INFORMATIONAL HEARING AND SITE VISIT

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	)	
	)	
Application for Certification	)	Docket No.
for the PANOCHE ENERGY CENTER	)	06-AFC-5
_____	)	

MENDOTA COMMUNITY CENTER

195 SMOOT AVENUE

MENDOTA, CALIFORNIA 93640

TUESDAY, DECEMBER 12, 2006

5:17 p.m.

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

COMMITTEE MEMBERS PRESENT

Jeffrey D. Byron, Presiding Member

James D. Boyd, Associate Member

HEARING OFFICER AND ADVISORS

Paul Kramer, Hearing Officer

Kevin Kennedy, Advisor

Peter Ward, Advisor

STAFF AND CONSULTANTS PRESENT

James Reede, Jr., Project Manager

Dick Ratliff, Staff Counsel

Eileen Allen

Beverly Bastian

Dorothy Torres

Che McFarlin

Stan Yeh

Lance Shaw

PUBLIC ADVISER

Nick Bartsch

APPLICANT

Allan Thompson, Attorney

David Jenkins, Environmental Consultant
Gary Chandler, President
Michael King, Project Manager
Panoche Energy Center, LLC
Bullard Energy Center, LLC

APPLICANT

Margaret Fitzgerald, Senior Project Manager
URS Corporation

PROPOSED INTERVENOR

Gloria D. Smith, Attorney
Adams, Broadwell, Joseph and Cardozo
California Unions for Reliable Energy

ALSO PRESENT

Jerry Robbins
United States Bureau of Reclamation

Mukasa Kezala

Guy Lamothe, Executive Director
Thoroughbred Owners of California

I N D E X

	Page
Proceedings	1
Introductions	1,2
Opening Remarks	1
Presiding Member Byron	1
Hearing Officer Kramer	2
Background and Overview	5
Public Adviser	9
Presentations	12
Applicant	12
CEC Staff	24
Public Comments	32
Mukasa Kezala	32
CEC Issues Identification Report	39
CEC Proposed Schedule	44
Applicant Proposed Schedule	46
Public Comment	51
Mukasa Kezala	51
Gloria Smith, CURE	51
Closing Remarks	52
Presiding Member Byron	52
Associate Member Boyd	53
Adjournment	57
Reporter's Certificate	58

P R O C E E D I N G S

5:17 p.m.

PRESIDING MEMBER BYRON: Good afternoon, everyone; almost evening. My name is Jeff Byron, Commissioner at the California Energy Commission, and I'd like to welcome you to the Mendota Community Center.

This is an informal hearing for the Panoche Energy Center. I am the Presiding Member of this Siting Committee, along with my Associate Member, Commissioner Boyd. And to my left is Kevin Kennedy, my Senior Advisor; and I believe Peter Ward -- there he is, Peter Ward is Commissioner Boyd's Advisor.

I just would like to give an indication of why we're here today; and then I'm going to turn it over to our Hearing Officer. The power plant licensing process, which incorporates requirements equivalent to the California Environmental Quality Act considers all relevant engineering and environmental aspects of the proposed project.

The licensing review provides a public forum allowing the applicant, Commission Staff, whom we have a number of here today, governmental

agencies, adjacent landowners and members of the general public to consider the advantages and disadvantages of the project; and to propose changes, mitigation measures and alternatives, as necessary.

This informal hearing provides an opportunity for members of the community in the Panoche area to obtain information and to offer their comments and to view the project site, which hopefully many of you already did with us.

The applicant's going to go through and explain their plans for developing the project and the facility. And the Energy Commission Staff will then explain the administrative licensing process and the staff's role in reviewing the application.

So, with that, I'd just like to introduce Paul Kramer, and we'll turn it over to him, who's going to run our informal hearing from this point. Paul.

HEARING OFFICER KRAMER: Thank you. First order of business is for the parties to identify themselves. We'll let the applicant identify their members and consultants.

MR. JENKINS: My name's David Jenkins;

I'm Program Manager representing EIF for the Panoche project. And I'm pleased to work here with Mike King and Gary Chandler, who's also with EIF representing Panoche, as well.

And also Maggie Fitzgerald who is with URS Corporation, our primary environmental consultant. And also Allan Thompson, who is our AFC-related counsel. And Dale Fredericks, who's one of our project originators.

HEARING OFFICER KRAMER: Thank you. Staff.

DR. REEDE: Good evening, ladies and gentlemen; my name is Dr. James Reede and I'm the Energy Facility Siting Manager assigned to the Panoche Energy Center. With me is Senior Staff Counsel Dick Ratliff. We also have Siting Program Manager, Ms. Eileen Allen.

We have cultural resource specialist Beverly Bastian. And Ms. Dorothy Torres. We have Mr. Che McFarlin, Project Manager. Mr. Stan Yeh, Project Manager. Both of them are siting project managers. We have Mr. Lance Shaw who will be the compliance project manager once the project starts.

Additionally we have from the Public

Adviser's Office Mr. Nick Bartsch.

Thank you, Mr. Kramer.

PRESIDING MEMBER BYRON: If I may interrupt for just a moment. Commissioner Boyd may be in his last month here at the Energy Commission, although we hope that's not the case. And here he is; he came all the way out here to Mendota. Commissioner Boyd, would you like to add anything?

ASSOCIATE MEMBER BOYD: No, it's just a pleasure being here. I enjoyed the tour of the countryside. As a fourth generation Californian I love seeing any parts of California.

PRESIDING MEMBER BYRON: That's great; that's why he's here. All right, thank you. Go ahead, Paul.

HEARING OFFICER KRAMER: Do we have any representatives from any agencies here today? The Air District, for instance, or the County?

We have a representative from CURE who has applied to be one of the intervenors in this case. Do you want to introduce yourself?

MS. SMITH: Gloria Smith from Adams, Broadwell, Joseph and Cardozo; and I represent California Unions for Reliable Energy.

HEARING OFFICER KRAMER: Again, as Commissioner Byron said, the purpose of this meeting here today is to provide you, members of the public, information about this project and an opportunity to ask questions. And also to tell us if you're concerned about anything related to the project.

