

DOCKETED

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Project Title:	Palmdale Energy Project (Formerly Palmdale Hybrid Power Plant) - Compliance
TN #:	211845
Document Title:	EPA Comments on Palmdale Revised PDOC, dated June 10, 2016
Description:	EPA, Region 9 Comments on the revised Preliminary Determination of Compliance (PDOC) for the Palmdale Energy Project (PEP) issued by the AVAQMD on June 6, 2016
Filer:	Eric Veerkamp
Organization:	US EPA
Submitter Role:	Public Agency
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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

June 10, 2016

Bret Banks, Air Pollution Control Officer
Antelope Valley Air Quality Management District
43301 Division Street, Suite 206
Lancaster, CA 93535-4649

RE: EPA Region 9 Comments on the Revised Preliminary Determination of Compliance for the Palmdale Energy Project

Dear Mr. Banks,

Thank you for the opportunity to review the revised Preliminary Determination of Compliance (PDOC) for the Palmdale Energy Project. Attached, please find the U.S. Environmental Protection Agency, Region 9 (EPA Region 9)'s remaining comments on the PDOC. We appreciate the District efforts to address the comments previously submitted by EPA Region 9 on March 7, 2016. We look forward to continuing to work with you and your staff to address our remaining comments, and ensuring this project complies with all requirements under the federal Clean Air Act.

If you need additional information concerning our comments please contact Lisa Beckham in my office at beckham.lisa@epa.gov or (415) 972-3811.

Sincerely,

A handwritten signature in blue ink that reads "Gerardo C. Rios".

Handwritten initials "GR" in blue ink.

Gerardo C. Rios
Chief, Permits Office

Enclosure

Cc, via email: Thomas Johns, Palmdale Energy, LLC
Tom Cameron, Palmdale Energy, LLC
Nancy Fletcher, California Energy Commission
Eric Veerkamp, California Energy Commission
Tung Le, California Air Resources Board
Greg Darvin, Atmospheric Dynamics

1. **Inter-Basin Offsets** – The PDOC discusses how the South Coast Air Basin (SCAB) and San Joaquin Valley Air Basin (SJVAB) transport ozone (and ozone precursors) to the Mojave Desert Air Basin (MDAB), of which includes the Antelope Valley Air Quality Management District (AVAQMD). While we generally agree that some ozone transports occurs from the SJVAB, we disagree that ozone transport from all areas of the SJVAB equally contribute to violations in the MDAB. In justifying the transport from SJVAB to the MDAB the District relies on the California Air Resources Board's *Ozone Transport: 2001 Review*, April 2001 (Ozone Transport). The PDOC appears to have overstated the contributions from the SJVAB, as the document states:

*The air basin receives pollutants from the San Joaquin Valley as well. The area immediately downwind of Tehachapi Pass receives pollutants from the **southern San Joaquin Valley**. Ozone Transport at 12. (emphasis added)*

*The southern part of the Valley consists of Kings County and the western half of Kern County. It includes Bakersfield and surrounding communities. The population of the southern Valley is roughly 700,000. In addition to motor vehicle emissions, oil production and refining contribute to ozone precursor emissions from this area. **Violations in Kern County are almost entirely due to local emissions**. Ozone Transport at 46. (emphasis added)*

*Further downwind at Lancaster, in the Mojave Desert portion of Los Angeles County, violations have been caused by transport from the **southern Valley**. However, air quality in the Lancaster area is dominated by transport from the South Coast, and local emissions also make a substantial contribution. Ozone Transport at 46. (emphasis added)*

There is not sufficient information in the PDOC to demonstrate that the ERCs proposed by the applicant in the central and northern portions of the SJVAB can be relied upon for demonstrating compliance with the emission offset requirements under section 173 of the Clean Air Act.

EPA Region 9 limited its review of the proposed ERCs to the NO_x ERCs in the MDAB and the VOC ERCs in the southern SJVAB. If the applicant intends to surrender allowances not identified in this action, or VOC ERCs from outside the southern SJVAB, then additional EPA and public input is required. Allowing the permit applicant to propose one set of offsets for EPA and public review and submit another set for compliance would circumvent the preconstruction permit review process. Failure of the permittee to obtain offsets that comply with the federal Clean Air Act may result in enforcement action.

2. **Review of Offsets**

EPA has reviewed the following offsets proposed by the permit applicant.

- ERC Cert. S-3261-1, Project #S-1045045 – Guy Chaddock & Co, 10.4 tpy VOC
- ERC Cert. S-3442, Project #S-1075911, Heck Cellars, 20 tpy VOC
- ERC Cert. S3387-1, Project #S-1052797, Crimson Resource Management, 38.2 tpy VOC
- ERC Cert. S-4039-1, Project #S-1100008, Agri-Cel Inc (AGRI), 124.3 tpy VOC
- Coolwater Generating Station, 240 tpy NOX
- TXI – Riverside Cement Company, 855 tpy NOX

Our review is based on information provided by the District and additional information obtained from the Applicant for the ERCs from the SJVAB. We reviewed the available information to ensure the ERCs are real, enforceable, quantifiable, permanent, and surplus. Based on our review we have the following comments:

- a. SJV Project #: S-1075911: It is unclear whether these emissions are currently surplus under San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) Rule 4695. The analysis by the SJVUAPCD indicates that an adjustment for SJVUAPCD Rule 4695 was not required at the time the ERC was issued. Please confirm whether these ERCs are still surplus, and quantify any non-surplus emissions prior to issuance of the FDOC.
- b. SJV Project #: 1052797: It is unclear whether all emission reductions from this project are currently surplus under AVAQMD Rule 1110.2, which contains a VOC limit for stationary engines of 250 ppm at 15% O₂. SJVUAPCD Rule 4702 appears to only limit emissions from these engines to 750 ppm at 15% O₂. Please confirm whether these ERCs are still surplus, and quantify any non-surplus emissions prior to issuance of the FDOC.
- c. SJV Project #: S-1100008: It is unclear whether all emission reductions from this project are currently surplus under SJVUAPCD Rule 4682. Please confirm whether these ERCs are still surplus, and quantify any non-surplus emissions prior to issuance of the FDOC.

Consistent with AVAQMD Rule 1302(C)(5) and section 173(a) of the Clean Air Act, prior to issuance of the FDOC, AVAQMD must be able to demonstrate that there are sufficient offsetting emission reductions for this project, including consideration of whether identified ERCs are currently surplus.