any remediation beyond industrial standards. The Port District would also be responsible for all existing and future hazardous material contamination and soil and groundwater contamination at the LNG site and the transmission property. Prior to the closing of the sale, the Port District must demonstrate to SDG&E that it, or an authorized agent of the Port District, has the power plant experience and operational expertise necessary to obtain government and regulatory approvals and demonstrate financial ability to close the deal.

With respect to the divestiture of its ownership interest in SONGS, SDG&E would not retain any environmental liabilities associated with the facility. Instead, all of SDG&E's responsibility for decommissioning SONGS, together with all of SDG&E's accumulated nuclear decommissioning funds (over $400 million), would be passed to the buyer upon its sale (SDG&E, 1998). According to SDG&E, this approach is consistent with the CPUC's Preferred Policy Decision (D.95-12-063, as modified by D.96-01-009), which states:

> In the event that a nuclear plant changes ownership, the existing trust fund balances would follow the asset to the new owner. The new owner would be obliged to comply with Nuclear Regulatory Commission regulation to continue funding for decommissioning.

Stringent Nuclear Regulatory Commission criteria would ensure that the buyer of SDG&E's SONGS ownership interest has the financial means to continue full funding for decommissioning.

2.3.3 DESCRIPTIONS OF THE ASSETS TO BE SOLD

As described previously, SDG&E's proposed divestiture includes the sale of both tangible and intangible assets. The tangible assets include physical facilities owned, operated, maintained, and controlled by SDG&E. More specifically, these assets include the Encina Power Plant, the South Bay Power Plant, the 17 additional CTs, and the 24th Street Terminal Refueling Facility. The intangible assets include financial contract rights held by SDG&E. The intangible assets for sale include SDG&E's ownership interest in SONGS and its 11 long-term power supply contracts. These contract rights allow SDG&E to acquire a prescribed level of power output but do not entitle SDG&E to any operational control over the underlying generating facility. The general characteristics of each of the assets for sale are described below.

TANGIBLE ASSETS

Fossil-Fueled Power Plants

The general characteristics of each plant to be sold are presented in Table 2.1 and are described below.

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. The area in the vicinity of the plant is highly developed, consisting principally of residential areas and associated shopping centers.

TABLE 2.1
DESCRIPTIONS OF SAN DIEGO GAS & ELECTRIC COMPANY POWER PLANTS TO BE DIVESTED

Facility Name	Unit[a]	Design Capacity (MW)	Annual Natural Gas Use (MMcf)[b]	Annual Fuel Oil Use (gallons)[b]	Annual Net Generation (GWh)[b]	Type	Start-up Year	Fuel (Primary, Back-up)	Capacity Factor (%) [c,d]
ENCINA POWER PLANT		**965 MW**							
	1	107 MW	797	0	63	Steam turbine	1954	Natural gas, residual fuel oil	6.7
	2	104 MW	1,069	0	90	Steam turbine	1956	Natural gas, residual fuel oil	9.9
	3	110 MW	1,914	124,110	138	Steam turbine	1958	Natural gas, residual fuel oil	14.3
	4	300 MW	7,046	3,924,340	702	Steam turbine	1973	Natural gas, residual fuel oil	26.7
	5	330 MW	9,607	5,625,214	1,006	Steam turbine	1978	Natural gas, residual fuel oil	34.8
	CT1	14 MW	6.89	3,247	0.25	Combustion turbine	1966	Natural gas, diesel fuel oil	2.0
SOUTH BAY POWER PLANT		**706 MW**							
	1	146 MW	6,133	192,192	608	Steam turbine	1960	Natural gas, residual fuel oil	47.5
	2	150 MW	6,700	321,902	674	Steam turbine	1962	Natural gas, residual fuel oil	51.3
	3	175 MW	6,541	0	638	Steam turbine	1964	Natural gas, residual fuel oil	41.6
	4	222 MW	835	1,080,842	70	Steam turbine	1971	Natural gas, residual fuel oil	3.5
	CT1	13 MW	0.04	20,286	0.18	Combustion turbine	1966	JP-5 jet fuel, natural gas	2.0

a SDG&E owns Units 1 through 4 at the Encina Power Plant. Unit 5 at the plant is owned by PSEG Resources, Inc., but is currently leased back to SDG&E for operation. PSEG Resources, Inc. has agreed to continue the lease-back arrangement with the new owner after divestiture.

b Averaged over a three-year period (1994-1996). MMcf = millions of cubic feet; GWh = gigawatt-hours.

c Averaged over a five-year period (1993-1997).

d Capacity factor is the ratio of energy actually produced by a generating unit to the maximum energy it could possibly produce (that is, its rated generating capacity) in the same time period.

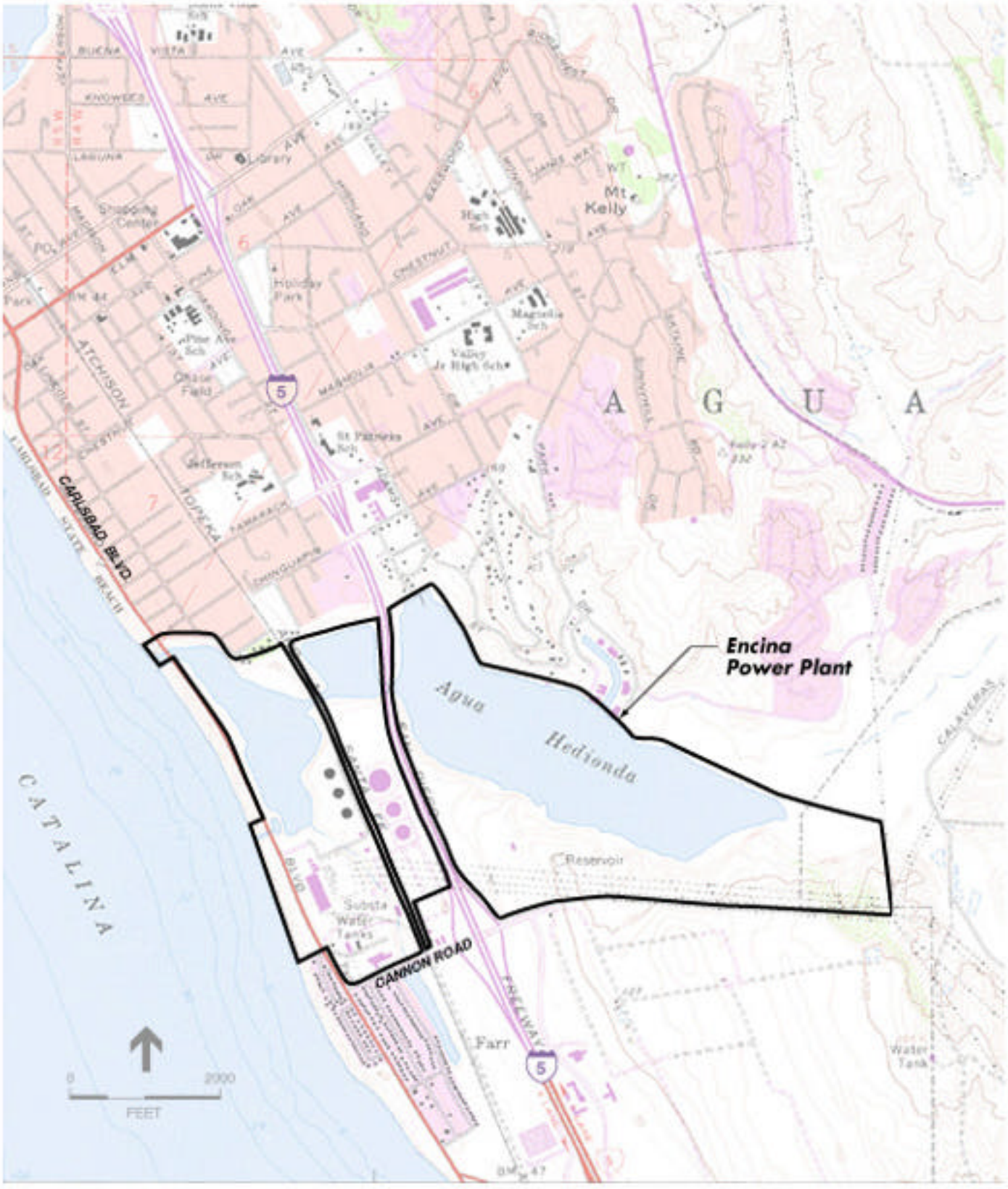
SOURCE: SDG&E, *Application of San Diego Gas and Electric Company (U 902-E) for Authorization to Sell Electric Generation Facilities and Power Contracts (Application No. 97-11-039)*, December 12, 1997; and, SDG&E, *Proponent's Environmental Assessment: San Diego Gas and Electric Company's Proposed Sale of Its Electrical Generation Facilities and Power Contracts*, December 19, 1997.

Figure 2.3 shows the location of the Encina Power Plant. The portion of the site targeted for sale, consisting of approximately 386 acres, includes all of SDG&E's lands used for generation purposes, and substantially all of the three Agua Hedionda lagoons. SDG&E would retain approximately 291 acres of the site. Figure 2.4 delineates the approximate boundaries of the property either being sold or retained. Surrounding land uses 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.

The Encina Power Plant 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. (PSEG recently purchased the unit from Bank of America.) PSEG currently leases the unit back to SDG&E for operation and has agreed to continue that lease-back arrangement with the new owner after divestiture. Figure 2.5 shows the layout of these facilities on the plant site. 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.

