Quail Brush Genco, LLC

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A Project Company of Cogentrix Energy, LLC

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California Energy Commission
DOCKETED
11-AFC-2
TN # 66912
AUG 23 2012

August 2, 2012

City Council
City of San Diego
c/o City Clerk's Office
202 "C" Street, 2nd Floor
San Diego, CA 92101

Re: Appeal of Planning Commission Denial to Initiate an Amendment of the City's General Plan and the East Elliot Community Plan on behalf of Quail Brush Genco, LLC (Project Number 270282)

Dear City Councilmembers

Pursuant to the City of San Diego General Plan, Land Use and Community Planning Element Policy LU-D.8, Quail Brush Genco, LLC respectfully appeals the San Diego City Planning Commission's denial on July 19, 2012 of Quail Brush's request to initiate an amendment of the City's General Plan and the East Elliot Community Plan.

Please find enclosed: (1) a Development Permit / Environmental Determination Appeal Application (Form DS-3031); and (2) a Statement of Grounds for Appeal of the Planning Commission's July 19, 2012 Denial of Request to Initiate Amendment.

Regards,

C. Richard Neff
Vice President

SAN FRANCISCO
Calendar and Court Services
Received: August 17, 2012
c/m# 0000355699
Dates to be Entered
Please advise re dates to carry
The attorney, whose initials appear below, has reviewed the applicable court rules, and has verified that the above dates are correct.
Atty:
Date Processed: 8/17/12
Received via: Mail/InBox/Fax/ECF
or Other Fedex
Routed to: E. Gannon
Processed by: DKay

THE CITY OF SAN DIEGO

City of San Diego
Development Services
1222 First Ave. 3rd Floor
San Diego, CA 92101
(619) 446-5210

Development Permit/ Environmental Determination Appeal Application

FORM DS-3031
MAY 2010

See Information Bulletin 505, "Development Permits Appeal Procedure," for information on the appeal procedure.

1. Type of Appeal:
- ☐ Process Two Decision - Appeal to Planning Commission
- ☐ Process Three Decision - Appeal to Planning Commission
- ☐ Process Four Decision - Appeal to City Council
- ☐ Environmental Determination - Appeal to City Council
- ☐ Appeal of a Hearing Officer Decision to revoke a permit
- ☑ **Other**

2. Appellant *Please check one* ☑ Applicant ☐ Officially recognized Planning Committee ☐ "Interested Person" (Per M.C. Sec. 113.0103)

Name:		E-mail Address:		
Quail Brush Genco, LLC [contact: C. Richard Neff, Vice President]		rickneff@cogentrix.com		
Address:	**City:**	**State:**	**Zip Code:**	**Telephone:**
9405 Arrowpoint Boulevard	Charlotte	NC	28273	(704) 525-3800

3. Applicant Name *(As shown on the Permit/Approval being appealed). Complete if different from appellant.*

4. Project Information

Permit/Environmental Determination & Permit/Document No.:	Date of Decision/Determination:	City Project Manager:
Project Number 270282	July 19, 2012	D. Monroe; C. Rothman

Decision (describe the permit/approval decision):

Quail Brush is appealing the Planning Commision's denial on July 19, 2012 of its request to initiate an amendment of the City's General Plan and the East Elliott Community Plan.

5. Grounds for Appeal ***(Please check all that apply)***
- ☐ Factual Error (Process Three and Four decisions only)
- ☐ Conflict with other matters (Process Three and Four decisions only)
- ☐ Findings Not Supported (Process Three and Four decisions only)
- ☐ New Information (Process Three and Four decisions only)
- ☐ City-wide Significance (Process Four decisions only)
- ☑ **Other**

Description of Grounds for Appeal (*Please relate your description to the allowable reasons for appeal as more fully described in Chapter 11, Article 2, Division 5 of the San Diego Municipal Code. Attach additional sheets if necessary.)*

Per directions from City staff on July 23, 2012, Quail Brush has included in the attached document the Statement of Grounds for Appeal of the Planning Commission's July 19, 2012 Denial of Request to Initiate Amendment.

6. Appellant's Signature: I certify under penalty of perjury that the foregoing, including all names and addresses, is true and correct.

Signature: _____ Date: August 2, 2012

C. RICHARD NEFF - VP, EHS

Note: Faxed appeals are not accepted. Appeal fees are non-refundable.

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STATEMENT OF GROUNDS FOR APPEAL OF PLANNING COMMISSION'S JULY 19, 2012 DENIAL OF REQUEST TO INITIATE AMENDMENT

Quail Brush Genco, LLC (Quail Brush) respectfully appeals the City of San Diego Planning Commission's July 19, 2012 denial of its request to initiate an amendment of the City's General Plan and the East Elliott Community Plan (Project Number 270282) (hereinafter the "Proposed Amendment"). Quail Brush's Proposed Amendment request is "worthy of further analysis" and therefore the City Council should approve initiation.

I. INTRODUCTION

Quail Brush proposes to develop and operate a 100 megawatt (MW) gas-fired intermediate peaker plant on a privately owned 21.6 acre parcel located in the City of San Diego, south of the Sycamore Landfill and north of State Route 52 (Project). The Project is well-situated as it is in close proximity to high-voltage transmission lines and natural gas lines. The current land use designation under the East Elliott Community Plan is Open Space and zoned residential. This land use designation is inconsistent with the development and operation of an energy generation facility (i.e. a power plant) on this property.

The City has a unique two-step process for amending land use plans, which begins with a request for initiation. Consistent with this, Quail Brush requested that the Planning Commission approve initiation allowing Quail Brush to submit an application to amend the land use designation of the Project site. On July 19, 2012, the Planning Commission denied Quail Brush's request for initiation. Quail Brush is appealing that decision to the City Council because the Proposed Amendment satisfies the City's Initiation Criteria and because the energy, economic and environmental benefits of the proposed Project make the Proposed Amendment worthy of further analysis.

In the State of California, the California Energy Commission (CEC) is responsible for reviewing and ultimately approving or denying all applications to construct and operate thermal electric power plants that are 50 MW or greater. As explained in more detail below in Section VI, during its review of a project, the CEC coordinates with applicable local, state and federal agencies. In making its decision on a project, the CEC must determine whether the proposed project would be consistent with all applicable laws, ordinance, regulations and standards (LORS) of these local, state and federal agencies. Pursuant to its regulations, the CEC has and will continue to ask City staff for information on the City's LORS, including the City's land use designation. Due to the inconsistency with the current land use designation, in order for the CEC to approve the proposed Project, either the City would ultimately need to amend the land use designation or the CEC would have to override the LORS inconsistency. Therefore, not only is initiation appropriate under the City's Initiation Criteria, the City Council should approve initiation and activate the City's evaluation of the amendment request in order to ensure that San Diego's interests are represented in the CEC review process.

II. PROCEDURAL BACKGROUND

On January 27, 2012, Quail Brush submitted its request for initiation of the amendment process to the City (Project Number 270282). Quail Brush also submitted two letters to the Planning Commission in support of its request for initiation on June 21, 2012 (attached as Exhibit A) and on July 10, 2012 (attached as Exhibit B). The Planning Commission held hearings to consider Quail Brush's request to initiate on March 15 (continuation requested by Councilmember Emerald and granted), April 26 (continuation requested by Quail Brush and granted), June 28 (3-2 vote not to initiate trailed to July 19), and July 19, 2012. The Planning Commission denied Quail Brush's request for initiation of amendment process on July 19, 2012 by a 4-1 vote without any substantive explanation of why initiation was not warranted under the City's Initiation Criteria. Quail Brush now asks the City Council to overturn the Planning Commission's denial and to direct City staff to evaluate the amendment request in accordance with City regulations.

III. THE CITY'S DECISIONMAKING PROCESS

A. The City's Amendment Process and Initiation Criteria

The first step in the City's amendment process was for Quail Brush to request that the Planning Commission approve "initiation" of the land use designation amendment. Initiation is "a limited decision and is neither an approval nor denial of the plan amendment." (*The City of San Diego General Plan and Community Plan Amendment Manual: A Companion to the General Plan*, August 24, 2011 (Manual), p. 1). Instead, the Planning Commission must ask "the more fundamental question of whether the proposed change to the General Plan and the community plan is worthy of further analysis based upon compliance with the Initiation Criteria." (*Id.*, p. 2). The Initiation Criteria for the Planning Commission to use in considering privately-proposed land use changes are set forth in Policy LU-D.10 of the City's General Plan:

> LU-D.10(a): "[T]he amendment request appears to be consistent with the goals and policies of the General Plan and community plan and any community plan specific amendment criteria."
>
> LU-D.10(b): "[T]he proposed amendment provides additional public benefit to the community as compared to the existing land use designation, density/intensity range, plan policy or site design."
>
> LU-D.10(c): "[P]ublic facilities appear to be available to serve the proposed increase in density/intensity, or their provision will be addressed as a component of the amendment process." (*City of San Diego General Plan*, March 2008 ("General Plan"), Land Use and Community Planning Element, p. LU-27 to LU-28).

If, after reviewing an initiation request in light of these Initiation Criteria, the Planning Commission denies the initiation request, the applicant may appeal the denial to the City Council as contemplated by General Plan Policy LU-D.8. (General Plan, p. LU-27; Manual, p. 3 and 5. Pursuant to General Plan Policy LU-D.9, the City Council may approve initiation "without demonstration of meeting the initiation criteria." (General Plan, p. LU-27). Once the initiation has been approved, the amendment request is forwarded to the City's Development Services project manager. At this point, the project processing timelines begin to run. (Manual, p. 3).

B. The City's Goal of Thoughtful and Collaborative Planning

Throughout the City's General Plan there is a mandate for thoughtful planning and cooperation. The General Plan includes a regional policy encouraging the City to "[a]ssume an active leadership role in planning and implementing regional facility and infrastructure investments through collaborative efforts." (General Plan Public Facilities, Services and Safety Element, Policy PF-N.1.p.PF-52). Similarly, with regard specifically to Public Utilities, the General Plan directs the City to "cooperatively plan for and design public utilities and associated facilities...to maximize environmental and community benefits." (*See id.*, p. PF-50). By approving Quail Brush's initiation request, the City would be complying with these policies. By participating in the CEC's collaborative process, the City would be able to represent San Diego's interests in the CEC process.

IV. BENEFITS OF THE QUAIL BRUSH PEAKER PLANT

If ultimately approved, the proposed Project would provide multiple significant benefits to the City and the surrounding region. The proposed Project would provide reliable energy to the City and region and help support development of renewable energy sources. The Project would also facilitate retirement of existing aging inefficient power generation units. These energy benefits would in turn provide economic benefits to the City and region. Reliable energy supports a sustainable and growing economy. Efficient delivery of reliable energy coupled with the design features and mitigation measures of the proposed Project would ensure that the proposed Project is "environmentally sound" and will enhance the local natural environment. By approving the initiation request, the City would be able to represent San Diego's interests in the CEC process.

A. Energy Benefits

1. Reliable Energy

The proposed Project would make a critical contribution to the reliability of the electric grid in the San Diego area and the State as a whole. San Diego's population continues to grow, and more power generation facilities are necessary to meet increased demand. As explained by the California Independent System Operator ("CAISO"), San Diego is a "local capacity area" or "a geographic area that does not have sufficient transmission import capability to serve the customer demand in the area without the operation of generation located within that area, and there must be sufficient generation in the local area available to grid operators to serve the load in times of stressed conditions." (CAISO July 13, 2012 Opening Brief submitted in California Public Utilities Commission (CPUC) Docket A.11-05-023, p. 5). This means that a certain amount of generation facilities must be located in the San Diego area to supply energy for the local growing population. Without such facilities, individuals and businesses will suffer damaging brownouts and blackouts during times of peak energy demand. This risk is especially acute now due to the anticipated shut down of the Encina Power Station in Carlsbad, the indefinite suspension of the San Onofre Nuclear Generating Station, and the roll out of new intermittent renewable energy generation facilities. Accordingly, the need to procure flexible generation in the San Diego area is both real and urgent. (*See id.*, p. 14, 25-26 ("The risks to grid reliability are too significant -- and the time frame for procuring needed flexible thermal generation is too short -- to allow for any errors in judgment.")). The proposed Project will

produce flexible fast-start and fast-ramping generation to help meet San Diego's critical energy needs.

The proposed Project would be able to be quickly started and its output ramped up or down to balance the changing demand and supply on the grid. Thus, SDG&E or the CAISO could choose to run the Project at or near its full capacity only when it is needed most, such as on hot summer afternoons, or in the evenings when residential energy use spikes even as renewable resources fall off. The Project's multi-unit design will also allow it to be run in partial operation mode without significant efficiency loss (unlike single turbine unit designs) when SDG&E requires only a portion of the plant's maximum output to meet demand. The Project's quick-start capabilities mean that it will not have to be started and operated in idle mode for many hours in advance of being needed, as is the case with many existing older units in the region used for this purpose. This flexible load-following quality of the Project facility will help SDG&E efficiently meet its peak energy demand on short notice. In contrast, due to their intermittent nature and reliance upon uncontrollable ambient conditions, renewable resources such as wind and solar cannot by themselves meet the growing demand in the San Diego local capacity area or provide the load-following and balancing capabilities which the Project is designed to provide. The vast majority of renewable energy installations in or under development in California contain minimal or no energy storage, and thus can only supply power to the grid when the sun is shining or the wind is blowing. In fact, and as discussed in greater detail below, the large-scale incorporation of intermittent renewable resources into the California grid actually magnifies the need for flexible resources like the Project. In short, San Diego's residents and businesses need flexible resources such as the proposed Project located within San Diego in order to ensure a safe, efficient and reliable energy supply.

2. Promoting Renewable Energy

If approved, the Project will promote renewable energy development in California and support SDG&E's efforts to meet the State's 33% Renewables Portfolio Standard. As described above, renewable resources are generally intermittent in nature, and cannot be relied upon to produce a predictable, steady output. The laws of physics dictate that the precise amount of energy supplied to the grid must exactly match the amount of energy being used at each moment in time. This means that when the wind slows down or stops, or when clouds cast shadows over solar panels, a generation facility somewhere else needs to increase its output. Thus, when more renewable resources are connected to the grid, more flexible, on-demand fast-start and fast-ramping generation resources are needed to fill the power gaps.

The CPUC has expressly directed SDG&E to secure flexible, dispatchable resources such as the proposed Project in order to integrate renewable resources and further the State's goals of reducing greenhouse gas (GHG) emissions. In Decision 07-12-052, the CPUC stated:

> *To support the types and needs we anticipate in a GHG constrained portfolio, we require SDG&E to procure dispatchable ramping resources that can be used to adjust for the morning and evening ramps created by the intermittent types of renewable resources. (CPUC Decision 07-12-052 at p. 115).*

If approved, the proposed Project will help SDG&E integrate new renewable resources and

advance important Statewide policy objectives to increase reliance on renewable energy and decrease GHG emissions.

B. Economic Benefits

As discussed above, the proposed Project, if approved, would help ensure communities of the City and the region receive reliable power. Reliable power would foster economic growth in the region, thereby making these communities more attractive to business. The Business Development goals of the General Plan's Economic Prosperity Element include the goal for the "city to retain, attract, and maintain the type of businesses likely to contribute positively to the local economy. These industries contribute to a diverse economic base, maintain environmental quality, and provide high quality employment opportunities." (General Plan, p. EP-24). By helping ensure reliable power is available to the City, the proposed Project would assist in the maintenance of a sustainable economy and support economic growth. In addition, construction and long-term operation of the Project within the San Diego area will also contribute materially to the local San Diego economy.

1. Sustainable Economy

As Quail Brush has previously stated in both its June 21 letter (Exhibit A) and its July 10 letter (Exhibit B),

> *A city's most important investment in support of economic prosperity is its investment in infrastructure, particularly infrastructure that helps communities and base sector industries become more productive, leverages private investment, and help direct investment to areas with the greatest need or potential benefits. (Id., p. EP-26).*

The proposed Project would support the City's goal to "promote public and private infrastructure that supports economic prosperity." (*See id.*, p. EP-26). If the proposed Project is approved, Quail Brush will invest approximately $150 million of private funds in locally built, operated and maintained infrastructure to help ensure adequate energy supplies for all businesses and residents in the City and region.

