



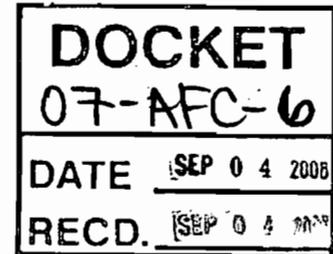
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September 4, 2008

VIA HAND DELIVERY AND PER PROOF OF SERVICE

Mr. J. Mike Monasmith
Project Siting Manager
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814



**Re: Carlsbad Energy Center Project (07-AFC-6) Rain Permit Application; and
Statewide Compliance Certification**

Dear Mr. Monasmith:

On behalf of Carlsbad Energy Center LLC, please find enclosed two documents for submittal:
(1) Rain Permit Application submitted to the San Diego Air Pollution Control District on
September 4, 2008; and (2) SDAPCD Rule 20.3(e)(1) Statewide Compliance Certification.

Respectfully submitted,

Stoel Rives LLP

Kimberly J. Hellwig
Senior Paralegal

KJH:kjh

Enclosure

cc: See Proof of Service List Attached

1817 Aston Avenue, Suite 104
Carlsbad, CA 92008

Direct: (760) 710-2144
Fax: (760) 710-2158

Carlsbad Energy Center LLC

September 4, 2008

Dr. Steve Moore
Engineering Group
San Diego Air Pollution Control District
10124 Old Grove Road
San Diego, CA 92131

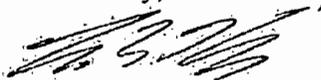
Subject: Application for Authority To Construct
Carlsbad Energy Center Project – Acid Rain Permit Application

Dear Dr. Moore:

On behalf of Carlsbad Energy Center LLC, we are pleased to submit the enclosed Acid Rain permit application form for the proposed Carlsbad Energy Center Project (CECP). The permit application is signed by the designated representative Jerry Carter, plant manager for Encina Power Station. According to recent discussions with the EPA Clean Air Markets group, the Acid Rain permit application must be submitted to the local permitting authority responsible for Title V. Since the SDAPCD is the Title V permitting authority for the CECP, we are submitting this application form to the SDAPCD. While the New Source Review/Title V permit application package submitted to the SDAPCD in September 2007 would most likely qualify as the official Acid Rain permit application submittal because that package discussed the applicability and requirements of the Acid Rain program, we are submitting the enclosed form to remove any uncertainty regarding the submittal of an Acid Rain permit application for the CECP.

If you have any questions or need any additional information, please contact me at (760) 710-2144.

Sincerely,



Tim E. Hemig
Vice President
Carlsbad Energy Center LLC

Enclosure

cc: Will Walters, CEC
Michael Monasmith, CEC
John McKinsey, Stoel Rives LLP
Tom Andrews, Sierra Research
CEC Dockets Office (07-AFC-6)

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|---|
| Cabrillo Power I LLC - Encina Power Station Facility (Source) Name (from STEP 1) |
|---|

Permit Requirements

STEP 3

Read the standard requirements.

- (1) The designated representative of each affected source and each affected unit at the source shall:
- (i) Submit a complete Acid Rain permit application (including a compliance plan) under 40 CFR part 72 in accordance with the deadlines specified in 40 CFR 72.30; and
 - (ii) Submit in a timely manner any supplemental information that the permitting authority determines is necessary in order to review an Acid Rain permit application and issue or deny an Acid Rain permit;
- (2) The owners and operators of each affected source and each affected unit at the source shall:
- (i) Operate the unit in compliance with a complete Acid Rain permit application or a superseding Acid Rain permit issued by the permitting authority; and
 - (ii) Have an Acid Rain Permit.

Monitoring Requirements

- (1) The owners and operators and, to the extent applicable, designated representative of each affected source and each affected unit at the source shall comply with the monitoring requirements as provided in 40 CFR part 75.
- (2) The emissions measurements recorded and reported in accordance with 40 CFR part 75 shall be used to determine compliance by the source or unit, as appropriate, with the Acid Rain emissions limitations and emissions reduction requirements for sulfur dioxide and nitrogen oxides under the Acid Rain Program.
- (3) The requirements of 40 CFR part 75 shall not affect the responsibility of the owners and operators to monitor emissions of other pollutants or other emissions characteristics at the unit under other applicable requirements of the Act and other provisions of the operating permit for the source.