The review of the application is in its very early stages. Staff is starting to -- well, Dr. Reede will go into that in more detail, so I won't step on his presentation.

But this, for you, as members of the public, this is a very good time to tell both the Committee and the staff if you have any concerns about any part of the project. And they can keep those in mind as they go about doing their work.

The application for certification, and that's -- you'll often hear the term AFC bandied about. That's the application for a permit to build the power plant. It was filed on August 2nd by Energy Investors Fund, LLC.

Basically the project is a 400 megawatt peaking power plant consisting of four natural gas fired turbines and all the equipment that goes along with those. It will be located near PG&E's

Panoche Substation; it's on West Panoche Road, approximately two miles east of Interstate 5.

Notice of today's hearing was mailed on November 21 to all the parties, landowners who adjoin the proposed project site, interested government agencies and some other individuals. And a notice was published in The Fresno Bee on December 3rd.

Today's hearing is the first in a series of formal Committee events that will extend over approximately the next year. And the staff will also be conducting perhaps one or more workshops independent of the Committee that will occur during that same period.

The key thing we need to communicate today, it may sound arcane, but the law requires that the Commission's decision on this project be based just on the evidence that is presented; what we call the record. In other words, at formal hearings. It cannot be based on conversations that are held outside of that process. The idea being that everybody needs to see what the evidence is so they can respond to it, and if they disagree, present their own evidence.

So, we have what we call an ex parte --

I believe that's Latin -- rule that prohibits private communications between members of the public or the applicant or the staff with members of the Committee or their Advisors on any substantive topics relating to this case.

So, if you have an opinion about the project you shouldn't be trying to call up one of the Commissioners, or their Advisors or me and telling me what you think.

Now, there is the opportunity for communication to occur about issues of procedure, for instance scheduling of hearings and that sort of thing. But we just want to alert you to that rule so that if you try to talk to us about something and we say no, no, we can't talk to you about that, you'll understand why. And take no offense, please. We just need to properly conduct ourselves so that we have a proper process.

This, again, is just the first opportunity for people to provide input about the project. As I said, it's a good time because we're just starting, and whatever input you provide can be given the maximum use, as opposed to the end of the project where, you know, a lot of work has been done and it becomes more painful

to visit new issues. So it's good to raise any issues you have at the beginning.

But there will be other opportunities. Dr. Reede will describe the process. Again, I'm not going to make him repeat what I would have said. But we encourage you to participate. There are many ways to do so.

You could choose to become a formal party; Mr. Bartsch will explain how that works in a minute. You could just provide written comments. You could testify at hearings.

And as far as monitoring this case, and all the information that's available, the best place to do that is the Commission's website. It's pretty thorough. You'll find all the important documents in this case will be posted there as they're created.

And there's a mailing list you can join so you get email notices of documents as they're filed. You can also get them by postal mail if you want, but it's quicker and probably easier to get it by email if you're equipped to do that.

So, without stepping on anybody else's presentation any more, let me turn this over to Mr. Bartsch on behalf of the Public Adviser. He

can explain their role and how they can help you participate in this process.

MR. BARTSCH: Thank you, Paul.

DR. REEDE: You're going to need to pick up that microphone so you're on the record, please.

MR. BARTSCH: My name is Nick Bartsch; I represent Margret Kim, the Public Adviser to the Energy Commission. And our role basically is to insure that the public has full participation, full opportunity to participate in the public proceedings in this particular project.

And that includes from now through all the other proceedings, which typically the whole process lasts about a year before the final determination on this application.

And during that process, as Mr. Kramer said, the earlier the better. You have two ways to participate. You can just participate as an interested party or you can actually become a formal participant where your comments are part of the record. And you'll have the opportunity to participate formally, cross-examine in hearings, the witnesses, et cetera.

So if you are thinking about becoming a

formal participant, please see me and I can provide you with all the information necessary, either here or later on. I can give you my card and we'd be happy to assist you to become part of this process. However, please keep in mind that we cannot represent you in these proceedings.

Also, the other thing that we usually do is give you an idea about the outreach that we do in cases. In this particular case, in addition to the items mentioned by Mr. Kramer, we have done considerably outreach, particularly given this sparsely populated six-mile radius around this project.

We have included in our outreach the closest communities of Mendota and Firebaugh. We have distributed about 6000 flyers about the event today in The Firebaugh/Mendota Journal. Also an additional 4000 flyers we distributed through libraries; some of the major stores in this area; community centers; city halls, et cetera, thanks to the cooperation of the Cities of Firebaugh and Mendota.

And we have also arranged for public announcements, both in Spanish and in English, on Univision that covers this whole area. So we hope

that we have done a good outreach to the area and reached all those who might be interested. But in the event we have missed someone, or if you know someone who's still interested, please have them contact us and we'll be happy to help them.

Are there any questions at this point about public participation? Thank you very much.

HEARING OFFICER KRAMER: Thanks. Now we're going to ask the parties to make their presentations in the following order: First, the applicant will describe the project and explain its plans for developing the project site.

Then the Commission Staff will provide you a more detailed overview of the Commission's licensing process and staff's role in reviewing the proposed project.

And we'll have an opportunity for questions. And then we will go on to discuss scheduling and other matters that were addressed in the two parties' issues identification reports. And then there'll be another opportunity for questions.

So far I only have one card of someone requesting to speak. If anyone else wants to ask questions -- you don't have to fill out a card,

but if you'd like to, see Mr. Bartsch to do that.

So, let the applicant begin their presentation.

MR. JENKINS: I'll set up the pc --

(Pause.)

MR. JENKINS: Commissioners, CEC Staff and members of the public, again, very much appreciate you folks being here at the Panoche Energy Center's first informational workshop. On behalf of the support licensing team here I'm very pleased to be able to provide you a very brief overview.

And I want to say that as I and my team here prepared this relatively brief overview, we did so really looking at the public as being our principal audience. So bear in mind that that's the case and if you would, you can reserve questions or comments after this brief overview, and we'll get as technical or otherwise, to the extent we need to. So, again, thank you very much for being here.

