



COMMITTEE MEMBERS PRESENT

Jackalyne Pfannenstiel, Presiding Member

John L. Geesman, Associate Member

HEARING OFFICER, ADVISORS PRESENT

Garret Shean, Hearing Officer

STAFF AND CONSULTANTS PRESENT

Eric Knight, Project Manager

Paul Kramer for Lisa DeCarlo, Staff Counsel

Keith Golden

PUBLIC ADVISER

Mike Monasmith

REPRESENTING THE APPLICANT

Scott Galati, Attorney  
Galati and Blek, LLP

Doug McFarlan  
Larry Kostrzewa  
Edison Mission Energy

INTERVENOR

Gloria Smith  
California Unions for Reliable Energy

ALSO PRESENT

Mr. Perez, Mayor  
City of Industry

ALSO PRESENT

Joe Perez

Tim Smith

Don Sacks, Director  
City of Industry Chamber of Commerce

Phil Iriarte, City Manager  
City of Industry

Ron Cipriani, Chairman  
Urban Development Agency  
City of Industry

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

2 2:30 p.m.

3 HEARING OFFICER SHEAN: Good afternoon,  
4 ladies and gentlemen. I'm Garret Shean; I'm the  
5 Hearing Officer for the California Energy  
6 Commission on the Walnut Creek Energy Park case.

7 To my left is the Committee of  
8 Commissioners assigned by the full Commission to  
9 conduct the Walnut Creek proceeding. This would  
10 be Commissioner Pfannenstiel to my immediate left,  
11 who is the Presiding Member. She is Vice Chair of  
12 the Commission. To her left is Commissioner  
13 Geesman who is the Associate Member.

14 You all probably already know this, this  
15 Committee essentially is the flip, the inverse of  
16 the Committee on the Sun Valley project, which had  
17 an informational hearing and site visit yesterday.

18 The Committee issued a notice of public  
19 informational hearing and the site visit back on  
20 February 7th. And we explained the purposes of  
21 this hearing to provide information by the  
22 applicant as to what its project is; to inform the  
23 public of the nature of the Commission's process;  
24 and then give an opportunity for people to ask  
25 questions.

1           I think the thing that needs to be  
2           stated here is that the Energy Commission's  
3           decision of whether or not to grant a license for  
4           this project, and if so under what conditions, is  
5           a quasi-judicial proceeding. But having said that  
6           what we have attempted to do at the Energy  
7           Commission is to take a lot of the lawyering out  
8           of this and emphasize the public process.

9           But there is one important rule that  
10          everybody should be aware of, and that is our ex  
11          parte rule which basically means that for these  
12          two Commissioners sitting as a Committee, drafting  
13          a proposed decision, and for the five  
14          Commissioners sitting as a full body, none of what  
15          they decide can be based upon anything that is not  
16          presented at a public proceeding such as we have  
17          here today; or in a document that is publicly  
18          filed and publicly available.

19          So that's important for you to know in  
20          terms of the confidence that anything that will be  
21          used to make a decision on the outcome of this  
22          proceedings will be public.

23          What you should also know is if you're  
24          here you either obviously received notice directly  
25          by mail as a property owner or have learned of

1 this proceeding through the newspaper notices.

2 Mike Monasmith, who is representing the  
3 Public Adviser's Office, will also tell you about  
4 some of the outreach efforts the Public Adviser's  
5 Office has made.

6 This is the first of a series of formal  
7 hearings that will be conducted by the Committee.  
8 You're seeing us here today; you won't see us  
9 again for awhile because in the interim what will  
10 happen is the Energy Commission Staff, with Eric  
11 Knight as the Project Manager, and Paul Kramer is  
12 here, substituting for Lisa DeCarlo, will be the  
13 Staff Counsel, will be conducting a series of  
14 workshops here in the local area on various topics  
15 related to the project. And they're going to  
16 explain that in greater depth.

17 They will also produce several documents  
18 making recommendations to the Committee with  
19 regard to the disposition of the proposed project  
20 and any conditions that are suggested to be  
21 implemented in the construction or operation of  
22 the project.

23 I also want to, at this point, go back  
24 to Mr. Monasmith and say that one of the features  
25 of the California Energy Commission process is

1       that we have a gubernatorially appointed Public  
2       Adviser whose specific responsibility to insure  
3       adequate notice of Commission events, as well as  
4       to assist the members of the public and other  
5       agencies, such as cities or others who are  
6       entering our process and unfamiliar with it, with  
7       how to participate effectively.

8                So he's the go-to guy, and in just a  
9       minute I'm going to have him make some remarks  
10      about what his office will do, has done with  
11      regard to the notification of this particular  
12      proceeding, and what they're available to do in  
13      terms of assistance to you.

14               Following that presentation we're going  
15      to go to the applicant to have the applicant give  
16      its slide show. And if there are any questions  
17      following applicant's presentation we'd like you  
18      to make them at that particular point.

19               Then we'll have the staff make a  
20      presentation with regard to the process, as seen  
21      from the staff side. Because, in fact, even  
22      though we all work under the same roof, the  
23      Commissioners and the Hearing Officer's Office,  
24      and the staff and the technical experts who are  
25      working for them, essentially are separated by

1 these differences in functions.

2 And with the conclusion of the staff  
3 presentation we understand that there may be some  
4 others here who are prepared to speak. Let me  
5 just indicate that we have our first intervenor in  
6 the proceeding, which would be CURE. And Ms.  
7 Gloria Smith is here as a representative; she's  
8 here in the audience right now. Okay, there we  
9 are. And do you think you'll wish to speak,  
10 ma'am, later?

11 MS. SMITH: Thank you, no. We're just  
12 now -- we have just intervened. I just learned  
13 today that our intervention has been granted.  
14 We're studying the project like everybody else.  
15 We haven't taken a position yet. We'll stay  
16 involved in the project and meet all our  
17 responsibilities.

18 HEARING OFFICER SHEAN: Fine. Now, I  
19 guess it's obvious to me I need to say one more  
20 thing. All of our proceedings at the Commissioner  
21 level are transcribed. All of what I just told  
22 you about everything being public and available so  
23 it can be read and understood by anyone who wants  
24 to know the basis upon which the Commission is  
25 formulating its decision.

1           This gentleman over here to my right is  
2           the reporter. So apparently either corner is fine  
3           for either a question or comments.

4           So, with that, we'll go to the applicant  
5           for its presentation. Sorry, I jumped one ahead.  
6           Mr. Monasmith.

7           MR. MONASMITH: Thank you, Hearing  
8           Officer Shean, Commissioners. My name is Mike  
9           Monasmith with the Public Adviser's Officer at the  
10          Energy Commission.

11          As Garret mentioned, we are charged with  
12          facilitating participation on behalf of the public  
13          in these siting proceedings. Before I talk a  
14          little bit about moving forward, how the Public  
15          Adviser's Office helps individuals within the  
16          community participate, I would like to first  
17          discuss and outline a little bit of what our  
18          office did in relations to this meeting as far as  
19          outreach.

20          We sent 24,000 flyers out through The  
21          San Gabriel Valley Tribune which was published in  
22          the February 23rd edition, discussing and briefly  
23          outlining the specifics of this meeting with times  
24          and places and how to get here.

25          We also sent out notices to the school

1 districts and individual elementary schools within  
2 a one-mile radius including Glenelder, Bixby,  
3 Workman and Wedgeworth Elementary. All the  
4 students received a flyer that they then took home  
5 with them on Friday so their parents are aware of  
6 these proceedings; have information and contact  
7 names and numbers so they can get in touch with us  
8 if they have questions moving forward.

9 We also sent information out to other  
10 what we call sensitive receptors within a six-mile  
11 radius of this project, including senior  
12 facilities for the elderly, hospitals, daycare  
13 centers and other schools and centers of  
14 education, private, religious, and of course,  
15 public.

16 We also sent quite a bit of information  
17 out to nonprofit organizations, learning centers,  
18 others who have a nonprofit status with the IRS  
19 within the zip codes that surround the City of  
20 Industry.

21 So we've done a fairly extensive job of  
22 telling the community here about this meeting, and  
23 we will continue to do so in the future. So we  
24 think the individuals are here today, and we look  
25 forward to working with you.

1           The Public Adviser's Office moving  
2 forward will help facilitate participation on a  
3 number of levels. It can be as simple as taking  
4 information from you so you're put on the list  
5 serve. The Commission has a very extensive list  
6 serve. We're very aggressive about sending out  
7 notices on hearings, workshops and other meetings  
8 which help the public provide input on this  
9 proceeding. The Commission prides itself on a  
10 very collaborative process, and we'll continue to  
11 do that in the future.

12           You can also attend workshops either in  
13 Sacramento, meetings, workshops, anything that is  
14 held publicly here in the community which will  
15 occur as we move forward in the next months and we  
16 have workshops on specific issues, as well as in  
17 Sacramento. That's another level of involvement.

18           And then the most aggressive level is  
19 becoming an intervenor. We already have one  
20 intervenor; we may have others. And to become an  
21 intervenor you actually have to apply to the  
22 Committee. It's a fairly simple process. We  
23 actually have an application form if anyone wants  
24 to look at it.

25           Once granted, an intervenor has certain

1 rights and responsibilities that is conferred upon  
2 them, to present evidence, to cross-examine  
3 witnesses and others, including the applicant as  
4 well as staff on the Energy Commission. And we  
5 help with that process.

