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November 29, 2010

Compliance Project Manager  
Attn: Angelique Juarez-Garcia  
California Energy Commission  
1516 Ninth Street (MS-2000)  
Sacramento, CA 95814

## DOCKET

01-EP-5C

DATE	NOV 29 2010
RECD.	MAY 12 2011

RE: Verification that Alliance Drews Energy Facility project meets the criteria to continue the permit through the life of the project – Docket No. 01-EP5

Dear Ms. Juarez-Garcia,

Attached for your review is Verification that Alliance Drews Energy Facility meets all the conditions of Certification for the life of the project.

Should you have any questions regarding the report, please contact me at (951) 302-3701.

Regards,

Joel Lepoutre  
General Manager, Colton Power, LP

## Verification – Drews Energy Facility

1. The project is permanent, rather than temporary or mobile in nature.

Alliance Drews Energy Facility is permanent and not mobile in nature

2. The project owner demonstrates site control.

Alliance Drews Energy Facility is party to that certain City of Colton Century Substation Land Lease Agreement between the City of Colton and Alliance Colton, LLC as amended in April 2001 that establishes a 15 year land lease beginning January 31, 2001 through January 31, 2016. Cover sheet and excerpt of agreement attached as exhibit 1.

3. The project owner has secured permanent emission reduction credits (ERCs) approved by the South Coast Air Quality Board (Air District) and the California Air Resources Control Board (CARB), or has secured RECLAIM trading credits (RTCs) as required by the Air District. The ERCs or RTCs must be adequate to fully offset project emissions for its projected run hours, and must have been in place prior to the expiration of the temporary ERCs obtained from CARB if temporary ERCs were used for the initial operation of the project. If the project owner is using RTCs to offset emissions, this certification shall expire if the project owner does not maintain appropriate credits consistent with Air District Regulations.

Alliance Drews Energy Facility secures RTCs annually to offset emissions and maintains appropriate credits consistent with the Air District Regulations. Title V Permit section B, RECLAIM Annual Emissions Allocation is attached as exhibit 2

4. The project is in current compliance with all Energy Commission permit conditions specified in the Decision.

Alliance Drews Energy Facility is in compliance with all Energy Commission permit conditions specified in the Decision.

5. The project is in current compliance with all conditions contained in the Authority to Construct permit from the Air District.

On May 23, 2007, the Authority to Construct was converted to a Permit to Operate. Alliance Drews Energy Facility is in compliance with all conditions contained in the Permit to Operate from the Air District.

6. The project meets all Best Available Control Technology (BACT) requirements under Air District rules as established in the ATC permit, and CARB requirements.

Alliance Drews Energy Facility operates in compliance with all Best Available Control Technology (BACT) requirements imposed by the Air District as established in the Authority to Construct permit, and the California Air Resources Control Board.

**CITY OF COLTON  
DREWS SUBSTATION LEASE AGREEMENT  
WITH ALLIANCE COLTON, LLC**

**1. PARTIES AND DATE.**

This Lease Agreement ("Agreement") is made and entered into this 6<sup>th</sup> day of December, 2000 ("Effective Date") by and between the City of Colton (hereinafter referred to as "City"), a municipal corporation, and Alliance Colton, LLC (hereinafter referred to as "Lessee"), a California corporation. The City and Lessee are sometimes collectively referred to herein as the "Parties."

**2. RECITALS.**

2.1 Premises. The City is the owner of that certain real property located at San Bernardino County Assessors Parcel Number 025808114, at 559 S. Pepper Avenue, south of Slover Avenue, in the City of Colton, County of San Bernardino, State of California, commonly known as the Drews Substation and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference ("City Property"). The City desires to lease to Lessee and Lessee desires to lease from the City certain portions of the City Property more particularly described in Exhibit "B" attached hereto and incorporated herein by reference ("Premises"). Lessee shall have the right to use the Premises for the purpose of installing, removing, replacing, modifying, maintaining, and operating electric generation facilities and equipment (collectively, "Lessee Facilities") in exchange for due and adequate consideration, the receipt and sufficiency of which are acknowledged by the Parties and further described and set forth in this Agreement.

2.2 Access. During the Term of this Agreement, as defined herein, Lessee shall have supervised access, including ingress and egress, to the Premises to install, operate, maintain and remove the Lessee's Facilities, as defined below, under the following conditions: (1) Lessee shall give 24 hours prior written notice to City when requesting access (Written notice can include the lessee submitting a monthly schedule to the City identifying the timetable for access to Premises for routine operations and maintenance); (2) at the City's option, a City representative shall remain on the Premises during the period of access to Lessee; and (3) prior to and during the period of access, Lessee shall not be in default of any obligation under this Agreement. In the event the Lessee Facilities fail to operate, Lessee may have immediate supervised access to the Premises, provided such access does not disrupt City activities. The City shall not unreasonably deny access to Lessee in the event of such an emergency. Access will be provided to Lessee in those portions of the City Property that are specifically designed for access, ingress, and egress to the Premises.

### 3. TERMS.

3.1 Term. The term ("Term") of this Agreement shall be for fifteen (15) years commencing upon January 31, 2001 (the "Commencement Date") and expiring on January 31, 2016, unless terminated earlier, as provided herein.