Business organizations such as CONNECT (an organization that supports the creation of innovative technology and life sciences products in San Diego County), BIOCOM (a life science trade association representing more than 560 member companies), CleanTECH San Diego (a nonprofit association focused on accelerating the greater San Diego region's transition to a clean energy economy), Save Our Rural Economy (a California non-profit social welfare corporation dedicated to preserving property values and a vigorous economy), the East County Chamber of Commerce and the San Diego Regional Chamber of Commerce have written letters in support of initiating the plan amendment because these organizations recognize the importance of energy reliability and the integration of renewable resources for economic prosperity and the important role the Project will play in meeting those goals. These organizations have stated:

> *We believe the Quail Brush project will help boost electric reliability and in so doing, enable more renewable resources to*

come online. . . . Without this type of peaker facility, we could experience power outages on hot summer days and other peak times. . . . Quail Brush and plants like it will help stabilize the regional grid as more renewables come online. We strongly support renewable energy because it will provide numerous benefits that enhance quality of life for people who live and work in San Diego County. (BIOCOM June 14, 2012 letter to the CEC, included as Attachment 3 to Exhibit A).

San Diego's existing businesses and start-up ventures depend on reliable electricity to power their operations and continue growing. As a result, our region's economic prosperity hinges on the approval of additional peaker plants such as Quail Brush. With older generation facilities being retired and SONGS currently shut down, this project is absolutely essential. . . . Natural gas-fired peaker plants are the cleanest, most effective way to provide local businesses and homes with electricity when wind and solar resources are not available. If we are serious about renewable energy, we need to get serious about back-up generation projects. (CONNECT May 31, 2012 letter to the CEC, included as Attachment 2 to Exhibit A).

Renewable energy is an important part of achieving this goal, as is ensuring a reliable power supply for residents and local businesses, especially at a time when we're facing the retirement of older power plants and the current shut down of the San Onofre Nuclear Generating Station. Quail Brush will also help support the further development of clean, renewable energy by generating power quickly and efficiently when wind and solar resources suddenly become unavailable. (CleanTECH San Diego June 20, 2012 letter to the CEC, included as Attachment 6 to Exhibit A).

This peaker plant will help boost East County's economy by allowing for more of our renewable resources to be developed without causing blackouts during dips in production. The project will also improve energy reliability throughout San Diego County as a result of its ability to start quickly when demand for electricity is high. (Save Our Rural Economy June 26, 2012 Letter to the CEC[1]).

The 850 businesses that make up the Chamber's membership depend on a steady supply of electricity to keep their lights and computers on . . . [and] [t]he Quail Brush Generation Project will address this . . . by generating additional power when it's needed

[1] Available at: http://www.energy.ca.gov/sitingcases/quailbrush/documents/others/2012-06-26_SOREs_Letter_of_Support_for_the_Proposed_Project_TN-65955.pdf.

most. (East County Chamber of Commerce May 31, 2012 letter to the CEC, included as Attachment 4 to Exhibit A).

We believe, projects like Quail Brush, are necessary and important to the region's energy security. Our businesses depend on a reliable power supply void of disruptions because even a brief outage could be very costly to our economy. Natural gas peaker plants allow us to use clean power without experiencing any negative effects related to intermittency. The project also creates temporary and permanent jobs, which is very important given that San Diego's unemployment rate remains above 9 percent. (San Diego Regional Chamber of Commerce January 55, 2012 letter to the CEC[2]).

The City recognizes in its General Plan the importance of supporting its critical base sector industries.

Economic base sector industries create wealth for a local jurisdiction by exporting products and services primarily to national and international markets outside of the local area. As such, base sector industries drive regional prosperity, are a source of competitiveness and innovation, and are the primary source of new businesses in the region. . . . Base sector industries primarily include the functions of manufacturing, research and development, assembly, corporate headquarters, warehousing, distribution, marketing, and certain related professional and administrative functions associated with product/process conception, development, sales, and distribution. (General Plan, p. EP-6)

Without reliable power, the City cannot sustain a strong economic base, especially for its highly significant research and development and manufacturing sectors. The proposed Project would contribute significantly to that needed reliability.

Participating in the planning process for a proposed energy generation facility that would be sited on available land within the City – close to transportation and other infrastructure – and would help supply power to the City's homes and businesses, would support the existing industries in the region and provide for employment opportunities within the City.

2. Growing New Businesses and Supporting Population Growth

The City recognizes that it needs "[r]egional facilities that promote and support smart growth and improve quality of life." (*Id.*, p. PF-51). The proposed Project would do so by supplying energy that is needed in this local area, as well as allowing the development of additional renewable energy by providing SDG&E with the intermediate peaking power needed, as discussed above. Supporting reliable and renewable energy reduces the chance of brownouts and blackouts, which

[2] Available at: http://www.energy.ca.gov/sitingcases/quailbrush/documents/others/2012-01-26_San_Diego_Regional_Chamber_of_Commerce_Comments_TN-63458.pdf.

in turn would bring growth and prosperity to the community as new businesses, especially biotech industries, decide to locate in the area due in part to its reliable power supply. As the organization BIOCOM has recognized, "[w]ithout this type of peaker facility, we could experience power outages on hot summer days and at other peak times" causing "dramatic" impact on life science companies in which "[r]esearch projects, some of which are months or years in the making and representing hundreds of thousands of dollars of work, can be ruined in a very short period of time if temperature and other factors are not kept within very narrow boundaries." (BIOCOM June 14, 2012 letter to California Energy Commission).

The General Plan states that "...planning for adequate public utilities and the means to transmit, convey, or provide the service is essential to ensuring that services and utilities keep pace with anticipated growth." (General Plan, p. PF-48). "Public utilities [should] sufficiently meet existing and future demand with facilities and maintenance practices that are sensible, efficient, and well-integrated into the natural and urban landscape." (*Id.*, p. PF-47). Additionally the General Plan directs the City to "[c]oordinate the timing and development of new or expanded regional serving facilities to precede the development they will support." (*Id.*, p. PF-52).

New proposed housing developments in San Diego, including Castle Rock, Fanita Ranch and the expansion of housing at Miramar, will increase residential energy demand and will be dependent on facilities like the proposed Project to provide cost-effective, reliable power. Indeed, the San Diego Association of Governments (SANDAG) projects that by 2020, the population in the San Diego region will be 3,535,000 - an increase of roughly 250,000 people over the current population. (*See* SANDAG 2050 Regional Transportation Plan / Sustainable Communities Strategy, published October 2011, Figure B.2, Table B.1. pp. B-5 through B-6). A variety of energy resources to serve this projected growth is essential. This is why SDG&E and the CAISO have both provided testimony of the current need for additional power in the San Diego local area and specifically the proposed Project. (*See, e.g.,* Supplemental Testimony of Robert Anderson on Behalf of SDG&E, submitted to the CPUC in docket A.11-05-023 on April 27, 2012 at p. RA-2 ("SDG&E has found a need for a substantial amount of new generation, a portion of which can be provided via [the contracts with the proposed Project and two other projects]."); Initial Testimony of Robert Sparks on Behalf of the CAISO, submitted to the CPUC in docket A.11-05-023 on March 9, 2012 at p. 13 ("The ISO's studies have identified substantial local area resource needs in San Diego. It is important that resources be procured in the area as quickly as possible, and [the Project and two other projects] partially meet such needs."). Thus, timely planning for the energy needs is critical to ensure a thriving local economy, and it is imperative that the City be actively involved in the planning process to ensure that the future needs of the City and its residents are met.

3. Employment and Other Economic Benefits

The construction and operation of the proposed Project would have positive direct, indirect and induced impacts[3] on the local economy. (Quail Brush Application for Certification (hereafter

[3] The direct impact includes expenditures made specifically for the Project, such as labor and materials. Indirect impacts are generated by the expenditures by suppliers who provide goods and services to the project. Induced impacts are generated by the spending of households who benefit from the additional wages and business income they earn through the direct or indirect activity. (AFC, p. 4.6-15).

"AFC"), August 2011, p. 4.6-15 and 4.6-18)[4]. The proposed Project would generate short-term and long-term employment opportunities in the area with approximately 150 construction jobs over an 18 month period and 11 full-time permanent jobs. Quail Brush expects to hire approximately 90% of this work force locally.

The total construction payroll, including both craft and staff employees, would be approximately $8.7 million spread over the 18-month construction period. Local expenditures for construction materials and supplies are expected to total approximately $3 million during the construction phase of the proposed Project. The total operation payroll is anticipated to result in an estimated annual income impact (i.e. salaries, overtime, benefits and incentives) of over $1 million and would generate $2.4 million direct output (i.e. sales) annually. (*Id.*, p. 4.6-18).

The proposed Project will also result in indirect and induced income impacts, both during construction and operation. Construction of the proposed Project is projected to support an estimated 77 (21 indirect and 56 induced) jobs per year for the duration of the construction period. Annual positive construction-related indirect and induced income impacts are expected to of approximately $1.0 million and $1.9 million, respectively. Construction of the proposed Project is also expected to generate approximately $5.5 million in output (sales) - in indirect ($1.8 million) and induced ($3.7 million). (*Id.*, p. 4.6-16). In addition to the jobs directly related to operation of the proposed Project, operation of the proposed Project would also support an additional estimated 26 jobs (11 indirect jobs and 15 induced jobs) each year for the operating life of the proposed Project (which will be at least 20 years). Annual positive operations-related indirect and induced income impacts are expected of approximately $0.4 million and $0.5 million, respectively. Operation of the proposed Project should also generate approximately $0.9 million in indirect and induced sales($0.4 million in indirect and $0.5 million in induced). These impacts would occur in San Diego County, on an annual basis for the duration of Project operation. (*Id.*, p. 4.6-18).

In addition to these direct, indirect and induced benefits related to the proposed Project, the sustained and growing economy that is supported by the reliable energy produced by the proposed Project will also increase employment opportunities in the area. It is expected that the proposed Project would help reduce unemployment burdens in the City and the region.

C. Environmental Benefits

"Public utility services [should be] provided in the most cost-effective and environmentally sensitive way." (General Plan, p. PF-47). The proposed Project would provide reliable energy in a cost effective way while minimizing environmental impacts.

As discussed above, the proposed Project is an intermediate load-following peaker plant that will be able to provide flexible, on-demand power to maintain reliability in the grid and support renewable energy sources. Intermediate peakers are the most cost-effective way to support renewable energy sources, which are generally intermittent in nature. As explained by the CEC's expert in a letter to the City's Planning Commission date July 17, 2012 (attached as

[4] The socioeconomic data and analysis included in AFC represents conservative estimates of the proposed Project's employment and economic benefits. Quail Brush will provide updated analyses to the CEC throughout the licensing process as appropriate.

Exhibit C), intermediate peaker plants like the proposed Project are more efficient than traditional steam turbine or combined cycle power plants that are operated as peakers.

The proposed Project is not only efficient and cost-effective, but it is also being designed to minimize environmental impacts. For example, the plant has been sited at a location on which no federal or California listed threatened or endangered species have been found, is adjacent to appropriate infrastructure as well as an existing industrial use. Numerous features such as shortened stacks, landscaping and other aesthetic design considerations will minimize the visual impacts of the proposed Project. In addition, acoustic design features coupled with mitigation measures will limit the amount of noise emanating from the proposed Project. The proposed Project is also consistent with the General Plan's single goal related to Sustainable Energy in its Conservation Element: "An increase in local energy independence through conservation, efficient community design, reduced consumption, and efficient production and development of energy supplies that are diverse, efficient, environmentally sound, sustainable and reliable." (General Plan - Conservation Element, p. CE-37).

The proposed Project would "reduce the City's overall carbon dioxide footprint by improving energy efficiency..." (*id.*, p. CE-7); assist in the City's the goal to "be prepared for, and able to adapt to adverse climate change impacts" (*id.*); and reduce "greenhouse gas emissions effecting climate change" (*id.*). The proposed Project would also help allow less efficient older power plants to operate less and ultimately retire. Thus, a failure to construct more efficient generation facilities such as the Project will likely result in continued reliance by San Diego and California on older, less efficient, less environmentally friendly facilities.

If the proposed Project is ultimately approved, Quail Brush intends to donate 40 acres of land identified as priority parcels for inclusion in Mission Trails Regional Park. These lands would be dedicated as perpetual open space and thus enhance the natural environment. The Public Facilities, Services and Safety Element of the General Plan notes that "as the City becomes fully urbanized, it is essential to fully integrate the design and space requirements for public utilities into all planning efforts," especially given the scarcity of suitable facility sites and the sensitivity of conserved areas. (*Id.*, p. PF-48). The approval process for the proposed Project will help fulfill this policy.

V. CONSISTENCY WITH INITIATION CRITERIA

Quail Brush's amendment request complies with all three Initiation Criteria for privately-proposed land use changes set forth in Policy LU-D.10 of the City's General Plan (*See* Quail Brush letters to the Planning Commission dated June 21, 2012 and July 10, 2012, attached as Exhibit A and Exhibit B respectively). In voting to deny Quail Brush's initiation request, Planning Commission members provided no substantive details as to why the Initiation Criteria were not met. Therefore, the Planning Commission erred in denying the initiation request. Quail Brush's amendment request is worthy of detailed consideration and the City Council should approve initiation.

A. LU-D.10(a): "[T]he amendment request appears to be consistent with the goals and policies of the General Plan and community plan and any community plan specific amendment criteria."

Quail Brush's amendment request to change the land use designation to allow for the development and operation of a 100 MW intermediate peaker plant on the property is consistent with the goals and policies of the City's General Plan and the East Elliott Community Plan. The East Elliott Community Plan does not have any community plan specific amendment criteria.

Policy LU-D.10(a) does not require that a proposed amendment be consistent with every aspect of the General Plan and applicable community plan because if this were so, no amendment would be required. Rather, this criteria requires the decisionmaker to ask the broader question of whether a proposed amendment would be consistent with the overarching goals and policies of the City's land planning documents. To answer this question, the overall intent of these documents and the City's larger planning objectives must be evaluated instead of the site-specific designation on the land use map. This evaluation must look at the impact the proposed amendment would have on the applicable community, the City as a whole and the region.

Quail Brush has requested through the City's initiation process an amendment that, if ultimately approved after detailed review and consideration, would allow for the development and operation of the proposed Project. The proposed Project is consistent with the General Plan and is therefore worthy of detailed consideration. As discussed above, the proposed Project would support a sustainable economy by "help[ing] communities and base sector industries become more productive" through the provision of reliable energy supply, the creation of jobs for local workers, and increase of capital infused in the local economy. (*See* General Plan, p. EP-24). The proposed Project would also provide "[p]ublic utility services . . . in the most cost-effective and environmentally sensitive way" by integrating renewable energy resources, "reducing the City's overall carbon dioxide footprint by improving energy efficiency," minimizing environmental impacts through extensive mitigation, and donating 40 acres of priority land for perpetual inclusion in the Mission Trails Regional Park. (*See* General Plan, p. PF-47, CE-7). Viewed in its entirety, the approval of the amendment request could promote the economic prosperity and service goals of the General Plan without jeopardizing the City's other natural resources.

Further, the General Plan specifically contemplates and directs the City to consider allowing industrial uses on lands not currently zoned industrial. The City is to "consider the redesignation of non-industrial properties to industrial use where land use conflicts can be minimized [and] [e]valuate the extent to which the proposed designation and subsequent industrial development would: [1] [a]ccomodate the expansion of existing industrial uses to facilitate their retention in the area in which they are located; [2] [n]ot intrude into existing residential neighborhoods or disrupt existing commercial activities and other uses; [3] [m]itigate any environmental impacts (traffic, noise, lighting, air pollution, and odor) to adjacent land; [and] [4] [b]e adequately served by existing and planned infrastructure." (General Plan, p. EP-10). As explained above, the proposed Project is consistent with each element of this policy and consideration and evaluation of the Proposed Amendment is worthy of initiation and further analysis.