6 We have information on the back that  
7 provides you with acronyms and other terms that  
8 are used which are somewhat specific to this  
9 process and can become confusing. But these forms  
10 will help you. There's also a quick Q&A. And if  
11 anyone wants to contact us in the future, you can  
12 go to our website or call me directly, and we will  
13 help facilitate participation.

14 So that's what we do. Is there anyone  
15 else that has any questions or comments at this  
16 point?

17 Thank you.

18 HEARING OFFICER SHEAN: Thank you. Now  
19 we'll go to the applicant.

20 MR. GALATI: Introduce Mr. Doug McFarlan  
21 from Edison Mission Group.

22 MR. McFARLAN: Thank you, Mr. Shean,  
23 Commissioners. Good afternoon, everyone. My name  
24 is Doug McFarlan; I am the Vice President of  
25 Public Affairs for the Edison Mission Group. And

1 we appreciate the opportunity to be with you today  
2 and present more information about our company and  
3 about the project that we have proposed here that  
4 we call the Walnut Creek Energy Park.

5 I am going to spend a few minutes giving  
6 you an introduction to the Edison Mission Group,  
7 and then turn things over to my colleague, Larry  
8 Kostrzewa, who's here at the head table, and is  
9 our Regional Vice President for Business  
10 Development, who will give you details on this  
11 specific project.

12 The Edison Mission Group has about 2000  
13 employees across the country. We have experience  
14 building and operating all sizes and types of  
15 power generation facilities, not just in this  
16 country, but even internationally.

17 But we are, at our roots, a southern  
18 California company, headquartered in Irvine. And  
19 we've been providing power in this state for about  
20 20 years. So we take great pride in having an  
21 opportunity with a project like Walnut Creek to  
22 help meet the future energy needs of our home  
23 state.

24 As has been mentioned several times  
25 already today, we understand that communication

1 and accessibility to the public is a very  
2 important part of this project, and a burden that  
3 we gladly accept.

4 We, in recent weeks, sent a letter to  
5 several thousand surrounding residents and  
6 businesses in this area to give you more  
7 information about the project. We have copies of  
8 that letter out on the information table today.  
9 And in that letter we offered a toll-free  
10 information line that we encourage people to call.  
11 We want to hear from folks with any questions.  
12 We're eager to meet with any community groups or  
13 neighborhood groups that people would like us to  
14 sit down with and answer questions and talk in  
15 more detail.

16 And in that spirit I do want to  
17 introduce a few more of my colleagues so that as  
18 the formal proceeding ends up here today, if  
19 people want to seek any of us out, talk a little  
20 further, make sure you have that toll-free  
21 information number, we welcome that.

22 Mentioned introduced Larry Kostrzewa  
23 already who you'll be hearing more from. Those of  
24 you who were on the bus tour heard from Derek  
25 Bennum here in the front row. Derek is part of

1 the business development and environmental team  
2 that has been working on this project for several  
3 months.

4 And also in that mold we have Tom  
5 McCabe; there's Tom. And Bernie Piazza down here.  
6 And then our primary representative with the local  
7 community and local government is my colleague  
8 Charlie Parnell, who's in the back of the room  
9 over here. So, please feel free to seek any of us  
10 out afterwards for any further discussion.

11 I will show you a couple of slides here  
12 to give you a little bit of background, some  
13 numbers and data about who we are, and then we'll  
14 turn things over to Larry.

15 The Edison Mission Group is affiliated  
16 with a utility that you probably are all familiar  
17 with, Southern California Edison. Our parent  
18 company for both Edison Mission Group and Southern  
19 California Edison is Edison International, which  
20 is headquartered in Rosemead. But Edison Mission  
21 Group functions separately from and independently  
22 from Southern California Edison, with our primary  
23 business at Edison Mission Group being power  
24 generation.

25 We have 18 power plants as you can see

1 here in nine states today. We also have a growing  
2 wind energy portfolio that is right now mostly in  
3 the midwest. But we are eager to keep developing  
4 that portfolio further.

5 And as you can see, we have a lot of  
6 diverse experience. We operate plants that are  
7 powered by natural gas, by wind and by coal. And,  
8 of course, the plant we're going to talk about  
9 here today would be a very clean-burning natural  
10 gas facility.

11 And lastly, for me, as I said,  
12 California is our home, headquartered in Irvine.  
13 We have eight facilities in central and southern  
14 California that we own partnership interests in  
15 and have been here for the past 20 years.

16 And we take special pride in the fact  
17 that back in 2001 we have what's called our  
18 Sunrise project that was the first new power plant  
19 that was brought online in response to the energy  
20 crisis that the state was working through a few  
21 years ago. So we feel like we're in the next  
22 stage now in helping prepare to help avoid future  
23 shortages with projects like we're offering here  
24 today with Walnut Creek.

25 So, with that I will turn things over to

1 Larry to explain the project in more detail.

2 Larry's reminding me that we should tell  
3 you that we do have interpreters here; could they  
4 identify themselves so that if anyone needs any  
5 support with that, please let us know and we can  
6 arrange for that.

7 MR. KOSTRZEWA: Both Spanish and  
8 Mandarin, by the way.

9 What I'd like to do is walk you through  
10 the series of questions that we went through in  
11 deciding to propose this project, because really  
12 they're the same questions that we think that most  
13 of you will have.

14 And the first question is well, why is  
15 new power generation needed now. Well, there's  
16 really three agencies in the state that are  
17 responsible for making sure we have adequate and  
18 reliable electricity. The first being the  
19 California Independent System Operator, the  
20 California ISO, that's their logo up there, is  
21 responsible -- they're basically the traffic cop  
22 for the high voltage power grid.

23 Secondly we have the California Energy  
24 Commission, which is represented here today. And  
25 the third is the California Public Utilities

1 Commission. Each of them are responsible for  
2 different parts of the complicated business which  
3 is getting electricity to everybody's house.

4 One of the important functions of each  
5 of these is to make sure that we have adequate  
6 supplies. And to that end the California ISO,  
7 each year, does an assessment of the adequacy of  
8 existing power generation and transmission to meet  
9 the loads of customers.

10 This is a slide from their summer, well,  
11 their 2005 summer assessment; so it's the one for  
12 last summer. They're working on the 2006  
13 assessment now. There's a lot of details in  
14 there. I'll start by saying green is good; yellow  
15 is okay; and red is bad.

16 Southern California, all the way to the  
17 right, that's the part that we care about. And  
18 there's really two categories you can see.  
19 There's a one-in-two load and there's a one-in-ten  
20 load.

21 The one-in-two load is an average  
22 summer; not too hot, not too cool, just kind of  
23 typical. One-in-ten load, that's a real scorcher.

24 And so the ISO looks at the adequacy of  
25 supplies under both conditions. The design

1 condition for the electric system is to survive a  
2 one-in-ten load, because those happen one out of  
3 every ten years. And we don't want to have  
4 rolling blackouts.

5 So, in the one-in-two load situation,  
6 kind of average year, you see southern California  
7 is yellow. There's surplus capacity in that  
8 situation, but not a huge amount.

9 In the one-in-ten load case southern  
10 California is red. It shows us about 1700  
11 megawatts short of what's necessary to meet the  
12 peak load in that condition. And if that  
13 situation actually happened, that's the amount of  
14 power that would have to be curtailed, which we  
15 all know is rolling blackouts.

16 Fortunately, last summer was not a one-  
17 in-ten summer. It was more typical. And so there  
18 weren't any shortages except for a few that were  
19 driven by transmission. And actually there was  
20 one or two here in the City of Industry in May  
21 driven by transmission constraints. But they're  
22 looking at 2006, and of course, one-in-ten summers  
23 can happen at anytime.

24 The California Energy Commission also  
25 does a similar study, both looking at short-term

1 and the longer-term outlook. And I'm going to  
2 present some information now from the summer of  
3 2006 electricity supply and demand outlook. I  
4 have a few copies here if anybody's interested  
5 afterwards.

6 This is kind of a busy slide, but parts  
7 of it you'll recognize. The horizontal dashed  
8 black lines are labeled stage 1, stage 2, stage 3.  
9 If you remember the energy crisis, that was a  
10 stage 1 emergency, a stage 2 emergency and a stage  
11 3 emergency. And really those are measures of how  
12 much surplus electric capacity is available.

13 You always have to have a little surplus  
14 in the system in any given hour, because if a  
15 power plant trips or a transmission line shorts,  
16 there's got to be enough reserve there to pick  
17 that up, otherwise the system goes dark.

18 So, when reserves get too small then you  
19 get to a stage 1 emergency and everybody's asked  
20 to reduce their electric use and turn their  
21 thermostats to a hotter setting during the  
22 summertime.

23 Stage 2, customer that have agreed to  
24 have their power interrupted get interrupted.  
25 Many manufacturers in the City of Industry have

1 signed up for interruptible power. That's the  
2 point where they lose it.

3 And stage 3, we all get a turn at that.

4 The yellow line on the chart, we're  
5 looking at 2006, '7, '8, '9 and '10. The yellow  
6 line is the one-in-two case. And as you can see,  
7 in the one-in-two case, although reserve margins  
8 start to get tight towards 2010 we're okay. We've  
9 above the stage 1 line all the way across.