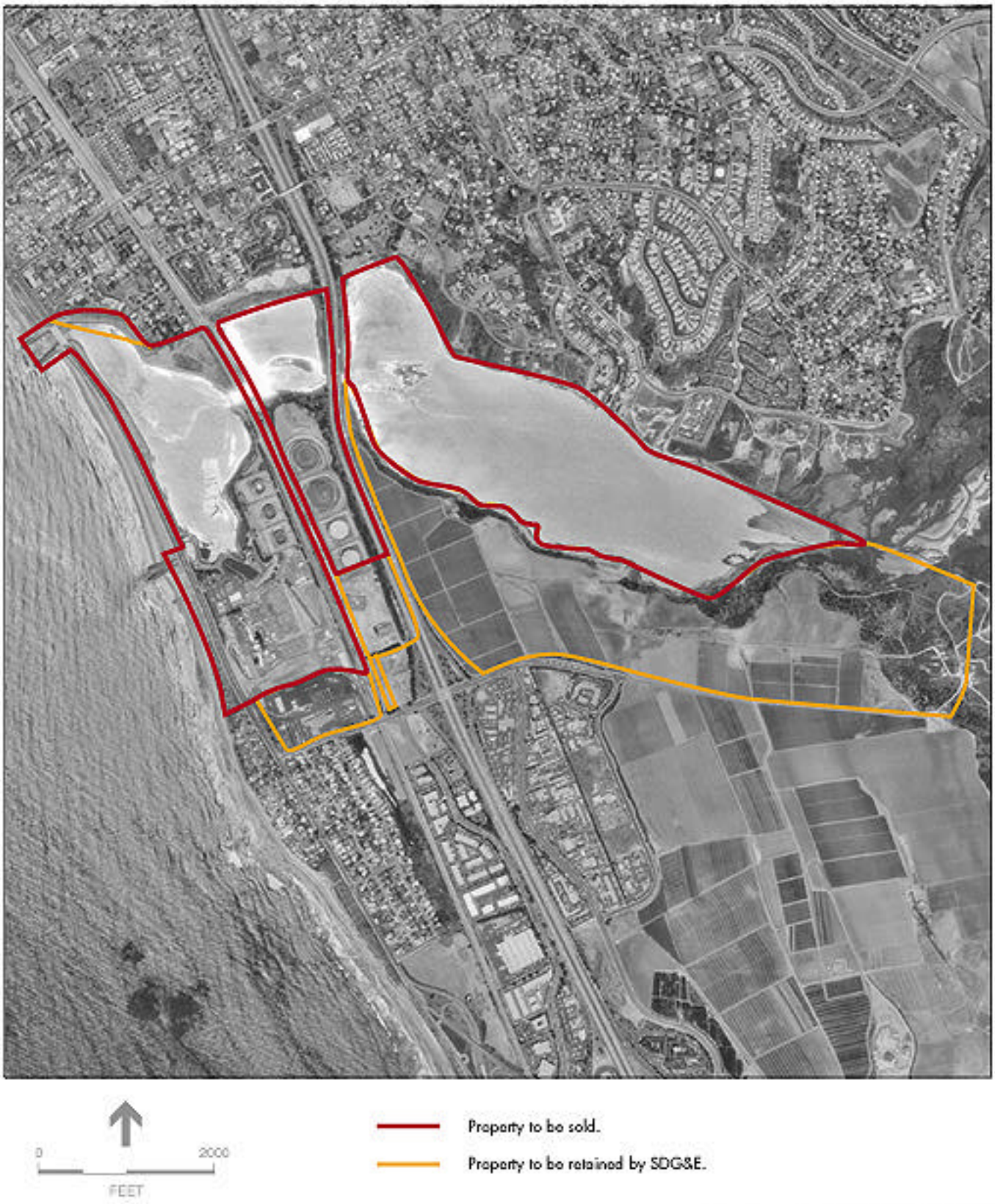
Other facilities in the area being sold include a guard station, an administration building, a machine shop, various water tanks, a multi-use structure, a shop/office building, and parking facilities. SDG&E would retain the switchyard property, facilities and equipment and would reserve an easement to access, maintain and operate such facilities and equipment and other areas used for transmission and distribution purposes.



SOURCE: Environmental Science Associates

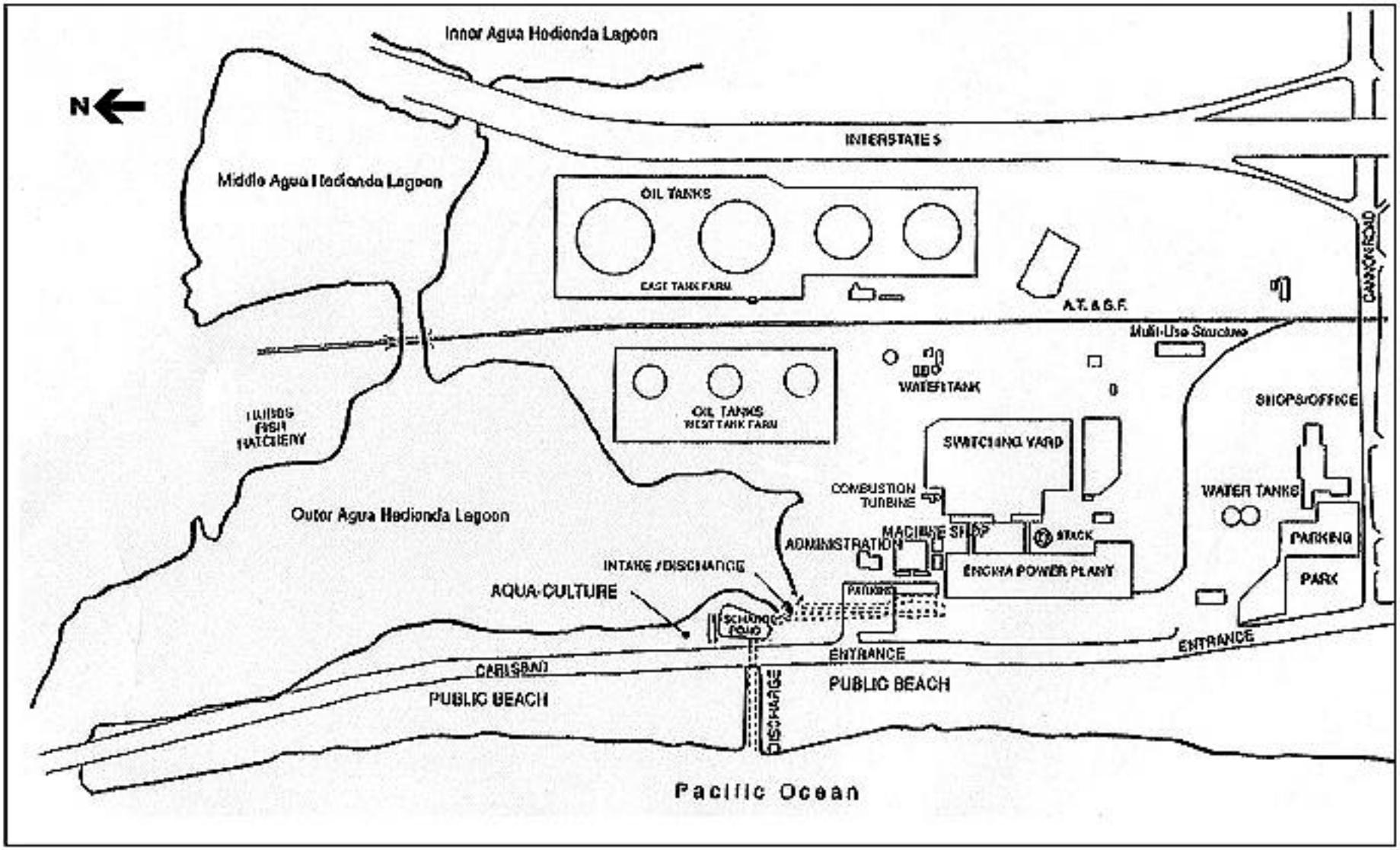
Divestiture of Assets by SDG&E / 986084 ■

Figure 2.3
Location of the
Encina Power Plant



SOURCE: Environmental Science Associates

Figure 2.4
Property Lines for the
Encina Power Plant



SOURCE: SDG&E

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.5
Encina Power Plant Facility Layout Map

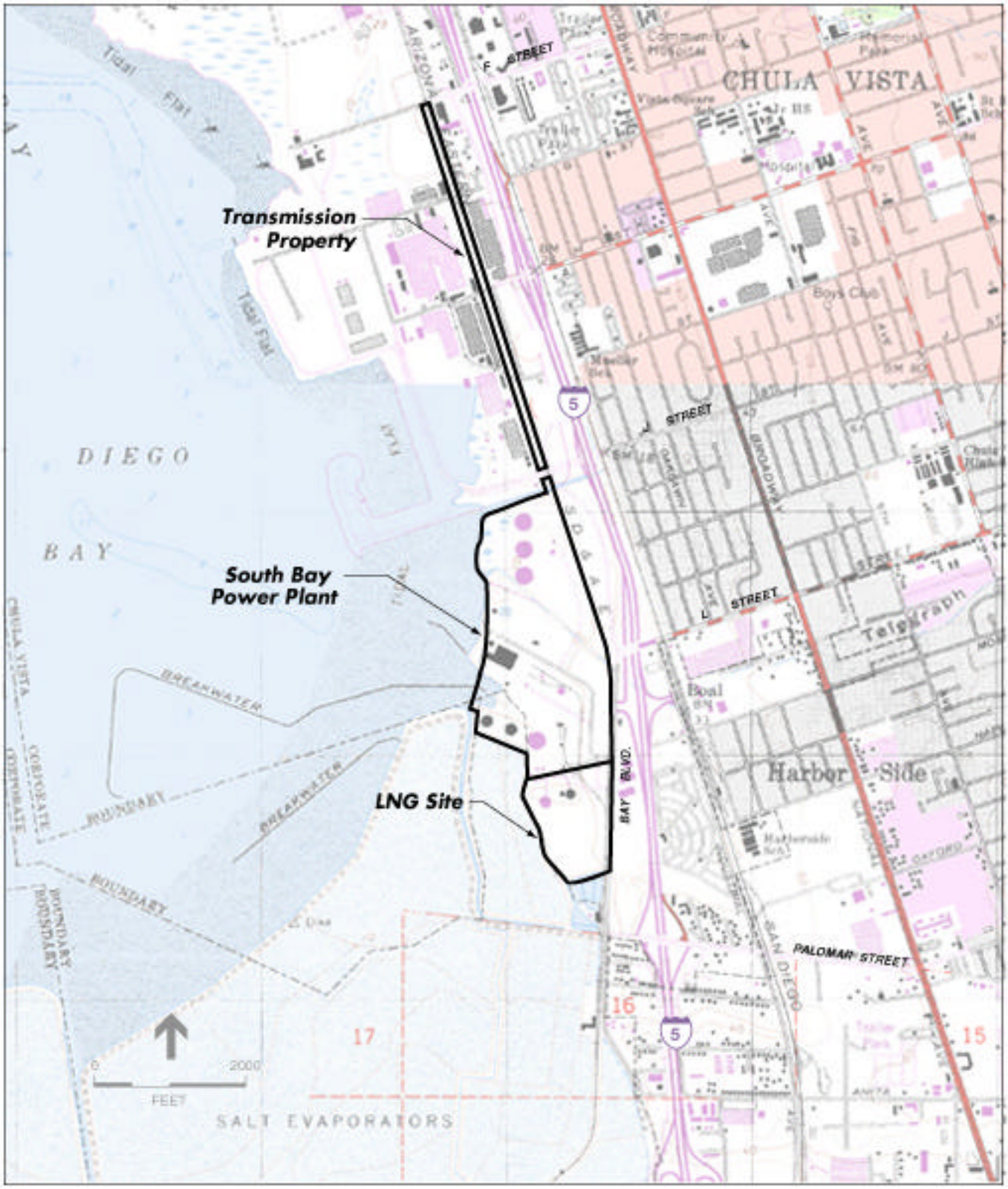
SDG&E proposes to reparcelize the lands on which the Encina Power Plant is located in order to separate the power generation assets from the power transmission and distribution assets. This action would involve a modification of lot lines through a lot line adjustment process. The lot line adjustment process would relocate existing property lines, but would not create new lots. SDG&E has stated that the lot line adjustments would conform to all jurisdictional zoning requirements, including development standards for street frontage, minimum lot area, and width.