Again, as Paul Kramer noted, Panoche Energy Center is designed around four 100 megawatt General Electric units. These are considered simple cycle units, principally to meet PG&E's

peaking power needs. And again, peaking means that they just want to dispatch these units on an as-needed basis, so they won't run around the clock necessarily, but will be dispatched and run to meet, again as the name implies, peak energy demands here in the Central Valley. And I'll get into a few more details on that later.

PG&E went through a rather extensive what they refer to as a request for offers process whereby they solicited a number of privately owned electric generator entities to propose a generating project that would meet their peaking and intermediate power needs.

Again, this was a very lengthy process and I'll get into more details around that in a moment.

I will say that this project is privately held. It's owned by Energy Investors Funds, the nearest office of which is in San Francisco. And EIF, as we refer to it, is an organization that owns and manages funds that are, again, privately held and represent very large clients including pension fund holders and such.

To my knowledge, EIF is the largest privately held entity of this nature that focuses

on generation assets here in the United States.

As part of the success of winning that proposal, EIF negotiated, as was required in the RFO, a 20-year power purchase agreement. So what that means is that this project, upon construction and operation, is guaranteed, through that agreement, to operate for 20 years. And all the financials and everything are centered around that.

And I'll get into some of the milestones here in a moment, but I think there's some things that you should know. We plan to contract the construction. And one of our requirements for reaching a construction agreement will be that the primary or principal labor sources will come through the California building trades.

With that I'd like to move over and give you a little more detail about the project location. I think most of us here took the rather lengthy circuitous rural route to the site, so you've seen how to approach this from the south. But from here, is an aerial to kind of give you a scale on this.

And I know you can't really read the annotation there, but the principal road that runs

from the southwest there to the northeast is West Panoche Road. And you can see the outline of the substation and the two small existing power plants at about the middle of that aerial.

And then to the south and west of the substation you can see the overlay of the proposed four-unit Panoche Energy Center along with the eight-acre or so laydown area there to the south. And we'll describe those in a little more detail in a moment.

As far as some of the over-arching project benefits, certainly from our perspective, and also, I believe, from PG&E's perspective as they reviewed and awarded us our proposal, is that this plant will provide reliable, efficient peaking and intermediate power. And, again, that's to meet electrical needs primarily in the Fresno, Fresno County and Central Valley area for times when demand is really high and baseloaded plants just can't meet that intermediate spiking, which generally happens on very hot days, or in the morning rush periods or in late afternoon periods. And I'll get into a little bit more of the operations around that peaking operation later on.

Again, to meet PG&E's energy demands they have forecasted that there's going to be, is currently and will continue to be considerable growth in electricity demand here in the Central Valley. And PG&E believes, as do we, that the site location there adjacent to the existing Panoche Substation will allow for very effective use of existing infrastructure. That infrastructure being, of course, the electricity transmission system there, but also the current existence of natural gas pipeline which will fuel the plant. And we'll talk more about that in a moment.

So, again, from our perspective, and again, I think, from PG&E's, this is a very optimal location for interconnection relative to existing infrastructure and also for electricity efficiency.

Getting into some of the design and technology surrounding this facility, again I mention that we are going to be relying on four 100 megawatt machines. These are the latest iteration of General Electric's technology. And for those of you who may not know, GE has been in this combustion turbine electrical generation

market for many many many years. In fact, were probably the real initiators of using combustion turbines as a source for generating electricity.

And these are really based on an evolution of General Electric's, what they refer to as their land and marine units. They're very similar to aircraft engines, but being land- and marine-based, they just don't have to have all of the weight savings. But otherwise they're very highly advanced from a technology standpoint.

These LMS100s that we hope to employ at Panoche are going to be some of the first used here in the United States. It won't be the first, but will be among the first. And we have, as I'll get into, good reasons for selecting these particular machines.

I think first and foremost the LMS100 promises to be an extremely efficient machine for one of these peak loading types of machines that can be started up and shut down very quickly. The previous iteration of the GE machines were about 10 percent less efficient than this latest model. So, 10 percent is, for you that have any knowledge of the energy business, would recognize that's a pretty incredible increase in efficiency.

Built into this design is not only efficiency, but also by the use of the latest emission controls technologies, and the fact that they will rely only on natural gas, these units are amongst the cleanest sources of electricity generation machines, equipment, on the planet. Particularly of electricity that's produced on a peaking and intermediate basis.

Again, we could go into a lot more detail on these machines, but we don't want to bore you too much, and a lot more detail is actually available in the application.

ASSOCIATE MEMBER BOYD: Could I ask you one question before you leave the machines? What's the heat rate of this unit?

MR. JENKINS: I'll defer to Mike King for that, and it depends on what basis you want to --

MR. KING: On a gross unit heat rate basis, it's about 8800 Btus a kilowatt hour.

ASSOCIATE MEMBER BOYD: Okay, thank you.

MR. JENKINS: From a design standpoint and also given the sensitivity around water use here in the Central Valley, we have a water supply plan that will utilize rather deep source of

water. It's not in what we call the primary aquifer, but it's in a secondary aquifer.

We'll be pulling water up to, I believe, about 700 acrefeet per year. That would be the most that we would do if we operated at full permitted capacity.

And I think it's important to note, again given the sensitivity of water use here in the Valley, that this water is of a rather saline nature. It's certainly not suitable for drinking water or finished water, as they might call it, or potable water. And even from an irrigation perspective, while it could be used, it's just not a preferred source of irrigation water because of, again, of the high salt and salinity content in that water.

From a wastewater management perspective, again these kind of go hand-in-hand in terms of having the lowest impact that we can on surface waters and groundwaters here in the Valley. Our wastewater plan calls for a deep injection system whereby we are actually going to pump approximately 350 acrefeet -- again that would be a maximum number -- 350 acrefeet per year into the ground at a zone of a depth of about 5000

feet, which is well below these upper nearly freshwater aquifers.

So, I think it's -- again, we feel that our water management, that being the supply and the disposal sides, will minimize our impact, the power plant's impact on a very valuable local water resource.

