INFORMATIONAL HEARING AND SITE VISIT

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	)	
	)	
Application for Certification	)	Docket No.
for the CPV Sentinel Energy	)	07-AFC-3
Project by CPV Sentinel, LLC	)	
_____	)	

CARL MAY CENTER

11711 WEST DRIVE

DESERT HOT SPRINGS, CALIFORNIA

FRIDAY, OCTOBER 5, 2007

1:45 p.m.

Reported by:
Troy Ray
Contract No. 170-07-001

COMMITTEE MEMBERS PRESENT

James Boyd, Presiding Member

Jackalyne Pfannenstiel, Associate Member

HEARING OFFICER AND ADVISORS

Kenneth Celli, Hearing Officer

Timothy Tutt, Advisor

Peter Ward, Advisor

STAFF AND CONSULTANTS PRESENT

William Pfanner, Project Manager

Caryn Holmes, Staff Counsel

PUBLIC ADVISER

Mike Monasmith

APPLICANT

Michael J. Carroll, Attorney
Latham and Watkins, LLP

Mark Turner, Project Manager
Greg Cooper
Competitive Power Ventures, Inc.

Robert Hren, Consultant
Competitive Power Ventures, Inc.

Dale Shileikis, Consultant
Kathy Rushmore
Ann Connell
David Kistner
John Legue
John Seidler
URS Corporation

Bob Getner
GE Energy

ALSO PRESENT

Arden Wallum, General Manager
Randy Duncan, Vice President
Dorothy Glass, Director
Nancy Wright, Director
John Furbee, Director
Mission Springs Water District

Mike Mills

Mohsen Nasemi, Assistant Executive Deputy Officer
Mark Y. Liu
Roy Oliveras
South Coast Air Quality Management District

Jim Battin, Senator
State of California

John Benoit, Assemblyman
State of California

Bonnie Garcia, Assemblywoman
State of California

Ron Oden, Mayor
City of Palm Springs

Yvonne Parks, Councilmember
Scott Matas, Councilmember
City of Desert Hot Springs

Steven Hernandez
on behalf of County Supervisor Marion Ashley

Shawnna Trombetta
Coachella Valley Economic Partnership

Adam Mossmer

Joan Taylor, Conservation Chairperson
Sierra Club

Chuck McDaniel
International Brotherhood of Electrical Workers

David Hoopes

Sheila Cobrin

ALSO PRESENT

Donn Sholty

Karl Baker

Earl Schmid, President
Desert Power, Inc.

Doug Calvine
Palm Springs Unified School District

Debra Grusyecki
The Desert Sun

I N D E X

P R O C E E D I N G S

1:45 p.m.

PRESIDING MEMBER BOYD: Good afternoon, everybody. The appointed hour finally arrived according to all our official cellphones, laptops and Blackberries --

(Laughter.)

PRESIDING MEMBER BOYD: -- we have consensus it's 1:45, we can officially start. So, welcome, everybody This is an informational hearing by a Committee of the California Energy Commission on the proposed CPV Sentinel Energy Project.

The Commission traditionally assigns a committee of two Commissioners to conduct these hearings, and therefore I'll introduce myself. I'm Commissioner Jim Boyd of the Commission, and I'm the Presiding Member of this Siting Committee. Two chairs to my right, Commissioner Jackalyne Pfannenstiel is the second member, or as we say, Associate Member, of the Siting Committee. And we will be the Committee that will deal with this entire siting case.

And with that brief introduction, I think I will also introduce the other people here

on the dais with me. In the center here is our Hearing Officer, Mr. Kenneth Celli. And shortly I will turn the microphone over to him and he will, in effect, conduct the hearing. And that's the process we will follow throughout the rest of the course of this proceeding.

To my immediate left is Peter Ward; Peter is my Advisor. To the right of Commissioner Pfannenstiel is Mr. Tim Tutt, her Advisor. And these are all folks you'll be seeing and dealing with during the course of this in terms of the executive level of the Energy Commission. In a few moments you'll get introduction of the staff of the Energy Commission and the representatives of the applicant.

Throughout the course of this hearing, which is just an informational hearing and site visit, the site visit having just been conducted, you will learn a lot about the process of the California Energy Commission with regard to these types of proceedings and the siting of power plants and licensing of power plants.

You will hear about the role of the applicant, the Commission Staff, the role of intervenors for any who want to intervene, and the

public process that will take place. And you will hear from our Public Adviser, who will give you, the public, information about how the public can stay informed and participate, if they so choose, in these proceedings.

So, with that, I think I will turn it over to our Hearing Officer and he will proceed to have both the applicant and our staff proceed with their introductions. And then we'll move into the proceeding.

One last piece of information. We received a notice that Mayor Ron Oden of the City of Palm Springs was going to be present, but had a serious time constraint. I have no idea if the Mayor is here. If he was I was going to afford him the opportunity to make his statement before we move into the proceedings. But I don't see anybody signifying that they're the Mayor.

We also had indications that perhaps Senator Battin would be here, perhaps others. And so I've received no indication nor do I recognize any of our Legislators. So, at the time they do arrive, we'll do our best to accommodate their time needs, and quite frankly, them the courtesy, as public servants, of making statements perhaps

out of the order of the normal agenda for the meeting.

But seeing no expressions of interest in that subject, we'll move on and I'll turn it over to Mr. Celli, and he will now conduct the balance of the hearing.

HEARING OFFICER CELLI: Thank you, Commissioner. First, on behalf of the applicant, Mike Carroll, would you please introduce your people.

MR. CARROLL: Yes. I'm Mike Carroll; I'm with Latham and Watkins, and I'm the attorney for the project applicant.

MR. TURNER: I'm Mark Turner; I'm with CPV; and I'm the Project Manager of the Sentinel Power Project. I'd also like to introduce Bob Hren with Competitive Power Ventures, and Greg Cooper with Competitive Power Ventures.

MR. SHILEIKIS: I'm Dale Shileikis with URS Corporation. We prepared the application for certification, otherwise known as the AFC, -- environmental study. Also part of the team from URS here is Cathy Rushmore, the Deputy Project Manager, Ann Connell with water resources, David Kistner for biology, and John Legue for air

quality. Also was not mentioned was John Seidler, Inspector of Engineering, who is also part of the team.

MR. TURNER: John is the Project Engineer.

HEARING OFFICER CELLI: Thank you.

MR. TURNER: And also present is -- the Sentinel Project is a joint venture between two companies, Competitive Power Ventures and GE Energy. Also present is Bob Getner from GE.

HEARING OFFICER CELLI: Thank you. Also, on behalf of the California Energy Commission Staff we have Bill Pfanner and Caryn Holmes. If you would please introduce --

MR. PFANNER: Yes, I'm Bill Pfanner, Project Manager with the Energy Commission.

MS. HOLMES: Caryn Holmes, Staff Counsel.

HEARING OFFICER CELLI: Thank you. I would like to take this opportunity also to introduce people who are here from various governmental agencies. I know that I met earlier with Arden Wallum. Are you here? Would you show everyone? Thank you, Arden. He's with the Mission Springs Water District, is that correct?

General Manager. Do I have that right, Arden, General Manager?

MR. WALLUM: Yes.

HEARING OFFICER CELLI: Thank you. And also with you is Mike Mills and Roy Oliveras, is that correct? Mike Mills and Roy Oliveras from the South Coast Air Quality Management District?

MR. SPEAKER: (inaudible).

HEARING OFFICER CELLI: Okay, thank you. And Mohsen, I --

MR. SPEAKER: We have a couple of other representatives.

HEARING OFFICER CELLI: Please.

MR. SPEAKER: Mohsen Nasemi (inaudible).

HEARING OFFICER CELLI: Would you please go to the microphone so this can -- folks, as we're conducting this hearing today we have a court reporter here who is going to be taking down all the words here, actually tape recording everything that's being said and will be transcribed later. And so when we speak we need to speak clearly and have one person speak at a time. But we need to be on the air so this all makes it way into the recording.

Please, Mohsen.

MR. NASEMI: Good afternoon. My name is Mohsen Nasemi; I'm Assistant Deputy Executive Officer with South Coast Air Quality Management District. And two other representatives, Mark Liu and Roy Oliveras, are also here.

HEARING OFFICER CELLI: Thank you. Are there any other governmental agencies who are present who would like to introduce themselves at this time? Seeing non, thank you.

Basically I'd like to proceed and provide a little background. And, Greg, are you going to be hitting the -- okay. Go ahead, hit the slide.

The California Energy Commission is a state agency which has exclusive jurisdiction to license, or as we say, certify, new power plants that generate 50 megawatts of electricity or more.

On August 29, 2007, the Energy Commission accepted as complete CPV Sentinel, LLC's application for certification for the CPV Sentinel Energy Project, which is the subject of this hearing.

This is a nominal 850 megawatt, natural-gas-fired power plant proposed for construction in an area of unincorporated Riverside County

approximately 1.3 miles west of Indian Avenue off of Power Line Road.

Notice of today's event was mailed on September 13, 2007, to all parties, adjoining landowners, interested governmental agencies and other individuals.

In addition, the notice of the hearing was published in The Desert Sun on September 28, 2007. Go ahead.

Today's hearing is the first in a series of formal Committee events that will extend over the next year. The Commissioners conducting this proceeding will eventually issue a proposed decision containing recommendations on the proposed project.

It is important to emphasize that the law requires that the Committee's proposed decision be based solely on evidence contained in the public record.

To insure that this happens, and to preserve the integrity and impartiality of the Commission's licensing process, the Commission's regulations, and the California Administrative Procedure Act expressly prohibits private, off-the-record contacts concerning substantiate

matters between the participants in this proceeding and the Commissioners, the Committee, their Advisors and me.

Next slide. This prohibition against off-the-record communications between the parties and the Committee is known as the ex parte rule. This means that all contacts between the parties and the Committee regarding any substantive matter must occur in the context of a public discussion such as today's event, or in the form of a written communication that is distributed to all parties.

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

Additional opportunities for the parties and governmental agencies to discuss substantive issues with the public will occur in public workshops to be held by the Commission Staff at locations here in Desert Hot Springs, Palm Springs, and elsewhere.

Information regarding other communications between the parties and governmental agencies is contained in written reports and letters that summarize such

communications. These reports and letters are distributed to the parties and are made available to the public. Information regarding hearing dates and other events in this proceeding will be available on the Commission's website.

Next slide, please. Okay. The public, the application for certification or AFC process is a public proceeding in which members of the public and interested organizations are encouraged to actively participate and express their views on matters relevant to the proposed project. The Committee is interested in hearing from the community on any aspect of this project.

Members of the public are also eligible to intervene in the proceeding. And if there are potential intervenors, we encourage you to file petitions to intervene soon, so you can have the maximum participation in these proceedings.

At this time we will ask the Public Adviser's representative, Mike Monasmith, to explain the public participation process and to provide an update on their efforts to contact local residents and other interested groups and organizations regarding this proceeding.

Mike, please.

MR. MONASMITH: Thank you, Hearing Officer Celli. Chairman Pfannenstiel, Commissioner Boyd, thank you. I'm going to turn my back on you now and speak to the public, who I am here for.

My name is Mike Monasmith. I'm with the Public Adviser's Office. I saw most of you when you came in. The Commission pays me to work for you. I am the person that is the liaison for the Energy Commission. I answer questions and help you in a number of ways.

The public can become involved with the Energy Commission on a couple different levels. The first is very simple. It involves signing in and staying informed. And hopefully all of you signed in, gave us an address, or email address. And from now on I will enter you onto our listserve, and you will automatically receive information from the Energy Commission on all proceedings for Sentinel as we move forward.

The second level of involvement all of you have shown today is coming to the meetings and talking to your friends, your neighbors, those in your homeowners associations and churches, making sure that people in your community know about

this. Because we really count on the public and their involvement in making sure that this process moved forward with full public participation. Because it's only with the public's involvement, and meaningful involvement, that we end up with a good produce in the end.

The last component that I can help you with involves, and Hearing Officer Celli mentioned this earlier, is becoming an intervenor. And that is a legal status that enables you to be a party to these proceedings.