Sulfur Dioxide Requirements

- (1) The owners and operators of each source and each affected unit at the source shall:
- (i) Hold allowances, as of the allowance transfer deadline, in the source's compliance account (after deductions under 40 CFR 73.34(c)), not less than the total annual emissions of sulfur dioxide for the previous calendar year from the affected units at the source; and
 - (ii) Comply with the applicable Acid Rain emissions limitations for sulfur dioxide.
- (2) Each ton of sulfur dioxide emitted in excess of the Acid Rain emissions limitations for sulfur dioxide shall constitute a separate violation of the Act.
- (3) An affected unit shall be subject to the requirements under paragraph (1) of the sulfur dioxide requirements as follows:
- (i) Starting January 1, 2000, an affected unit under 40 CFR 72.6(a)(2); or
 - (ii) Starting on the later of January 1, 2000 or the deadline for monitor certification under 40 CFR part 75, an affected unit under 40 CFR 72.6(a)(3).

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|---|
| Cabrillo Power I LLC - Encina Power Station Facility (Source) Name (from STEP 1) |
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Sulfur Dioxide Requirements, Cont'd.

STEP 3, Cont'd.

(4) Allowances shall be held in, deducted from, or transferred among Allowance Tracking System accounts in accordance with the Acid Rain Program.

(5) An allowance shall not be deducted in order to comply with the requirements under paragraph (1) of the sulfur dioxide requirements prior to the calendar year for which the allowance was allocated.

(6) An allowance allocated by the Administrator under the Acid Rain Program is a limited authorization to emit sulfur dioxide in accordance with the Acid Rain Program. No provision of the Acid Rain Program, the Acid Rain permit application, the Acid Rain permit, or an exemption under 40 CFR 72.7 or 72.8 and no provision of law shall be construed to limit the authority of the United States to terminate or limit such authorization.

(7) An allowance allocated by the Administrator under the Acid Rain Program does not constitute a property right.

Nitrogen Oxides Requirements

The owners and operators of the source and each affected unit at the source shall comply with the applicable Acid Rain emissions limitation for nitrogen oxides.

Excess Emissions Requirements

(1) The designated representative of an affected source that has excess emissions in any calendar year shall submit a proposed offset plan, as required under 40 CFR part 77.

(2) The owners and operators of an affected source that has excess emissions in any calendar year shall:

- (i) Pay without demand the penalty required, and pay upon demand the interest on that penalty, as required by 40 CFR part 77; and
- (ii) Comply with the terms of an approved offset plan, as required by 40 CFR part 77.

Recordkeeping and Reporting Requirements

(1) Unless otherwise provided, the owners and operators of the source and each affected unit at the source shall keep on site at the source each of the following documents for a period of 5 years from the date the document is created. This period may be extended for cause, at any time prior to the end of 5 years, in writing by the Administrator or permitting authority:

- (i) The certificate of representation for the designated representative for the source and each affected unit at the source and all documents that demonstrate the truth of the statements in the certificate of representation, in accordance with 40 CFR 72.24; provided that the certificate and documents shall be retained on site at the source beyond such 5-year period until such documents are superseded because of the submission of a new certificate of representation changing the designated representative;

Recordkeeping and Reporting Requirements, Cont'd.

STEP 3, Cont'd.

- (ii) All emissions monitoring information, in accordance with 40 CFR part 75, provided that to the extent that 40 CFR part 75 provides for a 3-year period for recordkeeping, the 3-year period shall apply.
 - (iii) Copies of all reports, compliance certifications, and other submissions and all records made or required under the Acid Rain Program; and,
 - (iv) Copies of all documents used to complete an Acid Rain permit application and any other submission under the Acid Rain Program or to demonstrate compliance with the requirements of the Acid Rain Program.
- (2) The designated representative of an affected source and each affected unit at the source shall submit the reports and compliance certifications required under the Acid Rain Program, including those under 40 CFR part 72 subpart I and 40 CFR part 75.

Liability

- (1) Any person who knowingly violates any requirement or prohibition of the Acid Rain Program, a complete Acid Rain permit application, an Acid Rain permit, or an exemption under 40 CFR 72.7 or 72.8, including any requirement for the payment of any penalty owed to the United States, shall be subject to enforcement pursuant to section 113(c) of the Act.
- (2) Any person who knowingly makes a false, material statement in any record, submission, or report under the Acid Rain Program shall be subject to criminal enforcement pursuant to section 113(c) of the Act and 18 U.S.C. 1001.
- (3) No permit revision shall excuse any violation of the requirements of the Acid Rain Program that occurs prior to the date that the revision takes effect.
- (4) Each affected source and each affected unit shall meet the requirements of the Acid Rain Program.
- (5) Any provision of the Acid Rain Program that applies to an affected source (including a provision applicable to the designated representative of an affected source) shall also apply to the owners and operators of such source and of the affected units at the source.
- (6) Any provision of the Acid Rain Program that applies to an affected unit (including a provision applicable to the designated representative of an affected unit) shall also apply to the owners and operators of such unit.
- (7) Each violation of a provision of 40 CFR parts 72, 73, 74, 75, 76, 77, and 78 by an affected source or affected unit, or by an owner or operator or designated representative of such source or unit, shall be a separate violation of the Act.

