

November 12, 1998

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

Re: Aggregate NOx Limits Following SDG&E's Divestiture of  
the Encina and South Bay Power Plant under Proposed  
Mitigation Measures Found in the Initial Study for San  
Diego Gas & Electric Company's Application No. 97-12-  
039.

Dear Mr. Barnsdale:

[Begin F1]

San Diego Gas & Electric ("SDG&E") has proposed placing the Encina and South Bay Power Plants under an annual aggregate NOx emissions limit of 2100 tons to avoid potentially higher NOx production by the plants after SDG&E's proposed divestiture. According to proposed Mitigation Measure 4.5.a.1, the 2100 ton annual aggregate NOx limit would be apportioned 1100 tons to the Encina Power Plant and 1000 tons to the South Bay Power Plant either by an amended SDCAPCD Rule 69 or a SDCAPCD operating permit.

We are concerned with the fairness of this allocation. We are not convinced that the Initial Study for SDG&E's Application No. 97-12-039 contains technically and equitably justifiable explanations as to how the 2100 tons of NOx emissions limits was apportioned between the two plants.

[End F1]

[Begin F2]

We believe that the 2100 tons of NOx emissions limits should be apportioned according to the plants' design capacity. If done in this manner, the Encina Power Plant would have an annual aggregate NOx emission limit of 887.2 tons under the proposed 2100 ton annual aggregate limit for the period up to January 2001.

[End F2]

[Begin F3]

Furthermore, Unit 5 of the Encina Power Plant, unlike the other generating units in the Encina and South Bay Power Plants, is independently owned by the PSEG Resources, Inc. ("Resources") and is currently leased to SDG&E. Since this unit is owned by Resources and could be sold in a separate transaction (than the one currently being contemplated by SDG&E) to an entity that may not be the purchaser of the other units of the Encina Power Plant, we believe that any future aggregate NOx emission limits with respect to this unit (and to each other unit comprising the Encina Power Plant) should be allocated on the basis of the design capacity of each such unit. If done in this manner, Unit 5 would be apportioned 414.7 tons of SDG&E's NOx emissions limits annually for the period up to January 2001 under the proposed 2100 annual

aggregate limit, which, in our view, would be a fair allocation of SDG&E aggregate annual NOx emission limits between the Encina and South Bay Power Plants and for each unit thereof.  
[End F3]

Thank you for your attention to this matter. We will be supplementing our comments to you respecting the above as circumstances warrant.

Very truly yours,

Sanjoy K. Bose  
Counsel for PSEG Resources, Inc.

## F. PSEG RESOURCES, INC.

F1 The Initial Study's allocation of 2,100 tons of NO<sub>x</sub> per year between Encina and South Bay Power Plants was based on a five-step process. First, a percentage split between the two plants was derived from "total installed capacity," which is essentially the same as "design capacity." Second, a percentage split was derived assuming a 100% capacity factor with NO<sub>x</sub> reduction equipment in operation. In this case, the applicable NO<sub>x</sub> reduction equipment included the equipment installed in 1997 as well as additional equipment that had been tentatively scheduled for installation by SDG&E in 2000. Third, the percentage splits developed using the two methods was averaged. Fourth, since the second method produced different percentage splits for 1999 and 2000, the percentage splits for 1999 and 2000 were also averaged. Finally, the resulting percentage splits were applied to the emissions cap of 2,100 tons per year and the resulting annual emissions were rounded to the nearest hundred tons.

From a regional air quality perspective, which is appropriate given the nature of ozone, the impact would be reduced to less than significant regardless of the particular allocation of NO<sub>x</sub> emissions between the two plants so long as the combined total for the two plants would not exceed 2,100 tons per year in 1999 and 2000.

F2 Each of the plants' design capacity was one of the factors used to develop the NO<sub>x</sub> allocations set forth in the Initial Study. While the commenter would have preferred the use of the plants' design capacities as the sole factor in determining the allocations, from the environmental perspective, the plant-specific allocation is not relevant. So long as the two plants together emit no more than 2,100 tons per year of NO<sub>x</sub> during 1999 and 2000, the associated impact would be reduced to less than significant. The specific plant allocations were developed in consultation with SDG&E under CEQA Guidelines Sections 15070(b) and 15063(g), and they reflect an approach agreed upon by SDG&E to modify its project to avoid the significant effect identified during the process of preparing the Initial Study.

F3 Mitigation measure 4.5.a.1 would most likely be implemented by adding the applicable provisions as an additional condition of the SDAPCD permit for each of the boilers at the Encina and South Bay Power Plants. In other words, each boiler would operate subject to a plant-wide annual emissions limit during 1999 and 2000. Development of boiler-unit-specific NO<sub>x</sub> allocations would not be necessary to avoid the potential significant effect of the project, which is adequately addressed by limiting the overall NO<sub>x</sub> emissions from both the Encina and South Bay boilers to 2,100 tons per year or less in 1999 and 2000. In addition, allocation on a unit-specific basis may inhibit the flexibility of plant operations needed to meet demand while achieving environmental (e.g., annual emissions limits) and reliability (as required under the must-run contracts) standards.

It is also noted that a sale of units to different buyers would be extremely difficult because of the large number of common facilities (e.g., cooling water) and services (e.g., operation and maintenance) supporting all units and that, in any event, SDG&E has indicated that it

would not sell its interest in Encina Unit 5 separately from the other boiler units in the auction proceedings. For these reasons, development of a boiler-unit-specific allocation, such as that proposed by the commenter, is more properly a subject of contractual negotiations rather than environmental review.