



# South Coast Air Quality Management District

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March 15, 2011

Mr. Gerardo Rios  
Chief – Permits Office  
U.S. EPA, Region IX  
75 Hawthorne Street, Air 3  
San Francisco, CA 94105

Subject: Revised Determination of Compliance for Walnut Creek Energy Park Power Plant  
To be located at 911 Bixby Drive, City of Industry, CA 91744 (Facility ID 146536)

Dear Mr. Rios:

*Gerardo*

This is in reference to Walnut Creek Energy Park (WCEP) power plant project proposed by Walnut Creek Energy, LLC (WCE), a subsidiary of Edison Mission Energy (EME), and WCE's Application for Certification (AFC) and Title V Application for Permits to Construct filed with the California Energy Commission (CEC) and the South Coast Air Quality Management District (AQMD), respectively. WCE has proposed to construct WCEP, a 500.5 megawatt (MW) power plant, at 911 Bixby Drive, City of Industry, CA 91744. Based on all the information provided by WCE and AQMD's detailed evaluation of this information, including the most recent information provided this month, the AQMD has determined that the WCEP project complies with all applicable air quality rules and regulations and is hereby issuing a Revised Determination of Compliance (DOC) for the WCEP project. The main reason for the Revised DOC is that WCE has modified its emission offset strategy, as well as proposed changes to the number of startups and shutdowns for the WCEP project.

On October 31, 2006 and February 16, 2007, the AQMD issued a Preliminary Determination of Compliance (PDOC) and a Final Determination of Compliance (FDOC) for the WCEP Project, respectively. However, due to the AQMD Governing Board's action to replace the September 8, 2006 amendments to Rule 1309.1 with further amendments adopted on August 3, 2007, the AQMD re-evaluated the WCEP Project to determine its compliance with Rule 1309.1, as amended on August 3, 2007. Subsequently, AQMD issued an Amended FDOC for WCEP on February 29, 2008 indicating that WCE has proposed to offset emission increases from the WCEP project through a combination of purchasing Emission Reduction Credits (ERCs) and accessing AQMD's Priority Reserve credits pursuant to Rule 1309.1. However, Rule 1309.1 – Priority Reserve, as amended on August 3, 2007, was invalidated by the court order issued by Judge Ann I. Jones in July and November 2008. On February 26, 2009, the AQMD informed WCE that in the absence of Rule 1309.1 as amended on August 3, 2007, WCE would be required to provide emission offsets in the form of ERCs for all emission increases in order to demonstrate compliance with the emission offset requirements of Rule 1303(b)(2).

In a letter dated March 3, 2011, WCE informed the AQMD that it intends to use a new emission offsets strategy. As such, Edison Mission Huntington Beach, LLC (EMHB), a subsidiary of EME, intends to purchase and become the new owner of two existing electric utility boiler generators (units # 3 and 4) presently owned and operated by AES Huntington Beach, LLC in the City of Huntington Beach. EME then intends to comply with the emission offset requirements of Rule 1303(b)(2) for the construction and operation of the WCEP power plant project by removing from operation and replacing the two existing electric utility boiler generators units # 3 and 4 at AES Huntington Beach

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with WCEP, under the offset exemption provisions of Rule 1304(a)(2). The WCEP project will include a set of simple cycle generating systems (SCGS), which will consist of five natural gas fired General Electric (GE) LMS100 combustion turbines and five electric generators. The current combined generating capacity of the existing electric utility boiler generators units # 3 and 4 in Huntington Beach is 450 MWs. The combined generating capacity of the five (5) SCGS gas turbines in the City of Industry will be 500.5 MWs, which is 50.5 MWs more than the existing capacity of units # 3 and 4. The existing generating units # 3 and 4 in Huntington Beach will be shutdown prior to start of operation of the new SCGS gas turbines for the WCEP project. The new SCGS gas turbines will be equipped with the Best Available Control Technology (BACT) air pollution control equipment, which consists of catalysts (selective catalytic reduction and oxidation catalyst). Other auxiliary equipment for the SCGS gas turbines includes one 183 bhp diesel-fuel fired emergency fire pump engine and one 16,000 gallon capacity aqueous ammonia storage tank.