10 In the one-in-ten case, which here is  
11 called the adverse scenario, those are the two red  
12 lines. The lower red line is how it looks if we  
13 don't interrupt interruptible customers. And the  
14 upper red line is if we do interrupt interruptible  
15 customers.

16 And so you can see in 2006 if we have a  
17 one-in-ten summer we would have to interrupt  
18 interruptible customers -- we, not we, the  
19 California Independent System Operator would have  
20 to interrupt interruptible customers in order to  
21 maintain safe reserve margins. And the situation  
22 gets worse with time.

23 Looked at another way, and this really  
24 starts to get into statistics, the Energy  
25 Commission did something new this year which was

1 to do a probabilistic analysis, which is looking at  
2 all the possible scenarios that might occur.

3 And you can see there's three little  
4 diamonds there; that's the point where you have a  
5 stage 1 or a stage 2 or a stage 3 emergency. And  
6 what they're showing here is that there's an 84  
7 percent probability of not having any stage 1  
8 emergencies this year. Which means there's a 16  
9 percent probability that we will have a stage 1  
10 emergency.

11 And that moves on all the way out to  
12 there's actually a 5 percent probability of there  
13 being a stage 3 emergency this summer. So it can  
14 happen, and of course, that's really, in our mind,  
15 driving the question of why is new generation  
16 needed now.

17 It's okay, but we need to start planning  
18 now because it takes awhile to get through the  
19 permitting process, it takes about a year. And  
20 our power plant would take about 14 months to  
21 build. So we have to plan now for the future.

22 I guess before I forget, the third group  
23 that's involved in electricity is the California  
24 Public Utilities Commission. And I was at a  
25 speech by Commissioner John Bohn last week on

1 Thursday night, and I'll just read his quote  
2 there.

3 He said, "Simply put, we need new  
4 investment in additional infrastructure; energy  
5 and efficiency gains will reduce the scale of that  
6 need, but neither that nor increase in renewable  
7 energy will forestall the need for new fossil fuel  
8 fired generators."

9 The next question for us was, okay,  
10 there's a need for new power generation. What  
11 kind of new power generation is needed? Well,  
12 with the growth in the use of electric appliances  
13 and computers and particularly with the movement  
14 of the population to the inland areas where it  
15 gets a lot hotter in the summer, we find that peak  
16 demands are growing a lot faster than baseload  
17 demands.

18 This, again, is kind of a complicated  
19 slide. It's looking at power demands across a 24-  
20 hour day, depending on the kind of day. The green  
21 line is how the power load varies from midnight to  
22 midnight on a light load day. Maybe a day like  
23 today where it's not hot enough -- well, I guess  
24 we have the air conditioning on, but it's  
25 generally not hot enough for air conditioning, not

1 cold enough where you need a lot of heating.  
2 Probably a weekend day where there's not much  
3 going on. Power demand is rather low.

4 On an average day, kind of in between,  
5 that's the dark blue line, again it's low at  
6 night, but it starts peaking up higher during the  
7 day.

8 The red line is a hot summer day. It  
9 dips down at night, actually pretty close to the  
10 others, but during the day when it gets hot power  
11 demand just soars upwards to a very high level,  
12 primarily driven by air conditioning.

13 And that's the kind of power that  
14 southern California is short on right now. The  
15 peak load is growing faster than the baseload, and  
16 so that's what we have targeted.

17 There's another aspect to why that's a  
18 good area for us to be in, and that is the growing  
19 emphasis on renewable and green technologies as a  
20 source of electricity. Wind and solar are great  
21 technologies, but they are, by their nature,  
22 intermittent.

23 And in California, particularly southern  
24 California, the wind tends not to blow where the  
25 turbines are on a hot summer day. And so you need

1 to have peaking capacity to back up the renewable  
2 technologies. When there's no wind, you can turn  
3 on the peaking generators. They don't run that  
4 often; you just run them when you need to.

5 As you can see here, on a light load  
6 day, a peaker would just not run. On an average  
7 load day maybe a little bit of it would run a  
8 couple hours in the middle of the afternoon. But  
9 on a peak load day, you know, maybe 10 or 12 hours  
10 to meet that air conditioning load.

11 But you could also have a day where  
12 there was a power emergency, a transmission line  
13 broke, a power plant tripped off, or the wind's  
14 not blowing in the wind areas, and the peaking  
15 generators are there to pick that up.

16 So, having decided what kind of  
17 generation we needed, the question was what  
18 technology. And there is a brand new advanced  
19 peaking turbine technology that's just coming on  
20 the market now. It's based on proven aircraft and  
21 stationary turbine engines.

22 It's the most efficient plant for  
23 peaking generation available. It's about 10  
24 percent more efficient than the power plants that  
25 California's currently using for power generation.

1           You're probably familiar with the older  
2 plants along the coast in California. That's  
3 really where we get our peaking power now. We  
4 would use about 10 percent less fuel to make the  
5 same amount of electricity as those plants.

6           In addition, because they're based on  
7 aircraft technology we can start them up from a  
8 full stop to full load in ten minutes. If there's  
9 an emergency the power can go on just really at  
10 the press of a button.

11           And the older plants along the coast  
12 tend to take four to six to eight hours to start  
13 up. And so they're not there for quick start.

14           But also in that summer situation where  
15 the power demand goes down at night, you really  
16 can't turn the power plant off at night; it has to  
17 stay there just to be available to run the next  
18 morning. And that ends up consuming a lot of fuel  
19 and isn't as efficient.

20           This new turbine uses natural gas, so we  
21 have a clean fuel, and therefore very low  
22 emissions. Besides that we have a low emission  
23 combustor that we inject water into in order to  
24 reduce the emissions.

25           And then on the back end of the turbine

1 we have two series of catalytic reduction units  
2 for reducing emissions.

3 The next question we had, and I'm sure  
4 you have, too, is why build it here. Well,  
5 there's a bunch of reasons and I'll scroll through  
6 them here.

7 The first is that the California  
8 Independent System Operator, the big grid traffic  
9 cop, has certain requirements as to how they run  
10 the power system in order to keep it stable. We,  
11 as Californians, import an awful lot of our  
12 electricity from outside the L.A. Basin, and  
13 actually from outside the state. And that's fine,  
14 but you can't import it all from out of state.  
15 Otherwise the transmission system becomes  
16 unstable.

17 And so the Independent System Operator  
18 has set a rule that within that yellow area there,  
19 looks like West Virginia but is actually a piece  
20 of southern California, about 40 percent of the  
21 power we use in that area has to be generated in  
22 that area.

23 That way, if a transmission line were to  
24 be interrupted, the whole city doesn't go dark.  
25 There's enough power running in that area to pick

1 up the load momentarily to cover that problem.  
2 And circled in red there is about where the City  
3 of Industry is; so we're well within that key  
4 area.

5 The second reason to build it here is  
6 southern California is growing rapidly, both here  
7 and in the Inland Empire. This is a bar chart;  
8 the red and yellow bars are showing the number of  
9 building permits being issued per month.

10 And if you look at the first five  
11 counties there, this is by county, Riverside, Los  
12 Angeles, San Diego, Sacramento isn't in southern  
13 California, but then San Bernardino and Orange,  
14 that's where five of the six fastest growing  
15 counties are. So clearly southern California is  
16 the place that power needs to be built. We need  
17 to have the energy infrastructure to support that  
18 growth.

19 Narrowing down even closer to why  
20 specifically this spot that we've been talking  
21 about, for those of you who were on the tour you  
22 drove past a big electrical substation. That's  
23 the Walnut substation. It's operated by Southern  
24 California Edison. Right now all the power that's  
25 used in this area is brought into that substation

1 on the high voltage lines. It's dropped down  
2 through a transformer and then distributed out.

3 In 2005 the peak demand that was  
4 supplied from that substation to the local area  
5 was on the order of 670 megawatts. And as you can  
6 see, Southern California Edison projects that the  
7 amount of load from that substation is going to  
8 continue to grow.

9 Our power plant, if we're successful in  
10 getting it permitted, and getting the power  
11 contracts to sell the power, would come online as  
12 soon as 2008, and serve about 500 megawatts of  
13 that load. So, as you can see, the green block  
14 there, that's our plant coming online and serving  
15 load.

16 Still not all the power that's needed in  
17 this actual local area, but a good piece of it.  
18 And, you know, we're serving the local community,  
19 not generating power here and sending it someplace  
20 else.

21 Now getting really down to the area. I  
22 don't know if you can see it all here. The red  
23 blob there, that's the Walnut substation that you  
24 saw. And the red lines heading into it are the  
25 high voltage transmission lines going into the

1       substation.

2                   The black cross-hatched area there,  
3       that's the site that you saw on the site tour.  
4       That's where we would put the plant.  And as you  
5       can see, we're right next to the substation.

6                   That yellow line going diagonally across  
7       the picture that parallels the railroad tracks,  
8       that is the high pressure gasline that Southern  
9       California Gas already has in place.

10                  And the purple line is an existing  
11       pipeline carrying reclaimed water.  Those are the  
12       things that we need to run the plant, natural gas  
13       and water coming in, and the power coming out.

14                  It's really, for us, a perfect location  
15       because we're not going to have to tear up streets  
16       or run transmission lines any great distances in  
17       order to do this.  It's all contained right there.

18                  The next question I'm sure that you have  
19       is what's it going to look like.  We were  
20       concerned about that, too.  Nobody likes power  
21       plants.  We're not going to pretend -- I mean I  
22       like power plants because it's my business, but,  
23       you know, nobody dreams to live near a power  
24       plant.  And I would say that this is a very benign  
25       power plant.