South Bay Power Plant

The South Bay Power Plant is located on a 116-acre site located at 990 Bay Boulevard in the City of Chula Vista. In addition to the South Bay Power Plant site, SDG&E owns a roughly 33-acre site just south of the power plant that includes a now-decommissioned liquid natural gas (LNG) storage facility and a 16-acre transmission corridor that runs north of the power plant and adjacent to a railroad right-of-way. If the plant is sold to the Port District, SDG&E would sell all the physical facilities on the power plant site to the Port District and would donate all of the land from the power plant site, the former LNG site and the transmission corridor to the Port District (a total of approximately 165 acres of land). Figure 2.6 shows the location of the South Bay Power Plant, as well as other SDG&E property that would be donated to the Port District if the plant is purchased by the Port District. Figure 2.7 delineates the approximate boundaries of the property that would be donated to the Port District if the plant is purchased by the Port District. Figure 2.7 also shows the approximate boundaries of the property that would be sold or retained should the agreement between SDG&E and the Port District be terminated and the auction of the South Bay Power Plant be recommenced. The site is zoned industrial and is within the area of Chula Vista's Bayfront Redevelopment Project. Surrounding land uses include industrial and recreational uses to the north; industrial uses to the south; commercial and industrial uses to the east; and San Diego Bay to the west.

The South Bay Power Plant consists of four steam turbines, four boilers, one CT, and associated facilities (e.g., a switchyard, a control building, and fuel oil storage tanks). Figure 2.8 shows the layout of these facilities on the plant site. All of the steam turbine units use natural gas as their primary fuel, but are capable of burning residual 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 SDAPCD. (See Section 4.5, Air Quality, for a discussion of applicable air quality regulations and emission limits.) Combined, the four steam turbines have a generating capacity of roughly 693 MW and are capable of providing about 20 to 30 percent of San Diego County's total energy requirements. The CT has a generating capacity of roughly 13 MW. 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 JP-5 jet fuel as its primary fuel, and uses natural gas only as a startup assist fuel. The total generating capacity of the plant is 706 MW. The general characteristics of the South Bay Power Plant units are described in Table 2.1.

The South Bay Power Plant also includes a residual fuel oil and petroleum storage facility. The fuel storage area consists of nine above-ground storage tanks. Seven of the tanks contain residual fuel oil. The two remaining tanks contain displacement oil and JP-5 jet fuel. Combined,



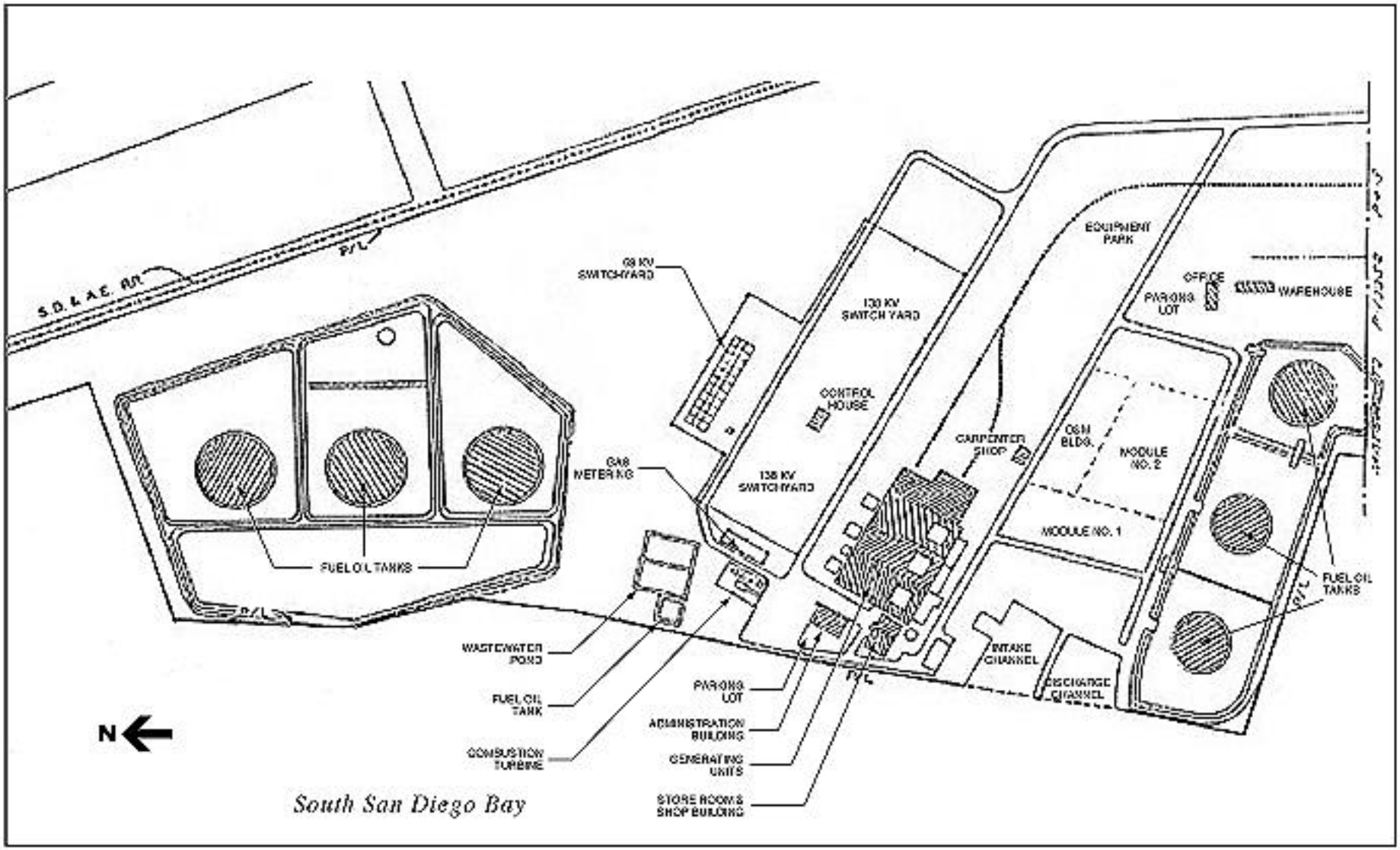
SOURCE: SDG&E; Environmental Science Associates

Figure 2.6
Location of the South Bay Power Plant,
LNG Site and Transmission Property

SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.7
Property Lines for the South Bay Power Plant, LNG Site, and Transmission Property



Divestiture of Assets by SDG&E / 980084 ■

SOURCE: SDG&E

Figure 2.8

South Bay Power Plant Facility Layout Map

the nine tanks have a total storage capacity of 75.2 million gallons. All of these tanks are included in the sale. JP-5 jet fuel is brought to the site via trucks. Residual fuel oil is brought to the site via an eight-inch pipeline that connects the plant's residual fuel oil storage facility to SDG&E's 24th Street Terminal Refueling Facility in National City; the pipeline connecting the two facilities is roughly five miles long. (See discussion below under 24th Street Terminal Refueling Facility for a detailed description of the facility.) Displacement oil may also be delivered to the site from the 24th Street Terminal Refueling Facility or by truck. The 24th Street Terminal Refueling Facility and the pipeline connection to the 24th Street Terminal Refueling Facility are being sold in conjunction with the South Bay Power Plant. Natural gas is delivered to the site via SDG&E's natural gas transmission and distribution system.

Other facilities included in the area being sold include a guard station, an administration building, various engineering buildings and trailers, water tanks, and parking facilities.

