

PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**MITIGATED NEGATIVE DECLARATION****SAN DIEGO GAS AND ELECTRIC COMPANY'S
APPLICATION NO. 97-12-039
PROPOSAL FOR DIVESTITURE****PROJECT DESCRIPTION**

In December 1997, San Diego Gas and Electric Company (SDG&E) voluntarily filed an application (Application No. 97-12-039) to divest (sell) its Encina Power Plant in Carlsbad, its South Bay Power Plant in Chula Vista, a group of 17 combustion turbines (CTs) scattered throughout San Diego County (the Encina and South Bay Power Plants each have one CT that would be sold along with those plants), its 24th Street Terminal Refueling Facility in National City, a 20 percent ownership interest in the San Onofre Nuclear Generating Station (SONGS), and 11 long-term power supply contracts. The CPUC later directed SDG&E to sell its natural gas-fired power plants, including Encina, South Bay and the 17 CTs, as a condition of the commission's approval of the merger of SDG&E's parent company, Enova Corporation, with Pacific Enterprises to form Sempra Energy. This Initial Study was prepared in accordance with the California Environmental Quality Act (CEQA) to evaluate the potential environmental consequences of SDG&E's proposed sale of these assets. The California Public Utilities Commission (CPUC), which is the CEQA lead agency for this project, is issuing this document for a 30-day review and comment period to Parties of Record in Application No. 97-12-039, other potentially affected agencies, and interested members of the public.

Approval of the specific divestiture plans by the CPUC is required by the Public Utilities Code Section 851 prior to the sale of these power plants. It is the responsibility of the CPUC to determine whether the proposed divestiture plans "will be adverse to the public interest."

The sale of these power plants would include transfer of permits necessary for the operation of each plant (e.g., air and water permits). A more detailed project description is included in the attached Initial Study.

ENVIRONMENTAL DETERMINATION

An Initial Study (attached) was prepared to assess the potential effects on the environment of the divestiture project, and the respective significance of those effects. Based on the Initial Study, the proposed divestiture of SDG&E's generating assets will have less than significant effects or no impact in the areas of:

- Land Use and Planning
- Population and Housing
- Geological Problems
- Water
- Transportation /Circulation
- Energy and Mineral Resources
- Hazards
- Noise
- Cumulative Impacts
- Public Services
- Utilities and Service Systems
- Aesthetics
- Recreation

The Initial Study indicates that SDG&E's proposed divestiture would have potentially significant impacts in the areas of:

- Air Quality
- Biological Resources
- Cultural Resources
- Quality of the Environment

Each of the identified impacts can be mitigated to avoid the impact or reduce it to a less than significant level. The mitigation measures, which SDG&E has agreed to include in the project, are as follows:

Air Quality

4.5.a.1: If, prior to the sale of either the Encina or South Bay Power Plants, SDAPCD has not adopted revisions to District Rule 69 that would extend the aggregate NO_x emissions limit of 2,100 tons per year day to the new owner or owners of the Encina and South Bay power plants through year 2000, then:

To assure that NO_x emissions from the electrical generating steam boiler units as operated by a new owner or owners would not significantly exceed NO_x emissions that would have been generated by SDG&E during the two-year period in which a new owner or owners would achieve compliance with unit-specific NO_x standards, SDG&E will request that SDAPCD modify the permits to operate the electrical generating steam boiler units at the Encina and South Bay Power Plants to include the following provisions:

- **No person shall operate the Encina power plant unless such person has demonstrated that the aggregate annual emissions of nitrogen oxides (NO_x), from all electrical generating steam boiler units at the power plant are not greater than 1,100 tons per year in calendar years 1999 and 2000, except for adjustments to allowable aggregate NO_x emissions for force majeure natural gas curtailments as provided in Section (d)(4)(iv) of District Rule 69, and except as provided in Section (d)(5) of District Rule 69.**
- **No person shall operate the South Bay power plant unless such person has demonstrated that the aggregate annual emissions of nitrogen oxides (NO_x), from all electrical generating steam boiler units at the power plant are not greater than 1,000 tons per year in calendar years 1999 and 2000, except for adjustments to allowable aggregate NO_x emissions for force majeure natural gas curtailments as provided in Section (d)(4)(iv) of District Rule 69, and except as provided in Section (d)(5) of District Rule 69.**

The transfer of title for the Encina and South Bay Power Plants will not occur until the plants' permits to operate have been modified in the manner described above.

Monitoring Action: SDG&E provides the CPUC mitigation monitor with a copy of either the revised District Rule 69 or the modified permits to operate.

Responsibility: CPUC

Timing: At least 10 business days prior to the transfer of title.

4.5.b.1: If, prior to the sale of either the Encina or South Bay Power Plants, SDAPCD has not adopted revisions to District Rule 69 that would broaden the current restriction on fuel oil firing, then:

To assure that health risks associated with emissions from the electrical generating steam boiler units as operated by a new owner or owners would not significantly exceed the risks from those units as operated by SDG&E, SDG&E will request that SDAPCD modify the permits to operate the electrical generating steam boiler units at the Encina and South Bay Power Plants to include the following provisions:

- A person shall not fire an electric power generating steam boiler at the Encina power plant with non-gaseous fuel after January 1, 2001, unless gaseous fuel is not available because of a force majeure natural gas curtailment as defined in Section (c)(8) of District Rule 69 or as necessary to conduct operational, reliability, or regulatory compliance testing relevant to the use of non-gaseous fuel in such boilers because of a force majeure natural gas curtailment. Non-gaseous fuel firing for operational and reliability testing purposes shall not exceed a total of one-hundred sixty (160) hours per boiler in any calendar year.
- A person shall not fire an electric power generating steam boiler at the South Bay power plant with non-gaseous fuel after January 1, 2001, unless gaseous fuel is not available because of a force majeure natural gas curtailment as defined in Section (c)(8) of District Rule 69 or as necessary to conduct operational, reliability, or regulatory compliance testing relevant to the use of non-gaseous fuel in such boilers because of a force majeure natural gas curtailment. Non-gaseous fuel firing for operational and reliability testing purposes shall not exceed a total of one-hundred sixty (160) hours per boiler in any calendar year.