1           It's a peaking plant; it only runs  
2 during peak demands; very low profile. It's not  
3 the image you may have of a power plant. And  
4 these pictures kind of bear that out.

5           This is a look towards the power plant  
6 site from the intersection of Gayle Street  
7 (phonetic) and Fieldgate. You're looking there  
8 right over the nursery. That's right next to the  
9 substation there. And these pictures are outside  
10 if it's hard to see from here, and we'll point it  
11 out to you. But tucked in there you can see a  
12 couple of the stacks from the power plant, but  
13 it's hardly visible at all. And certainly dwarfed  
14 by the transmission lines.

15           This one's almost impossible to see  
16 anything. This is the view looking northeast from  
17 Hacienda Heights, for those of you here who are  
18 residents out there. I think I'll just skip past  
19 this, but if you find one of us outside we'll  
20 point out on that diagram little pieces you can  
21 see in the picture.

22           This is south from LaPuente, and again,  
23 I guess the good news is you can't really see it.  
24 The bad news is I can't show you where it is.  
25 But, again, see us outside later on.

1           The next natural question -- oh, a  
2 pointer, thank you. I want to go back really  
3 quickly here. It's really tucked in there. You  
4 can't see it too much because the existing  
5 industrial buildings screen it, but there are, if  
6 you look really fine, just a couple of the tops of  
7 the stacks sticking up.

8           And the same thing is true here. This  
9 is that big industrial corridor along, or really  
10 between Gayle and the railroad tracks and the San  
11 Jose Creek. And tucked in there, again, you can  
12 see little bits of the power plant.

13           Just for clarification because I had a  
14 question. This is what it would look like if we  
15 built it; obviously it's not there now.

16           So with regard to air quality, everybody  
17 understands how important that is. And the South  
18 Coast Air Quality Management District and the  
19 Energy Commission, both of which will have to  
20 review our permit application, have very strict  
21 rules for what has to be done. And the fact comes  
22 down to we have to apply the best control  
23 technology available to reduce emissions from the  
24 power plant.

25           Which starts with using clean natural

1 gas as a fuel. Secondly, within the combustor  
2 inside the turbine we inject water into the  
3 hottest part of the flame in order to reduce the  
4 amount of emissions that are formed.

5 Then when the exhaust gases come out of  
6 the turbine, before they go through the silencers,  
7 we put them through two different catalysts, as I  
8 described, to further reduce the emissions. And  
9 then on the stack, itself, we have to have  
10 continuous emission monitoring. So that there's  
11 at all times instruments in the stack measuring  
12 how much emissions are coming out, to make sure  
13 that we stay within the legal limits.

14 This power plant won't run all the time  
15 so most of the time there won't be any. But  
16 during the times that it does run, we have to  
17 monitor that continuously.

18 After we've applied all the technology  
19 that's available to reduce the emissions to the  
20 lowest possible level, we then have to obtain  
21 offsets for whatever is left. And those offsets  
22 and their applicability will be governed by the  
23 South Coast Air Quality Management District. So  
24 pollution has to be cleaned up somewhere else  
25 within the L.A. Basin to an equal amount to offset

1       whatever emissions we have left.

2                   And I guess I would just assure all of  
3       you that we're not going to get permits unless we  
4       have valid offsets; we comply with all laws and  
5       regulations.  And we have to prove using pretty  
6       sophisticated computer modeling that there's no  
7       significant impact to local air quality.

8                   Another natural question is what good is  
9       it for our community.  And really, they fall into  
10      a number of categories.  The first being taxes.  
11      The plant will cost about \$250 million to build,  
12      and so we're going to have one heck of a property  
13      tax bill.

14                  And the property that we're building on  
15      is part of the urban development agency.  And so  
16      under the state's urban development rules, for the  
17      first ten years the tax increment, the increment  
18      on -- the taxes on the incremental value that we  
19      add to the site stay here within the community.

20                  In addition, we'll have to pay sales tax  
21      on all the equipment we buy, or use tax.  And  
22      actually since most of the equipment is coming  
23      from out of state, it would be use tax.  Again,  
24      that gets applied locally.

25                  Next is jobs, and because it's a peaking

1 power plant it doesn't run that much, there's  
2 really only about ten full-time jobs. Most of the  
3 jobs are during construction, about 200 jobs over  
4 14 months.

5 Another area where there's benefit is  
6 revenue for reclaimed water. We do use some water  
7 for cooling at this plant. And we're in  
8 negotiations with the Rowland Water District to  
9 acquire reclaimed water. We wouldn't use drinking  
10 water, we use recycled water.

11 And actually we have a representative  
12 from the Water District here, not from Rowland  
13 Water District, but from the Three Valley Water  
14 District. There's a lot of reclaimed water  
15 available in the area, and Rowland Water District  
16 is currently negotiating with them and with the  
17 City of Industry to increase their allocation of  
18 that water. Once that's done there's plenty of  
19 water that right now is really just being dumped  
20 into the ocean. We'll be able to access that and  
21 use that for our power plant.

22 And then the last benefit, which we've  
23 talked about, is we need energy infrastructure.  
24 If we're able to get our permits we could start  
25 construction as soon as spring of next year, and

1 have the power plant online for summer 2008.

2 We've got some great support from this  
3 project. The first is a quote from an editorial  
4 in San Gabriel Valley Tribune. I won't read it  
5 for you, but you're welcome to read it. And I  
6 certainly won't read Mayor Perez' quote, because  
7 I'm sure he'll be up here and talk to us in a just  
8 a little bit.

9 And that's all I have. Should we take  
10 questions now, or do you want to wrap it all up  
11 first?

12 HEARING OFFICER SHEAN: Why don't you  
13 wrap the applicant's side up.

14 MR. KOSTRZEWA: Well, I'm done.

15 HEARING OFFICER SHEAN: All right. Are  
16 there any questions? Well, let me just indicate  
17 we notice that we've had some new members of the  
18 public come in. And in this process we have the  
19 applicant making its presentation. The Commission  
20 Staff will done one in a couple of minutes.

21 We want to afford you an opportunity not  
22 only to listen to everything that's being  
23 presented, but if you have questions or comments,  
24 we'd be very happy to hear from you.

25 So, if, at this point, you have a

1 question to the applicant for either a further  
2 description of why this is needed on an  
3 electricity basis, or something specific to the  
4 project, we'd be happy to have you ask that now  
5 and they can explain it.

6 But, of course, if you choose to, the  
7 applicant will be around here after the conclusion  
8 of the meeting. They have some pictures outside,  
9 as well as a plot map and other information. And  
10 you don't need to do it in this public setting if  
11 you choose not to.

12 But, if you wish to and you have a  
13 question now, we'll do that, or we'll go to the  
14 presentation. Are you going to have the Mayor  
15 speak at this point or do you want to do this  
16 later?

17 MR. GALATI: I think how about after  
18 staff.

19 UNIDENTIFIED SPEAKER: Actually, he's  
20 here. It would probably be easier on you  
21 schedule. Would you like to now?

22 MAYOR PEREZ: (inaudible).

23 (Laughter.)

24 MAYOR PEREZ: I'll make it short. I'd  
25 like to thank you, welcome you to the City of

1 Industry, the Commissioners from Sacramento. This  
2 is a great day for the City of Industry, and our  
3 host, Mission Energy; and our guests from our  
4 surrounding areas that also probably work in the  
5 City of Industry.

6 We have a daytime population of 85,000.  
7 And a nighttime population of 806. So we're a  
8 very unique city. Only 800 of us here that live  
9 in the City between the two railroad tracks.

10 If you look at this map here, it's east  
11 San Gabriel Valley. I won't go into detail, but  
12 the City's about 14 miles long. Starts with the  
13 City of Pico Rivera way down there, all the way  
14 out to the City of Pomona. And basically we  
15 follow two major railroad lines. Used to be  
16 called Union Pacific, well, it is Union Pacific,  
17 used to be called Southern Pacific. They're now  
18 one. And the City was incorporated in 1957, and I  
19 was 11 years old then. And now I've been Mayor  
20 for about three years.

21 And this City and the Council that I  
22 represent and my residents and our 85,000 people,  
23 this project is very important to us. We are a  
24 very progressive city, trying to not only keep the  
25 jobs, but enhance the jobs. And you enhance jobs

1 basically with manufacturing.

2 We're about a 60/40 percent city; 40  
3 percent manufacturing, 60 percent warehousing.  
4 And we're losing on the manufacturing side daily.

5 And this project here, believe it or  
6 not, since the energy crisis in 2000 is very  
7 important to our production lines. And last  
8 summer we had some of our first outages that  
9 disrupted the production lines. And it was very -  
10 - is this okay, or maybe I'm too close -- we had  
11 disruptions this last summer and we had some major  
12 manufacturing that produce components for the  
13 aerospace and the computer industry.

14 And those outages might have lasted one  
15 hour, two hours, maybe three, but they would shut  
16 down the production lines. Do we send them home?  
17 Do we keep them here? We wait it out.

18 And so since the energy crisis in 2000  
19 the manufacturing base in this City has been  
20 encouraging the City and its leadership to try to  
21 come up with something with a power plant or  
22 something that we can partner up with, because  
23 we're a municipality, to bring stable power to the  
24 City.