Moving over just an overview of the operations. We anticipate that we will employe 12 full-time employees. We'll have a number of off-and-on contract employees for various services. But of the 12 full time, six of those will be operators; four will be maintenance technicians; and then we'll have an office administrator and a plant manager.

And, again, there will be a number of people employed, either through contract or on a part-time basis from an operational support perspective.

Again, as I noted early on these units will be dispatched by PG&E based on their local and regional needs. And we expect, while we're permitting these at 5000 hours per year, we expect to be dispatched almost to that point pretty early on, given the fact that these are very efficient

machines, number one, as I mentioned; and also given the fact that they're located in an area where the grid really needs the added power.

Again, the beauty of these things from an operational perspective is that they can meet peaking and intermediate, or another fancy name, it's called load following load demands by virtue of the fact that these machines can be started from cold, all the way up to full load, 100 megawatts each, within ten minutes. Which compares to about one hour plus for the previous iteration machines.

So very remarkable from that perspective. And I have to add, doing so and still meeting the stringent air quality requirements here in California. So, again, I think that's one of the things PG&E looked to the proposal on, that is these machines do have that rather remarkable ability for a quick startup and shutdown, for that matter.

And also not only quick startup and shutdown, but very quick ramping of the load qualities, both up and down the scale.

HEARING OFFICER KRAMER: By previous generation do you mean the LM6000s?

MR. JENKINS: LM6000s, that's more of a double --

MR. KING: Yeah, I don't know if I have the figures on cold start on the LM6000.

HEARING OFFICER KRAMER: I was just wondering if those were the ones you mean to compare them with? Or something earlier?

MR. KING: When we talk about the 10 percent improving efficiency that's the direct comparison with the LM6000.

HEARING OFFICER KRAMER: Okay.

MR. KING: And startups, I think it was somewhere between a half hour and an hour on the cold startup for those.

HEARING OFFICER KRAMER: Thanks.

MR. JENKINS: Next slide. From a project timeline perspective, again the power purchase agreement -- the 20-year power purchase agreement was signed with PG&E in April. And we've got an obligation to go online in the summer of 2009.

So in between those two major milestones are a number of other major milestones, some of which we've already met. We did submit the AFC, I think, certainly as the Commission knows, to date.

And we expect the final CEC approval sometime late in 2007. Followed by commencement of construction in February of 2008. And then following about a year and three months or so construction period, we would anticipate startup. And testing in April of 2009. Then followed with full commercial operation in August of 2009.

And, again, those dates are, or at least the final date is pretty much driven by the contractual obligation we have under the PG&E agreement.

Again, that was a pretty quick overview. There's certainly going to be a need certainly for people from the public, but I'm sure the Commission, as well, to follow up with us; ask questions; share information and so on. And I want to note that URS Corporation, I think as I noted in the introduction, is our principal environmental consultant for this project. And Maggie Fitzgerald is actually our program manager with URS, through whom we're funneling most, if not all, of the communications from us to the Commission. So, call Maggie first. Thank you, Maggie.

But aside from that, myself, Mike, Gary,

Allan, Dale, anybody on our team, is certainly available to answer questions. And I'm sure that Maggie, at some point, would prefer your questions that come through her to any one of us, or a number of our engineering and other legal consulting folks.

So, again, I'd certainly entertain any questions or comments at this point.

HEARING OFFICER KRAMER: Let's hold those off until after the staff presentation.

MR. JENKINS: Thank you.

(Pause.)

DR. REEDE: Good evening, ladies and gentlemen, again. My name is Dr. James Reede and I'm the Energy Facility Siting Project Manager assigned to review of the application for certification by the Panoche Energy Center, Energy Investors Funds.

Next, please. The purpose of the siting process is to insure that a reliable supply of electrical energy is maintained at a level consistent with the need for such energy for protection of public health and safety, for the promotion of general welfare and for environmental quality protection.

Now, the Energy Commission's role is that we are the sole permitting authority for thermal power plants 50 megawatts or greater. So, in other words, if the electricity is generated from or as a product of heat, we have sole permitting authority. And also all the related facilities such as electric transmission lines, the water supply pipelines, the natural gas pipelines, waste disposal facilities and access roads.

The Energy Commission is the lead state agency for the California Environmental Quality Act. We have a certified regulatory program that is the equivalent of exceeds California Environmental Quality Act.

Now, there's a three-step licensing process once an application is submitted to the California Energy Commission. The first step is data adequacy, where we review to see that the application has the minimum amount of information needed for us to begin to proceed.

Once we have made that determination we then move into discovery phase. That includes the issues identification report, of which there are copies on the front table; we then issue data

requests, which were just recently sent out, I believe, this past Friday. We'll hold workshops and we'll issue two staff documents, the preliminary staff assessment and the final staff assessment.

I might add that for workshops we hope to hold them here in the community of Mendota; and I would very much like to thank the City of Mendota for giving us this facility so we could hold it in your community.

We then move into the final stage or step of the licensing process, which is the evidentiary hearing and decision. Now, the Committee, the two Commissioners that were introduced to you earlier, will hold evidentiary hearings to accept evidence into the formal hearing record; to accept testimony. Witnesses can be cross-examined by other parties.

And they will then take all that information, roll it up into a ball, and issue a Presiding Member's Proposed Decision, which is basically that they have looked at staff's recommendations. They've heard everything the community said. And they're going to issue a decision.

It will then go before the full Commission of the full five Energy Commissioners, and they will make their formal decision.

Now, our discovery and analysis process which I referred to earlier includes the applicant down in the lower left-hand corner; the public, which is one of the reasons that we have our workshops in the community; local, state and federal agencies such as the San Joaquin Valley Air Pollution Control District, U.S. Bureau of Reclamation, Fresno County various departments such as public works, planning.

Intervenors, people who have filed to become formal parties to the proceeding. And the Public Adviser, which is the link between the public and the intervenors.

We will then perform our analysis and issue a preliminary staff assessment. Take additional public comment on that staff assessment. And then file a final staff assessment, which will be our testimony for the evidentiary hearings.