You fill out a petition; it's two pages; it's very easy. We can help you with is. You petition the Committee, in this case Chairman Pfannenstiel and Commissioner Boyd, who are the two members for this Committee. There's five total, but every siting case gets two.

You petition them and then you are able to sit up at the table. The applicant is here, our staff's here, you actually have a seat at the table. You have certain responsibilities. You are able to question witnesses; you're able to provide your own information. And if you have any questions about it, just ask me.

I'm always here for you. If anyone

wants to make comments, make sure you fill out a blue card. Just come in the back. If there's any other questions you may have, just pull me aside. I'm here for you. And that's all I've got.

Thanks for showing up. This is a really good turnout for a Friday before a three-day weekend. And it's really good to see everybody out. Thanks.

HEARING OFFICER CELLI: Thank you, Mr. Monasmith.

I would like to tell you basically how we intend to proceed today, and then get right on it.

We're going to first hear from CPV Sentinel, LLC, or what we refer to as the applicant, because they've applied for certification. They will describe their proposed project and explain its plans for developing the project site.

After that we will hear from Commission Staff, and they will provide an overview of the Commission's licensing process and its role in reviewing the proposed CPV Sentinel Energy Project.

After that we will discuss scheduling

and other matters addressed in staff's September 27, 2007 issues identification report.

And upon completion of these three presentations, interested agencies and members of the public, which is you, may offer comments and ask questions.

And before I turn it over to the applicant are there any questions about the agenda for today? Seeing none, Mr. Carroll.

MR. CARROLL: Mr. Turner's going to provide a presentation on behalf of the applicant.

MR. TURNER: Well, I'm going to stand up here so that I can refer to the slides while I speak to you.

Thank you very much for coming this afternoon. I'm going to give you a brief description of the project. Probably some of the questions that you'll have won't be answered through our overview. Please feel free to contact me or some of my colleagues here if you have any questions afterwards, and we'll be happy to answer them for you.

First, let me tell you a little bit about who we are. The CPV Sentinel Power Project is a joint venture between two companies,

Competitive Power Ventures, my company, and GE Energy. GE Energy is not only a partner in the project, they will also supply the state-of-the-art turbines that this project has been designed with.

I'm not going to tell you any more about GE. You're all familiar with them. But I will tell you a little bit about us. Competitive Power Ventures is a developer of both renewable and fossil-fired generation. We have significant California experience. That is important here, because in California we really have the most comprehensive permitting process today. The California Energy Commission proceeds with really one of the most complicated -- the most complicated process in the United States.

So, that's a good thing for you, as local residents, in that they insure that all your environmental and safety concerns are met through their process.

Our headquarters are in Silver Springs, Maryland and Braintree, Massachusetts. That basically translates to Washington, D.C. and Boston. We have a regional office in San Francisco. And I'm happy to say that we now have

a local office in Desert Hot Springs; it's near the UPS Store and near Starbucks over there.

CPV Sentinel, I want to talk about the need for capacity in the area, the need for energy in the area. There's a critical need for energy in this region. And that need is not something that we have assessed ourselves, that is something that the California Energy Commission here plays a major role in determining.

They, along with the input from SoCalEdison, the Cal-ISO, the company that runs the grid, and the California Public Utilities Commission, they determine together what kind of capacity is needed, where it's needed, and what timeframe it's needed.

And in 2006 they determined that there was a desperate need for new capacity in this region by 2010.

As a result of that, Southern California Edison went out for a competitive bid process. So our company competed with a number of other companies to provide capacity in the region.

We were selected for a long-term contract as a result of that process. And we provided to them what they determined was needed

in the area. And that is a quick-starting, standby facility.

And what that basically means is it's the type of facility that most of the time remains offline. But during the hours when the capacity is needed the most in the area, during the hottest times of the year when you all come home and turn on your air conditioning units, that's when this project is designed to come online.

So most of the time this project won't operate. It'll be permitted with limitations to it. This project will be permitted to operate approximately 30 percent of the year and no more.

This project, because it's located locally, is a very important project for the Coachella Valley. It provides the Coachella Valley important energy services, important energy reliability services. It indeed protects this area from blackouts. And I'll get into that in a little bit more detail as we move along.

We all visited -- most of us here, anyway, visited the site today. We really feel, and I think that you'll agree after you've seen that site, it is an ideal site for a project of this type. It's located on a 37-acre site; it's

in an extremely remote area adjacent to the Devers Substation. As you saw, it was sparsely populated out there. It's surrounded by wind turbines and transmission infrastructure. And if you looked around when you were out there, you could see how it would be difficult to see that project from any area around the area in the region.

The turbines around that area, just now there's a construction going on that will bring online turbines with a height of over 220 feet. Our project, the highest piece of equipment on the CPV Sentinel Project would be no more than 90 feet.

When we took you out to the site we pointed out to you an existing peaking facility out there. It's called the Indigo Energy Facility, just north of I-10. That project out there also has the highest piece of equipment at 90 feet. That's the same height we'll have.

Our project will look very similar to that project. That project -- the footprint of that project, ours will be a little bit wider. We produce more electricity per unit. Each of our units produces approximately 100 megawatts. Those units produce about 45. But essentially they'll

look very similar. The difference there is that's a three-unit project, and we're proposing to build here an eight-unit project.

Now, the project is in the County of Riverside. It's already zoned and the general plan is already designated for generation use; and electric generation of this type is actually being contemplated at that site for quite some time.

As I alluded to, it's an extremely important location for the Coachella Valley and the region.

The Devers Substation is the most important substation for serving the electrical needs of the Coachella Valley. In fact, almost all the electricity that's serving the Coachella Valley, whether or not you're an IID customer or SoCalEdison customer, is served through that substation. By having us interconnected there, we significantly increase the stability of the system here.

A question I often get asked is, is this energy going to flow directly south, and will it serve the Coachella Valley at all. And the answer is yes, it will serve Coachella Valley load. And the reason is that energy -- SoCalEdison doesn't

direct where energy flows. They're not able to do that, nor are we. The energy flows where demand is. And it flows where demand is, where there's a drop in voltage, or really the path of least resistance. So, yes, this project will be serving Coachella Valley load.

It's also a very important --

HEARING OFFICER CELLI: Excuse me, Mark.

MR. TURNER: Yes.

HEARING OFFICER CELLI: We're losing your audio. I don't know whether you turned if off, but we need you to speak into that mike, please.

MR. TURNER: I've heard rumors that this has a bad battery.

(Laughter.)

(Pause.)

HEARING OFFICER CELLI: Okay, I just want to make sure it's getting into the record.

Thank you, sorry to interrupt.

MR. TURNER: No problem. Where was I? Okay. Another important point about this project is surrounding this area is 600 megawatts of wind generation. Wind generation is a fantastic resource for us all. My company also produces

renewable energy.

But the thing about wind generation is that it is intermittent and it's unpredictable. And often during the times when we're going to need energy the most, the wind generation is not going to be available during those hottest times of the year. This power project, as I described to you, can come online within ten minutes and meet the load or voltage drops caused by the wind energy that doesn't show up when it's supposed to. So this project is an excellent complement to that wind energy.

SoCalEdison, when we negotiated with them, asked for a specific type of design in this project, which is called AGC, it's an automatic generating unit. What it is, it's a piece of equipment that allows our units to follow up and down in megawatts in a very tight scale the needs in the local region. That creates additional stability for the area.

Another point I want to point out is that the capacity in this area is about the same capacity, the Coachella Valley, is about the same capacity as our power plant. So if this area were to come offline, or be separated from the grid,

some earthquake or some other situation in the transmission system, this power project has about the right capacity to serve the Coachella Valley load.

Also, importantly, we're permitting this project with what is called a blackstart generator. What a blackstart generator does is if there is a blackout and there's no power in the grid, a normal power plant without a blackstart generator will not be able to start by itself. These generators need the electricity in the grid to start up.

With the small blackstart generator connected to one of our turbines, we're able to start up all on our own. So that's an additional reliability benefit we're providing to this local area.

This slide is very difficult to see. I'm sorry about that. I hope you all have the handouts with the map. But really all I want to do here is point out the linears. If you take a look at the yellow line -- Mike, maybe you can point it out -- that's the electric transmission interconnect. It's a very short distance from us to the site there. We'll interconnect to the

Devers Substation at the 230 kV level via an interconnect that goes east to west.

The other important linear that I want to point out here is that we have about a 2.5-mile gas interconnect. The Indigo Substation that I've been talking about, there is a natural gasline that stubs there at Indigo. SoCalGas will continue that natural gasline north along an existing easement that they own, and all the way to Dillon Road, the road that we drove towards the site on.

Once we reach Dillon Road we would turn west, drive down to what's called Melissa Lane, which is just south of the site. And then we'd take a turn north there. Melissa Lane is a currently unimproved, but dedicated access route to our site.

Some more specific detail about the project. You've already heard that it's an 800 nominal, 800 megawatt standby power project; will use eight General Electric turbines. Eight turbines provides a great deal of flexibility in how SoCalEdison will be able to dispatch our project. That's an important benefit.

Of course, we'll be burning natural gas

in this facility. Now, this project, the way it's designed, is an extremely efficient project. It is essentially about 10, 15 percent more efficient than the existing units today on the ground in California, the new GE LMS100 units.

Now, in addition, we've also designed these units with this particular arid, hot environment in mind. We don't expect to operate this plant most of the time. We expect to operate during really, really hot times of the year. So we had to take that into account when we designed this facility.

And there's two major components to making a power plant efficient, and environmentally efficient, by the way, when you're operating during those times of the year.

The first is water supply. Water supply is essential for cooling the turbines and the unit's equipment down so that when it burns gas it burns it efficiently, making sure that you're not burning more gas than you need to in order to produce the same amount of work. That helps reduce emissions and makes it efficient.

Now, the other thing that water is used for is it's used for one injection, an injection

process that actually directly reduces NOx emissions. So water is key to the environmental efficiency of this project.

Now, we also recognize that water is a valuable resource in and of itself. So we've designed this project with what's called a zero liquid discharge system.

What the zero liquid discharge system does is it basically recycles the water that we use over and over again inside the system until you end up with nothing more than a salt cake. And the salt cake is hauled off the site.

That enables us, because we cycled the water over and over again, to pull less water and minimize the amount of water that we use to operate this facility.

The other important fact is that with a zero liquid discharge system you're not discharging water waste from our site that comes out of our process into the aquifer or the environment.

Project schedule. We submitted our permits in July. We're going through the process now. We expect to receive our permits in around the November 2008 timeframe. That would allow us

to start construction about a month later. And then we expect to be online in May of 2010 in time for the summer heat of 2010 when we're needed.

I've already mentioned the environmental efficiency of this project. We'll be required to use, and we do use, the best available control technologies today for reducing emissions.

For the emissions that we have we're required to offset those emissions. We purchase offsets in the market where we participate in programs with the South Coast Air Quality Management District that essentially result in no net increases in the basin.

Another benefit that this project has that we think is overlooked, and it's important to mention, is that the California Energy Commission plays a significant role in this process. And that is the desire to retire older generation units that are less efficient, significantly less efficient.

Southern California Edison has quite a few older generation units running, up to 50 years in age at this time. Their plan to retire those units can't be met until new capacity comes online. So that's an important aspect of a

project like this. Before any of that older, dirtier generation can be retired you need to bring new generation online.

Water supply plan. Now, I talked to you about the importance of water supply for the efficiency of this project. The amount of water we expect to need over the lifetime of this project is approximately 550 acrefeet per year. To give you an idea of how much water that is, that's about equivalent to what a nine-hole golfcourse uses in a given year.

Now, we'll be permitted to operate more than that. We could use up to 1100 acrefeet in a given year on rare occasions when something is happening. Perhaps we're having a drought that year, or there's a particularly hot year. Very seldom do we ever expect to run at that level, but we are permitted to run up to 1100 acrefeet -- I'm sorry, we're permitted to run our project, which would require up to 1100 acrefeet per year of water use.

HEARING OFFICER CELLI: Mark, again, I'm just going to ask you to speak directly into the mike, if you can.

MR. TURNER: Sure.

HEARING OFFICER CELLI: Thanks.

MR. TURNER: I'm sorry I'm ignoring you over here.

