



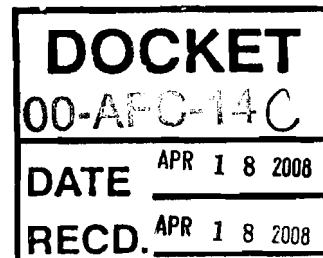
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April 18, 2008

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VIA HAND DELIVERY

Mr. Steve Munro
Compliance Project Manager
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814



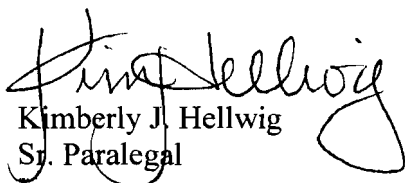
**Re: El Segundo Power Redevelopment Project (00-AFC-14)
Comments on the South Coast Air Quality Management District's Proposed
Amendment to the Final Determination of Compliance**

Dear Mr. Munro:

On April 18, 2008, El Segundo Power II LLC, filed its comments to the South Coast Air Quality Management District ("District") related to the District's Proposed Amendment to the Final Determination of Compliance for the El Segundo Power Redevelopment Project. Please find enclosed herewith copies of those comments.

Should you have any questions or concerns, please do not hesitate to contact our office at (916) 447-0700.

Respectfully submitted,


Kimberly J. Hellwig
Sr. Paralegal

KJH:kjh
Enclosure

cc: George L. Piantka, El Segundo Power II LLC
Tim Hemig, El Segundo Power II LLC
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El Segundo Power II LLC

April 18, 2008

Mr. Kenneth L. Coats
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765-4182

**Subject: Draft Permit for the El Segundo Power Redevelopment Project
(Facility ID No. 115663)**

Dear Mr. Coats,

El Segundo Power II LLC ("ESP II") is pleased to provide the following comments on the District's March 13, 2008 proposed amendment to the original final Determination of Compliance ("DOC") and draft Title V permit for the proposed El Segundo Power Redevelopment ("ESPR") Project.

ESP II notes that the District has prepared this draft Title V permit as an amendment to the initial final DOC, originally published by the District on February 14, 2002, and in response to initial applications submitted by ESP II to the District on December 20, 2000. Along with the initial applications to the District, ESP II also submitted an initial Application for Certification ("00-AFC-14C") to the California Energy Commission ("CEC") for the ESPR Project on December 20, 2000. The CEC approved the initial 00-AFC-14C on February 2, 2005. ESP II applied for changes to the design of the ESPR Project through new applications to the District submitted on June 21, 2007, and a Petition to Amend submitted to the CEC on June 19, 2007. These changes will result in significant project improvements and environmental benefits as compared with the initial design.

The fact that the draft DOC and Title V permit are recognized by the CEC and the District as amendments to the initial applications to both agencies is very important as to the applicability of Rule 1309.1 Priority Reserve to the ESPR Project. ESP II agrees with the District that the applicable version of the Rule to the ESPR Project is the version in effect at the time of approval of the DOC, which is the August 3, 2007 approved version. However, ESP II disagrees with the District's interpretation of the amount of the mitigation fees that apply to the ESPR Project. ESP II believes the relevant mitigation fees are determined in 1309.1(g)(1)(A), which states:

1309.1(g)(1)(A):

An EGF, as defined on May 3, 2002, where a complete initial application for certification to the CEC or a complete application for a permit to construct was filed in calendar year 2000, 2001, 2002 or 2003:

PM10: \$25,000
SOx: \$ 8,900
CO: \$12,000

Because ESP II's amended applications filed in June 2007 are recognized by CEC and the District as amending the initial applications to both agencies initially submitted in December 2000, the appropriate section of Rule 1309.1 for determining the Priority Reserve mitigation fees should be 1309.1(g)(1)(A). For the mitigation fees to be determined by 1309.1(g)(1)(B), as contended by the District, the "initial" applications for the ESPR Project had to be submitted to the CEC or the District during calendar years 2005-2008. While new applications were submitted to the District in June 2007, these are clearly recognized by the District as amending the initial ESPR Project applications from December 2000, as described in the District's February 29, 2008 engineering evaluation. Further, the CEC Petition to Amend submitted on June 19, 2007 is clearly an amendment to the initial 00-AFC-14 submitted in December 2000 and not a new AFC. Therefore, the key factor in determining which mitigation fee provision applies is the date when complete initial applications were submitted, either to the CEC or the District. This date clearly falls within 2000 for both ESPR Project applications – CEC's 00-AFC-14 and the District's application for permit to construct.

