## BEFORE THE ENVIRONMENTAL APPEALS BOARD

U.S. ENVIRONMENTAL PROTECTION AGENCY WASHINGTON, D.C.

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ORDER SCHEDULING STATUS CONFERENCE

IN RE:	:	<b>ሥ</b> ናወ Appeal Nos.
		12-04
PIO PICO ENERGY CENTER,	:	12-05
	:	12-06
PSD Permit No. SD 11-01	:	

Thursday, April 11, 2013

Administrative Courtroom Room 1152 EPA East Building 1201 Constitution Avenue, NW Washington, D.C.

The above-entitled matter came on for hearing, pursuant to notice, at 1:00 p.m.

**BEFORE**:

ORIGINAL

THE HONORABLE KATHIE A. STEIN Environmental Appeals Judge

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ENVIR. APPEALS BOARD

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## **APPEARANCES**:

<u>On Behalf of the Pio Pico Energy</u> <u>Center, LLC</u>:

> JIM WEDEKING, ESQ. DAVE BUENTE, ESQ. Sidley Austin, LLP

of: Sidley Austin, LLP 1501 K Street, NW Washington, DC 20005 (202) 736-8281

<u>On Behalf of the Environmental</u> <u>Protection Agency Region IX</u>:

JULIE WALTERS, ESQ.

of: Environmental Protection Agency Office of Regional Counsel Region IX 75 Hawthorne Street Mail Code ORC-2 San Francisco, CA 94105-3901

and

BRIAN DOSTER, ESQ.

of: Environmental Protection Agency Air and Radiation Law Office Office of General Counsel 1200 Pennsylvania Avenue, NW Mail Code 2344-A Washington, DC 20460 (202) 564-3068 (202) 564-5603 (fax) <u>APPEARANCES (continued)</u>:

On Behalf of the Sierra Club:

JOANNE SPALDING, ESQ. TRAVIS RITCHIE, ESQ. of: Sierra Club 85 Second Street San Francisco, CA 94105 (415) 977-5725 (415) 977-5793 (fax)

and

DAVID C. BENDER, ESQ. of: McGillivray, Westerberg & Bender 211 S. Paterson Street Suite 3230 Madison, WI 53703 (608) 310-3560 (608) 310-3561 (fax)

<u>On Behalf of Robert Simpson</u> and <u>Helping Hand Tools</u>:

> ROBERT SIMPSON 27126 Grandview Avenue Hayward, CA 94542 (510) 688-8166

ALSO PRESENT:

Nivea Berrios, Senior Counsel, EAB Suzanne Krolikowski, Senior Counsel, EAB Eurika Durr, Clerk of the Board

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1 P-R-O-C-E-E-D-I-N-G-S 2 (1:02 p.m.) 3 All MS. DURR: rise. 4 Environmental Appeals Board of the United 5 States Environmental Protection Agency is now б in session for a status conference in re Pio 7 Pico Energy Center. 8 Permit Number SD 11-01, EPA PSD 9 Appeal Numbers 12-04, 12-05, and 12-06. 10 Honorable Judge Kathie Stein presiding. 11 Please turn off all cell phones, 12 and recording devices are not allowed. Please 13 be seated. 14 JUDGE STEIN: Good morning, 15 everyone. I'm Judge Stein serving as the lead 16 Judge in this particular matter. And with me 17 on my left is Nivea Berrios, Senior Counsel 18 for the Board, and Suzanne Kolikowski, another 19 Senior Counsel for the Board. 20 We decided to schedule the status 21 conference in response to a flurry of motions 2.2 that we were receiving. We thought the most NEAL R. GROSS

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productive way to proceed would be to hear from you today, followed by submissions which are due next week so the Board can try and make an informed decision as to what next steps to take.

This matter has been under active consideration by the Board. We understand this is an important matter for all parties concerned and we appreciate your flexibility for being here today.

11 I'd like to begin by asking 12 everyone to introduce themselves and their 13 clients who may be present with them. And I 14 think we'll start here in Washington and then 15 we will proceed to Region IX and I believe we 16 have people on the phone from Wisconsin and 17 California and Australia.

Following introductions, I'm going to ask to hear first from the attorneys for Pio Pico; second, from the Region/General Counsel's Office; thirdly, from Sierra Club; and, fourthly, from Mr. Simpson. I don't

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1 believe we have anyone here from Helping 2 Hands, but anyone can correct me if I'm wrong. And why don't we begin with Pio Pico. 3 4 MR. WEDEKING: Good morning. 5 Thank you for Pio Pico. Do you want me to 6 come up --7 JUDGE STEIN: Why don't you 8 just --9 MR. WEDEKING: Okay. Also from Pio Pico is Dave Sandler and David Buente. 10 11 MR. SANDLER: Good morning. Dave 12Sandler and Dave Buente from Sidley Austin. 13 JUDGE STEIN: Thank you. 14 MR. DOSTER: Brian Doster from the EPA Office of General Counsel. 15 16 Thank you. JUDGE STEIN: 17 MS. SPALDING: Joanne Spalding, Sierra Club. 18 19 MS. WALTERS: I'm Julie Walters, 20 Office of Regional Counsel. And to my right is Lisa Beckham from the Air Permits Office. 21 22 And to my left is Gerardo Rios. He's the head **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS

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of our Permits Office here in Region IX. 1 Travis Ritchie from the Sierra Club, and Roger 2 3 Kohn who's also from our Air Permits Office. Thank you. And do 4 JUDGE STEIN: 5 we have someone on the phone in Wisconsin? б Mr. Bender? 7 MR. BENDER: Yes, Your Honor. I'm David Bender for Sierra Club. 8 9 I can't hear JUDGE STEIN: 10 anything. Was Mr. Bender on the phone? 11 MR. BENDER: Can you hear me, Your 12 Honor? 13 JUDGE STEIN: Now I can hear you. 14 Yes. 15 MR. BENDER: Okay. David Bender 16 for Sierra Club, Your Honor. 17 JUDGE STEIN: Okay. And then Mr. Simpson? 18 I'm here. 19 MR. SIMPSON: Yes. Ι 20 didn't hear who was before Mr. Bender at all. 21 I'm also a Director with Helping Hand Tools. 22 JUDGE STEIN: Thank you. Why NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. (202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealrgross.com

don't we -- I appreciate everyone making 1 themselves available. Why don't we proceed 2 3 with Pio Pico. Why don't you make some opening remarks and then I will probably have 4 5 some questions afterwards. MS. WALTERS: Excuse me, Your 6 7 I just wanted to note we cannot hear Honor. the folks that are participating by telephone. 8 9 JUDGE STEIN: Okay. You can't hear them at all? 10 11 MS. WALTERS: No. 12 Let's try this JUDGE STEIN: 13 again. Can we see if Region IX can hear Mr. 14 Bender and also Mr. Simpson. 15 MR. BENDER: This is David Bender, 16 Your Honor. JUDGE STEIN: We can hear. 17 Can 18 you hear, Region IX? 19 MS. WALTERS: No. 20 I'm not sure why JUDGE STEIN: 21 you're unable to hear. I -- there's obviously be a transcript made of 22 going this to

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1 particular proceeding. I'm happy to allow a few minutes to see if we can solve this 2 3 problem technically but, if not, I'm going to proceed with the conference because I think 4 I'm largely going to ask the parties to --5 6 let's do this. Let's see if we can't get this 7 technical glitch fixed. I can hear you and 8 MR. SIMPSON: 9 Mr. Bender perfectly. 10 Also, that because MS. WALTERS: 11 we have the Office of General Counsel attorney 12 present, who I understand --13 I can't hear. MR. SIMPSON: 14 MS. WALTERS: -- who I think would 15 be particularly prejudiced to the proceeding, 16 so if we can't fix the problem, I think it 17 could be a problem. 18 JUDGE STEIN: One moment. 19 MR. DOSTER: Your Honor, can I 20 offer just a simple practical suggestion. 21 Region IX, can you hear me? 22 MS. WALTERS: Yes. **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W.