MR. SPEAKER: That's okay.

PRESIDING MEMBER BOYD: At least keep the microphone in the neighborhood of your mouth.

MR. TURNER: All right, I got it. Okay. So, the 1100 acrefeet per year, that equates to about 2.9 million gallons per day. And what the California Energy Commission seeks applicants to do is first and foremost we must look for the use of reclaimed water or degraded nonpotable water.

Our project, we have identified a source of reclaimed wastewater, and that is -- and we're discussing the use of that water with the Mission Springs Water District here in Desert Hot Springs.

The challenge we have is that on an instantaneous basis when our plant is operating at full load, we use about 2.9 million gallons per day. The Horton Wastewater Treatment Plant, it's normal operating capacity right now is around 1.3 million gallons per day, or slightly more. That's not enough on an instance basis, so we need to look at storage options that will enable us to run, you know, during those hot months enough.

We determined that if we were to use the Mission Springs Water District reclaimed water, and be able to operate as we need to, we would need about 31 million gallons of storage, of aboveground storage. That, unfortunately, is not economically feasible, nor would it be something we'd want to see with 31 million gallon tanks out in the field.

So we needed to look at different options for using the reclaimed water. If you can, please go ahead and switch to the next slide.

So the plan we've developed is this. The Horton Wastewater Treatment Plant currently treats its water to the secondary level and percolates the water into the sub-basin. On an annual basis they percolate about 1500 acrefeet per year of water, more than enough water for our needs. It's the instance basis that's the problem.

We have proposed to Horton that we would fund the treatment of the Horton Wastewater Treatment Plant water so that we can clean it to the next level of cleanliness, clean it to the tertiary level.

And then have them continue to percolate

the water into the Mission Creek Sub-basin, and essentially bank the water and use it as a large storage tank for our project.

We would then, on our project site, extract water from the aquifer based on the amount of water we've banked or credited. The water that we don't use would go to the benefit of the basin. And that is our plan.

There's another component to the water supply plan that comes about because of the nature of payments that you make here in the area. And that is we would pay Missions Springs Water District for water we pull from wells on our site. Included in that payment is what's called a recharge fee. And another agency near here called the Desert Water Agency, they've built a recharge basin just north of our site.

And what they do is they take State Water Project water when there's a surplus and they fill it with that water, and recharge the Mission Creek Basin. Anyone who has wells in the Mission Creek Sub-basin is required to pay a recharge fee when they pull water from their wells. We, like them, would pay that recharge fee. That recharge fee would go eventually to DWA

and they would recharge the aquifer when that surplus water is available.

This diagram here very simplistically depicts that relationship. You've got the 1500 acrefeet per year recharging the basin from the Mission Springs Water District plant. You have us, this would be our worst case scenario, extracting 1100 acrefeet per year.

And then assuming the DWA can recharge 100 percent of that, they would recharge the aquifer with 1100 acrefeet per year. The net impact on the aquifer is that we don't have one. The Horton Wastewater Treatment Plant water continues to recharge the aquifer.

This slide is in response to the California Energy Commission presentation, which you'll actually be seeing after mine. I thought you were going to see if before mine. And there are a couple key points that I want you to think about when the California Energy Commission makes its presentation, and these are clarifying issues that we will be discussing with the Energy Commission and providing data to them about.

One is when you talk about the balance in the aquifer, whether or not there's an

overdraft situation or not. It's key that you consider the natural recharge that's going into the aquifer from rainfall. And also the artificial recharge that's going into the aquifer. For example, the DWA basin.

And the fact of the matter is we need to take those components into account. The Mission Creek Sub-basin is not in overdraft.

Another point I want to make is that the CEC will suggest that the Horton Wastewater Treatment Plant's wastewater is earmarked for sub-basin recharge. The fact of the matter is that in the Mission Springs Water District master plan, and in most of their studies, their goal is to sell that water.

And before we arrived their goal was to sell that water to irrigation customers. And I mean primarily golfcourses when I say irrigation customers.

So what we've done is we've analyzed our plan that I just described to you versus their original plan to sell it to golf courses. And the results show that our plan is more favorable to the sub-basin than is selling it to golfcourses.

So, again, we'll be supplying that data

to the CEC and talking with you in the coming weeks about that.

Another important point that the CEC brought up is that there's likely to be a curtailment in the amount of water that can DWA can recharge the basin with. And a 30 percent curtailment is what is implied.

Even if that were to happen our power project's water supply plan would still be a more favorable situation than if it were sold to golfcourses. So, again, we'll work with you in the coming weeks.

Finally, but very importantly, I want to talk to you about some of the economic benefits in addition to the electric service and reliability benefits that we're going to be providing the local community.

Based on the proposal we have before the Mission Springs Water District in avoided costs and direct benefits we estimate that the Mission Springs Water District will receive $17 million in revenue on our plant. That goes to ratepayers of Mission Springs Water District, primarily Desert Hot Springs residents.

There will be approximately $25 million

in sales tax revenues. We're working with Desert Hot Springs now on a plan that would bring directly to them $3 million in sales tax benefits, despite the fact that we're located in Riverside County and not in Desert Hot Springs.

There's a $5 million annual property tax revenues. Desert Hot Springs and the County are both talking about ways for Desert Hot Springs to benefit from those sales taxes. One way would be an enterprise zone; another way might be direct annexation. These are things we don't have control over, but we certainly would not object to.

In terms of jobs we estimate that during construction there will be about 350 new construction jobs over about the year it will take to build this plant. With an estimated payroll of $40 million.

Once the plant is operational there'll be 14 permanent jobs with a payroll of $1.3 million. There are also some significant indirect benefits, as well.

So, thank you very much. Again, if you have questions of us later on, please come up and talk to me or some of my colleagues. Thank you.

HEARING OFFICER CELLI: Thank you, Mark. I neglected to mention earlier that we only have the room until 4:00 today. So, don't take it personally if I rush you along.

I am going to allow a slight deviation from our agenda this afternoon now because we have some people who have a presentation to make briefly.

Commissioner Boyd, do you want to introduce them?

PRESIDING MEMBER BOYD: Thank you. Ladies and gentlemen, as I indicated in my opening remarks that I expected quite possibly we'd have some distinguished guests here. And I saw Senator Battin enter the room; and then eventually Assemblymember Benoit.

So I'm going to interrupt this proceeding to allow them to make their presentations. And ask the Senator, if you'd like to approach the microphone, I'm going to make two comments to Mr. Turner.

Number one, in your introduction you made reference to our complicated siting process. And we like to think of it as a comprehensive --

(Laughter.)

PRESIDING MEMBER BOYD: -- siting process.

MR. TURNER: I meant to say comprehensive.

(Laughter.)

PRESIDING MEMBER BOYD: And secondly, you talked about those old, 50-year-old power plants. And recognizing where we are, in Palm Springs, 50 is old -- 50 is not really old except to a power plant.

So, in any event, Senator, thank you for being here.

SENATOR BATTIN: Thank you very much for letting me speak. Assemblywoman Bonnie Garcia is on her way, so hopefully she'll walk in right as we're concluding our remarks.

I'm here to offer my support for the project. I was around in Sacramento when we had the energy crisis, and I know firsthand the problems that California faced. I dealt with it on the Energy Committee for years and years now.

And I was so concerned about it when we were going through it, especially for my constituents, with our heat that we have here. I wrote a bill that would direct the PUC to use the

heat index when they were determining where they were going to blackout.

That bill was passed through the Legislature and was a very popular bill, you can imagine, in the desert here when it's 120 degrees and the power's going out, and the air conditioner is off.

A lot of people think that they are safe now because of that. But the problem is that the Public Utilities Commission decided that they would not implement my law. I did not know that they could do that, and I learned a lesson then.

But the fact of the matter is that it is not active. And we do face the same problem that we faced before.

We got close, as everybody on the Commission knows, this last summer. We got close to blacking out again. We are growing, especially this area is growing. The growth in the Coachella Valley and Riverside County has been phenomenal. We're going to be one of the largest counties now in the state very quickly. And with that means that we're going to have more impact on the grid.

I do not want to face, I don't even want to contemplate a situation where we have the

lights, and more importantly here, the air conditioning go out in the middle of the summer. When the heat of the summer is upon us, air conditioning is not a luxury. It is a necessity. You will die if you don't have it.

During the time I was talking to a constituent of mine in Blythe who was in a power -- when the power went out. He was not in his home. He had a trailer. He came back and his son had crayons that he had left on the kitchen counter. When he got home that night after work they had melted. They were puddles. And, you know, that is the problems that we face.

This peaker plant is important to us, just not for getting more power on the grid. I believe that it is important to us to have it in the heart of our region that we know that when the power is -- when the great need is up, that we have another peaker plant going along, along with the Indigo Plant, that we can use to keep our lights on.

I am, as I said a minute ago, I serve on the Energy Committee in Sacramento, and have for many years. I know what we are doing with energy policies. I know that we are moving and making

very dramatic moves into renewable power.

A lot of times when you move into renewable power, as the applicant was talking about, you get renewable power, but you just don't get it all the time when you need it. Sometimes it's consistent, but it's sometimes not there. And we need to have a backup. And the peaker plant does that.

I don't like going up to the ISO and getting the tour there and being told how close we've gotten so many times from having the lights go out in California again. I think a lot of people don't understand that we really are on the razor's edge. And we're just lucky. I mean, you know, it wasn't that hot this summer. Next summer it could be really hot. And when it's really hot and those lights go out, and the air conditioning shuts off, we have a very big problem.

So I know everybody who lives here understands the heat situation. I hope that the Commission does when they are moving through on their processing here.

I'll just leave you with this: We convinced legislators from the coast to vote for a bill that would basically say their constituents'

power would go off more so my constituents' power wouldn't go off. They got it then. They understood it was about health and safety. And they cast those votes.

I really want to make sure that we understand the severity and the importance of this. And there are some challenges on this plant. I think all of them can be overcome. And I think it's good for Desert Hot Springs because $3 million there is going to be helpful to them. And I certainly would hope that you would approve the process, as it goes on. Thank you.

PRESIDING MEMBER BOYD: Thank you, Senator.

Assemblyman.

ASSEMBLYMAN BENOIT: Good afternoon and thank you for the opportunity to say a few words in the process.

My name is John Benoit. I represent the 64th Assembly District. And that covers a significant portion of the Coachella Valley, as well as Riverside, the Moreno Valley and down to Temecula. And places in between. A modern miracle of redistricting.

At any rate, our whole community, the

entire Inland Empire, is certainly in need of this facility. As a resident of the Coachella Valley since 1988, I have witnessed drought conditions. I've witnessed earthquake-caused power outages in this Valley before.

I have witnessed, and we've all, those of us who have been here awhile, have suffered through rolling blackouts. We know those realities are there. And particularly in the Coachella Valley they are a reality.

I can recall very vividly getting woken up out of my bed several years ago. At that time I was the Highway Patrol Commander in this area. I went to grab my police car at the curb and went out to begin the process of assessing the damage done to bridges in this area. And I could look to the northern part of the Valley and see a ribbon of dust rising along the San Andreas Fault. We lived that here, and we know it quite well. And we know that some day, not if it's going to happen, but when it happens, we're going to need that power. And having it generated here locally is important.

We have problems in the state for generation. We also have problems with grid, and

how we move power around. I don't need to tell you that. You're the experts. But having the power here where that kind of a serious incident is almost inevitable, where the next day it's still going to be very hot, the earthquakes don't discriminate in that temperature range, it's going to make all the difference in the world if we have a facility like this.

And as the good Senator said, we are on the edge. And we're on the edge this year, this is 2007. If we move forward with this project we don't see relief next summer in 2008. We don't see it the summer after that. The best case scenario, if we move this process forward, is 2010. That's a long time.

I would hate to see that this process and others in the state be delayed, because those years are clicking by and the inevitable earthquake-related problems we're going to have in this Coachella Valley are not going to go away.

This proposal that I see here today, and I've had a chance to read and study, certainly does not have unanimous support. Never has a plant like this had that; never will. But I think it does have very very strong support in the

Coachella Valley. And I'm pleased to be standing here as part of that.