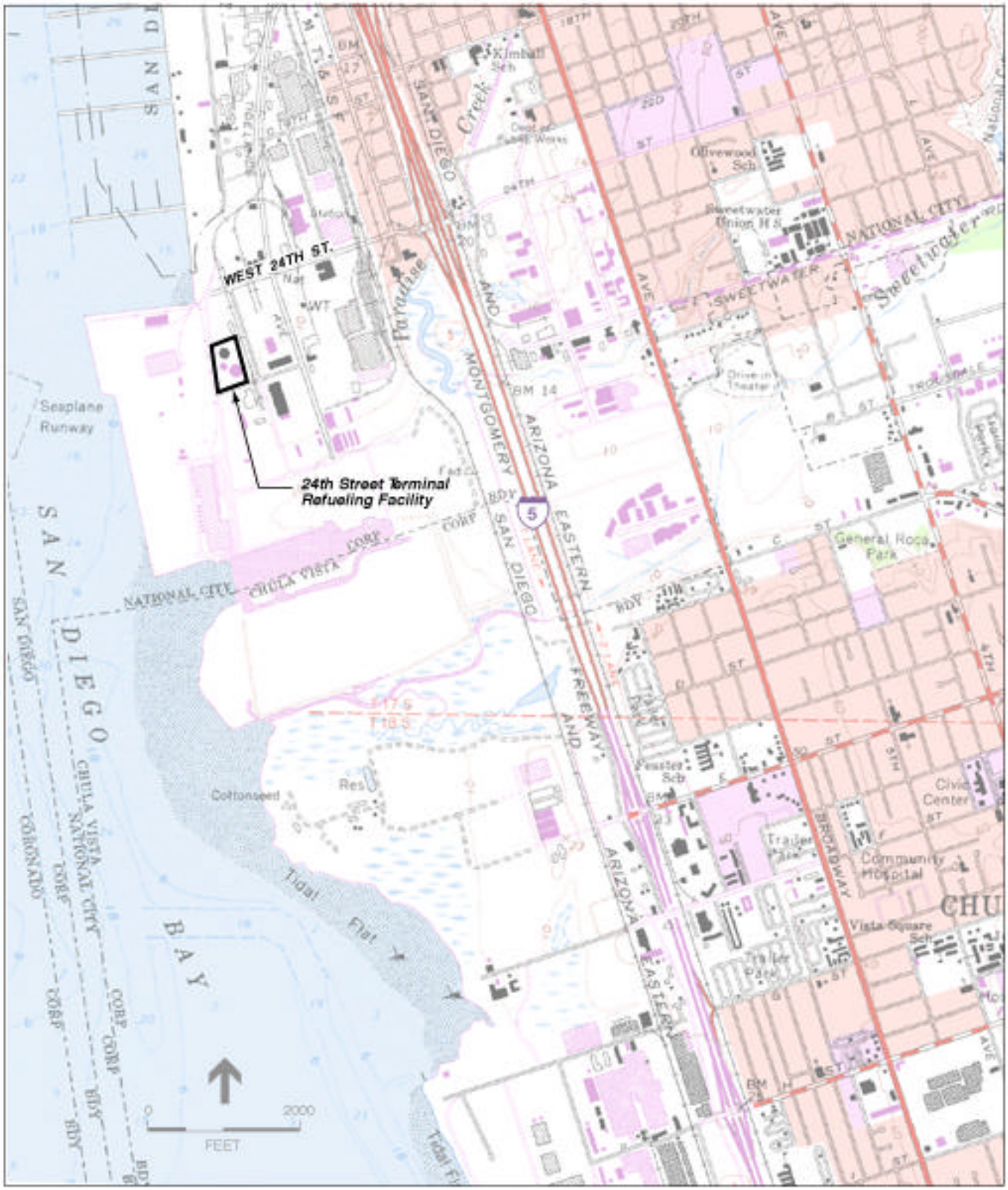
24th Street Terminal Refueling Facility

The 24th Street Terminal Refueling Facility is a receiving station for marine shipments of residual fuel oil destined for the South Bay Power Plant. Ships off-load fuel oil at the Port District's marine terminal that is then transferred to the 24th Street Terminal Refueling Facility for storage. The refueling facility is located on West 24th Street in National City, along the eastern shore of South San Diego Bay, and is on land leased to SDG&E. SDG&E's lease with the Port District has expired and is being extended on a month-to-month basis. SDG&E does not have the authority to assign the lease with the Port District to a new owner of the facility should the auction process be recommenced, but the Port District could enter into a new lease agreement with the purchaser.

The site is bound by West 24th Street, Quay Avenue, West 28th Street, and Terminal Avenue. Figures 2.9 and 2.10 show the location and an aerial view of the 24th Street Terminal Refueling Facility, respectively. Residual oil is pumped to the South Bay Power Plant via an eight-inch pipeline, approximately five miles in length. The 24th Street Terminal Refueling Facility has three fuel storage tanks with storage capacity of up to 12.4 million gallons of residual oil and 1.4 million gallons of displacement oil. Combined, the three tanks have a total storage capacity of roughly 13.9 million gallons. The displacement oil stored at the refueling facility is used to fill the pipeline between residual fuel oil shipments to the power plant. This procedure is required because residual fuel oil, which must be heated to flow, will solidify and clog pipelines at ambient temperatures. The 24th Street Terminal Refueling Facility is being sold in the same package as the South Bay Power Plant.

Combustion Turbines

SDG&E owns and operates 17 CTs (in addition to the CTs located at the Encina and South Power Plants), which have historically been operated only during times of peak energy demand, usually only during summer periods. The 17 CTs (and associated facilities) proposed for divestiture are located throughout the southwestern portion of SDG&E's service territory. Combined, the 17 CTs provide approximately 253 MW of total generating capacity. Each of



SOURCE: Environmental Science Associates

Figure 2.9
Location of the 24th Street Terminal
Refueling Facility

SOURCE: Environmental Science Associates

Figure 2.10
Aerial View of the 24th Street
Terminal Refueling Facility

these units has historically been operated less than 100 hours per year. However, following the commencement of the restructured electricity market in March 1998, the dispatch requirements from the ISO have required that the CTs run at significantly higher levels. The 17 CTs are being sold as a single package.

The general characteristics of each of the CTs are presented in Table 2.2 and described below. Natural gas is the primary fuel used in most of SDG&E's CTs. The Division Substation CT and one of the North Island Naval Air Station CTs burn only diesel. Natural gas used in the CTs is delivered to the sites via SDG&E's natural gas transmission and distribution system.

Division Substation CT

There is one 13 MW CT at SDG&E's Division Substation located at 3200 Harbor Drive in the City of San Diego. The unit was installed in 1966. Specific components being divested by SDG&E include the CT, a control cab for the CT, a 20,000-gallon water tank (used for oxides of nitrogen [NO_x] emission reduction), a water unloading area and water injection skid, compressed air (used for black starts of the CT), and a maintenance shed. Diesel fuel for the operation of the CT is delivered to the site via a pipeline that connects to the diesel storage tank at the nearby Naval Station CT site in the City of San Diego. Since the CT sites are being sold as a package, the new owner would have access and rights to the pipeline connecting the two sites. Figures 2.11 and 2.12 show the location and an aerial view of the Division Substation CT, respectively. The site is bordered by a Navy parking lot to the northwest and southwest, an SDG&E switchyard to the southeast, and Harbor Drive to the northeast. A chain-link fence surrounds the site.

El Cajon Substation CT

There is one 13 MW CT at SDG&E's El Cajon Substation located at 800 West Main Street in the City of El Cajon. The unit was installed in 1966. Specific components being divested by SDG&E include the CT, a control cab for the CT, three diesel storage tanks, a fuel skid, a 20,000-gallon water tank, a water injection skid, and a maintenance shed. The three above-ground storage tanks have a combined storage capacity of about 60,400 gallons. Figures 2.13 and 2.14 show the location and an aerial view of the El Cajon Substation CT, respectively. The site is fully developed for heavy commercial/light industrial uses. The site is bordered by SDG&E's Eastern Construction and Operations Center to the northwest and northeast, by residential areas to the southwest, and Johnson Avenue to the southeast. SDG&E's substation, which is not being divested, is located between the CT and residential areas to the southwest. A chain-link fence surrounds the site, except for the diesel storage tanks and fuel skid.

Kearny Construction and Operation Center CTs

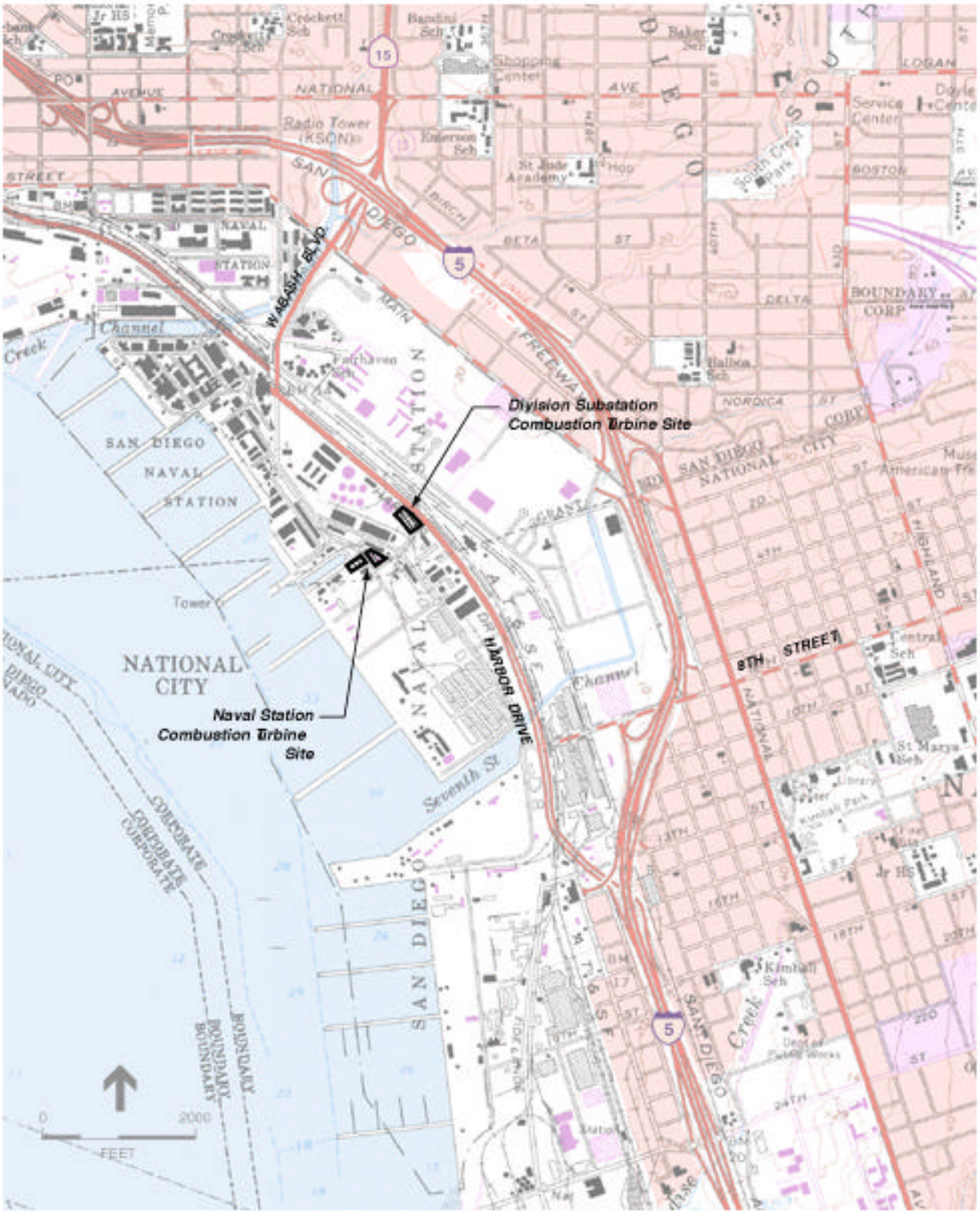
There are nine CTs at SDG&E's Kearny Construction and Operation Center located at 5460 Overland Road in the City of San Diego. Eight of the units were installed in 1966 and the last CT was installed in 1972. The nine units are grouped into three power blocks on the site. Kearny Power Block One, consisting of one CT, is located at the east end of the center, while Power Blocks Two and Three, consisting of four units each, are located together on the west end of the site. Specific components being divested by SDG&E include the nine CTs, three control

