

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas & Electric Company )  
(U 902 E) for Authority to Enter into Purchase Power )  
Tolling Agreements with Escondido Energy Center, )  
Pio Pico Energy Center and Quail Brush Power )

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A.11-05-023  
(Filed May 19, 2011)

Opening Brief of the City of Carlsbad and the  
Carlsbad Housing and Redevelopment Agency

July 13, 2012

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
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Opening Brief of the City of Carlsbad and the  
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The City of Carlsbad and the City of Carlsbad as successor to the Carlsbad Redevelopment Agency (“Carlsbad”), hereby files its Opening Brief in the above-referenced proceeding. The interests of Carlsbad do not encompass the varied technical issues raised in this proceeding, so this document will only address the consequences of failing to approve the power purchase agreements on Carlsbad.

Introduction

Carlsbad’s strong desire is to make it possible to demolish and remediate the existing Encina Power Station (“EPS”), a 900 + MW coastal facility in Carlsbad utilizing once-through-cooling technology. Carlsbad is a major Southern California tourist destination, offering beaches, lagoons and other recreation opportunities not only for residents but visitors from all parts of California and the world. The EPS, with its 400 foot tall stack, has been in operation for

over 50 years. It is located on a peninsula between the City of Carlsbad and the Carlsbad State Beach. Carlsbad and its resident have been planning for the conversion of the EPS parcel to coastal oriented recreation, open space and commercial uses for over 10 years.

### EPS Retirement

Carlsbad participated in the instant proceeding to assist in laying the groundwork for the eventual retirement and demolition of the EPS. Carlsbad recognizes that NRG cannot be forced to demolish the EPS, but if it is not required to meet grid loads, its inactivity will, in the opinion of Carlsbad, prompt redevelopment of the site.

The approval of the three PPAs under consideration in this proceeding may influence NRG's decision to expend funds to comply with the State Water Resources Control Board "Water Quality Control Policy on the use of Coastal and Estuarine Waters for Power Plant Cooling". Carlsbad strongly supports actions that will provide an adequate supply of highly efficient, quick starting, reliable, generation that would be dispatched before the EPS, will obviate the need for the EPS.

If this Commission determines that the three PPAs are not needed, and SDG&E's system loads can be addressed in the 2012 LTP proceeding, there exists the very real danger that the EPS will continue to operate beyond 2017, regardless of the state's OTC policy, simply because of the time required for procurement, project permitting, and construction. Consider the three PPAs responded to an SDG&E Request for Offers that was issued in June of 2009 – over three years ago. If the same process is followed as for these projects, a new RFO, issued in 2013, will likely not produce PPAs for this Commission's consideration until 2016, if we assume the same RFO-to-approval schedule. Given the uncertainty of results in the procurement process, project

developers are likely to delay permitting until the final results are known. With an assumed one-year permitting period followed by a two-year construction period, the on-line date for these units would be in late-2019.

### EPS Retirement Consequences

Carlsbad believes there are strong public policy arguments in favor of constructing new power plants at existing power plant sites. These arguments fail, however, when the power plant sites are on California's limited coastline and the power plant site is not surrounded by heavy industry and cannot be reasonably redeveloped, because of other land use and environmental conflicts. In the event the EPS is no longer needed and its future is to lie idle, Carlsbad hopes that NRG will offer to redevelop the site. A redeveloped site will offer greater beach access, conform to city height restrictions, allow greater parking for beach users and greatly improve the recreational experience of visitors to Carlsbad State Beach. This will be an economic benefit to Carlsbad and the state which in turn will help pay for needed public services.

### Conclusion

The City of Carlsbad has no reason to doubt the claim of SDG&E that approving the three PPAs and proposed transmission upgrades will insure that its loads will be met. However, the Commission should consider the consequences from over-building vs. under-building.

If the three PPAs are approved and come on-line a year or two earlier than when absolutely needed, the SDG&E system will run these efficient units, backing off generation from less-efficient and less reliable generation units.

If, on the other hand, these three PPAs are not approved, and the SDG&E system needs are pushed into the 2012 LTPP, there is a very great risk that the EPS, and other inefficient generating units cannot be retired prior to 2018 or 2019.

One last word on the proposal of NRG to reject the RFO winners – the least cost, best fit units – in favor of their losing project. This effort should be rejected. Corporations should not be able to “win” project agreements by litigation, instead of offering the state of California most desirable and lowest-price projects.

Respectfully submitted,

Dated: July 13, 2012

By: /s/ RONALD R. BALL

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