

LATHAM & WATKINS LLP

September 22, 2010

VIA FEDEX

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 08-AFC-9
1516 Ninth Street, MS-4
Sacramento, California 95814-5512

Re: City of Palmdale Hybrid Power Plant Project: Docket No. 08-AFC-9

Dear Sir/Madam:

Pursuant to California Code of Regulations, title 20, Sections 1209, 1209.5, and 1210, enclosed herewith for filing please find Applicant's Response to Staff Status Report No. 8 for the Palmdale Hybrid Power Project.

Please note that the enclosed submittal was filed today via electronic mail to your attention and to all parties on the attached proof of service list.

Very truly yours,



Paul E. Kihm
Senior Paralegal

Enclosure

cc: 08-AFC-9 Proof of Service List (w/encl., via e-mail and U.S. Mail)
Michael J. Carroll, Esq. (w/encl.)
Marc T. Campopiano, Esq. (w/encl.)

650 Town Center Drive, 20th Floor
Costa Mesa, California 92626-1925
Tel: +1.714.540.1235 Fax: +1.714.755.8290
www.lw.com

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DOCKET
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File No. 039610-0003

Michael J. Carroll
Marc T. Campopiano
LATHAM & WATKINS LLP
650 Town Center Drive, Suite 2000
Costa Mesa, CA 92626
(714) 540-1235

STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

IN THE MATTER OF:) DOCKET NO. 08-AFC-9
)
APPLICATION FOR CERTIFICATION,) APPLICANT’S RESPONSE TO STAFF
FOR THE PALMDALE HYBRID POWER) STATUS REPORT NO. 8
PROJECT BY THE CITY OF PALMDALE)
)
_____)

On behalf of the City of Palmdale (“Applicant”) for the Palmdale Hybrid Power Plant Project (08-AFC-9) (“PHPP”), we hereby respond to the California Energy Commission (“CEC”) Staff’s Status Report No. 8, issued on August 26, 2010. Applicant is deeply concerned about continued delays in the issuance of a Final Staff Assessment (“FSA”) for the PHPP, and Staff’s calls for new and unnecessary studies at this late stage of the proceedings. Most, if not all, of the “issues” identified by Staff in Status Report No. 8, have long been resolved. To the extent that there is ongoing disagreement between the Staff and Applicant, it is based on long-standing issues of dispute that are ripe for adjudication by the Committee. On August 20, 2010, Applicant filed a request with the Committee to schedule evidentiary hearings in this matter with or without the benefit of an FSA. To date, there has been no formal response to this request, and Applicant hereby renews its request.

I. AIR QUALITY

A. Transfer of Emission Reduction Credits (ERCs) From the San Joaquin Valley Air Pollution Control District (SJVAPCD) To Address PHPP’s NOx and VOC Emissions Is A Proven Offset Strategy

Status Report No. 8 confirms that the Applicant docketed information on July 23, 2010 identifying specific ERCs within the SJVAPCD for oxides of nitrogen (NOx) and volatile organic compounds (VOCs) that the Applicant has secured for future acquisition pursuant to an agreement with Calpine Energy Services, LP. Staff has repeatedly recognized the validity of this approach:

The use of ERCs from the SJVAPCD is a reasonable approach and has been done in the past. Pollutant transport from the San Joaquin

Valley and the impact on Antelope Valley Air Quality has been well established and is addressed in the AVAQMD's Air Quality Attainment Plan. (Staff Email on Air Quality Issues, dated August 16, 2010.)

[T]he use of ERCs from the [SJVAPCD] to mitigate the facility NOx and VOC emissions contribution to existing violations of ozone air quality standards would comply with LORS, if approved by both air agencies. (PSA, p. 4.1-28.)

Moreover, Staff has repeatedly acknowledged that Health & Safety Code Section 40709.6(a) is satisfied because the Mojave Desert Air Basin (MDAB) is overwhelmingly impacted by emissions from the San Joaquin Valley Air Basin (SJVAB):

ERCs from SJVAPCD would meet the requirements of [H&S Code] §40709.6 in terms of ERC/source upwind and downwind designations, as required in [H&S Code] §40709.6(a). (Letter from Matthew Layton to Alan De Salvio, Comments on Final Determination of Compliance (FDOC), p. 2, June 16, 2010 ["Layton Letter"]; *see also* PSA, p. 4.1-29 [same quote].)

The California Air Resources Board has identified that ozone levels in the MDAB are significantly impacted by transport from the SJVAB. The AVAQMD federal 8- Hour Ozone Attainment Plan also reflects the finding that SJVAB transport is a significant contributor to MDAB ozone nonattainment. (PSA, p. 4.1-29 [citing California Air Resources Board, Ozone Transport: 2001 Review, April 2001].)

The AVAQMD concurs that the California Air Resources Board (CARB) and U.S. Environmental Protection Agency (EPA) have long recognized that AVAQMD's ozone problems have a regional origin:

San Joaquin Valley is upwind and contributes overwhelmingly to air pollution within the Mojave Desert Air Basin (*Assessment of the Impacts of Transported Pollutants on Ozone Concentrations in California*, CARB March 2001). These facts indicate that the provisions of [Health & Safety] Code 40709.6(a)(1) and (a)(2) can be, and indeed have been, met. (Attachment A – Letter from AVAQMD to Matthew Layton, dated June 29, 2010, p. 2 (“Attachment A, AVAQMD Letter, June 29, 2010”).)

The regional nature of the AVAQMD ozone problem has been explicitly and implicitly recognized by both districts, CARB and USEPA since the mid 1990s, as ozone State Implementation Plans (SIPs) submitted and approved by all four agencies include a “but for” attainment demonstration for the AVAQMD ... The reduction

of ERCs within the SJVAPCD and their consumption within the AVAQMD represents a reduction in potential upwind ozone precursors, in direct support of regional ozone attainment efforts. (PHPP Final Determination of Compliance (FDOC), p. 15.)

Nevertheless, Status Report No. 8 identifies four potential open issues associated with transferring ERCs from SJVAPCD, which we address below:

- Identification of specific offsets to be transferred.
- Whether approval from the SJVAPCD will occur in accordance with Health & Safety Code Section 40709.6(d).
- Whether the AVAQMD has satisfied obligations to consult with the EPA and CARB regarding the proposed ERC transfer.
- Whether the AVAQMD has incorporated a satisfactory offset ratio to account for the distance of the ERCs from the PHPP site.

As described below, these issues have been fully addressed. Furthermore, even if these issues remained outstanding, this does not warrant delays in the issuance of the FSA. If the Staff has remaining concerns regarding the proposed offset strategy for the PHPP, then it should set forth those concerns with clarity and specificity in an FSA.

1. Specific ERCs To Be Transferred Have Been Identified

On July 23, 2010, Applicant identified the specific ERCs to be acquired for the PHPP. As shown therein, the ERCs derive from facilities located within the southern region of the SJVAPCD, except for 4.38 tons/year of VOC ERCs from a facility located within the central region (Certificate No. Formerly C-1027-1) and two blocks of ERCs from the northern region (Certificate Nos. N-710-1 and N-882-1). (See Attachment B.) As noted in the July 23, 2010 filing, to accommodate CEC Staff's preference for offsets from the southern region of the SJVAPCD, Applicant endeavored to swap the two blocks of ERCs from the northern region (Certificate Nos. N-710-1 and N-882-1) with ERCs from the southern region. That swap has now been accomplished.

2. Approval From AVAQMD And SJVAPCD Expected For ERC Transfer

Applicant has repeatedly acknowledged that when the ERC transfer is to occur, it will require approval from both air districts pursuant to California Health & Safety Code Section 40709.6(d). Past pattern and practice evidences that such an approval can be expected for the PHPP, particularly given its importance to the regional economy, grid reliability, and renewable generation. (*See Applicant's Submittal Of Contract Information For Emission Reduction Credits (ERCs)*, dated July 23, 2010, p. 2; *see also Applicant's Data Response No. 106*, May 1, 2009.) This issue was identified by the FDOC (p. 15) and the AVAQMD docketed examples on July 6, 2010 evidencing past transfers of ERCs from the SJVAPCD to the AVAQMD and the corresponding approvals. (*See Attachment C, AVAQMD July 6, 2010 comments on Staff's Status Report No. 4.*) The AVAQMD reemphasized this point in direct

communication with the CEC Staff:

Given the fact that these types of transfers have occurred in the recent past and that there have been no substantive changes to the impacts on air quality, public health and the regional economy since those transfers occurred, the [AVAQMD] has no reason to believe that the transfer would not be possible. (Attachment A, AVAQMD Letter, June 29, 2010, p. 2.)

By letter dated August 24, 2010, AVAQMD staff confirmed to the SJVAPCD its intention to support the proposed transfer. A copy of this letter is attached as Attachment D.

In the PSA, Staff addressed potential concerns associated with subsequent approvals required from the air districts by “recommend[ing] the adoption of Condition of Certification AQ-SC-18 to ensure timely purchase of the NOx and VOC [ERCs].” (PSA, p. 4.1-30.) Applicant is amenable to this approach (although as discussed below, Applicant objects to certain offset ratios contained in AQ-SC-18).

3. Consultation With EPA And CARB Has Been Satisfied For Purposes of AVAQMD Rule 1305(B)(5)(a)(i)

AVAQMD Rule 1305(B)(5)(a)(i) requires consultation with CARB and the EPA prior to approval of the use of any inter-district / inter-basin ERCs. For the PHPP, the AVAQMD completed consultation with the EPA and CARB in the same manner that it completed consultation for other past projects:

Pursuant to District Rule 1305(B)(5), approval of use of offsets from other districts and outside the air basin require only consultation with CARB and USEPA. The PDOC, revised PDOC and FDOC, including the proposal to utilize inter-basin offsets, have been provided to both CARB and USEPA, which meets the requirement for consultation. (Attachment A, AVAQMD Letter, June 29, 2010, p. 3.)

By letter dated September 9, 2010, District Counsel for the AVAQMD has confirmed that the consultation requirements of AVAQMD Rule 1305(B)(5)(a)(i) have been satisfied. A copy of this letter is attached as Attachment E.

The participation of EPA and CARB in these proceedings is further evidence that the required consultation has taken place. The EPA provided comments on the PDOC regarding the very issue of the proposed inter-district transfer. The AVAQMD considered and addressed the EPA’s comments within the FDOC. (*See* FDOC, p. 1 [“Comments concerning the revised PDOC were received from USEPA on July 27, 2009....The AVAQMD has addressed these comments herein.”].) Copies of the FDOC were specifically sent to the EPA and CARB for consideration and comment. (*Id.*, p. 20 [“This FDOC will be publicly noticed no later than May 16, 2010, including copies to USEPA, CARB and CEC. Written comments will be accepted for thirty days...”].) Given that EPA has provided input to the AVAQMD on the very issue that is the subject of the consultation requirement, it is difficult to understand how one could take the position that the consultation has not

occurred. With respect to CARB, a representative from CARB (Mr. Jeffrey Doll) participated in the Committee Conference held on July 8, 2009, in which the proposed inter-district transfer was discussed in detail. As CEC Staff points out in Status Report No. 8 and elsewhere, it has contacted CARB repeatedly to specifically request written comments on the PHPP, including the proposed inter-district, inter-basin ERC transfer. CARB's failure to respond to requests for comments on this issue from both the AVAQMD and the CEC does not mean that CARB has not been consulted; clearly it has been.

4. ERC Offset Ratio Adequately Mitigates PHPP Emissions

Although not expressly addressed by Status Report No. 8, Staff has in the past questioned whether the offset ratio required by the FDOC adequately mitigates emissions from the PHPP:

It is likely that ERCs obtained from the northern two thirds of the SJVAB would not be effective in mitigating PHPP emissions unless an offset ratio substantially larger than the ratio of 1.3:1 identified in the draft FDOC is utilized. (Layton Letter, p. 2.)

[P]er SJVAPCD Rule 2201 guidance, an offset ratio of 1.5:1 should be used at a minimum give [SIC] the large distance between the PHPP and proposed ERCs. (Staff Email on Air Quality Issues, dated August 16, 2010.)

As a result of these questions, in Condition of Certification AQ-SC-18, CEC Staff has proposed higher offset ratios than would otherwise apply. No reference or supporting document was provided to justify a higher offset ratio. SJVAPCD Rule 2201 does not apply and there is no precedent from CARB, SJVAPCD or AVAQMD for applying SJVAPCD Rule 2201 to ERC transfers from SJVAPCD to AVAQMD. Moreover, these recent statements from Staff appear inconsistent with the PSA:

[R]esults of the ARB study and the AVAQMD ozone attainment plan would support the AVAQMD inter-basin mitigation at a ratio of 1.3 pounds of NO_x/VOC for every pound of new NO_x/VOC emitted. (PSA, p. 4.1-29 [citing California Air Resources Board, Ozone Transport: 2001 Review, April 2001.]

The AVAQMD has fully analyzed the offset ratio, determining on technical and legal bases that no additional offset ratio is justified beyond the 1.3:1 ratio:

[AVAQMD] determination [regarding the necessary offset ratio for inter-district transfers] has been made "in the same manner and to the same extent as the district would do so for fully credited emissions reductions from sources located within its boundaries." The District has properly determined the impact in compliance with the applicable provisions of District Rules 1302 and 1305 and such analysis is reflected in the FDOC. The District is statutorily precluded from performing a different impact analysis for this particular project based solely upon the fact that the proposed

ERCs are not located within the District and the air basin, nor would any such additional analysis be warranted. (Attachment A, AVAQMD Letter, June 29, 2010, p. 1.)

By letter dated September 9, 2010 (Attachment E), District Counsel for the AVAQMD reiterated the agency's support for the 1.3:1 offset ratio, and has pointed out that the AVAQMD is specifically prohibited from applying a higher offset ratio by AVAQMD Rule 1305(C)(3).

B. ERCs From Road-Paving Mitigate PHPP's PM10 Emissions And No Additional Rulemaking Is Required

Status Report No. 8 questions whether a rulemaking is required by AVAQMD to issue PM10 ERCs from road-paving activities. Status Report No. 8 states that Staff "believes that the AVAQMD cannot issue PM10 ERCs...absent a new rule" and that it has "received concurrence from ARB and EPA that a new rule would be required." This is a long-standing area of disagreement between the CEC Staff and the AVAQMD. It is unlikely to be resolved through repeated statements of position by the agencies, and should be put to the Committee for resolution. This ongoing disagreement is not a legitimate basis for continued delay of the FSA.

Furthermore, contrary to statements by CEC Staff in Status Report No. 8, in written comments to the PDOC, the EPA explicitly stated it would not weigh in on the issue of offsetting PHPP PM10 emissions because the PHPP is located within an area that is attainment for federal PM10:

With respect to PM10 ERCs, we acknowledge that the proposed reductions are to meet the State offset requirements. PHPP is located in an area of the District that is designated attainment for all federal National Ambient Air Quality Standards. We understand that there is no federally required District maintenance plan or other requirement that relies on offsets. Therefore, EPA Region 9 has determined that we will defer to the District and the State to review individual offsets in attainment areas that are required under Antelope Valley AQMD Rule 1305. (Attachment F, Letter From EPA to Eldon Heaston, AVAQMD, p. 3, July 27, 2009.)

AVAQMD has made it clear that its existing rules provide for the issuance of ERCs generated from road-paving activities:

Rule 1305(8)(3) explicitly addresses the use of area and indirect source actual emission reductions as offsets. No additional rulemaking is necessary to allow the use of actual emission reductions from paving of an existing unpaved road as offsets. (Attachment C, AVAQMD comments on Staff's Status Report No. 4, dated July 6, 2010.)

District Counsel for the AVAQMD reiterated this position by letter dated September 9, 2010 (Attachment E), concluding that "the AVAQMD does not plan to adopt a specific rule

regarding the creation of PM10 offsets from road paving at this time but rather to use the existing applicable provisions of Regulation XIII to quantify, verify and allow use of such ERCs.”

II. ALTERNATIVES

Status Report No. 8 states that Staff is “expanding our analysis of the project’s alternative routes for transmission” based on a PSA comment letter received from the Los Angeles County Department of Regional Planning. While it is entirely appropriate for Staff to respond to public comments in the FSA, Applicant objects to the analysis being significantly expanded beyond the scope of the analysis provided in the PSA because the County’s comment letter does not warrant such a response. The Los Angeles County comment letter did not raise any new issues that were not thoroughly addressed during the discovery phase of the PHPP proceedings. Alternatives to the proposed transmission line route were fully analyzed in the AFC, Applicant’s responses to data requests, and in the PSA itself. There is no justification for expanding the analysis at this late stage of the proceedings. This is particularly true since the comment from Los Angeles County has already been specifically addressed.

The Los Angeles County comment letter merely expresses its support for “Alternative Route 3” instead of the proposed transmission line route. Alternate Route 3 was originally investigated by the Applicant in the AFC and rejected as technically infeasible and likely to result in more extensive environmental impacts than the proposed route. (*See* AFC, § 4.2.2.3.) Staff also provided a detailed analysis of Alternative Route 3 and found it to be an environmentally inferior alternative because of potential environmental impacts and feasibility concerns. (*See* PSA, p. 6-15 – 6-18.) Furthermore, Air Force Plant 42 has indicated that Alternative Route 3 poses the greatest risk of all of the transmission line alternatives analyzed (*See* AFP42 letter dated May 21, 2010) (contained in Attachment G). The County does not provide any new information or analysis that would materially change the analysis provided by the AFC or the PSA; thus, an expanded new analysis is not warranted to address the County’s comments. (*See* Title 14, California Code of Regulations, § 15204(a); *see City of Long Beach v. Los Angeles Unified Sch. Dist.*, 176 Cal. App. 4th 889, 901 (2009) [“The level of detail required in a response to a comment depends on...the extent to which the matter is already addressed in the DEIR”].)

