



500 Capitol Mall, Suite 1600  
Sacramento, California 95814  
main 916.447.0700  
fax 916.447.4781  
www.stoel.com

December 17, 2009

MELISSA A. FOSTER  
Direct (916) 319-4673  
mafoster@stoel.com

Mr. Jack Caswell, Compliance Project Manager  
California Energy Commission  
1516 Ninth Street  
Sacramento, CA 95814

<b>DOCKET</b>	
<b>00-AFC-14C</b>	
DATE	DEC 17 2009
RECD.	DEC 17 2009

**RE: El Segundo Power Redevelopment Project (00-AFC-14C)  
Correspondence to South Coast Air Quality Management District Requesting  
Continued Processing of Application**

Dear Mr. Caswell:

On behalf of El Segundo Energy Center LLC (the "project owner"), please find the enclosed correspondence to Mr. Michael Mills, Senior Air Quality Engineering Manager of the South Coast Air Quality Management District (the "District"). The correspondence to Mr. Mills sets forth El Segundo Energy Center LLC's intent to use Emission Reduction Credits ("ERCs") pursuant to the District's Rule 1304 as related to El Segundo Power Redevelopment project ("ESPR"). In summary, the enclosed materials more specifically present the project owner's intent to shutdown Boiler 3; thus, enabling ESPR access to the appropriate ERCs and allowing the District to continue processing ESPR's air permit application.

If you have any questions or concerns regarding the enclosed Permit Application Package Supplement for ESPR submitted to the District, please do not hesitate to contact John McKinsey, George Piantka, or me.

Very truly yours,

A handwritten signature in cursive script that reads "Melissa A. Foster".

Melissa A. Foster  
MAF:JMW

cc: George Piantka, NRG Energy  
Michael Mills, South Coast Air Quality Management District



**El Segundo Energy Center LLC**  
1817 Aston Avenue, Suite 104  
Carlsbad, CA 92008  
Phone: 760.710.2156  
Fax: 760.710.2158

December 4, 2009

Mr. Michael Mills  
Senior Air Quality Engineering Manager  
South Coast AQMD  
21865 Copley Drive  
Diamond Bar, CA 91765

**Subject: Permit Application Package Supplement for the  
Proposed El Segundo Power Redevelopment Project  
Facility - El Segundo Power, LLC (ID #115663)**

Dear Mr. Mills:

Due to the recently signed Senate Bill 827, beginning on January 1, 2010, the SCAQMD will be able to process permits for projects that rely on the Emission Reduction Credit (ERC) exemptions under Rule 1304. Included on this list of projects is the proposed El Segundo Power Redevelopment project (SCAQMD application number 470652), which had its permitting postponed as a result of the July 2008 court ruling suspending ERC exemptions under Rule 1304 and access to the Priority Reserve under Rule 1309.1. As a result of Senate Bill 827, El Segundo Energy Center LLC (applicant formally referred to as El Segundo Power II, LLC) requests that the SCAQMD continue to process the permit application package for the El Segundo Power Redevelopment (ESPR) project located at El Segundo Power, LLC – Facility 115663. The following paragraphs discuss this request in more detail.

### Background

On June 21, 2007, El Segundo Power, LLC submitted a permit application package to the SCAQMD for the installation of two new Siemens 501FD3 natural-gas fired combined cycle gas turbine power generating units at the El Segundo Generating Station. The proposed new units will be capable of extremely fast starts (approximately 22 minutes)

and still be combined cycle units. This configuration will significantly reduce startup emissions and can deliver substantial megawatts more quickly to the grid. This project relied on a combination of two emission offset related programs—the August 3, 2007 version of Rule 1309.1 Priority Reserve, and Rule 1304(a)(2) steam boiler to combined cycle gas turbine ERC exemption. The ERC exemption under Rule 1304 was for the shutdown of Boilers 1 and 2 at El Segundo Power, LLC. The combination of these programs, as well as the purchase of some ERCs, formed the complete emission offset package for the project. In addition to an ERC package, the June 2007 permit application for the ESPR project included an air quality modeling analysis, health risk assessment, and Best Available Control Technology (BACT) analysis as required under the SCAQMD permit regulations.

The SCAQMD deemed the ESPR project permit application data adequate on June 29, 2007, and issued the draft permit for the project on March 13, 2008. For CEQA purposes, the California Energy Commission (CEC) is the lead agency for the ESPR project. On June 12, 2008, the CEC staff published the staff analysis for the ESPR project, which concluded that the project after mitigation did not result in any significant environmental impacts. The permitting of the ESPR project was progressing forward when the July 28, 2008 court decision stalled this project.

### Proposed Supplement to Permit Application

As a result of Senate Bill 827, the permitting of the proposed ESPR project can move forward. However, because this bill addresses only the use of ERC exemptions under Rule 1304 and does not allow access to the Priority Reserve under Rule 1309.1 for power plants, it is necessary to revise the emission offset package for the ESPR project to include the shutdown of Boiler 3 (Device D11) at the El Segundo Generating Station. With the addition of the Boiler 3 shutdown, the total generating capacity of 685 MW associated with the shutdown of the existing boilers<sup>1</sup> (Boilers 1, 2, and 3) exceeds the 573 MW capacity of the new combined cycle gas turbine generating units.<sup>2</sup> Therefore, the emissions for the new units will be fully offset by the shutdown of the existing boilers under the Rule 1304(a)(2) steam boiler to combined cycle gas turbine offset exemption. Consequently, El Segundo Power, LLC requests that the SCAQMD supplement the ESPR project permit application package to include the shutdown of Boiler 3 and continue processing the permit application package for this project.

Because there is the possibility that legislative could be introduced to allow the ESPR project access to the Rule 1309.1 Priority Reserve prior to the initial operation of the new units, El Segundo Power, LLC requests that the SCAQMD include as part of the revised

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<sup>1</sup> Based on a combined generating capacity of 350 MW for El Segundo Boilers 1 and 2 plus 335 MW for El Segundo Boiler 3.

<sup>2</sup> March 13, 2008 SCAQMD draft permit package for the ESPR project, SCAQMD engineering evaluation, page 6 of 43, footnote number 3.

Mr. Michael Mills  
South Coast AQMD  
December 4, 2009  
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permit package for this project an option allowing access to the Rule 1309.1 Priority Reserve if it becomes available in the future. This optional source of ERCs would be allowed only if the timing were correct (i.e., access to the Priority Reserve access being granted prior to initial operation of the new units) and provided that the ESPR project qualified for such access under the future legislative action. In addition, this optional source of ERCs would be allowed only if the shutdown of Boiler 3 was not required for some other regulatory determination made by the SCAQMD.

We appreciate your help with this matter and request that the SCAQMD continue processing the ESPR permit application in an expedited manner. If you have any questions or need any additional information, please do not hesitate to call me at (760) 710-2156 (office) or (760) 707-6833 (cell).

Sincerely,

A handwritten signature in cursive script, appearing to read "George L. Piantka".

George L. Piantka, PE  
Director, Environmental Business  
NRG Energy, West Region

cc: John Yee, SCAQMD  
Ken Coats, SCAQMD  
Gerry Bemis, CEC  
CEC Dockets 00-AFC-14C