There's a very clear need for the project. It is effective, efficient, environmentally sound plant that's before you. And I would urge you to give it positive consideration. And I thank you for the opportunity to speak.

PRESIDING MEMBER BOYD: Thank you very much. I see Assemblywoman Garcia.

ASSEMBLYWOMAN GARCIA: Thank you, and I apologize for the abrupt entry, but I was racing over here from a presentation with students.

I want to first thank the Commission for holding the public hearing here in the community where it's so vital that you hear directly from the people that are being impacted.

I want to tell you that I'm here as an Assemblywoman, but I'm also a 20-plus-year resident of this area. And across the highway my mother and grandmother live. My grandmother's over 90, and every summer she struggles with keeping that air conditioner on. Because like many seniors here, she is on a fixed income.

And my mother, who lives with her,

suffers from cardiomyopathy; has 30 percent of heart function. So it's not a choice for her to turn on that air conditioning. She must or she will, in essence, bake herself to death.

So because so many of my constituents are going through similar circumstances I have to tell you that it's incumbent upon all of us to rush from wherever we are to make sure we let you know how important that is.

Today's extremely windy and you forget that 30 days ago it was 100 degrees here; and 60 days ago it was 120-plus degrees here. But it's a reality that we've been dealing with here in the Coachella Valley and in the State of California for a long time.

The other issue is that we are growing by leaps and bounds. Riverside County is the fastest growing county in the State of California. And we're adding half-a-million people to California every year. And when they come to a region it puts more and more demand on the services that are there.

So it's critical that we take a look at the services that we have, we look to diversify, and we also look at how we move away from the way

we've always done business.

One of the things that I've been personally involved in is looking at geothermal, taking a look at the Salton Sea, the plans that are there, and finding ways that the state can help develop alternative energy, wind, geothermal, every other thing that we can do. We also have worked on the Greenpath Project.

But the reality is that we need that power today. And we have the ability today to make a decision that will be critically important very soon, right here in the Coachella Valley.

It will provide a revenue source to the City of Desert Hot Springs. Of course, increase property taxes to the surrounding community. Will add, I believe, $5 million in property taxes; $3 million directly to Desert Hot Springs, and $25 million in use sales tax revenue.

Not to mention what it does to protect the water supply for Mission Springs by looking at innovative ways to use technology to develop power, we also can be a leader in helping other areas of the state that are meeting similar challenges.

I think it's extremely important that we

act, act quickly, act efficiently and act with all the information that we have available.

So, again, I want to thank you for coming to our community. I want to encourage you to talk to local residents. I want to invite you, that I'm here today, jump in my car, let me take you out to meet some of the seniors that are struggling so that you can hear directly from them if you think that it will help you with your decisionmaking process. But overall, I would encourage you to vote yes for the project. Thank you.

PRESIDING MEMBER BOYD: Thank you very much. I understand that Pal Spring Mayor Ron Oden is here, and he has a time constraint. And so we'd like to afford him the opportunity.

MAYOR ODEN: Thank you for this opportunity to speak with you. This time last year I was in France for an international water conference. It was called PiyuTech. And this experience absolutely changed my life.

I thought before I went that I was an environmentalist and concerned certainly not only about our environment, but conservation, as well. And here I am, this mayor of this small little

city in California out in the desert, interfacing with leaders from all over the world talking about water and energy.

And one of the things that I learned from that experience is that how we fit into the global marketplace. And it's really very important because we can say no to a lot of things here that may benefit people not too far from here. And what is our responsibility with that when we're talking about lives.

You know, a few years ago when we were looking at the energy crisis, gas prices in this country, the United States was very upset, and a lot of us were upset. We went to those pumps to get gas.

And France at that time said that they were fed up and they would no longer be held hostage by the oil-producing countries. And as a result today 92 percent of all their energy comes from non-fossil-fuel sources.

But we are pretty much in the same place we were at that time. And yet there's been a lot of advances. One of the things that we talk about in the City of Palm Springs is about becoming the renewable resources center for the State of

California.

Now, those of us who enter today know that we have two primary sources here of energy. And that's wind, which is showing her powers today, and the sun. But certainly those are not the only resources that we have here.

And I am honored to support this project because of its environmental sensitivity and efficiency. The use of natural gas and water, but not just our primary source of water, it is reclaimed water and from nonpotable -- it's nonpotable water which, in the recycling process, will leave a zero liquid discharge back into our aquifer, which I think is extremely important. Which says that they're concerned about our environment and protecting us not only for today, but for the future.

So we look at our desire to be the renewable resource center. We can see a lot of things that we're doing to make sure that we have that status and maintain that status.

When we look at our public transportation here, compressed natural gas. We wanted to make sure, and we were one of the first fleets to do this in the country. And when we

look at our municipalities here in the Coachella Valley, most of our vehicles that we use use compressed natural gas, or we use electric vehicles. But definitely continuing to protect our environment because we are concerned. Even our trash haulers are required to do the same.

So we are concerned about our environment. Yet, we also believe that we can do our part to make sure that we save lives. Not only the lives of people here locally, but those who live throughout the State of California.

What is our part? What can we do here to assure us of cleaner environment and a safer future. And then to see that one of my sister cities gets a monetary benefit as well, I think this is an outstanding opportunity.

Thank you for giving me a chance to speak here today.

PRESIDING MEMBER BOYD: Thank you, Mr. Mayor. Thank you for your positive words about renewable energy. I hope that Commissioner Pfannenstiel and I can return to your city shortly and see solar roofs on every house in the community.

(Laughter.)

MR. SPEAKER: Next year.

PRESIDING MEMBER BOYD: Thank you. All right.

HEARING OFFICER CELLI: Thank you, Commissioner. I want to get back on our pace with the agenda. Normally, ladies and gentlemen, what we would do is take questions after any party speaks, but what I think I'm going to do in the interest of time today, is ask that you hold your questions until the comment period after we hear from staff.

And then when we have public comment we will also have public comment and public questions. And I think that that'll be a little more efficient.

So, having said that, I'm going to ask now for staff to present their remarks, please.

MR. PFANNER: Thank you, Hearing Officer Celli, and members of the Commission. My name is Bill Pfanner and I'm the Project Manager with the Energy Commission. And I have with me today Caryn Holmes, who is staff's legal counsel.

And we represent a staff from the Energy Commission of over 20 technical disciplines of environmental scientists and engineers ranging

from biologists, cultural resources, visual resources, engineering that will be working to prepare an analysis, an objective, independent analysis of the environmental impacts of the project.

And we make a recommendation then tot he Commission on what we feel the project's ultimate decision should be. We do not make the decision, we make a recommendation. So, again, we are representing a number of staff.

I would like to go over our comprehensive process because it is a 12-month process, with many steps; and if you get lost in the slides, there should be a handout of this presentation in the back. And I will also note, my card's in the back, and Mike Monasmith, with the Public Adviser's Officer. We are probably the two best people to contact through the process on the day-to-day actions on how to be involved.

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

environmental quality protection. And that's right out of our Public Resources Codes.

Next slide. So, in the siting process, the Energy Commission's role, we look at thermal power plants of greater than 50 megawatts and the related facilities, such as transmission lines, water supply pipelines, natural gas pipelines, waste disposal facilities and access roads.

So, those of you that might be familiar with the California Environmental Quality Act, or CEQA, we do a CEQA-equivalent process, and we do a comparable document to an environmental impact report, if you know that term. So I'm going to be throwing out a lot of terms today and a lot of process; and just take it one piece at a time. And as I say, you can work with us, because it is a comprehensive process.

So, as an overview there's three main steps involved in the licensing process. And the first step is data adequacy. And as was stated by the applicant, the application for certification, which is called an AFC, came in in July. Staff reviewed the process; made a presentation to the Commission and found that there was minimum required information for the project to be deemed

Adequate.

So we have passed that point, which brings us to the staff discovery and analysis phase, which is where we are right now.

We are in the process of preparing data requests, which are staff going to the applicant to get more information on their project. We'll be conducting a workshop here, approximately the middle of next month, on the first data request workshop. We're identifying issues, as we see them today, and I have a copy of my issue identification report on the back counter, also.

And there will be public workshops through the process, leading up to staff's preparation of a preliminary staff assessment, which is called the PSA, and a final staff assessment, which is an FSA. Two important terms to know of the process.

After staff has prepared those documents it goes to the third stage which is the Committee evidentiary hearing and decision. The Committee's evidentiary hearing is based on the final staff assessment and other information.

The Committee then produces the Presiding Member's Proposed Decision, the PMPD,

and the PMPD goes before the full Commission for decision. So there will be all five of the Commissioners at the end voting on the final project.

This graphic shows basically where we are right now with the staff discovery and analysis phase, where you see staff, in the green box, is kind of the center of the hub. We're doing our assessment, we're getting information. And feeding into it are the critical components. We have local, state and federal agencies. We have the applicant. We have the public, which is a very critical part of the process. And intervenors, which are people that have legal standing and have filed to gain that legal standing in the process.

Critical, as an interface between the public and the intervenors and staff, is the Public Adviser's Office, represented by Mike Monasmith.

Next slide, please. So, during this staff discovery and analysis phase, we determine if the project complies with laws, ordinances, regulations and standards. That's another term that you'll hear a lot of, LORS. We insure that

all the laws, ordinances, regulations and standards pertinent to the project are met.

We conduct engineering and environmental analysis; identify issues; evaluate alternatives to the project; identify mitigation measures and make a recommendation for the conditions of certification.

We facilitate the public and agency participation. And we produce the PSA and the FSA, which makes a recommendation to the Committee.

Next slide, please. When that happens this graphically shows the evidentiary hearing and decision process where the central hub is the Committee with their proposed decision, which ultimately goes to the full Commission for decision. And feeding into their decision is staff's final staff assessment, the intervenors' testimony, public comment, agency participation and state and local governments. So that is the third step of the process.

Next slide. The evidentiary hearing and decision process. The Committee conducts a hearing on all information. They issue the Presiding Member's Proposed Decision, the PMPD.

And that will contain findings relating to environmental impacts, public health and engineering, the project's compliance with LORS, the recommendation of conditions of certification and the recommendation whether or not to approve the project.

And that is a full Commission decision. And after that decision, should the project be approved, the Energy Commission monitors compliance with all the conditions of certification for the life of the project, including facility closure.

As part of our process we are interfacing with local, state and federal agencies. As you see here, we've identified a number of the key players. This is not meant to be a comprehensive list. There are many many more, but in the local and regional category, Riverside County with their public health department, waste management, public works, planning, building, health, fire, sanitation.

The City of Desert Hot Springs, the City of Palm Springs, the South Coast Air Quality Management District, Colorado River Basin Regional Water Quality Control Board, Metropolitan Water

District, Mission Springs Water Agencies, Desert Water Agency, Coachella Valley Water Agency. You can see on a local agency, just with this brief list, there's a lot of players involved.

On the state level we coordinate with the California Air Resources Board, Office of Historic Preservation, Department of Fish and Game, State Water Resources Control Board.

And on the federal level such entities as the USEPA, U.S. Fish and Wildlife, U.S. Army Corps of Engineers. Many many players that are contacted and participate in the process.

A bit about the public process. We encourage an open public process. And I'm very happy to see a good turnout here today, because it is critical to our process to facilitate public involvement and get your input as early in the process as possible. I would encourage you to talk to your friends, talk to your organizations, spread the word. The earlier we get people involved, the more dialogue we get, the better it is for us to understand the project and prepare the comprehensive analysis.

We've developed mailing lists. We have listservers. Documents to date have been the

application for certification; and any published documents will be sent for review at the City of Palm Springs Public Library, the Riverside County Public Library systems, Desert Hot Springs Office. And also libraries in Eureka, San Francisco, Fresno, Los Angeles and San Diego.

We have information in Sacramento's Office of the Energy Commission. And information is available on our website and through the docket office, which I can get more information to you later on that.

Ways that you can participate. We encourage written comments, statements to the Commission, any oral comments at public meetings; become a formal intervenor through contacting Mike Monasmith and finding out how to do that. And to provide any written comments on the PSA, FSA or PMPD.

