



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT

DOCKET	
08-AFC-7	
DATE	MAY 12 2009
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May 12, 2009

Mr. Alan Solomon
Project Manager
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814

Subject: CEC Docket No. 08-AFC-7, GWF Tracy Combined Cycle Power Plant
Air Quality Mitigation Settlement Agreement with the Valley Air District

Dear Mr. Solomon:

As discussed in our teleconference on May 5, 2009, this letter is intended to explain the purpose and genesis of the Air Quality Mitigation Agreement between the San Joaquin Valley Air Pollution Control District (District) and GWF Energy LLC (GWF) for their proposed GWF Tracy Combined Cycle Power Plant.

The District approached GWF about developing a mitigation agreement after hearing concerns from members of the Tracy community about a potential increase in actual emissions from GWF's Tracy power plant after converting the existing peaker power plant to a combined cycle power plant. GWF was very receptive to our suggestion and worked with us to construct an agreement that will reduce emissions from other sources of air pollution in the Tracy vicinity. The agreement requires payment of \$319,000 from GWF to the District's Emission Reduction Incentive Program, a very active and respected grant program that dispenses approximately \$100 million dollars per year to emission reduction projects. The resulting air quality improvement is a benefit to the community that goes beyond the strict requirements of District regulations. The community members that originally approached the District about the potential for increased emissions have stated that this agreement addresses their concerns.

It should be noted that this agreement goes beyond the District's expected CEQA mitigation requirements. GWF has demonstrated mitigation of the emissions from its proposed power plant via the surrender of sufficient emissions offsets as required by District regulations.

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Executive Director/Air Pollution Control Officer

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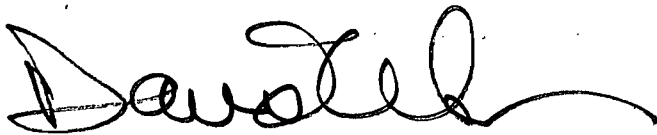
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In accordance with our "Environmental Review Guidelines, Procedures for Implementing the California Environmental Quality Act (ERG)," all air district permitting actions that fully comply with the District's permitting regulations, including the surrendering of applicable offsets, have met all CEQA operational air impact mitigation requirements. Our ERG is available on our website at: [http://www.valleyair.org/transportation/CEQA%20Rules/ERG%20Adopted%20August%202000 .pdf](http://www.valleyair.org/transportation/CEQA%20Rules/ERG%20Adopted%20August%202000.pdf) (see Section 4.3.5). As shown in the District's Preliminary Determination of Compliance, this project will comply with all District rules, including its offsetting provisions, and so complies with CEQA for its operational emissions. We believe this mitigation agreement to be additional to any CEQA obligation that the facility may face, and should be considered, instead, to be a community benefit that was voluntarily offered by GWF.

We hope this explains the purpose and genesis of the Agreement. Should you have any further questions regarding this matter, please contact myself or Jim Swaney, Permit Services Manager, at (559) 230-6000, or Mr. Swaney at jim.swaney@valleyair.org.

Sincerely,

A handwritten signature in black ink, appearing to read "David Warner", with a long horizontal flourish extending to the right.

David Warner
Director of Permit Services

DW:js