



980 Ninth Street, Suite 1900
Sacramento, California 95814
main 916.447.0700
fax 916.447.4781
www.stoel.com

March 16, 2009

KIMBERLY HELLWIG
Direct (916) 319-4742
kjhellwig@stoel.com

VIA HAND DELIVERY

Mr. Steve Munro, Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814

DOCKET 00-AFC-14C	
DATE	MAR 16 2009
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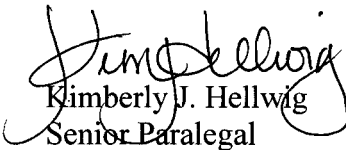
**Re: El Segundo Power Redevelopment Project (00-AFC-14C)
Correspondence to South Coast Air Quality Management**

Dear Mr. Munro:

On behalf of El Segundo Energy Center LLC ("El Segundo"), enclosed for docketing please find correspondence to Dr. Barry R. Wallerstein, Executive Officer, South Coast Air Quality Management District (the "District"). Specifically, the correspondence is responsive to the District's request that El Segundo provide information demonstrating how the El Segundo Power Redevelopment Project complies with District Rule 1303(b) emission offset requirements.

Should you have any questions regarding this filing or the enclosed correspondence, please contact George Piantka at (760) 710-2156 or John McKinsey at (916) 447-0700.

Respectfully submitted,


Kimberly J. Hellwig
Senior Paralegal

Enclosure

cc: Tim E. Hemig, El Segundo Energy Center LLC
George Piantka, El Segundo Energy Center LLC
John A. McKinsey, Stoel Rives LLP

El Segundo Energy Center LLC

March 13, 2009

Dr. Barry R. Wallerstein, D.Env.
Executive Officer
South Coast Air Quality Management District
21865 E. Copley Drive
Diamond Bar, CA 91765-4178

Re: Proposed El Segundo Power Redevelopment Power Plant Project, 00-AFC-14C,
AQMD Application Numbers 470652-470656, Facility ID 115663

Dear Dr. Wallerstein:

This letter responds to your letter dated February 26, 2009, wherein the South Coast Air Quality Management District (SCAQMD) requests that El Segundo Power, LLC (El Segundo) provide, by March 15, 2009, information demonstrating how the El Segundo Power Redevelopment (ESPR) project complies with SCAQMD Rule 1303(b)'s emission offset requirements.

As you know, it was El Segundo's intention to rely on a combination of certified Emission Reduction Credits, Rule 1304(a)(c) offset exemption, and either the current or previous version of SCAQMD Rule 1309.1 - Priority Reserve as its source of emission offsets. As you point out in your letter, use of Rules 1304 and 1309.1 have been precluded for the time being as a result of the ruling by Judge Ann I. Jones. El Segundo acknowledges that it will have to provide appropriate and adequate emission offsets prior to issuance of the final Permits to Construct for the project. To that end, El Segundo has been actively pursuing a number of alternative sources of offsets, as described below.

On February 27, 2009, California Senator Rodney Wright introduced Senate Bill No. 696 (SB 696).¹ While SB 696 is largely a placeholder bill at this time, it is our understanding that it is intended to be a vehicle for addressing the current emission offset situation in the SCAQMD. Depending on how the bill language develops, SB 696 could provide an alternative emission

¹ SB696 is available at http://info.sen.ca.gov/cgi-bin/postquery?bill_number=sb_696&sess=CUR&house=B&site=sen (last visited 3/6/2009).

offset solution for ESPR. El Segundo intends to monitor this legislation, and if appropriate, support its adoption.

In addition, El Segundo is participating in the newly established SCAQMD working group that was formed to develop new mechanisms for creating PM10 offsets. The first mechanism that is being considered by this working group is the generation of offsets from the paving of unpaved roads, as has been done in other California air districts. We understand that proposed rule language will be made available by SCAQMD staff later this month. El Segundo believes that this, or other credit generation mechanisms developed by the working group, may provide an alternative source of emission offsets for ESPR.

As summarized above, El Segundo is working diligently on its own and with the SCAQMD on a number of alternative sources of emission offset for ESPR. We have every reason to believe that one or more of these options will come to fruition and will allow El Segundo to secure the offsets necessary to obtain Permits to Construct for ESPR.

If you have any questions regarding this matter, please contact George Piantka at 760-710-2156.

Very truly yours,



Tim E. Hemig
Director, Environmental Business

Cc: SCAQMD Governing Board Members
Kurt Wiese, SCAQMD
Terry O'Brien, CEC
Bob Wyman, Latham & Watkins, LLP