So the listserver. Now in the age of technology, we have many resources that weren't available just a few years ago. And an easy way to find out what's going on with the project, if you have internet access, is to go to the website of the Energy Commission and go through the steps to find out what's going on. The listserver then

will send you a notification of information that comes in.

Or you can go directly -- next slide -- to the Energy Commission's website for Sentinel. And that will provide copies of all notices, maps, figures, any publications that come out. It is all docketed and put on the website for use.

So staff issues its issues identification report, which the purpose is to inform participants of potential issues, and early focus of important topics.

Criteria, right now, where we're looking at issues is we're looking at significant impacts that may be difficult to mitigate; things that might be noncompliance that we know right now with LORS; any conflicts between parties with appropriate findings for conditions of certification for Commission decision that could delay the schedule.

So, at this point the issues identification report is kind of a snapshot of what staff sees at this point in time. It will certainly change. There will be new issues that will come up. There will be some issues that we've identified now that will go away. We will

have many many many opportunities to discuss these issues in the future.

But the purpose right now is to kind of see what issues we're seeing as being the major topics that we need more analysis on to make the applicant aware that these are issues that we're seeing as concern, and that the Commission can understand what issues they're going to be hearing a lot about in the future.

So at this point staff has identified two potential issues for discussion, the first one being water and soil resources. Staff's identified that the project proposes using high quality groundwater from onsite wells for power plant cooling. Peak water use is expected to be about 1100 acrefeet per year, with an average use of 550 acrefeet per year, which may not conform with the Energy Commission's water policy, and may create significant adverse environmental impacts.

Staff's identified that the groundwater sub-basin that the project will be drawing from is in a state of overdraft by 9000 to 10,000 acrefeet per year. And the applicant proposes mitigating the use of groundwater by purchasing recycled water from the Mission Springs Water District for

groundwater recharge; and by paying for State Water Project water through the Desert Water Agency.

However, staff's identified that all water resources are already earmarked for groundwater replenishment, including recycle water from the Mission Springs Water District. So this will be an issue that will need to be resolved.

And then the fourth issue under water and soils is that the State Water Project water available to recharge the sub-basin is likely to be curtailed by up to 30 percent due to a recent court ruling further reducing the amount of water available for groundwater recharge.

So, as was identified by Mark Turner, the applicant, he doesn't agree with this. That's the purpose why we're having these meetings now. And we will be working these issues out through the data requests and the evidentiary hearing process. So, at this point we agree to disagree on this information.

The second area of potential impacts we identified are air quality, which is probably not a surprise because air quality is always an issue in California. The project faces challenges in

securing adequate criteria air pollution mitigation.

The project's located in the South Coast Air Quality Management District where emission reduction credits and reclaimed trading credits, RTCs, are scarce. And since the applicant has not yet purchased sufficient emission reduction credits for volatile organic compounds, or VOx, SOx or PM10 emissions, or for the RTCs for NOx emissions that's necessary to mitigate the project impacts, it will need to rely on the South Coast Air Quality Management District's rule 1309.1 to secure the balance of the mitigation for SOx, PM10 emissions for this project.

Now, with that said, the South Coast Air Quality Management District rule 1309.1, priority reserves, staff's identified that the project might not be eligible to access the South Coast's priority reserves for assessing the priority reserves. And staff is currently working with South Coast and the applicant to better understand what evidence or modifications might be necessary for the proposed project to demonstrate compliance.

Under the topic of nitrogen oxides, NOx,

and mitigation and the South Coast's reclaim program, the project will participate in the South Coast reclaim program for NOx. Staff recommends that the project provide proof that it has obtained sufficient NOx reclaimed trading credits for the first year of operation through either option contracts or outright ownership. And we would require that this be provided to us by the time of the evidentiary hearings.

And the fourth air quality topic involves volatile organic compounds, VOCs. And based on the offsetting requirements of the South Coast regulation 13, the applicant must offset the project's VOC emissions with emission reduction credits. The applicant has not yet obtained sufficient VOC ERCs either through option contracts or outright ownership, nor provided a schedule for obtaining these offsets.

So that may sound like a lot of gobbledy-gook if you haven't worked in air quality stuff. and these are issues that are pretty common in power plants in air quality basins that are impacted, such as this. We will be working closely with the Air Quality District, with the applicant, with the local entities to work out

those problems. But they're identified now because they are issues of concern that we want everyone to be aware of.

So we're looking at a schedule. This is a 12-month process. And sometimes it feels longer. But we do try to work through it as efficiently and expediently as possible.

This schedule that I've stepped out basically goes through November of 2008. There is the point right now where we're at data requests round one. I have in the schedule shown in kind of the reddish-brown color there on the screen, data request round two. That's a critical factor in the schedule that if we wouldn't need a data request round two, the project could be going to the Commission earlier. If we need data requests round three, four, five or six, that can affect the length of the time of the project, also.

So the schedule at this time, you know, we -- best shot answer is that it would be going for Energy Commission hearing final decision in November of 2008. But, as I always tell people, you really need to stay on top of the schedule and see where things are going because sometimes thing can move very quickly, sometimes they can move

very slowly. Everything is posted on our website. Everything is held in public forums where we hold workshops. But it is incumbent upon you, the citizens, to keep informed of the process and keep up on the schedule on what's going on.

To meet this schedule there's a number of factors involved which we never know how things are going to turn out. You know, it depends on the applicant's timely response to data requests. And I must say that the applicant has been very forthright and willing to work with us to date.

Sometimes there's information that isn't readily available and it takes time to obtain. Sometimes there's things just out of their hands that they can't get information as quickly as we need. We rely heavily on the South Coast Air Quality Management District for its determination of compliance. I know that can be problematic at times. And we depend on determinations of other local, state and federal agencies.

And what other factors come up, yet unknown. Every project has its own little twists and wrinkles. And it's hard to look into a crystal ball and say exactly what the schedule will be. But we will do our best to insure that

the process moves as smoothly and quickly as possible.

With that said, some of your contacts, again: Bill Pfanner, I'm the day-to-day project manager. The best person to contact for the hearing process, Ken Celli of the Hearing Office; Public Adviser's Office, Mike Monasmith. And the applicant, themselves; they are a resource of good information and I'm sure they'd be happy if you had questions directly for them, that they would love to talk with the public, also.

So, with that, again I will commend you, the community, for an excellent turnout. We encourage you to spread the word. We have a process that really is geared towards public involvement. We encourage it; we facilitate it. We've got to get you into the process to really make it work. And I'd be happy to answer any question you might have for me today.

HEARING OFFICER CELLI: Thank you, Mr. Pfanner. I note that your schedule in the slide is a little different than what I have here. And for the record, I would like the record to reflect that both the applicant and the staff have PowerPoints. And my request would be that the

parties submit your PowerPoints to dockets, please. The parties are indicating yes. Thank you. And a revised schedule.

Did the applicant have any comments about the schedule?

MR. CARROLL: Only that we would hope that we can, at a minimum, stick to the schedule, and hopefully improve upon the schedule. I would point out that this is one of the very first projects to be deemed data adequate under the Commission's new siting regulations which require a great deal additional information in the application for certification than was previously required. And so we think that we submitted a very comprehensive and complete application. And that that will minimize the need for any data requests beyond the first round.

So, we're hopeful that that will be the case. And we will do everything within our power and ask that the staff do the same to stick to the schedule.

HEARING OFFICER CELLI: Thank you.

MR. PFANNER: And I would just note the difference between the two schedules. In the issues identification report originally published

we just accounted for one round of data requests. In the PowerPoint slide we gave two rounds of data requests. And it's unknown what will be.

HEARING OFFICER CELLI: Okay. But you will be able to provide me with a new schedule so I can work off of that?

MR. PFANNER: Yes.

HEARING OFFICER CELLI: Thank you. At this time, ladies and gentlemen, it's time for public comment. I do want to reiterate that we only have this room until 4:00.

What I'm going to do is I'm going to call people who filled out -- well, first I'm going to ask for people from agencies to come up and speak. Then I'm going to call people from the blue cards that you filled out.

If there's anyone here, a member of the public, who wants to make any sort of comment or question of the applicant, I'm asking you to please see Mike Monasmith in the back. Mike's holding up the blue cards. You need to fill out a blue card. And when I get a blue card I will call your name in order and we will hear from you then.

So, thank you very much for your cooperation. First I'm going to ask, we have some

members from the Desert Hot Springs City Council here, is that correct?

Please come forward and make comment. I'm going to ask when you approach the podium to please state your name for the record clearly.

COUNCILMEMBER PARKS: My name is Yvonne Parks. I'm a member of the Desert Hot Springs City Council.

At our last meeting on Tuesday, October 2nd, the Council did vote on a resolution, the vote was four-one, to support this plant. We are in need of peak energy production. We have many many days of very very hot weather.

We have a lot of renewable energy here in the desert, specifically with the windmills. Unfortunately, on a very very hot day, the wind doesn't blow. So that renewable energy is not available in the amount of energy that's required to stave off a blackout.

So, also this project is very beneficial to the City of Desert Hot Springs. We believe that for the benefit of the entire community, and to allow for peak energy being produced, that this project should go forward.

And I thank you very much.

HEARING OFFICER CELLI: Thank you very much for your comments. Also with the Desert Hot Springs City Council, please identify yourself.

COUNCILMEMBER MATAS: Scott Matas, Councilmember. Thank you for coming out and thank you for enjoying our therapeutic winds with us.

(Laughter.)

COUNCILMEMBER MATAS: Ditto on everything Councilmember Parks said. We are excited about this project, that it will help in the energy crisis, if there comes to be one.

As a business owner also in the City, I am very concerned about blackouts in our state. Without power my business doesn't run. All computers run my business, so with a blackout my doors are shut, so that's very concerning to me.

Also, I know some of our residents had concerns about the height. But as you -- I live at the very north end of the City here and you can look out and you can barely see the Devers Substation out there. So with the height of the stacks and everything, I don't think it would be that big of a concern for our community.

I'm very confident that our water district will work through their issues. And I

think this project will be great for the city; and the economic benefits it brings to our city is very wonderful.

So thank you for your time, and thank you for coming to our city.

HEARING OFFICER CELLI: Thank you, Councilmember. I also have Steven Hernandez from County Supervisor Marion Ashley's Office. Is the Supervisor here?

MR. HERNANDEZ: No.

HEARING OFFICER CELLI: Did we already receive these?

MR. HERNANDEZ: Yes.

HEARING OFFICER CELLI: Thank you.

MR. HERNANDEZ: Good evening, Commission. My name is Steve Hernandez and I am here on behalf of County Supervisor Marion Ashley. He does apologize for not being able to be here today. He was preoccupied with other matters.

The Supervisor has written a letter of support, and because of time I'll just summarize the main points of it.

He expresses that he is in full support of this project, as it is vital to the Coachella Valley and has a regional significance in it.

He explains and continues to explain that the project has the proper zoning and the zoning is adequate, and would be the right place for such a project.

He also explains that the Devers Substation is adjacent to it, and that the effects would be little to none.

He continues to explain that the project is powered by natural gas, and he is very supportive of that.

In summary he goes on to explain that there's going to be a great amount of local benefit to the local economy, both from the creation of jobs within the project, and also with giving to Desert Hot Springs $3 million. As you know, the city is in need of those monies and would benefit greatly.

He's also exploring ways in which to capture more tax increment by possibly creating a redevelopment zone, and sitting down with Desert Hot Springs and sharing several of those revenues.

In summary, he is in support and he urges the Commission to approve the project. Thank you.

HEARING OFFICER CELLI: Thank you, Mr.

Hernandez.

Folks, I want to just point out that I received a couple of letters, one from Senator Battin and one from Assemblyman Ashley. And what happens when we receive letters is we scan them; we put them in pdf form and we put them up on our website.

So if you go to our website, everything that we receive should be up there and available for the public to see. And if you want to know how to do that, you can speak with Mike Monasmith, our Public Adviser.

Arden Wallum, you wanted to address the Committee, please.

And also, if there are any other public officials who wanted to make comment to the Committee who did not fill out a blue card, just please stand up and sort of form a line, if you wish to speak. Mr. Wallum.

