

November 12, 1998

**BY FACSIMILE AND FEDERAL EXPRESS**

Mr. Andrew Barnsdale  
Project Manager  
c/o Environmental Science Associates  
225 Bush Street, Suite 1700  
San Francisco, CA 94104

Re: MITIGATED NEGATIVE DECLARATION AND INITIAL STUDY -- SAN DIEGO  
GAS & ELECTRIC COMPANY, APPLICATION NO. 97-12-039 FOR AUTHORITY  
TO SELL ELECTRICAL GENERATION FACILITIES AND POWER CONTRACTS

Dear Mr. Barnsdale:

On December 19, 1997, San Diego Gas & Electric Company ("SDG&E") filed its Application and Proponents Environmental Assessment for its proposed sale of electrical generating facilities and power purchase contracts. On October 13, 1998, the Commission published its draft Mitigated Negative Declaration and Initial Study ("Negative Declaration") pertaining to SDG&E's Application.

[Begin H1]

Among the electrical generating assets SDG&E proposes to sell as a part of its Application is the Encina power plant located at 4600 Carlsbad Boulevard in the City of Carlsbad. As described in Section 2.3.3, *Description of the Assets to be Sold*, and Figure 2.3 of the Negative Declaration, the Encina power plant is located on approximately 671 acres owned by SDG&E ("SDG&E Land"). The portion of the SDG&E Land consisting of the lands used for electrical generation purposes and the three basins of the Agua Hedonda Lagoon, comprising approximately 386 acres, is proposed for sale as part of the Encina power plant ("Encina Land"). The Encina Land is depicted on Figure 2.4 of the Negative Declaration.

The separation of the Encina Land proposed for sale from the SDG&E Land to be retained by SDG&E, as shown on Figure 2.4, anticipated certain boundary or lot line adjustments ("lot line adjustments") affecting eleven existing parcels. The existing eleven parcels comprising the SDG&E Lands (the 671 acres) are described in Exhibit "A" enclosed herewith. The proposed lot line adjustments would not change the number of parcels but would affect their configuration. The eleven parcels as they would appear after the proposed lot line adjustments are depicted on Exhibit "B" enclosed herewith. The sale of the Encina power plant as now described in the Negative Declaration would involve the sale of Parcel Nos. 2, 3, 4 and 9 to the buyer. SDG&E would retain ownership of the remaining parcels. The necessary lot line adjustments have not yet been obtained and will not likely be obtained prior to the expeditious sale of the Encina power plant as presently described.

It is in the public interest for SDG&E to proceed with its auction of the Encina power plant as expeditiously as possible. Therefore, SDG&E will proceed with the auction of the Encina power

plant in a form which does not require the lot line adjustments, but which in substance and effect is substantially the same as that described in the Application.

The necessary adjustments to the project description are minor and really quite simple. In short, SDG&E will convey to the buyer fee title in and to all of the SDG&E Lands west of Highway 5, except for one small parcel to the north of the plant (parcel 1) which has never been proposed to be transferred, and reserve to itself an exclusive easement for SDG&E's continued use and occupancy of the lands in which SDG&E would have retained ownership under the original real estate conveyance scheme as now described in Section 2.3.3 and Figure 2.4 of the Negative Declaration ("SDG&E Easement Lands"). SDG&E's use of such lands will remain unchanged. SDG&E will also reserve to itself the right to purchase the SDG&E Easement Lands when the necessary lot line adjustments have been implemented. Upon obtaining the lot line adjustments, which SDG&E will pursue, SDG&E will repurchase the SDG&E Easement Lands for a nominal cost. In addition, SDG&E will retain the fee title to all of the SDG&E Land east of Highway 5, and will grant to the buyer an easement to use, dredge, and otherwise maintain the inner basin of Agua Hedonda Lagoon for purposes of electric generation at the Encina Power Plant. SDG&E will grant to the buyer the right to purchase, at nominal cost, the inner basin upon obtaining the lot line adjustments described above. The adjusted format for conveyance of the relevant real property interests associated with the Encina power plant are generally shown on Exhibit "C" enclosed herewith. A more precise and detailed description of the adjusted real property conveyance format will be provided in SDG&E's compliance filing to be made under the Application.

