



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

May 4, 2012

Ms. Jenifer Morris Lee, Vice President
Walnut Creek Energy, LLC
3 MacArthur Place, Suite 100
Santa Ana, CA92707

SUBJECT: Walnut Creek Energy, LLC (Facility ID No. 146536)

Dear Ms. Lee:

The South Coast Air Quality Management District (AQMD) has received your letter dated April 3, 2012 (see attachment), requesting an extension for the Title V Permits to Construct issued to Walnut Creek Energy, LLC on May 5, 2011 for the Walnut Creek Energy Park (WCEP) project. The request provided an update of the construction schedule and sought an 18-month extension of the permits to construct to November 5, 2013.

AQMD staff has reviewed the request and evaluated all information provided along with your request letter, as well as all other relevant information available to AQMD with respect to the issuance of an extension of the Title V Permits to Construct for this project, including information regarding the restart of Huntington Beach Units 3 & 4. Based on our review of this information, AQMD staff has determined that an extension of the Title V Permits to Construct can be granted. Therefore, pursuant to AQMD Rule 205, the Title V Permits to Construct are extended until November 9, 2012 for all of the applications listed in the attached Table 1, subject to the conditions listed below. Also, since the Permits to Construct were issued to Walnut Creek Energy Park, instead of Walnut Creek Energy, LLC, the AQMD intends to correct the Permits to Construct by clarifying that the permittee is Walnut Creek Energy, LLC and incorporating the following conditions into the extended Permits to Construct to ensure that certain of the existing permit requirements are met:

1. The Permits to Construct listed in Section H shall expire on November 9, 2012.
2. Walnut Creek Energy, LLC will require Edison Mission Huntington Beach (EMHB) and AES Huntington Beach (AESHB, Operator of Facility Permit for ID # 167432) to submit a detailed retirement plan for the permanent shutdown of

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Huntington Beach Units 3 & 4, describing in detail the steps and schedule that will be taken to meet condition F52.1 of the WCE Facility Permit for ID #146536, as well as the responsible party taking those steps to render the units permanently inoperable. The retirement plan must be submitted to AQMD by June 1, 2012. Within 30 days, AQMD shall notify Walnut Creek Energy, LLC whether the plan is approvable. If AQMD notifies Walnut Creek Energy, LLC that the plan is not approvable, Walnut Creek Energy, LLC shall submit a revised plan addressing AQMD's concerns within 30 days.

3. Walnut Creek Energy, LLC shall require EMHB by November 1, 2012 to surrender all AQMD permits for Huntington Beach Units 3 & 4 (Facility ID # 167432) that were issued to EMHB on May 4, 2011 and along with that provide the AQMD with a notarized statement that the units are permanently shut down and that any re-start or operation of the units shall require new Permits to Construct and be subject to all requirements of nonattainment new source review and the prevention of significant deterioration program. Walnut Creek Energy, LLC shall require EMHB to ensure that the units are permanently shut down and rendered permanently inoperable in accordance with the approved plan by November 9, 2012, or other date specified in the approved plan.
4. Walnut Creek Energy, LLC, or their designee, shall notify AQMD 30 days prior to implementation of the approved retirement plan for permanent shut down of Huntington Beach Units 3 & 4, or advise AQMD as soon as practicable should AESHB undertake permanent shutdown prior to November 9, 2012.
5. Walnut Creek Energy, LLC shall not start operation of any equipment covered under the Permits to Construct for the Walnut Creek Energy Park project until both Edison Mission Huntington Beach, LLC boiler Units 3 & 4, currently located at the AES Huntington Beach Generating Station, have been permanently retired, permits for boiler Units 3 & 4 have been surrendered to AQMD, and AQMD has issued approval in writing that Walnut Creek Energy, LLC has, to the satisfaction of AQMD, complied with all of the above conditions and the requirements to permanently retire boiler Units 3 & 4.
6. Upon compliance with conditions 2 through 5 above, the Permits to Construct listed in Section H will be automatically extended to May 5, 2013.

As you know, the approval of the AQMD permits for WCEP were predicated on the permanent shutdown of Huntington Beach Units 3 & 4. You would violate both AQMD regulations and federal law were you to start WCEP without having first permanently shut

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down the Huntington Beach units. Therefore, upon the extension of the Permits to Construct, the extended Permits to Construct are only valid if Walnut Creek Energy, LLC has complied with the above conditions and shall expire on November 9, 2012. You must notify the AQMD, in writing, when the equipment is capable of being operated and 30 days prior to the start of operation.

Please contact the undersigned at 909-396-2662 (mnazemil@agmd.gov) if you have any questions regarding this letter.

Sincerely,



Mohsen Nazemi, P.E.
Deputy Executive Officer
Engineering and Compliance

Attachment

MN:BLY:AYL:JTY:KLC:eg

cc: Barry Wallerstein, AQMD
Kurt Wiese, AQMD
Barbara Baird, AQMD
Brian Yeh, AQMD
Pedro Pizarro, Edison Mission Energy
Larry Kostrzewa., Edison Mission Energy
Joan Walter, AICP,CEC
Gerardo Rios, U.S. EPA, (R9AirPermits_sc@epa.gov)