

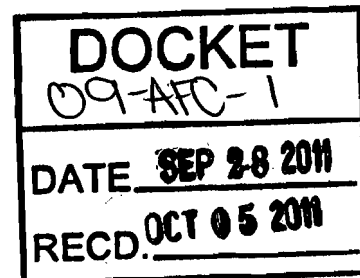


South Coast Air Quality Management District

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September 28, 2011

Alan Solomon
Project Manager
Siting, Transmission and Environmental Protection Division
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814



Subject: Watson Cogeneration Steam and Electric Reliability Project (09-AFC-01)
BP West Coast Products LLC, Facility ID# 13001
Watson Cogeneration Facility, 22850 S. Wilmington Ave., Carson, CA 90745

Dear Mr. Solomon:

This letter is in reference to the California Energy Commissions' (CEC's) Final Staff Assessment (FSA), dated August 31, 2011, issued for the Watson Cogeneration Project. Please note that the South Coast Air Quality Management District (AQMD) issued a Final Determination of Compliance (FDOC) for the subject project to CEC for the above-described project on March 16, 2011. This FDOC was prepared based on information provided to us by the applicant and a schedule and understanding that our both agencies' licensing and permitting processes, respectively, were to be completed and the construction of the project was to begin before July 1, 2011. As such, the project would not have been subject to the greenhouse gas (GHG) permitting requirement under the Prevention of Significant Deterioration (PSD) program. Based on the above understanding, the March 16, 2011, FDOC issued by the AQMD did not include any analysis or findings related to the PSD permit for GHG emissions from this project.

This letter is to inform you that, due to delays in the CEC licensing process related to water impacts, the project has not yet received the final license and final Title V Permit from CEC and AQMD, respectively, and is, therefore, now subject to the new PSD permitting requirements for GHGs. At present, the United States Environmental Protection Agency (EPA) has not yet approved into the State Implementation Plan (SIP) AQMD's Rule 1714 – Prevention of Significant Deterioration for Greenhouse Gases, which was adopted by AQMD Governing Board on November 5, 2010, and submitted to EPA by California Air Resources Board (ARB) on December 10, 2010; nor has EPA signed a new delegation agreement with AQMD, which covers issuance of PSD permits for GHG emission sources. Accordingly, the applicant will need to file a PSD application with EPA Region IX, or alternatively with AQMD, if EPA approves Rule 1714 into the SIP, signs a delegation agreement allowing AQMD to implement Rule 1714 pending SIP approval, or informs AQMD that the existing partial delegation agreement is now deemed to also cover PSD permits for GHG emission sources. Of course, the project may not commence construction before receiving its PSD

permit; nor may AQMD issue the facility a final Title V permit for the project since we have an integrated Title V program which includes all construction permit requirements, including, but not limited to, PSD. We have informed the applicant, BP West Coast Products, of such requirements and requested BP to file a PSD application with information to demonstrate the project's ability to comply with the PSD requirements for GHGs. To date, neither AQMD nor EPA has received such a PSD application.

Upon receipt of a complete PSD application and information from BP, and EPA approval of one of the three options, as discussed above, we plan to proceed to complete our PSD evaluations and conduct other required notices and reviews. The results of such PSD evaluation will be included in an addendum to supplement the March 16, 2011, FDOC.

I hope that this letter clarifies the issues regarding the PSD requirements for GHG emissions for this project. If you have any questions or comments, please contact me at (909) 396-2662 or by email at mnazemi1@aqmd.gov, or Mr. Jay Chen, Senior Engineering Manager at (909) 396-2664 or by email at jchen@aqmd.gov.

Sincerely,



Mohsen Nazemi, P.E.
Deputy Executive Officer
Engineering and Compliance

cc: Barry R. Wallerstein, AQMD
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Gerardo Rios, EPA Region IX
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