Though the ownership of the land underlying SDG&E's North Coast Construction and Operation Center, SDG&E's land south of the tank farm, and Cannon Park will be conveyed to the buyer under this adjusted format, and although the inner basin of Agua Hedonda Lagoon will continue to be owned by SDG&E, the buyer and SDG&E will occupy and use the same lands and in the same manner as each would have occupied and used such lands as now described in the Negative Declaration. When the lot line adjustments are made, SDG&E and the buyer will exercise their purchase options, following which SDG&E and the buyer will in fact hold the precise real property interests originally contemplated in the Negative Declaration.

SDG&E requests that the Commission modify Section 2.3.3, Project Description, and Section 4.1, Land Use and Planning of the Negative Declaration as necessary to incorporate the adjusted real property conveyance format for the proposed sale of the Encina real property described above. The adjusted format will neither result in a new substantial adverse environmental impact nor substantially increase the severity of any potential environmental impact identified in the Negative Declaration. The modifications requested will not in any way significantly affect any premise, fact, or circumstance upon which the Commission's environmental analysis under the California Environmental Quality Act ("CEQA") is based. Therefore, SDG&E's comments herein and the requested changes to the Negative Declaration are properly considered minor.

Finally, the Negative Declaration imposes various mitigation measures upon SDG&E pertaining to the real property to be sold as a part of the Encina power plant. Indeed, the Negative Declaration requires SDG&E to implement mitigation measures to protect Biological Resources described in Section 4.7, and Cultural Resources described in Section 4.13, specifically Mitigation Measure Nos. 4.7.a.1 through 4.7.a.4, 4.13.6.1, and 4.13.b.2. For purposes of the sale of the Encina power plant, SDG&E requests that the foregoing mitigation measures be modified

to be applicable to all parcels or easement areas being conveyed or granted as a part of the adjusted real property conveyance format.

[End H1]

If you have any questions or comments, please call.

Sincerely,

James R. Dodson  
Attorney

JRD/dtm

*Note: Included with this comment were three pages of Exhibits A, B, and C. Since these cannot be reasonably duplicated here on this web page they are not available electronically. Should the viewer require a copy of these, please contact Webmaster for a printed copy.*

## H. SEMPRA ENERGY

- H1 The project description for the divestiture of the Encina Power Plant presented in the Initial Study (see pages 2-10 to 2-16 of the Initial Study) identified the sale of SDG&E lands used for electrical generation purposes as well as the three basins of the Agua Hedionda Lagoon, accounting for a total of approximately 386 acres. As a related action, SDG&E proposed to reparcelize the lands on which the Encina Power Plant is located in order to separate the power generation assets from the power transmission and distribution assets. This action would involve a modification of lot lines through a lot line adjustment process, and would relocate existing property lines. Although the lot line adjustment process would not change the number of lots within the property, it would reconfigure seven of the eleven existing lots that comprise the property (collapsing specific lots, and allowing for a corresponding increase in the size of the other lots within the property).

Under those proposed actions for the Encina Power Plant, the Mitigated Negative Declaration and Initial Study was prepared and circulated for public review during the period of October 13 and November 12, 1998. In its comments on the Initial Study, SDG&E (now Sempra Energy) proposed changes to the project description for the divestiture of the Encina Power Plant. [Sempra Energy's November 12<sup>th</sup> letter to the CPUC requesting the proposed changes to the project description for the Encina Power Plant is included in this Response to Comments document as Comment Letter H. It should be noted that in a telephone conversation on November 18<sup>th</sup>, James Dodson, attorney for Sempra Energy, Inc., noted errors in its comment letter related to which portions of the SDG&E property would be sold, retained and/or require easements (Dodson, 1998). The discussion in this response of Sempra Energy's proposed changes, as well as the revised and/or new text and figures to the Initial Study that follow, reflects Sempra Energy's November 18<sup>th</sup> corrected changes.]

The revision noted in the comment would allow sale of the Encina Power Plant to proceed prior to completion of the lot line adjustment process with the City of Carlsbad. SDG&E would convey to the buyer title in and to all of the SDG&E lands west of Interstate 5, except for two small parcels to the north of the plant. SDG&E would reserve to itself an exclusive easement for SDG&E's continued use and occupancy of the lands in which SDG&E would have retained ownership under the original project description (described in Section 2.3.3 and Figure 2.4 of the Initial Study). SDG&E's use of these lands for transmission and distribution purposes would remain unchanged. SDG&E would also reserve to itself the right to purchase the SDG&E easement lands when the necessary lot line adjustments are implemented. Upon obtaining the lot line adjustments, which SDG&E would pursue, SDG&E would repurchase the SDG&E easement lands for a nominal cost. In addition, SDG&E would retain the fee title to all of the SDG&E land east of Interstate 5, and would grant to the buyer an easement to use, dredge, and otherwise maintain the inner and outer basins of the Agua Hedionda Lagoon for purposes of electric generation at the Encina Power Plant. SDG&E would grant to the buyer the right to purchase, at nominal cost, the inner basin upon obtaining the required lot line adjustments. Since the lot line

adjustments would occur subsequent to the sale of the plant and are not a prerequisite for transfer of the Encina plant, they would not be considered part of the project. In any event, however, the Initial Study did not find that such lot line adjustments would generate any potential significant environmental impacts. This, from the standpoint of environmental impacts, SDG&E's revised property transfer is neutral.