Now, in that evidentiary hearing process I will say that the two Commissioners will conduct, they will take staff's testimony, which

will be our formal final staff assessment, the applicant's testimony. If there are any intervenors they will take their testimony. Public comments. And the Committee puts together a proposed decision. At which time they take additional public comment on their proposed decision.

They then issue that final decision. I might add that the local, state and federal agencies also contribute to the testimony that's submitted during the evidentiary hearings.

Now, our staff's analysis of the application for certification. We are obliged by law to determine that the proposal complies with all the laws, ordinances, regulations and standards that may apply. We'll conduct an engineering and environmental analysis by first identifying the issues; evaluating the alternatives; identifying any mitigation measures that may be possible or feasible, I should say; and recommend conditions of certification.

The conditions of certification are those conditions under which the plant would operate should we make a recommendation that the plant be approved.

We also attempt to facilitate public and agency participation. We'll pick up the phone and call the different sister agencies in state government; we'll call our sister agencies in federal government and local agencies, to make sure that if they have issues those issues can be included in our analysis.

And as I said before, we have two primary staff products, the preliminary staff assessment and the final staff assessment. And finally, we'll make a recommendation to the Committee that you see here.

As I said, we work very closely with the local, state and federal agencies. For example, the Fresno County Planning Department San Joaquin Valley Air Pollution Control District, the State Air Resources Board, Department of Water Resources, Department of Toxic Substances Control. We work with the federal agencies such as the U.S. Environmental Protection Agency and the U.S. Bureau of Reclamation. We have Mr. Jerry Robbins here from the Bureau of Reclamation.

And then what happens after we issue this 600 to 800 page document, and literally there's 23 different technical disciplines that

are looked at in our analysis. And it can reach 800 pages.

The Committee will issue their Presiding Member's Proposed Decision and it will contain findings that relate to environmental impacts, public health and engineering, and the project's compliance with all the laws, ordinances, regulations and standards. And they'll recommend conditions of certification. And they'll recommend to the full Commission whether or not to approve the project.

The full Commission of the five Commissioners will make the final decision. And then, should they choose to approve it, Mr. Shaw, our Compliance Project Manager, will monitor compliance with all the conditions of certification for the life of the project.

Now, I don't know if he, particularly, is going to be working for the Commission another 30 years. But someone will watch that project until facility closure.

Now, we try to encourage an open public process as the California Environmental Quality Act requires. The workshops and hearings will be noticed at minimum ten days in advance. We have

detailed mailing lists that both the Public Adviser has put together, the applicant has put together, and we independently have put together.

All of our documents are available for public review either at the Mendota library, the Firebaugh library, Sacramento, Los Angeles, San Francisco, San Diego, Fresno and Eureka. And I doubt seriously if anybody's going to go to Eureka to look at these documents. But also at the Energy Commission library in Sacramento. This is the website, www.energy.ca.gov/siting cases/Panoche. You don't have to put the index html, but it'll still get you there. Or at the docket units if you want a hard copy.

Now you can submit written comments, or you can make statements to the Commission by filing out a blue card. You can provide oral comments at the various public workshops and hearings that we'll have.

You can become a formal intervenor by contacting Mr. Bartsch or Ms. Kim, the Public Adviser. And you can always provide written comments on the preliminary staff assessment, the final staff assessment or the Presiding Member's Proposed Decision.

And with that I'm going to take a break.

HEARING OFFICER KRAMER: Okay. One question for you and Mr. Bartsch. Should members of the public assume, because they got something in the mail, that they're already on the mailing list? Or should -- if they want to be on the mailing list should they come see you to make sure?

MR. BARTSCH: Yes, that or they can sign up on our website, or let us know and we'll put --

HEARING OFFICER KRAMER: Okay, so they should take another step, then, to --

MR. BARTSCH: Yes, --

HEARING OFFICER KRAMER: -- make sure they're going to be on the list.

MR. BARTSCH: -- it's advisable.

HEARING OFFICER KRAMER: Okay. We have one blue card who requested to speak, and we'll take other questions from the public. I'm sorry if I mangle your name. Mukasa Kezala. We need you to come up and you don't have to be real close to this microphone, but close enough that the court reporter can pick you up. If you want to stand up here, that's great.

MR. KEZALA: Kezala. Thank you for the

opportunity for the public comment. My interest in this was kind of brought upon the existing two power plants.

The problem I have with those plants is they haven't been here very long, but they have been operating on a variance. They have received two Air Pollution Control variances. That means those plants were not permitted properly.

I guess I made a mistake of kind of inquiring, try to find out and to get more information about one of the variances; and the APCD kind of told me where to go. So, I say, I'm going to get in on this one on the ground floor; kind of see how the process works and actually make comments.

And I guess one of the questions I have is the information in the application, is that binding? I mean is that enforceable by the Commission? Just in case the APCD doesn't do its job, is there another place to go and say, hey, there's a problem here.

So, that out of the way, I had -- I saw the notice in the newspaper last Friday, I believe Friday. So I haven't had time, too much time to look through the documents. But the air pollution

part reads kind of straightforward.

The one big issue I have with these type of project is the siting. Here in Fresno I see really very very many opportunities to recover all that wasted energy. What, 800 degrees Fahrenheit gas going through what, 13-foot stack? That's a lot of wasted energy. Really, why couldn't it be sited some other place like in some other -- operation, animal rendering where they can use the, you know, use the steam, the heat? Dry raisins?

And that way the project could create its own emission reduction credits by taking something like a boiler, just kind of, maybe just keep it on low fire. When this project comes online then the boiler shuts down. So, really, the opportunities to conserve energy here.

And looking through the documents on your website, one of the documents I find is this Energy Action Plan. Really, if you look at this, and then you see what you're doing here, it is not consistent. So, really we need to kind of -- I don't know, maybe this is too late that you cannot go back once and put it at a different location.

But for the future perhaps that's

something we need to look at. How on earth can you throw away that much heat?

Okay, one other thing. The reason we can afford to do that is because it's PG&E. If the investors was selling the power directly to the customers at market value, they couldn't do that. But, PG&E is going to recoup their money, but it's going to be the government or the Commission giving a rate hike increase, and get it from the ratepayers, you and I. They can afford to be inefficient. So, really that's something to think about, just bothers me very much.