The amendment request is also consistent with the East Elliott Community Plan (Community Plan). As previously noted, asking whether there is an inconsistency with the specific land use

designation currently contemplated in the Community Plan does not properly frame the question. Instead, a proposed amendment to change the land use designation must be evaluated in the context of the goals and policies of the Community Plan. As explained in Quail Brush's July 10, 2012 letter (Exhibit B), the Community Plan's rationale for limiting development (i.e., "urban development is infeasible in much of East Elliott" because of "the natural resources on site" and the "rugged topography, environmental constraints, lack of utility and road connections and other services, a multiplicity of small ownerships and proximity to the Sycamore Canyon Landfill" (East Elliot Community Plan, p. 1)) is inapplicable to the proposed Project. Indeed, many of these factors make the proposed site especially suitable for the proposed Project. Additionally, Quail Brush's anticipated mitigation package would make the proposed Project consistent with the Open Space Management Guidelines of the Community Plan. Thus, the amendment request appears to be consistent with the Community Plan and is therefore worthy of detailed consideration.

B. LU-D.10(b): "[T]he proposed amendment provides additional public benefit to the community as compared to the existing land use designation, density/intensity range, plan policy or site design."

As discussed above, the Proposed Amendment, which would allow for the development and operation of the proposed Project, provides significant public benefits to the community. It is unquestionable that the proposed Project would have an energy benefit by supplying reliable energy and support development of renewable energy sources in and to San Diego and the surrounding region. The proposed Project's economic benefit is equally undeniable. By providing reliable energy, the proposed Project will help foster a sustainable economy and attract economic growth in the form of new businesses and new jobs to the City. While the Proposed Amendment requests the change of 21.6 acres of privately owned land currently designated as Open Space to a land use designation that allows for the development and operation of the proposed Project, the Proposed Amendment provides environmental benefits. The proposed Project will not disturb the entire acreage of the land parcel and being located near existing industrial uses and the Route 52 freeway, the proposed Project will not significantly impact any sensitive biological resources. Additionally, the mitigation package, including the donation of 40 acres of property to the publicly owned Mission Trails Regional Park provides benefits well in excess of any loss of privately owned open space. Thus, the Proposed Amendment is worthy of further analysis and the City Council should approve initiation.

C. LU-D.10(c): "[P]ublic facilities appear to be available to serve the proposed increase in density/intensity, or their provision will be addressed as a component of the amendment process."

Based on the location of the proposed Project, close to existing natural gas supply and existing electric transmission lines, the proposed Project can be constructed and operated without a dramatic impact on public facilities in the local area. Additionally, Quail Brush is prepared to assist the City and other public agencies in addressing the proposed project's impact on public facilities during the comprehensive review process. Thus, the Proposed Amendment is consistent with this final criteria, making the Proposed Amendment worthy of further analysis.

VI. INTERPLAY BETWEEN THE CITY'S DECISION AND THE CEC'S PROCESS

As mentioned above, the CEC is ultimately responsible for the approval or denial of the proposed Project because State law grants the CEC exclusive jurisdiction over thermal electric power plants generating 50 MW or greater. However, the CEC's review and decision does not occur in a vacuum. The rigorous permitting and approval process a project must undergo at the CEC involves interested local, state and federal agencies and ensures that the proposed Project will be designed, constructed and operated in a safe manner and will satisfy all of the environmental conditions imposed on the Project.

The City's approval of the initiation request will facilitate the City's representation of San Diego's interests in the CEC Process.

A. The Energy Commission's Process

The CEC is responsible for reviewing and ultimately approving or denying the application for certification of the proposed Project. Although the CEC ultimately "stands in the shoes" of a local agency in permitting a thermal power plant, it does not supplant the local agency's review and consideration of the project. The CEC's regulations anticipate that the CEC's decision will normally incorporate the local jurisdiction's recommendations on the project.

Pursuant to the CEC's process, the CEC coordinates with applicable local, state and federal agencies and solicits their review of an AFC:

> *Upon receipt of an application, the commission shall forward the application to the local governmental agencies having land use and related jurisdiction in the area and the proposed site and related facility. Those local agencies shall review the application and submit comments on among other things, the design of the facility, architectural and aesthetic area of the facility, and other appropriate aspects of the design, construction, or operation of the proposed site and related facility. (Pub. Resource Code § 25519(f)).*

Here, the CEC sent out its *Request for Agency Participation in the Review of the Quail Brush Generating Project, Application for Certification (11-AFC-3)* on September 7, 2011 (attached as Exhibit D). This request was sent to the agency distribution list, including the City of San Diego. This request provided a general summary of the Project, a summary of the CEC's site certification process, an electronic copy of the AFC and a request for information from the recipient agencies. In particular, the CEC asked for the following:

1) A discussion of those aspects of the proposed site and related facilities for which your agency would have jurisdiction but for the exclusive jurisdiction of the Energy Commission to certify sites and related facilities;

2) A determination of the completeness of the list in the AFC of the laws, regulations, ordinances or standards that are applicable to the proposed site and related facilities, and

which your agency would administer or enforce but for the Energy Commission's exclusive jurisdiction;

3) A description of the nature and scope of the requirements that the applicant would need to meet in order to satisfy the substantive requirements of your agency but for the Energy Commission's exclusive jurisdiction, and identification of any analyses that the Energy Commission should perform in order to determine whether these substantive requirements can be met; and

4) An analysis of whether there is a reasonable likelihood that the proposed project will be able to comply with your agency's applicable substantive requirements.

City staff responded to the CEC's request on November 30, 2011. The City's letter indicates a need for more information for adequate review by the City. In order to obtain more information and to have the opportunity to review fully the amendment request and the proposed Project, the City should initiate the amendment review process and fully participate in the CEC's process. In the absence of review and input from the City, the CEC will have to rely solely on the evaluation of the City's LORS by CEC staff and the applicant, Quail Brush. Failure of the City to initiate review will not halt the CEC permit process.

The CEC staff have evidenced a willingness to work affirmatively with the City's decision makers and staff. The CEC project manager and staff attorney attended both the June 28 and the July 19 Planning Commission hearings. The CEC also submitted supplement information to the Planning Commission in response to its questions about peaker plants and how the proposed Project would displace older, higher-polluting facilities. (See CEC's 7/17/12 letter, Exhibit C). Additionally, the CEC has reached out to the mayor of San Diego and other elected officials in a letter dated July 20, 2012, explaining the CEC's process and offering to schedule a briefing with CEC staff. (See CEC's letter to Mayor Jerry Sanders dated July 20, 2012, attached as Exhibit E).

Pursuant to the CEC's regulations, throughout the CEC process, the City may be requested to do any of the following:[5]

> *(1) Update as necessary the information requested or submitted by the agency during the notice proceedings;*
>
> *(2) Perform or conduct such analyses or studies as needed to resolve any significant concerns of the agency, or to satisfy any remaining substantive requirements for the issuance of a final permit by the agency which would have jurisdiction but for the commission's exclusive authority, or for the certification by the commission for the construction, operation, and use of the proposed site and related facilities; and*

[5] "Upon receiving the commission's request for review under subdivision (f) of Section 25519 and Section 25506, the local agency may request a fee from the commission to reimburse the local agency for the actual and added costs of this review by the local agency. The commission shall reimburse the local agency for the added costs that shall be actually incurred by the local agency in complying with the commission's request." (Pub. Resources Code § 25538).

> *(3) Submit to the commission, and upon request of the presiding member, present, explain, and defend in public hearings held on the application, the results of the agency's analyses, studies, or other review relevant to the application. The agency may submit comments and recommendations on any aspect of the application, including among other things, the design of the facility, architectural and aesthetic features of the facility, access to highways, landscaping and grading, public use of lands in the area, and other aspects of the design, construction, or operation of the proposed site and related facility. (Title 20 California Code of Regulations § 1714.5).*

The CEC staff gives "due deference" to a local agency's responsive comments and recommendations. (*Id.* § 1714.5(b)).

When the CEC approves a project, the CEC must make "[f]indings regarding the conformity of the proposed site and related facilities...with other applicable local, regional, state, and federal standards, ordinances, or laws." (Public Resource Code § 25523(d)(1)). In the event that a proposed project is inconsistent with a local or state LORS, the CEC "shall consult and meet" with the applicable state or local agency "to attempt to correct or eliminate the noncompliance." *Id.* If noncompliance cannot be corrected or eliminated, the CEC may not approve and certify the project unless the CEC makes an override finding and "determines that the facility is required for public convenience and necessity and that there are not more prudent and feasible means of achieving public convenience and necessity." (*Id*, § 25525). In making an override finding, the CEC must "consider the entire record of the proceeding, including, but not limited to, the impacts of the facility on the environment, consumer benefits, and electric system reliability." *Id.*

B. Approving Initiation Would Allow the City to Participate Fully in the CEC's Process

The proposed Project is inconsistent with the current land use designation (Open Space) under the East Elliott Community Plan. Therefore, the CEC will only approve the project if it either determines that prior to construction, the land use designation will be changed or that the Project merits a LORS override. If a LORS override is required, pursuant to Public Resources Code Section 25523(d)(1), CEC staff must "consult and meet" with the City in an attempt to resolve a LORS inconsistency.

By approving the initiation, the City will begin the process of evaluating the amendment request. If the City is in the process of evaluating the amendment request, the CEC will work with the City to consider fully the City's determinations. By initiating evaluation of the amendment request and participating in the CEC's process, the City (and particularly its decision-makers) will be in a better position to ensure that the proposed Project, if approved, remains consistent with the General Plan and the Community Plan and is environmentally and economically beneficial to San Diego.

C. Denying Initiation Would Limit the City Decision-makers' Ability to Participate in the Review and Evaluation of the Proposed Project

If the City denies Quail Brush's initiation request, the City will not be conducting its own independent evaluation of the Project. Pursuant to the CEC's regulations, the CEC would still request the City to provide information on its LORS. As with the CEC's letter of September 7, 2011 (Exhibit D) requesting agency participation, the CEC's inquiries will be directed to City staff and will be limited to the issues that the CEC identifies as applicable. The CEC will give due deference to the City staff's responsive comments and recommendations. However, the City will be relinquishing the opportunity to evaluate the amendment request and fully participate in the process. By denying the initiation request, City decision-makers (both the Planning Commission and City Council) will be effectively removed from the review process.

If the City does not evaluate the amendment request, the CEC will be left to evaluate the LORS inconsistency on its own and determine whether to make an override finding without comprehensive input from the City.

VII. CONCLUSION

Quail Brush's Proposed Amendment is worthy of further consideration and therefore the City Council should approve the General Plan and Community Plan Amendment initiation request. The Proposed Amendment would allow for the development and operation of the proposed Project, which would bring energy, economic and environmental benefits to the City. Additionally, the Proposed Amendment meets all three of the Initiation Criteria, even though the City Council does not need to rely on these Criteria in approving initiation. A decision to approve initiation "in no way confers adoption of a plan amendment, neither staff nor the Planning Commission is committed to recommend in favor or denial of the proposed amendment and the City Council is not committed to adopt or deny the proposed amendment." (March 7, 2012 Report to the Planning Commission). Approval of initiation instead allows the City to evaluate the amendment request and provide recommendations to the CEC. If the City denies Quail Brush's initiation request, the CEC will be required to evaluate the land use inconsistency on its own and make a decision whether to override the inconsistency independent of input from the City's decision makers. It is therefore clearly in the City's interest to approve initiation of evaluation of Quail Brush's amendment request.

Exhibit A

SCHWARTZ HEIDEL SULLIVAN, LLP

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June 21, 2012

Chairman Eric Naslund and Members of the Planning Commission
City of San Diego
202 C Street, Fifth Floor
San Diego, CA 92101

Re: Request to Initiate Community Plan Amendment
Quail Brush Generation Project Proposal

Dear Chairman Naslund and Members of the Planning Commission:

We represent Quail Brush Genco, LLC ("Quail Brush") with respect to its request to initiate an amendment to the East Elliott Community Plan to change the land use designation of approximately 21.6-acres located south of the Sycamore Landfill and north of State Route 52. An aerial map showing the location of the property is behind **Tab 1**. The site is currently designated as open space in the East Elliott Community Plan. The property is privately owned and not dedicated open space.

If the requested plan amendment is initiated, Quail Brush intends to submit an application to the City of San Diego to develop a 100-megawatt, natural gas-fired electrical generation facility on the site. This facility would provide relief and flexibility to San Diego Gas & Electric ("SDG&E") and the California Independent Systems Operator ("California ISO") in meeting the substantial existing and future energy generation needs of the San Diego region. Facilities like the one Quail Brush will propose are increasingly important because of the uncertainty associated with the San Onofre Nuclear Generating Station ("SONGS").

Pursuant to state law, the California Energy Commission ("CEC") is the lead agency and permitting authority for the proposal. However, any future CEC approval will be contingent upon the City of San Diego's adoption of a land use plan amendment and rezone which will be actions proposed as part of a subsequent project submittal.

As you know, the Land Use and Community Planning Element of the City's General Plan outlines a unique two-step process for amending land use plans. The first step is for the Planning Commission to initiate the plan amendment, which must occur prior to Quail Brush submitting a project application. The initiation of a land use plan amendment is based on three criteria. It is important to note that initiating a land use plan amendment does not constitute

approval or denial of a particular project; it is merely permission for Quail Brush to begin the second step which is to the submit an application for the proposed project. For that reason, this letter addresses in detail the three criteria found in the General Plan, Land Use and Community Planning Element, LU-D.10, pages LU-27-28.

We urge you to initiate the amendment to the East Elliott Community Plan because it meets all three land use plan amendment criteria as described below:

LU-D.10(a): The amendment request is consistent with the goals and policies of the General Plan and community plan and any community specific amendment criteria.

The proposed amendment to change the land use designation of the vacant, privately owned property in East Elliott from open space to allow Quail Brush to submit an application to develop an electrical generation facility is consistent with many goals and policies of the City's General Plan.

First, the City's General Plan recognizes that energy is one of our region's most vital resources (Strategic Framework, p. SF-23). It also recognizes that San Diego's energy infrastructure systems serve the needs of the greater region while meeting the demands of the modern global marketplace. (Economic Prosperity Element, p. 26). Specifically, the Economic Prosperity Element of the General Plan states:

> A city's most important investment in support of economic prosperity is its investment in infrastructure, particularly infrastructure that help communities and base sector industries become more productive, leverages private investment, and help direct investment to areas with the greatest need or potential benefits. (Economic Prosperity Element, p. 26).

Likewise, the Public Facilities, Services and Safety Element of the City's General Plan recognizes that planning for adequate public utilities and the means to provide energy services are essential to ensuring that services and utilities keep pace with anticipated growth. (Public Facilities, Services and Safety Element, Public Utilities, p. PF-48). It also recognizes that as the City of San Diego becomes more urbanized, it is essential to fully integrate the design and space requirements for public utilities into all planning efforts especially given the scarcity of suitable facility sites and the sensitivity of conserved areas. (Public Facilities, Services and Safety Element, Public Utilities, p. PF-48).

The General Plan identifies the following specific goals and policies related to public utilities:

- Community Infrastructure and Investment goal to provide public and private infrastructure that supports economic prosperity. (Economic Prosperity Element, Community and Infrastructure Investment, p. EP-26).
- Invest in public infrastructure that supports and leverages private investment in communities. (Economic Prosperity, EP-G.3).
- Public utility services provided in the most cost-effective and environmentally sensitive way. (Public Facilities, Services and Safety Element, p. PF-47).
- Public utilities that sufficiently meet existing and future demand with facilities and maintenance practices that are sensible, efficient, and well-integrated into the natural and urban landscape. (Public Facilities, Services and Safety Element, p. PF-47).
- Ensure that public utilities are provided, maintained, and operated in a cost-effective manner that protects residents and enhances the environment. (Public Facilities, Services and Safety Element, PF-M.1).
- Cooperatively plan for and design new or expanded public utilities and associated facilities (e.g. ...planned energy generation facilities...) to maximize environmental and community benefits. (Public Facilities, p. P-48).
- Adequate public facilities available at the time of need. (Public Facilities, p. P-48).
- Design and locate public and private utility infrastructure...to be integrated into adjacent development and as inconspicuous as possible. (Urban Design Element, UD-A.16(b)).
- Regional facilities that promote and support smart growth and improve quality of life. (Public Facilities, Regional Facilities, p. PF-51).
- Coordinate the timing and development of new or expanded regional serving facilities to precede the development they will support. (Public Facilities, Regional Facilities, PF-N.4).
- An increase in local energy independence through conservation, efficient community design, reduced consumption, and efficient production and development of energy supplies that is diverse, efficient, environmentally sound, sustainable and reliable. (Conservation Element, p. CE-37).

