

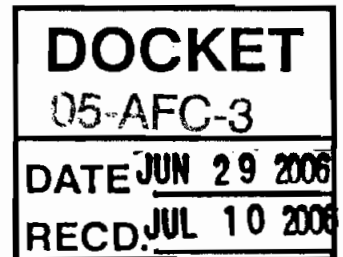


# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178  
(909) 396-2000 • www.aqmd.gov

June 29, 2006

Mr. Thomas J. McCabe, Jr.  
Edison Mission Energy  
18101 Von Karman Ave. Suite 1700  
Irvine, CA 92612-1046



Subject: Request for Entry into the NO<sub>x</sub> and SO<sub>x</sub> RECLAIM Program

Dear Mr. McCabe:

This is in reference to your letters to the South Coast Air Quality Management District (AQMD) dated March 3, 2006 in which you requested to include the Sun Valley Energy Project (05-AFC-3; ID No. 146534) and the Walnut Creek Energy Project (05-AFC-4; ID No. 146536) in the RECLAIM NO<sub>x</sub> and SO<sub>x</sub> program. AQMD staff has reviewed your requests and determined that these two electric generating facilities are qualified to be included in the NO<sub>x</sub> RECLAIM program effective upon issuance of a facility permit pursuant to Rule 2006. However, after careful review of your request, we have determined that the above two power plant projects cannot be included in the SO<sub>x</sub> RECLAIM program for the following reasons:

- Regulation XX – RECLAIM does not consider SO<sub>x</sub> emissions from equipment burning natural gas exclusively to be a RECLAIM pollutant with certain exceptions.  
Rule 2000(c)(62):  
“RECLAIM POLLUTANTS are NO<sub>x</sub> emissions and SO<sub>x</sub> emissions at a facility subject to RECLAIM requirements excluding any NO<sub>x</sub> or SO<sub>x</sub> emissions from on-site, off-road mobile sources and any SO<sub>x</sub> emissions from equipment burning natural gas exclusively, unless the emissions are SO<sub>x</sub> emissions at a facility that elected to enter RECLAIM pursuant to Rule 2001 (i)(2)(A)”
- Regulation XX exempts certain sources from the RECLAIM program, but allows specific sources to opt into the program Rule 2001(i)(2)(A):  
“The following sources, including those that are part of or located on a Department of Defense facility, shall not be initially included in RECLAIM but may enter the program pursuant to subdivision (f):  
(A) electric utilities (exemption only for the SO<sub>x</sub> program);”
- Rule 2000(c)(26) defines what an electric utility is.  
“ELECTRIC UTILITY is all in-Basin facilities which generate power and are owned or operated by any one of the following: Southern California Edison, Los Angeles Department of Water and Power, City of Burbank, City of Glendale, City of Pasadena, or any of their successors.”

Based on the above rule language, SOx emissions from the proposed projects are not considered a RECLAIM pollutant. Therefore, emissions from the above projects, with the exception of NOx emissions, are subject to the requirements of Regulation XIII and other applicable non-RECLAIM rules and regulations; and the projects do not meet the RECLAIM definition of electric utilities.

Additionally, you further requested the AQMD amend Regulation XX to allow SOx emissions from your facilities be included in the RECLAIM program. The AQMD staff carefully reviewed your request and has determined that, since AQMD staff is proposing amendments to Rule 1309.1 – Priority Reserve to make SOx credits available to electric generating facilities through the Priority Reserve, we do not believe an amendment to Regulation XX to make RECLAIM Trading Credits (RTC) also available for these projects is appropriate at this time. We anticipate that Rule 1309.1 will provide sufficient SOx credits for additional electric generation capacities in the South Coast Air Basin to address the potential generation shortfall in Southern California as projected by the California Energy Commission. Proposed amendments to Rule 1309.1 are currently scheduled for Public Hearing and Board adoption on September 8, 2006.

If you have further questions concerning this matter, please contact me at (909) 396-2662.

Sincerely,



Mohsen Nazemi, P.E.  
Assistant Deputy Executive Officer  
Engineering & Compliance

MN:CM:ln

(mission energy)

cc: Eric Knight, CEC  
Robert Worl, CEC  
Mike Carroll, Latham & Watkins  
Barry Wallerstein, AQMD  
Kurt Wiese, AQMD  
Carol Coy, AQMD  
Elaine Chang, AQMD  
Danny Luong, AQMD  
John Yee, AQMD

BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION  
OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION  
FOR THE **SUN VALLEY ENERGY  
PROJECT (SVEP)**

DOCKET No. 05-AFC-3

(Revised 3/3/2006)

**PROOF OF SERVICE LIST**

**DOCKET UNIT**

*Send the original signed document plus the required 12 copies to the address below:*

CALIFORNIA ENERGY COMMISSION  
DOCKET UNIT, MS-4  
\*Attn: Docket No. **05-AFC-3**  
1516 Ninth Street  
Sacramento, CA 95814-5512  
E-mail: docket@energy.state.ca.us

\* \* \* \*

*In addition to the documents sent to the Commission Docket Unit, also send individual copies of any documents to:*

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**INTERESTED AGENCIES**

None listed as of 3/3/2006

**INTERVENORS**

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Gloria D. Smith  
Adams Broadwell Joseph & Cardozo  
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South San Francisco, California 94080

**\* Romoland School District  
Roland Skumawitz, Superintendent  
25900 Leon Road  
Romoland, California 92548**

**DECLARATION OF SERVICE**

I, Raquel Rodriguez, declare that on July 11, 2006 I deposited copies of the attached Request for Entry into the NOx and Sox RECLAIM Program dated June 29, 2006, in the United States mail at Sacramento, CA with first class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above. Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210.

I declare under penalty of perjury that the foregoing is true and correct.

  
[signature]

\* \* \* \*

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