For the reasons stated above, ESP II requests that the District change the engineering evaluation and draft DOC and Title V permit such that the appropriate 1309.1 mitigation fees are determined, according to the provisions of 1309.1(g)(1)(A).

In addition, ESP II offers the following comments to the draft DOC.

Gas Turbine Units

Section Affected: Section H, equipment summary table, Process 1 Internal Combustion

Requested Changes: Designate gas turbines as Unit No. 5 and Unit No. 6, respectively, rather than as Unit No. 8 and Unit No. 9. The District prepared this draft Title V permit as an amendment to the initial final DOC (dated February 14, 2002), which referenced Unit No.'s 5, 6, and 7. Those units were not issued a Permit To Construct, nor were constructed.

Aqueous Ammonia Storage Tank

Section Affected: Section H, equipment summary table, Process 5, aqueous ammonia storage tank.

Requested Changes: The aqueous ammonia storage tank (Device D30) is an existing permit unit that is not being modified as part of the ESPR project. However, the draft amended DOC includes a new emission control system for this permit unit (a two stage scrubber, Device C64). Since this permit unit is not being modified and is not currently equipped with the list control device, we request this control equipment be removed from the DOC.

NOx Emission Limit for Gas Turbines

Section Affected: Section H, Permit Condition A99.7.

Requested Changes: This permit condition limits the commissioning period to 415 hours per gas turbine. It also includes exemptions from the NOx limit of 2.0 ppm during commissioning, startups, and shutdowns. With regards to the commissioning period, we request that the condition clarify that the 415-hour limit refers to gas turbine operating hours. With regards to exemptions from the NOx limit, we are requesting an exemption from the

NOx ppm limit during combustor tuning. Combustor tuning is required periodically and includes all testing, adjusting, tuning, and calibration activities recommended by the turbine manufacturer to ensure safe, reliable, and in-specification operation of the gas turbine. The NOx emissions during combustor tuning are similar to startup/shutdown emissions. We are also requesting a set of exemptions from the NOx permit limit during NOx excursions. NOx excursions occur due to sudden gas turbine load changes. The following example NOx excursion exemption language has been copied from the SCAQMD permit for the Inland Empire Energy Center.

The limit shall not apply to the first fifteen 1-hour average NOx emissions above 2.0 ppmv, dry basis at 15% O2, in any rolling 12-month period for each gas turbine provided that it meets all of the following requirements:

A. This equipment operates under any one of the qualified conditions described below:

a) Rapid combustion turbine load changes due to the following conditions:

- Load changes initiated by the California ISO or a successor entity when the plant is operating under Automatic Generation Control; or*
- Activation of a plant automatic safety or equipment protection system which rapidly decreases turbine load*

b) The first two 1-hour reporting periods following the initiation/shutdown of the inlet air cooling system

e) Events as the result of technological limitation identified by the operator and approved in writing by the AQMD Executive Officer or his designees.

B. The 1-hour average NOx emissions above 2.0 ppmv, dry basis at 15% O2, did not occur as a result of operator neglect, improper operation or maintenance, or qualified breakdown under Rule 2004(i).

C. The qualified operating conditions described in (A) above are recorded in the plant's operating log within 24 hours of the event, and in the CEMS by 5 p.m. the next business day following the qualified operating condition. The notations in the log and CEMS must describe the date and time of entry into the log/CEMS and the plant operating conditions responsible for NOx emissions exceeding the 2.0 ppmv 1-hour average limit.

D. The 1-hour average NOx concentration for periods that result from a qualified operating condition does not exceed 25 ppmv, dry basis at 15 percent O2.

All NOx emissions during these events shall be included in all calculations of hourly, daily, and annual mass emission rates as required by this permit.

CO Emission Limit for Gas Turbines

Section Affected: Section H, Permit Condition A99.8.

