, which the City  
25      really needs.

1           They've had problems historically in the  
2 past with wet weather discharges because there's  
3 constraints on their San Elijo outfall. So the  
4 ability to provide users and grow a tertiary  
5 treatment system is very important to them, to  
6 divert those flows to users, as opposed to putting  
7 them into the outfall. And they've worked really  
8 diligently with the Regional Water Quality on  
9 these issues. And I think Pat will go ahead and  
10 expand on that a little bit, as well.

11           The emergency raw water again will only  
12 be used when HARRF has a breakdown or an upset  
13 condition. In order for the City to introduce raw  
14 water into the system they physically need to go  
15 to a valve and open it, a remote valve. And at  
16 that juncture they would inform. We're amenable  
17 to them informing both the San Diego Gas and  
18 Electric, as well as the CEC, so that you have  
19 clear understanding when, in fact, that does  
20 occur.

21           In regard to my next slide shows the  
22 City of Escondido reclaimed water system. I'm not  
23 sure -- the drawing was also within the petition  
24 and it might be a little bit easier to read.

25           But in essence the City intends to

1 install a new 12- to 16-inch pipeline that's going  
2 to run about .9 miles. You can see it in the  
3 upper corner of the diagram here. And that  
4 pipeline will be off of an existing 30-inch raw  
5 water line that takes water from the MWD and  
6 routes it to Lake Dixon.

7 And I think at this time I'd kind of  
8 like to describe a little bit about the  
9 disposition of the raw water and how that occurs,  
10 because I think it really factors into the  
11 significance of potential impacts to local users.

12 Right now on a daily basis the City  
13 calls into the San Diego County Water authority,  
14 as well as all of the users within the region, to  
15 discuss their needs for their imported water on a  
16 given day. The San Diego County Water Authority  
17 then looks at that need and then contacts the MWD  
18 in order to request the water.

19 When the City will make the request what  
20 will happen is that they will look at the amount  
21 needed by their municipal users and order that  
22 amount, as well as any unlikely event that the  
23 HARRF is down, they would order a certain amount  
24 for the HARRF, for the Leslie Lane Reservoir,  
25 which is where this was would be stored.

1                   And so in essence the raw water that  
2 goes from MWD to Lake Dixon is subsequently  
3 treated to potable water standards, and that goes  
4 to the municipal users.

5                   The water that is requested for the  
6 Leslie Lane Reservoir is ordered diverted into the  
7 reservoir, and then it is sent to the power plant.  
8 So there should be no impact whatsoever to the  
9 residential users, because their water's all going  
10 to Lake Dixon. And this will be a diverted slip  
11 stream that will go to the Leslie Lane Reservoir.  
12 And I apologize if that wasn't clear in the  
13 petition, because I think that is a very key thing  
14 for staff to understand.

15                   MR. ELLIS: That is our understanding.

16                   MS. HEREDIA: Okay. I would also note  
17 that the reservoir does have ten hours of storage  
18 capacity for all of -- based upon all of the  
19 current reclaimed water users. So there is a  
20 little bit of buffer capacity there.

21                   If you look at, for instance, the Delta  
22 Diablo plant I think that they only had maybe four  
23 hours of storage, as I recall. So we'll even have  
24 some maybe greater storage than has been seen in  
25 other cases. And it's also my understanding that

1 the City intends to add some additional reclaimed  
2 water storage at their HARRF facility. So then  
3 that way there would even be more additional  
4 buffer.

5 The current soil and water condition 5  
6 only allows the use of reclaimed water with no  
7 backup supply. Again, I cannot emphasize enough  
8 that PEP only seeks to use the raw water when it's  
9 supplied by the City. It was kind of implied or  
10 it seemed implicit in the staff assessment that  
11 there would be significant use of raw water as if  
12 this would be desirable or a situation that would  
13 occur frequently. And we just don't see that as  
14 being the case. I see maybe Brian agrees with  
15 that, based upon your reaction.

16 And, again, the only physical changes  
17 that will occur is this installation of this .9  
18 miles of pipeline in the City streets. The City's  
19 already gone through a complete CEQA analysis, and  
20 they did a notice of exemption just because of the  
21 minimal environmental impacts that they  
22 anticipate.

23 In regard for the necessity for the  
24 modification, historically HARRF operations have  
25 been reliable. Based on review of quarterly

1 reports that were submitted to the Regional Water  
2 Quality Control Board from '97 through early 2004,  
3 there were really only three days, and this was  
4 due to illegal discharges when recycled water  
5 could not have been produced by the HARRF based on  
6 primary and secondary treatment upsets.

7 It seems, and I noted in one of the  
8 comment letters from the public, that there was a  
9 little bit of confusion. When we looked at the  
10 reliability of the HARRF, you know, historically,  
11 we really could only look at the primary and  
12 secondary, because the tertiary system was not  
13 online yet. So I apologize if that created any  
14 confusion, but that is an indication of whether or  
15 not the plant would be able to supply water to the  
16 Palomar Energy project.

17 I note that tertiary water was really  
18 first introduced into the distribution system on  
19 September 17th of 2004. So that's why we had to  
20 look at the past performance just based upon  
21 primary and secondary.

22 There also was a brief exception during  
23 the summer of 1998 when there was major  
24 construction ongoing, as well. Based on this  
25 track record, Palomar did not believe a backup

1 system should be required as we went through the  
2 licensing process.

3 And it was only in the spring of 2004  
4 when this upset event occurred and basically what  
5 it came down to is it was, once again, illegal  
6 dumping, it was three separate occasions. And  
7 unfortunately the problem was extended and  
8 exacerbated because at the same time there were  
9 some oxygen sensors that failed at the HARRF. So  
10 it became difficult for them in order to be able  
11 to diagnose the problem, which is why it was an  
12 extended outage. So we still feel that that is  
13 somewhat of an anomaly event.

14 The current status of the HARRF, and I'm  
15 sure Pat will talk a little bit more on this,  
16 startup and commissioning for the HARRF of the  
17 flow rates necessary to meet the power plant  
18 project demand was initiated in December of 2005.  
19 Unsteady operations occurred since it really was  
20 the first time that the City produced reclaimed  
21 water at a rate over 4 mgd. Prior to that they  
22 were really only producing it at .5 mgd. So, you  
23 know, just as the power plant needed to go through  
24 commissioning, the same was true of the tertiary  
25 treatment system.

1           The City's already devoted significant  
2           effort, and I think that they've probably already  
3           covered a lot of the discussions that would occur  
4           pursuant to proposed soil and water condition 8.  
5           They devoted significant effort to analyzing  
6           resolving these startup issues. They've worked  
7           with chemical additive manufacturers. They've  
8           consulted tertiary treatment filter manufacturers.  
9           They've hired Brown and Caldwell to also look at  
10          their secondary treatment system, since you know  
11          it all kind of fits together here.

12                 And these efforts have resulted in  
13          changes to the chemical additives, the use of  
14          chlorine contact chambers instead of UV  
15          disinfection, and metally washing of the tertiary  
16          filters.

17                 So, you know, and again Pat will expand  
18          on this. So now that the HARRF has resolved these  
19          startup issues for these higher flow rates, the  
20          facility has been able to reliably produce  
21          tertiary treated water since these changes were  
22          implemented.

23                 As part of the hand-over from Palomar to  
24          San Diego Gas and Electric there was a full ten-  
25          day period performance test and the plant operated

1 reliably on reclaimed water. Since SDG&E has  
2 taken over the facility, which was last Wednesday,  
3 they've been able to operate the facility as  
4 they've deemed necessary to support, you know, the  
5 grid and their needs for electricity without any  
6 sort of interruption. So we really do view the  
7 initial startups again as being somewhat of an  
8 anomaly condition.

9 In regard to water use, the City will  
10 not be able to determine when the raw water needs  
11 to be used. And the City really has a natural  
12 incentive to not use the raw water. They've built  
13 this tertiary treatment facility which they can  
14 pay off by, you know, having users utilize it.  
15 And it also works counter to their goal of  
16 reducing flows to the San Elijo outfall.

17 In assessing the impacts to other water  
18 users I would suggest that rather than comparing  
19 the use of the facility to the City of Escondido  
20 demand, that it would be much more appropriate to  
21 compare it to the amount of water used based upon  
22 the water supply source, which is the imported  
23 water from the San Diego County Water Authority  
24 from the MWD.

25 The Authority imports about 600,000

1 acrefeet a year, which is roughly equivalent to  
2 1600 acrefeet a day. In contrast, the power plant  
3 will utilize roughly 11.5 acrefeet a day. So if  
4 you look at that it's roughly .69 percent on a  
5 worst case daily basis. So I would suggest that,  
6 as less than 1 percent, it would not be  
7 significant.

8 I personally discussed this water use  
9 with the Authority. We have letters from the  
10 Authority that says that they're aware of this,  
11 and that they don't think that this impact is  
12 significant. And that they think that the  
13 benefits of using reclaimed water with a robust  
14 system that does have a backup system by far  
15 outweighs any sort of harmful effects of having  
16 the backup system.

17 And I would also say the CEC Staff  
18 expressed concern about drought years. But the  
19 Authority and MWD have recently added substantial  
20 more supply diversity, as well as their main issue  
21 has been increasing storage capacity.

22 And in 1996 the MWD, working with member  
23 agencies, developed an integrated resource  
24 management plan to diversify its supplies. And  
25 they subsequently followed up with an update in

1 2003 that showed they had 100 percent reliable  
2 supplies until 2030 under long-term hydrological  
3 conditions. So that would really include even  
4 drought conditions.

5 Further, the MWD already has a water  
6 surplus and drought management plan that was  
7 adopted in 1999. There's seven levels within that  
8 plan. The first, where 1 is, the shortage isn't  
9 that bad, 7 being an extreme shortage. They're  
10 saying that levels shortages 1 through 4, they're  
11 anticipating at this time that they can still meet  
12 all of their demand just by withdrawing from  
13 storage.

14 It's not until they get to a drought  
15 stage conditions of 5 through 7 that they start  
16 looking at public conservation, having ag users  
17 try to curtail operations, and looking at transfer  
18 operations and actual purchase of other water.

19 Only at stage 7, which is an extreme  
20 shortage to allocate, have they decided that they  
21 would need to have some sort of rate surcharge in  
22 order to encourage people to conserve. And that  
23 charge is \$175 per acrefoot. Which would be  
24 substantially less than the supposed mitigation  
25 fee suggested by staff. And that would only be

1 triggered in regard if there was a stage 7  
2 episode, and the local agency was exceeding its  
3 existing allocation.

4 And then I have a slide on San Diego  
5 County Water Authority support. And I feel that  
6 I've already kind of addressed this, you know. In  
7 fact, you know, we really have a lot of written  
8 and verbal support from the Authority for this  
9 project.

10 Staff's soil and water condition 5  
11 proposal B is acceptable to the power project.  
12 Although we believe that there should be no  
13 mitigation fee, or any mitigation fee that should  
14 be more in line with either the MWD extreme  
15 shortage water use, or should be based upon actual  
16 usage in terms of acrefeet. It seems a little bit  
17 inappropriate to us if, for some reason, raw water  
18 is introduced, you know, for a very short duration  
19 and a very limited amount, that we would  
20 automatically trigger the \$10,000 per day. We  
21 really feel that, if anything, you know, while we  
22 would prefer no mitigation fee, if anything it  
23 should preferably be tied to use, just not on a  
24 daily basis. And we're more than willing to meter  
25 and indicate to the CEC how much water we're

1 using.