Lastly, the PSA Alternatives analysis states that Staff’s evaluation was “incomplete” because it was waiting for a “right-of-way” study by Southern California Edison for Segment 2 of the transmission line route. However, at the Committee Conference on July 8, 2009, Staff recognized that a right-of-way study was not required for the FSA and could be addressed as a Condition of Certification. As a result, the incomplete nature of the PSA has been fully resolved. There is no basis whatsoever for undertaking new analysis of alternative transmission line routes at this late stage of the proceedings.

III. TRAFFIC AND TRANSPORTATION

A. City of Lancaster Comments Do Not Require Supplemental Analysis; Significant Environmental Impacts Do Not Result

On January 14, 2010, the City of Lancaster submitted comments regarding potential impacts related to traffic and transportation. Status Report No. 8 states that an “independent third party” was hired to “prepare a traffic study to address Lancaster’s concerns and staff’s concern that the applicant did not fully address traffic impacts in the City of Lancaster and in the City of Palmdale.” The City of Lancaster’s comments were thoroughly addressed in detail at the PSA Workshop on February 11, 2010. On March 20, 2010, the Applicant filed detailed technical responses demonstrating that the City of Lancaster’s comments did not identify any significant new environmental impacts or LORS inconsistencies. A copy of Applicant’s technical response related to the traffic issues is provided as Attachment H. All outstanding issues related to traffic impacts were resolved at the PSA Workshop or by Applicant’s responses. Given the Applicant’s willingness to provide additional information when requested, and the absence of any impacts based on the information provided, it is difficult to understand why the Staff felt the need to engage another consultant given limited available resources and the late stage of these proceedings.

B. Glint and Glare Impacts Can Be Adequately Addressed Through Conditions of Certification; No New Technical Analysis Is Required

Status Report No. 8 states that “Staff has determined the issue of glare from the project’s proposed solar arrays could have significant impacts and has a consultant who will analyze the potential effects on Plant 42 operations. Results from this study could take approximately 45 days and will be included in staff’s final assessment.” Retention of a new consultant to perform a study at this late stage of the proceedings is completely unnecessary. The issue of glint and glare and potential impacts on Air Force Plant 42 have been exhaustively analyzed already. The issue was analyzed in the AFC, in the PSA, and during the PSA Workshops. Applicant provided detailed comments on this issue on March 20, 2010.

Most importantly, Applicant has engaged in direct discussions with the Air Force to ensure that any concerns are addressed. As a result of these discussions, by letter dated August 30, 2010, Lt. Colonel Ronald Cleaves of Air Force Plant 42 recommended a series of conditions which they believe will mitigate any potential glint and glare impacts on their operations. The letter concludes: “. . . **at this time we believe that glint/glare impacts will be relatively limited**, and that we will be able to mitigate such glint/glare as may occur through airfield operational adjustments. Accordingly, if the permit conditions recommended above are adopted, **we have no objections to the continuation of the permitting process**” (emphasis added).

Applicant is amenable to the conditions proposed by the Air Force Plant 42 Commander in his August 30, 2010 letter. The Staff should accept the conclusions of the Air Force and recommend the suggested conditions without further unnecessary and time-consuming studies.

C. PHPP Heat Plume Thermal Signature

Status Report No. 8 states that “Staff is conducting an analysis to evaluate” the “project’s heat plume thermal signature,” but no justification is provided for why this analysis is required for the FSA. Staff has not identified new information or public comments that would necessitate a substantial new analysis for the FSA. The issue of thermal plumes was analyzed in the PSA and during the PSA Workshops, and Applicant provided detailed comments on March 20, 2010. Most importantly, Air Force Plant 42 personnel have indicated that they do not have concerns related to visible and thermal plumes. By letter dated May 21, 2010, the Air Force stated:

Visible and Thermal Plumes: We understand that there will be occasional visible plumes from the cooling tower exhausts as well as continuous invisible thermal plumes from the turbine engine/heat recovery steam generator (HRSG) exhausts. We understand that standard pollutant mitigation will be provided. **We take no exception to the potential plumes of either the cooling tower exhausts or the HRSG exhausts as presented in the plume analysis, and foresee no negative impacts to Air Force Plant 42.** (emphasis added).

Notwithstanding this informed and unequivocal statement from Air Force Plant 42 staff, on May 21, 2010, that the Plant 42 facility will not be affected by, and is not concerned about, thermal plumes from PHPP, CEC Staff states, three months later, in Status Report No. 8, that “Air Force Plant 42 sensing devices, tracking systems and instrumentation may be affected by the thermal signature generated by the heat recovery steam generator stacks or the cooling tower, which may create refractive effects. Staff is conducting an analysis in order to evaluate the potential impacts of these issues.” Staff’s concerns are unfounded, and additional time-consuming analysis is unwarranted.

IV. CONCLUSION

As detailed above, most of the issues identified by Staff in Status Report No. 8 have been fully and unequivocally resolved. To the extent that there are remaining disputes (eg., whether or not AVAQMD rulemaking is required to implement the proposed PM10 offset strategy), they are few, and are based on long-standing disagreements between the CEC Staff and the Applicant (or in the case of the PM10 offset strategy, between the CEC Staff and the AVAQMD Staff), and should be brought before the Committee for resolution. None of the issues identified by Staff warrant further study or further delay in the issuance of the FSA.

Given the failure of CEC Staff to produce an FSA in a timely manner, Applicant hereby renews its request that the Committee schedule evidentiary hearings in this matter.

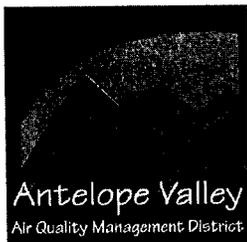
DATED: September 22, 2010

Respectfully submitted,

/S/ MICHAEL J. CARROLL

Michael J. Carroll
LATHAM & WATKINS LLP
Counsel to Applicant

ATTACHMENT A



Antelope Valley Air Quality Management District
43301 Division St., Suite 206
Lancaster, CA 93535-4649

661.723.8070
Fax 661.723.3450

Eldon Heaston, Executive Director

June 29, 2010

Matthew Layton
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET	
08-AFC-9	
DATE	JUN 29 2010
RECD.	JUL 07 2010

Re: June 16, 2010 Letter Regarding Palmdale Hybrid Power Project FDOC (08-AFC-9)

Dear Mr. Layton:

The Antelope Valley Air Quality Management District (District) has reviewed your June 16, 2010 letter on the Final Determination of Compliance (FDOC) as issued on May 13, 2010 for the Palmdale Hybrid Power Project. The FDOC is not a "draft" and the District disagrees that the FDOC does not meet District or the USEPA requirements. The District has prepared the following to address the concerns expressed in your letter.

San Joaquin Valley Emission Reduction Credits

The District disagrees that the FDOC does not contain any information as to whether the San Joaquin Valley Air Pollution Control District (SJVAPCD) ERCs would effectively mitigate the Palmdale Hybrid Power Project emissions. The applicant has identified sufficient ozone precursor emission reductions to offset the proposed project, as required by Rule 1302(C)(5)(b). The applicant has provided proof of a contractual arrangement covering sufficient emission reductions in good standing in the SJVAPCD emission reduction credit registry. The District recognizes that the issuance of emission reduction credits by SJVAPCD confirms those credits as real, quantifiable, permanent, surplus and enforceable, and hence meets USEPA criteria. Emission reduction credits have been transferred from the SJVAPCD into the Antelope Valley and Mojave Desert air districts in the recent past, in accordance with state and local laws and regulations (including ERC regulations, NSR regulations and California Health & Safety Code (H&S Code) §40709.6). The District has no reason to believe the proposed transfer cannot occur, and has no regulatory authority to force purchase and transfer of the SJVAPCD credits at this stage of the proposed project. The applicant has provided sufficient information that the ERCs are available, but the District has no objection to the California Energy Commission including a requirement that the credit transfer must be approved by the SJVAPCD and AVAQMD Boards, as required by state law, prior to the start of construction.

Compliance with California Health & Safety Code §40709.6

The primary statute governing the use of ERCs across air basin and air district boundaries is found in H&S Code §40709.6. As you are aware the San Joaquin Valley is classified non-attainment for the federal eight hour ozone standard and designated extreme while the desert

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ORIGINAL MAILED FROM SACRAMENTO ON 07/7/10
SS



portion of Los Angeles County within the Mojave Desert Air Basin is classified nonattainment and designated moderate (40 CFR 81.305). For state purposes both the San Joaquin Valley and the Mojave Desert Air Basin are classified nonattainment (17 Cal. Code Regs. §60201). As stated in your letter, the San Joaquin Valley is upwind and contributes overwhelmingly to air pollution within the Mojave Desert Air Basin (*Assessment of the Impacts of Transported Pollutants on Ozone Concentrations in California*, CARB March 2001). These facts indicate that the provisions of H&S Code 40709.6(a)(1) and (a)(2) can be, and indeed have been, met.

The fact that there are rules creating a credit bank and setting forth a process for determining the type and quantity of ERCs within the SJVAPCD indicates that the providing district has made the proper determination pursuant to H&S Code §40709.6(b). The net result of this particular subsection is the District must recognize and accept whatever the final determination regarding amount and type of ERCs made by the SJVAPCD as evidenced in the amount of ERCs approved for transfer by the SJVAPCD.

You have indicated concern that the FDOC does not fully determine the effectiveness of transferred ERCs in mitigating the emissions increases from the proposed project as required by H&S Code 40709.6(c)(1). Pursuant to District rules, this determination has been made “in the same manner and to the same extent as the district would do so for fully credited emissions reductions from sources located within its boundaries.” The District has properly determined the impact in compliance with the applicable provisions of District Rules 1302 and 1305 and such analysis is reflected in the FDOC. The District is statutorily precluded from performing a different impact analysis for this particular project based solely upon the fact that the proposed ERCs are not located within the District and the air basin, nor would any such additional analysis be warranted.

Your final concern regarding compliance with H&S Code §40709.6 revolves around the technical approval process for transferring credits found in subsection (d). The SJVAPCD Governing Board has delegated the authority to approve such transfers to its Air Pollution Control Officer as provided for by statute. The APCO of the SJVAPCD can approve the transfer by letter specifying the particular ERCs to be transferred, the amount, and making the specific findings. The District Governing Board would likewise need to approve the transfer by resolution at a meeting. Given the fact that these types of transfers have occurred in the recent past and that there have been no substantive changes to the impacts on air quality, public health and the regional economy since those transfers occurred, the District has no reason to believe that the transfer would not be possible.

San Joaquin Valley Origin Offset Ratio

The determination by CARB that emissions from the San Joaquin Valley have an overwhelming influence on ozone concentrations in the Mojave Desert Air Basin does not make distinctions between different portions of the San Joaquin Valley. The District has no distance ratio provision in any rule or regulation, and does not believe a distance ratio can be technically justified given the existing overwhelming transport from the origin air basin. Thus, the state agency specifically charged with analyzing the effects of transported pollutants, and equipped with the expertise to do so, has determined that inter-basin transfers from anywhere in the San Joaquin Valley into the Mojave Desert Air Basin are appropriate and authorized pursuant to state

law. Implicit in this determination is that such transfers would effectively mitigate emission increases in the downwind basin. The FDOC relies upon this analysis and determination made by CARB. This satisfies Rule 1305 and H&S §40709.6 for credit transfers from SJVAPCD into the District. It would be unnecessary and inappropriate for either the District or the CEC to repeat the analysis conducted by CARB, or to usurp its authority to establish transport couplings.

If the CEC staff believes that the analysis conducted by CARB and the District with respect to the location of the offsets is deficient in some specific way, the CEC staff has its own authority, with proper technical justification, to provide specific limitations regarding the locations within the SJVAPCD from which ERCs will be acceptable.

Pursuant to District Rule 1305(B)(5), approval of use of offsets from other districts and outside the air basin require only consultation with CARB and USEPA. The PDOC, revised PDOC and FDOC, including the proposal to utilize inter-basin offsets, have been provided to both CARB and USEPA, which meets the requirement for consultation. Only inter-pollutant trade ratios would require approval by USEPA, and inter-pollutant trading is not being proposed by the applicant.

PM₁₀ Offsets

The applicant has identified sufficient public unpaved roads that can be paved to generate PM₁₀ emission reductions to offset the proposed project's PM₁₀ emissions (including fugitive emissions from vehicles involved in maintenance of solar field equipment), using a District approved calculation methodology. The approved methodology includes verifying the existence and status of the unpaved roads, specifies ongoing road surface inspection procedures, and establishes eventual maintenance responsibility (and control) for the paved public road surface. The applicant has identified specific public (Palmdale and County of Los Angeles) road segments and traffic levels. A commitment to maintain the integrity of the paved road surface by the public entity with control over the paved road will be required as an element of each road paving ERC application, in accordance with District Rules 1305 and 1309.

The District is attainment for the federal PM₁₀ standard. Therefore, there is no regulatory requirement to adopt a PM₁₀ plan, road paving rule, or any other preparatory regulatory action prior to responding to an ERC application for emission reductions resulting from the paving of an existing unpaved road. For the same reason USEPA approval is not required for any District action involving PM₁₀ credits (1305(B)(3)(d)). Furthermore, the District is attainment for both the federal and state PM_{2.5} standards, and therefore the PHPP is not required to offset its PM_{2.5} emissions.

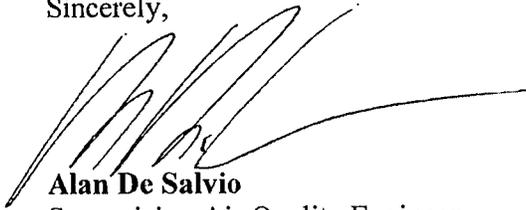
Offset Timing

The District would not presume to dictate to the Commission on licensing decisions. Nor would the District place requirements on a proposed project beyond District regulatory authority. In accordance with District rules and regulations, the District has: (1) required the applicant to provide proof of the existence of adequate offsets, in the form of transferable credits in good standing within the San Joaquin Valley ERC registry (which can be transferred in accordance with state and local law) and in the form of existing unpaved roads which can be paved to

generate PM₁₀ offsets; and (2) placed a requirement (proposed permit condition) on the proposed project to surrender the totality of offsets prior to the commencement of construction.

If you have any questions regarding this letter, please call me at (760) 245-1661, extension 6726.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alan De Salvo', with a long horizontal flourish extending to the right.

Alan De Salvo
Supervising Air Quality Engineer

Cc: Steve Williams, Palmdale City Manager
Tony Penna, Inland Energy
Sara Head, AECOM
Karen K. Nowak, District Counsel
Bret Banks, AVAQMD
Chris Anderson

AJD/KKN/CA

CEC FDOC Response.doc



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 7/1/2010)

APPLICANT

Thomas M. Barnett
Executive Vice President
Inland Energy, Inc.
3501 Jamboree Road
South Tower, Suite 606
Newport Beach, CA 92660
tbarnett@inlandenergy.com

Antonio D. Penna Jr.
Vice President
Inland Energy
18570 Kamana Road
Apple Valley, CA 92307
tonypenna@inlandenergy.com

Laurie Lile
Assistant City Manager
City of Palmdale
38300 North Sierra Highway, Suite A
Palmdale, CA 93550
llile@cityofpalmdale.org

APPLICANT'S CONSULTANTS

Sara J. Head, QEP
Vice President
AECOM Environment
1220 Avenida Acaso
Camarillo, CA 93012
sara.head@aecom.com

COUNSEL FOR APPLICANT

Michael J. Carroll
Marc Campopiano
Latham & Watkins, LLP
650 Town Center Drive, Ste. 2000
Costa Mesa, CA 92626
michael.carroll@lw.com
marc.campopiano@lw.com

INTERESTED AGENCIES

Ronald E. Cleaves, Lt. Col, USAF
Commander ASC Det 1 Air Force
Plant 42
2503 East Avenue P
Palmdale, CA 93550
Ronald.Cleaves@edwards.af.mil

Erinn Wilson
Staff Environmental Scientist
Department of Fish & Game
18627 Brookhurst Street, #559
Fountain Valley, CA 92708
E-mail preferred
ewilson@dfg.ca.gov

Richard W. Booth, Sr. Geologist
Lahontan Regional
Water Quality Control Board
2501 Lake Tahoe Blvd.
South Lake Tahoe, CA 96150-2306
rbooth@waterboards.ca.gov

Rick Buckingham
3310 El Camino Avenue, LL-90
State Water Project
Power & Risk Office
Sacramento, CA 95821
E-mail preferred
rbucking@water.ca.gov

Manuel Alvarez
Southern California Edison
1201 K Street
Sacramento, CA 95814
Manuel.Alvarez@sce.com

***Robert C. Neal, P.E.**
Public Works Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534-2461
rneal@cityoflanasterca.org

California ISO
E-mail Preferred
e-recipient@caiso.com

Robert J. Tucker
Southern California Edison
1 Innovation Drive
Pomona, CA 91768
Robert.Tucker@sce.com

Christian Anderson
Air Quality Engineer
Antelope Valley AQMD
43301 Division St, Suite 206
Lancaster, CA 93535
E-mail preferred
canderson@avaqmd.ca.gov

Keith Roderick
Air Resources Engineer
Energy Section/Stationary Sources
California Air Resources Board
P.O. Box 2815
Sacramento, California 95812
E-mail preferred
kroderic@arb.ca.gov

ENERGY COMMISSION

JEFFREY D. BYRON
Commissioner and Presiding Member
jbyron@energy.state.ca.us

ANTHONY EGGERT
Commissioner and Associate Member
aeggert@energy.state.ca.us

Paul Kramer
Hearing Officer
pkramer@energy.state.ca.us

Kristy Chew
Advisor to Commissioner Byron
E-mail preferred
kchew@energy.state.ca.us

Lorraine White
Advisor to Commissioner Eggert
E-mail preferred
lwhite@energy.state.ca.us

Felicia Miller
Project Manager
fmiller@energy.state.ca.us

Lisa DeCarlo
Staff Counsel
ldecarlo@energy.state.ca.us

Jennifer Jennings
Public Adviser
publicadviser@energy.state.ca.us

DECLARATION OF SERVICE

I, Sabrina Savala, declare that on, July 7, 2010, I served and filed copies of the attached PHPP Antelope Valley AQMD Response to Staff's Comments on FDOC, dated June 29, 2010. 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.

