

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5112

03-AFC-2

DATE JAN 05 2010

RECD. JAN 05 2010



**NOTICE OF ENERGY COMMISSION STAFF'S ERRATA TO STAFF ASSESSMENT -
AIR QUALITY SECTION - LOS ESTEROS CRITICAL ENERGY FACILITY
COMBINED-CYCLE CONVERSION PHASE II (03-AFC-2C)**

On October 30, 2009, Los Esteros Critical Energy Facility, LLC filed a petition with the California Energy Commission to amend the Energy Commission Decision for the Los Esteros Critical Energy Facility Project. Staff prepared an analysis of the proposed changes, which was then posted on the California Energy Commission website, distributed to interested parties and docketed on December 17, 2010 for a 30-day review period.

The California Energy Commission has received comments from the Bay Area Air Quality Management District (BAAQMD) requesting minor revisions to staff's Air Quality analysis and Conditions of Certification. These revisions are necessary to clarify the information contained in the analysis and to provide consistency with the BAAQMD Authority To Construct (ATC) renewal requirements.

These revisions do not impact the staff's findings as presented in the original Staff Assessment. The substantive requirements under the conditions have not changed except to the extent they reflect the clarifications requested by the BAAQMD. These revisions do not change the District's or staff's findings regarding compliance with laws, ordinances, regulations and standards, and are included in the errata in underline/strikeout.

Should you have any questions, please contact Christina Snow at (916) 651-3770 or via email at csnow@energy.state.ca.us.

For further information on how to participate in this proceeding, please contact the Energy Commission Public Adviser's Office, at (916) 654-4489, or toll free in California at (800) 822-6228, or by e-mail at publicadviser@energy.state.ca.us. News media inquiries should be directed to the Energy Commission Media Office at (916) 654-4989, or by e-mail at mediaoffice@energy.state.ca.us.

Date: 1/5/11



CHRISTOPHER J. MARXEN, Manager
 Compliance and Dockets Office
 Siting, Transmission & Environmental Protection
 Division

AIR QUALITY

Bay Area Air Quality Management District (BAAQMD) COMMENTS DATED DECEMBER 22, 2010

BAAQMD COMMENT-1: The BAAQMD has not renewed the Authority to Construct (ATC) for the LECEF Phase 2 project as stated in the CEC Staff Analysis. Please note that the BAAQMD ATC Renewal Evaluation (November 2, 2010) states on page 3, paragraph 2 that "Upon determination by the CEC that the project meets current air quality requirements and amendment of any license conditions that need to be brought up to date, the District will then be able to renew the Authority to Construct consistent with the CEC's license." Please amend the CEC Staff Analysis to state the BAAQMD has issued the evaluation of the ATC renewal request, not the ATC itself (pg 1, para 2; pg 2, para 1; pg 4, para 1).

STAFF RESPONSE: Staff agrees with the requested revisions and has made the following revisions for clarification:

Page 1, Paragraph 3:

The Bay Area Air Quality Management District (BAAQMD) issued its Authority to Construct (ATC) to allow construction of the Phase 2 portion of the project in August of 2007. However, the ATC was only valid for two years and the facility owner had not yet begun construction near the end of that two year period. To avoid expiration of the ATC, the facility owner submitted another ATC application to the BAAQMD on June 5, 2009, two months prior to the expiration of the initial ATC. The BAAQMD issued its most recent ATC evaluation for Los Esteros in November 2010 with more restrictive allowable emissions conditions.

Page 2, Paragraph 1:

The BAAQMD released a the evaluation for the renewed ATC request on November 2, 2010. This new ATC evaluation includes lower allowable emission limits due to technology advancements and the time elapsed since the original ATC for the combined cycle configuration. ~~This~~ The new ATC will contain the permit conditions specified by the BAAQMD to ensure compliance with applicable federal, state, and local air quality requirements. The conditions include emissions limitations, operating limitations, and testing, monitoring, record keeping and reporting requirements that ensure compliance with air quality laws, ordinances, regulations and standards (LORS). **Air Quality Table 1** summarizes the currently applicable LORS for the facility.

Page 4, Paragraph 1:

The Petitioner requests to amend the October 2006 Energy Commission Decision to meet lower allowable emission limits for CO and POCs. These reductions are necessary to meet the BAAQMD's requirements needing to be granted for a renewed ATC. The BAAQMD's ATC will only be issued once assuring the source meets current BACT requirements. This obligation to assure the facility meets all the current BACT requirements must undergo review to confirm that all the standards are met for the federal Clean Air Act's regulations for nonattainment New Source Review. The Energy Commission has final jurisdiction over the siting and permitting of large thermal power

plants in California, such as Los Esteros. Therefore, the Energy Commission must adopt the more stringent BAAQMD's air quality conditions that are included in the air district's evaluation for the renewed ATC. The Energy Commission must also include two additional staff conditions for the emergency generator to ensure compliance with the new 1-hr federal NO₂ standard which became effective April 12, 2010.

BAAQMD Comment-2: You can strike out references to ERC numbers 724 and 856 in AQ-SC7 (pg. 13). Calpine has surrendered NOx ERCs entirely from ERC No. 1201.

STAFF RESPONSE: Staff agrees with the requested revision and has made the following revisions for clarification:

Page 13:

AQ-SC7 The project shall surrender the emission offset credits listed below or a modified list, as allowed by this condition, at the time surrender is required by condition AQ-35 (district permit Part 35). The project owner may request CPM approval for any substitutions or modification of credits. The CPM, in consultation with the District, may approve any such change to the ERC list provided that the project remains in compliance with all applicable laws, ordinances, regulations, and standards, the requested change(s) clearly will not cause the project to result in a significant environmental impact, and each requested change is consistent with applicable federal and state laws and regulations.

Required Emission Reduction Credits

ERC Number	Source Location (City)	Date Banked	Source Type	NOx (TPY)	POC (TPY)
724	Palo Alto	3/13/96	Cardinal Cogon	7.100	
856	San Pablo	4/23/02	Myer Container		26.522
896 1201	San Francisco	9/30/85	Potrero Power Plant	304.594	
Total ERCs Available				304.594	26.522
Los Esteros Phase 2 ERC Requirement				27.945 23.35	7.5

Verification: The project owner shall submit to the CPM a list of ERCs to be surrendered to the District at least 60 days prior to initial startup. If the CPM, in consultation with the District, approves a substitution or modification, the CPM shall file a statement of the approval with the commission docket and mail a copy of the statement to every person on the post-certification mailing list. The CPM shall maintain an updated list of approved ERCs for the project.