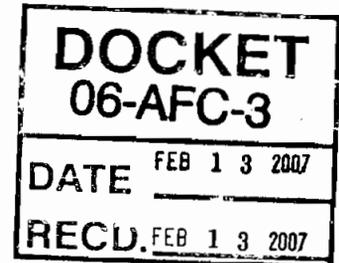


Memorandum

Date: February 13, 2007
 Telephone: (916) 653-1245

To: John Geesman, Presiding Member
 Art Rosenfeld, Associate Member

From: California Energy Commission – Bill Pfanner
 1516 Ninth Street Project Manager
 Sacramento, CA 95814-5512



Subject: **SOUTH BAY REPLACEMENT PROJECT (06-AFC-3) STATUS REPORT #1**

The following is staff's first status report on the proposed South Bay Replacement Project (SBRP).

The Application for Certification (AFC) was filed by LSP South Bay, LLC (LS Power) on June 30, 2006 and was determined to be Data Adequate on August 30, 2006. Staff filed its Issue Identification Report on September 13, and the Public Information Hearing and Site Visit was conducted on September 15, 2006. Staff filed Data Requests (1 through 98) on October 31, 2006, and received some responses on November 29 (Data Response Set 1-A). Data Response Set 1-B is expected on February 14, 2007.

Staff conducted a Data Response Workshop on December 11, 2006 in Chula Vista to review with the applicant the Data Responses in Set 1- A (Alternatives, Biological Resources, Environmental Justice, Hazardous Materials, Land Use, Traffic and Transportation, Transmission System Engineering, Waste Management, Water and Soil Resources, Worker Safety, and Visual Resources). Staff has scheduled a second Data Response Workshop on February 26, 2007 to complete review of Data Response Set 1-A (Cultural Resources) and review the applicant's Data Response Set 1-B (Air Quality and Public Health).

On January 18, 2007, the City of Chula Vista and the San Diego Unified Port District (Port) conducted a joint session to discuss the proposed SBRP and the Port's pending long term lease to LS Power. The Port, which controls the land the proposed SBRP would be built on, backed by the Chula Vista City Council, voted in 2001 to sign a new 45-year lease with LS Power's predecessor, Duke Energy. Under the terms of the current lease, which ends in 2010, LS Power must pay to tear down the existing South Bay Power Plant. The new lease would allow SBRP to be built on 20 acres to the south of the existing South Bay Power Plant site and LS Power would demolish the old facility. This would free about 115 acres for Chula Vista's future bay front renovation, which would connect to its new marina.

At the joint meeting, Jim Avery of San Diego Gas & Electric (SDG&E), stated that SDG&E would not purchase the power from the SBRP and that any power generated by this plant would not be used in San Diego County. This statement caused concern by the City of Chula Vista officials. Mayor Cheryl Cox, backed by a City Council majority, stated at a January 22, 2007 news conference that the City no longer supports the concept of a new power plant on the bay front property. A second joint meeting with the Port to discuss the plant's future is planned but has not been scheduled. The Chula Vista Council is expected to form a

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subcommittee to further discuss the plant's future and the location and size of future power plants in the region. The Port has publicly stated they will not sign a lease unless the City of Chula Vista has stipulated their preference for the proposed SBRP, which raises the potential for a project site control issue.

Schedule

Regardless of the above statements by the various parties, the applicant is entitled under the Warren-Alquist Act to a Commission decision in 12 months. Unless the applicant requests a change, staff will continue to process this AFC as expeditiously as possible.

The applicant was to provide all Data Responses on November 29, 2006. However, due to delays in air quality modeling, the complete Data Response package has not been submitted. Assuming receipt of Data Response Set 1-B on or about February 14, staff has scheduled a Data Response Workshop for February 26 to discuss Air Quality, Public Health and Cultural Resources topics with the applicant and the community.

Staff has also determined that the AFC does not contain sufficient information regarding the demolition and final interconnection phase of the project. Although the California Energy Commission does not have permitting jurisdiction over these activities, they are under its authority for environmental review. Therefore, staff is preparing a second set of Data Requests focusing on the environmental impacts associated with demolishing the existing South Bay Power Plant, the placement of fill associated with the demolition, construction of the final 69-138 kV electric transmission interconnection, demolition of the old 69-138 kV substation and construction of the new 69-138 kV substation. Assuming timely receipt of Data Response Set 1-B, this set of Data Requests – Round 2 will be filed in mid-to late February, with a request for response by mid to late March.

Progress on the PSA has slipped by approximately three to four months due to lack of timely receipt of information and the need for additional information relating to demolition and final interconnections. Therefore, the schedule for filing of the PSA is estimated to be April-May 2007. This is predicated on the applicant filing complete data responses by mid to late March, and receipt of preliminary determinations from all local, state, and federal agencies, including the Preliminary Determination of Compliance from the San Diego Air Pollution Control District which is currently expected in March or early April.