- Use small, decentralized, aesthetically-designed and appropriately-sited energy efficient power generation facilities to the extent feasible. (Conservation Element, Sustainable Energy, CE-1.12).
- Reduction in greenhouse gas emissions affecting climate change. (Conservation Element, Air Quality, p. CE-31).

The proposed amendment is consistent with these goals and policies because it will allow consideration of a project designed to enhance one of the region's most vital resources - energy. Reliable energy generation is vital to the economic prosperity of the region. The purpose of the General Plan's Economic Prosperity Element is to increase wealth and standard of living for all San Diegans with policies that support a diverse, innovative, competitive, entrepreneurial, and sustainable local economy. In today's fast-paced, technological society, reliable energy sources are the foundation of a prosperous economy. CONNECT, a San Diego organization that supports innovation for our region's base sector industries, notes that San Diego's existing business and start-up ventures depend on reliable electricity to power and develop their operations. A copy of CONNECT's letter in support of Quail Brush is behind **Tab 2.**

In addition, BIOCOM, a life-sciences trade association which represents San Diego's biotechnology companies, supports Quail Brush because it recognizes the importance of a reliable energy supply system. A copy of BIOCOM's support letter is behind **Tab 3**. Furthermore, according to the East County Chamber of Commerce, even the smallest power outage can have negative financial consequences for local businesses. A copy of the Chamber's letter in support of Quail Brush is behind **Tab 4**. Quail Brush intends to provide relief and flexibility to SDG&E and the California ISO in meeting the region's energy needs, allowing the local economy to flourish.

One of the predominant themes throughout the goals and policies of the General Plan is the need to design and plan facilities to meet the projected future needs of the region. SANNDAG, the regional planning agency, projects that by 2030, the population in the San Diego region will increase by over 700,000 people and that by 2050, the region will add over 1.2 million new residents. This represents a population increase of approximately 40 percent. A variety of energy resources to serve this projected need is essential. Timely planning for the energy requirements of such an explosive population increase will be critical to ensure a thriving the local economy.

Energy generation infrastructure is an important component of contemporary society. Our communities are surrounded by energy infrastructure. A map showing existing and

proposed energy facilities is behind **Tab 5.** Although the trend is to increase the use of renewable technology, solar and wind power are dependent upon weather conditions. A facility like the one Quail Brush will propose is designed to be a quick start facility which will serve the peak demands. Such facilities could also make it possible to retire older, higher-polluting generation facilities. CleanTECH San Diego, a nonprofit association focused on accelerating the region's transition to a clean energy economy, supports the Quail Brush Project because it will help support further development of clean, renewable energy by generating power quickly and efficiently when wind and solar resources suddenly become unavailable. A copy of CleanTECH San Diego's letter in support of Quail Brush in behind **Tab 6.** Moreover, the uncertainties associated with SONGS makes peaker generation facilities even more crucial to meet demands.

Consistent with the General Plan, the proposal will provide public utility services in a cost effective manner. Specifically, the Quail Brush proposal will be a $150 million private capital investment that will result in benefits to the San Diego community through the development of new and the supplement of existing public energy infrastructure as well as increasing the local tax base. Additionally, Quail Brush plans to implement aesthetically-minded design features. The proposal will contribute to the region's energy independence through conservation, reduced consumption and efficient production and development of energy supplies.

The Quail Brush proposal is also consistent with the goals and policies of the East Elliot Community Plan. The East Elliott Community Plan area is bounded by Miramar Marine Corps Air Station to the north and west, State Route 52 and Mast Boulevard to the south, and the City of Santee to the east. East Elliott is a portion of the former Camp Elliott which was the site of a former Marine Corp training camp. In 1961, the land now known as East Elliott, Tierrasanta and a portion of Mission Trails Regional Park was declared surplus by the United States Government and sold. Most of this land was designated open space, reflecting its undeveloped condition, prior to approval of the developments which now make up the community of Tierrasanta and those portions of East Elliott which include the 474-acre Sycamore Landfill, approximately 117-acres designated for residential development and approximately 12-acres designated for commercial development. A significant component of the East Elliott Community Plan is its provision for the landfill which is an important public service. The East Elliott Community Plan also recognizes that residential and other forms of urban development are impractical and uneconomical because of the rugged topography and other factors. (East Elliot Community Plan, p. 1).

For these reasons, changing the land use designation of this 21.6-acre site is consistent with the goals and policies of the General Plan and East Elliot Community Plan because it will allow Quail Brush to submit an application to develop another critical public service facility for the San Diego region.

LU-D.10(b): The proposed amendment provides additional public benefit to the community as compared to the existing density/intensity range.

Initiating this amendment will facilitate community and environmental benefits. In addition to enhancing the overall reliability of energy in the community, the proposal could facilitate the development and production of renewable energy in the region by providing back-up generation when wind, solar, and other renewable sources are unavailable. As a natural gas-powered peaker facility, the necessity for increased energy production at older, higher polluting energy facilities could be significantly diminished. The ability to use clean burning natural gas also helps reduce greenhouse gas emissions, contributing to the state's overall greenhouse gas reduction goal.

Quail Brush will enhance the environment by implementing aggressive mitigation measures. Quail Brush proposes to acquire and dedicate 40 acres of priority parcels for open space in perpetuity. These parcels will provide richer habitat for sensitive wildlife and biology and will provide better public access points than the current site.

Specifically, the amendment offers the following public benefits:

- The proposal will help SDG&E meet the energy requirements of their customers.
- The proposal will help serve future peak power demand and transmission system reliability needs.
- The high efficiency and quick start capabilities will help utilities meet customer demand when intermittent renewable generating sources are not available.
- The proposal will contribute to and enhance existing energy infrastructure systems, allowing these systems to generate additional energy to meet to growing needs of the region.
- The proposal could help to reduce greenhouse gas emissions and could facilitate renewable power production in the region.
- The proposal could help offset peaking power produced by older, higher polluting facilities.

- The proposal will generate short-term and long-term employment opportunities (direct and ancillary) in the area.
- Quail Brush will enhance the environment and maximize environmental and community benefits by implementing aggressive mitigation measures and dedicating priority parcels for public open space in perpetuity.
- The proposal will increase the local tax base.

LU-D.10(c): Public facilities appear to be available to serve the proposed increase in density/intensity, or their provision will be addressed as a component of the amendment process.

The proposed location is ideal for Quail Brush because it is near existing natural gas lines which will be used to power the facility, transmission lines, and a substation. Another aerial map of the site which shows the location of the gas lines, transmission lines and substation is behind **Tab 7**. Furthermore, if the amendment is initiated, the provision of public facilities will be thoroughly analyzed as part of the review process.

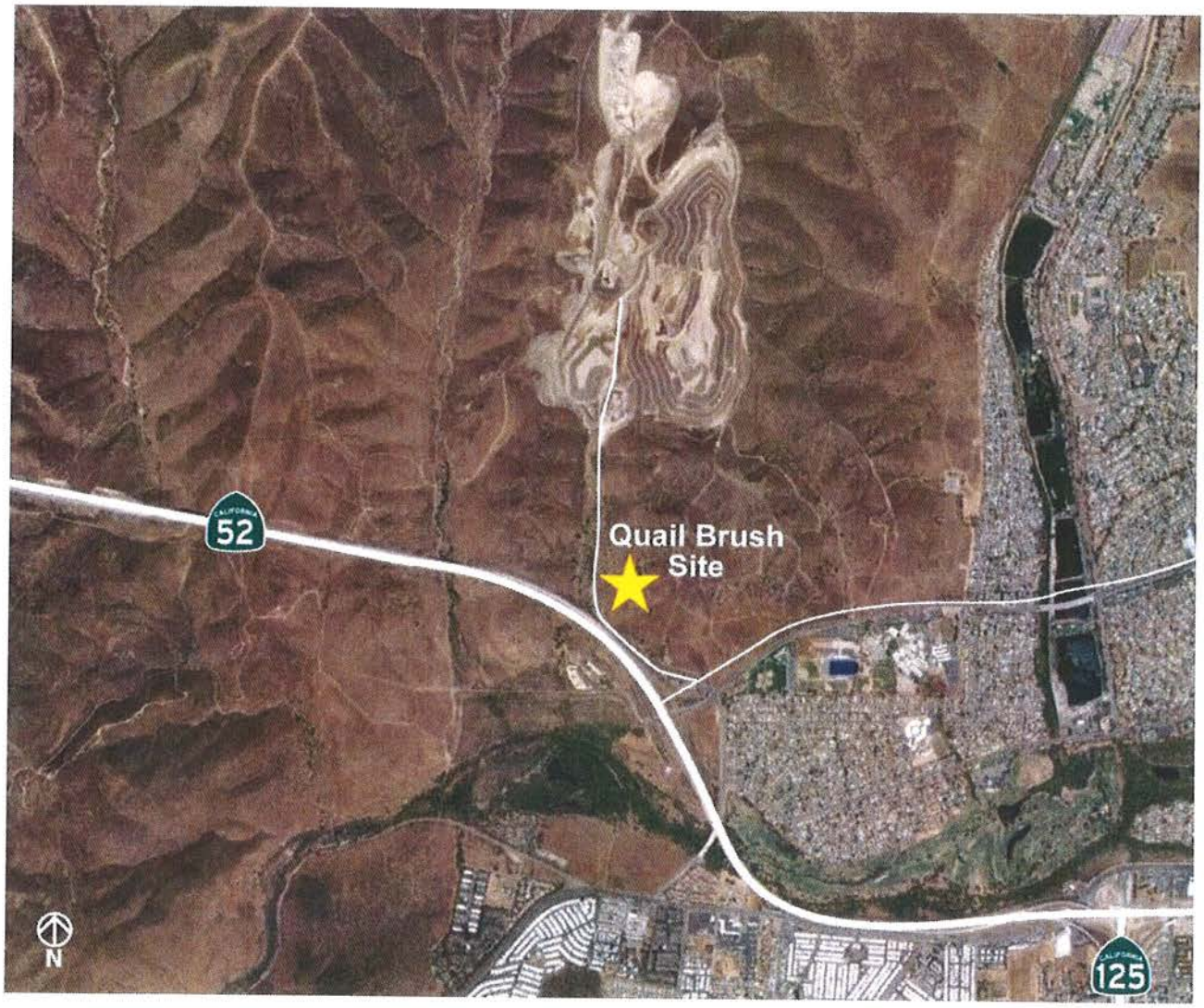
In conclusion, we urge you to follow City staff's recommendation and initiate the proposed amendment to the East Elliott Community Plan which will allow Quail Brush to proceed with a rigorous and robust analysis and public discussion of its energy generation facility.

Very truly yours,

Robin M. Madaffer

Attachments

Tab 1


Quail Brush
Site
52
125
N

Tab 2

Camille Sobrian
Saltman
President & COO
(858) 964-1321

May 31, 2012

Mr. Eric Solorio
Project Manager
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814

Subject: CONNECT Supports the Quail Brush Peaker Plant

Dear Mr. Solorio:

As President of CONNECT, I would like to take this opportunity to express my support for the Quail Brush peaker plant being proposed by Cogentrix for the City of San Diego. CONNECT is a regional organization that supports the creation of innovative technology and life sciences products in San Diego County by providing resources to inventors and entrepreneurs. We have assisted in the formation and development of more than 3,000 companies since 1985.

CONNECT has a strong track record of supporting infrastructure projects that enhance the overall reliability of SDG&E's electric grid. San Diego's existing businesses and start-up ventures depend on reliable electricity to power their operations and continue growing. As a result, our region's economic prosperity hinges on the approval of additional peaker plants such as Quail Brush. With older generation facilities being retired and SONGS currently shut down, this project is absolutely essential.

We also support Quail Brush because it will help us make the transition toward renewable energy. Natural gas-fired peaker plants are the cleanest, most effective way to provide local businesses and homes with electricity when wind and solar resources are not available. If we are serious about renewable energy, we need to get serious about back-up generation projects.

On behalf of CONNECT, I urge the Commission to give serious consideration to the Quail Brush project. San Diego County stands to realize tremendous benefits if this plant is approved. Thank you very much.

Sincerely,

CSSaltman

Camille Saltman
President

Tab 3

BIOCOM

DOCKET
11-AFC-3
DATE JUN 14 2012
RECD JUN 19 2012

June 14, 2012

Mr. Eric Solorio
Siting, Transmission and Environmental Protection Division
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814

Dear Mr. Solorio:

This letter is to inform you of BIOCOM's support of the Quail Brush Generation Project being proposed for eastern San Diego County. BIOCOM is a life science trade association representing more than 560 member companies including biotechnology, medical device, diagnostics and biofuel companies; universities and basic research institutions and service support firms. A priority for BIOCOM and its members is a reliable electrical supply system, and we believe the Quail Brush project will help boost electric reliability and in so doing, enable more renewable resources to come online.

With respect to reliability, the purpose of Quail Brush is to provide electricity to San Diego County's homes and businesses when demand is high. Without this type of peaker facility, we could experience power outages on hot summer days and at other peak times. While a great inconvenience to many businesses, the impact on life science companies can be much more dramatic. Research projects, some of which are months or years in the making and representing hundreds of thousands of dollars of work, can be ruined in a very short period of time if temperature and other factors are not kept within very narrow boundaries.

BIOCOM also supports the increased use of renewable energy. Quail Brush and plants like it will help stabilize the regional grid as more renewables come online. We strongly support renewable energy because it will provide numerous benefits that enhance quality of life for people who live and work in San Diego County.
Again, thank you for the opportunity to express BIOCOM's support for the Quail Brush peaker plant. We are hopeful that the California Energy Commission will ensure that San Diego County has access to reliable and renewable energy by approving this important project once the environmental studies are complete.

Thank you,

Joseph Panetta
President and CEO
BIOCOM

4510 EXECUTIVE DRIVE, PLAZA ONE, SAN DIEGO, CA 92121 TEL 858.455.0300 FAX 858.455.0022 WWW.BIOCOM.ORG

Tab 4

THE CHAMBER
San Diego · East County

201 S. Magnolia Ave.
El Cajon, CA 92020

May 31, 2012

Mr. Eric K. Solorio
Project Manager
Siting, Transmission and Environmental Protection (STEP) Division
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814

Subject: SUPPORT for the Quail Brush Generation Project

Dear Mr. Solorio:

The San Diego East County Chamber of Commerce serves as the respected voice of – and advocate for – public policy, education and business opportunities throughout eastern San Diego County. We represent the business community in three cities and several communities of the County. After careful consideration, our organization has voted to support Cogentrix Energy's proposed Quail Brush Generation Project.

The 850 businesses that make up the Chamber's membership depend on a steady supply of electricity to keep their lights and computers on. Many of our member businesses are in a relatively close proximity to the location of this project, and we accept the minimal impacts that the project might create. The positive elements and sustainability far outweigh any other considerations.

Even the shortest power outage can have negative financial consequences for local shops and restaurants. The Quail Brush Generation Project will address this and other issues of concern by generating additional power when it's needed most. This facility will provide significant benefits, including reliable energy, support for renewable power, new jobs and added tax revenues. The project will help support the development of renewable energy by providing back-up generation when wind and solar resources suddenly become unavailable.

Our region needs access to clean sources of power in order to meet the state's 33 percent renewable energy goal. Increasing the use of sustainable energy in San Diego County will also help improve air quality and reduce our dependence on fossil fuels.