MR. WALLUM: Welcome to Desert Hot Springs. And when I told your staff that they'd be blown away by our wonderful community, I didn't really literally mean it, but like Scott said, we refer to it as therapeutic breezes. The weather here really is very nice. And we wanted to

welcome you to our wonderful community.

Before I begin I wanted to introduce my Board. Most of them are here today. Randy Duncan, the Vice President, is here with us. Nancy Wright, Director Wright. Dorothy Glass, Director Glass is here. And Director Furbee, John Furbee, is here. They might get up and add to what I say. Usually that's how our meetings go. If they think that I left something out, they are very free to get up and add to what I have to say.

You know, we recognize the need for power and are very supportive of that need and that requirement. And, in fact, we're probably one of your major customers. We literally spend millions of dollars every year on energy to put that water in the pipe.

And I thought what would be appropriate today, because in visiting with the staff, like you said, this is an introductory meeting. I didn't want to get into the details. Because I can assure you we can talk about water for days.

And, in fact, we had a meeting on Wednesday where we barely touched the surface of these issues, and we were there for nearly four hours.

In my visit this morning, I was also visiting with some of the citizens over at the Sidewinder, and you know, there are some misunderstandings out there. And so I thought what would be important for me to do today is to explain Mission Springs Water District's role of all of these agencies in this process.

We are purveyors. We bring the water to you and we take it from you. And, in fact, this process involves both of those. I won't get too deeply into what goes on once we take it from you, but from an engineering standpoint, and that's what I am, we find that one of the more interesting processes in our plant.

But we basically push water down pipes. Our charter is the Water Code, a big thick book. We're a county water district. And you got to remember that. And the people in this community must remember that. We are not the watermasters in this particular Valley right now. This Valley is not adjudicated. We should be. We know more about the water than anybody. We care about it; our interest is always in the best interests of most of the people in this community.

We're the ones that have to buy it. And

I hate like hell to raise rates. Maybe my ratepayers don't think that, but I can tell you something, we live in fear of raising rates. And we want to keep them as low as we possibly can.

We are the closest form of government to the people. Everybody can walk into my meetings; they can walk into high-level Board Members, like yourself, and Commissioners like yourself, and visit with us.

But we have an interest in this community; we love it, and we want to protect what is ours.

We are, like I said, a county water district. We are the purveyors. There are three land use agencies within our district. We have the City of Desert Hot Springs; we have the City of Palm Springs; and we have the county.

Typically these are the agencies that are the ones that do the permitting. In this particular case, a unique case, we have a power plant. So, the California Energy Commission, the CEC are the ones that will be doing the permitting or certification. They're the ones that will be the lead agency.

The issue here is the wise use of water.

And when these other communities, like Desert Hot Springs or Palm Springs, come in; they say we're doing an EIR, and through a CEQA process, they are required by law to ask the purveyor, which would be us, to do the water supply assessment.

Now, you're going to do something similar to that. And I might also say -- you know, I'm going to say it again because I've got it at the end of my presentation, my conversations with the CEC Staff have been impressive as hell. They are capable of understanding the issues; they're a quick study. And I want to compliment them for the work that I think they've done to date; and I think they've identified the correct issues.

For instance, when a development comes in. I'm going to draw a relationship that's similar to a development, because that's what this is. A developer comes in, says we want to use water. This particular usage of water, like referred to earlier -- and incidentally, we refer to this 550 acrefeet versus the 1100 acrefeet. You know, we have to plan for 1100 acrefeet. In fact, we should plan for more than that.

When you get ready to turn that faucet

on during those hot days, that's the peak demand. And so when we have to build pumps and tanks and transmission lines and collection systems and interceptors and treatment systems, we have to do it for that max day. We don't get to average it out. We have to be ready to provide it.

And the same thing goes with the power plant. We need to look at what their max day consumption is. When they confine that usage to a 60-day period each year, that period corresponds quite closely with our peak demands.

And I'm going to bring another issue into that. But to add confusion to this water war, or water world, you have Desert Water Agency, which is basically our state contractor.

They and CVWD us a, we call it a pump tax; they don't like to refer to it as that. But basically we pay a fee on all the water that we pump. And that fee will be over $1 million next year. And rise every year probably thereafter.

In addition to that, like you've heard today, we expect a 30 percent reduction in the amount of water that we actually do get. So we are worried about the balance of water in this issue.

The methodology is what confuses people. And that is because they do not charge for what they deliver, but they charge on where everybody pumps. So when somebody new comes in, like the power plant, they pay a fee based on what they're pumping. That does not mean additional water is coming into the Valley.

In fact, what you heard today and what you'll hear from the Governor, what you will hear from Steve Robins and Dave Lukid is that we can expect a 30 percent reduction in the amount of water that's coming into this area.

Now, I've heard a number of different stories about power and how the need for power during these hot days is so important. I might remind you, everyone, that the need for water during those very hot days is the same. I go from 3 million gallons a day to 15 million gallons a day. It'll correspond identically to the need that they will have.

Now, I don't care. If we can work out a way to do it, that's fine. They're a customer; we're a purveyor; we're not the watermasters. And this process, this process that you're going through will determine whether that is the wise

use of water; whether they are doing what they can to conserve water.

And I am impressed with your staff, and I'm impressed with this process. So with that said, I hope that you will look at all of the information as it is brought forward. And like I said, we don't object to power. We realize there's a need for power. We're a big customer, but we also look at what that need for water will be in the future.

With that said, I don't know if you have any questions. I wanted to ask my Board if they have anything.

DIRECTOR GLASS: I only have one statement to make. I --

HEARING OFFICER CELLI: Please come to the microphone and identify yourself.

DIRECTOR GLASS: My name is Dorothy Glass. I'm a Director on the Mission Springs Water Board.

(Pause for microphone system.)

DIRECTOR GLASS: Oh, sorry about that. I hear over and over again that they will use reclaimed water. I think that really is a misconception.

Our water that is percolated at our sewer treatment plant goes down Valley. We do not reuse that water. We do not recapture it. We have no way of banking it. And the wells they would put at the proposed power plant would be upstream from our sewer treatment plant. There is no way they can utilize that water.

They can pay us for it, which they propose, but it will not be using reclaimed water. It is five miles from there to their plant. And they see no way that they could utilize that water.

So I just wanted to clear up that misconception. And I thank you for letting me speak.

HEARING OFFICER CELLI: Thank you, Ms. Glass. Please. I wanted to, while I have this moment, I want to make something -- reiterate something. And that is that this Committee is a separate body from the California Energy Commission Staff. And so the staff is represented over here by Mr. Pfanner.

And generally you want to speak to the staff or the Public Adviser's Office, as members of the public, when you want to communicate. As I

explained earlier about the ex parte rule, you do not want to speak with the Committee.

I just want to state on the record that on September 21, 2007, I did receive a phone call from Arden Wallum regarding this hearing. And there was mention of complicated water issues, and a major overdraft. These are my notes of what was said, so in lieu of a report of conversation, which I haven't gotten around to writing -- and generally when there's an ex parte communication we write a report, put it up on the website so everyone can see what's going on.

But I just wanted to disclose that on the record.

Please.

MR. DUNCAN: My name is Randy Duncan. I do serve as the Vice President of Mission Springs Water District. I wanted to ask you, though, I haven't discussed my comments with the Board, so I really don't want to represent the Board. I want to give you my own comments, and I did turn in speaker card. Do you want me to speak now or do you want me to wait until --

HEARING OFFICER CELLI: Please.

MR. DUNCAN: All right. Mr. Pfanner

touched on most of the subjects I wanted to touch on. Arden and Dorothy pretty much covered the others all together.

I just do want to reiterate a couple of things. CPV's presentation, even today, the elected officials that were here earlier, all talked about reclaimed water, using reclaimed water.

They're not using reclaimed water. The CPV Staff stood in front of our Board two days ago, Wednesday morning we had a workshop. They said they specifically cannot use reclaimed water in their machines, their cooling system, whatever. They must have fresh, potable, clean water. So that is smoke-and-mirrors misleading, at best, in my opinion.

Their peak days, like Arden said, coincide with ours. Trading one shortage for another I don't think is a real acceptable solution. There are a lot of economic benefits to Desert Hot Springs and the Valley for having that plant here.

I appreciate the electricity. My office uses it. I've run through some days here in the Valley with no electricity. I've lived in town

for almost 20 years. It gets hot, nobody will deny that. But I can live without electricity a lot better than I can live without water, if I had to choose one or the other.

Just to give you a taste of a little bit of a picture, the basin we're in runs roughly katty-corner across this building, northwest corner of town to the southeast. Our Horton treatment plant is in the southeast corner. The peaker plant will be roughly five miles across the other way.

The $17 million that they're talking about, value to the District, and they use value or benefit, not income, is they will drill some wells on their site, which obviously means they're sucking fresh water, okay.

And 10 million of that $17 million value, being as kind as they are, is the simple fact that we won't have to build a purple pipe, or reclaimed water pipe, from the treatment plant to their facility. They're claiming that as value or income for the Water District. Come on, you know, I'm sorry, I don't buy it.

Right now we perk roughly 1500 acrefeet of water a year. We're doing that today. Next

week, next year, we will put 1500 acrefeet of water back into the ground.

If CPV comes in and pays for the upgrade to pay for a tertiary or third-stage water treatment facility, we will still perk 1500 acrefeet of water back into the ground per year. Their wells will have a net draw of 1100 acrefeet of water per year on this Valley, and we cannot afford it.

We need electricity, I'm not denying that. If there are any other alternatives to putting this plant in, I'm all for it. But I cannot support trading water for electricity.

Thank you very much.

HEARING OFFICER CELLI: Thank you, sir. I'm going to ask for Shawnna Trombetta to please come forward.

MS. TROMBETTA: I'm afraid to touch the mike. Good afternoon and thank you for allowing me to speak. I represent the Coachella Valley Economic Partnership. And I'm here for John Sullier, our President and CEO. So I'm going to read a copy of his letter that he did send last week. But we just wanted to come and put it on the public record.

"The Coachella Valley Economic Partnership supports the proposed CPV Sentinel standby power plant to be located in northwestern Coachella Valley. CVEP is a regional economic development agency for the Coachella Valley. Our membership includes the nine cities of the Valley, the County of Riverside and 130 private businesses. Our work to attract businesses to the region, as well as to assist existing businesses with expansion will be enhanced with the addition of the proposed CPV project.

"We believe that the reliable supply of power which includes backup power is a key component of sustainable economic growth. The project will bring important economic benefits in the form of new revenue and jobs to our region."

And in summary, we are looking at the future of the Valley; and again, we support the project. And we hope to see it in the near future. Thank you.

HEARING OFFICER CELLI: Thank you, Ms. Trombetta. Adam Mossmer. Is Adam Mossmer here?

MR. MOSSMER: Yes. My name is Adam Mossmer. I live in a different area than you, I don't have these problems. In San Diego we don't

have it that hot. I hope.

And I'm against this project actually. One of the few, when I look around here. Mostly everybody's for it. To me this whole project seems you take one energy for another energy. You're not coming up with something new. What about geothermal energy or sun, use the sun, solar energy. This is nothing new that you come up with.

Geothermal is available out here in that area. Now, we're trading one thing for the other. So, I voted against it. And that's all I can say.

HEARING OFFICER CELLI: Thank you very much, sir.

MR. MOSSMER: Thank you very much.

HEARING OFFICER CELLI: I appreciate your pithy comments. Irmatrude Mossmer, is Irmatrude --

MR. MOSSMER: (inaudible).

HEARING OFFICER CELLI: And thank you. You know, folks, in the interest of time, rather than -- if you have something to say that someone else has said, you can come up and say, I agree with that guy. Just to keep the ball rolling.

Joan Taylor.

MS. TAYLOR: Can you hear me? You can?

HEARING OFFICER CELLI: If you can speak right into it.

MS. TAYLOR: Okay. If it'll stay in one spot.

(Laughter.)

MS. TAYLOR: Chairman, Members of the Commission, -- I'll try holding it, it doesn't buzz.

HEARING OFFICER CELLI: Mike can you kind of help her out there, if you wouldn't mind, please.

(Pause.)