2           The power plant is really not willing to  
3 take the responsibility for operation or problem  
4 corrections at the HARRF. We really feel, I  
5 think, that Pat -- I know that Pat will expand on  
6 this more -- that really the jurisdiction for  
7 monitoring the proper operations of the HARRF are  
8 with the Regional Water Quality Control Board.  
9 And they're the agency that oversees operations of  
10 all of these types of facilities throughout the  
11 state. And we would continue that they would work  
12 through them to address any sort of reliability  
13 issues.

14           Because, as I said, the Regional Board  
15 also wants to see the reclaimed program move  
16 forward, as well. And so we would hope that that  
17 responsibility would stay with them. Another  
18 concern is just how that cost might necessarily be  
19 allocated back to the San Diego Gas and Electric  
20 users or, you know, how that would actually  
21 unfold.

22           So, in regard to my, I guess, final  
23 comments on the staff proposal, the power project  
24 really does not feel that they will use  
25 significant amounts of the Authority-imported raw

1 water. Again, I try to say, don't look at the  
2 City of Escondido, that's not the basis for the  
3 supply. It's really MWD and the Water Authority.

4 And we would only use what is provided  
5 to the City for all of its tertiary treatment water  
6 users.

7 Further, I think as we've discussed  
8 already in quite a bit of detail, SDG&E's other  
9 options for power generation are the Encina and  
10 South Bay Power Plants. They would potentially be  
11 more environmentally harmful. And I would ask  
12 staff that when they look at the impacts  
13 associated with the use of raw water, that they  
14 not just look at the impacts associated with the  
15 use of the raw water, but if that raw water's not  
16 allowed, and what are the impacts with these other  
17 potential power plants being utilized, as well, as  
18 maybe an important consideration to help kind of  
19 mitigate or put it more into a holistic cumulative  
20 analysis so that we have, you know, can put it  
21 more in the context of how that will occur.

22 We've also looked at all of the CEC  
23 cases since 2000 in regard to their water use, and  
24 I believe that, Taylor, you had a handout, is that  
25 what you were --

1 MR. MILLER: Yes.

2 MS. HEREDIA: -- okay, distributing.

3 And what we see is that there are very  
4 simplistically numerous facilities that use  
5 reclaimed water facility. Predominant is that  
6 most of those facilities all do have some sort of  
7 backup supply. Many of them being potable water,  
8 not just raw water.

9 And that we're not seeing in any of the  
10 other licensing the conditions such as 8 and 9,  
11 which actually require the licensee to take  
12 responsibility for corrections at the treatment  
13 facilities that are providing water to them. So  
14 we really feel that 8 and 9 are somewhat  
15 unprecedented from a CEC condition perspective  
16 based upon past historical cases.

17 And then, I guess, you know, just in  
18 conclusion as I said, soil and water 5, we're okay  
19 with it, but we would prefer no mitigation fee.  
20 We'd rather that it be based on a per-acre use.  
21 And that if a fee is done it would be more in line  
22 with the MWD drought dollar values.

23 We believe that condition 8 has already  
24 been satisfied by the City. And Pat will discuss  
25 that. And we feel that condition 9 is just not

1 acceptable to San Diego Gas and Electric because,  
2 one, we're already paying user's fees for the  
3 water. And that user fee, and there's also a, you  
4 know, take-or-pay provision, that all of those  
5 should be the money that helps support the City in  
6 doing their analyses and making sure that they  
7 have a robust system.

8 And if it's not sufficient I would  
9 anticipate that they would go back to all of their  
10 tertiary users and say, we need rate increases.  
11 And it doesn't seem appropriate that Palomar  
12 should bear the burden for all of the rest of the  
13 industrial tertiary treatment users.

14 So, I guess with that, maybe now to kind  
15 of give you a little bit more background, maybe to  
16 turn it over to Pat or to Taylor.

17 MR. MILLER: One thing that I also  
18 neglected to do at the beginning was to  
19 acknowledge just the timing of the transfer of the  
20 plant from Palomar Energy, LLC to SDG&E. Give me  
21 30 seconds of just what is going on at the plant  
22 as we speak.

23 So, Bob, could you just mention it  
24 quickly, explain that?

25 MR. JACKSON: Real quickly, Bob Jackson,

1 I'm the Project Director under the old Palomar  
2 team, I guess.

3 Just want to take a minute to update the  
4 Commission on what we had done. On February 27th  
5 we actually successfully completed the  
6 commissioning period at the end of our ten-day  
7 reliability test. This was a 7 by 24 test that  
8 was run.

9 And then on March 30th the plant was  
10 officially purchased by SDG&E. And they began  
11 commercial operation the day after, and have  
12 continued operations through today. And I believe  
13 right now we're actually running at baseload.

14 And I'm happy to report that we actually  
15 achieved those commercial operations two months  
16 ahead of schedule. And I think that's quite an  
17 accomplishment. And as part of that I would like  
18 to thank the staff, because towards the end, going  
19 through commissioning there's lots of different  
20 things that can go wrong, and do go wrong, and  
21 will go wrong. And with the help of the CEC Staff  
22 we were able to get through some of those in a  
23 very quick manner that allowed us to go ahead and  
24 proceed on this fast track, to be able to allow us  
25 to turn the project over to SDG&E.

1                   And so at this point in time Palomar  
2                   Energy, the old Palomar Energy LLC, really is  
3                   taking a backseat. SDG&E owns the facility. Dan  
4                   Baerman is my counterpart. He's the Director of  
5                   Generation, and will be handling this. And from  
6                   this point forward then, SDG&E will be the  
7                   interface with the Commission with whatever  
8                   support is required from the old Palomar team, we  
9                   also will provide.

10                   I just did want to take a minute to  
11                   thank them, the staff specifically, for helping us  
12                   out. We did save several weeks. We were able to  
13                   get the plant on earlier because of the  
14                   interaction we had with the staff. Thank you.

15                   MR. MILLER: And, Dan, could you just  
16                   tell us what the plant's doing right now?

17                   MR. BAERMAN: As Bob had mentioned, the  
18                   transfer of ownership went to SDG&E on the 30th.  
19                   On the 31st we fired up the facility in order to  
20                   run some last-minute testing, get steam purity out  
21                   of the way, those kind of things. And then we  
22                   came back up online Monday and have been up since  
23                   then.

24                   The majority of the day we've been  
25                   close, at or near baseload. And in the evenings

1 for about six or seven hours we come back down to  
2 a one-on-one operation, or a little closer to  
3 minimum load. And then ramp back up during the  
4 day.

5 During that time the HARRF has been  
6 performing flawlessly. And, as Bob had mentioned,  
7 also, too, that we did come in under substantially  
8 ahead of schedule. And as a result of that, the  
9 HARRF was also required to get their tertiary  
10 treated system online and up and running  
11 essentially in parallel with the plant. And I  
12 don't think it was ever envisioned to happen that  
13 way, way back in the days when we were planning  
14 this, but that's essentially how it all unfolded.

15 So as a result of that, you know,  
16 looking back I guess everybody could have probably  
17 been a little more prepared. But that's history  
18 now. But so as a result of that we were  
19 essentially commissioning, or the City of  
20 Escondido was kind of put in the position to  
21 commission the HARRF at the same time that we were  
22 commissioning the power plant.

23 And, you know, we had some hiccups and  
24 hit some speed bumps along the way, but those are,  
25 I attribute to typical commissioning issues that

1       happen when you're bringing up any complex  
2       process.  So, now that that's all behind us there,  
3       the facility is in a reliable configuration right  
4       now, and I believe that the HARRF is in reliable  
5       configuration right now.

6                   MR. MILLER:  Thank you.  We've kept  
7       almost -- call upon you now.

8                   MR. THOMAS:  Okay, thank you, Taylor.  
9       Again, my name is Pat Thomas and I'm the Director  
10      of Public Works for the City of Escondido.  I've  
11      passed out some outline of what I'd like to touch  
12      on, but just to give you a brief summary, I'll  
13      talk a little bit about the background of our  
14      recycled water program.  Kind of where we started  
15      and where we've come to.  Talk about the issues  
16      that have been mentioned before about the upsets  
17      at the plant and what the history of the plant has  
18      been.  And then discuss our startup processes for  
19      recycled water program.

20                   And then also I'll talk a little bit  
21      about the regulatory environment with which we  
22      operate the plant in.  And finally touch on some  
23      of the comments included in the staff's proposal  
24      regarding the request to use raw water for the  
25      Palomar project.

1           Just a background on our recycled water  
2 program, and this is something that we've actually  
3 been planning for probably the last 15 years. I  
4 think we started discussing implementing a  
5 recycled water program in the early '90s.

6           That remained in the discussion stage  
7 until I think it was about 1996 when we actually  
8 had very high rainfall that year, exceeded the  
9 capacity of our outfall line, our discharge line  
10 for our secondary effluent, and ended up actually  
11 discharging secondary treated effluent into  
12 Escondido Creek, which is the drainage course that  
13 runs from Escondido out to the ocean.

14           At that time the Regional Water Quality  
15 Control Board issued a cease and desist order to  
16 the City to basically develop a plan for  
17 addressing that capacity issue in that outfall  
18 system.

19           Our response to that cease and desist  
20 order was to implement a recycled water program  
21 where we would actually recycle the secondary  
22 effluent, use that for beneficial purposes, and  
23 avoid having to discharge that into the outfall  
24 line.

25           This was all prior to the initiation of

1 Mr. Rowley's idea to actually build the Palomar  
2 facility in Escondido. So the City actually had  
3 been planning to implement this recycled water  
4 program much prior to the development of the  
5 Palomar project.

6 And, again, one of the primary purposes  
7 for our recycled water program, not only to create  
8 a product that can be used for beneficial purposes  
9 in the community, but also to avoid having to  
10 discharge that into our outfall line.

11 So the recycled water program for the  
12 City of Escondido is a very important program for  
13 many reasons. And having customers for that  
14 product, both to be able to provide them with that  
15 ability to use recycled water, and again to avoid  
16 having to discharge that into the outfall line is  
17 a high priority for the City.

18 We, in addition to the recycled water  
19 facilities that have currently been constructed,  
20 as Joan mentioned earlier, we are also in the  
21 process of adding some additional storage to the  
22 facility both for storing additional amounts of  
23 secondary effluent to be able to equalize our  
24 discharge into our outfall line, as well as having  
25 additional storage for our recycled product to be

1 able to serve the customers of that system.

2 And also we are in the process of  
3 hopefully being able to implement a backup supply  
4 system using the raw water to our recycled water  
5 program.

6 A little bit about the history of the  
7 HARRF facility. Just to explain the acronym,  
8 HARRF stands for Hale Avenue Resource Recovery  
9 Facility. So we all affectionately refer to it as  
10 the HARRF.

11 This facility has been in existence  
12 since 1959, so it's been in existence for over 40  
13 years. And has historically been an extremely  
14 reliable facility for providing secondary and now  
15 tertiary treatment of wastewater for the City of  
16 Escondido.

17 The two most recent upset events that  
18 have been referred to, one in 1999 and one in  
19 2004, that being an upset of the biological  
20 process at the plant, we believe were the result  
21 of illegal toxic discharges into the sewer  
22 collection system.

23 Matter of fact, the businesses that were  
24 responsible for those discharges, one, the most  
25 recent one, has actually been prosecuted by the

1 EPA for their discharge of the toxic substance.  
2 So these upsets of the plant, and again as Joan  
3 mentioned earlier, were really a very anomaly type  
4 of situation. Typically the plant is a very  
5 reliable conventional secondary treatment plant  
6 using the activated sludge process.