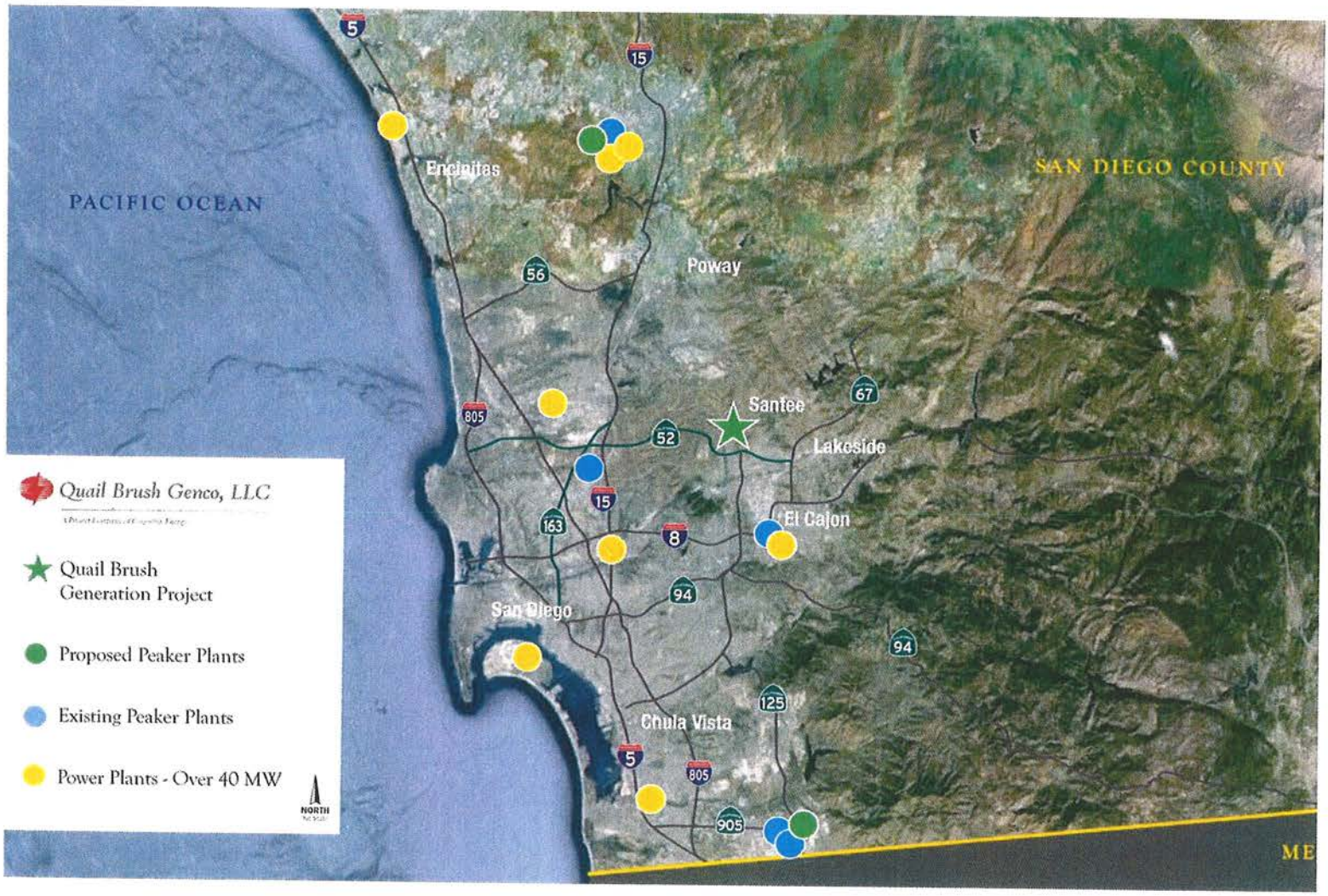
We appreciate that the Quail Brush Generation Project will create approximately 150 temporary construction jobs and 11 permanent positions, many of which will be filled through local hiring. We offer our strong support for the Quail Brush Generation Project. The Chamber looks forward to learning more about this important project as the environmental review process moves forward.

Sincerely,

Scott Alevy
President/CEO

Ph: 619.440.6161 • Fax: 619.440.6164

Tab 5


PACIFIC OCEAN
SAN DIEGO COUNTY
Encinitas
Poway
Santee
Lakeside
El Cajon
San Diego
Chula Vista
5
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163
8
94
125
905
Quail Brush Genco, LLC
Quail Brush Generation Project
Proposed Peaker Plants
Existing Peaker Plants
Power Plants - Over 40 MW
NORTH

Tab 6

9191 Towne Centre Drive
Suite 410
San Diego, CA 92122

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LEADERSHIP TEAM

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Latham & Watkins

LISA BICKER
Special Advisor

HOLLY SMITHSON
Executive Vice President

JASON ANDERSON
Vice President

MARTY TUROCK
Greening San Diego

June 20, 2012

Mr. Eric K. Solorio, Project Manager
Siting, Transmission and Environmental Protection (STEP) Division
California Energy Commission
1516 Ninth Street, MS-2000
Sacramento, CA 95814

RE: Letter of Support for Quail Brush Generation Project

Dear Mr. Solorio:

On behalf of CleanTECH San Diego, I am pleased to express my support for the Quail Brush Generation Project (Quail Brush). This project is important to the San Diego region and will provide significant public benefits, including tax revenues, approximately 150 construction jobs and 11 full-time operation jobs. About 90 percent of hiring is expected to be local.

CleanTECH San Diego is a nonprofit association focused on accelerating the greater San Diego region's transition to a clean energy economy. We have a broad and diverse membership that includes private sector companies, local governments, nongovernmental agencies and universities and research institutions.

Our mission is to stimulate innovation and advance the adoption of clean technologies and sustainable industry practices for the economic, environmental and social benefit of the greater San Diego region. Renewable energy is an important part of achieving this goal, as is ensuring a reliable power supply for residents and local businesses, especially at a time when we're facing the retirement of older power plants and the current shut down of the San Onofre Nuclear Generating Station. Quail Brush will also help support the further development of clean, renewable energy by generating power quickly and efficiently when wind and solar resources suddenly become unavailable.

We need our leaders to make the right choices for a cleaner future. At the appropriate time, I urge the California Energy Commission to support the Quail Brush Generation Project.

Sincerely,

Jason Anderson

Tab 7

Existing Gas Lines
Existing 230 kV Line
Existing 138 kV Line
Carlton Hills Substation
Quail Brush Site
52
125
N

Exhibit B

SCHWARTZ HEIDEL SULLIVAN, LLP

WWW.SANLAWYERS.COM

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LAUREL LEE HYDE
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EIN: 33-0718779

July 10, 2012

Chairman Eric Naslund and Members of the Planning Commission
City of San Diego
202 C Street, Fifth Floor
San Diego, CA 92101

Re: Public Hearing – July 19, 2012 (trailed from June 28, 2012)
Request to Initiate Community Plan Amendment
Quail Brush Generation Project Proposal

Dear Chairman Naslund and Members of the Planning Commission:

As you know, we represent Quail Brush Genco, LLC ("Quail Brush") with respect to its request to initiate an amendment of the East Elliott Community Plan to change the land use designation of approximately 21-acres located south of the Sycamore Landfill and north of State Route 52. The requested plan amendment would change the current East Elliot Community Plan's Open Space designation to a land use designation that would allow Quail Brush to develop and operate a 100 MW gas-fired intermediate peaker plant on the property. The California Energy Commission, who has permitting authority over energy facilities like the proposed power plant, has commenced its review process.

This initiation request was originally scheduled to be heard by the Planning Commission on March 15, 2012. However, it was continued to April 26, 2012 by request of Councilmember Marti Emerald. On April 26, 2012, the item was continued again. On June 28, 2012, with five of the seven Planning Commissioners present and after hearing extensive public testimony, there was disagreement among the five Commissioners present and there were not four affirmative votes to take a particular action. As such, the item was trailed to July 19, 2012 to allow for consideration by all seven Planning Commissioners and to give Commissioners Lydon and Griswold, who were absent on June 28, 2012, an opportunity to review the previous hearing testimony so they are able to participate in a new vote on July 19, 2012.

The purpose of this letter is to supplement our previous letter dated June 20, 2012 and to clarify specific issues related to the criteria for initiating a plan amendment which were raised at the June 28, 2012 hearing.

As you are aware, the process for amending plans in the City of San Diego ("City") is found in the City's General Plan (2008), Land Use and Community Planning Element, and more specifically described in the City's General and Community Plan Amendment Manual: a companion item to the General Plan ("Manual"). As described in the General Plan and Manual, the City has a unique two-step process for amending plans. The first is a preliminary step known as "initiation." An initiation is "a limited decision and is neither an approval nor denial of the plan amendment and accompanying development proposal." (*See* Manual, page 1). In fact, the Manual specifically states that "[t]he decision maker should not discuss or consider the details of an accompanying development proposal." (*Id*). Rather, "[t]he focus should be upon the more fundamental question of whether the proposed change to the General Plan and the community plan is worthy of further analysis based upon compliance with the Initiation Criteria." (*Id.*, page 2).

During the June 28, 2012 hearing, there was some discussion among Commissioners about whether the criteria constituted findings. However, the initiation criteria are "not findings"; rather they are intended to "guide a policy discussion" in order to "evaluate the appropriateness of proceeding with [further analysis of] a plan amendment." (*Id*).

As explained in our June 20, 2012 letter, Quail Brush's amendment request complies with all three Initiation Criteria for privately-proposed land use changes set forth in Policy LU-D.10 of the City's General Plan. Below is a further discussion of how the proposed amendment satisfies each of the Initiation Criteria and an explanation of why the City should participate in the California Energy Commission's review process.

LU-D.10(a): "[T]he amendment request appears to be consistent with the goals and policies of the General Plan and community plan and any community plan specific amendment criteria."

As discussed in more detail below, Quail Brush's amendment request to change the land use designation to allow for the development and operation of a 100 MW intermediate peaker plant on the property is consistent with the goals and policies of the City's General Plan and the East Elliott Community Plan. The East Elliott Community Plan does not have "any community plan specific amendment criteria" and thus there is no inconsistency.

General Plan Consistency

The City's General Plan consists of the following nine elements: Land Use & Community Planning Element; Mobility Element; Urban Design Element; Economic Prosperity Element; Public Facilities, Services & Safety Element; Recreation Element; Conservation Element; Noise Element; and Historic Preservation Element. Of these nine elements, five have stated purposes that are applicable to Quail Brush's amendment request. The amendment request is consistent with each of the applicable statements of purpose:

- Economic Prosperity Element: "To increase wealth and the standard of living of all San Diegans with policies that support a diverse, innovative, competitive, entrepreneurial, and sustainable local economy." (General Plan, Strategic Framework, p. SF-13).

- Public Facilities, Services, and Safety Element: "To provide the public facilities and services needed to serve the existing population and new growth." (*Id.*, p. SF-16).
- Urban Design Element: "To guide physical development toward a desired image that is consistent with the social, economic and aesthetic values of the City." (*Id.*, p. SF-12).
- Conservation Element: "To become an international model of sustainable development and conservation. To provide for the long-term conservation and sustainable management of the rich natural resources that help define the City's identity, contribute to its economy, and improve its quality of life." (*Id.*, p. SF-23).
- Noise Element: "To protect people living and working in the City of San Diego from excessive noise." (*Id.*, p. SF-26).

The amendment request, if granted after detailed review and consideration, would allow for the development and operation of the proposed power plant, which would support a sustainable economy and make services available to the community by providing reliable power in San Diego. The proposed power plant would help provide for the long-term conservation and sustainable management of energy, one of the City's resources. (*See* Strategic Framework, p. SF-23). Not only would the proposed power plant provide reliable energy generation that is vital to the economic prosperity of the region and to the quality of life of its residents; it would be designed to minimize its impacts on the surrounding areas. Acoustic design features coupled with mitigation measures would limit the amount of noise emanating from the proposed power plant. Plant location, shortened stacks, aesthetic design features and landscaping would limit the populated and recreational areas that would have a prominent view of the proposed power plant. Preservation of open space through mitigation lands as well as siting the proposed power plant near infrastructure, other industrial uses and a freeway would minimize the biological impact of the proposed power plant. Viewed in its entirety, the approval of the amendment request, after detailed review, could promote the economic prosperity and service goals of the General Plan without jeopardizing the City's other natural resources. Overall, the amendment request is consistent with the General Plan and is therefore worthy of detailed consideration.

The amendment request is also consistent with specific goals and policies included in the applicable elements listed above. While many of these goals and policies were listed in our June 20, 2012 letter, we would like to take this opportunity to provide a more detailed explanation as to how the amendment request and the proposed power plant satisfies these goals and policies.

Economic Prosperity Element

The amendment request is consistent with the Business Development goals of the Economic Prosperity Element, including the goal for the "city to retain, attract, and maintain the type of businesses likely to contribute positively to the local economy. These industries contribute to a diverse economic base, maintain environmental quality, and provide high quality employment opportunities." (Economic Prosperity Element, p. EP-24). The proposed project, if approved, would help ensure communities receive reliable power, making them more attractive to business and foster economic growth in the region.

Similarly, the amendment request is consistent with the Industrial Land Use goals of the Economic Prosperity Element, including the goal to have "[a] city with sufficient land capacity for base sector industries to sustain a strong economic base" and the goal to have "[a] diversified economy with a focus on providing quality employment opportunities...." (*See id.*, p. EP-5). Without reliable power, the City cannot sustain a strong economic base. The City has seen a "diminishing supply of industrial land" and notes the "potential challenge to the growth and retention of base sector industries" that results. (*See id.*). Participating in the planning process for a proposed power plant that would be sited on available land within the City – close to transportation and other infrastructure – and would help supply power to the City's homes and businesses, would support the existing industries in the region and provide for employment opportunities within the City.

The amendment request is also consistent with the policies supporting these goals. For example, one Base Sector Industrial Uses policy calls for the City to "consider the redesignation of non-industrial properties to industrial use where land use conflicts can be minimized [and] [e]valuate the extent to which the proposed designation and subsequent industrial development would: [1] [a]ccommodate the expansion of existing industrial uses to facilitate their retention in the area in which they are located; [2] [n]ot intrude into existing residential neighborhoods or disrupt existing commercial activities and other uses; [3] [m]itigate any environmental impacts (traffic, noise, lighting, air pollution, and odor) to adjacent land; [and] [4] [b]e adequately served by existing and planned infrastructure." (*Id.*, p. EP-10). Changing the designation of the property as requested by Quail Brush is not only consistent with the General Plan, but specifically should be considered by the City. The environmental review process of the City and the California Energy Commission would provide ample opportunity for the amendment request and the proposed power plant to be evaluated as contemplated by this policy.

The type of development contemplated by the amendment request is consistent with the industrial expansion and investment in infrastructure promoted in the General Plan. As quoted in our June 20, 2012 letter,

> A city's most important investment in support of economic prosperity is its investment in infrastructure, particularly infrastructure that helps communities and base sector industries become more productive, leverages private investment, and help direct investment to areas with the greatest need or potential benefits. (*Id.*, p. EP-26).

If ultimately approved, the amendment request would support investment "in public infrastructure that supports and leverages private investment in communities," which is a Community and Infrastructure Investment policy. (*Id.*, EP-G.3). If the proposed power plant is approved, Quail Brush will invest approximately $150 million of private funds to ensure adequate energy supplies for all economic drivers in the City and region. Business organizations such as CONNECT, BIOCOM, CleanTECH, San Diego County Taxpayers Association and the East County Chamber of Commerce have written letters in support of initiating the plan amendment because these organizations recognize the importance of energy reliability for economic prosperity. For example, CONNECT explained that because "San Diego's existing

businesses and start-up ventures depend on reliable electricity to power their operations and continue growing[,] . . . our region's economic prosperity hinges on the approval of additional peaker plants such as Quail Brush." (CONNECT May 31, 2012 letter to California Energy Commission). The East County Chamber of Commerce similarly commented that "[t]he 850 businesses that make up the Chamber's membership depend on a steady supply of electricity to keep their lights and computers on" and "[t]he Quail Brush Generation Project will address this . . . by generating additional power when it's needed most." (East County Chamber of Commerce May 31, 2012 letter to California Energy Commission).

The Commission should find the amendment request consistent with this Economic Prosperity Element of the General Plan. The City should participate in the California Energy Commission's review process of the proposed power plant to ensure that the economic benefits to the City are considered in the review process.

Public Facilities, Services and Safety Element

The Public Facilities, Services and Safety Element of the General Plan includes two goals related to public utilities: (1) "Public utility services [should be] provided in the most cost-effective and environmentally sensitive way" and (2) "Public utilities [should] sufficiently meet existing and future demand with facilities and maintenance practices that are sensible, efficient, and well-integrated into the natural and urban landscape." (Public Facilities, Services and Safety Element, p. PF-47). The amendment request is consistent with these goals.