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1	MR. DOSTER: Okay. One thing we
2	often do at Headquarters to solve this problem
3	is we have you all you could call in on
4	the speakerphone and use that as the audio but
5	keep and use the video.
6	MS. WALTERS: Okay.
7	MR. BENDER: That might be a
8	simple fix, a quick fix to the problem.
9	MS. WALTERS: Okay. We have a
10	call in over here, so let's try that.
11	(Pause.)
12	JUDGE STEIN: We'll just have to
13	do our best. Can you hear now?
14	MS. WALTERS: It is muted. Hold
15	on a second. We're going to adjust figure
16	out how to get the audio so it can be
17	(Pause.)
18	Can you hear?
19	JUDGE STEIN: We can hear you.
20	Mr. Bender, can you try speaking and see if
21	Region IX can hear you now.
22	MR. BENDER: Yes. This is David
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1	Bender.
2	MS. WALTERS: Great. We can hear
3	you now.
4	JUDGE STEIN: And Mr. Simpson?
5	MR. SIMPSON: Yes. I can hear Mr.
6	Bender and I believe I heard Region IX there.
7	JUDGE STEIN: All right.
8	MS. WALTERS: I can hear you.
9	Thank you.
10	JUDGE STEIN: All right. Thank
11	you, Mr. Doster, for that suggestion. If
12	people could move the phone closest to who's
13	going to be speaking in order to assist the
14	court reporter in transcribing.
15	MR. WEDEKING: Good afternoon,
16	Your Honor. Jim Wedeking for Pio Pico. As I
17	understand the purpose of this meeting is to
18	generally figure out what's going on with the
19	plant; more specifically, will it still be
20	built and, if it will, will it retain the same
21	purpose and design as permitted by Region IX.
22	The answer to those questions is yes.
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1	I could take each one of these
2	questions in just a little more detail if
3	you'd like.
4	JUDGE STEIN: I'd appreciate that.
5	MR. WEDEKING: First, I'd like to
6	back up a little bit and briefly touch on the
7	California Regulatory Agency
8	JUDGE STEIN: If you could speak
9	up a little bit so everybody could hear, that
10	would be great.
11	MR. WEDEKING: To begin with, Pio
12	Pico does not require CPUC's approval to
13	construct and operate the plant. The CPUC
14	regulates San Diego Gas & Electric, not Pio
15	Pico. CPUC must approve San Diego's contracts
16	to buy power.
17	Pio Pico has obtained a license
18	from the California Energy Commission and the
19	San Diego Regional Management District that
20	has all the licenses it needs to build and
21	operate the plant and sell them to the
22	California ISO as far as the state is

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concerned. So the CPUC decision only deals with whether San Diego can buy the power that Pio Pico generates.

Assuming that the Board would uphold Region IX's PSD permit, Pio Pico would like to begin construction of the plant in the first quarter of 2014. So they have a contractor, they purchased equipment, design and engineering is ongoing, and they're ready to go.

11 As far as the purpose and design 12 of the plant, will it remain the same, it's 13 still going to be constructed as a peaking 14 plant and it's still going to use the same 15 modern turbines. It will still require the 16 same quick startability. It will still need 17 to easily scale through those. It's going to 18 be the same plant as permitted by Region IX 19 it's still going to provide peaking and 20 generation to San Diego Gas & Electric. 21 The CPUC decision only found that

San Diego Gas & Electric would require the

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1	peaking generation capacity in 2018 as opposed
2	to 2014 as the PPTA originally required. The
3	CPUC actually ordered San Diego Gas & Electric
4	to amend the PPTA with Pio Pico or it could
5	start the whole request for the process over
6	again. Pio Pico and San Diego Gas & Electric
7	are amending the PPTA, as ordered by the
8	California Public Utility Commission. The
9	only thing that changes is the delivery date.
10	JUDGE STEIN: So you're telling me
11	that you're in the process of amending that
12	PPTA with San Diego?
13	MR. WEDEKING: That's correct,
14	Your Honor.
15	JUDGE STEIN: When will that
16	process be completed?
17	MR. WEDEKING: The end of this
18	month and it should be resubmitted to the CPUC
19	in the beginning of May. This will leave an
20	interim period between the time that Pio Pico
21	expects the plant to come online, which is
22	about September 2015 or 2018, when the

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revised PPTA should come into effect. 1 During those times, Pio Pico will 2 3 still sell power to San Diego Gas & Electric through a resource adequacy contract. 4 These 5 are short-term one-year contracts which do not 6 require CPUC approval. 7 So all that's being done --8 JUDGE STEIN: So let me understand 9 California has said that there's no this. 10 need for this plant until 2018. 11 MR. WEDEKING: Correct. 12 JUDGE STEIN: And the contract, 13 which was relied on both by Pio Pico and by 14 the Region in determining facts for the 15 facility, cannot be consummated at this 16 time --17 MR. WEDEKING: I'm sorry. Ι 18 didn't catch the last part. 19 JUDGE STEIN: The contract --20 MR. WEDEKING: Yes, ma'am. 21 JUDGE STEIN: cannot be 22 consummated in its current form but will be **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS

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1	amended to provide for a start date of 2018?
2	MR. WEDEKING: That's correct.
3	JUDGE STEIN: If you're going to
4	build this plant and so how is San Diego
5	going to buy power from you now?
6	MR. WEDEKING: Through resource
7	adequacy contracts. These are short-term
8	contracts. The fact is San Diego Gas &
9	Electric still believes it needs the power to
10	meet other regulatory requirements.
11	So what it can do is it's going to
12	reshuffle the power it takes from other
13	providers. It wants to reduce reliance on
14	older less efficient power plants. It needs
15	to take the power. And it can do so through
16	a different form without CPUC approval.
17	JUDGE STEIN: And when that
18	arrangement is consummated, are those public
19	documents, are those private documents?
20	What's the nature of the arrangement?
21	MR. WEDEKING: They're I
22	believe they're still submitted to CPUC but