7 One of the other issues that occurred in  
8 2005, and I don't believe this was necessarily  
9 referred to as a reliability problem necessarily  
10 at the HARRF, but with the amount of rainfall that  
11 we had last year in southern California, you may  
12 have the rainfall in northern California this  
13 year, but in southern California we had historic  
14 levels of rainfall last year. And actually with  
15 that wet weather and infiltration into our sewer  
16 collection system, basically exceeded the capacity  
17 of our sewer treatment plant and our outfall  
18 system to be able to discharge the effluent.

19 So last year we did discharge both  
20 secondary treated effluent and tertiary treated  
21 effluent into Escondido Creek again.

22 In the process of developing our  
23 recycled water program, the Regional Water Quality  
24 Control Board not only relieved us of the cease  
25 and desist order now that we have the recycled

1 water production facilities in place, but they  
2 also issued to us a live stream discharge permit  
3 for extreme conditions such as what we had last  
4 year. So we actually do have a permit now from  
5 the Regional Water Quality Control Board to  
6 discharge tertiary treated effluent into Escondido  
7 Creek when we do have such high -- wet weather,  
8 high-flow situations which we experienced last  
9 year. So that is another dynamic that's occurring  
10 at our plant facility.

11 Then I'd like to talk a little bit about  
12 the tertiary treatment facility and the processes.  
13 And one of the things that we've experienced over  
14 the last 12 to 18 months, as Dan also mentioned,  
15 was the fact that we basically have been  
16 commissioning this recycled water system more or  
17 less concurrently with the Palomar Energy project.

18 We did have the system in place prior to  
19 the construction of the facility, but with the  
20 relatively minimal users that we had for the  
21 system, really have only been operating the system  
22 in the 1 mgd level and below, up until the point  
23 where Palomar started taking significant  
24 quantities of recycled water.

25 So we really hadn't had to run the

1 system at those higher levels until Palomar was  
2 ready to come online. And when we did start  
3 increasing our production we determined that there  
4 were some problems that we experienced with those  
5 tertiary treatment processes.

6 The first problem that we found was that  
7 through the testing processes of our UV,  
8 ultraviolet light, disinfection system, we came to  
9 the conclusion that the system, as it was  
10 designed, was not going to be able to produce the  
11 quantity of Title 22 water that it was intended  
12 to. We were only able to get that UV disinfection  
13 system permitted for up to 4 million gallons a day  
14 of capacity, whereas the entire system was  
15 designed and intended to produce up to 9 million  
16 gallons a day. This was in 2004, actually, when  
17 that was determined.

18 In 2005 we made a decision to construct  
19 chlorine contact disinfection basins. That has  
20 been completed. Those are rated at up to 9  
21 million gallons a day now, so we do have the  
22 capability to produce Title 22 quality,  
23 disinfected, recycled water up to the 9 million-  
24 gallon-a-day capacity, using the chlorine contact  
25 basins.

1                   And, again, if we do need to call upon  
2                   the Title 22 system to handle our peak loads in  
3                   high rainfall events and actually discharge into  
4                   the creek in that area, if we're using the  
5                   chlorine contact basins we'll be dechlorinating  
6                   that effluent before it's discharged into the  
7                   creek.

8                   So we have now not only the chlorination  
9                   capability, but we also have a dechlorination  
10                  capability for our system, as well.

11                  And the latest incident that occurred,  
12                  and this occurred in basically I think  
13                  concurrently with Palomar startup of their  
14                  facility, was our filtration system. As we began  
15                  to increase the rate of production of our recycled  
16                  water product, we determined that the filtration  
17                  system was not performing to its designed  
18                  specifications.

19                  And through the numerous experts that we  
20                  brought in to help debug and analyze this system,  
21                  we came to the conclusion that it was the chemical  
22                  additives that were being added that were not  
23                  creating the coagulant and the floc that was  
24                  needed in order for the filters to be able to  
25                  function properly.

1                   So, with testing of numerous chemicals  
2                   we found one that was able to perform properly;  
3                   are now using that product. And now are able to  
4                   produce recycled water for up to at least 8 mgd,  
5                   which is more than adequate to supply Palomar at  
6                   the 4 mgd level that they are using, as well as  
7                   our other customers. We have about up to 1  
8                   million gallons per day of other customers for our  
9                   recycled product. So we have the capacity to  
10                  produce up to 8 mgd now, and we have a demand for  
11                  somewhere in the neighborhood of 5 mgd demand on  
12                  our system.

13                  And, again, with the startup of the  
14                  Palomar facility there was a reliability or  
15                  production test done, both for the HARRF facility,  
16                  as well as with Palomar. And we were able to  
17                  produce the quantities needed for Palomar in a  
18                  very reliable manner.

19                  A little bit of discussion about the  
20                  regulatory environment that we operate in at the  
21                  HARRF. The facility is regulated by the Regional  
22                  Water Quality Control Board. They've issued a  
23                  discharge permit. Actually we have multiple  
24                  discharge permits from the Regional Water Quality  
25                  Control Board for the facility, the primary permit

1 being the discharge of our secondary effluent into  
2 our outfall line.

3 We also have our live stream discharge  
4 permit that I referred to earlier. And we have  
5 another discharge permit now for the discharge of  
6 the brine return from the Palomar facility that  
7 goes directly into our outfall line. So we're  
8 operating basically under those three discharge  
9 permits from the Regional Water Quality Control  
10 Board.

11 And those permits do require an  
12 extensive amount of operational monitoring,  
13 testing and reporting to the Regional Board on the  
14 quality of the effluent that's being produced  
15 through the processes. So there is a very  
16 stringent regulatory environment that we operate  
17 under at the HARRF. And we believe that's the  
18 most appropriate environment for us for the  
19 operation of our facility.

20 Regarding the staff's proposal related  
21 to the application for the use of raw water, the  
22 City is certainly willing to work cooperatively  
23 with the CEC, as well as wit SDG&E, regarding the  
24 operation of the HARRF. And if there is an event  
25 that would require the use of raw water we'd

1       certainly be willing to cooperate with all parties  
2       in terms of monitoring and reporting of that.

3               As Joan mentioned earlier the plans that  
4       have been developed for the connection to provide  
5       raw water into the system really are set up to be  
6       manually operated. So really only would be needed  
7       in a very extreme situation where we'd have to  
8       physically open a valve in order to deliver the  
9       raw water into our recycled water system.

10              And again, as Joan mentioned, you can  
11       see on the map there the plan is that basically  
12       we'd be taking that raw water out of the raw water  
13       supply that San Diego County Water Authority bring  
14       into San Diego County. We have a connection from  
15       that main aqueduct line that goes to our municipal  
16       water supply system.

17              We would be tying into that connection  
18       and building a pipeline up to our recycled water  
19       reservoir in order to divert some of that water  
20       into the recycled water reservoir, and then  
21       ultimately into the recycled water system, which  
22       includes pipelines and delivery system to the  
23       Palomar facility.

24              The City is fully responsible for the  
25       operation and maintenance of the HARRF facility.

1 And we are concerned about the conditions imposed,  
2 or proposed by staff that we require potentially  
3 the involvement of Palomar in the operation of the  
4 facility.

5 We believe that there may be potentially  
6 a conflict of interest. The City is responsible  
7 for operations and maintenance of that facility in  
8 terms of providing secondary treatment, as well as  
9 the tertiary treatment processes. I think  
10 Palomar's interest would be primarily in terms of  
11 the tertiary treatment process, seeing that  
12 recycled water is coming out of that pipeline.  
13 And while that is very important to the City of  
14 Escondido, we are also concerned about the overall  
15 operation of the facility.

16 We do have a very strong incentive to  
17 operate that facility at the very highest  
18 standards in terms of the regulatory environment  
19 that we operate under, as well as the fact that  
20 the compensation that we receive for the  
21 production of the recycled water is something  
22 that's used to pay for the cost of our overall  
23 system, both our secondary as well as our tertiary  
24 treatment processes.

25 So we are very strongly incentivized to

1 continue to produce recycled water at all time and  
2 as much as possible.

3 And really just to conclude, there has  
4 been, one of the comments relates to studies and  
5 implementing additional reliability measures at  
6 the HARRF. We have conducted an extensive amount  
7 of studies of our recycled water treatment system,  
8 and as well as both our secondary treatment  
9 processes at our overall plant facility.

10 We are actually continuing to pursue  
11 additional studies, looking at the capacity of the  
12 plant for future growth in Escondido. So there  
13 are ongoing studies in those arenas.

14 But we do believe that the HARRF is a  
15 very reliable facility in terms of its secondary  
16 treatment processes, and now also its tertiary  
17 treatment processes. And we don't really see that  
18 there are any significant reliability issues that  
19 need to be addressed at this point.

20 So, the City really is not really  
21 concerned necessarily with reliability issues at  
22 the plant, per se. And we are, again, very  
23 interested in producing as much recycled water as  
24 we possibly can. And the intention would only be  
25 to use the raw water as a backup in an emergency

1 situation.

2 So that concludes my comments.

3 PRESIDING MEMBER GEESMAN: Let me ask  
4 you, and you may not know the answer to this, and  
5 that's fine. Were the City's recycled water  
6 facilities, including the HARRF plant, built with  
7 bond proceeds? Did you sell revenue --

8 MR. THOMAS: Well, a combination. We  
9 used a combination of funding sources, state  
10 revolving loan funds, Corps of Engineers grant  
11 funds. We did issue some bonds, so we do have  
12 some debt service. And then some City general  
13 revenue included in that, as well.

14 PRESIDING MEMBER GEESMAN: And are the  
15 revenues that you receive from your recycled water  
16 customers, such as Palomar, pledged to the  
17 repayment of those bonds?

18 MR. THOMAS: The fund, itself, our  
19 wastewater enterprise fund is pledged to the  
20 repayment of those bonds. So all those revenues  
21 go into the wastewater enterprise fund, which is  
22 pledged for the repayment on that debt.

23 PRESIDING MEMBER GEESMAN: So you have a  
24 financial incentive and a legal obligation in  
25 terms of your bond holders --

1 MR. THOMAS: Absolutely.

2 PRESIDING MEMBER GEESMAN: -- to try and  
3 maximize those revenues.

4 MS. ICHIEN: Commissioner Geesman.

5 PRESIDING MEMBER GEESMAN: Yes.

6 MS. ICHIEN: If we may, this  
7 presentation has been very informative. And staff  
8 has a few questions if we may ask them at this  
9 time? I'd like to turn to --

10 PRESIDING MEMBER GEESMAN: Sure.

11 MS. ICHIEN: -- to Brian Ellis.

12 MR. ELLIS: Thanks, Arlene. You  
13 mentioned that, just to address Joan's comments  
14 first, we did look at the regional situation in  
15 terms of the Palomar project would be using a  
16 small fraction of San Diego County Water  
17 Authority's water. Regionally it's not a  
18 significant impact on the water supplies. As you  
19 said, they have new storage projects; they have  
20 quite a bit of water.

21 What we're concerned about, and I was  
22 hoping to ask Patrick and Mary, is that the City,  
23 itself, and I mean we don't want to preempt, you  
24 know, the City in terms of telling you how to run  
25 your water system, but just from the numbers that

1 we saw in here, it seems like even though Palomar  
2 won't be like literally using raw water, if they  
3 do use it, they'll use a lot, 4 million gallons  
4 per day.

