



South Coast Air Quality Management District

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August 16, 2007

Robert Lawhn
San Gabriel Power Generation, LLC (115615)
7251 Amigo Street, Suite 120
Las Vegas, NV 89119

DOCKET 07-AFC-2	
DATE	AUG 16 2007
RECD.	JAN 23 2008

Dear Mr. Lawhn:

As you may know, on August 3, 2007, the Governing Board of the South Coast Air Quality Management District (AQMD) approved amendments to Rule 1309.1 – Priority Reserve. As a result of the amendments, your Electrical Generating Facility (EGF) is now required to meet additional criteria prior to the AQMD granting you access to the Priority Reserve and prior to the AQMD's Executive Officer releasing the Priority Reserve credits. The additional requirements for accessing the Priority Reserve varies depending on the location of the project (i.e. Zones 1, 2 or 3 or Environmental Justice Area) and the size of the project. A summary of the additional criteria required by amended Rule 1309.1 to access the Priority Reserve or to release the Priority Reserve credits are attached for your information (to learn about these requirements in more detail, please refer to the actual amended Rule 1309.1 language).

Based on the information provided in your application, AQMD staff has made a preliminary determination that your proposed EGF will be located in Zone 3. In order for AQMD to further proceed with the processing of your application, it is requested that you provide AQMD with documentation demonstrating your compliance with the applicable requirements of the amended Rule 1309.1, as shown in the attachment to this letter. Please submit the requested information to Chris Perri at cperri@aqmd.gov by September 18, 2007.

If you have any questions regarding this letter, please contact Mr. Mike Mills, Senior Air Quality Manager at (909) 396-2578 or Mr. John Yee, Senior Engineer at (909) 396-2531.

Very truly yours,

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

MN:MM:jty
Attachment
cc: Roger Johnson, CEC
Stan Yeh, CEC

ATTACHMENT

Amended Rule 1309.1 Requirements Summary (August 3, 2007 Amendments)

Requirements For Accessing Priority Reserve For Electric Generating Facilities (EGFs) Located In Zones 1, 2, 3, or Environmental Justice Area (EJA)

	Zone 1 (All)	Zone 2 (All); EJA or Zone 3 and sized < 500 MW	EJA or Zone 3 and sized > 500 MW
TOXICS REQUIREMENTS			
Cancer	Risk < 10 in-a-million	< 1 in-a-million	< 0.5 in-a-million
Hazard Index	< 1	< 0.5	< 0.1
Cancer Burden*	< 0.5	< 0.1	< 0.05
CRITERIA POLLUTANT REQUIREMENTS			
PM10 Emission Controls	NG Only & ≤ 0.060 lb/MW-hr	NG Only & ≤ 0.060 lb/MW-hr	NG Only & ≤ 0.035 lb/MW-hr
NOx Emission Controls	≤ 0.080 lb/MW-hr	≤ 0.080 lb/MW-hr	≤ 0.050 lb/MW-hr
Total Combined Gas Turbine PM10 Hourly Emissions	NSR BACT	NSR BACT	≤ 30.0 lbs/hr
Gas Turbine PM10 24- hr Impact	NSR Limit of 2.5 ug/m ³ per Gas Turbine	≤ 5.0 ug/m ³ for Total Combined Gas Turbines	≤ 2.5 ug/m ³ for Total Combined Gas Turbines
Gas Turbine PM10 Annual Impact	NSR Limit of 1.0 ug/m ³ per Gas Turbine	≤ 0.75 ug/m ³ for Total Combined Gas Turbines	≤ 0.5 ug/m ³ for Total Combined Gas Turbines
Annual Hours of Operation Limit	None	≤ 4,000 hrs/yr, if Simple Cycle	≤ 3,000 hrs/yr, if Simple Cycle

*Please note that Cancer Burden shall be calculated based on a 1 in 10 million risk level.

Amended Rule 1309.1 Requirements Summary
(August 3, 2007 Amendments)

Requirements for the Release of Priority Reserve Credits to EGFs

In addition to the requirements for accessing Priority Reserve, the Amended Rule 1309.1 has the following criteria for the release of Priority Reserve Credits:

- (d)(12) The Executive Officer shall authorize the release of Priority Reserve credits for the first 2700 MW requested by EGFs, provided such EGFs have submitted complete applications for Permit to Construct to the District in calendar years 2005 through 2008, and complied with all applicable provisions of this rule, Requests by EGFs for Priority Reserve credits for calendar years 2005 through 2008 in excess of the first 2700 MW may only be approved by the Governing Board at a public meeting, applying the criteria in this rule.
- (d)(13) The Executive Officer shall not authorize the release of any Priority Reserve credits for an EGF in an EJA that has submitted complete application for a Permit to Construct to the District in calendar years 2005 through 2008 and complied with all applicable provisions of this rule prior to the Governing Board approving a plan to invest the anticipated mitigation fees from the EGF.
- (d)(14) The Executive Officer shall not authorize the release of any Priority Reserve credits for an In-District EGF, unless the EGF seeking Priority Reserve credits has obtained certification from CEC and entered into a long-term contract with the Southern California Edison Company, or the San Diego Gas and Electric Company, or the State of California to provide electricity in Southern California; and complied with all applicable provisions of this rule. However, a municipal-owned EGF need not enter into a long-term contract, provided such EGF is designed and constructed to not exceed its native demand load based upon future year projections to 2016 or earlier. A municipal-owned EGF obtaining Priority Reserve credits to exclusively serve its native load may not sell electricity to the state grid unless it is directed to do so under a direct order from Cal-ISO or under a state of emergency declared by the State of California or its agencies including Cal-ISO. Any EGF may petition the Governing Board at a public hearing to waive the requirement to enter into a long-term contract in order to access Priority Reserve credits. The Governing Board shall grant such a waiver if it finds that there is a need for additional power from non-renewable sources that is not being fulfilled by presently available long-term contracts. Any such petition shall not delay any other EGF's access to Priority Reserve credits.