Effect on Other Authorities

No provision of the Acid Rain Program, an Acid Rain permit application, an Acid Rain permit, or an exemption under 40 CFR 72.7 or 72.8 shall be construed as:

- (1) Except as expressly provided in title IV of the Act, exempting or excluding the owners and operators and, to the extent applicable, the designated representative of an affected source or affected unit from compliance with any other provision of the Act, including the provisions of title I of the Act relating

Cabrillo Power I LLC - Encina Power Station
 Facility (Source) Name (from STEP 1)

Effect on Other Authorities, Cont'd.

STEP 3, Cont'd.

to applicable National Ambient Air Quality Standards or State Implementation Plans;

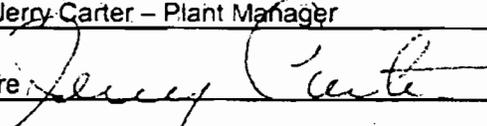
- (2) Limiting the number of allowances a source can hold; *provided*, that the number of allowances held by the source shall not affect the source's obligation to comply with any other provisions of the Act;
- (3) Requiring a change of any kind in any State law regulating electric utility rates and charges, affecting any State law regarding such State regulation, or limiting such State regulation, including any prudence review requirements under such State law;
- (4) Modifying the Federal Power Act or affecting the authority of the Federal Energy Regulatory Commission under the Federal Power Act; or,
- (5) Interfering with or impairing any program for competitive bidding for power supply in a State in which such program is established.

Certification

STEP 4

Read the certification statement, Sign, and date.

I am authorized to make this submission on behalf of the owners and operators of the affected source or affected units for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment.

| | |
|---|---------------|
| Name Jerry Carter - Plant Manager | |
| Signature  | Date 9/3/2008 |

1817 Aston Avenue, Suite 104
Carlsbad, CA 92008

Direct: (760) 710-2144
Fax: (760) 710-2158

Carlsbad Energy Center LLC

September 4, 2008

Dr. Steve Moore
Engineering Group
San Diego Air Pollution Control District
10124 Old Grove Road
San Diego, CA 92131

Subject: Proposed Carlsbad Energy Center Project – SDAPCD Rule 20.3(e)(1)
Statewide Compliance Certification

Dear Dr. Moore:

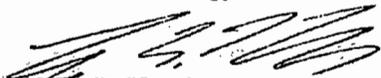
Herein please find the compliance certification for the Carlsbad Energy Center Project as required by SDAPCD Rule 20.3(e)(1). Since the Carlsbad Energy Center LLC is the applicant for this Project and since Carlsbad Energy Center LLC does not own or operate any other major stationary sources in California, this compliance certification is exclusive for this Project.

Certification

Any and all facilities owned or operated by Carlsbad Energy Center LLC in the State of California (including this Project defined by the Authority to Construct application) are in compliance or are on a schedule for compliance with all applicable emission limitations and standards under the Clean Air Act.

If you have any questions or need additional information, please contact Tim Hemig at (760) 710-2144.

Sincerely,
Carlsbad Energy Center LLC



Tim E. Hemig
Vice President

cc:

Will Walters, CEC
Michael Monasmith, CEC
George L. Piantka, Carlsbad Energy Center LLC
John McKinsey, Stoel Rives LLP
Tom Andrews, Sierra Research
CEC Dockets Office (07-AFC-6)

BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION
FOR THE **CARLSBAD ENERGY CENTER
PROJECT**

Docket No. 07-AFC-6 PROOF OF
SERVICE
(Revised 7/31/2008)

**Carlsbad Energy Center Project (07-AFC-6)
Rain Permit Application; and SDAPCD Rule 20.3(e)(1) Statewide Compliance
Certification**

CALIFORNIA ENERGY COMMISSION
Attn: Docket No. 07-AFC-6
1516 Ninth Street, MS-15
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doCKET@energy.state.ca.us

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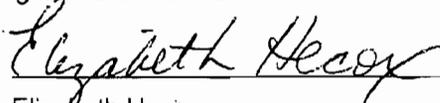
DECLARATION OF SERVICE

I, Elizabeth Hecox, declare that on September 4, 2008, I deposited copies of the attached document in the United States mail at Sacramento, California, with first-class postage thereon fully prepaid and addressed to those identified on the Proof of Service list above.

OR

Transmission via electronic mail was consistent with the requirements of California Code of Regulations, title 20, sections 1209, 1209.5, and 1210. All electronic copies were sent to all those identified on the Proof of Service list above.

I declare under penalty of perjury that the foregoing is true and correct.


Elizabeth Hecox