5 And it looks like if the tap to the  
6 recycled water system for the raw water is on this  
7 one -- on the City's only pipeline for obtaining  
8 imported water, it would take something like a  
9 third of that water out if the recycled water  
10 system was running, that'd be a million gallons  
11 per day.

12 I didn't hear you guys -- I'd just like  
13 you guys to address that possible issue where if  
14 Lake Dixon was low, in a drought or something like  
15 that, the City's water balance would be affected  
16 if there was a lengthy outage at the HARRF and  
17 Palomar was running full blast.

18 MR. THOMAS: Well, the third number  
19 sounds very high to me, the 3- to 4-million gallon  
20 a day range. Our daily production of water is in  
21 the average 30 to 40 million gallons a day. So I  
22 think the number really is probably more in the 10  
23 percent range in terms of how much water that  
24 Palomar would be using, compared to our domestic  
25 water production.

1                   And then also we do have other sources  
2 of water beyond the imported water. We have a  
3 local water source, as well, that comes into our  
4 facility.

5                   MR. ELLIS: Okay. Did you have a chance  
6 to look at that section of the analysis where it  
7 kind of went through the numbers for that?  
8 Because it's not obvious. I didn't notice, you  
9 know, the first few times I read through the  
10 petition to amend, it wasn't obvious to me. But  
11 when I really ran through the numbers it looked  
12 like there was the potential for the City to not  
13 be able to obtain enough imported water to supply  
14 all its customers just on a daily rate basis if  
15 there was no storage. And if the recycled water  
16 system was taking all the raw water, or, you know,  
17 a large fraction of it.

18                   MS. HEREDIA: Maybe can I just say  
19 something. There's kind of two things that you've  
20 quoted here. One is in your staff report there's  
21 a discussion that there would be about, I think it  
22 was 12 to 13 percent of the water would be used  
23 for the City -- or, I mean could be diverted into  
24 the reclaimed water system. And that was what was  
25 in your report.

1                   And then I believe you just now  
2                   mentioned a 30 percent. You're probably, I  
3                   presume, just going off of pipe capacity and  
4                   saying that this, you know, because of the size of  
5                   the pipe it might be up to 30 percent?

6                   MR. ELLIS: Yeah, that was definitely an  
7                   assumption I made that it sounds like may not  
8                   be --

9                   MS. HEREDIA: Okay, okay, well, and I  
10                  guess what I'd like to point out to you is  
11                  there's, you know, when the reservoir is full, and  
12                  I'm not saying how they're going to -- I'm not  
13                  trying to say how they would manage the water in  
14                  the future, because I think that has yet to be  
15                  determined, but we do have over ten hours of  
16                  surplus capacity, okay.

17                  So I could easily envision a situation  
18                  where maybe the valve is opened for a portion of  
19                  the time. So that, you know, -- or maybe they  
20                  only open it halfway. I'm not sure what sort of  
21                  valve it is. So they would keep it throttled more  
22                  at the 10 percent value rather than the 30  
23                  percent.

24                  In regards to the fullness of Lake  
25                  Dixon, there is an obligation by the City, I guess

1 it's for recreation purposes, that they have to  
2 maintain it at certain levels.

3 And I guess the other thing that I  
4 really draw the distinction between, and have had  
5 this discussion with the San Diego County Water  
6 Authority is, their concern for water supplies  
7 is -- and where they have restrictions, is treated  
8 potable water, okay. Because remember the raw  
9 water goes to Lake Dixon and it gets treated,  
10 okay. And that tends to be the constraint, based  
11 upon my understanding from the San Diego County  
12 Water Authority, is the constraint is the treated  
13 water, okay.

14 The raw water they are not as concerned  
15 about. And so I think that that's why, you know,  
16 one of the things that they see as a real benefit,  
17 and why we will not be impacting the local  
18 residents of Escondido, is we're not going to be  
19 impacting the treated water; we're just going to  
20 take the slip stream of raw water.

21 And it would just be additional  
22 supplies. I mean I could see an envision where  
23 maybe they open the valve for eight hours, you  
24 know. And maybe those eight hours it is a third  
25 of it, you know, taken over to the reservoir. But

1 ultimately the amount that needs to go to Dixon  
2 Lake will go, is my understanding.

3 MR. ELLIS: Yeah. I mean, from the  
4 calculations I made it would be a very rare  
5 situation where there might be an impact. But --

6 MR. THOMAS: And just also, as I  
7 mentioned, we do have other sources of water  
8 available to us, so we are not exclusively  
9 dependent upon the imported water.

10 MR. ELLIS: The number in here said that  
11 the imported water was 75 percent of the City's  
12 water --

13 MR. THOMAS: That's roughly --

14 MR. ELLIS: -- supply?

15 MR. THOMAS: Yeah.

16 MR. ELLIS: Is that going to change in  
17 the future?

18 MR. THOMAS: No, I wouldn't imagine it  
19 would. That's an average in terms of the local  
20 versus imported water. And the local water will  
21 vary year-in and year-out, depending upon the  
22 amount of rainfall.

23 MR. ELLIS: Okay, thanks.

24 MR. JOHNSON: I have a question. Could  
25 you describe what an outage is if there's another

1 illegal dumping? You indicated that that's  
2 probably been the problem in the past. If you  
3 describe how many days or how many hours of  
4 outages? Could you go through with the steps to  
5 get the system going again, and how it affects the  
6 tertiary system?

7 MS. HEREDIA: I don't think I'm going to  
8 speak to the operation of the HARRF. Maybe Pat,  
9 or either John? I mean it obviously is going to  
10 be the quantity, the types of chemicals, but --

11 MR. JOHNSON: Let's just suggest if one  
12 of the past events happens again.

13 MR. THOMAS: Well, the two events that I  
14 mentioned, the 1999 event and then the 2004 event  
15 were actually a little bit different events.

16 The '99 event and maybe I'll turn to  
17 John, do you know how long it took to recover from  
18 that?

19 MR. BURCHAM: The 1999, I think that was  
20 only one day event; it was the same thing. But --  
21 John Burcham, City of Escondido, if it's all right  
22 if I speak. I run the HARRF. Can you hear me  
23 now?

24 John Burcham, I'm the Superintendent at  
25 the HARRF. The original upsets, or the earlier

1       upsets we talked about only lasted a day or so.  
2       the long upset we had was in 2004. And as Joan  
3       mentioned in her presentation, it was illegal  
4       dumping. And then we had some oxygen sensor  
5       problems that prolonged it. And the actual time  
6       that we were in violation of secondary effluent  
7       was about 30 days.

8                 And the overall violation was longer  
9       because of some averaging that the Board puts on  
10       us that we were out of compliance with.

11                But, what we've done since then, and we  
12       actually have in process at the time, was we  
13       upgraded the oxygen sensors, which was part of it.  
14       And we also changed out our blower system, which  
15       should have been done in the second phase probably  
16       of our construction, and we didn't do it.

17                So we have changed and upgraded our  
18       blowers. So, the reliability of the secondary  
19       system has been immensely increased due to that  
20       upset, or that upgrade to the project.

21                MR. JOHNSON: So would a new upset only  
22       be a matter of hours or days?

23                MR. BURCHAM: We think so; that's our  
24       belief because we are now monitoring it better.  
25       We've also, in the Brown and Caldwell study that

1 was mentioned, we've also had to look into the  
2 secondary process. And some changes have been  
3 made of how we run that.

4 We are running a larger biomass, the  
5 amount of solids that we have that can absorb a  
6 larger hit, or if somebody does dump something on  
7 us. So that is increased; we've changed that.

8 We've changed the way we run the  
9 process. And we've been able to do that because  
10 of the upgrade to the blower. With the old blower  
11 system we weren't able to do that.

12 So this is something that has increased  
13 the reliability of the HARRF.

14 MR. JOHNSON: So if it's just a matter  
15 of hours then, if the backup reservoir is full,  
16 you can draw that down while this upset's  
17 occurring? Does it shut down the tertiary  
18 treatment when you have this upset?

19 MR. BURCHAM: Yes, it does. What it  
20 does, because it's a biological process, it's not  
21 like a water plant where you're essentially  
22 removing -- Mary Ann can speak to this better --  
23 inorganic material, sediment, silt and that sort  
24 of thing. It's a biological process and that  
25 would pass on to where you would violate another

1 permit that we have. Actually it's a fourth  
2 permit that's put on us by the Regional Board for  
3 the recycled water.

4 And so you have to meet that one, too.  
5 And what happened, and the reason that we had to  
6 wait until September of '04 to actually start  
7 production was because of the upset we had in '04.  
8 And when we got past that, then when the  
9 biological process cleared up, the secondary  
10 cleared up, and then we could make tertiary water.

11 MR. THOMAS: It probably, in terms of a  
12 future upset, I would say would be longer than  
13 just a matter of a few hours. But, we're probably  
14 talking somewhere in the neighborhood of 24  
15 hours --

16 MR. BURCHAM: Twenty four is the most I  
17 would say, probably. Because you can get the  
18 system to turn around with the upgraded  
19 instrumentation and stuff, it's just, we don't see  
20 it as bad.

21 Then the other thing that she mentioned  
22 in her report was all the people that we had in  
23 that were looking at this. We have made changes.  
24 And we've also found a chemical vendor that even  
25 when we have degraded a little bit when we were

1 playing with the process to try to get it to where  
2 we are now, that we were able to take the NTUs and  
3 clean up the water even when they were actually a  
4 little bit above design capacity of the filters.

5 Not hydraulic loading, but NTU, clarity  
6 of the water. We took water that was 12 NTU and  
7 took it down below 2, closer to 1, with the  
8 chemicals we have. It's expensive, but it's  
9 possible. So it's do-able with our filters; and  
10 we've found that we can make it more stable, the  
11 part that goes to the -- and we have to do that to  
12 meet the discharge requirements.

13 MR. JOHNSON: It sounds like the process  
14 is reliable. It's just the question is, you know,  
15 who's going to dump illegally, and that's going to  
16 perhaps cause an unexpected -- we don't plan for  
17 that, but we have no idea when that's going to  
18 happen.

19 MS. HEREDIA: And hopefully they'll be  
20 prosecuted to the full part of the law and will --

21 MR. JOHNSON: Well, sure, but that  
22 happens --

23 MS. HEREDIA: -- not be able to do it in  
24 the future.

25 MR. JOHNSON: Thank you.

1                   MR. THOMAS: We do have a pretreatment  
2 program where we inspect all the industrial  
3 businesses and hopefully -- they're required to  
4 have a permit -- and hopefully comply with their  
5 permitting through the City, too.

6                   MS. MANN: And we have recently added  
7 additional staff to that program, too, to make it  
8 a little bit more of a robust program.

9                   MR. BURCHAM: And I kind of wanted to  
10 throw in something on Brian's question, if I  
11 might, while I'm sitting here. These two can kick  
12 me if --

13                   (Laughter.)

14                   MR. BURCHAM: But your question about  
15 the capacity, you know, the raw water, and Pat  
16 said we have an alternate source. We do, but we  
17 also have two connections to the raw waterline.

18                   And so this -- the raw water line that  
19 we're taking off of goes directly into Lake Dixon.  
20 And then that water is taken out of Dixon and run  
21 through the filtration plant.

22                   We have another raw water line and I  
23 don't know -- what size is that? 30?

24                   MS. MANN: It's at least a 30-inch  
25 connection --

1           MR. BURCHAM:  -- that goes directly to  
2           the water filtration plant.  So, we can draw water  
3           off the aqueduct in more than one place.  Plus the  
4           local water supply.