Requested Changes: As with the changes requested to the NOx limit, we request that the commissioning period be clarified to refer to operating hours. In addition, we request an exemption from the CO limit due to combustor tuning.

VOC Emission Limit for Gas Turbines

Section Affected: Section H, Permit Condition A99.9.

Requested Changes: As with the changes requested for the NOx and CO limits, we request that the commissioning period be clarified to refer to operating hours. In addition, we request an exemption from the VOC limit due to combustor tuning. Finally, we request that all references to ROG be changed to VOC for consistency purposes.

NOx Startup Emission Limit for Gas Turbines

Section Affected: Section H, Permit Condition A433.1.

Requested Changes: We request that this condition refer to Permit Condition A99.7 rather than A99.1. In addition, we request that the NOx emission limit be corrected to 112 lbs/hr rather than 112 lbs/day to match the information provided in the permit application. Finally, we request that the annual number of startups per year be corrected to 200 startups per year rather than 100 to match the information in the permit application.

Aqueous Ammonia Injection Rate for Gas Turbines

Section Affected: Section H, Permit Condition D12.11.

Requested Changes: We request that this condition be deleted. It is unnecessary to have ammonia injection limit when there are specific emissions limits and monitoring for NOx and ammonia slip that necessitate proper ammonia flow to achieve those limits. This ammonia injection limit is superfluous and could create compliance issues should ammonia injection be necessary outside these requirements to avoid excess ammonia slip or NOx emissions. If the District insists on these limits, then we request that the aqueous ammonia injection rate limits be changed from between 13.5 to 16.5 gals/hr to between 4.8 to 11.5 gals/hr. This correction makes the aqueous ammonia injection rate consistent with the information provided to the District in an October 22, 2007 email from Tim Hemig to the District listing the aqueous ammonia injection rate of between 40 and 95 lbs/hr (4.8 to 11.5 gals/hr based on density of 8.3 lbs/gal).

SCR Operating Temperature for Gas Turbines

Section Affected: Section H, Permit Condition D12.12.

Requested Changes: We request that this condition be deleted. It is unnecessary to have an SCR operating temperature limit when there are specific emissions limits and monitoring for NOx that necessitate proper SCR operating temperatures to achieve those limits. This SCR operating temperature limit is superfluous and could create compliance issues should SCR operating temperatures be necessary outside these requirements to avoid excess NOx emissions. If the District insists on these limits, then we request that the SCR operating temperature limits be changed from between 450 to 750 deg. F to 400 to 750 deg. F. This correction makes the SCR operating temperatures consistent with the information provided to the District in an October 22, 2007 email from Tim Hemig to the District.

SCR Pressure Drop for Gas Turbines

Section Affected: Section H, Permit Condition D12.13.

Mr. Kenneth Coats
South Coast Air Quality Management District
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Requested Changes: We request that the SCR pressure drop be changed from between 5 to 7.5 inches of water to between 1 to 4 inches of water. This correction makes the SCR pressure drop consistent with the information provided to the District in an October 22, 2007 email from Tim Hemig to the District.

VOC Compliance Testing for Gas Turbines

Section Affected: Section H, Permit Condition D29.7.

Requested Changes: We request that all references to ROG be changed to VOC for consistency purposes.

California Energy Commissioning (CEC) Conditions of Certification

Section Affected: Section H, Permit Condition E193.2.

Requested Changes: We request that the requirement to comply with all CEC mitigation measures be clarified to refer to "air quality" mitigation measures. As written, this condition would require compliance with non-air quality related mitigation measures, including noise, visual, land use, water quality, and cultural resources.

Operational Timing

Section Affected: Section H, Permit Condition E193.3.

Requested Changes: We request that the additional language be added to this condition as allowed by Rule 1309.1 – add the following to the end of the condition: "The Governing Board may grant additional time extensions based upon a demonstration by the applicant that the extension is necessary due to circumstances beyond the reasonable control of the applicant."

If you have any questions or need further information, please don't hesitate to contact me.

Sincerely,



George L. Piantka, PE
El Segundo Power II LLC

cc: Steve D. Munro, CEC
CEC Dockets 00-AFC-14C
Kimberly J. Hellwig, Stoel Rives
Tom Andrews, Sierra Research

El Segundo Power II LLC