MS. TAYLOR: My name is Joan Taylor. I'm the Conservation Chairman of the local Sierra Club. And I appreciate being here, Chairman, Members of the Commission and Staff.

We have not reviewed the application for certification and have no official position on the project at this time. However, we do have concerns. We have met with Mr. Turner and Mr. Hren, once at their behest and once at ours.

Although we have no official position, you know, Sierra Club does have a national policy that conservation should be looked at before new,

what we would call nonsustainable power plants. A peaker plant is slightly different. And, of course, building a plant like this would prevent perhaps other larger, more polluting plants from being built. This could help out.

However, there are impacts to this plant that we believe have not been identified. We do concur with the staff's assessment of the water issues. And we would add that we would hope that global climate change and the potential for even more drastic curtailment of state water and Colorado River water be looked at.

In addition, we believe that the downdraft in this aquifer is not only a direct impact to the aquifer and water supply, but it's also a direct and indirect impact to an ecosystem that is trying to be preserved here in the Coachella Valley. It's called a fault dune ecosystem. And I won't give you all the details, but it is something that needs to be protected in our multiple species plan.

And downdrafts to the Mission Springs aquifer will affect this ecosystem. And I will submit a white paper on that matter. And refer staff to the Coachella Valley multiple species

plan for further information on that.

In addition, of course, we are concerned about impacts to the class one area of Joshua Tree National Park. And that that be properly mitigated.

And, by the way, the impacts to the water basin, as we told the proponents, -- or I should say to the ecosystem, perhaps could be mitigated if they would offer to help artificially water this ecosystem should the downdraft affect it.

So, I think that concludes our comments. And we would say just want to point out that rooftop solar is great. And that it's most abundant when we need it the most, when air conditioners are going.

Thank you.

HEARING OFFICER CELLI: Thank you, Ms. Taylor. Chuck McDaniel.

MR. McDANIEL: Thank you for hearing my comments. I just want to make three real quick --

HEARING OFFICER CELLI: Let me just ask, are you getting this?

THE REPORTER: Okay. Thank you. Please go --

MR. McDANIEL: Three real quick points. I'm wearing a couple different hats today. I'm a representative of the IBEW; I represent about 900 electricians that work here in Riverside County, about 80 to 100 of us that live in Coachella Valley. And I think 15 of them, including myself, that live here in Desert Hot Springs.

We expect to get this job. We've built every power plant in Riverside County ever built, except for one of them. And I know these jobs are going to provide -- I was surprised to hear it was only 350. We were expecting 500 or more jobs that are going to be very well paying jobs that provide health care and pension plans for the people that are going to be working on this plant.

Like I said, I'm also a resident of Desert Hot Springs. I've lived here four years and I love this city, even the wind. But, everybody knows that we have some serious financial problems in this town. And to be blunt, this city needs this project. The tax money that's going to be coming in is great for the Water District and for the city government here.

But with 400 well-paid construction workers working right next door, this is also

going to be a boom for the restaurants, the minimarts and probably quite a few other businesses in town.

And if anybody doesn't think that's true they should go to Blythe and talk to them about the three major construction projects they had out there, the Chuckawalla and the Ironwood Prisons, and the Blythe Power Plant that they did out there. It was just wonderful for that town. This will be wonderful for our town.

Last point I want to make is I worked at the Blythe -- before they put me in the office I actually worked for a living. And I worked at the Blythe Power Plant for eight months out there. And I know there might be some people that might oppose this for environmental reasons.

On that job out there, the first day on the job where you have to go through the normal process, I was working as an electrician. The first day you go through the normal process. You fill out the paperwork and do the drug test and do a little bit of safety training.

We spent probably six hours that day going through environmental training. We learned all about the lizards, the kangaroo rats, the

burrowing owls and a whole bunch of plants, the names I don't remember anymore.

The environmental concerns were -- the company that put that on, they were seriously enforced. In fact, if anybody would like to ask me about the hoops we had to jump through, the time the kangaroo rat fell down into one of the electrical vaults, I'd be glad to tell them. We don't have enough time for that. Or when the kit fox family decided to live on the site; they would eat the garbage that was left over. I mean it was, we had major problems -- we had to deal with the environmental concerns. And I'm sure that this project will be the same way. Most of these big power plants are.

And actually that was probably -- that job was probably the most environmentally sensitive project that I've worked in in 22 years of being an electrician in the field.

And I just hope you approve this project.

HEARING OFFICER CELLI: Thank you for your comments, Mr. McDaniel. David Hoopes.

MR. HOOPES: Yes, I'm David Hoopes. I'm just a resident of the City of Desert Hot Springs.

I have been to the hearings that they held at the Water District. I was in attendance at the Council meeting here.

And perhaps I have some misconceptions about what is going on and I would like to be corrected if I am in error. But I honestly believe, as Randy pointed out, the application for certification pointed out that you were going to be using reclaimed water. I believe that whole issue of reclaimed water is just smoke-and-mirrors.

the net effect is that everything that comes out of that waste treatment plant now is to be percolated. That's what's going to happen if and when this plant is built. And I hope it is.

Bottom line is that I'm in favor of more electrical power. But the bottomline is you're taking, depending on the calculations, millions of gallons of water a day and winding up with nothing but a salt cake. In other words you're evaporating that many millions of gallons of water into our atmosphere.

That atmosphere in this desert in the summertime, if we get too humid, means our swamp coolers don't work, or evaporative coolers. And

we have to rely more on the mechanical air conditioning. Much less efficient than is a swamp cooler, where Mission Springs sells us a little bit of water and the power company sells us a little bit of power.

Please see if there isn't a way, because you can recharge the aquifer. I know it's less efficient, takes more fuel to put that used cooling water back in the aquifer. But what it comes down to is that you're taking energy from natural gas and trying to convert it to electricity energy.

The waste is heat. That's where your water is coming in. If you get 100 percent efficient you won't have any heat waste. But there's got to be ways to reuse that. Take that water, heat it up, put it back in the aquifer even if you've got to go on the other side of the fault and put it in our hot water aquifer. But don't just use our prize winning potable water for cooling and evaporating.

Thank you.

HEARING OFFICER CELLI: Thank you, sir. Sheila Cobrin.

MS. COBRIN: Good afternoon. My name is

Sheila Cobrin; I live in Palm Springs.

My concern is about the big earthquake that we've heard so much about. I would like to know if you have a full-time business continuity planner on staff. And what plans have you made or preparation if we have an earthquake. You're working with gas. And I think that's combustible.

HEARING OFFICER CELLI: That's a question to the applicant?

MS. COBRIN: Yes. I'm sorry.

MR. HREN: My name is Bob Hren, CPV. You asked about earthquakes, seismic design and gas pipelines. And all I can say is that the facility is designed in recognition of the proximity to the San Andreas Fault, which is very close to the site.

There are codes and standards that apply to designing the building and the equipment to withstand those types of seismic events.

When it comes to gaslines and fault lines, gaslines criss-cross California, as do fault lines. And the gas companies are required, when any pipeline is in proximity to a fault line, to design that gas pipeline according to certain standards and codes to prevent rupture due to

earth movement.

So, I can assure you that this facility will be designed in consideration of all of those factors.

MS. COBRIN: Thank you. I am in favor of this project. I just had a question.

HEARING OFFICER CELLI: Thank you very much for your question. This is, as I said earlier, this is an opportunity to ask questions and make comments, as well.

I have Donn Sholty.

MR. SHOLTY: Hi; my name is Donn Sholty. I'm a resident of Desert Hot Springs, fairly new, about a year now. I'm in favor of the power plant. Also how it will benefit the city. Might even get a new mike.

(Laughter.)

MR. SHOLTY: Sometimes I have questions about the Water Department, I don't know if they're in smoke-filled rooms too much, about some of what they come up with, but I hope everything works out with the water.

I think it's really important that we have power coming into the Valley at all times. I hear talk about water and electricity on a very

hot day. You can have water stored in a house; you can't have batteries for electricity stored in a house.

And then one of my main concerns, and it's totally selfish, I've heard people talk about it, I've never heard people talk about it publicly. But the power grid of the State of California is an unprotected system. It can be damaged by bad people, call them what you want.

The entire system is vulnerable, it could be taken out.

And my selfish reason of having the peaker plant right coming into the Valley, if it does happen, we're covered. That's it. Thanks.

HEARING OFFICER CELLI: Thank you for your comments. Is Karl Baker here?

MR. BAKER: Mr. Chairman and the distinguished dais before me, I want to speak specifically to the subject of aquifer overdraft.

There was a report generated by the Mission Springs Water District, specifically by Somis Engineering, for a large housing and hotel development north of here, in which they said there was no overdraft.

Recently, in retirement, I wondered what

I was going to do, so I enrolled in and became a student in the masters public administration program at CalState University San Bernardino, with an emphasis in water resource management.

And I think that I had a conversation -- in fact, I know I had a conversation with Mr. Wallum, and I -- he's a good friend of mine, but I do believe he spoke with forked tongue today because he told me specifically that we were not in an overdraft situation here in Desert Hot Springs. That the only way we'd be in an overdraft situation would be if our aquifer were adjudicated. And he suggested that I would be long cold in the ground before we ever were adjudicated on our aquifer.

Well, now, I don't know whether he was foretelling an early demise for me, or whether he felt that that would be a long way off. But today he suggested we were in an overdraft situation.

If, in fact, our aquifer is in overdraft we better stop every development in this Valley of 250 homes or more. That's a state law according to, I believe it's AB-2010, but I don't remember the exact number.

But, anyway, every major project,

housing or hotel project, with 500 or more units, maybe even be 250 or more units, has to file a 50-year plan in the future for water usage.

Now, there is -- it is undeniable that we are drawing more from our local aquifer than it naturally replenishes. However, that is being supplemented with water from the Metropolitan Water District or Colorado River water. So you can always buy more of that. And you buy more of that with the amount of money that you raise from selling water. And this project will be buying water.

Now, there was a comment made about a 30 percent reduction by the Governor. I believe that relates to CWA water, California Water Authority, which we do not directly use here in the Coachella Valley. And that's as the result of the smelt fish problem.

Now, there is the possibility that mussels have crept into the Colorado River aquifer, which may adversely affect us. There's recently news about some amoeba that lives in the lake water around the Colorado River that if it gets into your nostrils will destroy your brain within two weeks.

So there's all kinds of dire things that could possibly happen to water in the future. But let me look at the positive. We could have a heavy snowfall and runoff through the White Water Creek, which would replenish that, and we wouldn't have to buy a drop of water from the MWD. We could have three or four years of heavy rainfall in this area and we would be over-abundant.

So, I strongly urge staff that if they are going to suggest that our aquifer is over-drafted, then they better get agreement from all three of the water agencies in this area that that is, in fact, true. Because then all major development would have to stop and be put on hold.

Now, if you want to be responsible for doing that, you might want to invest in some flak jackets and things like that if you come down this way.

Now, my dad said, and I don't know where he got this quote, that golf was nothing more than cow pasture pool.

(Laughter.)

MR. BAKER: And if I had my choice of watering a nine- or 18- or 36-hole golfcourse in July versus being able to turn on a fan, you know

what that choice would be.

Thank you for letting me speak.

HEARING OFFICER CELLI: Thank you very much, Mr. Baker.

Earl Schmid. Please.

MR. SCHMID: Hi; my name is Earl Schmid. I'm the President of Desert Power. We're an alternative energy company that supplies alternatives to plants like this throughout the State of California. There's a number of questions that I have regarding issues.

First of all I'd like to say that I appreciate the efforts that we're making to protect our environment through these hearings, and the careful consideration of building plants like these.

The gentleman earlier talked about in opposition to the plant because of the water issue, asked the question about alternatives. And something noticeably absent in the discussions today is any discussion regarding alternatives. Is there an alternative to what you're proposing to do?

And I submit that there is an alternative. And I guess I'm wondering have

alternatives been questioned? Have we looked at alternatives? I mean it's important to look at the water issues; it's important to look at the air quality issues; it's important to look at the reliability of the transmission and distribution issues in this state.

But, are we looking at alternatives?

HEARING OFFICER CELLI: That's an excellent question, and I'm going to ask staff to address that.