5           MS. MANN:  We rarely use the other one  
6           because it does, on occasion, require pumping.  So  
7           there's some additional power costs to it.  But it  
8           is available for an emergency situation.

9           And also we have no limit with the  
10          County Water Authority as to how much raw water we  
11          can purchase.  It's just the only restriction is  
12          the size of our connections.

13          MR. ELLIS:  Right.  That's what I was  
14          concerned about, was the size of the connection.  
15          Just the capacity of that to get enough water to  
16          the City.  So that's good to know.

17          MS. ICHIEN:  I have a question with your  
18          enforcement program.  With respect to illegal  
19          dumping, what consequences result from that?  I  
20          mean how are you able to -- is there a penalty?  Is  
21          there --

22          MS. MANN:  Well, the one that caused the  
23          2004 upset, we turned that over to the EPA and  
24          they prosecuted the person.  We are trying to  
25          update our ordinance to allow us to issue more

1 penalties in the field on those.

2 But actually those are very rare  
3 occasions when we do have someone who does  
4 illegally discharge. Most of our dischargers are  
5 very compliant with the requirements.

6 PRESIDING MEMBER GEESMAN: Okay, I want  
7 to ask if Mr. Briggs or Mr. Powers on the phone  
8 have anything they want to say to us now.

9 MR. BRIGGS: Hi, this is Corey Briggs.  
10 I didn't hear all the people who were present. Is  
11 there someone from the State Water Resources  
12 Control Board participating today?

13 PRESIDING MEMBER GEESMAN: No.

14 MR. BRIGGS: Okay. Earlier there was  
15 some talk about force majeure. And I'm just  
16 wondering whether somebody could re-explain that  
17 part of the discussion. I seem to recall  
18 something about force majeure and then potential  
19 delay in government acting if there is some sort  
20 of outage. Can someone re-explain that part of  
21 the discussion, please.

22 PRESIDING MEMBER GEESMAN: Well, that  
23 individual has left the room, but if I can try to  
24 reconstruct, I think much of his force majeure  
25 discussion was a sarcastic remark, trying to play

1 on the phrase act of God, and then referring to  
2 the fact that since the decision in this case  
3 would involve the full Commission, as opposed to  
4 simply the Chair of this Committee, act of God was  
5 probably not a relevant consideration.

6 I indicated that I didn't catch all of  
7 the humor from that, but was hopeful that the  
8 transcript would reflect it.

9 MR. BRIGGS: All right. Is the CEC  
10 going to be consulting with the State Water  
11 Resources Control Board on this item?

12 PRESIDING MEMBER GEESMAN: I can't speak  
13 for the staff, but certainly the Committee does  
14 not have an intent to.

15 MR. BRIGGS: Okay. There was a comment  
16 earlier, something like the use that HARRF would  
17 make, or that the power plant would make. It's  
18 going to end up being less than 1 percent of the  
19 water use within the Authority? Did I hear that  
20 correctly?

21 MS. HEREDIA: That is correct.

22 MR. BRIGGS: Something like .68 or .69  
23 percent of the overall daily use that the  
24 Authority makes. Was that accurate?

25 MS. HEREDIA: The overall imported water

1 that the Authority currently obtains from MWD.

2 MR. BRIGGS: And I just think the record  
3 should reflect that I don't have any basis to  
4 doubt that number. The San Diego Region doesn't  
5 have a whole lot of water to begin with. While 1  
6 percent might not sound like an enormous amount of  
7 money relatively speaking, it has to be understood  
8 in the context that San Diego is almost always  
9 fighting to get water. And it's one of the  
10 biggest environmental problems that the region  
11 faces. So I hope that the Commission will  
12 consider the context within which that statistic  
13 was offered.

14 PRESIDING MEMBER GEESMAN: Yeah, I think  
15 that's well understood by the Commission, Mr.  
16 Briggs.

17 MR. BRIGGS: Okay, good. Also there's  
18 been reference to a number of letters and verbal  
19 communications with the Water Authority about  
20 their support. I haven't seen those yet. Are  
21 those in the record, or are those going to be  
22 included in the record?

23 PRESIDING MEMBER GEESMAN: There was a  
24 letter distributed today from the San Diego County  
25 Water Authority signed by Paul Lanspery, the

1 Deputy General Manager, and addressed to Ms. Mary  
2 Ann Mann, the Utility Manager of the City of  
3 Escondido.

4 MR. BRIGGS: Is that something we can  
5 just get emailed to Bill and me?

6 PRESIDING MEMBER GEESMAN: Sure.

7 MR. BRIGGS: Thank you.

8 MS. HEREDIA: I might also add, Mr.  
9 Briggs, that with the petition there was also a  
10 letter filed that I would presume if you've seen  
11 the petition, would have access to, also  
12 supporting the project, sir.

13 MR. BRIGGS: Yeah, okay, I appreciate  
14 that. For the backup raw water, who is the power  
15 plant going to pay for that water? Is the check  
16 going to be written to the City of Escondido, to  
17 Rincon del Diablo (phonetic), to the San Diego  
18 County Water Authority, who's the check going to  
19 be written to?

20 MR. THOMAS: This is Pat Thomas from the  
21 City. They actually will be paying Rincon del  
22 Diablo who in turn pays the City.

23 MR. BRIGGS: Okay. Someone mentioned  
24 earlier that it may be necessary for the City of  
25 Escondido to increase its rates for its users. Did

1 I hear that comment correctly? I think it was in  
2 the context of talking about how the City would  
3 handle any shortages or other regulatory issues.  
4 Did I hear that comment accurately?

5 MR. THOMAS: I don't think so. You  
6 know, we don't -- this particular action here  
7 really wouldn't have any impact on our rates.

8 MR. BRIGGS: I understood that. I  
9 thought that somebody was opining that it was not  
10 appropriate for there to be any conditions of  
11 approval that would require the power plant to be  
12 involved in HARRF's operations. And then in  
13 explaining why that would be inappropriate I  
14 thought someone had mentioned that the City of  
15 Escondido can always go back and raise its rates  
16 if it needed to do so in order to address a  
17 certain problem.

18 MS. HEREDIA: This is Joan Heredia from  
19 Sempra, and I was the one that opined that. And I  
20 guess my intent was not to tell the City how to  
21 run their operations, but I would anticipate, as  
22 any good business, if they find themselves  
23 operating on a shortfall, that they would analyze  
24 their pricing structure in order to be able to  
25 accommodate that.

1                   But obviously that is my very simplistic  
2 view, and I really think that it's more up to the  
3 City to determine how that would occur.

4                   MR. BRIGGS: Sure. I understood you to  
5 be making it, saying it that way. I didn't mean  
6 to suggest otherwise. I just wanted a  
7 clarification because my question is whether  
8 there's a reopener provision in the power plant's  
9 contract with the City of Escondido to allow for  
10 an increase in rates if the City determines that  
11 to be necessary.

12                   MR. THOMAS: I don't believe there's a  
13 reopener necessarily, but the rate that Palomar  
14 will pay for the recycled water is actually tied  
15 to the City's potable water rates.

16                   MR. BRIGGS: So if the city raises its  
17 rates in the ordinary course of business, then the  
18 rate that the power plant pays is going to go up?

19                   MR. THOMAS: Correct.

20                   MR. BRIGGS: Okay. And last question  
21 for now. How much was the City of Escondido fined  
22 by the Regional Board for the upsets that occurred  
23 from the illegal dumping?

24                   MR. TAYLOR: That has not been resolved  
25 yet.

1                   MR. BRIGGS: The penalty issue is still  
2 open?

3                   MR. THOMAS: Yes.

4                   MR. BRIGGS: When is it expected to be  
5 resolved?

6                   MR. THOMAS: I'm not sure. That's  
7 something that our attorney's office is handling  
8 with the Board Staff.

9                   MR. BRIGGS: The City Attorney or Jim  
10 Dragna?

11                   MR. TAYLOR: Jim Dragna is acting as  
12 counsel to the City Attorney's Office on that.

13                   MR. BRIGGS: Okay. Was there an initial  
14 estimated penalty that was proposed by the  
15 Regional Board?

16                   MR. THOMAS: Yes, there was.

17                   MR. BRIGGS: How much was that?

18                   MR. THOMAS: Actually there were a  
19 number of issues that were involved in that. The  
20 upset of the plant, itself, and the violations  
21 related to the discharges from that event. As  
22 well as the wet weather discharge events.

23                   Was there a specific one of those you  
24 were interested in?

25                   MR. BRIGGS: If you can break them down,

1 that's great. If not, I'll take a overall number.

2 MR. BURCHAM: The upset of the plant I  
3 believe was \$1.2 million.

4 MR. BRIGGS: Okay.

5 MR. THOMAS: And that was the initial  
6 amount that was considered by the Board. And,  
7 again, that has not been resolved yet.

8 MR. BRIGGS: Okay. Thanks, that's it  
9 for now.

10 PRESIDING MEMBER GEESMAN: Mr. Powers.

11 MR. POWERS: Good morning, Commissioner  
12 Geesman, and I think I'm going to need about 10 to  
13 15 minutes. Just wanted to make sure that that is  
14 acceptable?

15 PRESIDING MEMBER GEESMAN: Well, it's up  
16 to you as to how to use your time. I have a  
17 little bit of an attention span problem with that  
18 long of a telephone statement.

19 MR. POWERS: I must say that the  
20 applicant, or supplicant in this case, got about  
21 an hour and the HARRF got about -- the City of  
22 Escondido about a half hour. And so if I could  
23 have ten minutes I would be --

24 PRESIDING MEMBER GEESMAN: Use your best  
25 judgment.

1           MR. POWERS: I will try and keep it  
2 entertaining, Commissioner. I think what I'd like  
3 to do, and I'm glad to see that Joe Rowley and  
4 Taylor Miller are on the call. I think they've  
5 got institutional memory of the licensing  
6 proceeding, itself, as do you. And I think that's  
7 a good thing in the context of my comments.

8           I'd like to begin with, since I did get  
9 an opportunity to listen in for the last hour and  
10 a half, on the various comments that were made. I  
11 think I'd like to respond to those briefly.

12           And it sounds, Commissioner, that you  
13 have not had an opportunity yet to review the  
14 letter that I submitted on the 3rd. And I'll also  
15 go through a brief review of that, as well.

16           First of all, Jim Avery kind of put his  
17 comments in a context of the CEC indirectly being  
18 responsible for the lack of reliability of the  
19 Palomar Energy project if the staff  
20 recommendations for mitigation were to be  
21 required.

22           And I think that to put this, what I  
23 think is in the appropriate context for those of  
24 us that were involved in that licensing  
25 proceeding, and have tracked this process for the

1 last few years, the issue of recycled water only  
2 with no backup was an issue during the proceeding.

3 And Sempra was very adamant that they  
4 needed no backup for reliability purposes. And  
5 that was in the context of understanding that if  
6 they requested raw water backup at the time, that  
7 that would open up the scrutiny of that project's  
8 water use. And would potentially have affected  
9 the outcome of what the cooling system is.

10 They made the call back in 2002 to not  
11 pursue raw water backup, which at that time every  
12 recycled wet-cooled facility in California, to my  
13 knowledge, was equipped with raw water backup.  
14 They made the call not to go that route. And to  
15 link this into the comment letter is that I think  
16 counselor Briggs and myself both see this as  
17 basically segmenting a CEQA process.

18 That we didn't ask for raw water at the  
19 time it was appropriate, during the licensing  
20 proceeding. We ran into a snag that anyone could  
21 have predicted would be hit. And now we're coming  
22 back to the well and saying, give us the raw water  
23 backup, no commitments on duration other than the  
24 entire summer, as the staff correctly noted.