25 So, this Mission Energy project is going

1 to be very exciting for us; it's going to be there  
2 when it is needed, at peak times, and keep those  
3 production lines going so there's no interruptions  
4 for us in the City of Industry; and also all our  
5 neighboring cities, obviously.

6 But we look forward to this project.

7 I'm here if anybody wants to ask me any questions  
8 personally, the Commissioners, I'm here for the  
9 duration. And I hope we all do our due diligence,  
10 I'm sure we will. And we'll be responsible and  
11 the public will buy into it.

12 Thank you for letting me talk.

13 HEARING OFFICER SHEAN: Thank you. All  
14 right, with that, we're going to go to the Energy  
15 Commission Staff. And the staff is going to  
16 briefly describe some of the process that it does  
17 to analyze this project and describe the documents  
18 that they're going to produce that are out there  
19 for public information.

20 MR. KNIGHT: Good afternoon; my name's  
21 Eric Knight. I'm the Staff Project Manager for  
22 the Walnut Creek Energy Park application for  
23 certification.

24 I have some slides here about the  
25 process the Energy Commission goes through to site

1 a power plant. And specifically the staff's role  
2 in the process, and how that distinguishes from  
3 the Committee's role and ultimately the  
4 Commission's role.

5 And then after that I'll take questions  
6 if there's questions. And move on to a summary of  
7 our issues identification report, which was  
8 published, I believe, on the 21st.

9 The purpose of the Energy Commission's  
10 siting process is to insure that a reliable supply  
11 of electrical energy is maintained at a level  
12 consistent with the need for such energy, for the  
13 protection of public health and safety, for the  
14 promotion of the general welfare and for  
15 environmental quality protection. And that's a  
16 quote from the Public Resources Code section  
17 25001.

18 The Energy Commission has sole  
19 permitting authority over 50 megawatt and greater  
20 power plants, thermal power plants, excuse me, and  
21 all related facilities. Those are facilities that  
22 are needed for the power plant to function at all,  
23 so that would be electrical transmission line that  
24 goes from the power plant to the transmission  
25 grid, water supply pipelines, gas pipelines, any

1 waste disposal facilities and access roads.

2 The Commission is essentially the lead  
3 agency under CEQA. We have been deemed by the  
4 Resources Agency as a functional or process as  
5 being functionally equivalent to CEQA. And so we  
6 don't produce an EIR, but we produce several  
7 environmental documents, the staff does, and  
8 there's several decision documents that are  
9 produced by the Committee and the Commission.

10 There are three steps in the licensing  
11 process. The first one is data adequacy, and  
12 that's essentially every application is required  
13 to submit certain information pursuant to our  
14 regulations. The project initially when it came  
15 in, the staff found it to be inadequate in several  
16 areas. And the applicant subsequently filed a  
17 supplement to that application. And the  
18 Commission found the AFC to be complete on  
19 February 1st.

20 So that's basically the start of a 12-  
21 month proceeding. And what would follow after  
22 that is staff's discovery and analysis phases.  
23 And in there we identify issues; we issue data  
24 requests to the applicant to understand more about  
25 their project and attempt to resolve some of the

1 issues that have popped up.

2 The staff also holds workshops. And  
3 these are all open to the public and noticed so  
4 the public can attend. And then ultimately the  
5 staff issues two environmental documents. These  
6 are called the preliminary staff assessment and  
7 the final staff assessment.

8 And then ultimately the Commission will  
9 begin the evidentiary hearing and decision phases  
10 of the process. And the Committee will hold  
11 evidentiary hearings where they'll hear testimony  
12 from all the formal parties, and they'll hear  
13 public comment. And the Committee will produce  
14 what's called the Presiding Member's Proposed  
15 Decision. And that is the Presiding Member's  
16 recommendation on the proposal. Which would  
17 ultimately go before the full Commission for  
18 adoption.

19 This slide here is a graphic  
20 representation of the staff discovery and analysis  
21 process. In the center is the staff assessment  
22 and the testimony, which is otherwise known as the  
23 final staff assessment. And the bubbles around it  
24 show the different parties that provide input into  
25 those documents preparation.

1           So, based on public comments, local,  
2           state and federal agency comments, and any  
3           comments from intervenors that could shape the  
4           staff's document. The Public Adviser is shown in  
5           there, as you've heard from Mike Monasmith, about  
6           the Public Adviser's role to help intervenors and  
7           the public participate in the process.

8           And here's another graphic  
9           representation of the evidentiary hearing and  
10          decision process. And in the middle is the  
11          Committee's proposed decision and ultimately the  
12          Commission's final decision, and the participants  
13          that provide input to that. And that would be  
14          testimony from the formal parties like staff and  
15          the applicant and intervenors. And also comments  
16          from all the interested agencies and the public.

17          Staff's analysis of the AFC. One of the  
18          purposes of this is to determine if the proposal  
19          will comply with all local, state and federal  
20          laws, ordinances, regulations and standards,  
21          commonly referred to as LORS.

22          Another function is to conduct an  
23          engineering and environmental analysis of the  
24          proposal. Identify issues, alternatives that  
25          could mitigate any potentially significant

1 impacts. Identify mitigation measures to reduce  
2 significant impacts to levels of less than  
3 significance.

4 And then recommend conditions of  
5 certification. basically the conditions under  
6 which we believe the project ought to operate.

7 And the staff facilitates public and  
8 agency participation. The staff assessments will  
9 include a section called response to the public  
10 and agency comments. So the staff will respond to  
11 any written comments received from the public and  
12 from agencies specifically in the analysis.

13 And we produce, as I said, two  
14 environmental documents. One is called the  
15 preliminary and one's the final staff assessment.  
16 And we make recommendations to the Committee.

17 Staff works with local agencies, state  
18 agencies and federal agencies insuring that all  
19 their requirements are met by the proposal. So  
20 far the staff has been working with the City of  
21 Industry planning and engineering departments, the  
22 South Coast Air Quality Management District, and  
23 the Los Angeles Regional Water Quality Control  
24 Board.

25 On the state level staff has been

1 working with the Department of Toxic Substances  
2 Control; and on the federal the United States  
3 Environmental Protection Agency.

4 So what happens after the FSA comes out,  
5 the Committee will conduct a series of evidentiary  
6 hearings and it will take testimony from all the  
7 formal parties and hear public comment.

8 And at the conclusion of all that the  
9 Committee will issue its Presiding Member's  
10 Proposed Decision, otherwise referred to as the  
11 PMPD. This document contains findings related to  
12 environmental impacts, public health and  
13 engineering, the project's compliance with all  
14 LORS; it will recommend conditions of  
15 certification; sometimes those are staff's  
16 conditions, sometimes they're not. There can be  
17 disagreements between parties and the Committee  
18 and Commission, they're the ones that decide that.

19 Ultimately the full Commission -- well,  
20 then the PMPD will recommend whether or not to  
21 approve the project, and ultimately the full  
22 Commission of five Commissioners will decide  
23 whether to grant the license or not.

24 And then if a license is granted, the  
25 Energy Commission Staff will monitoring compliance

1 with all the conditions of certification for the  
2 life of the project.

3 You've already heard lots of discussion  
4 about how open our process is. Workshops and  
5 hearings are all noticed at least 10 to 14 days in  
6 advance of that workshop.

7 We maintain several mailing lists.  
8 There are property owner lists. Any property  
9 owner within 1000 feet of the plant when the AFC  
10 is filed is notified of that filing.

11 And we maintain general lists. If you  
12 just want information and notices to be sent out.  
13 And we always send all documents to parties,  
14 formal parties and agencies that are on our lists.

15 And I put out in front a mailing list,  
16 if you care to sign up. And there's a box on  
17 there that if you check it if you want to receive  
18 notices.

19 The AFC. We sent out the AFC to a  
20 number of libraries in the area. Copies of the  
21 AFC are at the Hacienda Heights, La Puente,  
22 Rowland Heights public libraries. And there's a  
23 number of libraries that we are statutorily  
24 required to send to. Those are in the smaller  
25 text, Sacramento, Los Angeles, San Francisco, San

1 Diego, Fresno and Eureka. There's also the  
2 documents at the Commission's library in  
3 Sacramento.

4 And they're also on our website; and  
5 there's the web address for the project. So if  
6 you go to that address you'll find all the  
7 documents that have been filed on a case.

8 And then as soon as the staff puts out  
9 its PSA and its FSA, we'll also send it to all  
10 these libraries, as well; and post them on the  
11 website.

12 Ways that you can participate. You can  
13 submit written comments or statements to the  
14 Committee or the Commission. You can provide oral  
15 comment at public meetings such as this. You  
16 could become a formal intervenor and Mike  
17 Monasmith explained that process. For more  
18 information contact the Public Adviser.

19 Or you could provide written comment on  
20 the PSA and FSA and the staff would respond to  
21 those comments.

22 And then the next slide is all the  
23 contact information for myself, the Project  
24 Manager, Mr. Shean and the Public Adviser. And  
25 down at the bottom you heard that there was a

1 public information line that the applicant has set  
2 up. I put that on there, as well. There's a  
3 toll-free line and an email that you can send your  
4 comments to.

