



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street  
San Francisco, CA 94105-3901

August 23, 2011

**DOCKET**

**11-AFC-1**

DATE AUG 23 2011

RECD. SEP 28 2011

Gary Chandler  
President, Pio Pico Energy Center, LLC  
P.O. Box 95592  
2542 Singletree Lane  
South Jordan, UT 84095

Re: Pio Pico Energy Center PSD Application

Dear Mr. Chandler:

Thank you for your submittal of a Clean Air Act Prevention of Significant Deterioration (PSD) permit application for the Pio Pico Energy Center (PPEC), a 300 MW power plant consisting of three natural gas-fired combustion turbine generators, to be located in San Diego County, CA. PPEC would be a new major stationary source under the PSD program. This letter is intended to provide you with the status of our review and to provide initial observations on your application. We provide these comments to help ensure that the project meets federal CAA requirements, that the permit will provide necessary information so that the basis for the permit decision is transparent and readily accessible to the public, and that the record provides adequate support for the permit decision.

We received your initial application in two parts, on April 5 and April 29, 2011. The application consists of the following: a 33-page document labeled "Application to the U.S. EPA for a Prevention of Significant Deterioration Permit," and two binders that comprise the Application for Certification (AFC) that Pio Pico Energy Center, LLC submitted to the California Energy Commission (CEC) for the State's power plant licensing process. The 33-page document contains a table that lists "AFC Sections Incorporated into the PSD Permit Application." When we reviewed the cited AFC sections, however, we found it difficult to follow because some of the information addresses State and local requirements that are unrelated to the PSD permit application. For example, Section 5.2, Air Quality, contains information on the California Clean Air Act, the Air Toxics Hotspot program, and San Diego County Air Pollution Control District Rules and Regulations. Unfortunately, this approach of relying on portions of the AFC instead of submitting a stand-alone PSD-specific permit application makes it difficult for EPA to fully assess the application and ensure that it contains all the information necessary to prepare a complete and appropriate administrative record for the draft PSD permit and final permit decision as required under 40 CFR 124.9 and 124.18. Thus, as we discussed with your staff and consultants in a conference call on August 9, 2011, please submit a stand-alone PSD permit application with data and analysis solely related to PSD requirements so that we can proceed with our review of your application.

We also ask that you review the supporting material and rationale for your Best Available Control Technology (BACT) analyses to ensure that your PSD permit application contains all of the necessary information to support the proposed BACT. For example, if you select the most stringent emissions

control option available for your BACT, please provide details and document what other control options were considered in order to support that your option is the most stringent control option.

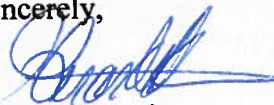
In addition, regarding your BACT analysis for greenhouse gases (GHG), your current application discusses energy efficiency in a generic fashion, and concludes that the use of efficient simple-cycle gas turbine technology, combined with good combustion operation and maintenance, is BACT for GHG for this project. However, your analysis does not include a detailed comparison of the heat rates of other similar energy efficient turbine models that could meet the needs of the source (i.e., simple-cycle turbines of a similar size). Please include such a comparison in your BACT analysis. Your analysis should demonstrate that the turbine selected is within the range of the most energy efficient turbines available for your proposed source, or it should justify why more efficient options were eliminated.

Please note that our completeness review of your application materials is ongoing. We may have additional feedback and may request further information to ensure that we have all of the information necessary for processing the application, particularly once we receive the additional application information requested in this letter.

Finally, in order to fulfill our obligations under Section 7 of the federal Endangered Species Act (ESA) for our proposed action on the PPEC PSD permit application, we need a biological assessment (BA) analyzing the effects of the proposed PPEC on Federally-listed and proposed endangered and threatened species and their designated or proposed critical habitat, consistent with 50 CFR 402.12. Although the BA is not identified as a component of the 40 CFR 52.21 PSD permit application requirements, we cannot complete our ESA consultation or issue a final federal PSD permit decision without an analysis of such effects. In order to expedite the ESA consultation process, we would be happy to discuss with you the appropriate scope of the BA, and we would appreciate the opportunity to review a draft of the BA before it is finalized.

We look forward to continuing to work with you on this application. Please contact me or Roger Kohn at (415) 972-3973 or [kohn.roger@epa.gov](mailto:kohn.roger@epa.gov) if you have questions or want to discuss these matters.

Sincerely,



Gerardo C. Rios  
Chief, Permits Office  
Air Division

cc: Steve Hill, Sierra Research  
Tom Weeks, SDAPCD  
Eileen Allen, CEC