Quail Brush could help meet future demand with a facility designed to minimize environmental impact as well as physically blend into the natural landscape. As stated in the letter from San Diego Gas & Electric (SDG&E) attached as **Exhibit A**, Quail Brush's proposed power plant is a critical part of SDG&E's plan of meeting regional electricity demand and needs. The proposed power plant would be able to meet these needs while maintaining a small footprint. Total permanent disturbed area of the proposed power plant would be approximately 11 acres and the power block would encompass less than five acres. A similarly sized solar facility could take up to 1,000 acres. The project was selected by SDG&E in a competitive Request For Offers process and as such was determined to be a cost-effective option for meeting the energy needs the of local area. In addition, by redesigning its transmission route initially identified the proposed power plant will save SDG&E's ratepayers millions of dollars.

The Quail Brush facility is being designed to minimize its impacts. As mentioned above, plant location, shortened stacks, aesthetic design features and landscaping would minimize the visual impacts of the proposed power plant. Additionally, Quail Brush intends to donate approximately 40 acres of land, which have been identified as priority parcels for inclusion in Mission Trails Regional Park, for open space in perpetuity, thus enhancing the environment. The anticipated design refinements and the environmental review process contemplated for this proposed power plant is consistent with the City's understanding that "as the City becomes fully urbanized, it is essential to fully integrate the design and space requirements for public utilities into all planning efforts," especially given the scarcity of suitable facility sites and the sensitivity of conserved areas. (*Id.*, p. PF-48).

The General Plan recognizes that "...planning for adequate public utilities and the means to transmit, convey, or provide the service is essential to ensuring that services and utilities keep pace with anticipated growth." (*Id.*, p. PF-48). To ensure that adequate public facilities are available at the time of need, the City must "cooperatively plan for and design public utilities and associated facilities" as set forth in the Public Facilities policies. (*See id.*, p. PF-46). Thoughtful planning maximizes environmental and community benefits. By cooperating with the California Energy Commission and SDG&E, the City would be able to ensure that the proposed power plant is sited in an environmentally sensitive manner that provides economic benefits to the local community. The rigorous permitting and approval process the project must undergo at the California Energy Commission will ensure that the proposed power plant will be designed, constructed and operated in a safe manner and will satisfy all of the environmental conditions imposed on the project.

The amendment request is also consistent with the Regional Facilities goal to plan for "[r]egional facilities that promote and support smart growth and improve quality of life." (*Id.*, p. PF-51). The proposed power plant would promote and support growth and improved quality of life by supplying energy that is needed in this local area, as well as allowing the additional renewable energy by providing SDG&E with the intermediate peaking power needed. Renewable projects such as wind and solar are inherently intermittent by nature and require rapid response dispatchable resources like Quail Brush to "fill the power gaps" when the sun stops shining or the wind stops blowing. Providing this power would reduce the chance of brownouts and blackouts, which in turn would bring growth and prosperity to the community as new businesses, especially biotech industries, decide to locate in the area with reliable power. As the organization BIOCOM has recognized, "[w]ithout this type of peaker facility, we could experience power outages on hot summer days and at other peak times" causing "dramatic" impact on life science companies in which "[r]esearch projects, some of which are months or years in the making and representing hundreds of thousands of dollars of work, can be ruined in a very short period of time if temperature and other factors are not kept within very narrow boundaries." (BIOCOM June 14, 2012 letter to California Energy Commission).

To satisfy the Regional Facilities goal, the General Plan provides a number of implementation policies that the amendment request and the proposed power plant promote. For example, the City should "[a]ssume an active leadership role in planning and implementing regional facility and infrastructure investments through collaborative efforts." (*Id.*, p. PF-51). By initiating review of the amendment request, the City would be taking an active leadership role in the planning for and consideration of the proposed power plant. Through collaboration with the California Energy Commission and other agencies, the City would be able to ensure that the development and operation of the proposed power plant serves the local and regional interests.

The City should also "[c]oordinate the timing and development of new or expanded regional serving facilities to precede the development they will support." (*Id.*). SDG&E and California Independent System Operators ("CAISO") have both provided testimony of the current need for additional power and specifically this project. Additionally, new housing developments including Castle Rock, Fanita Ranch and the expansion of housing at Miramar

would benefit from the energy generated by the Quail Brush project and in fact are dependent on facilities like Quail Brush to provide economic, reliable power. It is imperative that the City be actively involved in the planning process to ensure that the future needs of the City are met. SANDAG projects that by 2030, the population in the San Diego region will increase by over 700,000 people and that by 2050, the region will add over 1.2 million new residents. This represents a population increase of approximately 40 percent. A variety of energy resources to serve this projected growth is essential. Natural gas power plants are a major goal of the SANDAG Regional Energy Strategy 2009 - Goal 2 of the SANDAG Regional Energy Strategy 2030 is to increase in-county energy generation. Thus, timely planning for the energy needs is critical to ensure a thriving local economy.

The Planning Commission should find the amendment request consistent with this Public Facilities, Services and Safety Element of the General Plan. The City's participation in the California Energy Commission's review process of the proposed power plant will ensure that the goals and policies discussed in this section are considered in the California Energy Commission's review process.

Urban Design Element

The Urban Design Element includes the following policy for planning for and designing of utilities: "Minimize the visual and functional impact of utility systems and equipment on streets, sidewalks, and the public realm." (Urban Design Element, p. UD-15). To satisfy this policy, the General Plan provides the following direction: "Design and locate public and private utility infrastructure ... to be integrated into adjacent development and as inconspicuous as possible." (*Id.*). The proposed power plant's site is privately-owned land which is not dedicated open space under the General Plan. It is close to existing natural gas lines, existing transmission lines, an existing energy substation, and an existing 470+ acre landfill which is proposing its own expansion. Preliminary simulations and studies confirm that the proposed power plant would be inconspicuous in most aspects. The City's initiation of the amendment request and participation in the permitting process will give the City ample opportunities to ensure that the proposed power plant, if approved, satisfies this policy.

Conservation Element

The General Plan has one goal related to Sustainable Energy in its Conservation Element: "An increase in local energy independence through conservation, efficient community design, reduced consumption, and efficient production and development of energy supplies that are diverse, efficient, environmentally sound, sustainable and reliable." (Conservation Element, p. CE-37). The proposed power plant would be a highly efficient, intermediate peaking facility designed to provide rapid capacity response that would help SDG&E bring on new renewable resources by providing grid stability when renewable resources are not available as well as help support local energy independence by providing a source of power generation in the local area. The power equipment proposed for Quail Brush is based on proven technology with a long history of high reliability. As a peaking project, this technology also provides unsurpassed efficiencies across a wide range of ambient temperatures and plant

output. In addition, this technology produces low air emissions and is designed to minimize and conserve water use during plant operations.

By initiating review of the amendment request, the City would commence a process that would satisfy many of the policies supporting the Sustainable Energy goal, including coordination of the "City energy planning programs with federal, state and regional agencies [to] [m]aximize energy efficiency, use of clean renewable resources and demand response"; collaboration "with others to develop incentives to increase the use of renewable energy sources or reduce use of non-renewable energy sources"; and "[u]se [of] small, decentralized, aesthetically-designed and appropriately-sited energy efficient power generation facilities to the extent feasible." (*Id.*, p. CE-38). According to SDG&E's 2006 Long Term Procurement Plan which was approved by the California Public Utilities Commission, quick-start energy facilities like the one proposed by Quail Brush are necessary to support intermittent renewable resources and provide reliable capacity at peak load times. Such facilities are critical to meeting SDG&E's long-term resource adequacy requirements. The City's collaboration with the California Energy Commission would ensure that the proposed power plant, if approved, would be "efficient, environmentally sound, sustainable and reliable." (*See id.*, p. CE-37).

In satisfying the Sustainable Energy goal, the requested amendment and the proposed power plant would also be consistent with other goals in the Conservation Element including the goal to "reduce the City's overall carbon dioxide footprint by improving energy efficiency..." (*id.*, p. CE-7); the goal to "be prepared for, and able to adapt to adverse climate change impacts" (*id.*); the goal to have "[r]egional air quality which meet state and federal standards" (*id.*, p. CE-31); and the goal to reduce "greenhouse gas emissions effecting climate change" (*id.*). In addition to allowing for the development of more utility scale renewable energy facilities, as described in the attached letter from SDG&E, the proposed power plant would also help allow less efficient older power plants to operate less and ultimately retire.

Lastly, the mitigation proposed by Quail Brush and discussed above makes the amendment request consistent with the City's goal of "[p]reservation and long-term management of the natural landforms and open spaces that help make San Diego unique." (*Id.*, p. CE-12). The City's initiation of review of the amendment request would ensure that the City has a place at the table during the discussion of the mitigation package as well as other conditions of approval that will be considered by the California Energy Commission.

Noise Element

The Noise and Land Use Compatibility goal is to "[c]onsider existing and future noise levels when making land use planning decisions to minimize people's exposure to excessive noise." (Noise Element, p. NE-6). For industrial activity, the goal is to have "[m]inimal exposure of residential and other noise-sensitive land uses to excessive industrial-related noise" (*id.*, p. NE-16) and for construction, the goal is to have "[m]inimal exposure of residential and other noise-sensitive land uses to excessive construction...noise" (*id.*, p. NE-17). The General Plan provides the following goal for mitigation: "Attenuate the effect of noise on future residential and other noise-sensitive land uses by applying feasible noise mitigation measures." (*Id.*, p. NE-18). The California Energy Commission has already begun reviewing the anticipated noise

impact from the proposed power plant and has collected additional data from Quail Brush. Quail Brush's experts have concluded that the noise impact will be minimal and thus the amendment request would be consistent with the Noise Element goals. To ensure that the City's Noise Element policies, such as "[p]rovide for sufficient spatial separation between industrial uses and residential and other noise-sensitive uses"; "[e]ncourage the design and construction of industrial development to minimize excessive off-site noise impacts to residential and other noise-sensitive uses"; and "[e]ncourage industrial uses to utilize operation measures that minimize excessive noise where it affects abutting residential and other noise-sensitive uses," (*id.*, p. NE-16) are considered during the permitting process, the City should initiate review of the amendment request and actively participate in the California Energy Commission's process.

Community Plan Consistency

The site of the proposed power plant and the amendment request is located within East Elliott. The East Elliott Community Plan, which was adopted in 1971, contemplates that "[r]esidential and other forms of urban development are impractical and uneconomical in most of East Elliott because of the rugged topography, environmental constraints, lack of utility and road connections and other services, a multiplicity of small ownerships and proximity to the Sycamore Canyon Landfill." (Community Plan, p. 1). The Community Plan goes on to explain that "urban development is infeasible in much of East Elliott" because of "the natural resources on site and the factors described above." (*Id.*). However, these factors do not apply to the proposed power plant. Many of these factors, in fact, make the proposed site especially suitable for proposed power plant. The rugged topography helps shield the profile of the proposed power plant. While many utility, services and road connections that are necessary for urban development do not exist, the infrastructure most important to the development and operation of a power plant are located near the proposed site. The siting of a power plant near an existing landfill makes sense as well.

Additionally, Quail Brush's anticipated mitigation package would make the proposed power plant consistent with the Open Space Management Guidelines of the Community Plan, which "are designed to foster preservation and enhancement of the natural open space areas" of East Elliott. (*Id.*, p. 2). Specifically, the guidelines contemplate preservation of open space "by other large property owners as mitigation lands for environmental impacts anticipated on other properties." (*Id.*, p. 3).

Due to the proposed property's location adjacent to major streets and near the freeway, the change in designation from Open Space to a land use designation that would allow for the development and operation of the proposed power plant is not inconsistent with the Community Plan. The location of the proposed power plant on this parcel would "minimize habitat fragmentation" as the existing infrastructure around the site already inhibits a wildlife movement corridor through the property. (*See id.*, p. 3). Additionally, the biological surveys that have been conducted to date have not identified any species of concern that would be impacted by the proposed power plant. This determination is consistent with the guidelines that encourage any development or use of land to occur in areas that "do not contain sensitive habitat and wildlife." (*Id.*, p. 2)

Thus, the amendment request that is required for the development and operation of the proposed power plant in East Elliott appears to be consistent with the Community Plan and is therefore worthy of detailed consideration. The City should initiate the review of the amendment request and participate in the California Energy Commission's process to ensure that the proposed power plant, if approved, remains consistent with the General Plan and the Community Plan.

LU-D.10(b): "[T]he proposed amendment provides additional public benefit to the community as compared to the existing land use designation, density/intensity range, plan policy or site design."

The proposed amendment offers numerous public benefits to the community which are not currently provided. If ultimately approved, Quail Brush's proposed power plant will: provide energy to San Diego and create a more reliable electricity grid; contribute to the integration of renewable energy resources; reduce system-wide emissions of air pollutants and greenhouse gases (GHGs); ensure habitat preservation for sensitive species; provide at no cost to the City priority land for inclusion in Mission Trails Regional Park, for open space in perpetuity; and contribute to community economics by providing much-needed employment opportunities.

Electricity Grid Benefits

As explained in the attached letter from SDG&E, the proposed power plant would make significant contributions to the reliability of the electric grid in the San Diego area and the State as a whole. As the population continues to grow, more power generation facilities are necessary to meet increased demand. Renewable facilities such as wind and solar photovoltaic cannot by themselves meet the growing demand, because customers need power even when the sun is not shining or the wind is not blowing enough to support the whole electric system.

As a natural gas-powered intermediate peaking facility, the output of the proposed power plant would be able to be quickly ramped up or down to balance the changing demand on the grid. Thus, the proposed project could be run at or near its full capacity only when it is needed most (such as on hot summer evenings), and it could be run in partial operation mode when SDG&E requires only a portion of the plant's maximum output to meet demand (such as late night or early morning hours). This flexible load-following quality of the power plant can help SDG&E meet its peak demand on short notice, thereby helping ensure that the lights stay on in San Diego.

Renewable Energy Integration Benefits

The City's initiation of review of the amendment request could help promote renewable energy in California and support SDG&E's efforts to meet the State's 33% Renewables Portfolio Standard. Although it may seem counter-intuitive, when more renewable resources are added to the electricity grid, more natural gas-fired plants are needed, not less. This is true because the sun and wind cannot produce power around-the-clock, and also because the power output

of wind and solar facilities tends to fluctuate up and down. In order for the grid to function properly, the amount of electricity added to the grid must match the amount of electricity being used at all times. When wind or solar facilities suddenly increase or decrease in output, utilities such as SDG&E need to be able to call on flexible, quick-start power plants like the proposed project to balance the vacillating supply. Accordingly, the proposed project will help SDG&E and the CAISO meet customer demand when intermittent renewable generating sources are not available in sufficient quantities. By adding the proposed project to the grid, therefore, SDG&E will be able to integrate more renewable resources than are currently connected to the system.

Environmental Benefits

The proposed project is highly efficient and very flexible. As discussed in the attached letter, SDG&E must follow a policy-prescribed "loading order" when it chooses which plants to dispatch to meet its customers' electricity demand. After energy efficiency, demand response, and renewable energy resources, SDG&E must dispatch its clean and efficient fossil fuel resources before its higher-polluting fossil fuel plants. If the proposed project is added to the grid, the power it provides will displace power that would otherwise come from older, less efficient, and higher-polluting plants. The San Diego region would therefore enjoy the environmental benefit of less overall air pollution from the electric power sector.

By initiating the amendment, the City could also contribute to the State's aggressive GHG reduction goals. The proposed project would replace power from older, less-efficient plants, and would emit fewer GHGs for the same amount of power supplied to the grid. This would result in a system-wide reduction of GHG emissions, and benefit the community by mitigating the causes of global climate change.

Initiation of the amendment could also enhance the environment by supporting the mitigation measures associated with the proposed project's approval. As discussed above, Quail Brush proposes to acquire and dedicate approximately 40 acres of priority land for open space in perpetuity. The acreage purchased not only would immediately expand Mission Trails Regional Park's footprint, but also would geographically align with existing Park parcels so as to avoid non-contiguous pockets of Park land. This dedicated land would provide dramatic environmental benefits, by ensuring that sensitive plants and animals in San Diego can forever enjoy a rich, protected habitat.

Economic and Employment Benefits

Initiation of the amendment would provide economic benefits to the community. In addition to the economic benefits discussed above, the proposed power plant would generate short-term and long-term employment opportunities in the area with approximately 150 construction jobs over an 18 month period and 11 full-time permanent jobs. Quail Brush expects to hire approximately 90% of the work force locally, which would reduce unemployment burdens in San Diego.