5 So that's it for process. If there's  
6 any questions I can take those now, or move on to  
7 the next part. Yes?

8 MR. PEREZ: My name's Joe Perez and --

9 HEARING OFFICER SHEAN: Mr. Perez, just  
10 so we can both hear you and have your question on  
11 our transcript.

12 MR. PEREZ: Okay. Good afternoon, my  
13 name's Joe Perez, and I'm more or less  
14 representing the closest elementary school,  
15 Glenelder, which is maybe a block and a half  
16 away. I have two daughters who attend  
17 that school.

18 I commend the time and effort that  
19 Lawrence, I didn't catch your last name and  
20 forgive me --

21 MR. KOSTRZEWA: (inaudible).

22 MR. PEREZ: -- formal like that. But  
23 you did take a lot of time and effort to explain a  
24 lot of the (inaudible) that's taken place. My  
25 best interest was the fact of the health and the

1 concerns like that.

2 He explained the ammonia type of  
3 filtration and, if you could just kind of like  
4 explain that a little bit more in detail about how  
5 that works. I brought my wife with me here; she  
6 brought -- the daughter's here. We just went and  
7 picked her up from school, so.

8 There was a way you filtered out that,  
9 turning that. Could you more or less explain  
10 that?

11 I think I'm all for it, as far as the  
12 (inaudible) for the community, myself, anything  
13 that will benefit the community, I'm all for it.  
14 I've been in industry all my life.

15 That was the only thing I was kind of  
16 curious about, a little bit more in depth about  
17 how that worked.

18 MR. KOSTRZEWA: Sure. There's actually  
19 two catalysts that are in that big box that we  
20 showed. The first catalyst is an oxidation  
21 catalyst. That's to remove any unburned  
22 combustion products.

23 And then the second is called a  
24 selective catalyst. And that one we mix some  
25 ammonia, which is stored blended with water so

1       it's safe. That is actually atomized into the  
2       turbine exhaust. And then when it passes over the  
3       catalyst bed, the catalyst causes the ammonia to  
4       react with the smog-producing chemicals. And what  
5       you have coming out instead is nitrogen and water  
6       vapor instead of the smog-producing chemicals.

7               MR. PEREZ: So more or less reassuring  
8       me that any of the exhaust coming out would be --

9               MR. KOSTRZEWA: That's the plan. The  
10       smog-producing chemicals, nitrogen oxides, have to  
11       be reduced to no more than 2.5 parts per million.

12              MR. PEREZ: Okay, that was the question  
13       I had. And I think you've fully answered. Okay.

14              MR. KOSTRZEWA: Anytime.

15              HEARING OFFICER SHEAN: And, Mr. Perez,  
16       I think if you're going to sort of disseminate  
17       that information, analogize it to the catalytic  
18       converter on your car. That's probably the  
19       easiest way to do it.

20              You have the exhaust from your car. The  
21       only difference is you inject this aqueous ammonia  
22       as a mist, and then when the whole thing crosses  
23       over, I think it's a platinum catalyst, is when  
24       the chemical reaction will occur. And then what  
25       comes out basically the rest of the stack is a

1 combination of -- let me say it takes the oxides  
2 of nitrogen as the principal pollutant that you're  
3 trying to address there; and reduces it through  
4 this catalytic reaction that takes place  
5 chemically.

6 MR. PEREZ: Thank you very much.

7 HEARING OFFICER SHEAN: All right, I  
8 think at this point what we're going to do is have  
9 the staff discuss some of the -- having reviewed  
10 initially the application filed by the developer  
11 here, the issues that it foresees coming up in the  
12 coming months and that you will likely see  
13 discussed in their two written documents.

14 MR. KNIGHT: Earlier I showed this slide  
15 that shows the three-step process. We've already  
16 gone through data adequacy. And the second part  
17 here, staff discovery and analysis, we've issued a  
18 issues identification report, which are the  
19 significant issues that we believe may take time  
20 to resolve.

21 There may be, you know, potentially  
22 significant impacts that may be difficult to  
23 mitigate. Things that may cause delay in the  
24 schedule. Those are the type of things that we  
25 highlight in an issues identification report.

1           And then the next step we'll issue data  
2 requests to hopefully try to resolve some of those  
3 issues, and also learn more about the proposal,  
4 and ultimately be able to prepare our assessment  
5 on the project.

6           The purpose of the document is to inform  
7 participants of potential issues, provide early  
8 focus on those issues and hopefully resolve them  
9 earlier in the case.

10           I've already said this, significant  
11 impacts that may be difficult to mitigation;  
12 noncompliance with LORS, we would want to  
13 highlight that early on in the issues  
14 identification report. It's not a factor in this  
15 proposal, but in other projects we've had  
16 situations where projects don't comply with local  
17 land use plans, and so we want to get something  
18 like that resolved earlier in the case and  
19 highlight that early and work toward resolution.

20           And then there may be conflicts between  
21 parties about appropriate findings or conditions  
22 of certification for the Commission's decision.  
23 And those conflicts could cause delay in the  
24 proceeding.

25           So the two issue areas that we've

1 identified so far are air quality and water  
2 resources.

3 In terms of the air quality issues  
4 there's several of them, and they all revolve  
5 around mitigation of the pollutants that the plant  
6 would emit.

7 The applicant's proposal for mitigation  
8 of PM10 and possibly for -- I'm sorry, particulate  
9 matter less than 10 microns, referred to as PM10.  
10 And possibly oxides of sulfur and carbon monoxide  
11 emissions would come from offsets purchased  
12 through the South Coast Air Quality Management  
13 District's priority reserve.

14 And the concern there is that the  
15 District is in a rulemaking process right now.  
16 And we understand the rules that the project would  
17 have to comply by won't be in effect until July of  
18 2006. So the staff needs to make a determination  
19 whether the project will comply with the District  
20 rules; and the District rules are in flux right  
21 now. And the resolution may not be until July.

22 So that puts staff in a little bit of a  
23 difficult position, not knowing -- not being able  
24 to make a recommendation on the project till very  
25 late in the proceeding.

1           And for carbon monoxide mitigation the  
2           applicant has basically three different strategies  
3           here. The District is right now classified as  
4           nonattainment for the federal carbon monoxide  
5           standards. But the standards are being met, but  
6           the EPA has to change the designation of the  
7           District. And that's a multi-year process the EPA  
8           goes through. And that's likely not going to  
9           happen within the timeframe of this project.

10           So in that case offsets would be  
11           required for the carbon monoxide. And the offsets  
12           would either come from those purchased on the  
13           market, emission reduction credits. However,  
14           those are in short supply. Or they could come  
15           from the priority reserve. But as I mentioned  
16           earlier, the priority reserve, the District is in  
17           the middle of a rulemaking process, and so, again,  
18           the rules are in flux.

19           For oxides of sulfur, that applicant  
20           would participate -- proposed to participate in  
21           the District's reclaim program. However, power  
22           plants are excluded from that program, and  
23           petitions to participate are not typically  
24           granted.

25           There was one case that we're aware of,

1 and that was a project before the Energy  
2 Commission during the crisis of 2000/2001. So,  
3 the applicant would have to go before -- either  
4 purchase the ERCs in the market, they're in short  
5 supply; or participate in the priority reserve.  
6 And, again, that's an open-ended question there.

7 For oxides of nitrogen mitigation, again  
8 the applicant proposed to participate in the  
9 reclaim program. As far as we know the applicant  
10 has not purchased any of the reclaimed trading  
11 credits at this point.

12 And then in terms of mitigation of  
13 what's referred to as PM2.5, which is fine  
14 particulate matter, the South Coast Air District  
15 is currently in nonattainment for PM2.5. However,  
16 the District is in the midst, or just beginning  
17 the early stages of a rulemaking to address 2.5.

18 So there are no rules currently in  
19 effect within the District for PM2.5. But the  
20 Energy Commission Staff not only has to insure  
21 that the LORS are being met, that the District's  
22 rules are being met, but we have a CEQA obligation  
23 as well.

24 And at this point no mitigation is  
25 proposed in the AFC to address PM2.5. So the

1 staff and the applicant will -- staff will try to  
2 work with the applicant to address this and  
3 identify mitigation for PM2.5 impacts.

4 And in terms of volatile organic  
5 compounds mitigation, our understanding from  
6 speaking with representatives of the District is  
7 that there are no priority reserve offsets  
8 available for this project. And the applicant has  
9 not purchased any of the emission reduction  
10 credits for VOCs at this point.

11 So these are all issues that need to be,  
12 you know, need to be resolved during this next 12-  
13 month process.

14 In terms of water resources issues there  
15 was a will-serve letter from the Rowland Water  
16 District, the provider of the reclaimed water for  
17 the project. It wasn't specific in terms of how  
18 much water the District would provide for the  
19 facility; how long the contract would be for; and  
20 how reliable that supply is.

21 And you heard earlier that the applicant  
22 is currently in negotiations for that water.  
23 There's no dedicated water supply for the project  
24 as of today. Obviously the hope is to get that  
25 resolved and negotiations final before the project

1 is permitted.

2 And there was no backup water supply  
3 proposed. And staff has experience with past  
4 projects where reclaimed water has no been  
5 available to projects that use reclaimed water.  
6 There's supply disruptions, and the plants have  
7 had to shut down.

8 And so the staff will be recommending  
9 that the applicant pursue a alternative, or not  
10 alterative, a backup supply source. Could be  
11 another reclaimed water source, but just in the  
12 event that the preferred and primary water supply  
13 is shut down for a period of time, the plant can  
14 still operate with the backup supply.