Again, talking about complies with the other projects. In case this one doesn't, where that 2.5 ppm NOx limit. Anytime they exceed it, I would like to have some kind of a (indiscernible) contribution made to the local community, like the community center here. If they go over the emissions by one ton, they should contribute $20,000 or the fair market value of offsets, NOx offsets or whatever they go over, to the local community which is impacted by this plant. Instead of going to the APCD, we calculate just has nothing to do with the area or the pollution.

One other thing I notice in the

documents as I went through real quickly, I believe it is the health risk assessment done by URS. The emissions in that do not seem to be the same as in the application, itself. I don't know if that was looked at when you did your -- is it risk assessment?

MS. FITZGERALD: The health risk assessment.

MR. KEZALA: Yeah. The emissions there look -- appear to be a bit lower than the ones in the application. So maybe, we may have been short-changed.

Also, I guess the receptors, -- I'm just a local guy, I'm not a scientist or anything -- I guess you call it just the local residents, but in my experience on what type of the fuels and the common fuels, and (indiscernible) fuels, that anyone at anytime they may be like 6-to-100 for nearby. So are those taken into account when you do your risk assessment? Or just the couple guys who stay nearby there? So that was just kind of a question that if found (indiscernible) that plume is going to actually affect them. So that was just kind of a thought.

In the application kind of, again, on

energy resources or energy conservation or effective use of resources, the other comment in the application you say you replace the catalyst (indiscernible). Again, that's because the utility company is using your money to finance that in order to, they can afford to put that kind of money into the power plant -- that you can afford to throw away the catalyst every three to five years. Catalysts can actually last up to ten years if you maintain it.

So, since we, the ratepayers, are going to pay for it, I'd would actually like to see that catalyst actually, don't put that in the application because it's binding. If you say you're going to do that, you don't do it, is that a violation? So maybe you want to change that and say, hey, if we need to spend, then you replace it. So that was the other one.

Environmental justice. Yes, you have that six-mile radius or whatever. That, again, goes out to the farmworkers who walk in the general area. You may see busloads of those guys walking in there. So I believe they are affected by the emissions from this facility.

And then the other thing that kind of

gets to me, I understand the project will create jobs for the local area, especially during construction. But during the operation there's only 12 jobs. That's not very many. I understand they're high-paying jobs, but that's not very many jobs.

And then what gets to me is these, I guess kind of just speaking off the top of my head, just doesn't affect anything, but the project is going to suck up all the emission reduction credits in the County, you know, the general area. So, when other companies try to locate here, the companies which need like five tons here, two tons here, that could create 25 jobs each, they won't have anything.

So, I guess that's really immaterial, but it's just kind of a point that you are going to use up all the ERCs and leave nothing for the other companies which are going to create actually more jobs than these.

Or for Mendota, I mean say, hey, that's another look at it that this is creating jobs, but that's going to make it very very difficult for other companies to come in the local area because all the emission reduction credits will be sucked

up.

Thank you very much.

HEARING OFFICER KRAMER: Thank you. Any other questions or comments from anyone in the audience?

Okay, we'll move on to the issues identification reports and scheduling. Staff filed an issues identification report last week, and Dr. Reede's going to go over that for us right now.

DR. REEDE: Good evening, again, ladies and gentlemen. The purpose of staff's issues identification report is to inform the participant of potential issues, so that we can have an early focus on important topics.

Now, the criteria for these issues are that there are significant impacts that may be difficult to mitigate. There is a noncompliance with the various laws, ordinances, regulations and standards. There are conflicts between the parties. In this case there's only two parties right now, the applicant and Commission Staff, about appropriate findings or conditions of certification for the Commission decision that could delay the schedule.

There's three potential issues that are identified by staff. Number one, land use, noise, geological, soils and water resources -- that's kind of an amalgam grouped together -- and transmission system engineering.

Land use. Now, the primary issue regarding land use is that to use this particular parcel it requires partial cancellation of the Williamson Act contract which may take up to a year.

The applicant, on November the 6th, filed with the County of Fresno a request for partial cancellation. However, in conversations with the County of Fresno on December 1st, staff was told that the cancellation proceedings have not yet been initiated by county staff on the applicant's cancellation request of November the 6th.

So if it takes up to a year that may delay the Commission's findings and decision. Additionally, the Fresno -- well, California Subdivision Map Act, which the County of Fresno has adopted, has requirements regarding parcel split that are yet undetermined.

The 128-acre parcel is having portions

of it split out from the Williamson Act contract. And that may trigger a need to subdivide the parcel.

Noise. Now, the power plant noise at the nearest noise-sensitive residential receptors, which are the homes, they're designated ML-1 and ML-2. ML-1 are three residential units and ML-2 -- I'm sorry -- ML-1 are five residential units and ML-2 are three residential units.

Their noise levels, respectively, would exceed the Fresno County's nighttime noise limit of 45 decibels.

Geological, soils and water resources. Now, these are typically looked at separately, but they all have a problem or issue in common. The project is planning on injecting wastewater via new deep-injection well, approximately 5000 feet below ground surface.

A class 1 underground injection control permit from the U.S. Environmental Protection Agency is required, prior to filing a full exploratory boring onsite. Now, the permit application, which was submitted on September 15th, can take up to 12 months before it can get USEPA approval, if approval is granted.

In conversations with George Robbins of the USEPA on Monday, he stated that it can take anywhere from nine to 12 months, reaffirming what he had told staff before. Therefore, the permit may not be approved prior to issuance of the final staff assessment.

Now, the initial geological modeling analysis indicates that conditions beneath the site should support a confined wastewater injection with no permeation. In other words, it won't leak into the surrounding soils or groundwater, or collapse of the wall structures favorable for wastewater injection. In other words, it won't collapse around this deep bore.

However, until the exploratory boring is completed, staff cannot determine whether the underlying geologic formations and deep injection well would actually be impermeable, would not accidently release water, and would be physically stable.