TABLE 2.2
DESCRIPTIONS OF SAN DIEGO GAS & ELECTRIC COMPANY COMBUSTION TURBINES TO BE DIVESTED

Facility Name	Unit	Minimum Dependable Capacity[a] (MW)	Start-up Year	Fuel (Primary, Back-up)	Annual Fuel Oil Use[b] (gallons)	Annual Natural Gas Use (MMcf)[c]	Annual Net Generation[b] (MWh)	Capacity Factor (%)[b,d]
Division Substation	CT1	13 MW	1966	Diesel only	24,583	NA	174	0.15
El Cajon Substation	CT1	13 MW	1966	Natural gas, diesel	2,814	4.150	278	0.24
Kearny Construction and Operation Center	CT1	15 MW	1972	Natural gas, diesel	2,772	3.348	548	0.42
	CT2A	14 MW	1969	Natural gas, diesel	3,570	6.846	436	0.36
	CT2B	14 MW	1969	Natural gas, diesel	4,271	7.953	508	0.41
	CT2C	14 MW	1969	Natural gas, diesel	3,654	7.382	468	0.38
	CT2D	13 MW	1969	Natural gas, diesel	4,116	8.548	538	0.47
	CT3A	15 MW	1969	Natural gas, diesel	3,919	7.529	469	0.36
	CT3B	14 MW	1969	Natural gas, diesel	3,948	7.298	455	0.37
	CT3C	14 MW	1969	Natural gas, diesel	4,313	7.504	468	0.38
	CT3D	14 MW	1969	Natural gas, diesel	4,607	9.143	569	0.46
Miramar Yard	CT1A	17 MW	1972	Natural gas, diesel	3,347	20.461	1,252	0.84
	CT1B	16 MW	1972	Natural gas, diesel	3,557	21.757	1,332	0.94
North Island Naval Air Station	CT1	17 MW	1972	Diesel only	37,393	NA	326	0.22
	CT2	17 MW	1972	Natural gas, diesel	8,329	11.297	730	0.49
Naval Station	CT1	20 MW	1976	Natural gas, diesel	14,196	25.959	1,979	1.13
Naval Training Center	CT1	13 MW	1970	Natural gas, diesel	1,919	5.083	320	0.28

a The minimum dependable capacity is based on inlet air of 95 degrees Fahrenheit to the turbines, which occurs in San Diego during summer and early fall months; minimum dependable capacity is somewhat higher during cooler months.
b Averaged over a three-year period (1994-1996).
c MMcf = millions of cubic feet.
d Capacity factor is the ratio of energy actually produced by a generating unit to the maximum energy it could possibly produce (that is, its rated generating capacity) in the same time period.

SOURCE: SDG&E, *Proponent's Environmental Assessment: San Diego Gas & Electric Company's Proposed Sale of Its Electrical Generation Facilities and Power Contracts*, December 19, 1997.



Divestiture of Assets by SDG&E / 980684 ■

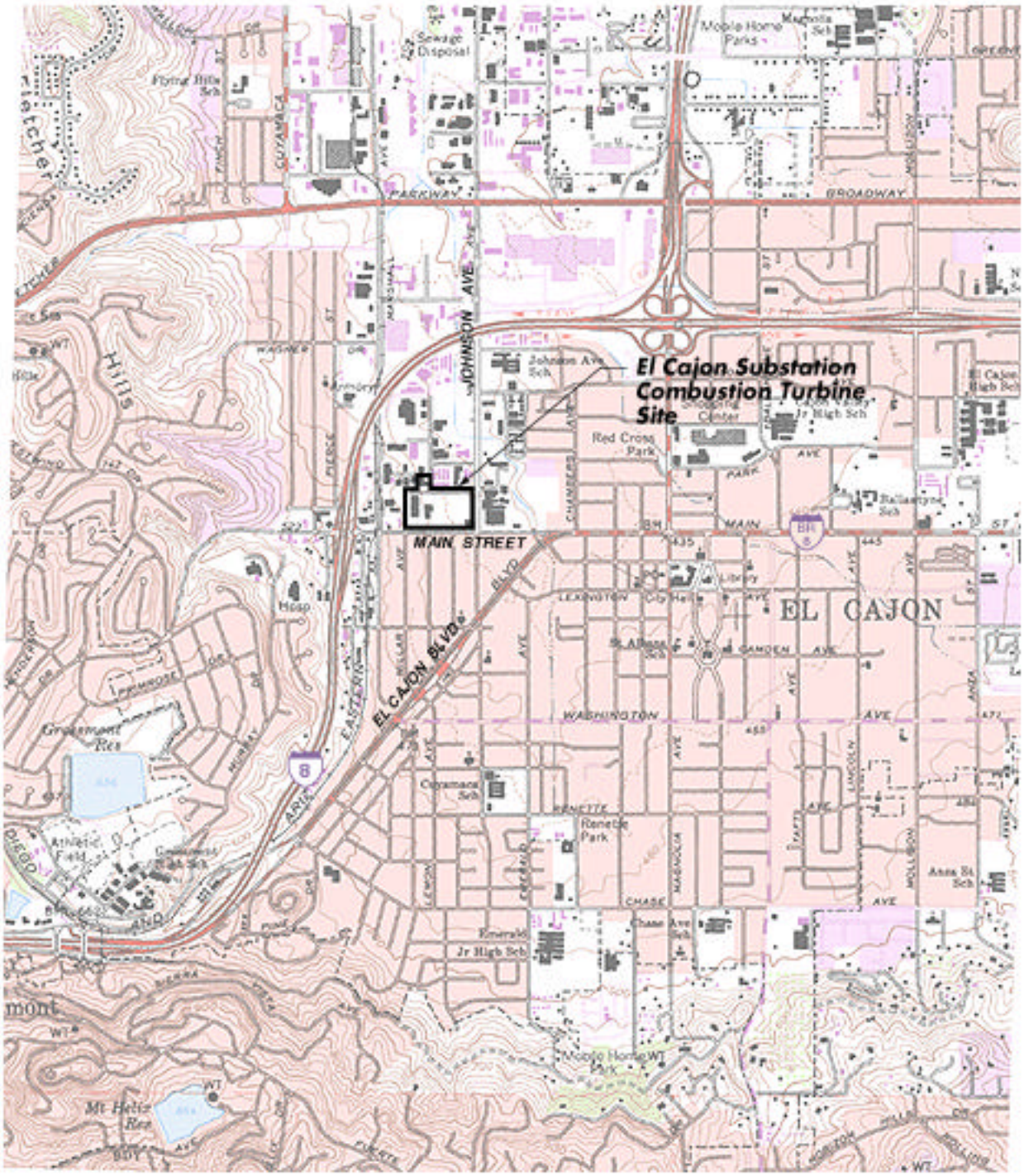
SOURCE: Environmental Science Associates

Figure 2.11
Location of the Division Substation and
Naval Station Combustion Turbines

SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.12
Aerial View of the Division Substation and Naval Station Combustion Turbine Sites



SOURCE: Environmental Science Associates

Figure 2.13
Location of the El Cajon Substation Combustion Turbine

SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.14
Aerial View of the El Cajon Substation Combustion Turbine Site

cabs (one for each power block), five above-ground diesel storage tanks, a fuel unloading area, a fuel skid, a fuel forwarding skid, a maintenance shop, an electrical instrumentation shop, various buildings for storage, a portable office trailer, and a lunchroom. Of the nine units at this location, six have capacities of 14 MW, two have capacities of 15 MW, and one has a capacity of 13 MW. Diesel used to fuel the nine units is stored in five diesel storage tanks with a combined storage capacity of 7.1 million gallons. Figures 2.15 and 2.16 show the location and an aerial view of SDG&E's Kearny Construction and Operation Center CTs, respectively. The site is fully developed for industrial uses and is surrounded by other commercial and industrial land uses. The site is bordered by Complex Street to the west, county office buildings to the north, Overland Drive to the east, and a neighboring business to the south. Power Block One is surrounded by a separate chain-link fence from the fence that surrounds Power Blocks Two and Three.

Miramar Yard CTs

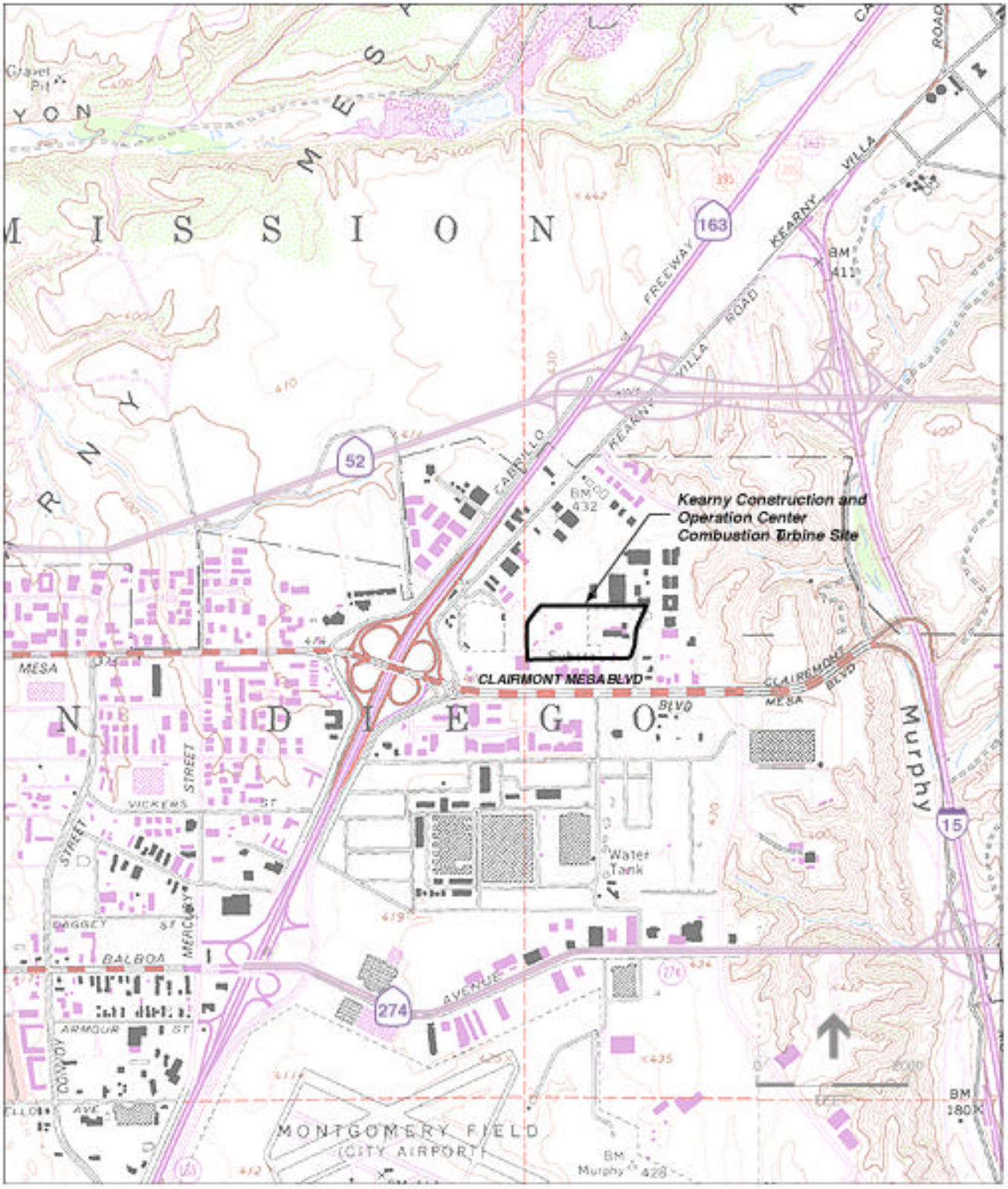
There are two CTs at SDG&E's Miramar Yard located at 6897 Consolidated Way in the City of San Diego. Both of the units at the site were installed in 1972. Specific components being divested by SDG&E include the CTs, a control cab for the CTs, a diesel storage tank, a fuel skid, a 40,000-gallon water tank, and a maintenance building. One of the units has a capacity of 17 MW and the other a capacity of 16 MW. Diesel used to fuel the two units is stored in an above-ground storage tank with a total capacity of roughly 236,000 gallons. Figures 2.17 and 2.18 show the location and an aerial view of SDG&E's Miramar Yard CTs, respectively. The site is fully developed for industrial uses. The site is bordered by SDG&E's industrial buildings to the north, an SDG&E open lot to the east, an SDG&E storage yard to the west, and by the Marine Corps (formerly Naval) Air Station Miramar to the south. A chain-link fence surrounds the site and other nearby equipment not included in the sale.