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1	they don't require a formal adversary hearing
2	and approval process.
3	JUDGE STEIN: And do you have a
4	time frame when you know when that might be in
5	place?
6	MR. WEDEKING: It would come into
7	place by the time that the plant came online,
8	which is around September 2015, I believe.
9	JUDGE STEIN: So this would not be
10	in place in the middle of this year?
11	MR. WEDEKING: I'm sorry. What
12	would not be in place?
13	JUDGE STEIN: In other words, the
14	arrangement to amend the PPTA is intended to
15	occur sometime sooner?
16	MR. WEDEKING: Yes, ma'am.
17	JUDGE STEIN: But
18	MR. WEDEKING: At the end of this
19	month. Right now, there's a draft of an
20	amended PPTA circulated among the parties.
21	They're taking comments. They should finalize
22	it by the end of April for submission to the

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1	CPUC by the beginning of May.
2	Now, again, nothing changes about
3	the PPTA except for the delivery date. It's
4	the same plant using the same design.
5	JUDGE STEIN: Yes. But if you
6	were originally planning for a start date of
7	2018, the notion of determining that in 2013
8	for something five years away, presumably that
9	might change considerably over that period of
10	time.
11	MR. WEDEKING: Construction
12	will right now, as planned. Construction
13	would begin in the first quarter of 2014. It
14	takes about 16 to 18 months to complete
15	construction, which would put it online around
16	June to September 2015. That's when it would
17	be operating. Pio Pico's well aware that if
18	the PSD permit is approved, it has 18 months
19	to begin construction or it must reapply.
20	JUDGE STEIN: So what you're
21	proposing is to operate this as a merchant
22	plant?

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1	MR. WEDEKING: Technically that's
2	how it would operate, even though the power is
3	still going to San Diego Gas & Electric.
4	JUDGE STEIN: And for those of us
5	that are less well-informed than you may be,
6	can you tell me a little bit about what a
7	merchant plant is and whether it needs any
8	particular approvals?
9	MR. WEDEKING: A merchant plant is
10	simply a plant that sells electricity into the
11	wholesale power market. That means it doesn't
12	have any particular buyer in mind. Its
13	electricity is purchased on the stock market.
14	The approval for these things vary from state
15	to state. It's my understanding California's
16	a little strange in that few states actually
17	provide these types of long-term 20-, 25-year
18	power purchase agreements. Most power plants
19	that require a PSD permit are merchant plants.
20	So if you can think back to the last PSD
21	permit that was litigated before the Board,
22	almost certainly it was a merchant plant.

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JUDGE STEIN: Does this require a 1 different kind of financing? I mean, I don't 2 3 want to delve into the details of your financial arrangements, but does this mean 4 5 that from a financial perspective there are a bunch of other things that have to happen that 6 7 are contingent, or is what you're saying that this is really a pretty firm go? 8 9 MR. WEDEKING: Final change 10 secured. 11 To sum it all up, the last thing 12 Pio Pico these that is waiting on are 13 proceedings. 14 JUDGE STEIN: Okay. 15 MR. WEDEKING: And once that is 16 done and the PPTA is amended, they're ready to 17 go. 18 JUDGE STEIN: And do you need any 19 additional permits from the state? 2.0 MR. WEDEKING: No, Your Honor. 21 JUDGE STEIN: Okay. Let me move 22 to a different set of questions that has been **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W.

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on my mind, which is that the -- and I'll pose these questions to the Region also -- but in the response to comments for this permit, the Region relied extensively on the San Diego contract as dictating the need for the plant. And the -- many of their petitioners had argued that you should have been building a combined cycle rather than a single cycle plant, and basically what we have in the current record is something which says, No, we had to build what we built because of our contract with San Diego.

13 Now we have a circumstance where 14 you're telling me that, you know, that you're 15 likely to have a contract with San Diego that 16 will kick in in 2018. Before then, in the 17 interim period, you're going to try to sell 18 the power to San Diego and others. If you 19 were writing this decision, and in order to 20 agree with everything that Pio Pico and the 21 Region said, then where in the administrative 22 record would I look for support for your

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1 arguments? 2 MR. WEDEKING: Well, arguments --3 JUDGE STEIN: Well, with respect 4 to the BACT issue. Because what I see in that 5 record largely -- and I'm not saying that the 6 Board is looking on this -- is I see San Diego 7 made us do it, San Diego made us do it, and 8 the administrative record is replete with 9 that. 10 So one question that I have is 11 whether, you know, assuming everything that 12 you say is correct, whether or not this permit 13 nonetheless needs, because of a change of 14 circumstances, either the response to comments 15 to be amended or there to be some additional 16 process so that the record in fact reflects 17 what you're now proposing to do as opposed to 18 what you were proposing to do before the 19 PUC --20 MR. WEDEKING: So what I would 21 write in the opinion, I would say something to

the effect of, "Contrary to Petitioner's

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1 arguments, Region IX could not rely on the San Diego Gas & Electric specifications to justify 2 the BACT determination, " citing, for instance, 3 Prairie State Generating Company as affirmed 4 5 by the Sierra Club. I would remind them that the Applicant decides what type of source it 6 In this case, Pio Pico 7 chose to build. decided to build a peaking unit. 8 Now. the 9 Region supplied the public with lots of information about why Pio Pico chose to build 10 a peaking unit and why it chose the specific 11 12 equipment it did to satisfy that role. 13 However, the Applicant decides to define the source the way it sees fit. 14

15 And while the Region did look at 16 alternative processes to see if it could have 17 a lesser-polluting process that would still allow Pio Pico to fulfill its role as a 18 19 peaking unit, never before -- to my knowledge, 20 at least -- has the Region required -- my apologies -- the Board required permitting 21 22 authorities to premise a PSD permit on whether

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or not the Applicant complied with third party technical specifications.

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3 In the end, Pio Pico decided to 4 build a peaking plant. And they did that --5 or they seek to build that, regardless of 6 whether it has a contract with a buyer or not. 7 JUDGE STEIN: Well, I'm more hung 8 up about the fact that there's a contract than 9 I am about the wording of the response to the 10 comments. And I'm not saying that Ι 11 thoroughly reviewed it, but as Sierra Club 12 argued in its motion papers, there is an 13 extensive amount of information in this record 14 about the 2009 request for offer in the 15 contract.

16 I'm not saying we've decided that 17 question. We haven't decided anything. But 18 I'm asking you to help us through this. And 19 Prairie State, that if I recall, was а 20 redefining the source case.

> MR. WEDEKING: That's correct. JUDGE STEIN: This is not.