15 So, data requests will be coming out.  
16 Here's the somewhat revised schedule. There was a  
17 schedule that was shown in the issues report. The  
18 two dates that are shown in red show some  
19 revisions to that schedule.

20 We had hoped to issue our data requests,  
21 our first set of data requests on February 24th.  
22 We missed that date. And we hope to get them  
23 out -- I'd hoped to get them out Friday.

24 And in those requests there'll be a  
25 series of questions on air quality, addressing the

1 mitigation of the different pollutants. And a  
2 number of data requests in terms of water supply  
3 issues.

4 And then since we're issuing those late,  
5 the applicant would have more time. The applicant  
6 typically has, -- well, they do, they have 30 days  
7 to respond unless they can't, for some reason,  
8 can't meet that date. And they can petition to  
9 provide them at a later date.

10 So those are the two changes so far to  
11 the schedule that we published.

12 HEARING OFFICER SHEAN: Are there any  
13 questions of the staff --

14 MR. KNIGHT: There's just one last slide  
15 real quick.

16 Meeting this schedule will depend on  
17 several factors. Applicant's timely response to  
18 staff's data requests. The timing of the Air  
19 District's priority reserve rulemaking process.  
20 And the issuance of their preliminary  
21 determination of compliance with the District  
22 rules, which was tied to this rulemaking process.

23 And any other determinations of local,  
24 state and federal agencies. And factors that we  
25 don't know about yet.

1                   HEARING OFFICER SHEAN:  Okay, at this  
2 point are there any questions of the staff?

3                   Yes, sir.  If you could just please  
4 identify yourself.

5                   MR. SMITH:  Yes.  My name is Tim Smith.  
6 I have a question on the priority reserve.  The  
7 priority reserve, how the staff look at those.  
8 From what I understand they're not really based on  
9 true offsets of shutting down machinery; they're  
10 based on probable use of money to offset future  
11 emissions.  How does staff look at that?

12                  MR. KNIGHT:  I'd actually ask if Keith  
13 Golden, with the staff's air quality unit, could  
14 come on down and answer that question.

15                  MR. GOLDEN:  My name is Keith Golden.  
16 I'm with the CEC air quality unit.  Priority  
17 reserve is one of these issues that we're going to  
18 be very thoroughly investigating as how we connect  
19 the priority reserve program, which has been  
20 around for the last 15 years, and connect that as  
21 a good and viable mitigation measure.

22                  We do have a number of questions that we  
23 are going to be asking the applicant and also the  
24 Air District when they go through this rulemaking  
25 process on the priority reserve to fully

1 understand how the credits were created and the  
2 kinds of sources that were used as deposits for  
3 emissions into this priority reserve program.

4 MR. SMITH: Will the priority reserve  
5 offsets limit the running of the plant? You said  
6 the plant's probably only going to run a maximum  
7 of 40 percent of the time. Will the offsets that  
8 are purchased limit the plant from running any  
9 more than that? Or will you basically be able to  
10 run 100 percent of the time?

11 MR. GOLDEN: No, there will be limits  
12 put on the operation on a daily and annual basis  
13 that will limit the amount of emissions that will  
14 correspond to the number of hours of operation.  
15 So they will only be allowed a certain amount of  
16 emissions that correspond to the amount of offsets  
17 that they're going to acquire.

18 MR. SMITH: So are they asking for only  
19 enough offsets to run 40 percent of the time? Or  
20 are they asking for enough offsets to run more?

21 MR. GOLDEN: No, it's based on what  
22 they've told us, which is approximately, and I may  
23 have to be corrected, around 4000 hours a year of  
24 operation. Is that -- I think the intended level  
25 of which they intend to permit the equivalent

1 amount of emissions that will thus limit them to  
2 approximately 4000 hours, I believe, of per-year  
3 operation, out of a potential, of course, of 8760.

4 So it's about 45 percent of the time of  
5 the year they actually will be operating. It will  
6 be limited by emission limits to not exceed that  
7 amount.

8 MR. SMITH: Okay.

9 MR. KOSTRZEWA: From a practical  
10 standpoint that's not quite how it will work. The  
11 way the South Coast Air Quality Management  
12 District sets offset rules, you have to buy  
13 offsets for your peak month.

14 Well, this being a peaking power plant,  
15 we're going to have our peak month in July and  
16 August when electric demand is the highest. Many  
17 other months of the year we will operate much much  
18 less. But we have to buy enough offsets, because  
19 they're based on pounds per month.

20 So, in theory, if we ran every month,  
21 yes, we could run 4000 hours a year. But in  
22 practice we're purchasing offsets for a peak  
23 month, and we won't be able to use those offsets  
24 the low-load months of the year because there  
25 won't be enough electric demand to justify running

1 the plant.

2 MR. SMITH: So if I could re-say that,  
3 then, you will buy, for example, PM10 offsets  
4 based on what you would run during a maximum  
5 month, and in that you could run, as long as you  
6 don't exceed that limit for any other month, could  
7 run every month and run more than 4000 hours a  
8 year.

9 MR. KOSTRZEWA: Well, I think if yo do  
10 the math it comes out to around 4000 hours a year.  
11 What we're securing offsets for is 16 hours a day,  
12 six days a week as the maximum month. And that's  
13 the most we could ever do in any month.

14 But from a practical standpoint, in May,  
15 for example, when the weather is mild and there's  
16 lot of hydroelectric power available, it won't  
17 matter that we're able to run that much because  
18 there just won't be enough demand.

19 MR. SMITH: Okay. That's full load  
20 operation and equivalent hours, is that --

21 MR. KOSTRZEWA: We have to buy them for  
22 full load operation, but, again, it may not always  
23 operate at full load.

24 MR. SMITH: Okay. I have other  
25 questions outside the air, can I go ahead and ask

1 those?

2 HEARING OFFICER SHEAN: Yes.

3 MR. SMITH: Do you have a contract to  
4 sell the power into the grid?

5 MR. KOSTRZEWA: Not yet.

6 MR. SMITH: Do you intend to build the  
7 power plant without that contract?

8 MR. KOSTRZEWA: Under the current  
9 California power market structure, no, we would  
10 really need a power contract. The power market in  
11 California does not yet support building new power  
12 plants without some certainty that you'll get  
13 paid. The market is moving in a direction that  
14 maybe some day it will, but it's not there today.

15 MR. SMITH: Do you have a time period  
16 that you believe -- do you intend to get contracts  
17 with Southern California Edison for the sale of  
18 power?

19 MR. KOSTRZEWA: Southern California  
20 Edison is one of the possible buyers. There are  
21 others, too. But they're the biggest.

22 MR. SMITH: Have you purchased equipment  
23 to meet the -- the LM100, the equipment, I  
24 understand, delivery time for equipment is  
25 difficult for summer of 2008. Have you purchased

1 the equipment so you can meet that once the  
2 contract is given?

3 MR. KOSTRZEWA: We haven't purchased any  
4 equipment. We've made some reservations, but  
5 those reservations are approaching the point where  
6 they'll expire. We had hoped to have an  
7 opportunity to sell power before this. And if  
8 there's not an opportunity to sell power soon,  
9 there could be a problem in making 2008. In which  
10 case, we would then target 2009.

11 MR. SMITH: Okay. All right, thank you.

12 HEARING OFFICER SHEAN: Thank you, Mr.  
13 Smith.

14 MR. SACKS: Don Sacks, Director of the  
15 Industry Chamber. I have one question, and I  
16 would like to give testimony later.

17 If we were to consider from the San  
18 Bernardino Freeway all the way down to the Orange  
19 County line and the San Bernardino County line,  
20 and from the 605 freeway over to say the Pomona  
21 City limits, if that were a swimming pool and I  
22 poured water on one side, the level would go up  
23 throughout the pool.

24 Will that be the general area that this  
25 peaker plant will address as far as reduction in

1 electricity? Or is that something that can't be  
2 answered until it's up and running?

3 MR. KOSTRZEWA: Well, one of the  
4 difficult things that electrical engineers face is  
5 that power flows down the path of least  
6 resistance. And so there are computer models that  
7 will predict it. And so I can't directly answer  
8 your question.

9 I think the best answer I can give you,  
10 though, is on a peak day there's 650 megawatts  
11 that's distributed on the low-voltage lines coming  
12 out of the Walnut substation. Physically what  
13 will happen is our power will be the stuff that's  
14 distributed out locally, reducing the amount that  
15 has to come in on those transmission lines.

16 How that affects the rest of the system  
17 I don't personally know, other than one of the  
18 things that we had to do was go to Southern  
19 California Edison's transmission department and  
20 have them do a system impact study so that they  
21 would look at what happened to power lines around  
22 the state -- well, around the region.

23 HEARING OFFICER SHEAN: Any other  
24 questions?

25 PRESIDING MEMBER GEESMAN: That wouldn't

1 restrict you, though, in terms of who you chose to  
2 sell the power to, would it?

3 MR. KOSTRZEWA: That's correct, it would  
4 not. The California Independent System Operator  
5 operates a high voltage transmission system as  
6 really an open access highway. And so where the  
7 electrons flow is important for maintaining system  
8 reliability but that doesn't have to be where the  
9 power is commercially sold.