Sabrina Savala

ATTACHMENT B

650 Town Center Drive, 20th Floor
Costa Mesa, California 92626-1925
Tel: +1.714.540.1235 Fax: +1.714.755.8290
www.lw.com

LATHAM & WATKINS LLP

FIRM / AFFILIATE OFFICES

Abu Dhabi	Moscow
Barcelona	Munich
Beijing	New Jersey
Brussels	New York
Chicago	Orange County
Doha	Paris
Dubai	Riyadh
Frankfurt	Rome
Hamburg	San Diego
Hong Kong	San Francisco
Houston	Shanghai
London	Silicon Valley
Los Angeles	Singapore
Madrid	Tokyo
Milan	Washington, D.C.

July 23, 2010

VIA FEDEX

File No. 039610-0003

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 08-AFC-9
1516 Ninth Street, MS-4
Sacramento, California 95814-5512

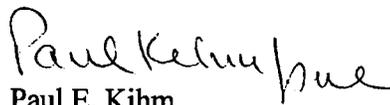
Re: City of Palmdale Hybrid Power Plant Project: Docket No. 08-AFC-9

Dear Sir/Madam:

Pursuant to California Code of Regulations, title 20, Sections 1209, 1209.5, and 1210, enclosed herewith for filing please find Applicant's Submittal of Contract Information for Emission Reduction Credits ("ERCs") to Offset NOx and VOC Emissions for the Palmdale Hybrid Power Project.

Please note that the enclosed submittal was filed today via electronic mail to your attention and to all parties on the attached proof of service list.

Very truly yours,


Paul E. Kihm
Senior Paralegal

Enclosure

cc: 08-AFC-9 Proof of Service List (w/encl., via e-mail and U.S. Mail)
Michael J. Carroll, Esq. (w/encl.)
Marc T. Campopiano, Esq. (w/encl.)

Michael J. Carroll
Marc T. Campopiano
LATHAM & WATKINS LLP
650 Town Center Drive, Suite 2000
Costa Mesa, CA 92626
(714) 540-1235

STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

IN THE MATTER OF:) DOCKET NO. 08-AFC-9
)
APPLICATION FOR CERTIFICATION,) SUBMITTAL OF CONTRACT
FOR THE PALMDALE HYBRID POWER) INFORMATION FOR EMISSION
PROJECT BY THE CITY OF PALMDALE) REDUCTION CREDITS (ERCs) TO OFFSET
) NOx AND VOC EMISSIONS
)
_____)

On behalf of the City of Palmdale (“Applicant”) for the Palmdale Hybrid Power Plant Project (08-AFC-9) (“PHPP”), we hereby submit information related to a pending agreement by and between the Applicant and Calpine Energy Services, LP (“Calpine”), which demonstrates the Applicant will control an adequate supply of emission reduction credits (ERCs) to offset nitrogen oxides (NOx) and volatile organic compounds (VOCs) emissions potentially associated with the PHPP (*see Attachment A*):

1. City of Palmdale City Council and Community Redevelopment Agency Agenda, July 7, 2010 Meeting (see Item 6.25) (all Consent Calendar items were passed unanimously).
2. City of Palmdale Staff Report re: Joint Resolutions CC 2010-092 and CRA 2010-22: Authorizing Execution of Agreement No. A-3202: Contingent Emissions Reduction Credit (ERC) Sale Agreement between the City of Palmdale and Calpine Energy Services, LP, dated July 7, 2010 (unsigned copy).
3. City of Palmdale City Council and Community Redevelopment Agency, Joint Resolution Nos. CC 2010-092 And CRA 2010-022, Joint Resolution Of The City Council And The Community Redevelopment Agency Of The City Of Palmdale Authorizing The City Manager To Negotiate The Final Terms And Execute An Agreement A-3202, An Agreement Between The City Of Palmdale And Calpine Energy Services, LP For The Acquisition Of ERC Credits Necessary To Support The Palmdale Hybrid Power Plant (PHPP) Project, dated July 7, 2010 (unsigned copy).
4. Draft Agreement No. A-3202, Contingent ERC Sale Agreement Between The City Of Palmdale And Calpine Energy Services, LP (the “ERC contract”).

Table 1, below, provides a summary of the ERCs associated with the ERC contract. As shown therein, the ERCs derive from facilities located within the southern region of the San Joaquin Valley Air Pollution Control District (SJVAPCD), except for 4.38 tons/year of VOC ERCs from a facility located within the central region (Certificate No. Formerly C-1027-1) and two blocks of ERCs from the northern region (Certificate Nos. N-710-1 and N-882-1). However, it is anticipated that the two blocks of ERCs from the northern region (Certificate Nos. N-710-1 and N-882-1) will be swapped with ERCs from the southern region based on ongoing negotiations between the Applicant and Calpine.

On June 16, 2010, Staff for the California Energy Commission submitted comments to the Antelope Valley Air Quality Management District (AVAQMD) regarding the PHPP Final Determination of Compliance (FDOC). Staff requested that the regional location within the SJVAPCD of potential NOx and VOC ERCs be identified for the PHPP, with a preference for ERCs derived from the SJVAPCD southern region. Accordingly, the ERC contract and attached information addresses Staff's concerns regarding the southern location of substantially all of the applicable NOx and VOC ERCs.

Staff comments on the FDOC also noted that Health & Safety Code § 40709.6 would require both the AVAQMD and SJVAPCD Governing Boards to approve any inter-district transfer of ERCs for the project. This issue was identified by the FDOC. (*See* FDOC, p. 15.) As noted in the Applicant's Data Response No. 106, May 1, 2009, the Applicant anticipates that the Governing Boards would provide the necessary approvals to comply with the Health & Safety Code. On July 6, 2010, the AVAQMD submitted examples to Staff regarding past transfers of ERCs from the SJVAPCD to the AVAQMD, with the corresponding approvals required by the Governing Boards. (*See* AVAQMD July 6, 2010 comments on Staff's Status Report No. 4.) Although the Applicant cannot guarantee Governing Board approvals in advance, the Applicant anticipates that the Governing Boards will approve the ERC transfer given past precedent and the importance of the PHPP to the regional economy and environment.

DATED: July 23, 2010

Respectfully submitted,



Marc Campopiano
LATHAM & WATKINS LLP
Counsel to Applicant

Table 1: Description of Emission Reduction Credits (ERCs) for the Palmdale Hybrid Power Plant (PHPP) Project

Certificate #	Type of ERC	Quarter 1 (lbs)	Quarter 2 (lbs)	Quarter 3 (lbs)	Quarter 4 (lbs)	Total Quantity (lbs/Year)	Price (\$/tpy)	SJVAPCD Region	Location
S-3298-2	NOx	2,103	9,681	9,531	9,076	30,391	\$88,768	Southern	Heavy Oil Western, Lost Hills; STR 1926S/21E
S-3114-2	NOx	65,601	66,862	68,123	69,023	269,609	\$88,768	Southern	Elk Hills, Tupman, CA; STR NE35/30S/23E
Total	NOx	67,704	76,543	77,654	78,099	300,000	\$88,768		
S-3368-1	VOC	1,500	1,500	1,500	1,500	6,000	\$32,400	Southern	Rosedale Hwy; STR 8/29S/27E
S-3261-1	VOC	4,454	4,972	3,890	4,155	17,471	\$32,400	Southern	2201 East Brundage Lane, Bakersfield, CA 93301
S-3283-1	VOC	0	150	171	0	321	\$32,400	Southern	400 South M Street, Tulare, CA
	VOC						\$32,400	Northern (anticipated will be swapped with Southern ERCs)	4547 Frontier Way, Stockton, CA 95215 (Swap)
N-882-1		157	144	137	137	575		Central	
Formerly C-1027-1	VOC	2,235	2,161	2,112	2,251	8,759	\$32,400		2365 E North Ave, Fresno, CA 93725
	VOC						\$32,400	Northern (anticipated will be swapped with Southern ERCs)	757 11th Street, Tracy, CA 95376 (Swap)
N-710-1		6,210	6,210	6,210	6,210	24,840			
S-3300-1	VOC	4,636	4,705	4,774	4,771	18,886	\$32,400	Southern	Heavy Oil Western, Moco I; STR 35/12N/24W
S-3116-1	VOC	1,440	1,546	1,621	1,621	6,228	\$32,400	Southern	South Coles Levee Gas Plant; STR SW03/31S/25E
S-3292-1	VOC	4,804	6,146	6,632	3,338	20,920	\$32,400	Southern	391 Road 120, Delano; Str NW35/24S/26E
Total	VOC	25,436	27,534	27,047	23,983	104,000	\$32,400		

ATTACHMENT C

Antelope Valley Air Quality Management District
43301 Division St., Suite 206
Lancaster, CA 93535-4649

661.723.8070
Fax 661.723.3450

Antelope Valley
Air Quality Management District

Eldon Heaston, Executive Director

July 6, 2009

Felicia Miller
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

DOCKET	
08-AFC-9	
DATE	JUL 06 2009
RECD.	JUL 06 2009

Re: Palmdale Hybrid Power Plant Project Offsets

Dear Ms. Miller:

The Antelope Valley Air Quality Management District (District) has reviewed Palmdale Hybrid Power Project (08-AFC-9) Status Report 4. The District would like to provide the following information in response.

San Joaquin Offsets

Rule 1305(B)(5) explicitly addresses the use of emissions reductions occurring outside the air basin as offsets - no additional rulemaking is necessary by the District or the San Joaquin Valley Air Pollution Control District (SJVAPCD). For your information, documents related to prior transfers from SJVAPCD into the District under Rule 1305 are attached.

Paving Existing Unpaved Road PM₁₀ Offsets

Rule 1305(B)(3) explicitly addresses the use of area and indirect source actual emission reductions as offsets. No additional rulemaking is necessary to allow the use of actual emission reductions from paving of an existing unpaved road as offsets. The District will use the unpaved road paving emission reduction credit methodology adopted by the Mojave Desert Air Quality Management District in conjunction with Rule 1309.

Offset Package

The project proponent or its representatives have provided evidence of offsets eligible for use pursuant to the provisions of Rule 1305 (as required by Rule 1302(C)(5)). This evidence includes transferable credits in SJVAPCD and existing unpaved roads within the District that will generate sufficient PM₁₀ credits when paved. The District has placed a requirement on the proposed project that sufficient offsets be surrendered prior to the beginning of actual construction (as required by Rule 1302(D)(5)(b)(ii)) as an element of the PDOC (initial and recently revised).

PROOF OF SERVICE (REVISED 6/20/09) FILED WITH
ORIGINAL MAILED FROM SACRAMENTO ON 7/6/09

TH-09

Clean
Cities
Antelope Valley

If you have any questions regarding this letter, please contact me at (760) 245-1661, extension 6726.

Sincerely,

A handwritten signature in black ink, appearing to read 'Alan J. De Salvio', with a long horizontal flourish extending to the right.

Alan J. De Salvio
Supervising Air Quality Engineer

attachments

cc: Laurie Lile, City of Palmdale
Thomas M. Barnett, Inland Energy
Michael J. Carroll, Latham & Watkins
Sara Head, AECOM

AJD PHPPOffsetStatus.doc

Antelope Valley Air Quality Management District
43901 Division St., Suite 206
Lancaster, CA 93535-4649

661.723.8070
Fax 661.723.3458

Eldon Heaston, Executive Director

January 29, 2009

George Jung
Environmental Engineer
Lockheed Martin Aeronautics Corporation
1011 Lockheed Way
Palmdale, CA 93599

Re: ERC consumption and Permit Issuance for Lockheed Emergency Diesel Generator

Dear Mr. Jung:

The public comment period on the December 4, 2008 proposed addition of one emergency diesel generator expired on January 27, 2009. No comments were received on the proposed actions - the preliminary decision document therefore serves as the final decision document. The Antelope Valley Air Quality Management District (District) will proceed with issuing the appropriate Authorities-To-Construct, and hereby issues ERC Certificate AV0010 to Lockheed Martin Aeronautics Corporation for 8,306 pounds per year (about 22.5 pounds per day) of NO_x Class A ERCs. A public notice regarding this action will not be published as there were no substantive changes made to the preliminary decision after the opening of the public comment period.

If you have any questions regarding this action, please contact me at (661) 723-8070.

Sincerely,


Bret Banks
Operations Manager

cc: Director Air Division, USEPA Region IX
Chief Stationary Source Division, CARB

cja LM Final cover.doc





San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

CERTIFIED MAIL

SEP 30 2008

Mike Heydari
AQMS, LLC
2001 Barrington Ave, Suite 319
Los Angeles, CA 90025

**Re: Issuance of Emission Reduction Credit Certificates:
S-2990-2 and S-2991-2
Project: S-1084212**

Dear Mr. Heydari:

The Air Pollution Control Officer (APCO) has approved the inter-district transfer of the emission reduction credit (ERC) certificate S-2990-2 to Lockheed Martin located in the Antelope Valley Air Quality Management District. The District Governing Board granted authority to the APCO to approve inter-district transfer of ERCs pursuant to Resolution #99-02-04, approved on February 18, 1999.

Please note that, pursuant to a request from AQMS, the ERC certificate was transferred directly from Pastoria Energy Facility, LLC to Lockheed Martin.

Enclosed is Emission Reduction Credit (ERC) certificate S-2990-2 (NOx) issued to Lockheed Martin in the quarterly amounts requested. The enclosed certificate reflects the transfer from ERC certificate S-2956-2, which is now null and void.

Thank you for your cooperation in this matter. Should you have any questions, please telephone Mr. Leonard Scandura, Permit Services Manager, at (661) 326-6900.

Sincerely,

David Warner
Director of Permit Services

DW:SPL/ls

Enclosure: ERC certificate S-2990-2

Seyod Sadredin
Executive Director Air Pollution Control District

Northern Region
4800 North Gate Way
Merced, CA 95354
Tel: (209) 387-6425 FAX: (209) 387-6427

Central Region (Main Office)
1100 Northway Avenue
Merced, CA 95366-0144
Tel: (209) 387-6900 FAX: (209) 387-6901
E-mail: info@aqcd.org

Southern Region
1700 South Gate Way
Merced, CA 95366-0144
Tel: (209) 387-6425 FAX: (209) 387-6427



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

Southern Regional Office • 2700 M Street, Suite 275 • Bakersfield, CA 93301-2370

Emission Reduction Credit Certificate
S-2990-2

ISSUED TO: LOCKHEED MARTIN
 ISSUED DATE: September 25, 2008
 LOCATION OF REDUCTION: ELK HILLS
 TUPMAN, CA
 SECTION: NE35 TOWNSHIP: 30S RANGE: 23E

For NOx Reduction In The Amount Of:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
3,000 lbs	3,000 lbs	3,000 lbs	3,000 lbs

Conditions Attached

Method Of Reduction

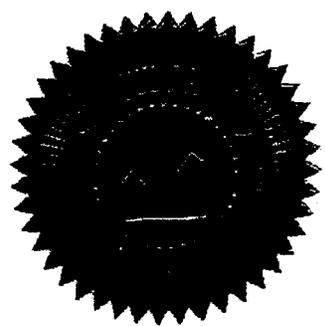
- Shutdown of Entire Stationary Source
- Shutdown of Emissions Units
- Other

RETROFIT 31 ENGINES WITH PRECOMBUSTION CHAMBERS: S-2234-9 (4091-017) + 30 OTHERS

Use of these credits outside the San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) is not allowed without express written authorization by the SJVUAPCD.

Seyed Sadredin, Executive Director / APCO

David Warner, Director of Permit Services



**ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
GOVERNING BOARD MEETING
TUESDAY, OCTOBER 21, 2008
ANTELOPE VALLEY DISTRICT OFFICE
LANCASTER, CA**

MINUTES

Board Members Present:

Ron Smith, Chair, City of Lancaster
Sherry Marquez, City of Lancaster
Mike Dispenza, City of Palmdale
Ken McCoy, Public Member

Board Members Absent:

Vern Lawson, Los Angeles County
Jim Ledford, Vice Chair, City of Palmdale
Ron Hawkins, Los Angeles County

CALL TO ORDER – 11:04 a.m.

Chair Ron Smith called the meeting to order at 11:04 a.m. Mike Dispenza led the Pledge of Allegiance. Roll Call was taken.

Agenda Item #1 – Presentation of 2007/2008 Wm. “Pete” Knight Memorial AIRE Awards. Presenter: Eldon Heaston, Executive Director and Bret Banks, Operations Manager.

