

Valle del Sol Energy, LLC

March 10, 2009

<b>DOCKET</b>	
<b>05-AFC-3</b>	
DATE	<u>MAR 10 2009</u>
RECD.	<u>MAR 16 2009</u>

Dr. Barry R. Wallerstein  
Executive Officer  
South Coast Air Quality Management District  
21865 E Copley Drive  
Diamond Bar, California 91765-4182

Subject: Sun Valley Energy Project, 05-AFC-3, AQMD Application #450931-450933,  
450935-450940, 450942, 450943, 451184, 450854, Facility ID 146534

Dear Dr. Wallerstein:

We are in receipt of your letter dated February 26, 2009, and acknowledge the requirement in AQMD's Rule 1303(b) to surrender Emission Reduction Credits before AQMD can issue a Permit to Construct. Since Valle del Sol has not yet obtained a power purchase agreement, we are unlikely to require a Permit to Construct until mid-2011 at the earliest. As noted in your letter, AQMD has issued a Final Determination of Compliance, so no further processing of our application is needed at the present time.

The staff paper published by the California Energy Commission in February entitled "Potential Impacts of SCAQMD Air Credit Limitations and Once-Through Cooling Mitigation on Southern California's Electricity System" identifies the clear need for additional quick-start fast-ramp peaking generation capacity in the near future, and the fact that our affiliate's nearly identical Walnut Creek Energy Park was successful in Southern California Edison's last power contract solicitation is evidence that Sun Valley is highly likely to be successful in the next one. Although the current economic downturn makes the timing of the next solicitation uncertain, Valle del Sol is committed to be ready for it by completing the CEC permitting process and developing its ERC package.

Valle del Sol has demonstrated to AQMD its ownership of all required VOC ERCs. We have several efforts underway to meet the PM<sub>10</sub> and SO<sub>x</sub> ERC requirements identified in our FDOC:

- As you know, Valle del Sol's affiliate, Walnut Creek Energy, LLC, has petitioned to intervene in support of AQMD in *NRDC, et al v. SCAQMD, et al* which is being heard in Federal court.
- We are supporting two legislative initiatives that would restore the Sun Valley project's ability to access AQMD's Priority Reserve ERCs, introduced by Senator Wright (SB 696) and by Assemblyman Perez (AB 1318, which is being amended to expand its applicability).

PROOF OF SERVICE (REVISED 02/26/09 ) FILED WITH  
ORIGINAL MAILED FROM SACRAMENTO ON 03/17/09

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## Valle del Sol Energy, LLC

- We are following AQMD's development of two new ERC creation rules, PR 1625 and PR 2511, and are in discussion with potential sources to which those rules would apply.
- We are actively exploring a number of emission reduction opportunities that could result in certification of new PM<sub>10</sub> and SO<sub>x</sub> ERCs, as we described during our conference call with you and your senior staff on February 13<sup>th</sup>. During that call it was agreed that follow-up meetings should be arranged with AQMD staff to describe our concepts in more detail.

Each of these efforts will take time. We are eager to meet with AQMD to demonstrate how we intend to comply with Rule 1303(b) and to detail our ERC creation concepts. Mohsen Nazemi and I have been in contact to schedule a meeting for that purpose. We are available to meet at AQMD's earliest convenience, both before March 15<sup>th</sup> and as frequently thereafter as needed.

Sincerely,



Lawrence J Kostrzewa  
Vice President

c: AQMD Governing Board Members  
Kurt Wiese, AQMD  
Terry O'Brien, CEC



BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT  
COMMISSION OF THE STATE OF CALIFORNIA  
1516 NINTH STREET, SACRAMENTO, CA 95814  
1-800-822-6228 – WWW.ENERGY.CA.GOV

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

**DOCKET No. 05-AFC-3  
PROOF OF SERVICE LIST  
(Revised 2/26/2009)**

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DECLARATION OF SERVICE

I, April Albright, declare that on March 17, 2009, I served and filed copies of the attached Applicant's Response to the South Coast Air Quality Management District's ERC Plan, dated March 10, 2009. The original document, filed with the Docket Unit, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at: [[www.energy.ca.gov/sitingcases/sunvalley](http://www.energy.ca.gov/sitingcases/sunvalley)]. The document has been sent to both the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit, in the following manner:

*(Check all that Apply)*

FOR SERVICE TO ALL OTHER PARTIES:

- sent **electronically** to all email addresses on the Proof of Service list;
  
- by personal delivery or by depositing in the United States mail at Sacramento, California with first-class postage thereon fully prepaid and addressed as provided on the Proof of Service list above to those addresses **NOT** marked "email preferred."

**AND**

FOR FILING WITH THE ENERGY COMMISSION:

- sending an original paper copy and one electronic copy, mailed and emailed respectively, to the address below (*preferred method*);

**OR**

- depositing in the mail an original and 12 paper copies, as follows:

**CALIFORNIA ENERGY COMMISSION**

Attn: Docket No. 05-AFC-3  
1516 Ninth Street, MS-4  
Sacramento, CA 95814-5512

[docket@energy.state.ca.us](mailto:docket@energy.state.ca.us)

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

Original signed by \_\_\_\_\_  
**April Albright**