LU-D.10(c): "[P]ublic facilities appear to be available to serve the proposed increase in density/intensity, or their provision will be addressed as a component of the amendment process."

As explained in our June 20, 2012 letter, the proposed location is quite suitable for Quail Brush's proposed power plant. The project site was chosen in part for its proximity to existing natural gas to supply to the facility with fuel, an existing substation into which the power plant can interconnect, and existing electric transmission lines which will deliver the plant's output power. Accordingly, the project can be constructed and operated without a dramatic impact on public facilities in the local area. Moreover, Quail Brush is prepared to assist the City and other public agencies in addressing the proposed project's impact on public facilities during the comprehensive review process.

As outlined above, the City's Initiation Criteria are intended to guide the policy discussion about the appropriateness of proceeding with further analysis of a plan amendment. Consideration of the merits of the proposed project is not a part of the initiation process. Instead, because the amendment request satisfies each of the Initiation Criteria, the Commission need only determine that the request is "worthy of further analysis." (*See* Manual, page 2). We therefore believe it is very important for you to initiate the process to evaluate the amendment request on its merits. Without doing so, the City will deprive itself of the ability to fully participate in the California Energy Commission's comprehensive review of the proposed power plant. The Energy Commission will not interpret the City's initiation of the amendment process as a decision on or an endorsement of the proposed project itself; instead, the City will have ample opportunity to evaluate and weigh in on the merits of the proposed power plant through its own and the Energy Commission's approval processes.

Very truly yours,

Robin M. Madaffer

Attachment

Exhibit A: Letter from SDG&E

cc: Mary Wright, Development Services Department, Planning Division
Dan Monroe, Development Services Department, Planning Division
Cecelia Gallardo, Development Services Department
Nina Fain, Deputy City Attorney

Exhibit A

SDGE
A Sempra Energy utility

James P. Avery
Senior Vice President
Power Supply

8330 Century Park Court
San Diego, CA 92123-1530

Tel: 858.650.6102
Fax: 858.650.6106

July 10, 2012

Mr. Eric Naslund
Chairperson
City of San Diego Planning Commission
1222 First Avenue, 4th Floor
San Diego, CA 92101

RE: Quail Brush Peaker Plant Community Plan Amendment Initiation

Dear Chairman Naslund and Members of the Planning Commission:

It is our understanding that, at your June 28 meeting, the City of San Diego Planning Commission had several questions about how the proposed Quail Brush Generation Project (Quail Brush) fits into SDG&E's system, how the project helps retire older, less efficient power plants, and how SDG&E is working to fulfill the Energy Action Plan (EAP) Loading Order established by the California Public Utilities Commission (CPUC) and California Energy Commission (CEC). The purpose of this letter is to clarify these issues and to encourage you to initiate the Quail Brush Community Plan Amendment so that the City will remain actively involved in the CEC's environmental review and approval process for Quail Brush.

How Quail Brush Fits Into SDG&E's Long-Term Plans

In 2009, SDG&E issued a Request for Offers (RFO) to the market, requesting proposals for new generation facilities in the San Diego region. The purpose was to meet a projected demand for new electric capacity by 2014. SDG&E's 2006 Long Term Procurement Plan (LTPP), which was approved by the CPUC, also identifies a need for quick-start units that can be used to support intermittent renewable resources and to provide reliable capacity at times of peak load. This is especially important as we bring more wind and solar facilities online to meet California's 33 percent Renewables Portfolio Standard (RPS). Quail Brush will help offset intermittency issues on the transmission grid resulting from an increase in renewable energy projects on our system. Quail Brush was awarded a contract during the RFO process as a result of its being one of the low cost offers within SDG&E's service territory and its ability to provide flexible resources capable of starting and shutting down quickly as needed.

On May 19, 2011, SDG&E filed an application with the CPUC for authority to enter into Purchase Power Tolling Agreements (PPTA) with three natural gas-fired peaker plants – the 305 megawatt (MW) Pio Pico Energy Center in the County of San Diego adjacent to the existing Otay Mesa Generating Project, the 45 MW Escondido Energy Center and the 100 MW Quail

Brush facility in the East Elliott area of the City of San Diego. These facilities are critical to meeting SDG&E's long-term resource adequacy requirements and ensuring a reliable and accessible supply of power in San Diego beginning by 2014.

SDG&E sees a need for plants that can be used to fill in the difference between the demand for power from our customers and the supply for power from other resources. As an example, power from solar facilities starts dropping off at about 1:00 p.m., but the demand from our customers continues to grow until about 4:00 p.m. Also, loads peak again at about 8:00 in the evening.

Additionally, we would like to clarify that, historically, peaker plants used to run roughly 10 percent of the time. However, we are seeing this operation change in order to integrate renewables. As an example, some of SDG&E's peakers are now operating roughly 20 percent of the time. Their operation is expected to increase as we move from 20 percent renewable power to 33 percent renewable power, as driven by the RPS requirements. Quail Brush is being licensed to be operational up to roughly 43 percent of the time because of its state-of-the-art emissions technology, lower gas usage and quick start and stop capability. This allows SDG&E to better manage the variations in the load between our current generation assets and our growing portfolio of new renewable projects that will be coming online, allowing us to follow our customers' needs. In fact, our 2009 RFO specified that respondents must provide generating facilities designed and permitted for operation for a minimum availability of 2,700 hours per year, or more than 30 percent of the time. Quail Brush meets those requirements. The project would provide peaking and load following services quickly and with fewer emissions than older, less efficient units.

How Quail Brush Helps Retire Older Generation in San Diego

Another major question posed during the June 28 Planning Commission hearing was how the addition of Quail Brush would help shut down older, less efficient generation facilities in San Diego County. Specifically, Quail Brush and the two other facilities will add new capacity to the San Diego load pocket. SDG&E must have sufficient local generation available in order for older plants such as the nearly 60-year-old Encina Power Station in Carlsbad to be closed.

Plants such as Quail Brush are more efficient in meeting our peaking and renewable integration needs than the older steam technology used at Encina. The older steam technology has start up lead times that exceed 12 hours and requires the plants to be operated at their least efficient minimum load point over night if needed from day to day. Quail Brush can be started in ten minutes, shut down as needed and even restarted within a single day. This will allow the plant to be operated exactly when needed and at its most efficient point. Older units require more fuel and produce more emissions to generate the same amount of power as the lower emitting and more efficient Quail Brush project.

Additional information about the need for Quail Brush may be found in our PPTA application at http://docs.cpuc.ca.gov/efile/A/135778.pdf.

SDG&E's Loading Order

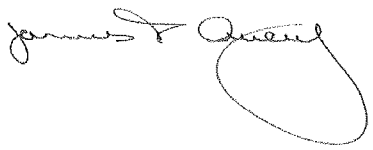
We would also like to take this opportunity to provide details about the EAP Loading Order that governs SDG&E's resource additions and explain how Quail Brush would be used within that prioritization. As discussed during your June 28 meeting, the current Loading Order calls first for cost-effective energy efficiency and demand response, followed by the use of renewable energy resources and fossil fuel generation that is both clean and efficient. Peaker plants are used on an as-needed basis once these resources have already been brought online. It is important to understand that, while we do not rely on facilities such as Quail Brush all the time, they are absolutely essential to ensuring electric reliability during peak times when demand exceeds what can be provided by SDG&E's other generation resources.

One common misperception is that San Diego's demand for energy can be met entirely with rooftop solar facilities because our peak demand is during the afternoon when the sun shines brightest. While SDG&E is fully committed to supporting a robust rooftop solar system in San Diego, the reality is that we need both renewable resources and natural gas facilities to meet our future demand for electricity in the region. Ironically, as SDG&E has brought more renewable resources onto our system, our peak demand for power, after accounting for solar power, has shifted to 8:00 p.m. Clearly, the sun is not shining brightest at this time of day. This gap between renewables and our peak loads, which need to be met quickly, is the reason that plants like Quail Brush are the best fit when needed.

Finally, we would like to encourage the City of San Diego to approve a Community Plan Amendment initiation for Quail Brush and take an active role in the CEC process. Your input will be critical as the project moves forward and the environmental analysis takes shape. We urge you to continue looking out for the best interests of the City by staying involved.

Should you have any questions, please don't hesitate to contact me at (858) 650-6102.

Sincerely,



James P. Avery
Senior Vice President -- Power Supply

CC: Vice Chairperson Tim Golba
Commissioner Robert Griswold
Commissioner Stephen Haase
Commissioner Mary Lydon
Commissioner Susan Peerson
Commissioner Michael Smiley

Exhibit C

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov

July 17, 2012

Mr. Eric Naslund
Chairperson
City of San Diego Planning Commission
1222 First Avenue, 4th Floor
San Diego, CA 92101

Subject: **Application to Initiate Community Plan Amendment, Quail Brush Generation Project**

Dear Chairman Naslund and Members of the Planning Commission:

Thank you for allowing myself and staff counsel for the California Energy Commission, Stephen Adams, to provide information about the Energy Commission's power plant siting program during the Planning Commission's June 28, 2012 hearing. We appreciated the opportunity to answer your questions related to consideration of the Quail Brush Generation Project's application to initiate a Community Plan Amendment. However, I regret not being fully prepared to provide detailed answers to technical questions asked by the Planning Commission. Those two questions were:

1. What is the difference between a "peaker" and an "intermediate peaker"; and
2. Would the Quail Brush Generation Project likely displace generation from higher-polluting facilities or produce fewer pollutants than an alternative facility?

As part of my initial response to these two questions, I stated that the Energy Commission has technical experts that were better suited than I am to articulate more detailed responses. Therefore, as a follow up to these important questions, I have asked one of our experts on the subjects, David Vidaver, to supplement my initial response by providing detailed answers in the attached memorandum.

We hope this supplemental information is helpful to the Planning Commission. Mr. Adams, Mr. Vidaver and I will be present at the Planning Commission's July 19, 2012 hearing and available to answer additional questions regarding this letter and the attached memo. In the interim, please don't hesitate to contact me at (916) 651-0966 to discuss this matter. Thank you.

Sincerely,

Eric Solorio, Project Manager
Siting, Transmission and Environmental
Protection Division

CC: Vice Chairperson Tim Golba
Commissioner Robert Griswold
Commissioner Stephen Haase
Commissioner Mary Lydon
Commissioner Susan Peerson
Commissioner Michael Smiley

Attachment (1): California Energy Commission Staff Memorandum from David Vidaver to Eric Solorio

State Of California

Natural Resources Agency

Memorandum

Date: July 17, 2012
Telephone: (916) 654-4656

To: California Energy Commission – **Eric Solorio**
Siting, Transmission and Environmental Protection Division
Project Manager
1516 Ninth Street
Sacramento, CA 95814-5512

From: California Energy Commission – **David Vidaver**
Electricity Analysis Office
Senior Electric Generation System Specialist
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: **QUAIL BRUSH GENERATION PROJECT (11-AFC-3), Supplemental Responses to the City of San Diego Planning Commission Questions**

Eric,
This memorandum is submitted in response to your request that I address two questions the City of San Diego's Planning Commission had asked you during their June 28, 2012 hearing on the Quail Brush Generation Project ("Quail Brush"). Those two questions are:

1. What is the difference between a "peaker" and an "intermediate peaker"; and
2. Would Quail Brush displace generation from higher-polluting facilities or produce fewer pollutants than an alternative facility?

First, as a background, I have been employed by the California Energy Commission for 14 years, and am currently a Senior Electric Generation Specialist in the Commission's Electricity Analysis Office. In this capacity, I am one of the staff liaisons to the California Public Utilities Commission's Long-term Procurement Planning Proceeding and am responsible for advising the Energy Commission regarding procurement policy and the adequacy of the electricity system for providing reliable service. My responsibilities with the Energy Commission also include providing testimony in power plant siting cases regarding the impact of plant licensing and development on the operation of the electricity system, including changes in plant output, natural gas use, green-house gas emissions and system reliability. My responsibilities have previously included supervising the Procurement and Resource Adequacy Unit of the Electricity Analysis Office, and evaluating the state's energy policies using simulation models of the electricity system of the Western United States.

Regarding the specific questions by the Planning Commission:

1. What is the difference between a "peaker" and an intermediate peaker?
Meeting electricity demand in a cost-effective fashion requires a portfolio of different generation resources. Electricity demand in California is highest during the summer

than in other seasons, largely due to residential and commercial cooling (i.e., air conditioning) needs. During the summer, demand peaks at roughly 4:00 in the afternoon, at levels roughly double those that occur in the middle of the night. During winter, consumption is higher at 7:00 PM than at 4:00 PM as industrial and commercial demand has fallen somewhat, while residential heating and lighting needs have increased. Winter consumption is well below that of the summer during the day, and slightly lower at night.

Meeting "baseload need" - the share of demand that is present 24/7/365 - is most cost-effectively done with "expensive to build, but cheap to operate" resources such as nuclear and coal-fired generation, as well as newer, efficient natural gas-fired facilities known as combined cycles (e.g., the Palomar and Otay Mesa plants in San Diego County). Historically, these facilities have had annual capacity factors of 85% - 95%, although increasing amounts of renewable energy are lowering the capacity factors for the gas-fired plants to 50% - 70%.[1] At the other end of the spectrum, the "peak demand" that only occurs on the three or four hottest days of the year is best met with demand response programs (paying parties to curtail consumption upon request) and gas-fired (pure) peaking units, which are inexpensive to build but costly to operate, consuming more than double the fuel per unit of electricity generated than a new combined cycle.[2] These plants have annual capacity factors of 1% - 5%. In between baseload facilities and pure peakers are "load following resources" and "intermediate peakers."

Load following facilities generate during the day anywhere from year round to summer weekdays, increasing output in the morning as demand increases and ramping down as demand decreases in the evening. During the past ten to fifteen years, the power plants that have served this role are aging steam turbines that provided baseload energy when they were state of the art in the 1960's and 1970's and will be (or have recently been) forced into retirement in large quantities by the State Water Resource Control Board (SWRCB) policy on water use (e.g., the Encina and South Bay plants). As newer combined cycles have been built in large numbers and come on line in the past ten years, these aging steam turbine plants have been largely reduced to generating only during the summer. With higher levels of solar and wind resources, many of the newer combined cycles will increasingly move from baseload to load following service, with expected capacity factors in the 25% – 40% range.

"Intermediate peakers" are largely a phenomenon of the higher penetration of solar and wind resources and advances in gas-fired generation technology. They are intended to run primarily during the summer, but to also play a more active role than traditional pure peakers in managing changes in load over the day and the variability in solar (and wind) output as the weather changes. The aging steam turbines and newer combined cycles are not designed to turn off every evening when not needed; they must run at minimum output levels (20 – 50% of full output) overnight and are thus inefficient resources to use for the component of load following needs that has only a slight chance of materializing

[1] A power plant's capacity factor is its output expressed as a share of potential output (what it would produce if operated at maximum output every hour of the year).
[2] Renewable resources are not listed here as they are "must take" resources; energy from them is used whenever it is generated. Hydroelectric energy is either baseload (when not storable behind a dam) or load-following (when water is released from reservoirs to propel electric turbines as increased demand/prices require).

the next day. Both demand and solar output "ramp up" in the morning and down in the evening, with load-following resources changing output accordingly. On those occasions that demand is higher than expected and solar output is less than expected, e.g., due to an erroneous weather forecast, intermediate peakers can be started almost instantaneously, obviating the need to keep additional load-following units (e.g., one or more of those at the Encina plant) on overnight to guard against this contingency. Intermediate peakers are expected to have capacity factors in range of 15% – 20%. For Quail Brush, this value will vary as a result of numerous factors, including hydroelectric conditions across the state and improvements in the ability to forecast short-term output of solar and wind resources. As Quail Brush is largely needed to meet the San Diego area local capacity requirement (see below), however, its output will frequently displace energy from higher-emission facilities in the region.

2. Would Quail Brush displace generation from higher-polluting facilities or produce fewer pollutants than an alternative facility?

