



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

DOCKET	
08-AFC-9	
DATE	OCT 26 2010
RECD.	OCT 26 2010

October 26, 2010

Eldon Heaston
Executive Director
Antelope Valley AQMD
43301 Division St., Ste. 206
Lancaster, CA 93535-4649

Re: EPA Comments on the Final Determination of Compliance (FDOC) for the Palmdale Hybrid Power Plant (PHPP)

Dear Mr. Heaston:

Thank you for the opportunity to review the emissions reduction credit (ERC) package for PHPP. We received the package via email on September 23, 2010. It is our understanding that the submittal for our review is in response to EPA comments on the PHPP Preliminary Document of Compliance (PDOC), dated June 22, 2009, and subsequent comments submitted by the California Energy Commission.

After reviewing the package, we note that the District has attempted to respond to EPA concerns regarding the ERCs being real, permanent, quantifiable, surplus and enforceable as a practical matter. However, we are concerned that the material provided does not make clear whether the proposed inter-district, inter-basin ERCs from San Joaquin Valley Air Pollution Control District (SJVAPCD) will be adjusted at the time of use. The discounting of ERCs at time of use is a federal requirement, per CAA §173(c) and related EPA guidance. As you may know, the SJVAPCD uses a tracking system to annually demonstrate that ERCs provided for their actions in the aggregate would be equivalent to federal non-attainment NSR program requirements. Thus, their ERC system is not set up to adjust ERCs during individual transactions. EPA requests that this information be provided to facilitate our complete review of the FDOC.

If you have any questions regarding this matter, please contact Manny Aquitania of our Permits Office at (415) 972-3977.

Sincerely,

Gerardo C. Rios
Gerardo C. Rios
Chief, Permits Office

cc: Alan De Salvio, AVAQMD
Karen Nowak, AVAQMD
Chris Anderson, AVAQMD
Mike Tollstrup, CARB
Matthew Layton, CEC
Felicia Miller, CEC



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA
1516 NINTH STREET, SACRAMENTO, CA 95814
1-800-822-6228 – WWW.ENERGY.CA.GOV**

**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, Sabrina Savala, declare that on, October 26, 2010, I served and filed copies of the attached (08-AFC-9) Palmdale – US EPA FDOC Comment Letter. 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)

For service to all other parties:

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

by personal delivery;

by delivering on this date, for mailing with the United States Postal Service with first-class postage thereon fully prepaid, to the name and address of the person served, for mailing that same day in the ordinary course of business; that the envelope was sealed and placed for collection and mailing on that date to those addresses **NOT** marked "email preferred."

AND

For filing with the Energy Commission:

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

OR

depositing in the mail an original and 12 paper copies, as follows:

CALIFORNIA ENERGY COMMISSION

Attn: Docket No. 08-AFC-9

1516 Ninth Street, MS-4

Sacramento, CA 95814-5512

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 docket

Sabrina Savala