Now, in the event the proposed wastewater injection well is found to be unusable as intended originally because of the underlying geographic formation, the applicant intends to submit additional information to request drilling

at another site or use an alternate wastewater disposal method.

Staff prefers to have the project-specific wastewater disposal method identified prior to the final staff assessment and the decision. Staff was informed when the applicant issued their issues identification response that they intend to use zero liquid discharge in the event that the deep-injection well is not usable.

However, that would not be found out prior to when staff has to issue their FSA. They cannot drill the boring until such time as USEPA has issued an exploratory permit.

And the final issue is transmission system engineering. A system impact study was submitted with the application for certification with the notation that PG&E was reevaluating the transmission system impact study.

That system impact study required mitigation of 37 miles of reconductoring of 230 kV line between the Panoche Substation and the Los Banos Substation. Staff has not received from the applicant nor PG&E the revised system impact study and facility study.

On to the proposed schedule. Hearing

Officer Kramer, are you ready for that, or --

HEARING OFFICER KRAMER: Go ahead.

DR. REEDE: Okay. As has already been said, the applicant filed an application for certification August 2nd. We filed our Executive Director's recommendation on November the 6th. It was decided that there was enough information in the application for certification to go forward with discovery and analysis process on November the 8th.

We issued our issues identification report on December the 6th. We filed our data requests on December the 8th. Today is the informational hearing and site visit.

Hopefully by January the 9th the applicant will have provided the data responses to the requests that we sent. We intend to hold another workshop approximately January 17th or 18th.

We should get local, state and federal agency draft determinations, such as the preliminary determination of compliance from the Air Pollution Control District by February 27th. By the end of March we should be filing our preliminary staff assessment.

We will then have a workshop 10 to 15 days afterwards. And hopefully our sister agencies will issue their final determinations by mid-April.

We will try to file our final staff assessment by April the 30th. At that time it would then move into evidentiary hearings. And those are yet to be determined, as those are the Committee's call. Such as the Committee filing a proposed decision, holding the hearings on the proposed decision. If they file a revised proposed decision, and the final date from one year from when they found it data adequate would be November the 8th, 2007.

Thank you, Hearing Officer Kramer.

HEARING OFFICER KRAMER: Okay, does the applicant want to summarize its response?

DR. REEDE: I'm sorry. Meeting the schedule will depend on the applicant's timely response to staff data requests; timely filing of the Air Pollution Control District's determination of compliance; any other determinations from the local, state and federal agencies; and there may be other factors yet known.

If anyone wants to contact me, my

information is on the screen right now. Margret Kim is the Public Adviser. And Susan Gefter is not the Hearing Officer, Paul Kramer is.

UNIDENTIFIED SPEAKER: And we would get his information.

HEARING OFFICER KRAMER: Can I go home then?

(Laughter.)

HEARING OFFICER KRAMER: Applicant.

MR. JENKINS: Yes, Commissioners, members of staff, people from the public, again on behalf of EIF and Panoche Energy we are very pleased that we could help the CEC host this introductory workshop.

As Dr. Reede pointed out there are a number of perceived and real issues, and a very aggressive schedule associated with resolving those. Myself and my team feel confident that we are well on our way, and we are eager to present responses to the data requests that we received recently in a very timely manner. And demonstrate to you folks that we have the responses to confidently move this project forward.

So, again, I want to thank you all for the opportunity, and look forward to the

subsequent workshops.

HEARING OFFICER KRAMER: I had a couple questions, then. On this issue of zero liquid discharge, as a backup wastewater disposal option, are you planning on providing information to staff so they can evaluate that as a backup? Or are you going to wait and see what happens before you go down that road?

MR. JENKINS: No, we plan to file that as a true alternative, recognizing some of the physical uncertainties. It's not a zero risk game as far as the deep well injection; we recognize that. So we plan to file ZLD as a bona fide alternative in the proceedings.

HEARING OFFICER KRAMER: Okay, and then just as an observation. When I was skimming your application package, and then looking at the data requests from staff, I didn't see any mention of alternatives. But it seemed to me that your original alternatives discussion and your application was much shorter than normal. It didn't really discuss any alternatives.

And I raise it today because I hate to first ask where it is at the time of the evidentiary hearings and have the project be held

up because of that.

MR. JENKINS: Mr. Kramer, could you help me clarify? Do you mean alternatives for --

HEARING OFFICER KRAMER: For the project.

MR. JENKINS: -- the site selection?

HEARING OFFICER KRAMER: Right. Basically what you said was the PG&E contract doesn't allow it to be anywhere else; therefore, we don't think we have to discuss any.

But, I mean the parties are welcome to brief that, but I have a question in my mind, at least, as to whether or not the Committee could adopt that approach. Or whether it has to. And preparing an alternatives analysis, it does take a bit of time. So, again, I don't want to see that wait till the end.

DR. REEDE: Hearing Officer Kramer, staff has to independently file an analysis of the alternatives in the preliminary staff assessment, and subsequently in the final staff assessment. Whether the applicant has done an admirable job or a miserable job, we still have to do our job and look at the alternatives.

And if we don't, as staff, feel that

they have looked at all the reasonable alternatives we're going to say so and make an appropriate recommendation.

Granted they only have the bare minimum; but we have to do the maximum.

HEARING OFFICER KRAMER: Okay, so you may be adding to what they've done there is what you're saying?

DR. REEDE: No. We're going to do our own analysis. We're going to look at all the alternatives, whether they addressed them adequately or not.

HEARING OFFICER KRAMER: Okay. And then the reason I didn't see anything the data request was you didn't feel the need to pick their brain in order to do that?

DR. REEDE: No, we asked regarding -- our primary concern was wastewater. If they don't get the exploratory permit prior to the time that we have to file the FSA, we have to recommend an alternative. Because we have to view their inability to get a permit before our document is due, as that permit isn't coming.

So, this is the alternative that we can recommend approval with. For example, ZLD. But

we can't recommend approval for exploratory drilling.

So we will perform our alternatives analysis.

HEARING OFFICER KRAMER: I'm actually talking about alternative sites and technologies.

DR. REEDE: We have to look at all that.