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1	MR. WEDEKING: No, but it does go
2	to the very basic premise that the Applicant
3	defines the source. That's not terribly
4	controversial. Pio Pico decided to build a
5	peaking plant. The Region would be it can
6	functionally serve as a peaking plant with a
7	combined cycle unit. It found that based on
8	the technical requirements for a peaking
9	plant, not necessarily because of the
10	contract, but no peaking plant could use a
11	combined cycle unit. I think that's well
12	supported in the record.
13	I would be very I think it
14	would have substantial ramifications if a
15	decision was phrased in the sense that that is
16	substantially based on whether an applicant
17	complied with technical specifications by a
18	third party.
19	JUDGE STEIN: No. I think the
20	question for us is now we're in a changing
21	circumstances. Is the design and purpose of
22	the plant still the design and purpose that it

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2	MR. WEDEKING: It is exactly the
3	same and it must still comply with San Diego
4	Gas & Electric's request for offer. It will
5	still have to comply with that, just in 2018
6	as opposed to 2014.
7	JUDGE STEIN: So that wouldn't
8	change the configuration of the plant?
9	MR. WEDEKING: It would not. To
10	say it more directly, I can't
11	MR. BUENTE: The response that the
12	company will file the response that the
13	company will submit next week will document
14	these representations with declarations so
15	that the Board has in the record an assurance
16	that it's not going to change. The company's
17	not changing the nature of the parties.
18	JUDGE STEIN: That's very helpful.
19	I think that's all the I think that's all
20	the questions that I had for Pio Pico. Did
21	you have anything else that you wanted to
22	leave us with? I understand that a lot is

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1 going into the planning and development of 2 this plant, and the Board does not lightly ask 3 these questions. We've had a number of cases 4 before in the past where when us а 5 developed, circumstance like this the 6 realistic prospect that the plant would be 7 built went from a very high likelihood to a 8 very low likelihood. So the nature of our 9 relates to really needing questions an assurance of where we stand. 10 11 MR. WEDEKING: I would only leave 12 you with the fact that Pio Pico is ready to 13 They would not look forward to a remand qo. 14 stay because or а they want to begin 15 construction as soon as they're permitted to. 16 We don't believe that a remand is necessary as there is no additional information that the 17 18 Region would have to review. Everything about 19 how the plant would be built is exactly the 20 same. 21 Thank you, Your Honor. 22 JUDGE STEIN: Thank you very much.

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1 Why don't we hear from Region IX, Mr. Doster. I'm not sure which of you is --2 3 MR. DOSTER: Ms. Walters. 4 JUDGE STEIN: Ms. Walters. 5 MS. WALTERS: Can you hear me 6 okay? 7 JUDGE STEIN: Yes. 8 MS. WALTERS: Great. In terms of 9 the questions that the Board posed to the 10 Region in its order, we considered those 11 questions and provided a sort of detailed 12 explanation of the basis for our position. 13 MR. SIMPSON: I'm sorry. Could 14 you --15 JUDGE STEIN: It's Ms. Walters 16 from Region IX. 17 I can't hear her. MR. SIMPSON: 18 Let's try unhooking MS. WALTERS: 19 the phone and seeing -- and I'll move the 20 video conference and see if you can hear me 21 that way. 22 Can you hear me now? **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W.

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1	MR. SIMPSON: Oh, yes.
2	JUDGE STEIN: You're fine in the
3	courtroom.
4	MS. WALTERS: Okay. Great.
5	MR. SIMPSON: Okay. Thank you.
6	MS. WALTERS: So in following up
7	on the questions that the Board is interested
8	in hearing from the Region on as described in
9	its order, we have considered those questions
10	and wanted to provide a sort of brief further
11	explanation today and, if there is further
12	briefing that the Board would request, we'd
13	like to discuss the timing of that,
14	considering the fact that we haven't yet seen
15	the permittee's filing that will explain in
16	more detail its plans and intent for the plant
17	from this point forward.
18	In terms of our BACT analysis, I
19	think this is sort of a unique case in which,
20	as Pio Pico said, we actually had a contract
21	in place that we could look at that provided
22	a lot of detail about the purpose and design

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1	of the facility that the Applicant was
2	proposing. In most cases, we don't have a
3	piece of paper that describes it other than
4	the application itself.
5	So in reviewing the analysis
6	and the analysis and application and doing
7	our own analysis, we referenced a lot of
8	information in the PPA and the RFO because
9	that is those were the documents that were
10	referred to in the PSD permit application that
11	describes the purpose and design of the
12	facility.
13	But our feeling is that whether or
14	not there was such a contract or not, since
15	the application merely describes the same
16	information that appeared in the PPA and the
17	RFO, and the Applicant has Pio Pico has
18	said generally the entity to define the
19	purpose of the project and associated design
20	elements, our analysis is exactly the same,
21	but I think the references in the record to
22	the PPA and the RFO are a little confusing

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because those documents were referenced in the application itself.

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So there's a lot of discussion of those documents, but the documents themselves were not driving our BACT analysis or ultimate determination that a combined cycle facility would not be technically feasible to meet the purpose and associated design elements that the Applicant put forth.

We had also had a discussion with 10 11 the Applicant whereby it provided a brief 12 description of the fact that the project would 13 not be changing, the contract terms would not be changing other than dates, and that the 1415 purpose and design of the project would remain exactly the same, regardless of the CPUC's 16 17 disapproval of the current PPTA.

18 So based on that, we didn't 19 believe there was any reason we would need to 20 reopen our analysis or any of the permit 21 terms.

JUDGE STEIN: So I want to ask you

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1 the same question that I asked counsel for Pio 2 If I were -- or if the Board were to Pico. 3 decide that this BACT analysis should be 4 upheld, it's your position that despite 5 whatever confusion there may be, there's 6 sufficient analysis in the record that the 7 Region would not be asking to reconsider 8 supplementing the response to comments but 9 would basically stand on the record that's 10 here? If you don't have an answer to that, 11 you can answer it next week, but --12 MS. WALTERS: You know, we haven't 13 seen the filing from the permittee but, at 14 this point, we don't think there's any need to 15 reopen the record, particularly because this 16 issue was raised after the record was closed 17 and we think that it could be addressed 18 adequately through briefing. 19 The question is whether the CPUC's 20 disapproval somehow undoes or calls into 21 question the basis for the Region's 22 determination. As Ι said earlier, the

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1 determination was that based on the purpose 2 and design of the project as a peaking and 3 load-shaping facility, we haven't seen and there's no information in the record to 4 5 indicate that a combined cycle unit has been 6 used to serve as a peaking facility. We 7 didn't receive comments that demonstrated that. And we don't believe there is a need to 8 9 reopen the issue because the substance of it 10 is not going to change.

11 Is there anything JUDGE STEIN: 12 else that you want to -- I understand you have 13 a timing question. What is it that the Region 14 would be seeking? I know that the order 15 currently specifies that Pio Pico and the 16 Region are to file on the same day. What is 17 it that you need that's not provided in the 18 current order?

MS. WALTERS: What we discussed is that it would be helpful to see some of the documentation that Pio Pico has indicated it will be providing. We think that would be

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instructive both to the Region and to the Board in terms of our -- providing our contention about whether anything would change about the contract, whether anything would need to be reopened.

6 The other consideration is I'm the 7 lead attorney on the matter. I'm supposed to report to jury duty this Monday. 8 So what we 9 would propose is that at our final review on April 29th, which is two weeks from the 15th, 10 11 if my jury duty service is very short, we would endeavor to file something as soon as 12 13 possibly, hopefully before that date, and then 14 we would suggest that the other parties' 15 responses would be due a week after the week 16 of the filing.

