



770 L Street, Suite 800
Sacramento, California 95814
mail 916.447.0700
fax 916.447.4781
www.stoel.com

October 26, 2006

JOHN A. MCKINSEY
Direct (916) 319-4746
jamckinsey@stoel.com

VIA E-MAIL AND HAND DELIVERY

Christopher Meyer
Compliance Project Manager
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814

**RE: Docket No. AFC-00-14
Petition to Make Insignificant Project Change to Condition of Certification AQ-C5**

Dear Mr. Meyer:

This petition seeks an insignificant project change to the Final Decision issued by the California Energy Commission ("CEC") for the El Segundo Power Redevelopment ("ESPR"), 00-AFC-14. The project owner, El Segundo Power II LLC, ("ESP II") seeks to change the listing and designation of PM10 emission offsets as described in Condition of Certification AQ-C5. This petition complies with requirements set forth in the Final Decision (pages 290- 291) and Title 20, California Code of Regulations, section 1769.

I. Summary and Analysis of Proposed Change

AQ-C5 lists specific emission reduction credit certificates in table AQ-C5 and limits their use to ESPR. Eight certificates for PM10 emissions are listed totaling 24 pounds per day. The remainder of required PM10 offsets, 522 pounds per day are being met by a combination of exempted offsets, for the re-powering of the generating station and priority reserve credits held by South Coast Air Quality Management District ("SCAQMD"). Those PM10 certificates, however, are needed for an emergency peaker project being developed in the Long Beach area to respond to the California Public Utilities Commission ("CPUC") Assigned Commissioner's Ruling ("ACR") dated August 15, 2006, requiring Southern California Edison to procure 250 MW of new generation capacity for summer of 2007. For that reason, ESP II seeks to change the designation of the PM10 offsets to come from priority reserve credits, thus freeing up the listed 24 pounds per day PM10 certificates to be used for the emergency Long Beach project.

Oregon
Washington
California
Utah
Idaho



Christopher Meyer
October 26, 2006
Page 2

Changing the designation of 24 pounds per day of PM10 emission reduction credits from specific certificates to priority reserve is an insignificant and simple change because no reduction or substantial change in the quality of emission reduction credits will occur and because the air permit application to SCAQMD for ESPR does not limit or specify the amount of PM10 credits that can be purchased for the ESPR project. In fact, the SCAQMD's Final Determination of Compliance for ESPR specifies that the remaining need for PM10 emission offsets can come from either traditional emission reduction credits or from the priority reserve. Priority reserve credits are equivalent to the listed emission reduction credits and the change in designation has no effect on the environment nor does it alter the intent or purpose of AQ-C5.

This matter is urgent, as the designation of emission reduction credits needs to be included in the air permit application to SCAQMD for the Emergency Long Beach Peaker project in November. The CPUC ACR dated August 15, 2006, reported that summer 2006 peak demand in the SCE service territory was significantly greater than expected for the corresponding conditions and that additional generating capacity is critically needed for summer of 2007 to avoid an energy emergency. PM10 is in short supply in the SCAQMD and the procedural context of the peaker project does not appear to allow it to utilize priority reserve credits. Thus these 24 pounds per day of PM10 credits give critically needed extra capacity to the Long Beach project to respond to emergency needs in the summer of 2007. For these reasons, ESP II respectfully requests that CEC staff promptly consider and approve this insignificant project change, thus ensuring that the Emergency Long Beach Peaker project is able to respond to this important need.

II. Information Required Pursuant to Section 1769(A)(1) of Title 20 of the California Code of Regulations

A. Description of Proposed Change.

The proposed modification is to change the designation of 24 pounds per day of PM10 emission reduction credits from specific listed certificates in Table AQC5 to 20 pounds per day of PM10 priority reserve credits needing to be purchased and an additional four (4) pounds per day PM10 priority reserve to come from the SCAQMD. Attached to this petition is a revised AQ-C5 indicating the requested changes. Priority reserve credits purchased from the SCAQMD are provided on a 1.0 to 1.0 basis rather than the 1.2 to 1.0 offset ratio for emission reduction credits. Therefore, 20 pounds per day of priority reserve credits will be needed to substitute for the 24 pounds per day of PM10 emission reduction credits. The SCAQMD supplies the additional 20 percent, or in this case four (4) pounds of PM10, from its priority reserve bank.