HEARING OFFICER KRAMER: Those things that you traditionally see in your analysis.

DR. REEDE: You will see that in our analysis --

HEARING OFFICER KRAMER: Okay.

DR. REEDE: -- in depth.

HEARING OFFICER KRAMER: I just wanted to highlight it as --

DR. REEDE: I have to --

HEARING OFFICER KRAMER: -- an issue.

DR. REEDE: -- write it.

HEARING OFFICER KRAMER: Good luck to you.

DR. REEDE: It'll be in-depth.

HEARING OFFICER KRAMER: Any other comments from anyone in the public?

MR. KEZALA: Well, I'd just like -- I just wanted to comment --

HEARING OFFICER KRAMER: Well, we need to get you on the transcript. Just say your name again so the court reporter --

MR. KEZALA: My name's Mukasa Kezala. My other comment is actually again has to do with waste of energy. I believe under CEQA, what's the term -- can somebody help me out here -- it has to do something like irresponsible use of energy, the project cannot use -- waste energy; I believe that's a CEQA requirement. Could somebody look into that, please.

Because that wasted energy bugs me big time. Again, the question you're asking about alternative sites. I'm willing to help here in Fresno to look around, who's good at boiler, who can actually use that much energy. Just, I mean, save it, or even for free. So, better use it.

Thanks.

HEARING OFFICER KRAMER: Thank you.

MS. SMITH: I have a question for clarification. Gloria Smith on behalf of CURE. I, too, had a question about the alternatives analysis. But I wasn't going to bring it up here.

Am I hearing you say if the application does not have an adequate alternatives analysis

that the Commission, itself, will write one independent of the applicant?

DR. REEDE: The Commission is required, under certify regulatory programs, to perform an alternatives analysis whether they've supplied one or not. Our data adequacy requirements do not require an alternatives analysis. But we still have to perform one.

We take everything we get with a grain of salt. And we have to perform an independent analysis of that issue.

DR. KENNEDY: And just to clarify, I believe our data adequacy regulations do require an alternatives analysis. The level of detail required is not necessarily what staff would expect in their own analysis. But, one was required; one was provided.

HEARING OFFICER KRAMER: Let me ask then if any members of the Committee wish to make any additional comments?

ASSOCIATE MEMBER BOYD: Yes, --

PRESIDING MEMBER BYRON: I would like --

ASSOCIATE MEMBER BOYD: -- go ahead.

PRESIDING MEMBER BYRON: Okay, I'll go first. I would like to, of course, thank our

hosts today for the snack and for the tour. Very nice.

We have some critical path items that we can tell are in the issues report that we've heard today. And so I'd really ask that you pay close attention to those so that we can be responsive to you in trying to meet your schedule.

And, of course, that also ties back to the data requests. I don't know how many applications you've been involved with, but my limited time indicates that your responsiveness helps us to be responsive to you.

I'd also like to let the public know that we welcome your input. We'll see you again, I suspect, later on here. There will be a staff assessment workshop scheduled later on, and then at the evidentiary hearings.

But we do take the staff input seriously and the public input. So, please feel free to provide your input.

Commissioner Boyd.

ASSOCIATE MEMBER BOYD: I was just going to compliment the one public speaker, Mr. Kezala, for his knowledge of the energy area. I'm sure the staff will look into the fact that existing

plants are operating on variances, if indeed that's true, as you brought up.

Your point about recovering waste heat, I don't want to get into a debate of that with regard to this particular plant right now, but your point about it theoretically not being consistent with the Energy Action Plan is a very astute point.

Many of us in the energy business, particularly at the Commission, have been pushing, and I know Commissioner Byron is kind of new to the Commission, but has been in the energy area a long time, certainly knows what we talk about cogeneration. And what we're talking about, when in our strategic plan a the Energy Commission, talk about the need to do a better job of recovering waste heat.

I've forgotten the calculation in our 2005 Integrated Energy Policy Report, but we acknowledge that waste heat in California could generate an incredible number of megawatts of additional energy.

The trouble is what's needed is to bring all the siting factors together into one area. And that's still being wrestled with. And I don't

want to get into this plant because we're sitting here wearing our black robes, and we, you know, adjudicating this.

But the idea of bringing the various kinds of facilities together in one spot is not all that easy. And either you could locate a giant factory out here right next to the generating station in order to recover the waste heat. It's probably a little tougher to move power plants from their various sites to be in close proximity to industries. But that's what cogeneration is all about and that's what recovering waste heat is all about.

So, your point's a very good on in terms of what California has to do to continue to push that point.

The other areas I guess I'll let go because I think the staff and the project proponents will, by necessity, be addressing some of your points about the health risk assessment or the economic benefits issue.

Fortunately or unfortunately, your recourse with regard to variances is first with your local air district. And I guess you'll have to pursue that.

The idea of employment is something you have to deal with with your local government folks. That's something that's a little bit of a strain for the Energy Commission to worry about. But it does get referenced in the socioeconomic analysis that the staff works on.

So, your points are very good, and I just wanted to compliment you, as a member of the public here in this area for the points you bring forward.

With that, thank you. And thanks to our hosts.

HEARING OFFICER KRAMER: Okay, one question I forgot to ask. CURE has filed a petition to intervene. We wanted to know if any other parties were intending to object to that. It's been on file for about a week. The Committee meets to rule pretty soon.

MR. JENKINS: On the surface of it I don't see a need to object. Procedurally --

MR. RATLIFF: Staff will not be objecting.

MR. JENKINS: -- I'm not sure if there's a formal period in which we have to further evaluate that. But on the surface of it I have

no, I don't believe we have any need to object to that.

HEARING OFFICER KRAMER: Well, if we don't hear anything by the end of the week we'll rule on that basis.

And the next other document you will see from the Committee is a scheduling order we'll issue in the next week or so, based on today's proceedings.

Again, thanks to the City of Mendota for the facility. If there are no further questions from any party or the public? Seeing none, we are adjourned. Thank you.

(Whereupon, at 6:32 p.m., the Informational Hearing was adjourned.)

--o0o--

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 Informational Hearing; that it was thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of December, 2006.