JUDGE STEIN: I think that that's way too long. I'm, you know, prepared to entertain some additional time for the Region, but it seems to me that given that this is a PSD permit, which the Board, as you know, endeavors to get out as promptly as possible,

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1 I can't envision a two-week period of time. 2 But we will take the request under advisement 3 and we will set out a revised schedule. 4 I am prepared to give you some 5 time, but I'm just concerned about -- I want 6 to give you sufficient time to look at it, but 7 at the same time we want to be able to keep 8 moving forward. 9 Buente, did you Mr. have а 10 comment? 11 MR. BUENTE: No, Your Honor. 12 MR. DOSTER: Your Honor, if I 13 could just ask, the timing issue is -- the 14 length of time is based solely on the fact 15 that Ms. Walters is assigned to jury duty. 16 JUDGE STEIN: Right. 17 MR. DOSTER: It is not -she doesn't need --18 19 MR. SIMPSON: I'm sorry. I can't 20 hear the speaker. This is Rob Simpson. 21 My apologies, MR. DOSTER: Mr. 22 Simpson. This is Brian Doster from the Office NEAL R. GROSS COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W. (202) 234-4433 WASHINGTON, D.C. 20005-3701 www.nealrgross.com

1 of General Counsel. I just wanted to add on 2 the --

3 MR. SIMPSON: That's much better. MR. DOSTER: -- the timing point 4 of the motion. She's the lead counsel for 5 Region IX on this case. She's not going to 6 7 have the opportunity next week to review that information if she's in jury duty. We can do 8 9 our best among legal offices to try to find a substitute counsel, but she's in the best 10 11 position and the best understanding of the 12 record.

It's not that we feel we need that much time to write the response if she's available, but she may not be available.

16 JUDGE STEIN: I see. I used to 17 law in California. I'm well practice 18 familiar, having served for five weeks on a 19 jury in California, so I just want to be sure 20 delaying that don't end up this we 21 indefinitely.

MR. DOSTER: That is not our

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interest at all either. It's just a difficult situation with the uncertainty of knowing whether she's going to be available.

JUDGE STEIN: Well, Ms. Walters, will you have any information for us next week about the status that you could provide the Board? I mean, obviously, if you're going to end up serving on a long-term jury, the Agency's going to have to go forward, and the Board can obviously go forward as well, but --

MS. WALTERS: I will do my best not to serve on a long jury. But right now, I'm scheduled to call in on Sunday night to find out whether I need to report on Monday, so probably by the early part of next week I'll know whether I'm done or whether I'll be continuing, what the schedule might look like. JUDGE STEIN: Okay. And why don't we proceed with the fact that Pio Pico's brief is still due on the 15th and then we will go ahead and set a subsequent date for everyone

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else.

One more question for you, Ms. Walters. Is the Region saying that assuming the representations made in the courtroom today are followed up with declarations, that its analysis of the permit would have been the same had the PPTA and RFO not existed at the time it considered the application? MS. WALTERS: Yes, assuming the project purpose and design was the same. We

project purpose and design was the same. We can't really speculate as to whether the project might have been different somehow or the purpose might have been different if those documents had not been in place, but we don't think that they are critical to the purpose and design. They were merely illustrative of the purpose and design.

JUDGE STEIN: Under what circumstances would the Region feel a need to reconsider or reopen this particular permit? Is there a set of circumstances that you think would require that, or you want to wait and see the documents and you can let us know the

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1	answer to that question next week?
2	MS. WALTERS: Yeah. I think in
3	general if there were some reason to believe
4	that the purpose and design would change
5	substantively; for example, if the permittee
6	wanted to build a base load facility, say,
7	instead of a peaking facility, obviously that
8	would call into question the entire premise of
9	the analysis that we did. But the information
10	that's been provided to date doesn't suggest
11	that there's any substantial difference
12	between what was originally proposed and what
13	will be built and operated moving forward.
14	JUDGE STEIN: Thank you very much,
15	Ms. Walters. Mr. Doster, do you have anything
16	else to add?
17	MR. DOSTER: One small detail.
18	This is Brian Doster again. One detail I
19	think that I think it's important to note,
20	Your Honor, is that the PPA is not actually in
21	the administrative record. What the Region
22	did here is rely on the Applicant's

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representation of its intentions based on the 1 2 Is that correct, Ms. Walters? PPA. 3 MS. WALTERS: Yes. MR. DOSTER: Confirm that. That's 4 5 my understanding. So to -- you know, to the extent -- what you're focused on -- you're 6 focused on the contract itself, but 7 the 8 contract is simply a piece of information. 9 The Applicant could have stated the exact same 10 information in his application and the Region 11 would have treated that information and relied 12 on it in exactly the same way. The form of 13 the information I think is not -- is not that 14 significant here. It's the information itself 15 that was represented in the application which 16 was referring to the contract as the basis for it's 17 that information, but the same 18 information, and I think that's what the 19 Applicant and the Region has been telling you, 20 is the information itself is not changing. 21 Okay. Thank you. JUDGE STEIN: I 22

think at this point I would like to hear from

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the Sierra Club and I don't know whether I'm going to be hearing from Mr. Bender or Ms. Spalding, or both.

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How about I start 4 MS. SPALDING: 5 and Mr. Bender can chime in on what I'm sure 6 I'll miss. Joanne Spalding with the Sierra 7 Club. Just a few short points. One thing I 8 want to point out is that the Applicant and 9 the Region keep describing this plant as a 10 peaking plant. It's not a peaking plant. 11 It's a peaking and intermediate load plant 12 that is permitted to operate over 4,000 hours 13 The record contradicts the in a year. 14 position that -- of both Pio Pico and the 15 Region --16 JUDGE STEIN: I'm sorry. Can you 17 speak up a little?

MS. SPALDING: Sure. Is that better? JUDGE STEIN: Yes.

21 MS. SPALDING: That -- that it's a 22 peaking plant that would be built -- that the

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1 Region did not rely on the power purchase agreement and the RFO. The statement of basis 2 3 and the responsive comments explicitly connect the application, the project purpose, and the 4 5 PPA. 6 The -- the Region did not actually 7 perform an analysis of the alternatives. It 8 was relying on the CPUC process to do that. 9 So I don't see how the Region could now say it 10 need not revisit this. 11 Our position is that the permit 12 remanded to should the Region for be 13 reconsideration light of this in new 14 information and potential changes that might 15 occur. 16 The resource adequacy contracts 17 are not the RFO. We don't know what they will 18 And they are -- there's been no say. 19 determination of need by any entity -- any 20 regulatory entity at this point because 21 the Region nor the CPUC neither \_ \_ the 22 California Public Utilities Commission -- made

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1	that determination.
2	The
3	JUDGE STEIN: And why is it that
4	the PUC has made a determination of need?
5	MS. SPALDING: The PUC has made a
6	determination that there is no need until
7	2018, and by 2018 things might be very
8	different and control technology might be very
9	different. The Region has stated that there's
10	no evidence that a combined cycle unit could
11	be used for this purpose. However, the
12	combined cycle technology is evolving rapidly
13	and the newest units on the market are made to
14	support renewable, they're made to be to be
15	load-shaping units that can with fast start
16	capabilities that we believe there's adequate
17	information in the record to show that they
18	could satisfy
19	JUDGE STEIN: Right. No, I
20	understand the main arguments that you've
21	raised and obviously, you know, if we go ahead

and decide this permit appeal, we're going to

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1 get into the merits of those arguments. What 2 I'm trying to figure out is --3 Well, and I don't MS. SPALDING: mean to reiterate that, but the -- but my 4 5 point is that by 2018 -- if the power is not б needed until 2018, then it's premature to 7 build a technology that's -- to rely on BACT 8 at this point because there's no need until 9 five years from now and --10 But I'm assuming JUDGE STEIN: that what the company is saying is that during 11 12 these four years, it's going to operate by 13 selling power to others. MS. SPALDING: But there's been no 14 15 determination of need and the Region never 16 visited that question of need or alternatives 17 because they were relying on the California 18 Utilities Public Commission for that 19 determination. 20 JUDGE STEIN: Okay. 21 MS. SPALDING: And I think that's 2.2 all I have to say and I would just ask if Mr. **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W.