Curtis Martin, Alt. Fuel Sales Manager Palmdale Honda was recognized for his innovative methods of raising public awareness about the air quality benefits of alternative fuel vehicles, including the developing the internet’s most comprehensive natural gas vehicle website and for launching the Alt. Fuel Expo portion of “Thunder on the Lot.”

Agenda Item #2 - PUBLIC COMMENT

None.

CONSENT CALENDAR

Agenda Item #3 - Approve Minutes from Regular Governing Board Meeting of August 19, 2008. Presenter: Crystal Bates.

Upon Motion by **DISPENZA**, Seconded by **MARQUEZ**, and carried unanimously, the Board Approved Minutes from Regular Governing Board Meeting of August 19, 2008.

Agenda Item #4 - The Financial Report provides performance information regarding the revenue and contract expenditures for District operations through June 2008. Presenter: Jean Bracy.

Upon Motion by DISPENZA, Seconded by MARQUEZ, and carried unanimously, the Board Received and Filed the Financial Report regarding the revenue and contract expenditures for District operations through June 2008.

Agenda Item #5 - The Financial Report provides performance information regarding the revenue and contract expenditures for District operations for July and August, 2008, the first of fiscal year 2009. Presenter: Jean Bracy.

Upon Motion by DISPENZA, Seconded by MARQUEZ, and carried unanimously, the Board Received and Filed the Financial Report regarding the revenue and contract expenditures for District operations for July and August, 2008.

Agenda Item #6 - Amend the FY 09 Budget to increase line item "Web Services" in the amount of \$30,000. Presenter: Jean Bracy.

Upon Motion by DISPENZA, Seconded by MARQUEZ, and carried unanimously, the Board Amended the FY 09 Budget to increase line item "Web Services" in the amount of \$30,000.

ITEMS FOR DISCUSSION

Agenda Item #7 - DEFERRED

None.

CONTINUED ITEMS

Agenda Item #8 - Conduct a continued public hearing to consider the amendment of Rule 461 -Gasoline Transfer and Dispensing: a. Open public hearing; b. Receive staff report; c. Receive public testimony; d. Close public hearing; e. Make a determination that the CEQA Categorical Exemption applies; f. Waive reading of Resolution; g. Adopt Resolution making appropriate findings, certifying the Notice of Exemption, amending Rule 461 and directing staff actions. Presenter: Bret Banks.

Bret Banks shared background information and staff recommendation. Chair Ron Smith opened public hearing and requested public comment. None being, Chair Smith closed public hearing. Upon Motion by DISPENZA, Seconded by MCCOY, and carried unanimously, the Board made a determination that the CEQA Categorical Exemption applies; Waived reading of Resolution; Adopted Resolution #08-08 making appropriate findings, certifying the Notice of Exemption, amending Rule 461 and directing staff actions.

NEW BUSINESS

Agenda Item #9 – Approve payment to MDAQMD in the total amount of \$266,501.12, subject to availability of funds, for services provided during the months of June, July and August, 2008. Presenter: Jean Bracy.

Jean Bracy shared background information and staff recommendation. Upon Motion by MCCOY, Seconded by DISPENZA, and carried unanimously, the Board Approved payment to MDAQMD in the total amount of \$266,501.12, subject to availability of funds, for services provided during the months of June, July and August, 2008.

Agenda Item #10 - Allocate a maximum of \$175,000 of AB 2766 funds to serve as match funding to assist local school districts in replacing school buses eligible under the Lower Emission School Bus Program, and Authorize the Executive Director to negotiate and execute any necessary agreements with the California Air Resources Board (CARB), approved as to legal form to ensure that the program and agreements comply with the Lower Emission School Bus Program Guidelines.

Presenter: Bret Banks.

Bret Banks shared background information and staff recommendation. Upon Motion by MCCOY, Seconded by DISPENZA, and carried unanimously, the Board Allocated a maximum of \$175,000 of AB 2766 funds to serve as match funding to assist local school districts in replacing school buses eligible under the Lower Emission School Bus Program, and Authorized the Executive Director to negotiate and execute any necessary agreements with the California Air Resources Board (CARB), approved as to legal form to ensure that the program and agreements comply with the Lower Emission School Bus Program Guidelines

Agenda Item #11 - Adopt resolution approving inter-district and inter-basin transfer of offsets for later use within the District by requestor Lockheed Martin Aeronautical Company (Lockheed Martin). Presenter: Bret Banks.

Bret Banks shared background information and staff recommendation. Upon Motion by DISPENZA, Seconded by MCCOY, and carried unanimously, the Board Adopted Resolution #08-09 approving inter-district and inter-basin transfer of offsets for later use within the District by requestor Lockheed Martin Aeronautical Company (Lockheed Martin).

PUBLIC HEARINGS

None.

Agenda Item #12 – Presentations

District Fee Restructuring Evaluation – Bret Banks reported that he spoke to Senator George Runner and his staff regarding the proposed district fee increase. Ron Smith requested a tier system for the increase and it was the general consensus of the Board to get the legislation done now in order to ensure more flexibility. The District is keeping a running list of activities for further development.

Air Quality District Survey – Jean Bracy shared a slide presentation of the 35 Air Districts. Information included the differences in culture, issues and business of the various Districts. Information was also provided on median budget operation and staffing census.

School Bus Grant Overview – Roseana Navarro Brasington shared a slide presentation on school bus retrofits and replacement. Information was also presented on the lower emission school bus program and AB923. Questions were raised regarding the hydrogen injection system.

Agenda Item #13 - Reports

Executive Director – Mr. Heaston reported that the District is on the last phase of the Carl Moyer audit with the Air Resources Board. Roseana Navarro Brasington and Bret Banks were commended for their efforts on the audit. Audit results will be presented to the Board at a future meeting.

District Counsel – None

Operations Manager – Bret Banks thanked Sherry Marquez for the homemade peanut brittle she provided at the meeting.

Agenda Item #14 - Board Member Reports and Suggestions for Future Meetings
None.

CLOSED SESSIONS

Agenda Item #15 - Closed Session: CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Government Code §54956.9(a)). Name of Case: Natural Resources Defense Council, Communities for a Better Environment, Coalition for a Safe Environment, California Communities Against Toxics vs. South Coast Air Quality Management District; Inland Energy, Mojave Desert Air Quality Management District, Antelope Valley Air Quality Management District, Real Parties in Interest. Superior Court, County of Los Angeles – Southeast District Case No BS110792. Presenter. Karen K. Nowak.

OPEN SESSION

Agenda Item #16 - Disclosure of any Reportable action taken in Closed Session; and the Vote and Abstention of every Member Present in the Closed Session.
No reportable action taken during Closed Session.

The meeting was adjourned at 11:47 a.m. to the next regular Governing Board Meeting, Tuesday, November 18, 2008, 11:00 a.m.



Mojave Desert Air Quality Management District

14306 Park Avenue, Victorville, CA 92392-2310

760.245.1661 • fax 760.245.2699

Visit our web site: <http://www.mdaqmd.ca.gov>

Eldon Heaston, Executive Director

September 25, 2007

Yijin Wang
CalNev Pipeline LLC
1100 Town and Country Rd
Orange, CA 92868

Re: Request for Encumbrance of ERCs in Conjunction with Tank T000103 Permitting Action

Dear Ms. Wang:

The Mojave Desert Air Quality Management District (MDAQMD) has reviewed your request to encumber (consume) 6998 pounds of PM₁₀ ERCs from the banked ERCs represented by MDAQMD ERC Certificate Number 0075. This consumption is required to offset the emissions associated with changing the allowed organic liquids to be contained in the storage tank with permit T000193. The MDAQMD has received payment of the fee required by MDAQMD Rule 313(D). Accordingly, the MDAQMD hereby issues CalNev Pipeline LLC a modified certificate that reflects the reduced amount of ERCs banked. Certificate Number 0076 for 546 pounds of NO_x is enclosed. Certificate Number 0075 has been voided and will be retained on file at the MDAQMD.

If you have any questions regarding this action, please contact me at (760) 245-1661, extension 6726.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan J. De Salvo". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Alan J. De Salvo
Supervising Air Quality Engineer

AJD

CalNev encmbr.doc

Certificate Number: 0076

Effective Date: September 19, 2007
Expiration Date: N/A

Certificate of Ownership

This certifies that

Calnev Pipeline LLC

owns the following Class "A" Emission Reduction Credits:

546 pounds NO_x

This Certificate of Ownership is issued pursuant to Regulation XIV of the Mojave Desert Air Quality Management District.

See Reverse for Terms and Conditions.

- Method of Reduction
- Shutdown
 - Modification
 - Other: ERC Transfer from SJVAPCD



Eden Heston 9/25/07

 Date
 Edon Heston
 Executive Director

**MINUTES OF THE GOVERNING BOARD
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT
VICTORVILLE, CALIFORNIA**

AGENDA ITEM 11

DATE: June 25, 2007

RECOMMENDATION: Adopt Resolution approving inter-district and inter-basin transfer of offsets pursuant to Health & Safety Code (H&S Code) §40709.6 for applicant Calnev Pipeline, LLC (CALNEV).

SUMMARY: Adopt resolution to approve the transfer of certain offsets credited and registered within the San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) for use within the Mojave Desert Air Quality Management District (MDAQMD) by applicant CALNEV

CONFLICT OF INTEREST: District board members and officers; CALNEV, its principals and agents.

BACKGROUND: H&S Code §40709.6 allows increases in air pollutants at a stationary source located within one air district to be offset by emissions reductions credited in another district under certain circumstances. If the districts are located in two different air basins the source creating the emissions reductions must be in an upwind district with a worse non-attainment status than the downwind district where the credits are to be used (H&S Code §40709.6(a)(1)). In addition, the downwind district must be overwhelmingly impacted by transported air pollution from the upwind district (H&S Code §40709.6(a)(2)). Generally the governing boards of both air districts must approve by resolution the transfer of credits unless such approval authority has been delegated to the APCO (H&S Code 40709.6(d)).

SJVUAPCD is located within the San Joaquin Valley Air Basin (SJVAB) while the MDAQMD is located within the Mojave Desert Air Basin (MDAB). SJVAB has been classified non-attainment and is designated non-attainment for ozone and its precursors pursuant to H&S Code §§40910 et seq. and classified severe for the State Ambient Air Quality Standards (SAAQS). The MDAQMD has been designated non-attainment and is classified moderate pursuant to those same sections. Pursuant to the provisions of H&S Code §39610 the California Air Resources Board (CARB) has designated the MDAB as overwhelmingly impacted by air pollution from SJVAB.

Cc: Karen Nowak

GOVERNING BOARD, CLERK OF THE GOVERNING BOARD
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT
I, _____, HEREBY CERTIFY THE FOREGOING IS
A TRUE AND CORRECT COPY OF THE RESOLUTION
AS THE SAME APPEARS IN THE MINUTES OF THE
GOVERNING BOARD OF THE MOJAVE DESERT AIR QUALITY
MANAGEMENT DISTRICT.

**MINUTES OF THE GOVERNING BOARD
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT
VICTORVILLE, CALIFORNIA**

AGENDA ITEM 11

PAGE 2

Applicant CALNEV is a pipeline company with a permitted facility located within the jurisdiction of the MDAQMD. CALNEV wishes to modify its existing facility causing a small increase in the potential to emit. The permitting of this facility modification by the MDAQMD will require offsets under MDAQMD Regulation XIII. There are currently insufficient offsets available within the MDAQMD to meet the Regulation XIII. In addition there are few, if any facilities with the potential to provide sufficient offsets for such a project within the MDAQMD.

Pursuant to H&S Code §40709.6(d) the SJVUAPCD Governing Board has delegated the approval of offset transfers to its Air Pollution Control Officer. Applicant CALNEV has purchased Oxide of Nitrogen offsets from emissions bank in the SJVUAPCD and has obtained approval for the transfer from the APCO of SJVUAPCD for use of such credits within the MDAQMD (Approval letter attached). CALNEV is requesting the adoption of a resolution approving the transfer of these offsets to be use to satisfy the requirements of Regulation XIII.

REASON FOR RECOMMENDATION: H&S Code §40709.6 requires a resolution to effectuate the inter-district and inter-basin transfer of these VOC offsets.

REVIEW BY OTHERS: This item was reviewed by Karen Nowak, Deputy District Counsel as to legal form and by Eldon Heaston, Executive Director on or before June 11, 2007.

FINANCIAL DATA: No increase in appropriation is anticipated.

PRESENTER: Eldon Heaston, Executive Director

**MINUTES OF THE GOVERNING BOARD
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT
VICTORVILLE, CALIFORNIA**

AGENDA ITEM 11

PAGE 3

ACTION OF THE GOVERNING BOARD

APPROVED and ADOPTED

Upon Motion by **ROBERT CRAIN**, Seconded by **REBECCA VALENTINE**, as approved by the following roll call vote:

**Ayes: 9 LEONE, SAGONA, GLASPER, VALENTINE, ROTHSCHILD,
RIORDAN, PACK, WILSON, CRAIN**

Noes:

Absent: 5 HANSBERGER, BIANE, CURRAN, MITZELFELT, BERNAL

Abstain:

Vacant:

MICHELE BAIRD, CLERK OF THE GOVERNING BOARD

BY *Michele Baird*

Dated: JUNE 25, 2007

Ref: Resolution #07-07, titled, "A RESOLUTION OF THE GOVERNING BOARD OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT, APPROVING THE INTER-DISTRICT AND INTER-BASIN TRANSFER OF OFFSETS PURSUANT TO HEALTH & SAFETY CODE §40709.6 FOR APPLICANT CALNEV PIPELINE, LLC".

RESOLUTION 07-07

1 **A RESOLUTION OF THE GOVERNING BOARD OF THE MOJAVE DESERT AIR**
2 **QUALITY MANAGEMENT DISTRICT APPROVING THE INTER-DISTRICT AND INTER-**
3 **BASIN TRANSFER OF OFFSETS PURSUANT TO HEALTH & SAFETY CODE §40709.6 FOR**
4 **APPLICANT CALNEV PIPELINE, LLC.**

5 On June 27, 2007, on motion by Member CRAIN, seconded by Member VALENTINE, and
6 carried, the following resolution is adopted:

7 **WHEREAS**, Applicant Calnev Pipeline, LLC (CALNEV) wishes to modify its existing facility
8 located within the jurisdiction of the Mojave Desert Air Quality Management District (MDAQMD); and

9 **WHEREAS**, pursuant to MDAQMD Regulation XIII such a modification will require offsetting
10 emissions reductions; and

11 **WHEREAS**, the emissions reductions derived from sources within the MDAQMD nonattainment
12 area and contained within the MDAQMD emissions bank are currently 270,397 lbs/day PM10; 668,573
13 lbs/day NOx, 97,902 lbs/day VOC, and 637,741 lbs/day CO and 5,577 lbs/day SOx; and

14 **WHEREAS**, many of the reductions contained within the MDAQMD bank have expiration dates,
15 are already earmarked by the owner for the owner's future expansions, or would be severely discounted
16 due to the application of the "RACT upon use" doctrine; and

17 **WHEREAS**, there are limited opportunities within the MDAQMD to create additional emissions
18 reductions; and

19 **WHEREAS**, CALNEV wishes to purchase offset emissions reductions generated within the San
20 Joaquin Valley Unified Air Pollution Control District for use as offsets for the proposed modification to
21 its facility within the MDAQMD; and

22 **WHEREAS**, Health and Safety Code (H&S Code) §40709.6 allows increases in air pollutants at a
23 stationary source located within one air district to be offset by emissions reductions credited in another
24 district under certain circumstances; and

25 **WHEREAS**, H&S Code §40709.6(a)(1) requires that the source creating the emissions reductions
26 must be in an upwind district with a worse non-attainment status than the downwind district where the
27 credits are to be used; and

28 **WHEREAS**, H&S Code §40709.6(a)(2) requires the downwind district must be overwhelmingly
29 impacted by transported air pollution from the upwind district; and

RESOLUTION 07-07

1 **WHEREAS**, H&S Code §40709.6(b) requires the district in which the emissions reductions are
2 credited is required to determine the type and amount of emissions reductions; and

3 **WHEREAS**, H&S Code §40709.6(c) requires the district in which the emissions reductions are to
4 be used to determine the impact of the emissions increases in the same manner and to the same extent it
5 would do so for emissions credits generated within its own district and to adopt a rule regarding the
6 discount of the transferred emissions reductions; and

7 **WHEREAS**, H&S Code §40709.6(d) requires the transfer to be approved by resolution of both
8 the governing board of the upwind and the downwind districts after taking into consideration the impact
9 of the offset transfer on air quality, public health and the regional economy; and

10 **WHEREAS**, the Governing Board of either or both districts may, pursuant to the provisions of
11 H&S Code §40709.6(d) delegate the approval of such transfers to the Air Pollution Control Officer
12 (APCO) of the district; and

13 **WHEREAS**, the Governing Board of the SJVUAPCD has delegated this authority to its APCO
14 pursuant to resolution 99-02-04; and

15 **WHEREAS**, The SJVAPCD is located within the San Joaquin Valley Air Basin (SJVAB); and

16 **WHEREAS**, The MDAQMD is located within the Mojave Desert Air Basin (MDAB); and

17 **WHEREAS**, SJVAPCD has been designated non-attainment and is classified severe for ozone
18 and its precursors pursuant to H&S Code §§40910 et seq.; and

19 **WHEREAS**, MDAQMD has been designated non-attainment and is classified moderate pursuant
20 to H&S Code §§40910 et seq.; and

21 **WHEREAS**, Pursuant to the provisions of H&S Code §39610 the California Air Resources Board
22 (CARB) has designated the MDAB as overwhelmingly impacted by air pollution from SJVAB; and

23 **WHEREAS**, SJVAPCD has determined the type and amount of emissions reductions generated
24 within its jurisdiction upon the placement of those emissions reductions in the emissions bank for the
25 SJVAPCD; and

26 **WHEREAS**, MDAQMD Rule 1305(B)(5) allows emissions reductions from outside the air basin
27 to be used as offsets upon approval of the Air Pollution Control Officer in consultation with CARB and
28 the U.S. Environmental Protection Agency (USEPA); and

RESOLUTION 07-07

1 ABSENT: 5 MEMBER: HANSBERGER, BIANE, CURRAN, MITZELFELT, BERNAL

2 ABSTAIN: MEMBER:

3
4 STATE OF CALIFORNIA)

5 COUNTY OF SAN BERNARDINO)

SS:

7
8 I, Michele Baird, Clerk of the Governing Board of the Mojave Desert Air Quality Management
9 District, hereby certify the foregoing to be a full, true and correct copy of the record of the action as the
same appears in the Official Minutes of said Governing Board at its meeting of June 25, 2007

10 Michele Baird
11 Clerk of the Governing Board,
Mojave Desert Air Quality Management District.



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

RECEIVED
MDAOMD

JUN 11 2007

07 JUL 26 AM 11:17

CERTIFIED MAIL

Yijin Wang
Calnev Pipeline LLC
1100 Town and Country Rd
Orange, CA 92868

**Re: Issuance of Emission Reduction Credit Certificates:
S-2553-2**

Dear Ms. Wang:

The Air Pollution Control Officer (APCO) has approved the inter-district transfer of the Emission Reduction Credit (ERC) Certificate # S-2553-2 to Calnev Pipeline LLC located in the Mojave Desert Air Quality Management District. The District Governing Board granted authority to the APCO to approve inter-district transfer of ERC's pursuant to Resolution #99-02-04, approved on February 18, 1999.

