



January 22, 2013

Mr. Gerardo Rios
Chief, New Source Section
Air Operations Branch, A-3-1
Region IX
U.S. Environmental Protection Agency
75 Hawthorne Street
San Francisco, CA 94105

Dear Mr. Rios,

This is to inform you of the Air Pollution Control Officer's final decision to approve the Title V & IV, application for Sacramento Municipal Utility District Financing located at 14295 Clay East Rd, Herald, CA 95638 for the modification to the existing permitting language. Enclosed for your information is a copy of the final Title V & IV permit. Comments were received from the applicant, SMUD, and EPA. A copy of the final permit, comments from EPA and SMUD, and SMAQMD's response to those comments.

The following is the response to the comments received from EPA and SMUD for the issuance of TV2006-19-03, Title V and Title IV operating permit for Cosumnes Power Plant, significant modification.

Background

SMAQMD prepared a draft permit identified as TV2006-19-03 and Statement of Basis for a significant modification to the Title V and Title IV operating permit for the Cosumnes Power Plant, in Herald CA. A public notice was initiated by SMAQMD beginning on November 30, 2012. A notice was published in the Sacramento Bee newspaper, as well as on SMAQMD's website. EPA was given until January 17, 2013 and the general public was given until December 31, 2012 to submit comments regarding this project. A printed copy of the draft operating permit and Statement of Basis was mailed to EPA, Region 9, CARB, CEC, and the applicant. Two comments were received, one from the applicant and one from EPA.

A letter of comment from the applicant was received on December 12, 2012. The applicant identified differences in the rule language of SMAQMD Rule 413 and the language as it appears in the Statement of basis and draft operating permit.

The current condition in the draft operating permit is as follows:

9. For purposes of SMAQMD Rule 413, startup is defined as the time period commencing with the introduction of fuel to the gas turbine and ending at the time that the 15 minute average NOx concentration does not exceed 9.0 ppmvd at 15% O2.
 - i. The startup period shall not exceed 4 hours following a shutdown of the associated steam turbine or associated HRSG and steam piping of greater than 72 hours.
 - ii. The startup period shall not exceed 1 hour following a shutdown of the associated steam turbine or associated HRSG and steam piping between 8 hours and 72 hours.
 - iii. The startup period shall not exceed 1 hour following a shutdown of the associated steam turbine or associated HRSG and steam piping of less than or equal to 8 hours.

[Basis: SMAQMD Rule 413 and US EPA Title V White Paper Number 2]

The applicant requests that the language match SMAQMD rule 413 rule language as follows:

9. For purposes of SMAQMD Rule 413, startup is defined as the time period commencing with the introduction of fuel to the gas turbine and ending at the time that the 15 minute average NOx concentration does not exceed 9.0 ppmvd at 15% O2.
 - i. The startup period shall not exceed 4 hours following a shutdown of the associated steam turbine or associated HRSG and steam piping of greater than 72 hours.
 - ii. The startup period shall not exceed 3 hours following a shutdown of the associated steam turbine or associated HRSG and steam piping between 8 hours and 72 hours.
 - iii. The startup period shall not exceed 1 hour following a shutdown of the associated steam turbine or associated HRSG and steam piping of less than or equal to 8 hours.

[Basis: SMAQMD Rule 413 and US EPA Title V White Paper Number 2]

SMAQMD acknowledges that this was a typographical error. The intent of this condition is not to be more restrictive than SMAQMD Rule 413. This change shall be made to the permit. Note that additional changes are requested by EPA and will also be implemented.

A letter of comments was received from EPA region 9 on January 16, 2013, with the following points of discussion.

- (1) EPA requests the deletion of the general permit shield found in condition III.47. SMAQMD agrees with this request and will delete this condition.

- (2) EPA requests additional language be added to B.9, Gas Turbines Nos 2 and 3

for the clarification purposes. As published in the draft permit the following is shown.

9. For purposes of SMAQMD Rule 413, startup is defined as the time period commencing with the introduction of fuel to the gas turbine and ending at the time that the 15 minute average NOx concentration does not exceed 9.0 ppmvd at 15% O2.

EPA requests that it be changed to

9. For purposes of determining compliance with SMAQMD Rule 413, startup is defined as the time period commencing with the introduction of fuel to the gas turbine and ending at the time that the 15 minute average NOx concentration does not exceed 9.0 ppmvd at 15% O2.

This change, along with changes requested by the applicant will be incorporated into the final permit.

- (3) EPA notes that the permit shield for SMAQMD rule 413 found in condition III.46 is unsubstantiated. They also request that the regulatory citing be changed to SMAQMD Rule 207 Section 307. EPA states that the analysis can be provided in the renewal of the permit. More analysis of the permit shield will be provided as part of the renewal process or the condition will be eliminated at the time of renewal of the operating permit. For this permitting action the citing for condition III.46 will be changed to SMAQMD Rule 207 section 307.

If you have any questions, you may contact me at (916) 874-4861.

Sincerely,



Venk Reddy
Associate Air Quality Engineer

Enclosure



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street
San Francisco, CA 94105-3901

January 16, 2013

Venk Reddy
Associate Air Quality Engineer
Sacramento Metropolitan Air Quality Management District
777 12th Street
Sacramento, California 95814-1908

Re: Draft Title V Permit Revision for Cosumnes Power Plant

Dear Mr. Reddy:

Thank you for the opportunity to review the District's proposed significant revision of the Cosumnes Power Plant title V permit, which we received on December 4, 2012. In accordance with SMAQMD Rule 207, we have reviewed the District's proposed permit revision during our 45-day review period.