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1	Bender has anything to add. Thank you.
2	JUDGE STEIN: Before I have one
3	more question for you. What is the
4	significance of Pio Pico also being an
5	intermediate plant?
6	MS. SPALDING: Well, an
7	intermediate a peaking plant has does
8	not operate nearly as often and so it's an
9	intermediate plant can runs more frequently
10	and it's the combined cycle technology is
11	used for intermediate purposes all the time,
12	and combined cycle with duct burners can
13	operate as an intermediate load and peaking
14	plant. So there so the technology so
15	saying it's simply a peaking plant is a
16	misrepresentation of what the permit actually
17	allows.
18	JUDGE STEIN: Right. But I'm
19	assuming what they're saying is since it's
20	going to serve starting in 2018 this peaking
21	function, that it still needs to have the
22	capability of operating as a peaking plant.

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1	MS. SPALDING: Right, but a
2	peaking and intermediate plant is different
3	than a simple cycle peaking plant that is only
4	a peaking plant. The technological question
5	is different.
6	JUDGE STEIN: Is this an issue
7	that was raised in your motion?
8	MS. SPALDING: I believe we did
9	raise this, but that would be a good question
10	to ask Mr. Bender just to make sure. Thank
11	you.
12	JUDGE STEIN: Mr. Bender.
12 13	JUDGE STEIN: Mr. Bender. MR. BENDER: Thank you, Your
13	MR. BENDER: Thank you, Your
13 14	MR. BENDER: Thank you, Your Honor. I don't have much to add other than to
13 14 15	MR. BENDER: Thank you, Your Honor. I don't have much to add other than to reiterate that my understanding of the
13 14 15 16	MR. BENDER: Thank you, Your Honor. I don't have much to add other than to reiterate that my understanding of the arguments today from the Applicant and from
13 14 15 16 17	MR. BENDER: Thank you, Your Honor. I don't have much to add other than to reiterate that my understanding of the arguments today from the Applicant and from the Region are that everything would be
13 14 15 16 17 18	MR. BENDER: Thank you, Your Honor. I don't have much to add other than to reiterate that my understanding of the arguments today from the Applicant and from the Region are that everything would be exactly the same and, you know, we should
13 14 15 16 17 18 19	MR. BENDER: Thank you, Your Honor. I don't have much to add other than to reiterate that my understanding of the arguments today from the Applicant and from the Region are that everything would be exactly the same and, you know, we should effectively go back to the application, to the

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1 specific RFO and PPA requirements starting 2 next year, we should cross that out and write 3 "peaking plant" instead. And we should also 4 assume that peaking plant means a combustion 5 turbine and nothing else and so nothing would 6 change. And those are premises that Sierra 7 Club does not agree with and had the public review documents said that, the application 8 9 said that, the comments would have been 10 different and this case would have been 11 different. 12 Additionally, the representations 13 today, as I understand them, are that there 14 will be a PPA for San Diego Gas & Electric in 15 2018 and that the plant will be the same to 16 My understanding from the meet that PPA. Commission 17 Utilities California Public 18 decision is that --19 JUDGE STEIN: I'm sorry. I'm 20 having difficulty hearing you. 21 MR. BENDER: Can you hear me now? 22 You said "mv JUDGE STEIN: **NEAL R. GROSS** COURT REPORTERS AND TRANSCRIBERS 1323 RHODE ISLAND AVE., N.W.

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1 || understanding ..."

2 MR. BENDER: My understanding of the California Public Utilities Commission 3 decision is that the plant is not needed until 4 5 2018, if then. Even if the PPA is revised to б provide power under contract beginning in 7 2018, the Applicant would still have to 8 demonstrate to Agency the ---to that 9 California agency that it would be needed in 10 that year, you know, and what could well 11 happen is that it's not needed in that year 12 either, and so we'd be in a series of 13 applications and denials and revisions and 14 applications and denials and revisions. And 15 so what is actually approved for a PPA may be 16 something very different than simply crossing 17 out the year in which it starts.

JUDGE STEIN: So your suggestion is that this should be remanded to the Region for reconsideration and reopening of public comment period; is that Sierra Club's position as you see it now?

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1	MR. BENDER: That's correct, Your	
2	Honor. That's correct, Your Honor, because	
3	both that's what we read the regulations and	
4	the precedents for support, but also because	
5	Sierra Club's comments and presumably the	
6	comments of the other Petitioners in this case	
7	would have been different if the project	
8	purpose and the application had contained	
9	what's being described now as kind of "We'll	
10	sell it to the market without a contract for	
11	a few years and then try to get a new contract	
12	approved in the future" or whatever finally	
13	evolves and might be approved by the	
14	California Public Utilities Commission.	
15	The comments would have been	
16	different and the arguments in this case would	
17	have been different.	
18	JUDGE STEIN: Okay. Thank you	
19	very much. I'd like to hear from Mr. Simpson	
20	at this point.	
21	MR. SIMPSON: Thank you. Well,	
22	from what I'm hearing, Pio Pico is scrambling	
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trying to figure out what their next plant is going to be. They say, Well, maybe it's going to be a merchant plant and they say they've bought some equipment, maybe a resource adequacy contract. I didn't see any of that on the record for this -- for this action or I would have commented on it.

8 The Region points out that it was 9 confusing their reliance on the PPA and, yes, 10 it was confusing and it sort of derailed this 11 process. The response to comments on page 73 12 in my -- in response to my comments about the 13 lack of need for this facility, the EPA points 14 out, "The EPA has not conducted a detailed 15 need analysis for the CPUC. Available 16 information in the record for EPA permit 17 decisions indicates that there is in fact need 18 for the project. In Section 7.13 of the facts 19 sheet, the Applicant has a 20-year power 20 purchase agreement with San Diego Gas & 21 Electric. The purpose of this project is to 22 meet the specific objectives of SDG&E's 2009

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1 request for offers."