Section §40709.6(d) of the California Health and Safety Code requires that the District consider the impact of inter-district transfer of emission reduction credits on air quality, public health, and the regional economy. Since the emission reduction credits will be used in another district located downwind from the San Joaquin Valley Air Pollution Control District, no impact on air quality or public health is expected in the San Joaquin Valley. Impact on the regional economy is expected to be negligible, since 7,544 pounds of NOx represent only a small portion (approximately 0.06%) of NOx emission reduction credits available for growth in the District's ERC bank.

Enclosed is ERC Certificate # S-2553-2 issued to Calnev Pipeline, LLC in the amounts specified on the certificate for each quarter of the year. The enclosed certificate reflects the partial transfer of ERC Certificate # S-2496-2, which is now null and void.

Thank you for your cooperation in this matter. Should you have any questions, please telephone Mr. Arnaud Marjollet, Permit Services Manager, at (559) 230-5900.

Sincerely,

David Warner
Director of Permit Services

DW:ct
Enclosures

Seyed Sadredin
Executive Director/Air Pollution Control Officer

Northern Region
1805 E. Street, San Jose, CA 95131
Tel: (408) 557-6400 FAX: (408) 557-6470

Central Region (Main Office)
1000 E. Street, Fresno, CA 93701
Tel: (559) 230-5900 FAX: (559) 230-5900
www.apcd.org

Southern Region
1000 E. Street, Fresno, CA 93701
Tel: (559) 230-5900 FAX: (559) 230-5900



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

Southern Regional Office • 2700 M Street, Suite 275 • Bakersfield, CA 93301-2370

Emission Reduction Credit Certificate
S-2553-2

ISSUED TO: **CALNEV PIPE LINE LLC**
 ISSUED DATE: **June 11, 2007**
 LOCATION OF REDUCTION: **ELK HILLS
TUPMAN, CA**
 SECTION: **NE35 TOWNSHIP: 30S RANGE: 23E**

For NOx Reduction In The Amount Of:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
1,886 lbs	1,886 lbs	1,886 lbs	1,886 lbs

Conditions Attached

Method Of Reduction

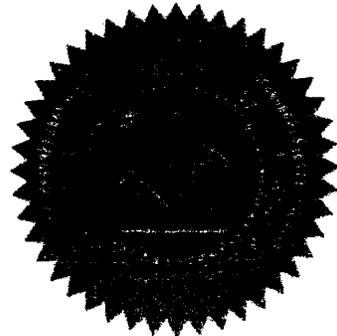
- Shutdown of Entire Stationary Source
- Shutdown of Emissions Units
- Other

RETROFIT 31 ENGINES WITH PRECOMBUSTION CHAMBERS: S-2234-9 (4091-017) + 30 OTHERS

Use of these credits outside the San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) is not allowed without express written authorization by the SJVUAPCD.

Seyed Sadredin, Executive Director / APCO


David Warner, Director of Permit Services





**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 6/30/2009)

APPLICANT

Thomas M. Barnett
Executive Vice President
Inland Energy, Inc.
3501 Jamboree Road
South Tower, Suite 606
Newport Beach, CA 92660
tbarnett@inlandenergy.com

Antonio D. Penna Jr.
Vice President
Inland Energy
4390 Civic Drive
Victorville, CA 92392
tonypenna@inlandenergy.com

Laurie Lile
Assistant City Manager
City of Palmdale
38300 North Sierra Highway, Suite A
Palmdale, CA 93550
llile@cityofpalmdale.org

APPLICANT'S CONSULTANTS

Sara Head, Vice President
ENSR Corporation
1220 Avenida Acaso
Camarillo, CA 93012
SHead@ensr.aecom.com

COUNSEL FOR APPLICANT

Michael J. Carroll
Marc Campopiano
Latham & Watkins, LLP
650 Town Center Drive, Ste. 2000
Costa Mesa, CA 92626
michael.carroll@lw.com
marc.campopiano@lw.com

INTERESTED AGENCIES

Michael R. Plaziak, Manager
Lahontan Regional
Water Quality Control Board
14440 Civic Drive, Suite 200
Victorville, CA 92392-2306
mplaziak@waterboards.ca.gov

Rick Buckingham
3310 El Camino Avenue, LL-90
State Water Project
Power & Risk Office
Sacramento, CA 95821
E-mail preferred
rbucking@water.ca.gov

Manuel Alvarez
Robert J. Tucker
SoCal Edison
1201 K Street
Sacramento, CA 95814
Manuel.Alvarez@sce.com
Robert.Tucker@sce.com

California ISO
e-recipient@caiso.com

* Christian Anderson
Air Quality Engineer
Antelope Valley AQMD
43301 Division St, Suite 206
Lancaster, CA 93535
E-mail preferred
canderson@avaqmd.ca.gov

ENERGY COMMISSION

JEFFREY D. BYRON
Commissioner and Presiding Member
jbyron@energy.state.ca.us

ARTHUR H. ROSENFELD
Commissioner and Associate Member
pflint@energy.state.ca.us

Paul Kramer
Hearing Officer
pkramer@energy.state.ca.us

Felicia Miller
Project Manager
fmiller@energy.state.ca.us

Caryn Holmes
Staff Counsel
cholmes@energy.state.ca.us

Elena Miller
Public Adviser
publicadviser@energy.state.ca.us

DECLARATION OF SERVICE

I, Teraja` Golston , declare that on, June 06, 2009, I served and filed copies of the attached (08-AFC-9) Palmdale - Antelope Valley AQMD 7-6-09 Comments on Staff Status Report 4. 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:

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

X by personal delivery or by depositing in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

AND

For filing with the Energy Commission:

X 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

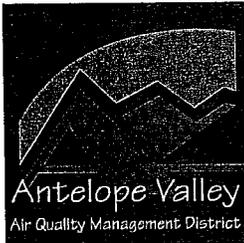
docket@energy.state.ca.us

I declare under penalty of perjury that the foregoing is true and correct.



Teraja` Golston

ATTACHMENT D



Antelope Valley Air Quality Management District
43301 Division St., Suite 206
Lancaster, CA 93535-4649

661.723.8070
Fax 661.723.3450

Eldon Heaston, Executive Director

August 24, 2010

Seyed Sadredin
Air Pollution Control Officer
San Joaquin Valley Air Pollution Control District
1990 E. Gettysburg Ave.
Fresno, CA 93726

Re: Emission Reduction Credit Transfer for the Palmdale Hybrid Power Project

Dear Mr. Sadredin:

As you are aware the proposed Palmdale Hybrid Power Project (PHPP) located in the Antelope Valley Air Quality Management District (District) is currently in the permitting process before the California Energy Commission (CEC). Pursuant to CEC and District requirements the PHPP will require offsetting emissions reductions to mitigate ozone precursor emissions. District staff supports the approach proposed by PHPP of transferring emission reduction credits (ERCs) from San Joaquin Valley Air Pollution Control District (SJVAPCD) to provide these mitigating offsets. Emission reduction credits have been transferred from the SJVAPCD into both the Antelope Valley and Mojave Desert air districts in the recent past, in accordance with state and local laws and regulations (including ERC regulations, NSR regulations and California Health & Safety Code (H&S Code) §40709.6).

The primary statute governing the use of ERCs across air basin and air district boundaries is found in H&S Code §40709.6. The San Joaquin Valley is classified non-attainment for the federal eight hour ozone standard and designated extreme. The desert portion of Los Angeles County, currently governed by the Antelope Valley Air Quality Management District, within the Mojave Desert Air Basin is classified non-attainment and designated moderate (40 CFR 81.305). The San Joaquin Valley is located upwind and contributes overwhelmingly to air pollution within the Mojave Desert Air Basin (*Assessment of the Impacts of Transported Pollutants on Ozone Concentrations in California*, CARB March 2001). Prior to the transfer, SJVAPCD will need to confirm the emissions credits to be used are real, quantifiable, permanent, surplus and enforceable meeting the requirements of USEPA for offsetting emissions reductions by indicating the status and amount of the emissions credits in your emissions credit bank. Of course, once you approve of the credit transfer, the Antelope Valley AQMD Governing Board would also need to approve the transfer by resolution at a future Governing Board meeting.

Given the availability of offsets in the SJVAPCD, the prior transfers which have occurred in the recent past, and the option contracts executed by applicant for the appropriate emissions reduction credits, District staff is of the opinion that the applicant has identified sufficient ozone precursor emission reductions to offset the proposed project with enough specificity, as required

by District Rule 1302(C)(5)(b). District staff will recommend to the AVAQMD Governing Board approval of the proposed credit transfer.

I look forward to working with you and your staff on the PHPP project. I fully expect it to be as mutually beneficial as our past cooperation on other projects has been. If you have any questions regarding this letter, please call me at (760) 245-1661, extension 5735.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eldon Heaston', with a long horizontal line extending to the right.

Eldon Heaston
Executive Director

Cc: Steve Williams, Palmdale City Manager
Tony Penna, Inland Energy
Sara Head, AECOM
Karen K. Nowak, District Counsel
Bret Banks, AVAQMD
Chris Anderson

AJD/KKN/CA

CEC FDOC Response.doc

ATTACHMENT E

Chairman
Mike Dispensa

Office of District Counsel
Antelope Valley Air Quality Management District

Karen K. Nowak
District Counsel

Eldon Heaston
Executive Director

43301 Division Street, Suite 206
Lancaster, Ca 93535-4649

Telephone (760) 245-1661
Facsimile (760) 241 -3492

September 9, 2010

Thomas M. Barnett
Executive Vice President
Inland Energy, Inc.
3501 Jamboree Rd. South Tower Ste 606
Newport Beach, CA 92660

Re: Palmdale Hybrid Power Plant Project Status Report 8 by the California Energy
Commission (CEC Apl #08-AFC-9)

Dear Mr. Barnett:

Due to particular statements contained in the above Status Report authored by the California Energy Commission (CEC) staff, Mr. Heaston (the Air Pollution Control Officer of the Antelope Valley AQMD) has directed me to provide you a justification of certain Antelope Valley Air Quality Management District (AVAQMD) positions regarding the Palmdale Hybrid Power Plant Project (PHPP).

CEC Staff appear to be concerned that proposed transfers of Emission Reductions Credits (ERCs) between the San Joaquin Valley Air Pollution Control District (SJVAPCD) and the AVAQMD are "less than certain" and that some indication of amenability to approval should be required. The AVAQMD has for its part indicated such amenability in a letter of August 24, 2010 (Exhibit "A").

CEC Staff also appears confused regarding the interdistrict/interbasin transfer process as set forth in Health & Safety Code §40709.6 in that they assert that "the United States Environmental Protection Agency (EPA) and California Air Resources Board (ARB) need to be consulted regarding interdistrict ERC transfers". Health & Safety Code §40709.6 only requires the approval of both districts involved subject to specified conditions and findings being made. As indicated in the August 24 letter the AVAQMD does not foresee any impediments to the transfer under the statutory requirements. CEC Staff appear to be confusing the transfer activity itself under Health & Safety Code §40709.6 with the use requirement set forth in AVAQMD Rule 1305(B)(5)(a). These are two legally discrete activities, even if one is a precursor to the other, and should be treated as such. This is due to the fact that the transfer of ERCs under Health & Safety Code §40709.6 could occur without any underlying project being present at all¹. Therefore, the analysis of the ability and certainty of the ERC transfer should be a separate issue from any analysis regarding the usage of ERCs.

¹ Please note that this type of transfer has occurred previously between the AVAQMD and SCAQMD.

As for ERC usage requirements set forth in AVAQMD Rule 1305(B)(5)(a), the AVAQMD has always considered the consultation requirements to be satisfied not only by direct request but also by the opportunity of the named agencies to participate in the public comment period for any particular New Source Review action. In this particular situation the Preliminary DOC was issued on February 12, 2009 and noticed for public comment. A Revised Preliminary DOC was issued on June 22, 2009 with a comment period ending on July 27, 2009. The Final DOC was issued on May 13, 2010 with a comment period ending on June 16, 2010. Both EPA and ARB were directly provided copies of all documents and their comments were requested which would include comments regarding the usage of ERCs originally created in SJVUAPCD. No comments have been received from ARB to date. EPA commented on both the Preliminary DOC and the Revised Preliminary DOC but no comments have been received to date on the Final DOC. The AVAQMD has not in the past relied on any separate "consultation" process other than sending a particular document or proposal to EPA and ARB for review and comment. A "consultation" process which is completely separate from the normal review and comment appears to be duplicative and an inefficient use of the resources of all the agencies involved.

Additionally there appears to be some concern by CEC staff that "acceptable distance ratios" have not been properly addressed by the specific ERCs as proposed by the applicant. Health & Safety Code §40709.6(c)(2) requires that the receiving district have a rule which specifies applicable offset ratios to be used in interdistrict ERC trades. AVAQMD Rule 1305 specifies applicable offset ratios and references interdistrict ERC trades. Unlike other air district rules, the emissions offset ratios set forth in AVAQMD Rule 1305(C)(1) do not impose additional reductions based upon distance from the source of offsets to the use of offsets. In addition, 1305(C)(3) explicitly states that the ratio for offsets from outside the district is equal to that which would have applied if the offsets had been obtained within the district. Thus the applicable offset ratio for oxides of nitrogen and reactive organic compounds within a federal ozone nonattainment area, such as is involved here, is 1.3:1.

CEC Staff also appears to be concerned regarding a comment letter from Center for Biological Diversity referencing a recent court decision regarding the Mojave Desert Air Quality Management District and the alleged "requirement" of a rule to codify the creation of PM₁₀ ERCs from paving unpaved public roads. Unlike the AVAQMD, portions of the Mojave Desert Air Quality Management District are classified as federal nonattainment for PM₁₀. The AVAQMD is classified federally attainment for PM₁₀ and thus no State Implementation Plan approved rule is necessary to ensure EPA's enforceability of the offsets. In fact, EPA noted this in its July 27, 2009 comment letter to the Revised Preliminary DOC. Specifically, EPA has stated:

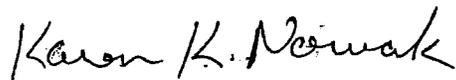
With respect to PM₁₀ ERCs, we acknowledge that the proposed reductions are to meet the State offset requirements. PHPP is located in an area of the District that is designated attainment for all federal National Ambient Air Quality Standards. We understand that there is no federally-required District maintenance plan or other requirement that relies on offsets. Therefore, EPA Region IX has determined that we

will defer to the District and the State to review individual offsets in attainment areas that are required under Antelope Valley AQMD Rule 1305. This letter does not represent EPA concurrence on whether these credits meet federal offset requirements.

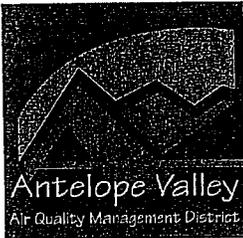
Given this statement the AVAQMD does not plan to adopt a specific rule regarding the creation of PM₁₀ offsets from road paving at this time but rather to use the existing applicable provisions of Regulation XIII to quantify, verify and allow use of such ERCs.

Hopefully this clarifies the AVAQMD positions sufficiently.

Sincerely,

A handwritten signature in black ink that reads "Karen K. Nowak". The signature is written in a cursive style with a large initial 'K'.