Christopher Meyer
October 26, 2006
Page 3

B. Need for the Change

This change is necessary to allow the use of the 24 pounds per day of PM10 emission reduction credits in the Emergency Long Beach Peaker project. There, those 24 pounds per day will provide additional operational time, thus helping ensure that the Emergency Long Beach Peaker project meets the demand for critical summer time peak capacity in the SCE service territory.

C. Explanation of Whether Change is Sought Based on Information Known during AFC Proceeding.

This change is not being sought based on information that was known to the petitioner at the time of the certification proceeding. The urgent need for critical summer peaking capacity in SCE territory only became apparent in the summer of 2006. The fact that the only viable project would be to utilize the installed combustion turbines at Long Beach Generating Station was also not apparent until the end of the summer of 2006.

D. Explanation of Whether Change is Sought Based on New Information

The change is founded upon the newly recognized need for 250 MW of peaking capacity in the SCE service territory to meet previously unexpected summer peak demand and avoid an energy emergency.

E. Explanation of the Effect of the Change on the Environment

Changing the designation of 24 pounds per day of PM10 emission reduction credits from specific certificates to 20 pounds per day of PM10 priority reserve credits needing to be purchased and an additional four (4) pounds per day PM10 priority reserve to come from the SCAQMD, will not have a significant effect on the environment. No reduction or substantial change in the quality of emission reduction credits will occur. Priority reserve credits are equal to the listed emission reduction credits.

F. Explanation of the Effect the Change on LORS Compliance

There will be no impact of the ability of the facility to comply with any laws, ordinances, regulations or standards. SCAQMD has not specified which credits will be used for ESPR nor has it yet specified how many pounds per day of PM10 priority reserve credits will be or can be used for the project. There is no regulatory restriction that would prevent an additional 20 pounds per day of PM10 being purchased from SCAQMD.



Christopher Meyer
October 26, 2006
Page 4

G. Explanation of the Effect of the Change on the Public

There should be no effect on the public resulting from changing the designation of 24 pounds per day of PM10 emission reduction credits from specific listed certificates in Table AQC5 to priority reserve credits.

H. Explanation of the Effect of the Change on Property Owners

No property owners should be affected by changing the designation of 24 pounds per day of PM10 emission reduction credits from specific listed certificates in Table AQC5 to 20 pounds per day of PM10 priority reserve credits needing to be purchased and an additional four (4) pounds per day PM10 priority reserve to come from the SCAQMD.

I. Explanation of the Effect of the Change on Parties to the AFC Proceeding

There should be no effect on the parties to the AFC proceeding resulting from changing the designation of 24 pounds per day of PM10 emission reduction credits from specific listed certificates in Table AQ-C5 to 20 pounds per day of PM10 priority reserve credits needing to be purchased and an additional four (4) pounds per day PM10 priority reserve to come from the SCAQMD.

III. Conclusion

Because changing PM10 offset designations from certificates to priority reserve is a nominal change that has no significant effect on the environment, LORS compliance, or the surrounding community, and because such a change will not alter the intent of purpose of AQ-C5, this petition should be approved at the staff level as an insignificant project change after a prompt review.

Very truly yours,

John A. McKinsey
Attorney for El Segundo Power II LLC

AQ-C5 The project owner shall commit specific emission reduction credits certificates for the ESPR to offset the project emissions as provided for in Table AQ-C5-1. The project owner shall not use of any ERCs to be surrendered in the Table AQ-C5-1 for purposes other than offsetting the ESPR.