2	Now, it's true that maybe sometime
3	in the future, San Diego's gonna need some
4	more electricity from these old-style plants.
5	But to saddle San Diego with this plant now
6	when there is no demonstrated need when the
7	EPA told me they relied on there is in fact
8	need kind of has made a process that I as a
9	member of the public can't keep up with. I
10	can't figure out why we would be saddled with
11	what's not even that technology for today on
12	the hopes that this facility can get some
13	agreement to sell its products sometime in the
14	future just so, in addition to the BACT
15	analysis for today's peaking facilities
16	there's peaking facilities that are combined
17	cycle. They just wrote their projects or it
18	wouldn't it wouldn't appear that that
19	worked for this one. It worked for other
20	ones. So it doesn't make sense that this
21	couldn't be a more efficient facility.

So part of my concern with this

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1 process, too, is if we're -- if -- by going 2 through this process, we're extending that 3 permit.

4 JUDGE STEIN: I didn't hear the 5 last sentence.

6 MR. SIMPSON: By going through 7 this appeal process, are we extending that 8 permit? Does that permit -- does that 18 9 months for this permit to start happen from 10 when the permit was issued or from when we're 11 finished with this action?

12 JUDGE STEIN: The 18-month period 13 begins to run, it's my understanding, is once 14 the permit is final. So it's after the Board 15 So the 18-month period doesn't rules. 16 begin -- let's -- if hypothetically the Board 17 were to affirm the permit, the 18-month period 18 I believe, correct me if I'm wrong, Mr. 19 Doster, would run from then or whenever the 20 Federal Register -- whenever the applicable notification takes place after the Board 21 But the 18-month period is not 22 ruling.

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running now.

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2	MR. SIMPSON: That's my
3	understanding. And well, I suppose that
4	can't be avoided, but to delay this process
5	while the Applicant tries to figure out what
6	their next move is, I just see it as a
7	smokescreen.
8	JUDGE STEIN: So what is it that
9	you're asking the Board to do then? I mean,
10	the question the Board is trying to figure out
11	is whether it's gonna go ahead and decide the
12	appeal based on what we have before us or
13	whether the Board is going to take some
14	additional action to ship this back to the
15	Region for some further analysis.
16	Are you suggesting you're opposed
17	to a delay in the Board ruling on the current
18	appeal? The Sierra Club seems to be asking
19	us
20	MR. SIMPSON: Yes. I would not
21	like to pardon?
22	JUDGE STEIN: Sierra Club I
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believe has asked us to ship this back to the Region for reconsideration and reopening of the comment period. Are you suggesting that you want the Board to go ahead and decide this based on the present record?

6 MR. SIMPSON: I'm saying that it 7 should be remanded today and not a year from 8 now and I'm saying that the Board should 9 understand that nobody's built a merchant 10 plant in California in the last 15 years. So 11 the likelihood of somebody building a merchant 12plant now is -- it's just not gonna happen. 13 They're just -- they're just grasping at 14 straws.

15 So while we commented on what the 16 Region told us this permit was about, we 17 haven't had a chance to comment on -- we don't 18 really know what it's about now. Until the 19 Applicant tells us what their real plan is, 20 none of us really know what positions we have. 21 So Т think the Board can remand this 22 expeditiously and save everyone a lot of time.

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1	Thank you.
2	JUDGE STEIN: Okay. Thank you
3	very much. At this point, I would like to
4	hear if there are any final comments from Pio
5	Pico.
6	MR. WEDEKING: Just a few brief
7	points, Your Honor. The comments by Sierra
8	Club and Mr. Simpson, they appear to request
9	a remand to look at need again. And we've
10	heard a lot of characterizations about what
11	the CPUC decided.
12	I'd just like to point your
13	attention to page 18 of the CPUC's decision,
14	the bottom paragraph. "For all these reasons,
15	we direct San Diego Gas & Electric to procure
16	up to 298 megawatts of local capacity to come
17	online beginning in 2018." So, therefore, the
18	fact that it needs additional capacity by 2018
19	is not in question.
20	He continues further, "As
21	discussed previously, San Diego Gas & Electric
22	may seek to meet this need using either the
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1	Quail Brush Energy Project or the Pio Pico
2	Energy Center if the proposed PPTAs are
3	amended to correspond to the identified unit."
4	So it seems to be pretty clear
5	that the CPUC has determined that the need is
6	there, just at a different year.
7	Now, this takes me to the second
8	point. Never has a facility been required to
9	demonstrate the need for its product in order
10	to get a PSD permit. This would be a very
11	strange conversation if Pio Pico were
12	proposing a chemical plant and, therefore,
13	there would need to be some discussion of
14	whether a certain industry needed those
15	chemicals. Need has always been for PSD
16	purposes a business decision. If the
17	applicant says we would like to build a
18	peaking plant or it says we would like a build
19	a base load plant and if there are state
20	regulatory agencies that examine that, then
21	they're the ones who examine that. Remanding
22	for need is not necessary in this case and

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we'll be happy to supply the documentation required to show exactly what San Diego Gas & Electric and Pio Pico intend to do from here on out.

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5 Okav. Now, as I JUDGE STEIN: understand the need guestion, I see it tied in б 7 with this question of alternatives which is central to some of the issues that have been 8 9 raised in the appeal. And I guess one of the questions that ultimately may come to play is 10 if the PPTA and RFO had not specified what 11 they specified, would combined cycle have been 12 13 considered? And, you know, that's obviously 14 an issue that's been raised in this appeal. 15 We're going to need to look at that question.

16 MR. WEDEKING: I'm not sure -- I'm 17 not sure if the plant would be built if San Diego Gas & Electric hadn't requested a 18 19 peaking plant. I'm not sure how they would 20 have decided to spend their money anyway --21 otherwise. I think remand -- Sierra Club 22 claims that its comments would be different

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1	now that the PPTA will be amended. The fact	
2	that their comments in front of the Region	
3	was, You must use a combined cycle plant. If	
4	this were remanded, their comments will be,	
5	You must use a combined cycle plant. The	
6	analysis would be exactly the same by the	
7	Region. There's no new information to renew	
8	here. They I don't doubt that they would	
9	phrase things differently, but that's what the	
10	debate is all about. Can you use a combined	
11	cycle turbine for peaking? Nothing has	
12	changed in the interim. You can't according	
13	to the Region IX's analysis. And unless	
14	there's some ground-shaking new technological	
15	developments between then and now, the	
16	analysis will be exactly the same.	
17	JUDGE STEIN: Okay.	
18	MR. WEDEKING: Thank you.	
19	JUDGE STEIN: Let me just confer	
20	with my colleagues for a moment.	
21	(Pause.)	
22	Okay. Any final comments from	
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General Counsel's Office in Region IX?

is MS. WALTERS: This Julie Walters in Region IX. I just had a couple of points that I wanted to make to follow up on some of the statements that were made.