San Diego lies in a transmission-constrained area (the "San Diego-Imperial Valley Local Reliability Area") within the California Independent System Operator (ISO) balancing authority area. The city lies within a sub-area of this larger area (the "San Diego area"). Transmission-constrained areas (and sub-areas) consume more electricity during peak hours on hot summer days than can be imported into them, requiring a threshold amount of local electric generating capacity (the "local capacity requirement" or "LCR"). The 2013 LCR for the San Diego area is 2,570 MW.[3] Current generation capacity totals 3,069 MW, but this includes the generation at Kearney (136 MW) and Miramar (36 MW) that is expected to be removed from service by 2014, as well as the 950-MW Encina facility, which is expected to be unable to comply with the State SWRCB policy requiring for the reduced use of cooling water,[4] and thus forced to retire by the end of 2017.

The California ISO's 2011/12 Transmission Plan[5] provided the operator's estimates of the LCR for the San Diego area in 2021 and associated requirements for new generation capacity. If Encina is retired, the California ISO estimates that 650 MW of replacement capacity will need to be built at Encina or an "electrically-equivalent site." The new facilities associated with contracts entered into by the San Diego Gas & Electric Company (SDG&E), including Quail Brush and two other proposed facilities, would provide a total 450 MW of new generation. If all three facilities are built,[6] the LCR with high development of local renewable resources would fall to 231 MW.

On June 17, 2012, the 2021 LCR estimates were revised, with the amount of capacity needed depending not only on the construction of the facilities contracted with by SDG&E, but the assumptions made regarding the development of renewable generation

[3] 2013 LCR reference
[4] State Water Resource Control Board
[5] California ISO, 2011-2012 Transmission Plan, March 23, 2012
[6] Quail Brush Power, the Pio Pico Energy Center, and the Escondido Energy Center. These contracts are awaiting approval by the California Public Utilities Commission. Approval of the contract with the Escondido Energy center would lead to the repowering of an existing 45-MW facility

resources in the San Diego area during the next nine years.[7] In the scenario in which the largest amount of local renewable generation was constructed, the San Diego area would require 300 MW of new generation capacity by 2021 in the absence of the construction of the facilities with which SDG&E has contracted.

The preceding paragraph highlights the fact that absent Quail Brush and the other proposed plants under SDG&E contract, the San Diego area would require either (a) at least 300 MW of new generation or (b) the continued operation of units at Encina,[8] Quail Brush would be an as clean or cleaner resource than either alternative for the purpose of providing intermediate peaking services. A less efficient (e.g., higher emission) pure peaker of 100 MW would (a) require dispatch to 50-100 MW of output whenever needed and combust fuel at a rate of or greater than 10,000 Btu/kilo-watt hour. Quail Brush could be dispatched in 9-MW increments at 9,500 Btu/kWh. A new, state-of-the art combined cycle facility capable of cycling on and off daily would generate energy more efficiently, at perhaps 7,500 to 8,000 Btu/kWh, but would have to start in advance of being needed (and thus would frequently require start-up on the chance that it might be needed later in the day) and operate at 50 MW or more; offsetting the fuel combustion efficiency gain. Quail Brush, in contrast can be started up minutes before being needed. Continuing to operate Units 4 and 5 at Encina (the units large enough to provide the 300 MW of capacity needed absent Quail Brush and other new facilities) would mean around-the-clock operation at least on summer days, with an efficiency of 13,300 - 13,900 Btu/kWh. Environmentally, this is the least palatable solution of all.

It should be noted that it is generally acceded that no party will be willing to build a fossil-fueled power plant in California absent a guarantee of cost recovery, e.g., a long-term contract with a utility. No fossil-fueled plant has been built in California "on speculation" since 2003, and this was a very unique set of circumstances not present here. Moreover, the plant was a baseload plant; peaking plants are far riskier propositions as recovering costs in energy markets requires very high prices in often as few as 100 – 200 operating hours per year.

Questions regarding the above can be directed to me at (196) 654-4656 or David.Vidaver@energy.ca.gov.

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[7] Robert Sparks, California ISO, *San Diego Local Capacity Needs*, presentation at the California Public Utilities Commission workshop on Application of SDG&E for Authority to Enter into Purchase Power Tolling Agreements with Escondido Energy Center, Pio Pico Energy Center, and Quail Brush Power, April 17, 2012

[8] The SWRCB allows Encina to operate past its Dec 2017 policy compliance date if the State's energy agencies deem it necessary to maintain reliable service. This would likely be the case if the 300 MW were deemed necessary to maintain reliability in the San Diego area in the absence of new generating facilities.

Exhibit D

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5112

DOCKET
11-AFC-3
DATE SEP 07 2011
RECD. SEP 08 2011

September 7, 2011

TO: AGENCY DISTRIBUTION LIST

REQUEST FOR AGENCY PARTICIPATION IN THE REVIEW OF THE QUAIL BRUSH GENERATING PROJECT, APPLICATION FOR CERTIFICATION (11-AFC-3)

On August 29, 2011, Quail Brush Genco, LLC, submitted an Application for Certification (AFC) to construct and operate the Quail Brush Generating Project (QBGP). The QBGP is proposed to be developed on a 21.6-acre parcel, located in the City of San Diego, California. The proposed site is located west of the City of Santee, south of the Sycamore Landfill and north of State Route 52.

PROJECT DESCRIPTION

The proposed Quail Brush Generation Project (Project) is a nominally rated 100-megawatt (MW) intermediate/peaking load, electrical generating facility that would employ a set of eleven (11) natural gas-fired, reciprocating, Wartsila engine generators. The major features of the proposed project include the following:

- Eleven (11) nominally rated 9.3 MW (gross) Wartsila model 20V34SG, natural gas-fired, reciprocating engines;
- Eleven (11) separate, state-of-the-art, air pollution control systems representing Best Available Control Technology (BACT);
- Eleven (11) approximately 48-inch diameter x 100-foot tall stacks, each with a separate continuous emissions monitoring system (CEMS);
- Acoustically engineered building enclosing all 11 reciprocating engines;
- Closed loop cooling system consisting of multiple fan-cooled radiator assemblies outside of the engine building;
- One (1) 20,000 gallon urea storage tank;
- One (1) 600,000 gallon fire water tank and associated fire water system;
- One (1) 10,000 gallon domestic water storage tank;
- Plant site access road;
- Onsite 230kV facility switchyard including switchgear and the main voltage step-up transformer, switchgear, circuit breakers, and disconnects;
- Approximately 1 mile of 230kV single-circuit gen tie between the project and the anticipated point of interconnection (POI) to the existing San Diego Gas & Electric (SDG&E) Miguel to Mission 230kV transmission line situated west of the plant site;

- New SDG&E 230kV utility switchyard at the POI configured as a line-break of the existing SDG&E 230kV transmission line that will include circuit breakers and disconnects, and an access road; and
- Approximately 2,200 feet of 8-inch diameter natural gas pipeline lateral between the project site and the existing SDG&E 20-inch diameter high pressure natural gas pipeline located across Mast Avenue from the landfill entrance and associated onsite metering station.

If the proposed project is approved by the Energy Commission, the applicant plans to construct the project in approximately 18 months. Construction of the generation plant, from mobilization, through site preparation and grading, to the start of commercial operation, is proposed to take place from March 2013 until June 2014.

ENERGY COMMISSION'S SITE CERTIFICATION PROCESS

The Energy Commission is responsible for reviewing and ultimately approving or denying all applications to construct and operate thermal electric power plants, 50 MW and greater, in California. The Energy Commission's facility certification process carefully examines public health and safety, environmental impacts and engineering aspects of proposed power plants and all related facilities such as electric transmission lines and natural gas and water pipelines. The Energy Commission has a certified regulatory program and is the lead agency under the California Environmental Quality Act (CEQA).

The first step in the review process is for Energy Commission staff to determine whether or not the AFC contains all the information and data required by our regulations. When the AFC is deemed complete, we will begin the discovery and issue analysis phases. At that time, a detailed and thorough examination of issues will occur.

Under its certified regulatory program the Energy Commission prepares and publishes both a Preliminary Staff Assessment (PSA) and a Final Staff Assessment (FSA) which are the legal equivalents of an Environmental Impact Report. After allowing for a public comment period on this PSA, staff will prepare and publish the FSA which will serve as staff's formal testimony in evidentiary hearings to be held by the Energy Commission Committee assigned to hear this case. The Committee will hold evidentiary hearings and will consider the recommendations presented by staff, applicant, interveners, government agencies, and the public, prior to proposing its decision. In the last step, the full Energy Commission will issue the final decision.

AGENCY PARTICIPATION

To ensure that the Energy Commission has the information needed in order to make a decision regarding the AFC, the Energy Commission's regulations identify a special role for federal, state, and local agencies (See, Cal. Code Regs., tit. 20, section 1714,

1714.3, 1714.5, 1742, 1743, and 1744). As a result, we request that you conduct a review of the AFC and provide us with the following information:

1) A discussion of those aspects of the proposed site and related facilities for which your agency would have jurisdiction but for the exclusive jurisdiction of the Energy Commission to certify sites and related facilities;
2) A determination of the completeness of the list in the AFC of the laws, regulations, ordinances, or standards that are applicable to the proposed site and related facilities, and which your agency would administer or enforce but for the Energy Commission's exclusive jurisdiction;
3) A description of the nature and scope of the requirements that the applicant would need to meet in order to satisfy the substantive requirements of your agency but for the Energy Commission's exclusive jurisdiction, and identification of any analyses that the Energy Commission should perform in order to determine whether these substantive requirements can be met; and
4) An analysis of whether there is a reasonable likelihood that the proposed project will be able to comply with your agency's applicable substantive requirements.

The scope of your agency's comments on the AFC should encompass *significant* concerns, and substantive requirements that would be required for permitting by your Agency but for the Energy Commission's exclusive jurisdiction or certification. (Cal. Code Regs., tit. 20, section 1714.5, subd. (a)(2)). Please let us know if you need additional information or need to perform analyses or studies in order to resolve any concerns of your agency (Cal. Code Regs., tit, 20, section 1714.5).

Assuming that the proposed project is found to be data adequate during the Energy Commission's October 5, 2011 business meeting, we request that your agency provide comments to us by **November 30, 2011**, except for the San Diego Air Pollution Control District's Preliminary and Final Determinations of Compliance. You may be asked to present and explain your conclusions at public and evidentiary hearings on the project (*see* Cal. Code Regs., tit. 20, sections 1714.3, 1714.5, 1743, 1744.5, and 1748).

When the AFC is accepted as data adequate, your participation in the proceeding will continue to be valuable and encouraged and will allow you to identify and try to resolve issues of concern to your agency. There may be specific requests for agency review and comment during the proceedings after the AFC has been determined to be complete. Local agencies may seek reimbursement for costs incurred in responding to these requests.[1] However, comments provided in response to this request during data adequacy are not reimbursable under Energy Commission guidelines.

Enclosed is a copy of the AFC in electronic format (CD). If you would like to have a hard copy of the AFC sent to you, if you have questions, or if you would like to participate in the Energy Commission's review of the proposed project, please contact the Energy

[1] Please note that pursuant to 20 CCR 1715 reimbursement is not available to state and federal agencies.

Commission's Project Manager, Eric Solorio, at (916) 651-0966, or by e-mail at esolorio@energy.state.ca.us. The status of the proposed project, copies of notices, a copy of the AFC, and other relevant documents are also available on the Energy Commission's Internet web site at: http://www.energy.ca.gov/sitingcases/quailbrush/index.html. You can also receive email notification of all project related activities and availability of reports by subscribing to the List server at http://www.energy.ca.gov/listservers/index.html.

Sincerely,

Chris Davis, Manager
Energy Facilities Siting Office

Enclosure: CD of Application for Certification 11-AFC-3

Exhibit E

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov

July 20, 2012

The Honorable Jerry Sanders
Mayor of San Diego
202 C Street, 11th Floor
San Diego, CA 92101

Dear Mayor Sanders:

On August 29, 2011, Quail Brush Genco, LLC, submitted an Application for Certification (AFC) to construct and operate the Quail Brush Generating Project (QBGP). The QBGP is proposed to be developed on a 21.6-acre parcel, located in the City of San Diego, California. The proposed site is located west of the City of Santee, south of the Sycamore Landfill and north of State Route 52.

On November 16, 2011, the California Energy Commission accepted the AFC as complete. On January 25, 2012, the Energy Commission held an Informational Hearing and Site Visit. On March 22, 2012, the staff held an additional public outreach workshop to inform the public and local agencies about the Energy Commission's environmental and engineering review process. Staff has met with representatives of the City of San Diego and also the City Manager of the City of Santee to discuss staff's ongoing review of the AFC.

Over the coming months, Energy Commission staff will conduct additional workshops that will provide the public and local, state and federal agencies the opportunity to ask questions about, and provide input on, the proposed project. After Energy Commission staff develops its analysis and recommendations regarding the project, the Energy Commission will conduct hearings to determine whether to approve QBGP for construction and operation, and what conditions should apply if the project is approved. Separate public notices will be issued for all workshops and hearings at least 10 days prior to each meeting.

We are available to brief you and your staff on the California Energy Commission's power plant review process and the specifics of the QBGP application. If you would like to schedule a briefing, please contact Lyndon Greco, Acting Director of Governmental Affairs at (916) 654-4992. If your staff has technical questions on the proposed project, please contact the Energy Commission's Project Manager, Eric Solorio, at (916) 651-0966 or by email at eric.solorio@energy.ca.gov. If your constituents would like to participate in the Energy Commission's review of the project, they can contact the

Energy Commission's Public Adviser, Jennifer Jennings, at (916) 654-4489 or toll free in California at (800) 822-6228 or at publicadviser@energy.ca.gov.

The status of the project, copies of notices, an electronic version of the AFC, and other relevant documents are available on the California Energy Commission's Internet web site at: http://www.energy.ca.gov/sitingcases/quailbrush/index.html. You can also subscribe to receive e-mail notification of notices at http://www.energy.ca.gov/listservers/index.html.

Sincerely,

Robert P. Oglesby
Executive Director

cc: Karen Douglas, Commissioner and Presiding Member of the Quail Brush Siting Committee
Andrew McAllister, Commissioner and Associate Member of the Quail Brush Siting Committee
Lyndon Greco, Acting Director of Governmental Affairs
Eric Solorio, Project Manager
Jennifer Jennings, Public Adviser
Members, City of San Diego

BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV

APPLICATION FOR CERTIFICATION
FOR THE *QUAIL BRUSH GENERATION PROJECT*

DOCKET NO. 11-AFC-03
PROOF OF SERVICE
(Revised 8/14/2012)

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e-recipient@caiso.com

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*indicates change

INTERESTED AGENCIES (cont.)

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DECLARATION OF SERVICE

I, Jim Brossard, declare that on August 23, 2012, I served and filed a copies of the attached Appeal of Planning Commission Denial to Initiate an Amendment of the City's General Plan dated August 2, 2012. This document is accompanied by the most recent Proof of Service list, located on the web page for this project at: http://www.energy.ca.gov/sitingcases/quailbrush/index.html.

The document has been sent to the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit or Chief Counsel, as appropriate, in the following manner:

(*Check all that Apply*)

For service to all other parties:

XX Served electronically to all e-mail addresses on the Proof of Service list;

___ Served by delivering on this date, either personally, or for mailing with the U.S. Postal Service with first-class postage thereon fully prepaid, to the name and address of the person served, for mailing that same day in the ordinary course of business; that the envelope was sealed and placed for collection and mailing on that date to those addresses marked **"hard copy required"** or where no e-mail address is provided.

AND

For filing with the Docket Unit at the Energy Commission:

XX by sending an electronic copy to the e-mail address below (preferred method); ***OR***

___ by depositing an original and 12 paper copies in the mail with the U.S. Postal Service with first class postage thereon fully prepaid, as follows:

CALIFORNIA ENERGY COMMISSION – DOCKET UNIT
Attn: Docket No. 11-AFC-03
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512
docket@energy.ca.gov

OR, if filing a Petition for Reconsideration of Decision or Order pursuant to Title 20, § 1720:

___ Served by delivering on this date one electronic copy by e-mail, and an original paper copy to the Chief Counsel at the following address, either personally, or for mailing with the U.S. Postal Service with first class postage thereon fully prepaid:

California Energy Commission
Michael J. Levy, Chief Counsel
1516 Ninth Street MS-14
Sacramento, CA 95814
michael.levy@energy.ca.gov

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, that I am employed in the county where this mailing occurred, and that I am over the age of 18 years and not a party to the proceeding.

Jim Brossard