The transfer of title for the Encina and South Bay Power Plants will not occur until the plants' permits to operate have been modified in the manner described above.

Monitoring Action: SDG&E provides the CPUC mitigation monitor with a copy of the modified permits to operate.

Responsibility: CPUC

Timing: At least ten business days prior to the transfer of title.

Biological Resources

4.7.a.1: Prior to the sale of any SDG&E facility, the new owner(s) shall apply to the USFWS, CDFG, and other agencies for the reissuance of all non-transferable permits (e.g., FESA Section 10(a)) that are applicable to that facility, and will agree in writing to the respective regulatory agencies to abide by the provisions and requirements of the current permits in the interim.

Monitoring Action: SDG&E will submit copies to the CPUC of requests for reissuance of all pertinent permits from the respective regulatory agencies and a written commitment by the new owner(s) to abide by the existing permit conditions prior to reissuance.

Responsibility: CPUC

Timing: At least 30 days before the title transfer.

4.7.a.2: SDG&E shall assign, and the assignee shall accept through affidavit, the following permits and agreements: oil spill contingency plans, current dredging permits, and NCCPs.

Monitoring Action: SDG&E will provide the CPUC with a list of transferable permits, as well as documentation that such permits will be successfully transferred concurrent with the transfer of title of the plant(s).

Responsibility: CPUC

Timing: At least five business days prior to transfer of title of the plant(s).

4.7.a.3: The new owner(s) of the South Bay Power Plant shall enter into a formal agreement with the Chula Vista Wildlife Reserve to limit access to California least tern nesting sites on the portions of the cooling water dike falling within the Chula Vista Wildlife Reserve.

Monitoring Action: A copy of the agreement with the Chula Vista Wildlife Reserve regarding the Chula Vista Wildlife Reserve will be provided to the CPUC.

Responsibility: CPUC

Timing: At least five business days prior to transfer of title of the plant(s).

4.7.a.4: SDG&E shall provide each new owner with all available information on special status species and habitat, as well as training documents regarding biological resources at the respective facilities. This will assist new owners in knowing the location of special status species and habitats, and in meeting their legal obligations regarding endangered, threatened, or rare species or their habitats.

Monitoring Action: SDG&E will provide the CPUC mitigation monitor with disclosure forms signed by the new owner listing documents received to accomplish this condition.

Responsibility: CPUC

Timing: At least five business days prior to transfer of title of the plant(s)

Cultural Resources

4.14.b.1: SDG&E shall prepare and certify its intent to comply with a program to address potential impacts to archaeological resources from SDG&E actions related to the divestiture, such as soil remediation activities or minor construction to separate the properties. The program shall include provisions in SDG&E construction documents and protocols for coordination with appropriate resource agencies. The program shall at a minimum include the following provisions:

A qualified archaeologist shall monitor all earthmoving and soil remediation activities at the Encina and South Bay Power Plants and at the Division Substation and Naval Station CT facilities. The monitoring shall be consistent with relevant federal, state, and local guidelines. If previously unrecorded resources are discovered during any phase of construction or remediation, the monitor shall temporarily redirect construction to other areas and shall evaluate the resource's significance. If the resource is significant, data collection, excavation, or other standard archaeological or historical procedures shall be implemented to mitigate impacts, according to the archaeologist's direction. If human remains are encountered, the archaeologist shall contact the appropriate County Coroner immediately and security measures shall be implemented to ensure that burials are not vandalized until the decision of burial deposition has been made pursuant to California law. If human remains are determined to be Native American interments, the Coroner shall contact the Native American Heritage Commission for determination as to reburial of remains. A report evaluating the find and identifying mitigation actions shall be submitted by the archaeologist to the California Public Utilities Commission (CPUC).

Monitoring Action: CPUC mitigation monitor's approval of SDG&E's proposed archaeological mitigation program and any subsequent reports.
Responsibility: CPUC
Timing: Approval by CPUC monitor of archaeological mitigation program at least 30 business days prior to transfer of ownership of the Encina and South Bay Power Plants, and at the Division Substation and Naval Station CT facilities; review implementation reports upon submittal.

4.14.b.2: SDG&E shall provide the new owner(s) of the Encina and South Bay Power Plants and the Division Substation and Naval Station CT facilities with SDG&E's archaeological resource informational materials and any training documents concerning the generating facilities. This measure will inform the new owner(s) of the locations of such resources and of their legal obligations regarding preservation of these resources.

Monitoring Action: SDG&E will provide the CPUC mitigation monitor with a disclosure form signed by the new owner and listing documents received to accomplish this action. A disclosure form will be provided for each specified generating facility.
Responsibility: CPUC
Timing: At least 10 business days prior to the transfer of title for each generating facility.

In light of the analysis in the Initial Study, and the mitigation measures identified therein (and listed above) for inclusion into the project, the CPUC proposes to find that the project will not have a significant effect on the environment.