In terms of the need issue that the counsel for Pio Pico described, I did want clarify that contrary to some of the to statements made by counsel for the Sierra Club, Region IX specifically determined it would not decide the need for the project. Ι think there was a statement that we relied on the CPUC for a needs determination. However, we did not do so. We typically don't make those determinations, given the complexity of the market and the regulatory regime in California. We did not do so here and we don't believe it's necessary to do so in order to resolve the appeal of this PSD permit. 20 And with respect to the argument

that comments would have been different if the were described as project peaking а or

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intermediate unit versus referencing the PPA 1 2 and RFO, we strongly disagree with that. We 3 believe the information in the record and the 4 application make clear that the nature of the 5 unit that was being proposed was a peaking and б load-shaping unit and the analysis was based 7 primarily on the need to ramp up and ramp down 8 various amounts of energy quickly, come online 9 from a cold start quickly, turn off quickly, 10 and really respond to the renewable energy 11 market and the fact that there would be these 12 needs that would come and go very guickly. 13 And we think that was very clear from the 14 record and the response to the comments, and 15 so we agree with counsel for Pio Pico that the 16 nature of the comments that could have been 17 made originally wouldn't change now based on 18 the fact that the PPA may be changed in terms 19 of the ultimate state when SDG&E would be 20 expecting electricity from Pio Pico under its 21 contract.

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The last point that I wanted to

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make is there's been a lot of discussion of 1 the fact that the revised agreement would not 2 go into effect until 2018 and the Region is 3 not -- did not base its analysis on the dates 4 in which power would be requested by SDG&E. 5 6 We looked at the nature of the facility that was being proposed. And we're not aware of 7 any requirement in PSD that a plant operate 8 9 within a particular period of time. There is 10 a deadline for construction of the plant and 11 completion of construction in 5321-R of 40 12 C.F.R. Part 52, but there's been a lot of 13 discussion of when will the plant operate and 14 will that still be -- you know, would the same 15 BACT analysis have been made at that time. 16 And I think the PSD program is set up so that 17 construction needs to begin within a certain 18 time frame and then operations will follow. 19 We've never focused on the date when the 20 And I facility will start operating per se. 21 think it's very difficult to do that. Plants 22 may have different needs and things that are

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tied to the construction date that are pretty speculative to, I think, get into that type of detail when making a PSD determination. And we did not look at that at all in making our determination here.

JUDGE STEIN: If the PPTA/RFO had not.sort of described -- I don't know whether "described" is the right word -- but if the original BACT analysis wasn't in some way constrained or relied on that, would combined cycle have been considered in a different way?

No, it would not. MS. WALTERS: When we looked beyond the contract documents, we said, What is the purpose of this project? What desiqn elements are the that are necessary to meet that purpose? This is a peaking facility with some load-shaping and they want to have the flexibility to turn the unit on and off as needed very quickly and we haven't seen evidence that a combined cycle can meet that need. It can't be designed to offer the same type of flexibility that these

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1	peaking units can, and that's why we	
2	ultimately decided that that was not	
3	technically feasible. We didn't think it was	
4	appropriate for the Region to try to redefine	
5	the source and tell the Applicant it needed to	
6	serve a different purpose that might be you	
7	know, have reduced emissions in some other way	
8	but wouldn't really satisfy the purpose that	
9	the Applicant was proposing to meet.	
10	JUDGE STEIN: Thank you. Any	
11	other comments? Mr. Doster?	
12	MR. DOSTER: No, Your Honor.	
13	JUDGE STEIN: Sierra Club, any	
14	further comments?	
15	MS. SPALDING: Your Honor, I will	
16	defer to Mr. Bender. I just would like to say	
17	that with regard to the comment about need and	
18	reliance on the CPUC, we really think that	
19	might be a question of how we characterize	
20	what the response to comments say and we will	
21	address that in our written document.	
22	JUDGE STEIN: Mr. Bender, any	
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1 || final comments?

you, 2 MR. Thank Your BENDER: 3 I think just to reiterate, you know, Honor. 4 we do not agree that combined cycle cannot 5 serve a peaking and intermediate load purpose, 6 and the response to comments was that a 7 combined cycle plant would be too large for 8 this PPA or -- and/or would not ramp up and 9 ramp down at the specific time -- 10-minute, 30-minute time increments that 10 this PPA 11 requires. 12 fundamentally You know, we 13 disagree that everything would have been the 14 background same in the documents, the 15 comments, and the response to comments, if the 16 Region had said peaking and intermediate load

18 technology called for by this specific power 19 purchase agreement.

plant rather than specifying this specific

20JUDGE STEIN: Thank you. Mr.21Simpson, any final comments?

MR. SIMPSON: Sure. Just briefly.

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1	Thank you. This facility is adjoining another
2	facility that serves the same function and
3	JUDGE STEIN: Can you please speak
4	up? I'm having trouble hearing you.
5	MR. SIMPSON: Oh, sure. I'm
6	sorry. This facility that sits right on the
7	border of Mexico is adjoining another facility
8	that serves the exact same purpose but barely
9	functions. This would just be an addition
10	it's not the Region is trying to say it's
11	designed to meet some need but it's a
12	manufactured need. So what that means is if
13	it gets built, they're gonna try and get it
14	into play. They're gonna try and use it for
15	whatever scenario comes up which, without
16	definition of what scenario's coming up, we
17	don't know if this is a facility that's
18	needed. We're pretty clear that it's not.
19	But with this nebulous it shows some need if
20	that need happens to meet this exact contract
21	doesn't doesn't satisfy the damage to
22	offset the damage it will do to the

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1 environment.

2	I think that it trying to
3	backload this thing is putting the cart before
4	the horse, that we need to we need to see
5	whether EPA wants to do it or is going to rely
6	on the state to do it, somebody needs to say,
7	This is what's needed, so let's build this.
8	Not let's build this and put it into whatever
9	need happens to come up just because we happen
10	to have a PSD permit.
11	Thank you.
12	JUDGE STEIN: All right. I want
13	to thank everybody for their time today. I
14	think the way I want to proceed is that the
15	Pio Pico, can your brief come in on the 15th?
16	Are you able to do that, or do you need a
17	little more time in light of this to get your
18	brief in?
19	MR. WEDEKING: I think the 15th
20	will be fine, Your Honor.
21	JUDGE STEIN: Okay. Why don't you
22	get your brief in the 15th. I will take under
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advisement the Region's request that it have 1 2 I will give you at least a week. two weeks. 3 But I would like to wait and hear from the Region early next week after Ms. Walters 4 the jury duty situation 5 figures out in California, whether I will give you up to two 6 7 or not, but you'll have at least a week. And then I will allow for reply briefs sometime 8 9 after that. 10 We'll issue a scheduling order 11 next week but, in the meantime, I don't think 12 I'm going to issue anything until such time as 13 got further information about I've the 14 Region's time frame. 15 Your Honor, would it MR. DOSTER: be helpful if we submitted a status report or 16 17 something on Monday? 18 JUDGE STEIN: That would be 19 helpful. I unfortunately have had a personal 20 experience in California which was most unfortunate, having spent -- having arrived to 21 22 a new job and spent five weeks on jury duty,

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1	and I have carried that with me since 1981,
2	but I know it can be quite unpredictable and
3	I think a short period of time is fine, but I
4	don't want to extend this too long.
5	Thank you, everybody, for your
6	time. I greatly appreciate it and I
7	appreciate also the presence of the various
8	clients of the Region and of the company to
9	let us know your views here. Thank you.
10	(Whereupon, the conference was
11	concluded at 2:11 p.m.)
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Before: US EPA

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