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February 5, 2015

VIA E-MAIL AND E-FILING

Steven Moore
San Diego Air Pollution Control District
10124 Old Grove Road
San Diego, CA 92131

Re: **Applicant's Analysis of Baseline Period Chosen for Amended CECP**

Dear Dr. Moore:

On behalf of Carlsbad Energy Center LLC (the "applicant"), we offer the following analysis to support the District's use of the two-year period of 2012 to 2013 as the appropriate baseline in evaluating the permit application for the Amended Carlsbad Energy Center Project ("Amended CECP"). We greatly appreciate the effort that the District staff has expended in evaluating the permit application and look forward to the issuance of a Final Determination of Compliance.


Baseline Period for EPS Units – Amended CECP

Under the SDAPCD NSR rules (Rule 20.1.d.2), the baseline period to establish the actual emissions for existing units is the most representative consecutive two-year period during the five years preceding the filing of a permit application with the SDAPCD. The permit application for the Amended CECP was filed on May 8, 2014; therefore, the five-year lookback period is 2009 to 2013. To determine the baseline emissions for the existing EPS units, in the December 12, 2014 Preliminary Determination of Compliance (PDOC) the SDAPCD selected the actual historical emissions during the most recent two-year period (2012 to 2013) during this five-year lookback period. The applicant agrees with the SDAPCD that this is the most representative period for the existing EPS units because it best reflects the current market conditions of the electricity system in the project area. These market conditions have been significantly affected by the shutdown of the San Onofre Nuclear Generation Station (SONGS), and the increased demands on natural gas power plants to operate periodically to maintain the reliability of the grid and to help integrate renewable power generation. These issues are discussed in the CEC's 2012 Integrated Energy Policy Report, which explains that the shutdown of SONGS in early 2012 not only resulted in a loss of approximately 2,200 MW of generating capacity, but also revealed how much the San Diego area depended on the grid stabilization qualities of SONGS.¹

¹ CEC, 2012 IEPR Update, CEC-100-2012-001-CMF, p. 33, www.energy.ca.gov/2012publications/CEC-100-2012-001/CEC-100-2012-001-CMF.pdf

In addition, the need for natural gas power plants to operate to maintain the reliability of the grid to help integrate renewable power generation is discussed in the CEC's 2013 Integrated Energy Policy Report, which explains that because of the intermittent nature of renewable generation, natural gas fired units will be needed to fill in short-term mismatches between supply and demand. The CEC explains that, going forward, it is important that the natural gas system has the flexibility to accommodate the short-term ramp-ups and ramp-downs of natural gas units that will be required to integrate renewables.² Consequently, for the above reasons the applicant believes that the 2012 to 2013 two-year average is the most representative consecutive two-year period during the five years preceding the filing of the permit application for the Amended CECP.

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By: 

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JAM:dh

² CEC, 2013 IEPR, CEC-100-2013-001-CMF, p. 241, www.energy.ca.gov/2013publications/CEC-100-2013-001/CEC-100-2013-001-CMF.pdf