Karen K. Nowak
District Counsel



Antelope Valley Air Quality Management District
43301 Division St., Suite 206
Lancaster, CA 93535-4649

661.723.8070
Fax 661.723.3450

Eldon Heaston, Executive Director

August 24, 2010

Seyed Sadredin
Air Pollution Control Officer
San Joaquin Valley Air Pollution Control District
1990 E. Gettysburg Ave.
Fresno, CA 93726

Re: Emission Reduction Credit Transfer for the Palmdale Hybrid Power Project

Dear Mr. Sadredin:

As you are aware the proposed Palmdale Hybrid Power Project (PHPP) located in the Antelope Valley Air Quality Management District (District) is currently in the permitting process before the California Energy Commission (CEC). Pursuant to CEC and District requirements the PHPP will require offsetting emissions reductions to mitigate ozone precursor emissions. District staff supports the approach proposed by PHPP of transferring emission reduction credits (ERCs) from San Joaquin Valley Air Pollution Control District (SJVAPCD) to provide these mitigating offsets. Emission reduction credits have been transferred from the SJVAPCD into both the Antelope Valley and Mojave Desert air districts in the recent past, in accordance with state and local laws and regulations (including ERC regulations, NSR regulations and California Health & Safety Code (H&S Code) §40709.6).

The primary statute governing the use of ERCs across air basin and air district boundaries is found in H&S Code §40709.6. The San Joaquin Valley is classified non-attainment for the federal eight hour ozone standard and designated extreme. The desert portion of Los Angeles County, currently governed by the Antelope Valley Air Quality Management District, within the Mojave Desert Air Basin is classified non-attainment and designated moderate (40 CFR 81.305). The San Joaquin Valley is located upwind and contributes overwhelmingly to air pollution within the Mojave Desert Air Basin (*Assessment of the Impacts of Transported Pollutants on Ozone Concentrations in California*, CARB March 2001). Prior to the transfer, SJVAPCD will need to confirm the emissions credits to be used are real, quantifiable, permanent, surplus and enforceable meeting the requirements of USEPA for offsetting emissions reductions by indicating the status and amount of the emissions credits in your emissions credit bank. Of course, once you approve of the credit transfer, the Antelope Valley AQMD Governing Board would also need to approve the transfer by resolution at a future Governing Board meeting.

Given the availability of offsets in the SJVAPCD, the prior transfers which have occurred in the recent past, and the option contracts executed by applicant for the appropriate emissions reduction credits, District staff is of the opinion that the applicant has identified sufficient ozone precursor emission reductions to offset the proposed project with enough specificity, as required

Exhibit "A"

by District Rule 1302(C)(5)(b). District staff will recommend to the AVAQMD Governing Board approval of the proposed credit transfer.

I look forward to working with you and your staff on the PHPP project. I fully expect it to be as mutually beneficial as our past cooperation on other projects has been. If you have any questions regarding this letter, please call me at (760) 245-1661, extension 5735.

Sincerely,



Eldon Heaston
Executive Director

Cc: Steve Williams, Palmdale City Manager
Tony Penna, Inland Energy
Sara Head, AECOM
✓ Karen K. Nowak, District Counsel
Bret Banks, AVAQMD
Chris Anderson

AJD/KKN/CA

CEC FDOC Response.doc

Exhibit "A"

ATTACHMENT F



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

July 27, 2009

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

DOCKET	
08-AFC-9	
DATE	JUL 27 2009
RECD	JUL 29 2009

Re: EPA Comments on the Revised PDOC for Palmdale Hybrid Power Project

Dear Mr. Heaston:

Thank you for the opportunity to comment on Antelope Valley Air Quality Management District's (AVAQMD) Preliminary Determination of Compliance (PDOC) for the Palmdale Hybrid Power Project (PHPP), a proposed 570 MW hybrid power plant consisting of two natural gas-fired combined cycle combustion turbines and a solar thermal generator. We appreciate your acceptance of our comments on July 28, 2009.

Our comments are made in reference to the June 22, 2009 PDOC forwarded for public comment on June 27, 2009, and focus on federal New Source Review program requirements, as well as suggested permit condition improvements. Our comments address the PDOC evaluation, proposed permit conditions, and compliance demonstration requirements. Based on a review of recent information from the California Energy Commission's (CEC's) PHPP licensing site, it has come to our attention that emission reduction credit (ERC) information submitted as part of the CEC's licensing efforts were not discussed or referenced in the PDOC. Therefore, our comments also include concerns about the proposed inter-basin, inter-district offset proposal. Sufficient information has not been provided to demonstrate that the PHPP's offset requirements will be met. We are requesting that the AVAQMD demonstrate that the proposed ERCs meet the federal requirements for offsetting the proposed project increases. Our concerns are explained in detail in the enclosure.

We look forward to working with you to address our comments prior to the issuance of the Final Determination of Compliance (FDOC). Please contact Manny Aquitania at (415) 972-3977 or Shirley Rivera at (415) 972-3966 of my staff if you have any questions.

Sincerely,

Gerardo C. Rios
Chief, Permits Office

Enclosure

cc: **Bret Banks, Antelope Valley Air Quality Management District**
Alan De Salvio, Mojave Desert Air Quality Management District
Felicia Miller, California Energy Commission
Matthew Layton, California Energy Commission
Michael Tollstrup, California Air Resources Board

**EPA Comments on the
Antelope Valley Air Quality Management District (AVAQMD, District)
Revised Preliminary Determination of Compliance (PDOC)¹ for
the Palmdale Hybrid Power Project (PHPP)**

NO_x and VOC Emissions Reductions Credits (ERCs) / Emission Offsets for Federal NSR Requirements

The following comments address the proposed ERCs for offsetting proposed project increases in NO_x and VOC emissions. We understand the offsets requirements are 150 tons per year (tpy) for NO_x emissions and 52 tpy for VOC emissions. The information we have appears only to address NO_x ERCs. There is no reference to securing VOC ERCs.

Specific source(s) and their quantities of ERCs are not identified in the Revised PHPP PDOC submitted to EPA electronically on June 23, 2009. The District generally states in its Revised PDOC,

“[a]s an alternative offset strategy, the Applicant has identified sufficient quantities of NO_x and VOC ERCs to meet the PHPP requirements with the SJVAPCD. The Applicant also continues to investigate the availability of NO_x ERCs from the TXI Riverside Cement upgrade project in the MDAQMD.”

EPA requests that a complete ERC package, including the specific sources of offsets and their respective quantities, be presented prior to issuing the Final DOC (FDOC) in order to assess the validity and sufficiency of proposed sources of ERCs for offsetting project emissions. The District must demonstrate that the proposed ERCs are real, permanent, quantifiable, surplus and enforceable as a practical matter. Further detail is required on the surplus nature of the proposed NO_x ERCs. The District must demonstrate whether the SJV-generated ERCs have been surplus-adjusted at the time of use. This requires an analysis on how the ERCs were created and what rules they were subject to at the time of ERC creation, and what further adjustment may be required due to new requirements that would apply to the source of ERCs.

1. Inter-Pollutant Offsetting

The District states that inter-pollutant offsets will not be used (PDOC, pp. 15). We acknowledge that this is a revision from the initial PDOC which posed an inter-pollutant offset ratio of 1.6:1. for VOC to NO_x. However, if the Applicant chooses at a later date to employ inter-pollutant offsetting, please refer to our previous comments.² In short, we emphasized the need for technical justification, at least by air quality modeling, which demonstrates that inter-pollutant offsets will ensure a net benefit to air quality levels in the area of the proposed project. A multi-agency review (i.e., EPA, CEC, California Air Resources Board) of assumptions and proposed methodologies will be necessary.

¹ Revised PDOC dated June 22, 2009 and issued for public comment on June 27, 2009.

² EPA comments, “EPA Comments on the PDOC for Palmdale Hybrid Power Project”, dated March 19, 2009 to Mr. Eldon Heaston, AntelopeValley AQMD.

2. Inter-District, Inter-Basin Offsetting – NO_x ERCs

For inter-basin offsets, Clean Air Act, Section 173(c) requires that two criteria be met: A) the other area has an equal or higher nonattainment classification than the area in which the source is located; and (B) emissions from such other area contribute to a violation of the national ambient air quality standard in the nonattainment area in which the source is located. The District must demonstrate that proposed inter-basin offsets satisfy the criteria in CAA, Section 173(c). Therefore, we request that the AVAQMD demonstrate that the proposed ERCs meet the federal requirements for offsetting the proposed project increases.

Furthermore, Antelope Valley AQMD's Rule 1305(B)(5)(a)(i) requires that the District consult with the California Air Resources Board and U.S. EPA Region 9 on inter-basin and inter-district ERC transfers. Neither EPA nor ARB has been consulted over these ERC transfers.

The District proposes to use (refer to Revised PDOC, pp.13-15) inter-district and inter-basin offsets from the Mojave Desert AQMD (MDAQMD), San Joaquin Valley APCD (SJVAPCD) or other source for ozone precursor emissions. Meanwhile, with the exception of a reference (which does not include the estimated quantity) to investigating the availability of NO_x ERCs from the TXI Riverside Cement upgrade project in the MDAQMD, the District does not identify the source of any additional NO_x or VOC ERCs in the Revised PDOC.

As published on the California Energy Commission's (CEC's) PHPP licensing site, the District responded to the CEC Staff Status Report No. 4,³. However, the ERC information submitted as part of the CEC's licensing efforts were not discussed or referenced in the PDOC sent to EPA. Furthermore, based on an initial review of the District's information submitted to the CEC, it appears that there is insufficient information to conclude that the PHPP's offset requirements will be met. Our comments do not release the District from its obligation to provide a complete ERC package prior to issuing the FDOC.

It is unclear whether the complement of NO_x ERC sources from SJVAPCD has been identified. Please provide more detailed information of the proposed ERCs, demonstrating that they meet the federal requirements for valid inter-basin, inter-district offsets. For instance, the District includes San Joaquin Valley NO_x certificates #S-2990-2, and #S-2553-2. Page 4 of the ERC package, the SJVAPCD letter dated September 30, 2008, identifies the NO_x ERC source as being transferred from Pastoria Energy Facility, LLC and refers to another ERC Certificate #S-2991-2. Moreover, the Mojave Desert letter, dated September 25, 2007, incorrectly identifies the ERCs on page 10 as being PM₁₀ ERCs where they should be referenced as NO_x ERCs.

To the extent that the District can clarify NO_x ERC sources above, it appears that there would still be a deficit in the quantity of NO_x ERCs. The District needs to account for an estimated

³ Antelope Valley AQMD, "Palmdale Hybrid Power Project Project Offsets," dated July 6, 2009 to Ms. Felicia Miller, California Energy Commission.
Web site: http://www.energy.ca.gov/sitingcases/palmdale/documents/others/2009-07-06_AVAQMD_Comments_on_Staff_Status_Report_4_TN-52305.pdf

150 tpy of NO_x PHPP project emissions. San Joaquin Valley NO_x certificates #S-2990-2 and #S-2553-2 only account for approximately 5 tons of NO_x ERCs, which is significantly less than the 150 tpy of NO_x required.

We remain committed to working with the District to ensure that all offsets used in nonattainment areas meet federal offset requirements.

PM₁₀ Emissions Reductions Credits (ERC) / Emission Offsets for State Requirements

With respect to PM₁₀ ERCs, we acknowledge that the proposed reductions are to meet the State offset requirements. PHPP is located in an area of the District that is designated attainment for all federal National Ambient Air Quality Standards. We understand that there is no federally-required District maintenance plan or other requirement that relies on offsets. Therefore, EPA Region 9 has determined that we will defer to the District and the State to review individual offsets in attainment areas that are required under Antelope Valley AQMD Rule 1305. This letter does not represent EPA concurrence on whether these credits meet federal offset requirements.

BACT – PDOC Evaluation and BACT Demonstration

In accordance with our March 2009 comments, the District has identified, where applicable, LAER/ BACT technologies at the PHPP facility that are at least or more stringent than the New Source Performance Standards (NSPS), National Emissions Standards for Hazardous Air Pollutants (NESHAP), and/or SIP-approved rules for source specific standards, where applicable.

BACT – PDOC Evaluation and Gas Turbine Emissions

PHPP proposes to use gas turbines with the “Rapid Start Process” technology to minimize startup durations. Following EPA’s March 2009 comments, the District has provided emissions information (e.g., lbs of pollutant per type of event for each turbine) as part of the engineering evaluation (pp. 6-8). Proposed emission limit conditions for each gas turbine based on hot/warm startup, cold startup and shutdown events are included for NO_x and CO emissions. Although similar information is presented for VOC emissions, the District has not included proposed emission limit conditions.

BACT – Combustion Sources and Startup/Shutdown Emissions

In addition to conditions for the gas turbines, permit conditions, where applicable, should be specified for transient conditions of the following:

1. Auxiliary Boiler
2. Heat Transfer Fluid Heater

3. Emergency Generator
4. Emergency Fire Suppression Water Pump

The District expects the proposed emission limits for the above equipment to be met through equipment operations, e.g., startup, steady-state operations, shutdown, etc.

Federal Prevention of Significant Deterioration (PSD) Requirements and Discussion

As previously commented in EPA's March 2009 letter to the District, the District presents a discussion of select PSD requirements in Section 6 (PSD Class I Area Protection) and Section 7 (Air Quality Impact Analysis). Although we appreciate the District including this information as part of its PDOC, we believe this is intended for information purposes only and does not represent formal concurrence of the Class I impacts or National Ambient Air Quality Standards analysis. EPA has jurisdiction for issuing the PSD permit. Therefore, EPA, and not the District, is responsible for formally determining whether the requirements of Part 52.21 have been met.

Permit and Evaluation Improvements – Suggested Updates and Considerations

PDOC conditions were reviewed to ensure federal enforceability, where applicable, of the corresponding compliance demonstrations. The District has included many of the comments made to the prior version of the PHPP PDOC, resulting in specific permit conditions that enhance federal enforceability. However, the District may want to consider PM_{2.5} emission limits in the following PHPP FDOC conditions:

- 1) p. 21 Condition 6. PM_{2.5} lb/day limit
- 2) p. 23 Condition 17(f). PM_{2.5} to be included in summary report
- 3) p. 27 Condition 4. PM_{2.5} lb/hr limit
- 4) p. 27 Condition 6(b). PM_{2.5} to be included in summary report
- 5) p. 28 Condition 3. PM_{2.5} lb/hr limit
- 6) p. 28 Condition 5. PM_{2.5} to be included in summary report

The following present additional comments for Section 12 (Permit conditions) for the District's consideration in developing the FDOC. (It should be noted that there may be comments on the revised PDOC that we did not make for the previous PDOC.)

General suggestions

- Source test methods – Source test methods (or references to a related permit condition) for each pollutant being tested should be explicitly listed when referenced in a permit condition (e.g., Conditions 14, 15, etc.)
- Equipment subject to PSD – All equipment (not only the combustion turbine generator power block) are subject to the PSD requirements.
- Natural gas-fired equipment – It is assumed that these equipment are fired with pipeline quality natural gas, i.e., as defined by Condition 2 of the *Combustion Turbine Generator Power Block Authority to Construct Conditions*.
- Equipment operating hour limits - We note that recordkeeping of operating hours is required for several equipment. Please include permit condition language that

requires further enforceability of the operating hour limits, e.g., non-resettable hour meter, where applicable.

Combustion Turbine Generator Power Block Authority to Construct Conditions

1. Condition 3 (p. 20)- Correction: Please replace the PSD citation of 40 CFR 51.166 with **40 CFR 52.21**.
2. Condition 5.a. (p. 21) – Clarification: The District refers to an “aborted partial cold start” continuing to be considered a cold start. Please provide further discussion about this operating scenario and the intent of retaining cold startup status rather than “other startup” status (which has reduced durations and emissions requirements).
3. Conditions 6 and 7 (p. 21) – Clarification/correction: These conditions refer to equipment other than the gas turbine-related operations, thus representing facility-wide emissions. The emission limits should be further clarified and corrected. For instance, the emission limits for NO_x and CO incorrectly reference “verified by CEMS” for compliance demonstration. If in fact the intent is for these limits to be facility-wide; other facility equipment should be equipped with CEMS for determining NO_x and CO emissions. Please revise these conditions to properly reflect the District’s intent for compliance demonstration with a facility-wide emission limit.
4. Condition 8 (p. 22) – Clarification: Please clarify what federally enforceable monitoring requirements are associated with this permit condition.
5. Condition 10 (p. 22) – Clarification/definition: This condition requires that the control technologies be “installed and fully functional,” however, it is unclear what defines “fully functional” within the context of determining, for example, the operating parameters and variables. We suggest the District further define how “fully functional” will be enforced.
6. Condition 12 (p. 22) – Consistency: This condition requires PHPP to notify the APCD and EPA of the dates of first fire and initial commercial operation of each gas turbine. We suggest that the District assure the date of initial commercial operation be consistent with Part 75 requirements.
7. Condition 15 (p. 23) – Observation: Although NO_x and CO startup and shutdown requirements are included as permit conditions the District has not included proposed VOC emission limit conditions for these transient operating scenarios.
8. Condition 21 (p. 24) – Clarification: This condition requires NO_x and NH₃ slip ppm limits to “apply coincident with the steady state operation of the SCR systems.” For clarification purposes, EPA suggests the District reference the applicable permit conditions – Condition 4 (of the *Selective Catalytic Reduction System Authority to Construct Conditions*) for the ammonia slip limit and Condition 4 of the *Combustion Turbine Generator Power Block Authority to Construct Conditions*). Furthermore, as

noted above in Comment 5, the intent of the term “fully function” appears to be similar to the intent of this Condition 21. We suggest consistency in terminology.