North Island Naval Air Station CTs

There are two CTs at the U.S. Navy's North Island Naval Air Station located at Rogers Street and Quay Road in the City of Coronado. Both of the units at the site were installed in 1972. Specific components being divested by SDG&E include the CTs, a control cab for the CTs, a diesel storage tank, a fueling area, a 40,000-gallon water tank, a gas vessel, a natural gas compressor, a filter house, a hazardous waste storage area, and a maintenance shed. Each of the two units has a capacity of 17 MW. Diesel used to fuel the two units is stored in an above-ground tank with a total capacity of roughly 235,000 gallons. Figures 2.19 and 2.20 show the location and an aerial view of the North Island Naval Air Station CTs, respectively. The site is bordered by San Diego Bay to the north, Rogers Road to the east, and Navy facilities to the south and west. A chain-link fence surrounds the site and other nearby equipment owned by Energy Factors, Inc., which are not included in the sale.

Naval Station CT

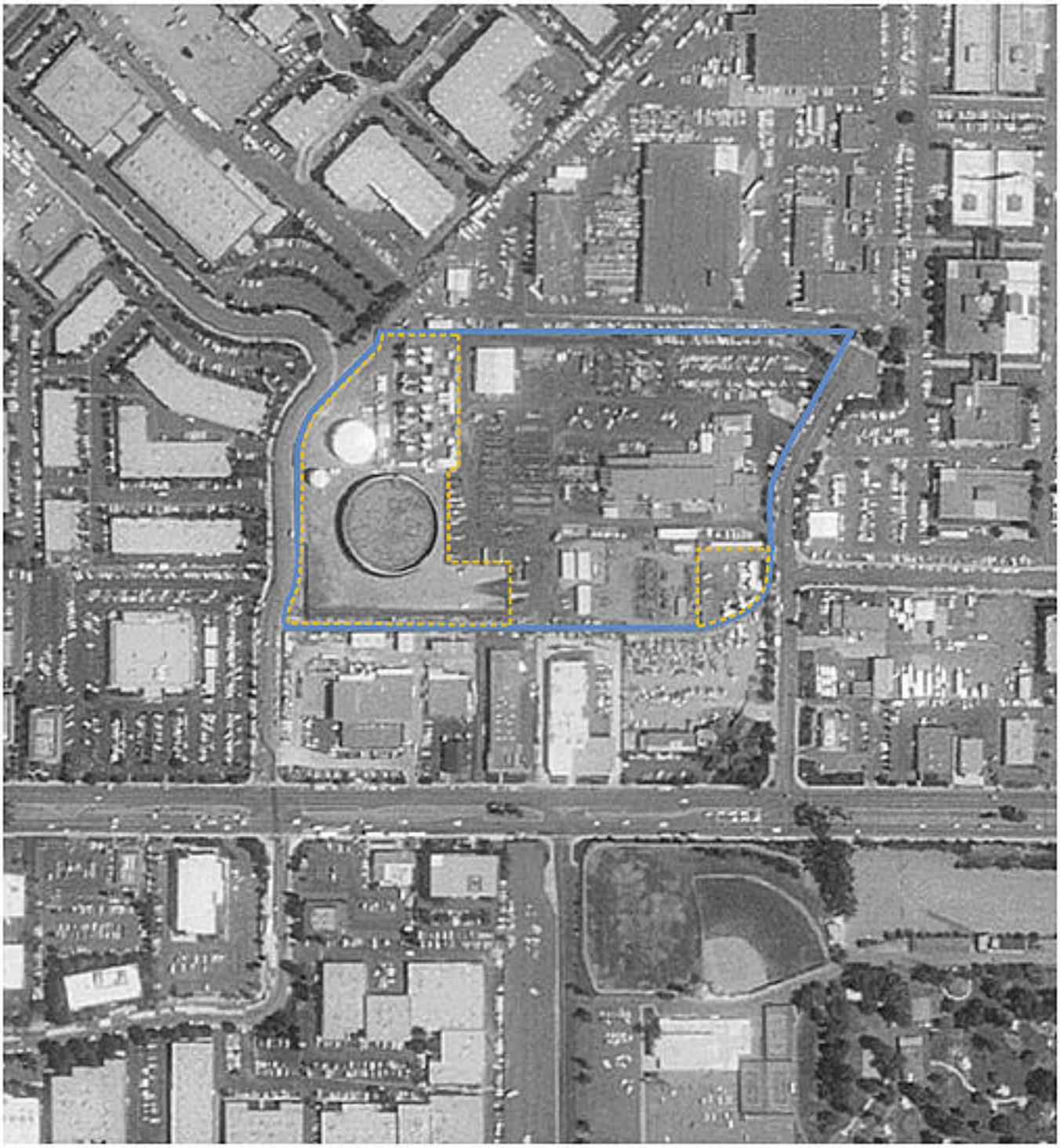
There is one 20 MW CT at the Navy's Naval Station site located at Surface Navy Boulevard in the City of San Diego. The unit was installed in 1976. Specific components being divested by SDG&E include the CT, a control cab for the CT, a diesel storage tank, a fuel unloading area,



SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

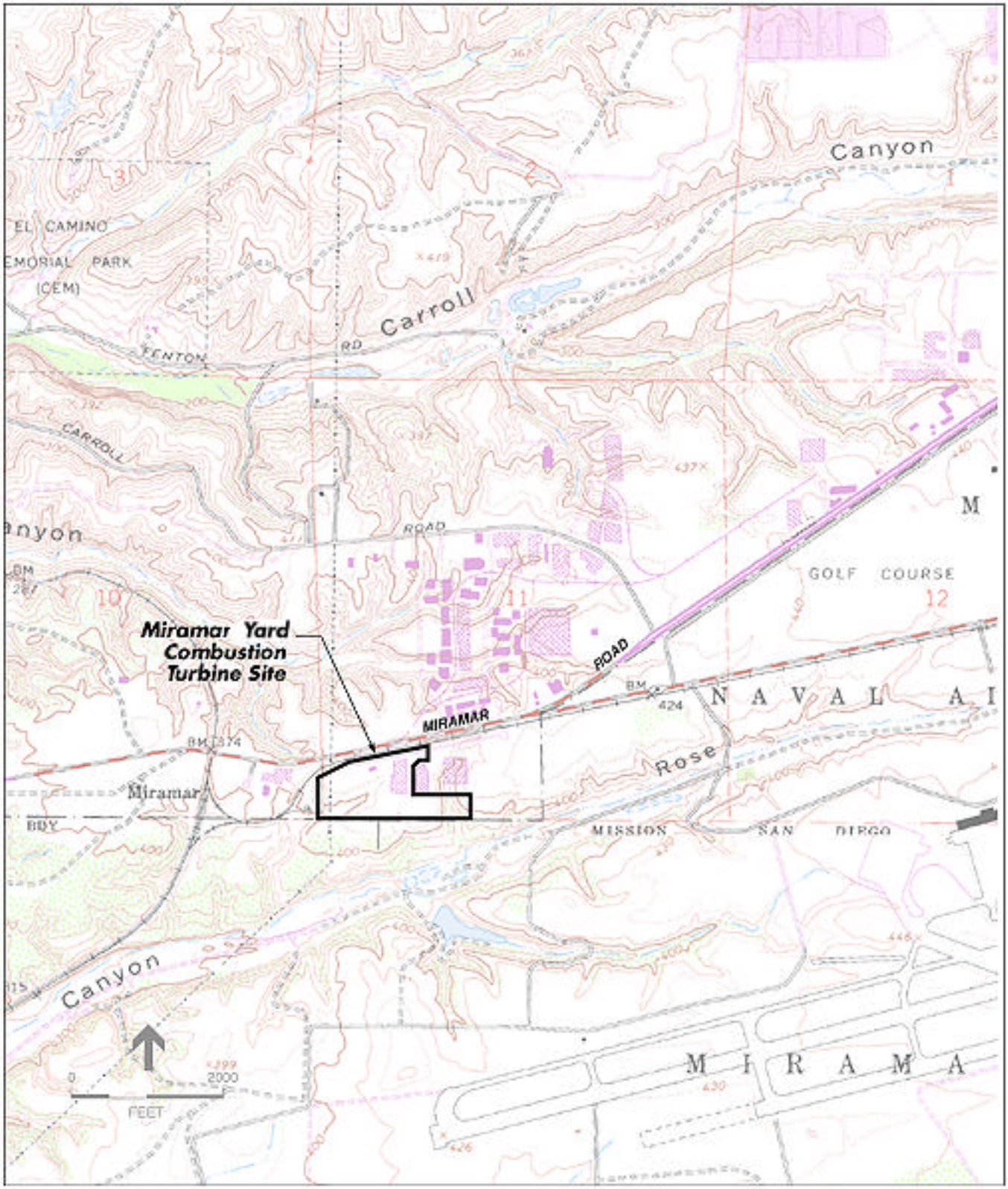
Figure 2.15
Location of the Kearny Construction and Operation Center Combustion Turbines



SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.16
Aerial View of the Kearny Construction and Operation Center Combustion Turbine Site



SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.17
Location of the Miramar Yard
Combustion Turbines

SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.18
Aerial View of the Miramar Yard
Combustion Turbine Site

SOURCE: Environmental Science Associates

Figure 2.19
Location of the North Island Naval Air Station
Combustion Turbines

SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.20
Aerial View of the North Island Naval Air Station Combustion Turbine Site

and a 20,000-gallon water tank. The facilities being divested are actually located on two separate parcels of land. One parcel contains the CT, while the other contains the fuel storage tank. Diesel used to fuel the unit is stored in one above-ground tank with a total capacity of roughly 740,000 gallons. The diesel fuel stored at the site is also used to fuel the Division Substation CT and is delivered there via a pipeline. SDG&E leases one additional above-ground tank at the site to Energy Factors, Inc. Figures 2.11 and 2.12 show the location and an aerial view of the Naval Station CT, respectively. The site is bordered by a Navy dry dock to the north, Surface Navy Boulevard to the east, Arrowhead water operations to the south, and Navy facilities to the west. A chain-link fence surrounds the CT and fuel storage areas, as well as other nearby equipment owned by Energy Factors, Inc., which are not included in the sale.