10 Both will happen. There's the  
11 commercial transaction and there's the physical  
12 movement.

13 HEARING OFFICER SHEAN: Any other  
14 questions?

15 PRESIDING MEMBER GEESMAN: I had a  
16 question for staff. Eric, yesterday the staff  
17 agreed that it would be reasonable to issue the  
18 preliminary staff assessment 30 days after the  
19 preliminary determination of compliance by the  
20 South Coast Air Quality Management District,  
21 rather than the 45 days nominally shown on your  
22 schedule.

23 Would that be a reasonable assumption  
24 for this proceeding, as well?

25 MR. KNIGHT: Yeah, that's fine.

1                   PRESIDING MEMBER GEESMAN: Thank you.

2                   HEARING OFFICER SHEAN: And, in fact,  
3 isn't it correct in your issue document, your  
4 issues identification document, only air quality  
5 and water are essentially going to affect the  
6 schedule in an adverse way; and that all the other  
7 topics likely can be addressed publicly and  
8 perhaps either conditions agreed to, and the  
9 analysis agreed to on a much faster schedule than  
10 on air quality and water?

11                  MR. KNIGHT: Yeah, I would agree with  
12 that.

13                  HEARING OFFICER SHEAN: So that perhaps  
14 even the issuance of the PSA may be triggered by  
15 another event than the preliminary determination  
16 of compliance than essentially --

17                  MR. KNIGHT: Um-hum.

18                  HEARING OFFICER SHEAN: -- certain  
19 sections of this faster even than that?

20                  MR. KNIGHT: Would it be one single PSA,  
21 or are you talking about bifurcated --

22                  HEARING OFFICER SHEAN: It's not really  
23 a question. You just put other --

24                  MR. KNIGHT: Okay. Yeah.

25                  HEARING OFFICER SHEAN: -- factors up

1       there and that might be another factor --

2               MR. KNIGHT:   Right.

3               HEARING OFFICER SHEAN:  -- given other  
4       workload demands --

5               MR. KNIGHT:   Um-hum.

6               HEARING OFFICER SHEAN:  Okay.  Were you  
7       going to say something, Mr. Galati.

8               MR. GALATI:   If you're going to let me.

9               HEARING OFFICER SHEAN:  Well, I know  
10      your moves, Mr. Galati, so --

11              MR. GALATI:   I just wanted to clarify  
12      one thing on behalf of the -- group, is staff has  
13      identified issues related to air quality, and I  
14      think they are issues that we're going to continue  
15      to work on.

16              But I wanted to let the public know that  
17      while the actual mechanism for offsetting may not  
18      be determined at this stage, the project will  
19      offset all of its emissions one way or another.

20              And one of the things that we're working  
21      through is a rule change.  So while we cannot yet  
22      determine specifically how the offsets will be  
23      determined, we clearly will do them.

24              So while the South Coast is making its  
25      rule change, we're working very closely with them,

1 and we have tried to keep all of the options open.  
2 But I wanted to assure the public that in no case  
3 would the project not offset its emissions.

4 HEARING OFFICER SHEAN: All right, at  
5 this point if there are some additional comments  
6 that want to be offered by members of the audience  
7 that are not necessarily questions, but comments,  
8 we invite the members of the audience to come up  
9 and do that now.

10 MR. SACKS: If I may?

11 HEARING OFFICER SHEAN: Yes, sir.

12 MR. SACKS: Don Sacks again, Mr.  
13 Chairman and Commissioners. I have a prepared  
14 text here, if I may.

15 Industry manufacturers -- the Chamber of  
16 Commerce for the City of Industry. The  
17 organization has over 2300 businesses and close to  
18 85,000 individuals working at those businesses.

19 Approximately four years ago many of our  
20 major businesses encountered problems related to  
21 the lack of dependable electrical energy. This,  
22 in many cases, resulted in companies having to  
23 close down business for the day; workers were sent  
24 home with loss of wages, creating an unstable  
25 employment base, and in some cases, creating a

1 financial hardship for individual families.

2 Many of our companies are involved in  
3 food processing. And when an interruption of  
4 electricity occurs a tremendous amount of new  
5 product must be disposed of with no chance of  
6 salvage.

7 Some of the major companies affected  
8 besides just food processing, Pachino Foods,  
9 CalMar Plastics, Caseque (phonetic) Cheese, Los  
10 Altos Cheese, Utility Trailer, Tropicana products,  
11 California Steel and Tube.

12 In closing, the Chamber strongly  
13 supports the concept construction of the proposed  
14 Walnut Creek Energy Park, a peaker plant, to  
15 maintain the status quo and prepare for the future  
16 industrial growth of this community.

17 Thank you.

18 HEARING OFFICER SHEAN: Thank you.

19 Anybody else?

20 All right, we're getting to the point  
21 where we gavel this to a close. So I just want to  
22 make sure that if there is anybody who would like  
23 to speak, they do that now.

24 MR. IRIARTE: Hi; my name is Phil  
25 Iriarte. I'm the City Manager for the City of

1 Industry. First, welcome to our City.

2 HEARING OFFICER SHEAN: Well, thank you  
3 for having us. We enjoy your hospitality.

4 MR. IRIARTE: Just a couple brief  
5 points. What this plant would do is would make us  
6 not so reliant on outside energy generation. We'd  
7 be dependent on ourselves, so to speak. And I  
8 think that's important to this City. Not only to  
9 the City, to the state.

10 Also, I think this plant, the size of it  
11 fits well where it's at. I don't think we're  
12 asking for something that's too much for this  
13 area. I think it would fit.

14 Thirdly, the positive feature of this  
15 thing is we have ample recycling. We're talking  
16 about the recycled water in this area. The City  
17 has put in a 24-inch waterline that runs down the  
18 spine of the City. That's what would serve this  
19 plant. Rowland would be essentially using the  
20 City of Industry water on this. So I know there's  
21 a negotiation going on with Rowland Water  
22 District. But we're supplying Rowland Water  
23 District with that water. We've already resolved  
24 that issue.

25 We're very hopeful; I think it's

1 essential to this area, not only the City of  
2 Industry, but the San Gabriel Valley. And we  
3 welcome this plant.

4 HEARING OFFICER SHEAN: Yes, sir; thank  
5 you.

6 MR. CIPRIANI: Good afternoon; my name  
7 is Ron Cipriani. I'm the Chairman of the Urban  
8 Development Agency here in the City. And the  
9 Agency is very much looking forward to proceeding  
10 with this project. It's on Agency-owned land;  
11 it's a development that we feel is very much  
12 needed in the area.

13 We've been working with Larry and his  
14 group and look forward to working in the future.

15 As the Mayor and the City Manager said,  
16 and Don Sacks from the IMC, it's important for  
17 this community, which is an economic hub here, to  
18 have the power available to our businesses here to  
19 continue the growth in this area that we need.

20 And the increments that come in from  
21 this power plant will be turned back into the  
22 community for local needs. And I would hope the  
23 Commission would support this.

24 Thank you.

25 HEARING OFFICER SHEAN: Thank you.

1       Anyone else?

2                   All right, let me just give you a brief  
3       overview of what's next. After the conclusion of  
4       this informational hearing essentially the baton  
5       passes to the staff for the next several months.  
6       They will be going through that discovery process  
7       of asking more questions of the applicant to  
8       further describe the project.

9                   They will also be coming down here to  
10      the local area to conduct public workshops on  
11      various topic areas. And notices of these  
12      meetings are going to be available online. And if  
13      you choose to, you can sign up and receive them  
14      via email. Or you can sign up and receive them by  
15      postal mail.

16                  I want to encourage you, if you are  
17      interested in the potential of attending those  
18      meetings, to sign up one way or the other.

19                  The Commission Committee will be back  
20      probably on the order of six to seven months, at  
21      which time we will be looking at the documentation  
22      that's been produced by the staff from its  
23      perspective and point of view. Also from the  
24      applicant's view, its view of whether or not it  
25      concurs with the analysis performed by the staff

1 and the conditions that are being recommended by  
2 the staff.

3 And at that point if there are issues  
4 between them the Committee will be conducting a  
5 hearing to hear from both sides.

6 If you are a member of the public and you  
7 have a concern about a particular issue, I would  
8 urge you to initially attend the public workshops  
9 and either make oral or written comments to the  
10 staff. You may be able, by raising your  
11 particular concern, to have it addressed by the  
12 staff. And they may or may not concur with your  
13 view of how a particular issue should be resolved.

14 If, on the other hand, staff does not do  
15 what you think needs to be done, your next avenue  
16 of approach would be to the Committee when we  
17 return, as I said, in about seven months to have  
18 further hearings on the matter.

19 So, urge you to stay informed through  
20 the notification processes that the Commission  
21 has. Stay involved through the workshop processes  
22 that we have. And ultimately, if you need to,  
23 come back to the hearings that will be performed  
24 by the Committee here, and we want to assure you  
25 you will have a meaningful opportunity to be

1 heard.

2 Our meetings are essentially like this,  
3 semi-formal. You don't need to be a lawyer; you  
4 don't need to hire a lawyer; just come and tell us  
5 what you think we need to hear.

6 So, with that, if there are no further  
7 comments, we would like to thank the City of  
8 Industry for making this site available to us. To  
9 the applicant for the tour we had earlier. And to  
10 all of you for attending.

11 And with that, we're adjourned. Thank  
12 you.

13 (Whereupon, at 4:00 p.m., the hearing  
14 was adjourned.)

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## CERTIFICATE OF REPORTER

I, CHRISTOPHER LOVERRO, 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 9th day of March, 2006.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345