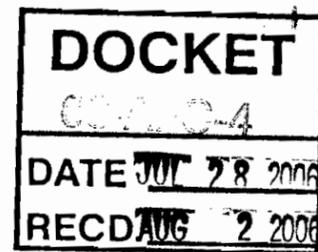




**South Coast  
Air Quality Management District**

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



July 28, 2006

Mr. Donal O'Callaghan  
Director of Light & Power  
City of Vernon  
4305 Santa Fe Avenue  
Vernon, CA 90058

**SUBJECT:** Permit Applications for the Vernon Power Project (VPP), CEC 06-AFC-4, to be located at 3200 Fruitland Avenue, Vernon, CA 90058 (Facility ID No. 148553)

Dear Mr. O'Callaghan:

The South Coast Air Quality Management District (AQMD) has received the subject permit applications on June 30, 2006. As a first step of its reviewing process AQMD has briefly evaluated the applications to determine whether the applications are complete and ready for permit evaluation. Based on our initial review of the submitted materials, it has been determined that the application package is complete. The reference application numbers for this project and our initial review determination are provided in the table below.

Application Number	Equipment Description	Completeness Determination
458389	Gas Turbine, CTG, HRSG, Unit 1	Deemed Complete
458392	SCR/CO Catalyst, Unit 1	Deemed Complete
458394	Gas Turbine, CTG, HRSG, Unit 2	Deemed Complete
458397	SCR/CO Catalyst, Unit 2	Deemed Complete
458398	Gas Turbine, CTG, HRSG, Unit 3	Deemed Complete
458400	SCR/CO Catalyst, Unit 3	Deemed Complete
458402	Oil/Water Separator, No. 1	Deemed Complete
458403	Oil/Water Separator, No. 2	Deemed Complete
458404	Aqueous Ammonia Storage Tank No. 1	Deemed Complete
458406	Aqueous Ammonia Storage Tank No. 2	Deemed Complete
458407	Emergency IC Engine (Fire Water Pump)	Deemed Complete
458424	RECLAIM Permit	Deemed Complete
458388	Initial Title V Permit	Deemed Complete

Please be aware that additional information will be needed during the course of our full engineering evaluation. Your cooperation is key to the timely review of these applications. The following issues have been identified during the completeness review.

- Offset: - The application indicates VPP's intent to acquire credits from AQMD's priority reserve for the purpose of emission offsets, subject to AQMD's rule amendment and approval. Please be aware that, as a prerequisite to accessing the priority reserve, the VPP shall conduct a due diligent

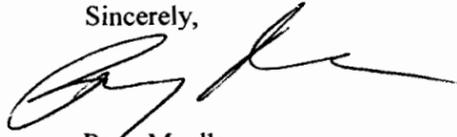
effort to secure available ERCs from the open market. VPP shall report to the AQMD on a monthly basis the due diligent efforts. The following is a preliminary estimate of the offsets required for this project based on Table 4-11 of the AFC.

Pollutant	Amount	Source 1	Source 2
NOx	295,157 lbs first year 329 101 lbs normal year	RTCs	-----
CO	1,404 lbs/day	ERCs	Priority Reserve per Rule 1309.1
PM <sub>10</sub>	909 lbs/day	ERCs	Priority Reserve per Rule 1309.1
SOx	108 lbs/day	ERCs	Priority Reserve per Rule 1309.1
VOC	396 lbs/day	ERCs	-----

- VPP needs to hold sufficient offset credits for CO, PM<sub>10</sub>, SOx and VOC before the permit to construct can be issued. Additionally, the VPP needs to demonstrate that it holds a sufficient amount of NOx RTCs before the project commences operation. The project folder contains a preliminary process flow diagram (PFD) in which VPP shall provide updates to AQMD when a final detailed PFD is drafted.
- Our initial review also indicates that the project will require public notice per Rule 212, 1309.2, and 3006. The AQMD will prepare and distribute the public notice. In accordance with Rule 212, VPP may be required to also distribute the notice to nearby residents.

If you have any questions regarding your permit applications, please contact Mr. Chandrashekhar S. Bhatt at (909) 396-2653.

Sincerely,



Pang Mueller  
Senior Manager  
Refinery, Energy and RECLAIM Administration  
Engineering and Compliance Division

Attachments  
CM:TV:JTY:csb

cc: Dr. Krishna Nand, City of Vernon  
Mohsen Nazemi, AQMD  
Dr. James Reede, CEC  
Joe Loyer, CEC

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