25 So I want to put this in the context of

1 Mr. Avery, and unfortunately he's gone, putting  
2 this in the context of the CEC potentially being  
3 responsible for reliability problems. I think  
4 that that is really on the shoulders of Sempra and  
5 SDG&E.

6 This issue of RMR reliability and the  
7 fact that the SDG&E service area will be 1000  
8 megawatts-plus short, even with the Sunrise Power  
9 Link, and that this has to do with these aging  
10 utility boilers on the coast, the Encina Power  
11 Plant and the South Bay Power Plant, the SDG&E was  
12 a party, Commissioner, about the time we were  
13 involved in the home stretch of this licensing  
14 proceeding.

15 We also down here collectively, you  
16 know, political, business, SDG&E, NGO community,  
17 the San Diego Regional Energy Strategy 2030, a  
18 blueprint for the future of strategic energy  
19 planning for the area, the number one technical  
20 plank of that blueprint is to modernize the South  
21 Bay Power Plant and the Encina Power Plant.

22 And I think SDG&E is being a bit  
23 disingenuous to imply that Duke/LS and NRG are  
24 having some difficulty getting their act together  
25 in modernizing those plants. They can't get power

1 purchase agreements from SDG&E. That is the only  
2 reason they are not moving forward with those  
3 modernizations.

4 So I think that conjecture over the  
5 difficulty that these merchants may be having in  
6 modernizing inbasin generation, which Mr.  
7 Ridgeley's predecessor, Bob Resley, was at the  
8 table when we wrote that report, as being our  
9 number one plank, I think is being somewhat  
10 disingenuous.

11 This issue of emissions from the coastal  
12 plants being a quantum leap higher than the  
13 Palomar gas turbines, I think, Commissioner, you  
14 mentioned this, as well as Mr. Avery. That is  
15 simply not the case. All nine utility boilers in  
16 San Diego have been equipped with advanced NOx  
17 control systems. The exact same advanced NOx  
18 control systems that the Palomar gas turbines are  
19 equipped with.

20 Their emissions, prorated on a megawatt-  
21 hour basis, not on efficiency, are only marginally  
22 higher than the Palomar gas turbines. Running  
23 those utility boilers, I concur that if you're  
24 running those GTs flat out your heat rate is going  
25 to be considerably better than the utility

1       boilers. That is not true on the emission rate  
2       for NOx. They are going to be comparable.

3               The issue of raising the spectre of the  
4       coastal boilers filling in for Palomar when  
5       Palomar hits a snag on reclaimed water supply in  
6       the summer, yes, it is true that they will be  
7       using water at those coastal plants, seawater.  
8       That will have no impact on the availability of  
9       raw or potable water to the citizens of the  
10      region.

11              It may have some impacts on marine life.  
12      That is a chronic issue, year after year after  
13      year, of pulling in millions or billions of  
14      gallons of seawater. But having those utility  
15      boilers pulling in seawater for 24, 48 hours one  
16      week, two weeks, is not a major issue in the  
17      context of marine impacts.

18              One issue that may or may not be  
19      addressed here, but I think it is definitely worth  
20      bringing up is that this issue of reliability is  
21      raised, and that's the reason that we're looking  
22      at a raw water backup. But one of the loose ends,  
23      and potentially, Taylor or Joe, you can comment on  
24      this, after I get done with my presentation here,  
25      is one of the loose ends that we left hanging in

1 the process was what will be the biocide treatment  
2 for the reclaimed water at the plant.

3 And the reason I bring that up is if  
4 you're concerned about reliability and that's the  
5 reason for raw water backup, we never did get an  
6 answer to that in the licensing proceeding. We  
7 have sodium hypochlorite listed as the biocide.  
8 That won't work in a -- environment. And I guess  
9 you're now operating the facility, so you have a  
10 biocide program that would be of use for us to  
11 know what that is.

12 The -- I think this will be a question  
13 to Joan. You can answer this question. I think  
14 the facility indicated that they've had extended  
15 outages at the plant. We're talking weeks, not  
16 two hours, four hours, six hours.

17 I think it's very helpful that there may  
18 be up to 10 hours of backup in a local reservoir,  
19 but was your comment intended to imply that that  
20 reservoir will cover what you anticipate will be  
21 the most extensive outage.

22 Another comment on lots of support from  
23 the San Diego Water Authority. That may be true  
24 with the Water Authority, but it's definitely not  
25 true with the San Elijo Joint Power Authority

1 that's downstream of the Escondido outfall. They  
2 opposed the HARRF's NPDES discharge permit for the  
3 brine coming off the cooling tower at PEP because  
4 it would negatively impact - that's where they get  
5 their reclaimed -- or raw water for producing  
6 reclaimed water. And that the dumping of that  
7 brine will now compromise their ability to produce  
8 reclaimed water.

9 I think it's really an ultimate irony  
10 that raw water from Escondido may be used in the  
11 tower, turned into brine, and then compromise the  
12 ability of the downstream user to even produce  
13 reclaimed water. That opposition letter is dated  
14 September 7, 2005, to the Regional Board.

15 Again, back in the context of 2003, is  
16 that there's no question exhibit 82 that we  
17 submitted in that proceeding was the CEC's June  
18 2001 workshop report on the problems with water  
19 reliability and power plants. In fact, that was  
20 the reason -- in some ways I'm segueing into the  
21 letter -- that's the reason that they were  
22 advocating that new plants be looked at in a  
23 broader scope. And dry cooling be given a greater  
24 emphasis precisely because of this problem with  
25 not just recycled water, but also raw or potable

1 water, of reliability and availability in times of  
2 emergency and times of drought.

3 Again, I pointed out that every other  
4 facility that had chosen the reclaimed or recycled  
5 water approach had been good conservative power  
6 people assured that there was a backup. And that  
7 backup was always some form of raw or potable  
8 water.

9 And had that been broached during the  
10 proceeding it would have opened up the opportunity  
11 to give a completely reliable approach, in this  
12 case dry cooling, a much greater scrutiny.

13 I think that the CEC's report is  
14 accurate in stating that currently Escondido has,  
15 unlike some of these other recycled water  
16 districts that are feeding or supplying power  
17 plants, there is no backup or redundant recycled  
18 system in Escondido. That system goes down,  
19 everything goes down. And that couldn't be a less  
20 reliable system. And we knew that in 2003.

21 Now I'd just like to take a minute to  
22 hit the letter, and again emphasizing that we  
23 really see this as a segmentation of the CEQA  
24 process. Asking for raw water now, the  
25 appropriate time to have done that would have been

1 when we had a chance to look at alternatives,  
2 which was back in 2003.

3 And there is an alternative that has not  
4 been studied, and was not mentioned by the  
5 California Energy Commission. And in the letter  
6 that I sent in that alternative is a retrofit of  
7 this facility. And the retrofit would include  
8 retrofitting air-cooled cells onto the site so  
9 that this plant's overall water use would drop at  
10 least 90 percent. And in the summertime, these  
11 critical periods and reliability is so important,  
12 the amount of water needed to maintain that plant  
13 at full fire would be 10, 20 percent of what it is  
14 now, whether or not it's recycled or raw. And  
15 even if you lost both water supplies, you'd still  
16 be able to operate that plant at probably 500 or  
17 more megawatts on the dry-cooling system alone.

18 During the proceedings I did submit a  
19 plot plan for a 36-cell air cooled system. You  
20 don't need 36 cells on a parallel wet/dry system.  
21 You could probably achieve that goal with as  
22 little as 24 cells. I did take another look at  
23 that plot plan before sending in that letter. And  
24 possibly without moving a thing you could put 24  
25 cells in there. You might have to move that one

1 10,000 barrel water tank to do it most  
2 efficiently. But it's quite feasible to put those  
3 cells in there.

4 And the cost, again, as it was pointed  
5 out during the evidentiary hearing, we never  
6 really took a close look at this, but the  
7 lifecycle cost of air cooling at that site is  
8 comparable assuming gas prices are in the \$6  
9 range, which the CEC is assuming now.

10 The costs are comparable. Obviously  
11 you'd have to put in additional money at this  
12 point. I'm estimating probably \$25- to \$30-  
13 million to do that retrofit. I think Sempra sold  
14 this project to SDG&E for 450-plus-million. So  
15 we're talking about a 5 percent increment to  
16 essentially take this plant out of the water game.

17 And my final comment is again that that  
18 remains a viable option for this facility. We  
19 knew going in in 2002, 2003, that this was an  
20 issue. It was raised in the proceedings, in  
21 exhibits. This dry cooling issue is the gift that  
22 keeps on giving.

23 When it comes to you, Joe Rowley, and  
24 myself, that we didn't have the straight story  
25 during that proceeding. And now we're in a

1 position where I think that for CEQA reasons and  
2 for reasons of water reliability throughout the  
3 area, we need to have the alternative of a wet/dry  
4 retrofit front and center in the CEC's analysis.

5 Thank you.

6 PRESIDING MEMBER GEESMAN: Thank you,  
7 Mr. Powers. What I'd like to do now is take a  
8 break. But when we come back I want to focus on  
9 staff alternative B. And I'd like to get a sense  
10 as to where the staff and applicant agree and  
11 disagree.

12 I want to be clear to the staff that as  
13 it relates to your recommendation on soil and  
14 water 9, I don't have any appetite to inject us  
15 into jurisdictions that's better handled by the  
16 Regional Water Quality Control Board. And if I  
17 don't have an appetite for that, I think my four  
18 colleagues have less appetite.

19 I'd also like a better sense when we  
20 come back of what remains to be accomplished in  
21 terms of soil and water 8. How much of the  
22 benefit of your recommendations actually have  
23 already been achieved by the review that has been  
24 conducted by the City of the plant and the  
25 problems that they've experienced.

1                   And then finally I'd like a better sense  
2                   as to what the basis for a water conservation fee,  
3                   or a mitigation charge would be in the event that  
4                   raw water is actually used at the Palomar  
5                   facility.

6                   And then finally I'd certainly be open  
7                   to any other items that spring out, any of the  
8                   parties, that we need to discuss in this workshop.  
9                   And I'll give the two gentlemen on the phone  
10                  another opportunity when we come back to address  
11                  us on these questions and any other topics they  
12                  may choose to.

13                  MR. KRAMER:   There's another gentleman  
14                  on the phone who just wants to know how long a  
15                  break this is going to be.

16                  PRESIDING MEMBER GEESMAN:   I was about  
17                  to announce that, Mr. Kramer, and I would say 15  
18                  minutes.

19                  MR. BRIGGS:   Commissioner Geesman, this  
20                  is Corey Briggs.   I have another appointment so I  
21                  won't be on the next call.   Bill Powers will, but  
22                  I won't.   Thank you for today.

23                  PRESIDING MEMBER GEESMAN:   Okay, thank  
24                  you, Mr. Briggs.

25                  So we'll reconvene in 15 minutes.   My

1 watch says it's 11:10 now; why don't we get back  
2 in here at 11:25. I'll note the wall clock is  
3 about five minute slow.

4 (Brief recess.)

5 PRESIDING MEMBER GEESMAN: Okay, we're  
6 back from our break. Who would like to start?

7 MS. ICHIEN: Well, you had asked  
8 questions about conditions 8 and 9, and made a  
9 comment about 9. Based on the presentations this  
10 morning and the information provided by the  
11 applicant and the City, staff is persuaded --

12 MR. POWERS: Louder, please.

13 MS. ICHIEN: This is Arlene Ichien  
14 speaking for the staff. Based on the  
15 presentations this morning by the applicant and  
16 the City, staff is persuaded that there are  
17 sufficient steps underway to insure the  
18 reliability of HARRF. And so that lessens the  
19 need, if not takes it away all together, for  
20 conditions 8 and 9.