3.2. Option to Renew. Provided Lessee is not in material default under any of the terms of this Agreement, Lessee may request renewal of this Agreement on the terms and conditions herein contained for 2 additional terms ("Renewal Term") of 5 year periods upon written notice to City of Lessee's intent to do so at least one hundred eighty (180) days prior to the expiration of the Term or any Renewal Term. In its sole discretion, City may grant or deny the request for renewal within 90 days of receipt of Lessee's written notice requesting renewal. If the City does not respond to the written notice, this Agreement shall terminate in accordance with Section 3.1. The terms and conditions for each Renewal Term shall be the same terms and conditions of this Agreement, except that the consideration payable for the Renewal Terms shall be in accordance with the provisions of Section 3.6 herein.

### 3.3 Facilities; Utilities; Access.

3.3.1 Subject to the provisions of Sections 2.2, 3.9.3 and 3.10 of this Agreement, Lessee has the right to erect, maintain and operate on the Premises the Lessee Facilities, including, without limitation, generating equipment and associated electrical and gas auxiliary equipment. The Lessee Facilities shall be used for electric generation purposes, and for no other purpose. A schematic of the Lessee Facilities ("Schematic") is attached as Exhibit "C" hereto and incorporated herein by reference. Lessee shall not deviate from the approved Schematic without the prior written approval of City. Provided all work shall comply with the Schematic, Lessee has the right to install the Lessee Facilities on the Premises. All of Lessee's construction and installation work shall be performed at Lessee's sole cost, expense and liability and in conformance with the latest editions of the "Green Book" or the Standard Specifications for Public Works construction, as written and promulgated by the Joint Cooperative Committee of the Southern California Chapter of the American Public Works Association, the National Electrical Code, (NEC applicable to 600V class and below only) the National Electrical Safety Code, and CPUC General Orders 95 and 128. Lessee agrees to obtain air, and other construction permits and to furnish and transport all necessary labor, materials, tools, implements, and appliances required to install and completely finish the Lessee Facilities in a good and workmanlike manner, to the satisfaction and approval of City, free of any and all liens and claims of laborers, materialmen, suppliers, and subcontractors, and in conformity with the Schematic and all applicable state, county, and municipal laws, codes, and regulations, including applicable standards of the American National Standards Institute, the American Society of Mechanical Engineers, and the Institute of Electrical and Electronics Engineers. The site is zoned for electrical infrastructure, which includes power generation. The City will be designated the lead agency to secure a finding of no significant impact or negative declaration for environmental impact.

Title to the Lessee Facilities shall be held by Lessee. Lessee's Facilities shall remain Lessee's



## FACILITY PERMIT TO OPERATE

**PUREENERGY OPERATING SERVICES, LLC**  
**559 PEPPER AVE**  
**COLTON, CA 92324**

### NOTICE

IN ACCORDANCE WITH RULE 206, THIS PERMIT TO OPERATE OR A COPY THEREOF MUST BE KEPT AT THE LOCATION FOR WHICH IT IS ISSUED.

THIS PERMIT DOES NOT AUTHORIZE THE EMISSION OF AIR CONTAMINANTS IN EXCESS OF THOSE ALLOWED BY DIVISION 26 OF THE HEALTH AND SAFETY CODE OF THE STATE OF CALIFORNIA OR THE RULES OF THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT. THIS PERMIT SHALL NOT BE CONSTRUED AS PERMISSION TO VIOLATE EXISTING LAWS, ORDINANCES, REGULATIONS OR STATUTES OF ANY OTHER FEDERAL, STATE OR LOCAL GOVERNMENTAL AGENCIES.

Barry R. Wallerstein, D. Env.  
EXECUTIVE OFFICER

By Mike Miller for  
Mohsen Nazemi, P.E.  
Deputy Executive Officer  
Engineering & Compliance



## FACILITY PERMIT TO OPERATE PURENERGY OPERATING SERVICES, LLC

### SECTION B: RECLAIM ANNUAL EMISSION ALLOCATION

The annual allocation of NOx RECLAIM Trading Credits (RTCs) for this facility is calculated pursuant to Rule 2002. Total NOx emission shall not exceed such annual allocations unless the operator obtains RTCs corresponding to the facility's increased emissions in compliance with Rules 2005 and 2007.

The level of Starting Allocation plus Non-Tradable Credits used to determine compliance with Rule 2005(c)(4) and applicability of Rule 2005(e) - Trading Zone Restrictions is listed on the last page of this Section.

The following table lists the annual allocations that were issued to this facility and the amounts of RTCs held by this facility on the day of printing this Section.

#### RECLAIM POLLUTANT ANNUAL ALLOCATION (POUNDS)

Year		Zone	NOx RTC Initially Allocated	NOx RTC <sup>1</sup> Holding as of 01/01/10 (pounds)	Non-Tradable <sup>2</sup> Non-Usable RTCs (pounds)
Begin	End				
(month/year)					
1/2008	12/2008	Coastal	0	189	0
7/2007	6 /2008	Inland	0	1164	0
1/2008	12/2008	Inland	0	0	0
7/2008	6 /2009	Coastal	0	9000	0
1/2009	12/2009	Coastal	0	6764	0
7/2009	6 /2010	Coastal	0	8420	0
7/2009	6 /2010	Inland	0	7520	0
7/2010	6 /2011	Coastal	0	8420	0

#### Footnotes:

1. This number may change due to pending trades, emissions reported under Quarterly Certification of Emissions Report (QCER) and Annual Permit Emission Program (APEP) Report required pursuant to Rule 2004, or deductions made pursuant to Rule 2010(b). The most recent total RTC information can be obtained from the District's RTC Listing.
2. The use of such credits is subject to restrictions set forth in paragraph (f)(1) of Rule 2002.