TABLE AQ-C5-1 – Emission Offset Requirements

Certificate Number	Amount (lbs/day)	Pollutant
AQ003331	47	SO2
AQ003332	13	SO2
AQ003333	17	SO2
AQ003334	75	SO2
AQ003336	19	SO2
AQ003463	1	SO2
AQ004450	1	SO2
AQ004498	10	SO2
Total of Certificates Identified	193	SO2
Total to be surrendered	43	SO2
District Exempted Emission Offsets	29	SO2
Total surrendered & exempted emissions	72	SO2
AQ003327	70	VOC
AQ004580	20	VOC
AQ003722	95	VOC
Total of Certificates Identified	185	VOC
Total to be surrendered	140	VOC
Total Surrendered Emissions	140	VOC
AQ003352	6	PM10
AQ003462	2	
AQ003550	2	
AQ003568	3	
AQ004145	1	PM10
AQ004322	5	PM10
AQ004323	3	PM10
AQ004326	2	PM10
Total of Certificates Identified	24	PM10
Total to be surrendered	24	PM10
1304 Exempted Emission Offsets	173	PM10
Priority Reserve Purchased	291	PM10
Priority Reserve from District	58	PM10
Total surrendered & exempted emissions	546	PM10

The project owner shall request from the District a report of the NSR Ledger Account for the ESPR after the District has granted the ESPR a Permit to Construct. Such report is to specifically identify the ERCs, Priority Reserve Credits and Rule 1304 Exempted Emissions

used to offset the project emissions. The project owner shall submit this report to the CPM prior to turbine first fire.

Verification: No more than 15 days following the issuance of the District's Permit to Construct, the project owner shall request from the District the report of the NSR Ledger Account for the ESPR. The project owner shall submit the report of the NSR Ledger Account for the ESPR to the CPM no less than 30 days prior to turbine first fire.

AQ-C5 The project owner shall commit specific emission reduction credits certificates for the ESPR to offset the project emissions as provided for in Table AQ-C5-1. The project owner shall not use of any ERCs to be surrendered in the Table AQ-C5-1 for purposes other than offsetting the ESPR.

TABLE AQ-C5-1 – Emission Offset Requirements

Certificate Number	Amount (lbs/day)	Pollutant
AQ003331	47	SO2
AQ003332	13	SO2
AQ003333	17	SO2
AQ003334	75	SO2
AQ003336	19	SO2
AQ003463	1	SO2
AQ004450	1	SO2
AQ004498	10	SO2
Total of Certificates Identified	193	SO2
Total to be surrendered	43	SO2
District Exempted Emission Offsets	29	SO2
Total surrendered & exempted emissions	72	SO2
AQ003327	70	VOC
AQ004580	20	VOC
AQ003722	95	VOC
Total of Certificates Identified	185	VOC
Total to be surrendered	140	VOC
Total Surrendered Emissions	140	VOC
AQ003352	6	PM10
AQ003462	2	
AQ003550	2	
AQ003568	3	
AQ004145	1	PM10
AQ004322	5	PM10
AQ004323	3	PM10
AQ004326	2	PM10
Total of Certificates Identified	24	PM10
Total to be surrendered	24	PM10
1304 Exempted Emission Offsets	173	PM10
Priority Reserve Purchased	<u>291311</u>	PM10
Priority Reserve from District	<u>5862</u>	PM10
Total surrendered & exempted emissions	546	PM10

The project owner shall request from the District a report of the NSR Ledger Account for the ESPR after the District has granted the ESPR a Permit to Construct. Such report is to specifically identify the ERCs, Priority Reserve Credits and Rule 1304 Exempted Emissions

used to offset the project emissions. The project owner shall submit this report to the CPM prior to turbine first fire.

Verification: No more than 15 days following the issuance of the District's Permit to Construct, the project owner shall request from the District the report of the NSR Ledger Account for the ESPR. The project owner shall submit the report of the NSR Ledger Account for the ESPR to the CPM no less than 30 days prior to turbine first fire.