Selective Catalytic Reduction System Authority to Construct Conditions

9. Condition 4 (p. 26) – Clarification/addition: This condition requires ammonia injection when the SCR temperature is 550 degrees Fahrenheit or greater. To ensure enforceability of this requirement, we suggest a requirement for maintaining records of the monitoring of the temperature.

Emergency Generator Authority to Construct Conditions

10. Condition 3 (p. 29) – Clarification/definition: This condition limits operation of this generator when “commercially available power has been interrupted.” This terminology is somewhat vague given that there may be a variety of scenarios when power may be interrupted. Please describe and confirm the intended limited scenarios for operating this generator. Furthermore, it is unclear whether the intent and language of this requirement is consistent with the District’s SIP rules governing the operations of this generator strictly under emergency scenarios.

###

ATTACHMENT G

From: "Cleaves, Ronald E LtCol USAF AFMC ASC Det 1/CC"
<Ronald.Cleaves@edwards.af.mil>
To: <fmiller@energy.state.ca.us>
CC: "Harstad, Richard D Civ USAF AFMC ASC/ENV" <Richard.Harstad@WPAFB.AF.MIL...>
Date: 5/24/2010 7:55 PM
Subject: Letter to the CEC re: Palmdale Hybrid Power Plant
Attachments: 100521 - Response to CEC re PHPP.pdf

Ms. Felicia Miller,

I have attached our response in regard to the Palmdale Hybrid Power Plant. This is an Air Force coordinated response with our leadership at Wright-Patterson AFB. We do not foresee any negative impacts to Air Force Plant 42 in regard to the construction of the Palmdale Hybrid Power Plant. We have provided comments on the Avenue M Earthen Berm, Infiltration Basins, Development Setbacks from AFP 42, Security Cameras, Electrical Transmission Lines, Visible and Thermal Plumes, and height restrictions for the Power Plant Exhaust Stacks. Please be advised that we are continuing to review the project with respect to potential flight restrictions due to the solar mirror arrays and our comments on that matter will be provided in forthcoming responses.

Note: Should any changes be made to the above issues/purposes, the subject Conceptual Site Plan, the height or location of above-ground linear infrastructure, the associated studies/reports/analysis, or the proposed mitigations, we would request the opportunity to review and comment once again.

V/R

Ron

Ronald E. Cleaves, Lt Col, USAF

Commander ASC Det 1 Air Force Plant 42

(661)272-6770 wk; (661) 816-0650 cell; 661-272-6702 fax

DOCKET

08-AFC-9

DATE	MAY 24 2010
RECD.	MAY 25 2010



DEPARTMENT OF THE AIR FORCE
DETACHMENT 1, AERONAUTICAL SYSTEMS CENTER (AFSC)
PRODUCTION FLIGHT TEST INSTALLATION, AF PLANT 42
2805 EAST AVENUE, PALMDALE, CA 92350-2109

21 May 2010

MEMORANDUM FOR: CA ENERGY COMMISSION, DOCKET NO. 08-AFC-9
ATTN: MS. FELICIA MILLER, PROJECT MANAGER
1516 NINTH STREET
SACRAMENTO, CA 95814

FROM: ASC DET 1/CC

SUBJECT: Palmdale Hybrid Power Plant – Initial Comments on AFC Conceptual Site Plan

1. We have received your request to review the subject Conceptual Site Plan, Drawing No. 2007-021-CM-500, Revision D, dated 3-11-10 (attached), and have carefully reviewed it with respect to the Avenue M Earthen Berm, the Infiltration Basins, Development Setbacks, Security Cameras, Electrical Transmission Lines, Visible/Thermal Plumes and Power Plant Exhaust Stacks. The following comments are provided for your consideration.
2. Avenue M Earthen Berm: We understand the purpose of the berm (8' min.) is to mitigate the visual impacts to the north of the site, and that the berm will be landscaped with desert vegetation. We assume that dust and debris mitigation will be required on the berm (before, during and after construction). Other than the voluntary 20 feet setback from Plant 42 property line (noted herein), we take no exception to the berm as presented, and foresee no negative impacts to Air Force Plant 42 with dust and debris mitigation.
3. Infiltration Basins: We understand the purpose of the infiltration basins is to mitigate the stormwater runoff impacts from the site, that the basins will percolate/evaporate storm water runoff from the power plant property within 48 hours, that measures will be taken to ensure that the basins do not attract migratory waterfowl, and that there will be no connection to Air Force Plant 42 property. We assume that dust, debris and migratory waterfowl mitigation, will be required for the infiltration basins (before, during and after construction). We take no exception to the infiltration basins as presented, and foresee no negative impacts to Air Force Plant 42 with dust, debris, and migratory waterfowl mitigation.
4. Development Setbacks from Plant 42: Pursuant to discussions with the City of Palmdale, and as validated on the subject site plan, the site is designed to provide a development setback of 20 feet upon the power plant along the east and south boundaries of the site, adjoining Plant 42. The primary purpose of the 20 feet setback is to maintain a security standoff distance from Plant 42 property line, and that this setback will continue in perpetuity through a deed restriction or other legal mechanism on the power plant property. Other than the noted setback perpetuation, we concur with the setback as presented, and foresee no negative impacts to Air Force Plant 42.
5. Security Cameras: The City of Palmdale recently notified us that cameras are contemplated within the site and along the perimeter as a potential security measure. We would prefer that other security measures be deployed along the south and east perimeter in-lieu of cameras, but if a camera system is deemed essential to power plant security, we request consideration of Plant 42 national security implications in the design of that system (locations, view angles, sight lines, etc.) and the opportunity to review and comment on that system prior to placement of any cameras. It should be noted that the City of

Palmdale has verbally agreed to obtain Plant 42 review and concurrence of any camera system prior to its design and deployment along or near the south and east boundaries of the power plant site.

6. Electrical Transmission Lines: We have reviewed the Preferred Electrical Transmission Line Route (Preferred Route) and the three (3) Alternative Electrical Transmission Line Routes, developed by the City of Palmdale for the application. Plant 42's Class B military airport airspace is governed by Air Force Runway Airspace and Imaginary Surfaces standards, found in Figure 3-15 of Unified Facilities Criteria (UFC) 3-26-01, which limit the maximum height of structures within military airport airspace through several different horizontal and sloped imaginary surfaces (see attached).

- a. Preferred Route: Along Avenue L, near 60th Street East, the poles are approximately 12,000 feet from the end of Plant 42 Runway 22 (Approach End - north end of Runway 04-22) within Plant 42 Accident Potential Zone II (APZ II). Pursuant to Figure 3-15 of UFC 3-26-01, these poles are within Plant 42's military airport airspace. It is our understanding that the City of Palmdale intends to restrict all poles, within Plant 42's military airport airspace, to single pole structures no greater than 120 feet in height; in any case, these poles would have to be restricted to a height of 240 feet above the runway surface elevation of 2543 MSL at the most critical locations. While there are inherent risks with any above ground structures located within airport flight paths, this preferred route poses the least risk amongst all the potential routes identified; we therefore take no exception to the pole locations and heights as presented, and foresee no negative impacts to Air Force Plant 42.
- b. Alternative Route 1: Along 10th Street West, near Avenue N, the poles are approximately 10,100 feet from the end of Plant 42 Runway 07 (Approach End - west end of Runway 07-25) within Plant 42 Accident Potential Zone II (APZ II). Pursuant to Figure 3-15 of UFC 3-26-01, these poles are within Plant 42's military airport airspace. It is our understanding that the City of Palmdale intends to restrict all poles, within Plant 42's military airport airspace, to single pole structures no greater than 120 feet in height; in any case, these poles would have to be restricted to a height of 198 feet above the runway surface elevation of 2543 MSL at the most critical locations. While there are inherent risks with any above ground structures located within airport flight paths, this alternative route poses the least risks amongst the alternative routes identified; we therefore take no exception to the pole locations and heights as presented, and foresee no negative impacts to Air Force Plant 42.
- c. Alternative Route 2: Along Division Street, near Avenue N, the poles are approximately 4,900 feet from the end of Plant 42 Runway 07 (Approach End - west end of Runway 07-25) within Plant 42 Accident Potential Zone I (APZ I). Pursuant to Figure 3-15 of UFC 3-26-01, these poles are within Plant 42's military airport airspace. It is our understanding that the City of Palmdale intends to restrict all poles, within Plant 42's military airport airspace, to single pole structures no greater than 120 feet in height, and that the system along Division Street within the military airport airspace would be undergrounded, thereby eliminating the potential conflicts to the airport; if the transmission lines are not undergrounded, these poles would have to be restricted to a height of 94 feet above the runway surface elevation of 2543 MSL at the most critical locations. While there are inherent risks with any above ground structures located within airport flight paths, this alternative route, if not undergrounded, would pose a substantially greater risk than Alternative Route 1.
- d. Alternative Route 3: Along Sierra Highway, near Avenue N, the poles are approximately 3,600 feet from Plant 42 Runway 07 Approach End (west end of Runway 07-25) within Plant 42 Accident Potential Zone I (APZ I). Pursuant to Figure 3-15 of UFC 3-26-01, these poles are within Plant 42's military airport airspace. It is our understanding that the City of Palmdale

intends to restrict all poles, within Plant 42's military airport airspace, to single pole structures no greater than 120 feet in height, and that the system along Sierra Highway within the military airport airspace would be undergrounded, thereby eliminating the potential conflicts to the airport; if the transmission lines are not undergrounded, these poles would have to be restricted to a height of 68 feet above the runway elevation of 2543 MSL at the most critical locations. While there are inherent risks with any above ground structures located within airport flight paths, this alternative route, if not undergrounded, would pose a greater risk than Alternative Route 2.

7. Visible and Thermal Plumes: We understand that there will be occasional visible plumes from the cooling tower exhausts as well as continuous invisible thermal plumes from the turbine engine/heat recovery steam generator (HRSG) exhausts. We understand that standard pollutant mitigation will be provided. We take no exception to the potential plumes of either the cooling tower exhausts or the HRSG exhausts as presented in the plume analyses, and foresee no negative impacts to Air Force Plant 42.

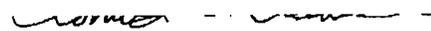
8. Power Plant Exhaust Stacks: The nearest runway to the site is Plant 42 Runway 07-25, and it is our understanding that the exhaust stack structure nearest to that runway is one of the HSRG exhausts, which is approximately 3,200 feet to the north of the centerline of the subject runway. Based on the subject offset distance, the nearest HSRG exhaust stack is restricted to a height of 150 feet above the runway surface elevation of 2543 MSL, as it falls under the control of the Inner Horizontal Surface found in Figure 3-15 of UFC 3-260-01. It is our understanding that the City of Palmdale plans to limit the height of any stack to 140 feet above the final finished grade of the site (planned for elevation 2517 MSL).

9. Should any changes be made to the above issues/purposes, the subject Conceptual Site Plan, the height or location of above-ground linear infrastructure, the associated studies/reports/analysis, or the proposed mitigations, we would request the opportunity to review and comment once again. Please be advised that we are continuing to review the project with respect to potential flight restrictions due to the solar mirror arrays, and our comments on that matter will be provided in forthcoming responses.

10. Further questions should be directed to Mr. Tim Hughes at 661-272-6759.



RONALD CLEAVES, Lt Col, USAF
Commander



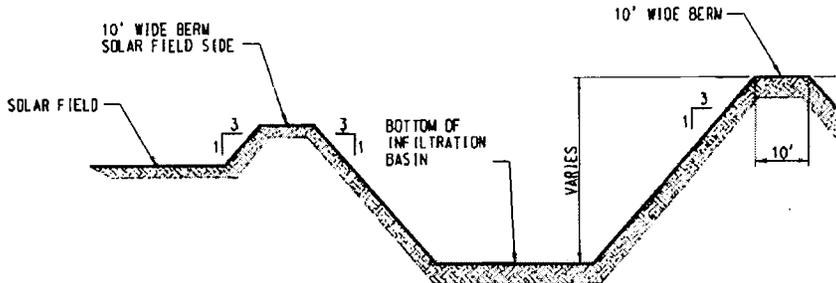
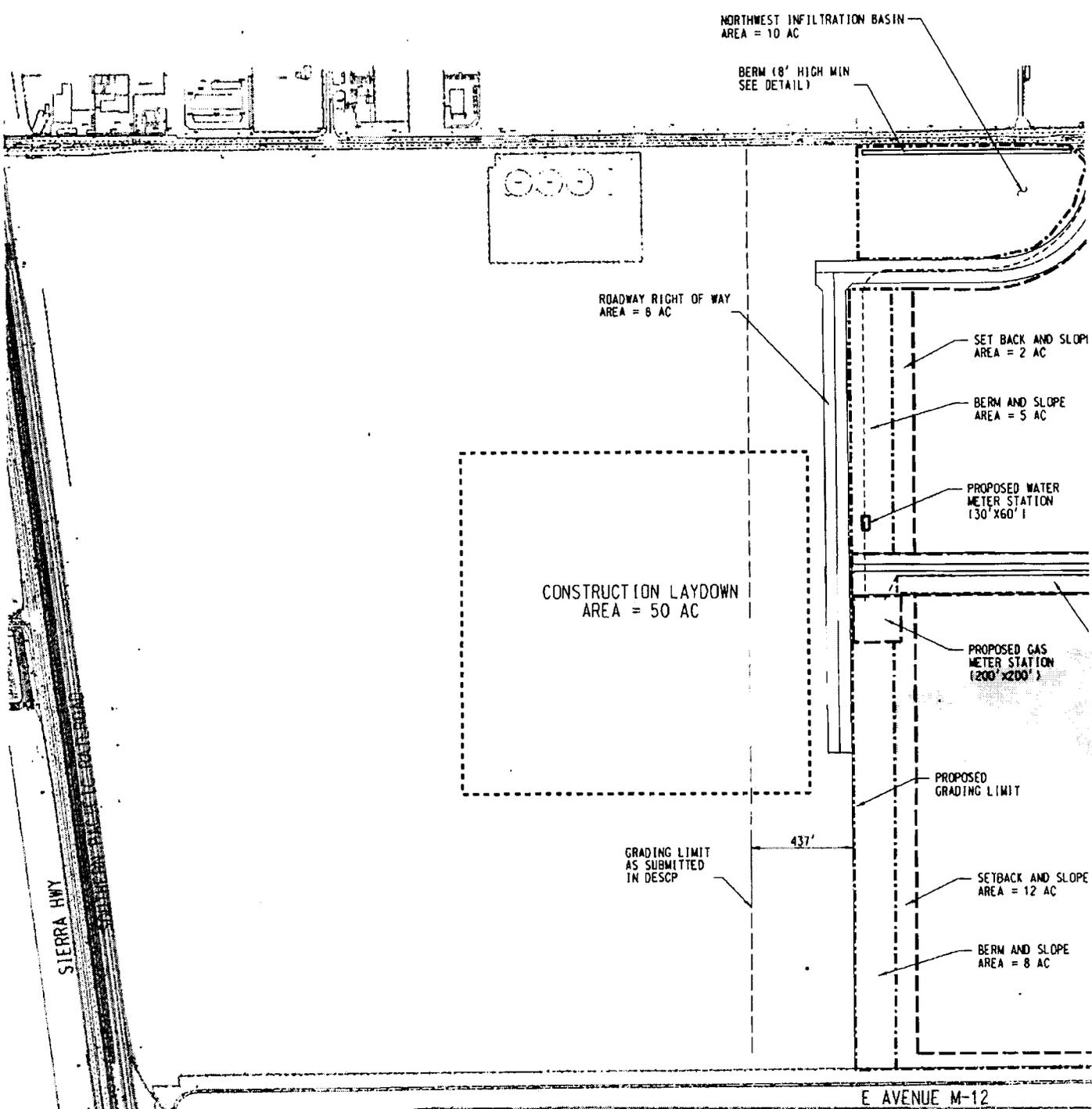
RONALD CLEAVES, Lt Col, USAF
Commander

Attachment:

Conceptual Site Plan, Drawing No. 2007-021-CM-500, Revision D, dated 3-11-10
Figure 3-15, UFC 3-260-01, page 50, 17 November 2008

