



South Coast Air Quality Management District

AQMD

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February 22, 2008

Mr. Jack Caswell
Project Manager
California Energy Commission
1516 9th Street
Sacramento, CA 95814-5512

Subject: Final Determination of Compliance (FDOC) for Edison Mission Energy's (EME's) Proposed Walnut Creek Energy, LLC (WCE) Project (Facility ID No. 146536), to be located at 911 Bixby Drive, City of Industry, CA 91744; (05-AFC-2)

Dear Mr. Caswell:

This is in reference to Edison Mission Energy's (EME's) Proposed Walnut Creek Energy, LLC (WCE) Power Plant Project and WCE's Application for Certification (AFC) and Title V Application for a Permit to Construct filed with the California Energy Commission (CEC) and the South Coast Air Quality Management District (AQMD), respectively. As you know, WCE has proposed to construct a 500 net megawatt (MW) power plant, Walnut Creek Energy, LLC, at 911 Bixby Drive, City of Industry, CA 91744.

On October 31, 2006 and February 16, 2007 the AQMD issued Preliminary and Final Determinations of Compliance (DOC) to the WCE Project, respectively. However, due to the AQMD Governing Board's further amendments to Rule 1309.1, the AQMD issued an amendment to the Determinations of Compliance for WCE on January 11, 2008. The AQMD distributed a second Public Notice for this project on January 21, 2008.

At this time the AQMD is issuing a Final Determination of Compliance (FDOC) indicating that WCE complies with all of the Rules and Regulations of the AQMD. The purpose of this letter is to transmit the FDOC to CEC and to list the revisions which will be made to the amendment to the Determinations of Compliance issued on January 11, 2008, based upon comments the AQMD has received from both USEPA and EME.

Regarding the comments received, please note that EME has indicated to AQMD that their interpretation of the language in Rule 1309.1 is that an in-District electrical generating facility located in Zone 2 shall demonstrate compliance with each of the subsections in subparagraph (iii) of the rule with no references to a limitation on total megawatts (MW) of electricity generated. Thus EME does not need proposed condition E193.4 which limits the total electrical generating capacity to 500 MW or less. Upon review of the rule language in Rule 1309.1, the AQMD concurs with this interpretation. Therefore, condition E193.4, will be removed from the amended Determination of Compliance issued on January 11, 2008. Please note that condition E193.4 corresponds to AQ -19 in the CEC AFC document and should be removed accordingly.

In addition, please note that Attachment A is a summary of additional minor revisions based on comments received from USEPA which will be reflected in the FDOC. Also note that AQMD will be forwarding the FDOC to CEC shortly.

Cleaning the air that we breathe.

Mr. Jack Caswell

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February 22, 2008

If you have any questions regarding this project, please contact Mr. Kenneth L. Coats at (909) 396-2527 kcoats@aqmd.gov or Mr. John Yee at (909) 396-2531 jyee@aqmd.gov. For any questions regarding this letter and the Addendum to the DOC, please contact Mr. Michael D. Mills, Senior Manager at (909) 396-2578 mmills@aqmd.gov.

Sincerely,



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

MN:klc

cc: Jackalyne Pfannenstiel, CEC Commissioner
Barry Wallerstein, AQMD
Mr. Thomas J. McCabe, EME
Lawrence Kostrzewa, EME
Victor Yamada, EME
Mike Carroll, Latham & Watkins, LLP
Scott Galati, Galati, & Blek, LLP
Gerardo Rios, USEPA

ATTACHMENT A

COMMENTS/RESPONSE TO COMMENTS AND PROPOSED REVISIONS TO THE AMENDED DETERMINATION OF COMPLIANCE ISSUED JANUARY 11, 2008

Comment No. 1 from EPA

EPA notes that throughout the proposed permit "Rule 1703" is listed as the basis for numerous permit conditions. However, as stated on page 15 of the engineering analysis, total facility emissions of attainment pollutants are less than 250 tpy, therefore the provisions of PSD, as specified in Rule 1703 are not applicable. Accordingly, please remove all references to Rule 1703 as the basis for any condition in the permit.

AQMD Response

AQMD agrees with EPA in that the applicable major stationary source PSD thresholds for simple cycle power plants is 250 tons per year (tpy) for any attainment pollutant regulated by the federal Clean Air Act. However, Rule 1703(a)(2) requires that each permit unit be constructed using Best Available Control Technology (BACT) for each attainment air contaminant where there is a net emission increase. Since carbon monoxide (CO), nitrogen dioxide (NO₂), and sulfur dioxide (SO₂) are attainment air contaminants with increased emissions, Rule 1703(a)(2) applies to this facility. Therefore, the appropriate permit conditions will be revised from the previously tagged "Rule 1703" to state "Rule 1703(a)(2) PSD-BACT".

Comment No. 2 from EPA

Conditions D12.3 and D12.4 establish temperature and differential pressure ranges for the catalyst. EPA notes that no provisions are made to account for operation during the startup period, during which the catalyst may not be able to comply with the required ranges. If the emission units can not comply during the startup period, the permit should be revised to specify what the temperature and pressure requirements are during the start up period.

AQMD Response:

AQMD agrees with EPA regarding the need for maximum temperature and pressure limits and will revise conditions D12.3 and D12.4 to include a maximum temperature and pressure limit which cannot be exceeded during the start-up period.

Comment No. 3 from EPA

Condition C1.4 states that "the operator shall limit the *operating time* to no more than 4,000 hours in any one year. For the purpose of this condition, *operating time* shall be defined as a period of twelve (12) consecutive months determined on a rolling basis with a new twelve month period beginning on the first day of each calendar month." (Emphasize added) Please revise the second sentence to read that "one year" rather than "operating time" shall be defined as a period of twelve (12) consecutive months determined on a rolling basis with a new twelve month period beginning on the first day of each calendar month.

AQMD Response:

AQMD agrees with EPA and will revise the second sentence to read "one year".

Comment No. 4 from EPA

While Condition C1.4 limits the annual hours of operation for the turbines, and Condition D12.7 requires the installation of a non-resettable elapsed time meter, EPA could not locate any requirement to monitor and record the hours of operation in Section K of the permit. Please add a condition requiring at least monthly monitoring and recordkeeping of the elapsed time meter readings.

AQMD Response:

AQMD agrees with EPA and will revise condition D12.7 to require at least monthly monitoring and recordkeeping of the elapsed time meter readings.

Comment No. 5 from EPA

EPA notes that for several of the conditions related to source testing, found in Subsection D of Section H of the permit (e.g. see Condition D29.3), the required test method is listed as "Approved District Method." Since specific SIP approved test methods are available for each of these tests, the Title V permit must list the specific test methods required to be used. The District may add a condition stating that an alternative test method may be allowed, but only upon both District and EPA concurrence. In a similar manner, many of these same conditions specify that the required Averaging Time is "District-approved averaging time." Again each specific test method has a corresponding required averaging time. Please revise all Conditions in Subsection D to provide specific test method and averaging time requirements.

AQMD Response:

AQMD concurs with EPA and will make the following revisions to the appropriate source testing conditions: The required averaging time for PM will be revised from "District approved averaging time" to read "4 hours". The required test method for PM will be revised from "Approved District Method" to read "Method 5". The required test method for SO_x will be revised from "Approved District Method" to read "AQMD Method 307-91." The required test method for VOC will be revised from "Approved District Method" to read "AQMD Method 25.3".