Under the revised plan, SDG&E and the buyer would occupy and use the same lands and in the same manner as each would have occupied and used such lands described in the originally proposed project description for the Encina Power Plant. The proposed Encina Power Plant project description changes are incorporated into the Initial Study on the basis that they would not result in any new substantial adverse environmental impact, nor substantially increase the severity of any potential environmental impact identified in the MND.

At such time as any lot line adjustments are proposed, the City of Carlsbad would apply its land use regulations and determine the proposals' consistency with the Carlsbad General Plan, zoning, and local environmental plans, including the Agua Hedionda Local Coastal Program, and would conduct further environmental review as appropriate.

Reference

Dodson, James, Sempra Energy, Inc., telephone conversation, November 18, 1998.

The description of the Encina Power Plant, beginning under the heading "*Encina Power Plant*" on page 2-10 and continuing on pages 2-12 through 2-16 of the Initial Study, is hereby replaced with the following revised project description (given the amount of text that required revision for this project description change, the project description is wholly replaced and not shown with deleted text strikethroughs or underlined new text):

***Encina Power Plant***

The Encina Power Plant, SDG&E's largest fossil-fueled power plant, is located on a 671-acre site at 4600 Carlsbad Boulevard in the City of Carlsbad. Figure 2.3 shows the location of the Encina Power Plant property. The Encina Power Plant, concentrated primarily in the southwest portion of the property, consists of five steam turbines, five boilers, one CT, and associated facilities (e.g., a switchyard where the plant interconnects with the transmission grid, an administration building, and fuel oil storage tanks). SDG&E owns all of the generating equipment at the plant, except Unit 5, which is currently owned by PSEG Resources, Inc., and leased to SDG&E.<sup>2</sup>

Agua Hedionda Lagoon, a coastal estuary consisting of three basins, comprises approximately 265 acres of the northern and eastern portions of the SDG&E property. The lagoon is maintained to provide a source of cooling water for the Encina Power Plant. A parcel of land between the middle and outer lagoons is

<sup>2</sup> PSEG recently purchased the unit from a Bank of America affiliate.

currently leased to the Hubbs-Seaworld Research Institute. Additional land in the east portion of the SDG&E property consists of wetlands, and land used for irrigated farming. SDG&E's North Coast Construction and Operations Center (consisting of a maintenance shop, office, water tanks, and storage and parking areas) and Cannon Park (currently leased to the City by SDG&E) are located in the southwest corner of the SDG&E property.

As shown in Figure 2.3a, the SDG&E property is comprised of 11 parcels (seven parcels west of Interstate 5 and four parcels east of the freeway). Figure 2.4 delineates the approximate boundaries of the property either being sold or retained. SDG&E proposes to sell five of the seven parcels located west of Interstate 5 (mainly containing the power plant, the middle lagoon, and the majority of the outer lagoon basin). However, SDG&E would reserve an exclusive easement from the buyer for continued SDG&E use and occupancy of land containing the North Coast Construction and Operations Center, as well as a mostly vacant storage area located south of the tank farm. SDG&E's use of these lands would remain unchanged from existing conditions. SDG&E would also reserve to itself the right to purchase the SDG&E easement lands when the necessary lot line adjustments are implemented. Upon obtaining approval of the lot line adjustments, which SDG&E would pursue, SDG&E would repurchase the SDG&E easement lands for a nominal cost.

In addition, SDG&E would retain the switchyard facilities and equipment at the power plant and would reserve from the real property transfer an exclusive easement over such property providing SDG&E with rights of access for maintenance, repairs, upgrades and use of such facilities and equipment and other areas used for transmission and distribution purposes. PSEG Resources, Inc. has agreed to continue the lease-back arrangement for generating Unit 5 with the new owner after the sale. SDG&E's lease of Cannon Park to the City of Carlsbad would be transferred to the new owner as part of the sale.