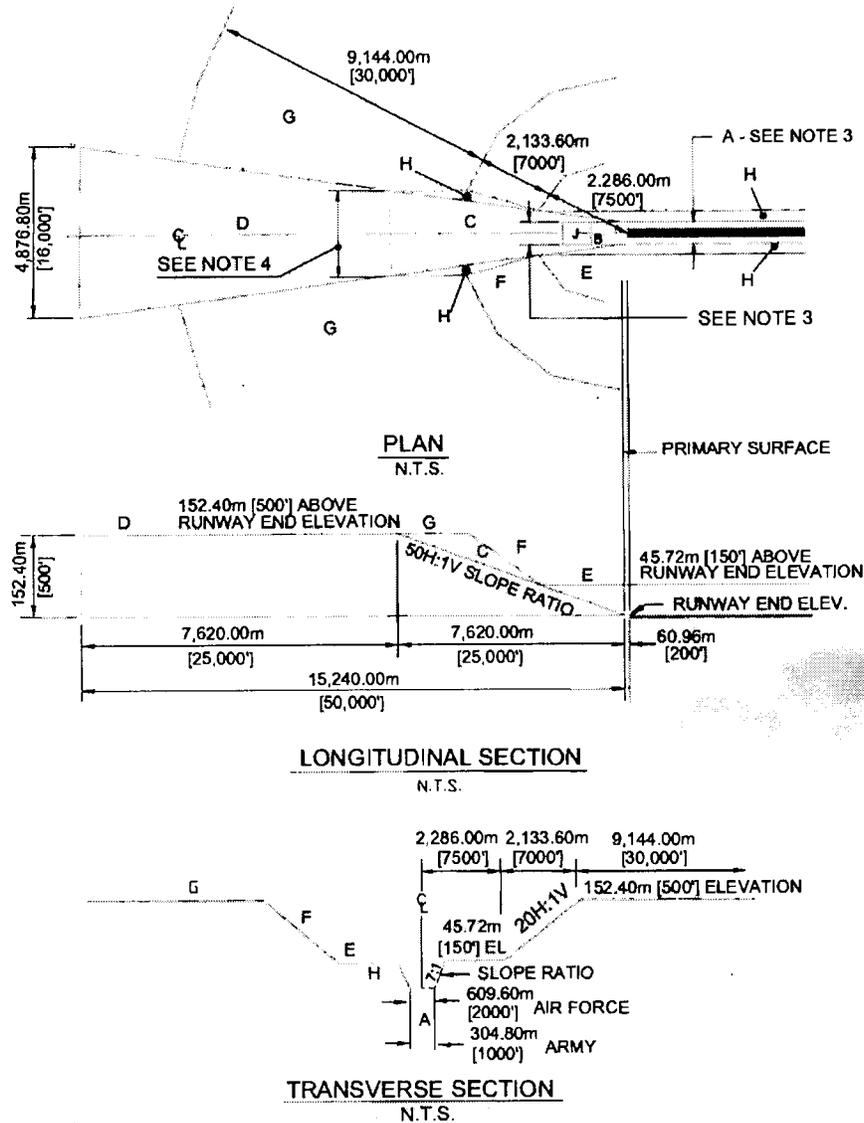
cc:

Richard Harstad, Director, 77 AESW/EE
Bill Wells, AFMCLO/JAK
Jared Scott, Chief, 77 AESW/EEP
Surendra Joshi, Chief, 77 AESW/EEP
Stephen H. Williams, City Manager, City of Palmdale
Laurie Lile, Assistant City Manager, City of Palmdale
Thomas M. Barnett, Executive Vice President, Inland Energy



SECTION X-X BERM ALONG AVENUE M AND WEST OF S
SCALE: NTS

Figure 3-15. Class B Army and Air Force Runway Airspace Plan and Profile
Runway Imaginary Surfaces



LEGEND	
A	PRIMARY SURFACE
B	CLEAR ZONE SURFACE
C	APPROACH-DEPARTURE CLEARANCE SURFACE (SLOPE)
D	APPROACH-DEPARTURE CLEARANCE SURFACE (HORIZONTAL)
E	INNER HORIZONTAL SURFACE
F	CONICAL SURFACE
G	OUTER HORIZONTAL SURFACE
H	TRANSITIONAL SURFACE
I	NOT USED
J	ACCIDENT POTENTIAL ZONE (APZ)

NOTES	
1.	DATUM ELEVATION FOR:
a.	SURFACES D, E, F AND G ARE THE ESTABLISHED AIRFIELD ELEVATION.
b.	SURFACE C IS THE RUNWAY CENTERLINE ELEVATION AT THE THRESHOLD.
c.	SURFACE H VARIES AT EACH POINT ALONG THE RUNWAY CENTERLINE. SEE TABLE 3.7.
2.	THE SURFACES SHOWN ON THE PLAN ARE FOR THE CASE OF A LEVEL RUNWAY.
3.	304.8m [1,000'] FOR ARMY AND 609.6m [2,000'] FOR AIR FORCE.
4.	2,590.8m [8,500'] FOR ARMY AND 2,743.2m [9,000'] FOR AIR FORCE.

ATTACHMENT H

cubic yards of soil (or the equivalent of 23.7 acre-feet employing a 15% compaction factor). Per the conceptual grading plan design, the available or excess cut from site is 128 acre-feet. Thus no additional cut is required for the berm, other than removing and setting aside the topsoil for later use. As shown on the attached profile view, the berm requires fill on the existing grade. The berm profile (SKC-2007-021-CM-501) and conceptual layout (SKC-2007-021-CM-500) are provided in the Soil & Water Resources Attachment S&W-2.

Information on proposed BMPs for the berm was previously provided to the CEC as part of our March 8, 2010 PSA comment submittal and are also provided in Attachment S&W-1 draft construction SWPPP (see Wind Erosion Control section 4.8.8 and Appendix WE-1).

3. Recycled Water Project Agreement

The Recycled Water Project Agreement between the Applicant and the Los Angeles County Waterworks Board for the long-term supply (30 years) of tertiary-treated water for the PHPP has been approved and signed by the Board of Waterworks and the Palmdale City Council. The agreement specifies all terms, conditions, and projected costs for the delivery and use of recycled water to the PHPP. As requested by the CEC at the Workshop, a copy of the Recycled Water Project Agreement is provided in Soil and Water Resources Attachment S&W-3.

4. Reclaimed Water Adjudication Letters from AVUMG and AVGAA

On March 8, 2010, PSA comment letters were submitted to the CEC by the Antelope Valley United Mutual Group (AVUMG) and the Antelope Valley Groundwater Agreement Association (AVGAA) related to PHPP's proposed use of reclaimed water. The Applicant will provide the CEC with a response to these letters in the next few weeks.

E. TRAFFIC AND TRANSPORTATION

The Summary of Conclusions in the Traffic and Transportation section of the PSA indicated that Staff requires additional information related to traffic in Lancaster and also additional information regarding the potential for impacts of thermal and visual plumes on Air Force Plant 42 operations.

1. Comments on Lancaster and Palmdale PHPP Traffic Issues

The following general comments pertaining to the Traffic and Transportation section are provided relative to the discussions held at the CEC PSA Workshop on February 11, 2010:

a. Compliance with Access, Circulation, and Parking Requirements

At the CEC Workshop, Staff discussed whether or not the PHPP complied with applicable requirements related to site access, circulation, and parking. These features are shown in conceptual site layout docketed by the Applicant in March 2, 2009. The

Applicant and the CEC agreed that compliance with TRANS-8 and TRANS-9 was the appropriate mechanism for satisfying these concerns.

b. Intersection at Lancaster 10th Street East and Avenue L

Applicant confirmed with CEC Staff that the analysis had been re-run assuming a signalized intersection, and that there are no significant impacts. Based upon peak hour traffic counts completed in 2008, the intersection currently operates at an LOS B during both the morning and evening weekday peak commute period. Assuming a worst case potential increase in traffic of 5.59 percent per year consistent with trends on the Antelope Valley Freeway, the intersection is forecast to continue to operate at LOS B during the morning and evening peak commute periods in 2011 without the proposed project. Adding estimates of peak construction traffic to the projected traffic total, is forecast to result in the intersection operating at an LOS B during the morning and LOS C during the evening weekday peak periods.

c. Potential Traffic Impacts in City of Lancaster

The PSA indicates additional information is needed for traffic impacts on E. Avenue M and a determination of impacts to a few intersections in Lancaster. The Applicant's traffic consultant analyzed potential impacts if E. Avenue M were used to access the site during peak construction traffic and determined that improvements would be needed if that route were used. Therefore, use of E. Avenue M as the main route to the PHPP site was dropped from consideration by the Applicant for the AFC. However, as noted below, the Applicant (City of Palmdale) has had subsequent discussions with the City of Lancaster related to the route to be used.

Further traffic counts and LOS analyses to identify potential impacts to additional intersections along Avenue L at 10th Street West and Business Center Parkway has shown the intersection at 10th Street West currently operating at an LOS B in the morning and LOS C in the evening weekday peak commute. The intersection of Business Center Parkway with Avenue L is operating at an LOS B during both the morning and evening peak commute periods. Assuming a worst case potential increase in traffic of 5.59 percent per year consistent with trends on the Antelope Valley Freeway as described above, both intersections are forecast to continue operating at an existing LOS during the morning and evening peak commute periods in 2011 without the proposed project. Adding estimates of peak construction traffic to this projected total along the presumed route is forecast to result in the intersection of 10th Street West deteriorating from LOS C to LOS D during the evening peak commute and the intersection of Business Center Parkway deteriorating from LOS B to LOS C during the evening peak commute. The City of Lancaster's criteria for the determination of an impact is if a project causes an existing LOS D or better to deteriorate to below LOS D, E or F. Therefore, significant

impacts are not forecast to occur at these locations. Furthermore, these worst case traffic volumes are temporary as they only occur during the construction period.

In terms of the capacity of 10th Street East, intersections along a segment of roadway typically set the corridor capacity. In this case, Project traffic would be using the segment between E. Avenue L and Columbia Way or E. Avenue M. The intersections at both ends (10th Street with Avenue L and Columbia Way) were evaluated as part of the project traffic analysis and are forecast to operate acceptably or at an LOS D or better assuming the intersection of Columbia and 10th Street East/Project entrance is signalized as proposed.

Detailed traffic count and LOS calculation data for the above analyses are included in the Traffic and Transportation Attachment T&T-1, Traffic Counts and Level of Service Calculations.

2. Comments on TRANS-1, Lancaster/Palmdale Traffic Control Plan

The City of Palmdale is currently in discussions with Lancaster on key elements of the Traffic Control Plan and implementation program. The staffs of the two cities have met, and are in the process of reaching an agreement on how to address broader issues of mutual concern. The Applicant will continue to work with the City of Lancaster to address any project-related traffic concerns. In order to provide flexibility in determining acceptable routes for construction traffic to minimize impacts by PHPP, the Applicant proposes the following revisions to TRANS-1:

- TRANS-1** The project owner shall submit to the cities of Palmdale and Lancaster a construction traffic control plan and implementation program. The traffic control plan must be prepared in accordance with Caltrans Manual on Uniform Traffic Control Devices and the WATCH Manual and must include but not be limited to the following issues:
- Prepare and distribute a map of indicating the route for construction workers to use to access the proposed project site. (~~SR-14 to east on Avenue L to south on 10th Street East~~).
 - Establish a TDM program in conjunction with AVTA and the cities of Palmdale and Lancaster.
 - Limit heavy equipment and building materials deliveries to between 9:30am and 3:30pm, per Palmdale Circulation Element policy, to minimize impacts (Policy C.1.7.3) and route truck traffic around residential development (Policy C.1.7.2).
 - Provide signing, lighting, and traffic control device placement during construction impacting regional and local roadways;

- Alternate construction work hours and arrival/departure times outside peak traffic periods;
- Traffic diversion plans (in coordination with the cities of Palmdale and Lancaster) to ensure access during temporary lane/road closures;
- Ensure access for emergency vehicles to the project site;
- Temporary closure of travel lanes or disruptions to street segments and intersections during reconductoring activities or any other utility tie-ins;
- Establish a parking plan for workers, construction vehicles, and trucks during transmission line and pipeline construction.
- Installation of the natural gas pipeline and water line to occur during non-peak hours.
- Use flagging, flag men, signage and cover open trenches.

Verification: At least 90 day prior to the start of site mobilization, the project owner shall submit a traffic control plan that outlines each component above to the cities of Palmdale and Lancaster for review and comment and submit the construction traffic control plan to the Compliance Project Manager (CPM) and Chief Building Official (CBO) for review. The CPM and CBO will consider comments received by the cities and include such comments where appropriate.

3 Comments on the PHPP Vertical Velocity Plume Hazard Potential

In the February 11, 2010 Workshop, the Staff described their vertical velocity plume potential hazard analysis as a conservative analysis.

Applicant has identified the following four potential discrepancies between Staff's analysis in the PSA and Applicant's analysis in the AFC:

- a) The Staff's analysis appears to overestimate the frequency of calm winds at the Plant 42 Airfield by approximately a factor of five. The Staff estimate of the calm frequency of 10 percent is based on the meteorological data for the three year period 2002-2004 measured at the Airfield by the National Oceanic and Atmospheric Administration as part of the Automated Surface Observation System (ASOS). The starting threshold for an ASOS anemometer is 2 knots with a minimum reporting speed of 3 knots. Therefore, the 10 percent value reflects not the occurrence of calm winds but rather the occurrence of wind speeds less than 3 knots. By comparison, the wind sensor at the nearby General Fox Field in Lancaster has a five-year frequency of winds less than 1 knot of 2.2 percent. On a daylight basis, there are on average less than 73 daylight hours per year at General Fox Field with winds less than 1 knot. These daylight hour, very low speed or calm winds occur mainly during the hours just after sunrise.

**STATE OF CALIFORNIA
ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION**

In the Matter of:) Docket No. 08-AFC-9
)
Application for Certification,) **PROOF OF SERVICE**
for the CITY OF PALMDALE HYBRID)
POWER PLANT PROJECT) (Revised July 1, 2010)
)
_____)

APPLICANT

Thomas M. Barnett
Executive Vice President
Inland Energy, Inc.
3501 Jamboree Road
South Tower, Suite 606
Newport Beach, CA 92660
tbarnett@inlandenergy.com

Antonio D. Penna Jr.
Vice President
Inland Energy
18570 Kamana Road
Apple Valley, CA 92307
tonypenna@inlandenergy.com

Laurie Lile
Assistant City Manager
City of Palmdale
38300 North Sierra Highway, Suite A
Palmdale, CA 93550
llile@cityofpalmdale.org

APPLICANT'S CONSULTANTS

Sara Head
Vice President
AECOM
1220 Avenida Acaso
Camarillo, CA 93012
Sara.Head@aecom.com

PALMDALE HYBRID POWER PROJECT
CEC Docket No. 08-AFC-09

INTERESTED AGENCIES

Ronald E. Cleaves, Lt. Col, USAF

Commander ASC Det 1 Air Force Plant 42
2503 East Avenue P
Palmdale, CA 93550
Ronald.Cleaves@edwards.af.mil

Erinn Wilson

Staff Environmental Scientist
California Department of Fish and Game
18627 Brookhurst Street, #559
Fountain Valley, CA 92708
E-mail preferred
EWIison@dfg.ca.gov

Richard W. Booth

Sr. Geologist
Lahontan Regional
Water Quality Control Board
2501 Lake Tahoe Blvd.
South Lake Tahoe, CA 96150-2306
rbooth@waterboards.ca.gov

Rick Buckingham

State Water Project
Power & Risk Office
3310 El Camino Avenue, LL-90
Sacramento, CA 95821
E-mail preferred
rbucking@water.ca.gov

Manuel Alvarez

SoCal Edison
1201 K Street
Sacramento, CA 95814
Manuel.Alvarez@sce.com

Robert C. Neal, P.E.

Public Works Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534-2461
rmeal@cityoflancasterca.org

PALMDALE HYBRID POWER PROJECT
CEC Docket No. 08-AFC-09

California ISO
P.O. Box 639014
Folsom, CA 95763-9014
e-recipient@caiso.com

Robert J. Tucker
SoCal Edison
1 Innovation Drive
Pomona, CA 91768
Robert.Tucker@sce.com

Christian Anderson
Air Quality Engineer
Antelope Valley AQMD
43301 Division St, Suite 206
Lancaster, CA 93535
E-mail preferred
canderson@avaqmd.ca.gov

Keith Roderick
Air Resources Engineer
Energy Section/Stationary Sources
California Air Resources Board
P.O. Box 2815
Sacramento, California 95812
E-mail preferred
kroderic@arb.ca.gov

ENERGY COMMISSION

Jeffrey D. Byron
Commissioner and Presiding Member
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
jbyron@energy.state.ca.us

Anthony Eggert
Commissioner and Associate Member
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
aeggert@energy.state.ca.us

PALMDALE HYBRID POWER PROJECT
CEC Docket No. 08-AFC-09

Paul Kramer
Hearing Officer
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
pkramer@energy.state.ca.us

Kristy Chew
Advisor to Commissioner Byron
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
kchew@energy.state.ca.us

Lorraine White
Advisor to Commissioner Eggert
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
E-mail preferred
lwhite@energy.state.ca.us

Felicia Miller
Project Manager
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
fmiller@energy.state.ca.us

Lisa DeCarlo
Staff Counsel
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
ldecarlo@energy.state.ca.us

Jennifer Jennings
Public Adviser
CALIFORNIA ENERGY COMMISSION
1516 Ninth Street
Sacramento, California 95814-5512
Publicadviser@energy.state.ca.us

PALMDALE HYBRID POWER PROJECT
CEC Docket No. 08-AFC-09

DECLARATION OF SERVICE

I, Paul Kihm, declare that on September 22, 2010, I served and filed copies of the attached:

APPLICANT'S RESPONSE TO STAFF STATUS REPORT NO. 8

to all parties identified on the Proof of Service List above in the following manner:

California Energy Commission Docket Unit

- Transmission via electronic mail and by depositing a copy with FedEx overnight mail delivery service at Costa Mesa, California, with delivery fees thereon fully prepaid and addressed to the following:

CALIFORNIA ENERGY COMMISSION

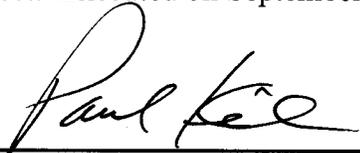
Attn: DOCKET NO. 08-AFC-09
1516 Ninth Street, MS-4
Sacramento, California 95814-5512
docket@energy.state.ca.us

For Service to All Other Parties

- Transmission via electronic mail to all email addresses on the Proof of Service list; and
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I further declare that transmission via electronic mail and U.S. Mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210.

I declare under penalty of perjury that the foregoing is true and correct. Executed on September 22, 2010, at Costa Mesa, California.



Paul Kihm