The total electrical generating capacity (500.5 MWs) of the new SCGS gas turbines for the WCEP project in the City of Industry is greater than the total electrical generating capacity (450 MWs) of the existing electric utility boiler generating units # 3 and 4 being removed in Huntington Beach. Therefore, as required by AQMD rules and regulations [Rule 1304(a)(2)], the emissions associated with the increase in the electrical generating capacity (50.5 MWs) from the new equipment will be offset through providing ERCs that WCE will acquire from emission reductions which have occurred at other facilities within the air basin. The amounts of ERCs required that are associated with the 50.5 MWs increase in the electrical generating capacity are 21 pounds per day (or 630 pounds per month) of VOCs and 52 pounds per day (or 1,560 pounds per month) of PM<sub>10</sub>. There are no emission offsets required for CO, since the South Coast Air Basin is considered attainment with both the federal and state ambient air quality standards for CO. Also all of the NO<sub>x</sub> and SO<sub>x</sub> emissions from the new WCEP facility will be offset with emission credits that WCE either holds or will purchase in the form of NO<sub>x</sub> and SO<sub>x</sub> emission credits available in the Regional Clean Air Incentives Market (RECLAIM) in the form of RECLAIM Trading Credits (RTCs). Finally, the total facility's emissions of PM<sub>2.5</sub> will be limited to 60.9 tons per year, which is less than 100 tons per year major source threshold for PM<sub>2.5</sub> in accordance with the federal NSR rule (Appendix S); therefore, no offsets are required for PM<sub>2.5</sub>. The VOCs and PM<sub>10</sub> ERCs are required to be provided by WCE prior to issuance of the final Title V Permits to Construct, and the NO<sub>x</sub> and SO<sub>x</sub> RTCs are required to be provided by WCE prior to the WCEP project commencing its operation in accordance with AQMD's New Source Review Rules (Regulation XIII) and RECLAIM rules (Rule 2005), respectively.

Based on the results of our detailed analysis and evaluation, the AQMD has determined that the proposed WCEP project and offset strategy (which includes the retirement of boiler generating units # 3 and 4 at Huntington Beach as a replacement to construct and operate the WCEP project) complies with all applicable federal, state and local air quality rules and regulations and, therefore, AQMD has prepared a Revised DOC for the WCEP project. The Revised DOC indicates that the AQMD intends to issue the Title V Permits to Construct for the WCEP project subject to WCE and AES completing the final sale of the electric utility boilers generating units # 3 and 4 from AES to EME and issuance of new permits for generating units # 3 and 4 to EMHB prior to issuance of the Permits to Construct for the WCEP project. The Permits to Construct for the new WCEP project will be issued to WCE with the condition that both boilers generating units # 3 and 4 will be shutdown and removed from operation prior to start of operation of the WCEP project.

Due to the project's emission potential, the WCEP project is subject to the public notice requirements specified in AQMD Rules 212 – Standards for Approving Permits and Rule 3006 – Title V Public

**Participation.** As a result, simultaneous with the issuance of the Revised DOC for the WCEP project, AQMD is proposing to issue Title V Permits to Construct and is providing an opportunity for a 30-day public comment period and a 45-day EPA review period for the Proposed Title V permit. AQMD will consider issuance of the final Title V Permits to Construct only after all pertinent public and EPA comments, if any, have been timely received and considered and upon compliance with the requirements described below:

- In accordance with AQMD Rule 1303(b)(2) and 1304(a)(2), WCE must provide emission offsets in the form of ERCs for the emission increases associated with the 50.5 MWs increased electrical generating capacity. WCE will provide ERCs to offset the corresponding increases in VOC and PM10 emissions associated with the 50.5 MWs increase in electrical generating capacity prior to issuance of the Title V Permits to Construct for the WCEP project. Prior to start of operation of the WCEP project EMHB will shut down electric utility boilers # 3 and 4 in Huntington Beach to offset the remaining emission increases of VOC and PM10 from the WCEP project. WCE must also hold adequate amounts of NOx and SOx RTCs for the first year of operation of the WCEP project, in order to comply with RECLAIM requirements.
- EMHB shall complete the change of ownership process and obtain written permits from AQMD for the electric utility generating units # 3 and 4 at AES's Huntington Beach Generating Station prior to issuance of Title V Permits to Construct for the WCEP project. In addition, EMHB shall demonstrate to the satisfaction of AQMD that EMHB holds sufficient NOx and SOx RTCs for the electric utility boiler generators units # 3 and 4 for the compliance year in which the change of ownership occurs.

Enclosed please find a copy of the public notice and Revised DOC for the WCEP project for your review. We appreciate your timely review of the Proposed Title V permit and Revised DOC. The public notice is also being published in a newspaper of general circulation in the vicinity of the nearest affected area and is additionally being forwarded to other interested parties.

If you wish to provide comments or have any questions regarding this project, please contact Mr. Brian Yeh, Senior Engineering Manager at (909) 396-2584 or [byeh@aqmd.gov](mailto:byeh@aqmd.gov).

Sincerely,



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

MN:BLY:JTY:KC

Enclosures

cc: Larry Kestrzewa, EME (w/o Enclosures)  
Kurt Wiese, AQMD (w/o Enclosures)