SDG&E would continue to retain ownership of two small parcels in the northern portion of the property west of Interstate 5 (containing a small portion of the outer lagoon basin, and a parcel containing the Hubbs-Seaworld Research Institute), and the four parcels east of Interstate 5 (containing the inner lagoon basin, wetlands and irrigated farmland). However, SDG&E would grant the buyer an easement to use, dredge, and otherwise maintain the inner and outer lagoon basins for purposes of electric generation at the Encina Power Plant. SDG&E would grant to the buyer the right to purchase, at nominal cost, the inner basin if and when any required lot line adjustments are obtained. Since any such lot line adjustments would occur subsequent to the sale of the plant and are not needed in order for the power plant sale to occur, they are not considered to be part of the project. SDG&E would continue its existing lease to the Hubbs-Seaworld Research Institute for that portion of the SDG&E property being retained.

Figure 2.5 shows the layout of the Encina Power Plant facilities. All of the steam turbine units use natural gas as their primary fuel, but are capable of burning residual fuel oil (i.e., No. 6 fuel oil) when natural gas is unavailable or uneconomic. Residual fuel oil use in the steam turbines is partially controlled by annual emission limits established by the San Diego Air Pollution Control District (SDAPCD). (See Section 4.5, Air Quality, for a discussion of applicable air quality regulations and emission limits.) Combined, the five steam turbines have a generating capacity of roughly 951 MW and are capable of providing about 30 to 40 percent of San Diego County's total energy requirements. The CT has a generating capacity of roughly 14 MW of electricity. The CT is used to facilitate the start-up of the steam turbine units in the case of a system blackout ("black start" capability) and for peaking purposes. The CT uses natural gas as its primary fuel, but is capable of burning diesel fuel. The total generating capacity of the plant is 965 MW. The general characteristics of the Encina Power Plant units are described in Table 2.1.

The Encina Power Plant also includes a residual fuel oil and petroleum storage facility. The fuel storage area consists of 11 above-ground storage tanks. Seven of the tanks contain back-up residual fuel oil. Of the remaining tanks, one contains displacement oil, while the other three contain diesel fuel for operating the CT. Combined, the 11 tanks have a total storage capacity of 71.6 million gallons. All of these tanks are included in the sale. An offshore marine terminal, consisting of seven buoys and a pipeline to the tank storage area, was developed to receive bulk residual fuel oil and displacement oil via barge or ship at the site. The marine terminal is included in the sale of the plant. Diesel fuel for the CTs is brought to the site via trucks. The residual fuel oil and petroleum storage facility is included in the area being divested. Natural gas is delivered to the site via SDG&E's natural gas transmission and distribution system.

Other facilities in the area being sold include a guard station, an administration building, a machine shop, various water tanks, a multi-use structure, a shop/office building, and parking facilities.

Land uses surrounding the SDG&E property include residential uses to the north; residential, commercial, and industrial uses to the south; open space to the east; and the Pacific Ocean to the west. Popular recreational and fishing areas are in the immediate vicinity of the plant.

Page 4.1-7 of the Initial Study (first full paragraph) is hereby revised as follows:

Figure 4.1.1 shows the City of Carlsbad General Plan (1994) land use designations for the project site and surrounding lands. The land use designations for the project site are U (Public Utilities), covering the majority of the dry land, and OS (Open Space), covering the Agua Hedionda Lagoon and Cannon Park. The Public Utilities designation allows such uses as "the generation of electrical energy, treatment of waste water, public agency maintenance, storage, and operating facilities, and other



primary utility functions designed to serve all or a substantial portion of the community” (City of Carlsbad, 1994). The Open Space designation covering the Agua Hedionda Lagoon and Cannon Park serves to preserve natural resources, aesthetics, and recreational resources. The project would not involve new construction, and any projected changes in operation (such as increased generation) would continue to be consistent with General Plan designations.

As shown in Figure 4.1.2, the City of Carlsbad zoning designations for the SDG&E property proposed to be divested are P-U (Public Utility); and OS (Open Space Zone [Water]), and R-A-10 (Residential Agricultural) (City of Carlsbad, 1997). The Public Utility zone covers the majority of the dry land, and the Open Space zone covers the waters of the Agua Hedionda Lagoon, and the Residential Agricultural zone covers a small portion of the dry land between the east and west lagoons. The generation and transmission of electrical energy is a permitted land use in the P-U zone; other permitted uses include energy transmission facilities; the processing, use, and storage of natural gas; and the use and storage of fuel oils. The facilities on site will continue to be used for electrical generation and transmission purposes. The Encina Power Plant is, and would continue to be under divestiture, consistent with City of Carlsbad zoning designations. Uses within the areas zoned OS would not be expected to change.