21 So that brings us to focusing then on  
22 option B, and the question is how close to  
23 agreement are we on the proposed, staff's proposed  
24 option B.

25 And one point of difference has to do

1 with the mitigation fee, it appears. And staff  
2 can speak to the basis on which it proposes or  
3 arrived at the mitigation fee of \$10,000 per day.  
4 The objective was to fund water conservation  
5 measures.

6 With that in mind, staff is amenable to  
7 considering the actual usage of raw water, or raw  
8 recycled water. And to the extent that the  
9 applicant would be able, once notified, to  
10 actually meter the amount of acrefeet used when  
11 that condition arises, we think that that is a  
12 reasonable basis on which to base the fee.

13 So the question then is the dollar  
14 amount, you know, assuming that we do use acrefeet  
15 of actual raw water used as the basis for imposing  
16 the fee. And, again, this was a mitigation fee to  
17 fund water conservation measures, as opposed to  
18 the other fee that you had suggested when drought  
19 conditions arise.

20 Then the question is, you know, what  
21 dollar amount to place on the amount of acrefeet  
22 used is reasonable.

23 And I would like staff, then, to explain  
24 its rationale for coming up with the amount it  
25 did, the assumptions that it has regarding water

1 conservation measures.

2 MR. ELLIS: So, just to -- staff's  
3 understanding is that the Metropolitan Water  
4 District fee of about \$100-some-odd per acrefoot  
5 is more intended to reduce water usage in a  
6 drought condition, as opposed to completely  
7 offsetting that water use by conservation.

8 Staff's goal is to completely offset the  
9 use of raw water which is consistent with the  
10 objectives of our state policy on power plant  
11 cooling. And the, you know, cumulative impacts  
12 on, you know, scarce water resources in San Diego.

13 In completely offsetting the raw water  
14 use, from the research I did, it seems that -- I  
15 discussed the possibility of using funds for water  
16 conservation with the Rincon del Diablo Water  
17 District. And from the numbers they gave me they  
18 hope, by 2010, to be conserving about 800 acrefeet  
19 with a budget of about \$800,000 per year. So that  
20 equates to about \$1000 per acrefoot.

21 And since Palomar would use around ten  
22 acrefeet per day, that's where the \$10,000 comes  
23 from.

24 But we would be happy to just say, okay,  
25 meter the amount used and then per acrefoot it

1 would be \$1000 for a mitigation fee, which could  
2 be paid to Rincon del Diablo.

3 They said that they have enough programs  
4 that they would like to start to achieve their  
5 objectives that they could use, you know, pretty  
6 much as much money as they could get.

7 (Laughter.)

8 MR. ELLIS: But, you know, this is  
9 just -- and this is just talking, you know,  
10 hypothetically with them. But, that is the  
11 information we received, so that's what that  
12 number is based on.

13 MR. THOMAS: Well, just in terms of the  
14 conservation programs. I'm not sure, to tell you  
15 the truth, exactly what Rincon del Diablo's  
16 conservation programs are, but we do also have  
17 conservation programs that the City runs. And the  
18 County Water Authority runs conservation programs  
19 where they fund items such as replacing toilets  
20 with low-flush toilets -- low-flow toilets and  
21 showerheads and those kind of things.

22 So there are opportunities for  
23 conservation in the region, certainly, both the  
24 City and Rincon del Diablo.

25 MR. MILLER: I think we need a moment to

1 just caucus on this, if we could, please.

2 PRESIDING MEMBER GEESMAN: Okay, why  
3 don't we take five minutes, then. Go off the  
4 record.

5 (Brief recess.)

6 MR. MILLER: Thank you for the break.  
7 We are in agreement with the proposal. We'd like  
8 to talk a little bit about the fee calculation,  
9 and how that could logically be derived. And also  
10 we have discussed the appropriate recipient a  
11 little bit.

12 Our thought is the money would probably  
13 do the most good and have the closest nexus to the  
14 issue if it did go to the City for their  
15 conservation program, which they do have. And Pat  
16 can explain that.

17 The Rincon del Diablo District basically  
18 operates the pipe, the delivery system, but does  
19 not have responsibility for the resource  
20 management for nearly as much as the City. So we  
21 thought we'd ask Pat to give, just explain their  
22 conservation program.

23 And I guess I should have also said  
24 that, you know, we're sort of getting over the  
25 hump on acknowledging that there is something to

1 mitigate here. That this mitigation would only  
2 occur in the chance there is an overlap, and  
3 nobody can predict how much this would ever really  
4 happen, between the HARRF having some sort of  
5 tertiary treatment outage and coincidentally an  
6 extended drought that was going on at the very  
7 same time, and the Lake Dixon facility which has  
8 like 800-and-some acrefeet or more of capacity  
9 being dry.

10 So we think it's pretty unlikely, but I  
11 think we're also in favor of water conservation as  
12 well as the Commission. So I think we're willing  
13 to accept a fee, but we would like to see it based  
14 upon a defensible calculation. So that's sort of  
15 where we are.

16 MR. THOMAS: Thank you, Taylor. Yes, we  
17 do have a water conservation program. We have  
18 staff that perform water audits for customers in  
19 our system; they'll go out and analyze irrigation  
20 systems and their internal plumbing and fixtures  
21 and things like that, and recommend. And we do  
22 actually even provide some of the fixtures for  
23 replacement to reduce usage throughout our system.

24 So we would certainly accept any  
25 assistance that would be provided to supplement

1 our conservation program.

2 And one of the thoughts, also, was the  
3 fact that because of the fact that this relates to  
4 the usage of raw water, which is a resource that  
5 the City would otherwise be using, that the  
6 conservation of -- this conservation program would  
7 basically be intended to offset whatever raw water  
8 is used by the Palomar project. So we thought  
9 that would be an equitable program to attempt to  
10 offset the usage of raw water at Palomar by  
11 implementing or supplementing our conservation  
12 programs.

13 MR. MILLER: And the cost of the raw  
14 water, you might want to explain what that --

15 MR. THOMAS: Yeah, the raw water that we  
16 use that we then filter and use in our system, we  
17 purchase that through the County Water Authority.  
18 Our rate right now is approximately \$450 an  
19 acrefoot. And that, of course, increases as we've  
20 seen the price of water go up. And we expect it  
21 will continue to go up in the future.

22 MR. MILLER: So, I guess our proposal  
23 would be to take, just to round that up to \$500 an  
24 acrefoot. And then have that be the volumetric  
25 fee that would apply in the event that we take raw

1 water in some emergency situation.

2 MS. ICHIEN: Mr. Thomas, you mentioned  
3 that the City does have water conservation  
4 programs.

5 MR. THOMAS: Yes.

6 MS. ICHIEN: Do you have an estimate for  
7 the amount per acrefoot that would be saved, that  
8 it would cost to fund one of those programs?

9 MR. THOMAS: Unfortunately we really  
10 haven't quantified it to that degree. We've  
11 implemented the program just in terms of a good  
12 practice, I guess, I'll say it is, in attempting  
13 to conserve and reduce as much usage as we can  
14 throughout our system. But I really don't have a  
15 cost number readily available for what it costs us  
16 to do the program and what we actually get in the  
17 way of benefit from that program.

18 MS. ICHIEN: And could you address a  
19 question of whether or not it would be just as  
20 beneficial, if not moreso, to give the mitigation  
21 fee money to the San Diego County?

22 MR. THOMAS: Right. The County Water  
23 Authority, they actually also have a -- they  
24 probably have a more significant conservation  
25 program than even the individual customers or

1 retail providers in San Diego County.

2 They provide for most of the type of  
3 fixture replacements and things. People living  
4 anywhere in San Diego County can receive vouchers  
5 to replace their toilets, washing machines, and  
6 things like that, that are provided through the  
7 County Water Authority.

8 So, basically part of the charge is that  
9 they charge their customers for the raw and  
10 filtered water that they sell to the retailers.  
11 Their conservation program is built into their  
12 rate structure.

13 MS. ICHIEN: Thank you.

14 MR. ELLIS: It's my understanding that  
15 of the City's conservation programs, most of the  
16 programs come from, like you contribute money to  
17 the pot --

18 MR. THOMAS: Right.

19 MR. ELLIS: -- at the San Diego County  
20 Water Authority --

21 MR. THOMAS: Right.

22 MR. ELLIS: And then they distribute  
23 that money.

24 MR. THOMAS: Yes.

25 MR. ELLIS: And that money, the money

1 that you receive from them is the majority of your  
2 conservation funds for the City, is that correct?

3 MR. THOMAS: Right. We contribute money  
4 to them, and then we also have staff that do  
5 additional measures in our conservation program.

6 So we fund a larger program than just  
7 simply what we pay into the Countywide program.

8 MR. RICHINS: This is Paul Richins,  
9 staff of the Energy Commission. If you look on  
10 page 11 of our original proposal, we haven't  
11 proposed any specific agency to receive that  
12 money. We leave it open to you to provide us, on  
13 an annual basis, a recommendation; and then that  
14 would be reviewed by the CPM, the compliance  
15 project manager, for review and approval.

16 So we don't have to make that  
17 determination now. If you're comfortable with  
18 those words, we would just do that on an annual  
19 basis, determine where the money would go back for  
20 that particular year or that particular cycle.

21 So, whether it's agency A or agency B,  
22 we don't have to determine that at this moment.

23 MR. MILLER: I think that's a good  
24 point, and we'll take that point.

25 MR. RICHINS: And then our other point

1 is we -- just to reiterate what's been said, we're  
2 trying to conserve water, and trying to keep  
3 consistent with the Energy Commission's water  
4 policy.

5 And so we picked the cost of water  
6 conservation programs for replacing toilets, low-  
7 flow showerheads and so forth. And our best  
8 numbers are, I mean it's a range, but looking at  
9 those budgets, it looks like \$800,000 to say 800  
10 acrefeet. So just roughly speaking, that's how we  
11 came up with about \$1000 per acrefoot.

12 Since you'd use 10 or 11 acrefeet per  
13 day, that's how we got to the \$10,000 in the first  
14 place. So we'd like to stick with the \$1000 per  
15 acrefeet if there's a good way to meter it.

16 MS. HEREDIA: There's definitely a good  
17 way to meter it.

18 MR. RICHINS: Well, no, you'll have a  
19 meter, but how will you meter it?

20 MS. HEREDIA: What I would anticipate  
21 would occur is that what the City would need to do  
22 is as they get the water they would know all of  
23 their other users and the proportion of that  
24 water. Okay.

25 I mean, there's a good chance we're far

1       enough down the pipeline, if they turn that raw  
2       water on for three hours, it might get all used by  
3       the front-end users, and the Palomar project would  
4       never even see it. Right?

5                So, I think our thought would be is that  
6       it would be metered by the City and then  
7       proportioned according to the time of use of the  
8       individual, you know, users. So if we were 70  
9       percent of the users online at the time that they  
10      open the valve, then we would go ahead and take  
11      that, that would be our allocation.

12               MR. THOMAS: And the water that goes  
13      into the Palomar facility is metered, as well as  
14      the water that we put into the recycled system.  
15      So they will know how much they're taking, and we  
16      also know how much we're putting into the system.