Naval Training Center CT

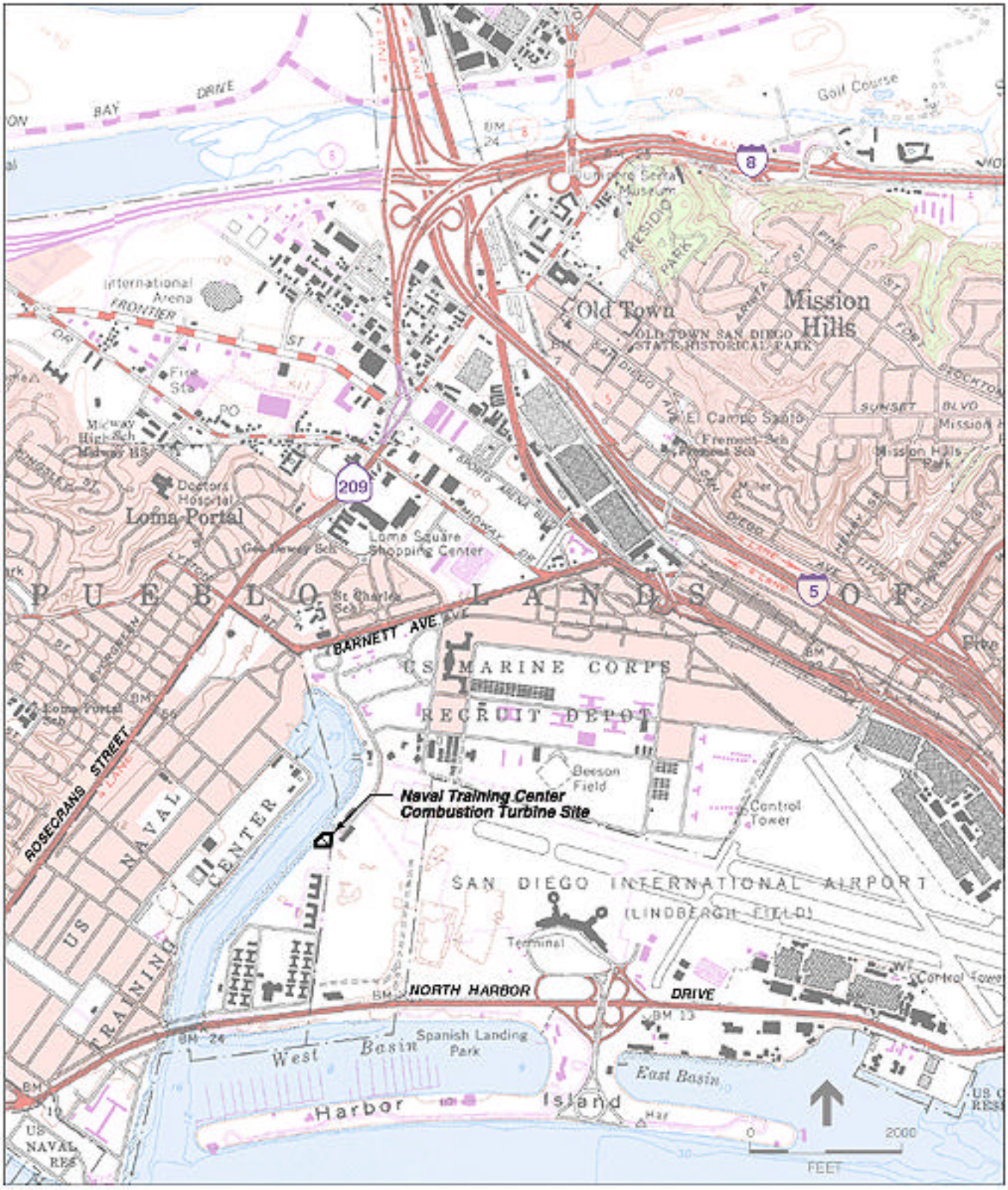
There is one 13 MW CT at the Navy's Naval Training Center located at Neville Road in the City of San Diego. The unit was installed in 1970. Specific components being divested by SDG&E include the CT, a control cab for the CT, three diesel storage tanks, a hazardous substance storage area, and a maintenance shop. Diesel used to fuel the unit is stored in three underground storage tanks with a combined storage capacity of roughly 58,000 gallons. Figures 2.21 and 2.22 show the location and an aerial view of the Naval Training Center CT, respectively. The site is bordered by a boat channel to the north and west, and U.S. Navy facilities to the south and east. A chain-link fence surrounds the site and other nearby equipment owned by Energy Factors, Inc., which are not included in the sale.

INTANGIBLE ASSETS

Ownership Interest in the San Onofre Nuclear Generating Station

The San Onofre Nuclear Generating Station (SONGS) is located on a roughly 90-acre site next to San Onofre State Beach on the Camp Pendleton U.S. Marine Corps Base in unincorporated San Diego County, just south of the City of San Clemente. SONGS has two active generating units (Units 2 and 3), with a combined net generating capacity of 2,150 MW, enough power to serve the needs of roughly 2.75 million households. Unit 2 has a net capacity of 1,070 MW, while Unit 3 has a net capacity of 1,080 MW. Units 2 and 3 were constructed in 1983 and 1984, respectively. Combined, the two units occupy approximately 53 acres of the site. Unit 1 was constructed in 1967 and retired, after 25 years of service, on November 30, 1992. Unit 1 had a net generating capacity of 436 MW and has since been decommissioned. Unit 1 was a Westinghouse pressurized water reactor, while Units 2 and 3 are both Combustion Engineering pressurized water reactors of identical design. Under their current licenses, Units 2 and 3 are authorized to operate through 2013. When the units are eventually decommissioned, the underlying land must be returned to the government in an unrestricted use condition.

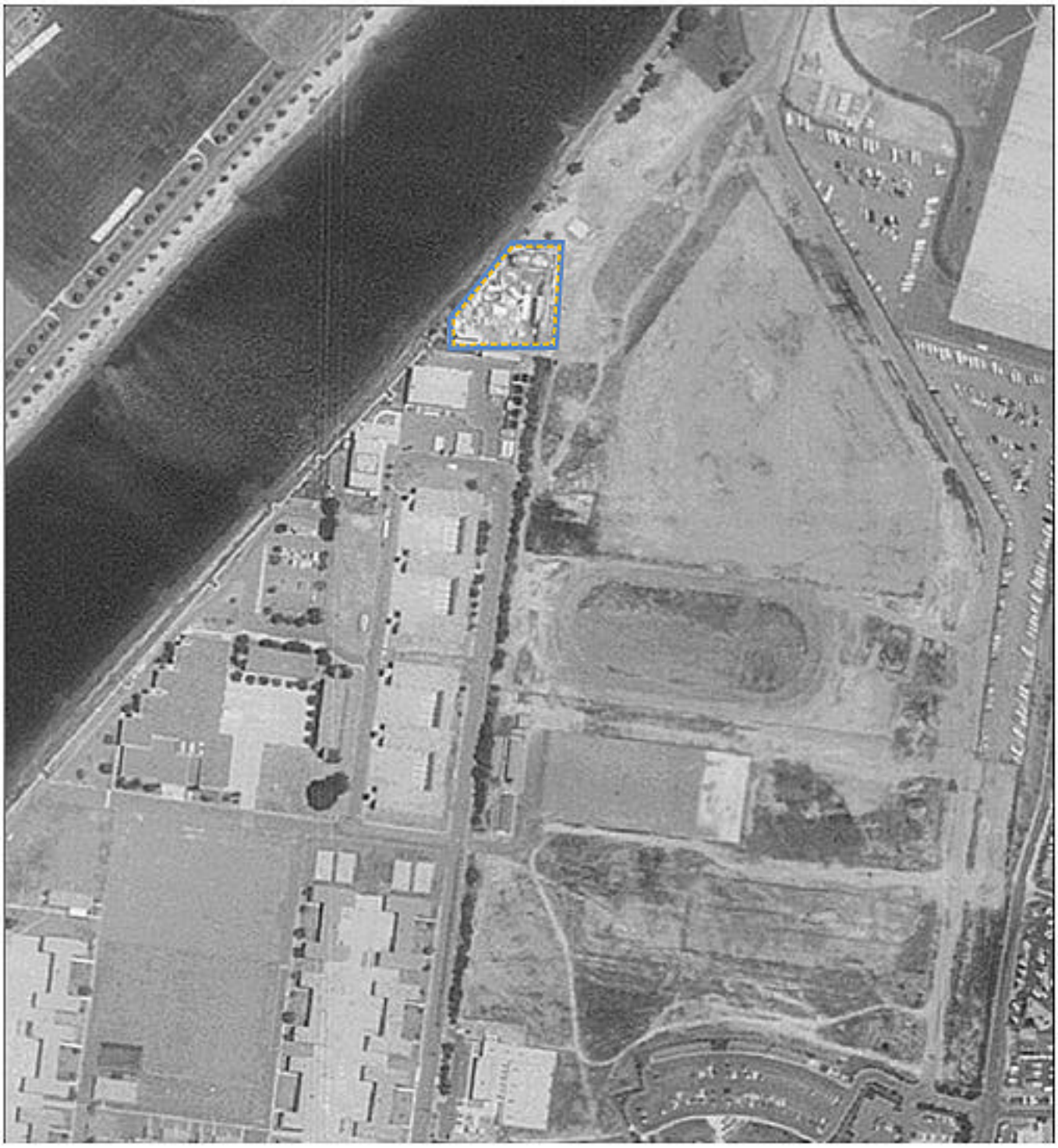
The SONGS facility is under joint ownership pursuant to a number of agreements, herein referred to as "SONGS Agreements." Under the SONGS Agreements, SDG&E, Edison, the City of Anaheim, and the City of Riverside are tenants-in-common with respect to SONGS Units 2 and 3, areas related to Units 2 and 3, and other common areas. Table 2.3 describes the



SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.21
Location of the Naval Training Center
Combustion Turbine



SOURCE: Environmental Science Associates

Divestiture of Assets by SDG&E / 980084 ■

Figure 2.22
Aerial View of the Naval Training Center Combustion Turbine Site

TABLE 2.3
UNDIVIDED INTEREST PER SONGS AGREEMENTS

Assets	Ownership Interest (expressed as a percentage of the asset)			
	SDG&E	Edison	City of Anaheim	City of Riverside
Units 2 and 3	20.00	75.05	3.16	1.79
Units 2 and 3 Area	20.00	75.05	3.16	1.79
Common Areas	20.00	75.87	2.64	1.49
SDG&E Switchyard Area	100.00	0.00	0.00	0.00
Edison Switchyard Area	0.00	100.00	0.00	0.00
Interconnection Facilities	50.00	50.00	0.00	0.00

SOURCE: SDG&E, *Proponent's Environmental Assessment: San Diego Gas and Electric Company's Proposed Sale of Its Electrical Generation Facilities and Power Contracts*, December 19, 1997.

various SONGS assets and the corresponding ownership interests. Under the SONGS Agreements, Edison, SDG&E, the City of Anaheim, and the City of Riverside are entitled to schedule and receive electric power output from Units 2 and 3 in proportion to their respective ownership interests. As shown in Table 2.3, SDG&E's share of SONGS' maximum output is a total of 214 MW from Unit 2 and 216 MW from Unit 3, or a combined output of 430 MW. In exchange, each party is obligated to pay its share of operation and maintenance expenses, capital improvements, and decommissioning, among other things, in proportion to its ownership interest.

Under the SONGS Agreements, Edison has been designated the Operating Agent. As such, Edison is solely responsible for operating and maintaining the SONGS facility, for conducting required capital improvements, arranging for nuclear fuel, and refueling of the units. Edison's responsibilities also include managing SONGS personnel, personnel training, procurement, quality assurance, ensuring that adequate support resources are available, and settling claims.

SDG&E, the City of Anaheim, and the City of Riverside do not have discretionary authority to operate SONGS, but may review and comment on major policy and operating decisions proposed by Edison. This is done through the Board of Review, which consists of a representative designated by each of the parties. Edison's representative serves as the chair. All decisions of the Board of Review require the unanimous consent of its members. A mechanism for resolving disputes is included in the SONGS Agreements, with binding arbitration as the ultimate means.

Edison, the City of Riverside, and the City of Anaheim each have contractual rights of first refusal to purchase SDG&E's ownership interest in the SONGS units and facilities. The SONGS Agreements require that SDG&E give Edison and the cities written notice, at least three years prior to the intended date of sale, of the terms of any proposed sale of its SONGS ownership

interest. This notice has not yet been given. Once notice has been given, Edison and the cities then have 180 days to decide whether or not to match the pending offer. Accordingly, the actual transfer of SDG&E's SONGS interest would necessarily take place long after the initial auction were completed, unless Edison and the cities agree to modify or waive their respective rights.

Long-Term Power Purchase Contracts

SDG&E has 11 long-term power supply contracts available for auction, nine of them with Qualifying Facilities (QFs). The remaining two long-term power supply contracts are with non-QFs (utilities). Combined, the power supply contracts provide SDG&E with roughly 382 MW of additional electrical capacity.

Power Purchase Contracts with Qualifying Facilities

SDG&E has entered into a number of power purchase contracts with QFs. Together, the nine power purchase contracts provide SDG&E with up to 207 MW of guaranteed capacity. Table 2.4 provides the general characteristics of each of these contracts. Under these contracts, the owner/operator of the facility has agreed to maintain the availability of a specific firm capacity of power deliverable to SDG&E, subject to limited exceptions. The owner of the generating facilities is required to operate and maintain the generating facilities; to obtain, maintain, and comply with all necessary permits or approvals, including any required environmental studies for the construction, operation, and maintenance of the facilities; and to indemnify SDG&E against any losses or liabilities for any failure to do so. SDG&E has no dispatch rights, nor any discretionary operating authority under any of these contracts.

Other Power Purchase Contracts with Non-Qualifying Facilities

SDG&E has two long-term power purchase contracts with non-qualifying energy suppliers or independent power producer utilities. These two contracts are summarized below:

Agreement With Portland General Electric Company (Portland General). Under this contract, SDG&E is entitled to receive 15 percent of the net plant output of power (up to 75 MW) from Unit 1 at Portland General's Boardman Coal-Fired Power Plant in Boardman, Oregon. To the extent that SDG&E's 15 percent share of the net plant output falls short of its 75 MW entitlement, SDG&E may acquire additional power from other sources in the Portland General system, if available, or from third parties. If Portland General elects not to operate the Boardman Power Plant, SDG&E may require Portland General to provide Assured Delivery Power (up to 75 MW) or, under certain circumstances, power from the Portland General system. In addition, Portland General will provide SDG&E with marketing assistance for the purpose of acquiring up to 75 MW of power from the northwest.

SDG&E may elect to satisfy its 75 MW entitlement with Firm Displacement Power, when available, from Bonneville Power Administration. SDG&E is required to pay a capacity fee and an energy payment to Portland General Electric. Under this contract, the price of firm capacity is $384.00/kW-Yr. In addition, SDG&E pays Portland General approximately $131.60/kW-Yr for transmission and operations and maintenance (O&M)

TABLE 2.4
DESCRIPTIONS OF SAN DIEGO GAS & ELECTRIC COMPANY
LONG-TERM POWER SUPPLY CONTRACTS FOR QUALIFYING FACILITIES TO BE DIVESTED

Owner/Operator	Facility Name/Address	Firm Capacity (MW)	Facility Type	Fuel	Capacity Price ($/kW-Yr)	Contract Termination Date
Applied Energy, Inc.	North Island North Island, Coronado	33.5 MW	Cogeneration	Natural Gas	$152.50	November 30, 2019
	NTC/MCRD 3231 Barnett Avenue, San Diego	21.6 MW	Cogeneration	Natural Gas	$152.50	November 30, 2019
	U.S. Naval Station 213 Ward Road, San Diego	46.5 MW	Cogeneration	Natural Gas	$152.50	November 30, 2019
Central Plants, Inc.	Otay Landfill 1 1600 Maxwell Road, San Diego	1.8 MW	Bio-Gas	Landfill Gas	$127.00	May 12, 2009
	Otay Landfill 2 1600 Maxwell Road, San Diego	0.8 MW	Bio-Gas	Landfill Gas	$127.00	August 19, 2011
	San Marcos Landfill 1615 Quest Haven Road, Escondido	1.33 MW	Bio-Gas	Landfill Gas	$130.00	May 30, 2011
Landfill Energy Partners	Sycamore Landfill 14494 Mast Boulevard, San Diego	1.33 MW	Bio-Gas	Landfill Gas	$130.00	December 30, 2010
PE-Goal Line, Inc.	Goal Line L.P. 555 North Tulip Street, Escondido	49.9 MW	Cogeneration	Natural Gas	$172.00	February 4, 2025
Yuma Cogeneration Associates	Yuma 280 North 27th Drive, Yuma, Arizona	50.0 MW	Cogeneration	Natural Gas	$140.00	May 27, 2024

SOURCES: SDG&E, *Application of San Diego & Electric Company (U 902-E) for Authority to Sell Electric Generation Facilities and Power Contracts*, December 19, 1997; SDG&E, *Proponent's Environmental Assessment: San Diego Gas & Electric Company's Proposed Sale of Its Electrical Generation Facilities and Power Contracts*, December 19, 1997; and Supplemental and Restated Direct Testimony of San Diego Gas & Electric Company in Support of Application for Authority to Enter Into a Master Agreement and a Power Sale and Administration Agreement Relating to SDG&E Power Contract Obligations, September 15, 1998.

fees. The O&M fees are subject to adjustment based on actual operations of the Boardman Power Plant. SDG&E has no control over the operation of the plant. It is only entitled to schedule and receive power output under prescribed conditions at prescribed rates. The termination date for this contract is December 31, 2013.

Agreement With the Public Service Company of New Mexico (PNM). Under this contract, SDG&E is entitled to schedule delivery of up to 100 MW from the PNM power system. SDG&E, in turn, pays a capacity fee and an energy payment. The price of firm capacity under this contract is $280.00/kW-Yr. SDG&E pays PNM for energy in accordance with the energy rate specified in its agreement with PNM that is based on PNM's system generation costs, including purchased power. SDG&E has no control over the operation of any portion of the PNM system. It is only entitled to schedule and receive power under prescribed conditions at prescribed rates. The termination date for this contract is April 30, 2001.

2.4 PURPOSE OF ENVIRONMENTAL REVIEW

Implementation of the proposed divestiture application entails discretionary decision-making by the CPUC. The CPUC is responsible for considering and making the determination as to what level of environmental review is required under the California Environmental Quality Act (CEQA). Furthermore, the CPUC is the lead agency under CEQA and is responsible for preparing this Initial Study, as defined in Section 15365 of the CEQA Guidelines, to determine if the proposed divestiture of SDG&E's fossil-fueled generating assets, refueling facility, ownership interest in SONGS, and the power supply contracts may have a significant effect on the environment. This Initial Study provides the CPUC with adequate information to determine whether an Environmental Impact Report (EIR) or a Negative Declaration should be prepared.

The CPUC Energy Division staff has recommended to the CPUC Commissioners that a Notice of Exemption under CEQA be prepared and filed with respect to the proposed sale by SDG&E of its intangible assets (i.e., SDG&E's ownership interest in SONGS and the long-term power supply contracts, discussed above). The three independent bases for such exemption from CEQA are as follows:

1. Approval by the CPUC of SDG&E's sale of the intangible assets would not be a "project" under CEQA because the transfer of such assets has no potential for resulting in a physical change (CEQA Guidelines Sections 15061[b][1] and 15378). The sale of the power contracts and the interest in SONGS would not change the underlying operations of the electricity generating facilities involved, since such operations would not be controlled by the new owner, and thus the transfer of the intangible assets would not produce any physical changes.

2. The sale of SDG&E's intangible assets would merely result in the continued operation of existing electricity generating facilities, involving negligible or no expansion of use of such facilities (CEQA Guidelines Section 15301).

3. There is no possibility that the transfer of the intangible assets may have a significant effect on the environment (CEQA Guidelines Section 15061[b][3]). Again, the sale of the power contracts and the interest in SONGS would not change the underlying operations of the