The District is proposing to add a new permit shield condition (III.47) that states "Compliance with the conditions of the Title V permit shall be deemed compliance with *any applicable requirements* as of the date of the Title V permit issuance" (emphasis added). This permit shield language is overly broad and does not conform with Title V permit shield requirements, including the provisions of the District's Rule 207 (Title V - Federal Operating Permit Program). Rule 207 allows the District to grant permit shields, provided that the District "includes and specifically identifies such requirements in the Title V permit". In order to grant a permit shield, the District must include a permit shield condition that specifically cites the regulation that the shield applies to, and ensure that all the applicable requirements from that regulation are included in the permit. The language of condition III.47 amounts to a blanket permit shield for all applicable requirements, including requirements that have not been included in the permit. The District must delete this condition.

EPA concurs with the District's approach of adding a condition to the permit to clarify how the District interprets SIP Rule 413, Stationary Gas Turbines, for this source, given its specific configuration (i.e., two gas turbines and two HRSGs, ducted to a single steam turbine). We suggest the following edit to Condition V.B.9, for greater clarity:

For purposes of determining compliance with SMAQMD Rule 413, startup is defined as the time period commencing with the introduction of fuel to the gas turbine and ending at the time that the 15 minute average NOx concentration does not exceed 9.0 ppmvd at 15% O2.

The existing (initial) Title V permit for this facility has a permit shield condition (III.46) that already applies to SIP Rule 413 and the New Source Performance Standard (NSPS) for stationary gas turbines, 40 CFR 60, Subpart GG. Neither the statement of basis prepared to support the current proposed permit revision, or the statement of basis the District produced to

support the issuance of the initial permit in 2008, contains a permit shield analysis that demonstrates that compliance with the terms and conditions of the Title V permit ensure compliance with Rule 413 and Subpart GG. Such an analysis would help the District, EPA, and the public by citing the shielded requirements in detail (not merely high level references to the Rule 413 or Subpart GG, but specific citations of applicable requirements within these regulations, down to the subparagraph level), and documenting the corresponding permit conditions that assure that compliance with the permit will assure compliance with the applicable requirements. EPA strongly recommends that the District provide such an analysis when issuing this significant modification. Alternatively, given that the permit is due to be renewed this year, the District could provide this necessary analysis when it proposes the Title V permit renewal for this facility.

When streamlined conditions are used to assure compliance with Rule 413 or Subpart GG, and any more stringent requirements, it is important that the District include citations to the subsumed applicable requirements as the basis for the streamlined condition in its citations of origin and authority in the Title V permit. This will clarify that the streamlined conditions assure compliance with all of the cited applicable requirements.

Finally, we note that the District cites EPA's White Paper Number 2 as the basis for Condition III.46, which is the permit shield for Rule 413 and Subpart GG. While this EPA guidance document addresses permit shields in the context of streamlining multiple overlapping applicable requirements, it is not the regulatory basis for adding a permit shield to a Title V permit. The District should replace this citation with a citation to District Rule 207, Section 307, which is the District's authority to include permit shields in Title V permits.

Please contact Roger Kohn at (415) 972-3973 or kohn.roger@epa.gov if you have any questions about our comments, or want to discuss any specific issues we have raised.

Sincerely,



Gerardo C. Rios
Chief, Permits Office
Air Division

cc: Paul Lau, Cosumnes Power Plant
Michael Tollstrup, California Air Resources Board



SACRAMENTO MUNICIPAL UTILITY DISTRICT FINANCING AUTHORITY
P.O. Box 15830, Sacramento, CA 95852-1830

Cosumnes Power Plant

December 12, 2012
SFA 12-013

Mr. Larry Greene
Air Pollution Control Officer
Sacramento Metropolitan Air Quality Management District
777 12th Street, 3rd Floor
Sacramento, CA 95814-1908

**SUBJECT: WRITTEN COMMENTS FOR PROPOSED TITLE V PERMIT TV2006-19-03 FOR
COSUMNES POWER PLANT**

Dear Mr. Greene:

The Sacramento Municipal Utility District Financing Authority (SFA) has received and reviewed the proposed Title V Permit listed above for the Cosumnes Power Plant (CPP). SFA requests that proposed Condition V.B.9 be revised to reflect the language previously submitted via email on October 26, 2012, by Environmental Specialist Stu Husband to Air Quality Engineer Venk Reddy. The proposed condition language listed below reflects the time periods allowed by Section 113 of Rule 413 (Stationary Gas Turbines).

9. *For purposes of SMAQMD Rule 413, startup is defined as the time period commencing with the introduction of fuel to the gas turbine and ending at the time that the 15 minute average NOx concentration does not exceed 9.0 ppmvd at 15% O₂.*
- i. *The startup period shall not exceed 4 hours following a shutdown of the associated steam turbine or associated HRSG and steam piping of 72 hours or more.*
 - ii. *The startup period shall not exceed 3 hours following a shutdown of the associated steam turbine or associated HRSG and steam piping of greater than between 8 hours and 72 hours.*
 - ii. *The startup period shall not exceed 1 hour following a shutdown of the associated steam turbine or associated HRSG and steam piping of less than or equal to 8 hours.*

[Basis: SMAQMD Rule 413 and US EPA Title V White Paper Number2]

Please contact Environmental Specialist René Toledo at (916) 372-7452, if you have any questions concerning this letter or project.

Sincerely,

Ross Gould
Superintendent, Thermal Generation and Gas Pipeline Assets

cc: Mr. Venk Reddy, SMAQMD (email only)