



Antelope Valley Air Quality Management District  
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Eldon Heaston, Executive Director

December 15, 2010

Gerardo Rios  
Chief, Permits Office  
U.S. Environmental Protection Agency, Region IX  
75 Hawthorne Street  
San Francisco, CA 94105

<b>DOCKET</b>	
<b>08-AFC-9</b>	
DATE	DEC 15 2010
RECD.	DEC 22 2010

**Re: Palmdale Hybrid Power Project ERCs from SJVAPCD**

Dear Mr. Rios:

Thank you for your October 26, 2010 letter regarding the Final Determination of Compliance (FDOC) for the Palmdale Hybrid Power Project (PHPP). In your letter, you request additional information regarding whether or not NOx and VOC emission reduction credits (ERCs), created in the San Joaquin Valley Air Pollution Control District (SJVAPCD), and identified for use to offset PHPP emissions on an inter-district, inter-basin basis, will be RACT adjusted at the time of use. For the reasons set forth below, the Antelope Valley Air Quality Management District (District) does not believe that further adjustment of the subject ERCs is necessary.

As you point out in your letter, the SJVAPCD uses a tracking system to annually demonstrate that its New Source Review (NSR) program, including provisions related to emission offsets, is in the aggregate equivalent to federal non-attainment NSR requirements. Because the SJVAPCD NSR program has different offsetting requirements than federal requirements (more stringent in some areas and less stringent in others), EPA requires the SJVAPCD to demonstrate, on an annual basis, that the overall offsetting requirements are at least as stringent as the federal requirements. As part of this demonstration, the SJVAPCD tracks the ERCs in its NSR program, and makes an annual demonstration that the ERCs in the program are equivalent to both the amount of surplus ERCs, and the total amount of ERCs, which would be available under a federal NSR offsetting program.

The annual offset equivalency demonstration is required by Section 7 of SJVAPCD Rule 2201.<sup>1</sup> Section 7 of Rule 2201 specifies the tracking and reporting actions involved with the annual equivalency demonstration and steps to be taken to correct any ERC shortfalls. This section also

<sup>1</sup> The SJVAPCD 2010 Equivalency Demonstration is available via the posted agenda for the SJVAPCD Dec. 16, 2010 Board meeting at:  
[http://www.valleyair.org/Board\\_meetings/GB/agenda\\_minutes/Agenda/2010/December/Final\\_GB%20Agenda\\_%20121610.pdf](http://www.valleyair.org/Board_meetings/GB/agenda_minutes/Agenda/2010/December/Final_GB%20Agenda_%20121610.pdf)

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details the required actions to be taken if an ERC shortfall were to occur. Rule 2201 has a self-implementing offset shortfall remedy procedure which entails following the federal offsetting requirements directly until the shortfall is eliminated.

Since SJVAPCD offsets are tracked, and if necessary adjusted, on a programmatic basis, there is no need to impose an additional RACT adjustment on any specific ERCs, including those that have been identified for use by the PHPP. The District does not see any basis for treating these ERCs differently in this respect from ERCs that might be used to offset emissions from projects located within the SJVAPCD. Of course, until such time as the subject ERCs are transferred from the SJVAPCD to the District, pursuant to procedures set forth in the California Health & Safety Code, they remain subject to any adjustment that might be imposed on a programmatic basis, just like any other SJVAPCD ERC. However, having been subject to the annual programmatic equivalency demonstration, including any RACT adjustment that might be imposed in connection with that demonstration, the District does not see any basis for conducting additional analysis, or imposing additional adjustments, on the subject ERCs.

Thank you for your attention to this matter. Please call me at (760) 245-1661 extension 6726 if you have any questions regarding this letter.

Sincerely,



**Alan J. De Salvio**  
Supervising Air Quality Engineer

Cc: Manny Aquitania, USEPA Region IX  
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**APPLICATION FOR CERTIFICATION**  
**For the PALMDALE HYBRID**  
**POWER PROJECT**

**Docket No. 08-AFC-9**

**PROOF OF SERVICE**

*(Revised 10/6/2010)*

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DECLARATION OF SERVICE

I, Teraja` Golston, declare that on, December 22, 2010, I served and filed copies of the attached (08-AFC-9) Palmdale – Antelope Valley AQMD Comments on ERC's. The original document, filed with the Docket Unit, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at: [<http://www.energy.ca.gov/sitingcases/palmdale/index.html>]. The document has been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:

*(Check all that Apply)*

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sent electronically to all email addresses on the Proof of Service list;

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sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (preferred method);

**OR**

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**CALIFORNIA ENERGY COMMISSION**

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1516 Ninth Street, MS-4

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[docket@energy.state.ca.us](mailto:docket@energy.state.ca.us)

I declare under penalty of perjury that the foregoing is true and correct, that I am employed in the county where this mailing occurred, and that I am over the age of 18 years and not a party to the proceeding.

Original Signature in Dockets

\_\_\_\_\_  
Teraja` Golston