A portion of SDG&E property located between the middle and outer lagoons. The land zoned R-A-10 (Residential Agricultural), is not proposed for sale. This property is currently leased to the Hubbs-Seaworld Research Institute. Aquaculture is permitted under zoning designation R-A-10 with a Conditional Use Permit (CUP) (Carlsbad Municipal Code 21.42.010(1)(L)). The City of Carlsbad has issued a CUP for the Hubbs-Seaworld. SDG&E’s lease with Hubbs-Seaworld Research would continue under the project. The existing lease would be transferred to the new owner, and future leases of the site would be subject to negotiation with the new owner. There is no reason to believe that a significant change of land use at this site would result from the project. The R-A-10 is a “Residential Agricultural” zone. It does not appear that the existing use conforms with this zoning designation. However, the sale would not increase or exacerbate that inconsistency.

Page 4.1-10 of the Initial Study (second full paragraph) is hereby revised:

As described in detail in the Section 2, Project Description, SDG&E proposes to sell five of the seven parcels located west of Interstate 5. However, SDG&E would reserve an exclusive easement from the buyer for continued SDG&E use and occupancy of land containing the North Coast Construction and Operations Center, as well as a mostly vacant storage area located south of the tank farm. SDG&E would also reserve to itself the right to purchase these SDG&E easement lands at a nominal cost if and when the necessary lot line adjustments are implemented. In addition, SDG&E would grant the buyer an easement to use, dredge, and otherwise maintain the inner and outer lagoon basins located east of Interstate 5 for purposes of

electric generation at the Encina Power Plant. SDG&E would grant to the buyer the right to purchase, at nominal cost, the inner basin if and when the required lot line adjustments that accommodate such purchase are approved. Since any such lot line adjustments would occur subsequent to the sale of the plant and are not necessary for the sale to occur, they are not considered to be part of the project.

SDG&E proposes to reparcelize the lands on which the Encina Power Plant is located in order to separate the power generation assets from the power transmission and distribution assets. This action would involve a modification of lot lines through a lot line adjustment process. The lot line adjustment process If SDG&E seeks lot line adjustments to allow property transfers that would eliminate the need for easements between SDG&E and the new owner, SDG&E would apply to relocate existing property lines, but would not create new lots (SDG&E, 1997). SDG&E has stated that the lot line adjustments would conform to all applicable jurisdictional zoning requirements, including development standards for street frontage, minimum lot area, and width (Dodson, 1998). At such time as any lot line adjustments are proposed, the City of Carlsbad would apply its land use regulations and determine the proposal's consistency with the Carlsbad General Plan, zoning, and local environmental plans, including the Agua Hedionda Local Coastal Program, and would conduct further environmental review as appropriate.

Page 4.9.2 of the Initial Study, paragraph 1 is hereby revised as follows:

The Encina Power Plant is situated between Carlsbad Boulevard and the Pacific Ocean to the west, Interstate 5 to the east, and the Agua Hedionda Lagoon to the north. The Atchison Topeka & Santa Fe (AT&SF) railway line splits the site into west and east parts. The site is comprised of generating units, a switchyard, a CT, fuel oil aboveground storage tanks (ASTs) and associated fuel lines, a wastewater treatment plant (WWTP), an administration area, and ancillary storage and maintenance areas. A marine terminal for fuel oil off-loading is located approximately 3,500 feet offshore from the site, directly opposite the main entrance to the plant, in the Pacific Ocean. SDG&E will retain the switchyard property and facilities as well as a maintenance building and lot located just south of the power plant site; it intends to sell all other property and facilities mentioned above.

Page 4.9.3 of the Initial Study, after the second full paragraph, add the following:

The southern end of the plant site is a maintenance yard used for storage and repair of equipment to maintain the northern portion of the SDG&E service area distribution facilities. The materials stored outdoors on a paved surface at this yard include spools of cable, new transformers, old transformers (stored in a hazardous materials containment area prior to disposal), and a variety of vehicles. Buildings house shops for the repair of facilities and offices for maintenance personnel. Hazardous wastes from the maintenance activities are stored in barrels in a contained and covered area.

**Insert Figure 2.3**

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**Insert Figure 2.3a**

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**Insert Figure 2.4**

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**Insert Figure 2.5**

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