17               MR. RICHINS: If there's a notification  
18      process?

19               MS. HEREDIA: Yes. Or we could, yeah,  
20      as Taylor Miller was suggesting, we could also,  
21      you know, just at the time that they tell us the  
22      valve is opened, I mean we'll be metering the  
23      water. We have a requirement pursuant to our  
24      current conditions, so it could be done in that  
25      manner, too, I think.

1                   MR. MILLER: You know, there's a little  
2 float, you might call it here, because --

3                   MR. RICHINS: Yeah, and that's why we  
4 picked it per day. Because we didn't want to get  
5 into the logistics of metering and the  
6 notification problems. So we went for the simple  
7 approach of just \$10,000 per day.

8                   But if you prefer the per-acrefoot  
9 metering process, I'm sure we can work that out.

10                  MR. MILLER: Initially when the valve  
11 would be turned there's storage at the Leslie Lane  
12 Reservoir. So, until that storage is depleted,  
13 we're not getting raw water. And actually what  
14 we're getting is potentially a blend of raw and  
15 recycled for maybe the first eight hours, or who  
16 knows, it depends on what --

17                  (Parties speaking simultaneously.)

18                  MS. HEREDIA: There does need to be a  
19 simplistic approach --

20                  MR. MILLER: See what I'm saying?  
21 So, --

22                  MR. RICHINS: That's why we picked a  
23 simplistic approach.

24                  (Laughter.)

25                  MR. MILLER: So what I think we'd be

1 willing to do, I look at Dan here, this is on the  
2 fly, but is to say when they notify us that the  
3 valve is turned, we're just going to ignore that  
4 delay. And include that in our volumetric use and  
5 just, you know, that'll be our extra contribution.

6 If that's what you prefer. Or you can  
7 go back to the daily --

8 MR. BAERMAN: I think that's the only  
9 practical way, is when the valve is opened up at  
10 the cross-connect, we would, at that point in  
11 time, just assume that everything going through  
12 our meter is raw water. It's the only realistic  
13 way to do it.

14 MR. RICHINS: Yeah, and then cut it off  
15 when you reverse it.

16 MR. BAERMAN: Yes.

17 MR. ELLIS: I'd like to make a comment.  
18 I think there might be a better way to achieve  
19 these goals of a simplistic solution, as well as  
20 achieving a defensible calculation, like you said,  
21 if perhaps we went to the, you know, the expert or  
22 the predominant figure in implementing  
23 conservation, which is the Regional Water  
24 Authority.

25 Perhaps, if we -- they probably know the

1 best, in terms of how much money equates to how  
2 much acrefeet are saved. They try and equitably  
3 distribute it to where it's needed the most in the  
4 County probably.

5 And if we can identify -- it seems like  
6 they might be an obvious choice to receive the  
7 funds because they are so big, and also because it  
8 might -- just having one choice might help in  
9 terms of decreasing this fuzziness in allowing  
10 just a simplistic solution where we wouldn't have  
11 to approve or argue about which group or water  
12 district or whoever would be receiving the funds,  
13 like every year, you know.

14 So, I don't know if you guys would be  
15 amenable to that, but --

16 MR. MILLER: I think we're okay with  
17 that, the same thought.

18 MS. HEREDIA: I would also suggest,  
19 since, you know, we're viewing our supply as  
20 coming from the Authority; it probably is most  
21 appropriate to pay the mitigation to them.

22 MR. ELLIS: Okay.

23 MS. HEREDIA: And then I guess just the  
24 dollar amount.

25 MR. ELLIS: I'm pretty sure that they

1 would say \$500 more or less.

2 MS. HEREDIA: Do you have any feeling  
3 from -- you didn't have any discussions with the  
4 Water Authority?

5 MR. ELLIS: No, but it's pretty much,  
6 from what my limited, you know, technical  
7 knowledge in this field is that \$500 per acrefoot  
8 is about the standard amount for, you know, just  
9 the initial kind of standard toilets and showers  
10 and that kind of water conservation. You know,  
11 once you get -- if you want to go past a low-flow  
12 showers and toilets and that basic stuff, it  
13 starts to get a lot more expensive. But I'm  
14 pretty sure that's -- 500 is about the industry  
15 standard, if you will.

16 MS. HEREDIA: Which seems consistent  
17 with the cost of raw water, which also, I think,  
18 would be complementary, because one would  
19 anticipate that your conservation probably, you  
20 know, you'd pay up to what you pay for it, right?  
21 Although there's obviously some additional benefit  
22 with conservation, so.

23 MR. THOMAS: We're going to have to  
24 excuse ourselves and try to make a 12:45 flight.

25 PRESIDING MEMBER GEESMAN: Thank you

1 very much for your participation here today.

2 MR. THOMAS: Thank you all, too, for  
3 allowing us to participate.

4 MR. MILLER: They have a 4:00 City  
5 Council meeting today, so that's --

6 PRESIDING MEMBER GEESMAN: Does the  
7 staff have further thoughts on the appropriate  
8 dollar amount? I wasn't clear whether you were  
9 suggesting changing from \$1000 that you previously  
10 said.

11 MR. ELLIS: The \$1000 came from  
12 looking --

13 PRESIDING MEMBER GEESMAN: I understand  
14 where it came from. I'm just trying to figure out  
15 where you are.

16 MR. ELLIS: I know that, I'm not going  
17 to reiterate that again. I'm just saying the  
18 reason we went to Rincon is because we were  
19 looking for a local mitigation for what we  
20 perceived as a local impact.

21 But from what we've now learned from the  
22 City, there really isn't a local --

23 PRESIDING MEMBER GEESMAN: It's a  
24 regional impact.

25 MR. ELLIS: -- impact; it's a regional,

1 cumulative kind of thing. So, I think it would be  
2 more appropriate to go --

3 MR. RICHINS: Well, could I suggest that  
4 we make some phone calls after this workshop and  
5 talk with them. And see if we can't get a pretty  
6 good number from them on what their estimate would  
7 be for water conservation? And then we can share  
8 that with SDG&E and come up with a number.

9 MS. HEREDIA: The only thing that I  
10 might say is, you know, we were hoping to be on  
11 the business meeting for the 12th.

12 PRESIDING MEMBER GEESMAN: I want to  
13 talk about that next.

14 MS. HEREDIA: So, my thought is, Mr.  
15 Ellis, you had mentioned that you thought that  
16 \$500 per acrefoot was a number that might be  
17 acceptable to the CEC. And I think at this point  
18 we'd be willing to accept that.

19 MR. ROWLEY: One other consideration.  
20 The water conservation programs that we're  
21 describing are generally potable water. In other  
22 words, you're talking about conserving water  
23 that's been treated, so there's an additional  
24 value to that water. And so the threshold at  
25 which anyone would be willing to pay to conserve

1 to create that kind of water would be higher.

2           Whereas here we're talking about raw  
3 water. It hasn't been treated. It's inherently  
4 lower value water. When you look at the cost of  
5 raw water at \$450 per acrefoot as a more typical  
6 potable water cost around \$1000 an acrefoot,  
7 that's part of the reason why they're probably  
8 ought to be a differential between the two.

9           MR. ELLIS: And we understand that.  
10 That you're willing to say that -- to disregard  
11 the fact that there's storage, too; that there's  
12 recycled water storage. So I don't think we  
13 should go with the most expensive on that range.

14           MR. JOHNSON: So it looks like 500.

15           PRESIDING MEMBER GEESMAN: Okay, 500  
16 will be the number. Now, let's talk about the  
17 April 12th business meeting. Are we able to meet  
18 that timetable?

19           I think it had been my intent when we  
20 scheduled this workshop that we were aiming at the  
21 April 12th business meeting. I understand from  
22 overhearing the discussion at the break that  
23 there's some issue as to a transcript for this  
24 workshop. But is there any other reason why April  
25 12th is not an achievable objective?

1                   MR. JOHNSON: Well, staff needs to  
2                   finalize its analysis and we said we will publish  
3                   a final recommendation that we'll take to the  
4                   business meeting.

5                   PRESIDING MEMBER GEESMAN: And that'll  
6                   be a staff recommendation.

7                   MR. JOHNSON: Correct.

8                   PRESIDING MEMBER GEESMAN: And as long  
9                   as we have noticed the item, itself, on the  
10                  business meeting, I think you should get your  
11                  recommendation out as soon as you can publish it.  
12                  But I don't think that we're up against a timing  
13                  problem.

14                  I certainly think that for all the  
15                  participants in this workshop it's pretty clear as  
16                  to what that recommendation will be.

17                  MR. POWERS: Commissioner Geesman, I  
18                  would have to say that that is not the case.

19                  PRESIDING MEMBER GEESMAN: Okay, go  
20                  ahead, Mr. Powers.

21                  MR. POWERS: As I pointed out earlier  
22                  that a parallel wet/dry cooling system would  
23                  resolve this issue permanently and really does  
24                  have to be a part of the staff's analysis. The  
25                  state has permitted new plants that are parallel

1 wet/dry. Sempra proposed a parallel wet/dry plant  
2 at Copper Mountain. There have been several  
3 retrofits from wet to wet/dry, and dry to wet/dry.  
4 And it's completely feasible. And that the staff  
5 really has an obligation to look at that as  
6 another viable alternative and solution to the  
7 problem.

8 PRESIDING MEMBER GEESMAN: Okay, well, I  
9 think we are going to aim to the April 12th  
10 business meeting. I understand that asking for  
11 expedited transcripts is always a bit of a grab-  
12 bag, because we can't get an assurance today as to  
13 when this transcript will be available. But I  
14 think we should try to expedite them.

15 We need to make certain that -- in fact,  
16 I believe that we've already circulated the agenda  
17 for the April 12th business meeting. And this  
18 item is properly noticed on it.

19 MS. BRUINS: Yes, it is.

20 PRESIDING MEMBER GEESMAN: So we'll take  
21 this up at the April 12th business meeting. We'll  
22 have the staff recommendation as we verbally  
23 discussed it today. I would expect there won't be  
24 any surprises in it.

25 Mr. Powers, I understand that you're

1 going to be disappointed by that staff  
2 recommendation. But is there anything else that  
3 you would care to share with us today?

4 MR. POWERS: Yes, I'd like to turn it  
5 over to SDG&E or Semptra to just explain, since the  
6 plant is now operational. But that's my only  
7 comment on that particular recommendation. But I  
8 would like to know what biocide treatment program  
9 they're using when they're running reclaimed  
10 water.

11 MS. BRUINS: I don't think that it's  
12 appropriate to discuss that. It wasn't noticed --

13 MR. BRIGGS: What chemicals are you  
14 using?

15 PRESIDING MEMBER GEESMAN: That's kind  
16 of outside the scope of our workshop, Mr. Powers.

17 MR. POWERS: They're operating the  
18 plant, Commissioner, and it was left wide open  
19 when this plant was licensed. And I think the  
20 community that lives around the plant has a right  
21 to understand what biocides they're using in the  
22 cooling tower. That was not identified as we left  
23 that, when that license was issued.

24 MS. BRUINS: I have all that information  
25 available. I'd be happy to share it with Mr.

1 Powers.

2 PRESIDING MEMBER GEESMAN: Ms. Bruins,  
3 why don't you do so.

4 Anything else that needs to come before  
5 us today?

6 Okay, I want to thank you all for your  
7 participation. I think this has been a productive  
8 use of our time.

9 MR. POWERS: Thank you, Commissioner.  
10 (whereupon, at 12:03 p.m., the Committee  
11 workshop was adjourned.)

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CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Committee Workshop; that it was thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of April, 2006.