MR. PFANNER: Just briefly, yes. A section of the analysis is an alternatives analysis that will look at alternative energy technologies.

MR. SCHMID: Okay. And I guess along those lines I'd like to make a comment, then, also. Here in the Valley 60 percent of our energy consumed is for air conditioning; 98 percent of the air conditioners in this Valley use air-cooled condensers.

If you take the manufacturer's engineering data and look carefully at the air-cooled condensers, you'll find that, for example, a 12 SEER air conditioner, which is a common air conditioning unit, uses about 1 kilowatt per ton

of refrigeration at 85 degrees outside air temperature, which is when people start using their air conditioning.

As the temperature rises, at 95 degrees that same air conditioner is using 1.3 kilowatts per ton. And when it goes over 100, that curve rises exponentially till when you get up to 105 degrees, you're using between 1.5 and 2 kilowatts per ton to provide the same amount of air conditioning.

Now, there's alternatives. There's equipment out there. I can install a turbocore compressor that produces chilled water using a water-cooled condenser. And there's a number of water-cooling methods other than cooling towers that use evaporative means of doing that. You can use ground cooling and geothermal sources for that.

A turbocore system, because it's a very highly efficient compressor that has magnetic bearings, uses variable frequency drive, uses a high-speed compressor, it runs at 36,000 rpms and is state of the art, can produce cooling at an energy cost of .3 kilowatts per ton when it's above 100 degrees.

That's .3 compared to 1.5 or greater. That's one-fifth the amount of energy that it takes to provide the same cooling, something that in this Valley consumes 60 percent of our energy that's consumed here. Okay.

There is an alternative. Let's seriously look at that and consider that. If we put the money that's going to be spent on this project into providing alternatives like this, we can achieve the same result without ever having to address the water issue, without having to address the air quality issue, without having to address the economic issues, by simply reducing the amount of energy that we consume to achieve the same result.

Thank you.

HEARING OFFICER CELLI: Thank you very much, sir. Mohsen Nasemi.

MR. NASEMI: Thank you, Mr. Celli. Good afternoon, again, Commissioners Boyd and Pfannenstiel. My name is Mohsen Nasemi. I'm Assistant Deputy Executive Officer with South Coast Air Quality Management District.

Our agency is the local air pollution control agency in charge of all of Orange County

and the nondesert portions of San Bernardino, Los Angeles and the Riverside Counties. Population of over 16 million, almost half of the state population.

I think Mr. Pfanner was correct about air quality is an issue in California. And despite of all the progress we've made over the past four decades in improving the air quality in this area, we still have, unfortunately, the worst air quality in the nation.

And as a result, one of the areas where we look at when we have a project such as a power plant is to look at what we call new source review and determine whether or not the project is not only providing offsets, but also using the best controls that they can to minimize the impacts to air quality.

But the issue of offset is an area of concern in southern California. There is scarcity of offsets, and it's a requirement under both federal and state Clean Air Acts. And therefore, our agency, recognizing that there is a need for additional electrical generation, in order to avoid blackouts in the upcoming years, as per some of the projections that your agency has done,

decided to amend our rule to allow power plants in addition to what has historically been the essential public services such as sewage treatment plants, police, fire departments, to also access the offset bank that our agency has.

However, our Board has significant concerns about impacts on air quality. And therefore just last August, August 3rd, they adopted some changes to the offsets rule to require or allow only the cleanest, most efficient in terms of global warming, and least impact projects to be able to access our credits.

And as a result there was also requirements to look at alternative renewable energy, and determine or demonstrate that there is no alternative energy available before they can access these credits.

So, since these are all new requirements that have been just adopted, the applicant has provided us some information on all these requirements, and we are in the process of reviewing it. But I did want to make a point clear that staff mentioned that instead of purchasing emission reduction credits, the applicant will be purchasing priority reserve

credits from the local District.

I wanted to just let you know that our Board has decided that all the money that we collect from sale of these credits to power plant will be reinvested in emission reduction projects in the local communities where these projects are going to be located. With at least one-third of it going into alternative renewable energy, such as solar roofs that was mentioned earlier.

And with that, I'd be happy to answer any questions.

HEARING OFFICER CELLI: I have a question. If the priority reserves are going to be used in this project, what zone are they in?

MR. NASEMI: This project is in zone one.

HEARING OFFICER CELLI: Okay.

ASSOCIATE MEMBER PFANNENSTIEL: Mohsen, would you just be real clear on the process going forward? As I understand it, the Energy Commission would grant a provisional license, provisional on the applicant receiving the permits from the priority reserve. Is that what is anticipated?

MR. NASEMI: Maybe the best way to look

at the priority reserve rule is there's a three-step process. The first step is does a project qualify as what we call an electric generating facility. And in order to qualify they have to have filed their application within a certain window. This project does qualify because they have filed within that window.

The second step is do they meet all of the requirements that I was just mentioning that our Board adopted in order to be qualified to access these credits. And those are requirements in terms of emission rates, efficiencies and so on and so forth.

And that is part of the determination that we will make, and issue a preliminary and final determination of compliance to your agency for consideration in your Presiding Member's Report.

The final step would be that before we actually release these credits we want to make sure that -- our Board wanted to make sure that the project has actually -- is serious enough that it actually obtained a license from your agency and the project is either a local municipality that is providing power for its local demand or

local need, or has already obtained a long-term contract. And that's the last step after your license process.

ASSOCIATE MEMBER PFANNENSTIEL: Thank you.

MR. NASEMI: Thank you.

HEARING OFFICER CELLI: Thank you. Any further questions for Mr. Nasemi? Please. And I need you to go up and ask it into the microphone, please. And state your name.

MR. SCHMID: My name is Earl Schmid with Desert Power. And my question is when they built the plants after the 2001 shortage, there was some special consideration given, or allowances, for a speedy approval of the air quality issues. I don't remember the terminology there.

But as a result of that there is some mitigation fees that were charged to the companies that put in the plants. And then those funds were then distributed for solar and other renewable energy projects.

Is that also going to apply in this case? Or is that an ongoing program, or was that a special, and unique to that time period?

MR. NASEMI: In the early 2000 energy

crisis there were a couple of different funds that was created. One was created under the executive order from the Governor, which was allowed to utilize some of the Carl Moyer Program emission reductions into siting of power plants.

However, there was also executive order that issued by our agency, as well as in early 2000 we did a similar thing with our new source review rule.

And for the new source review rule, which is the 1309.1 that was mentioned earlier, the funding that has been obtained from these early projects, the power plants that were built, is actually being utilized for alternative energy sources. And we just issued a $5 million proposal to install solar roofs in many many areas around existing -- not existing, but newly built power plants.

MR. SCHMID: So this power plant --

HEARING OFFICER CELLI: You have to go to the microphone.

MR. NASEMI: Yeah, this power plant would, if it gets through the licensing process and purchases credits from our agency, then money collected from this project would also be used at

least one-third in renewable energy such as solar.

HEARING OFFICER CELLI: Any other questions of the Air Quality Management District? Thank you very much.

I only have one card left, is that right? No one else wants to make a question or comment?

Dory Colvin, Calvin.

MR. CALVIN: Doug Calvin.

HEARING OFFICER CELLI: Doug, I'm sorry.

MR. CALVIN: Doug Calvin; I live here in Palm Springs. I work for the Palm Springs Unified School District. We have 24,000 kids from preschool all the way through high school, with a large part of them live up here in Desert Hot Springs.

We have three to four schools on the drawing board right now which will start to roll out in 2008. So we need the power. When the power goes out and those classrooms can jump up to 100-plus degrees, we need to come back online as quick as possible.

So, we're in support of that.

HEARING OFFICER CELLI: Thank you very much for your comments. I'm going to ask members

of the Committee if there are any questions from any of the parties.

PRESIDING MEMBER BOYD: I have a question.

ASSOCIATE MEMBER PFANNENSTIEL: I have none.

PRESIDING MEMBER BOYD: I have a question of the applicant. On the bus today I asked how much of the roughly 800 megawatts you had contracted. And the answer I got was five units, so let's say 500 megawatts are contracted. Leaving, let's just say, 300 megawatts in question. What plans do you have for those 300 megawatts?

And the reason I even ask the question is that we're considering what we call a simple cycle plant, which admittedly is perfect for peaking because it ramps up and down virtually instantly load following, et cetera, et cetera.

But simple cycle gas turbines are, while efficient, they're not as efficient as say a combined cycle plant might be if we were talking about a baseload plant.

So I'm wondering where these 300 megawatts are going.

MR. TURNER: The plan for the remaining three units is to eventually sign a long-term contract with an off-taker such as SoCalEdison or some other entity. We will continue to participate in the request for offers that come out in the future and expect to eventually receive another contract for those three units.

PRESIDING MEMBER BOYD: So you're building on speculation?

MR. TURNER: Well, I think every project in the queue other than ours does not yet have a long-term. We're the sole project in SoCalEdison's territory that does, in fact, have a long-term contract. All the other projects in your queue do not yet have that. So that would be the case for all of us.

PRESIDING MEMBER BOYD: Right. Would this, let's say 300 megawatts be peaking only?

MR. TURNER: The remaining 300 megawatts are identical to the five units that we now --

PRESIDING MEMBER BOYD: I know the facility is.

MR. TURNER: Yes, they will be peaking units.

PRESIDING MEMBER BOYD: But if you

provided them under a contract would it be peaking only?

MR. TURNER: They will be peaking units. We are permitting those units for a limited capacity factor per the AFC. And they will indeed be peaking units.

PRESIDING MEMBER BOYD: Okay, thank you.

HEARING OFFICER CELLI: Anything, Peter? Okay. Tim? Thank you.

At this time I'm going to -- sorry about that --

PRESIDING MEMBER BOYD: It's not my phone. I turned it off at the beginning of this hearing.

HEARING OFFICER CELLI: Commissioner Boyd is our Presiding Member, so I'm going to turn these proceedings back to him to adjourn.

PRESIDING MEMBER BOYD: Thank you, Mr. Celli. Really I want to thank all of you for turning out today. This has been a rewarding experience for us, as a Siting Committee. I'm glad to see the interest of the community in this, as Chairman Pfannenstiel knows, she and I sometimes go to remote communities and the staff out-numbers the interested public. So I'm glad to

see you are interested in this subject.

I'm glad to see that there is a serious concern for water in California. I spent eight years of my life in the water business; I know the issues reasonably well.

I meant to say to Senator Battin and the Assemblyman that, of course, there's a special session of the Legislature going on as we speak on the subject of water, called by our Governor. So water is gold in California, and it's a real interesting debate between whether we need electricity or whether we need water.

In our statistics a the Energy Commission we know that 20 percent of the electricity produced in California is used to move water around in various forms. So it's a very important subject in this state, and certainly in this area.

I found the reference to watering golfcourses interesting. I've vacation down here all my life, so I --

(Laughter.)

PRESIDING MEMBER BOYD: -- you know, I've seen the sumptuous lakes and fountains and golfcourses and what-have-you. And you all have

to deal with that. And you, as a community down here, will have to deal with the issues raised, more than we, about the efficiency of your air conditioning and the kind of building standards you might have.

Because we, as an agency, have fought mightily to have very efficient air conditioners only, here in California. And I hate to say this, but we've had to fight our own federal government over this subject. We've had to sue the federal government over this subject.

So we in California are very sensitive to the efficiency of appliances, buildings and what-have-you.

So, in any event, getting back to this hearing case, I thank you all. It's, as you hear, roughly a year-long process. And we'll see more of you and hear more on these subjects. And the staff will be digging deeply into this.

And as mentioned at the beginning of this hearing, the staff is an intervenor; the applicant is like an intervenor; the public is intervenor. Commissioner Pfannenstiel and I and the Hearing Officer have to kind of put on judicial robes and kind of make these decisions.

So we have to be careful about ex parte contacts. So, if you have issues you want to discuss, you approach the applicant, you approach the staff, you talk to Mr. Monasmith about public involvement. And we welcome hearing from all of you on the subject, as we work our way through this.

If there are no other comments I thank you all and we can consider this hearing adjourned. Thanks.

(Whereupon, at 4:04 p.m., the hearing was adjourned.)

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CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of October, 2007.