

## CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET  
SACRAMENTO, CA 95814-5512

March 10, 2009

Mr. Michael Mills  
Senior Manager  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, California 91765

<b>DOCKET</b>	
<b>07-AFC-9</b>	
DATE	MAR 10 2009
RECD.	MAR 10 2009

**Re: Comments on Preliminary Determination of Compliance  
Canyon Power Plant Project (07-AFC-9)**

Dear Mr. Mills,

Energy Commission staff has reviewed the South Coast Air Quality Management District's Preliminary Determination of Compliance (PDOC) for the Canyon Power Plant Project, and has the following comments for your consideration for inclusion in the Final Determination of Compliance (FDOC).

**Comments on PDOC Conditions**

Facility Conditions – Section H, Exempt Equipment Condition K67.5

It is unclear if condition K67.5, shown in the engineering evaluation, should be included in Section H of the PDOC. Currently it is not included in Section H, but is included in Section D of the PDOC. Unlike all of the other conditions (F9.1, F14.1, and F24.1) that are included in Section D, this condition is not also included in Section H. Staff is unsure if this is an issue or not, and provides this as a comment of a potential continuity issue in the PDOC.

Facility Conditions – Section H Page 13 – Condition F24.1

Staff believes that the regulation (40 CFR Part 68) does not apply to the project as the project has stipulated to using aqueous ammonia below 20 percent concentration. We recommend that this condition be deleted. The Energy Commission's Hazardous Materials Staff Analysis includes conditions covering the appropriate California Accidental Release Prevention (CalARP) program RMP requirements for the facility.

Condition A63.2 – Section H Pages 15

This condition is not shown in the engineering evaluation and it provides commissioning emission factors and annual emission values that are inconsistent with condition A63.1. Staff believes that this condition is an artifact from a previous operating profile that the applicant proposed when they believed that the Rule 1304 exemptions were applicable. Staff believes that this condition is no longer valid and should be deleted, or the emission limit values in this condition corrected as necessary to reflect the current project proposal.

Condition E193.1 – Section H Page 29

Staff notes that we will not be incorporating this condition into the Staff Assessment as it would be redundant in the requirement to comply with requirements of the final Commission decision. However, we would also like to note that the air quality section will have no separate requirements for the operation and maintenance of the equipment covered under these conditions, but other sections including the Hazardous Materials section for the ammonia tank and the Soil and Water Resources for the Oil Water Separator will. Therefore, we suggest that you revise the condition by removing the words “air quality” to address the fact that operation and maintenance measures stipulated in the final decision are not just within the air quality section.

Condition D29.2 – Source Test Submittal Timeframe – Section H Page 25

Staff believes that to be consistent with the other conditions, including the general source test reporting condition K40.1, the ammonia source tests required in this condition should be due 60 days after the test date rather than 45 days.

Condition I296.1 and I296.2 RTC Zone Designation – Section H Pages 31 and 32

Staff suggests that the term “Zone 1” be added to these two conditions to clarify that only Zone 1 RTCs are allowed for this facility.

**Comments on Engineering Evaluation**

Page 31 – Rule 1304 Offset Exemption Discussion

The engineering evaluation states the following, with **emphasis** added:

“On November 5, 2008, the applicant was informed that a further development of the Superior Court decision was that the District cannot issue permits using **any** Rule 1304 offset exemptions, including the exemption for facility-wide emissions of VOC, SO<sub>x</sub>, and PM<sub>10</sub> less than 4 TPY.”

However, one offset exemption from Rule 1304 is apparently being applied for the project and another appears to be applied but with potentially incorrect calculation assumptions.

First, the exemption as provided in 1304(d)(3) appears to be applied for the cooling tower PM<sub>10</sub> emissions, as no offset calculation is provided in the PDOC. We recommend that this discussion be clarified indicating that, assuming it is true, not all Rule 1304 offset exemptions are precluded from use, and adding this both in this discussion on page 32 and later under the *Offset Requirements/NSR Entries* discussion starting on page 65 by noting any of the emission sources that are exempt from offsetting requirements under Regulations XIII (NSR). Otherwise, if it is in fact true that no offset exemptions from Rule 1304 can be used, the PM<sub>10</sub> offset requirement calculations for the cooling tower should be presented even though we believe they would round to zero (no offsets required) based on SCAQMD calculation procedures.

Second, while the Rule 1304 emergency engine exemption is not applied, the offset calculation basis is 52 hours of operation, in contrast to the permitted operation basis of 200 hours. The RECLAIM credit calculation uses the permitted 200 hours per year basis, so we believe rather than the 52 hours per year basis used for the ERC calculations, the same 200 hour per year basis should be used in the ERC calculations even if it would not change the findings of zero offsets required.

Page 46 – Table 10 – NOx and SO<sub>2</sub> Average Emission Rates

Staff believes that the average NOx emission rates presented do not reflect the final applicant stipulated values based on the 2.3 ppm BACT level. In correspondence with the applicant regarding information inconsistencies, they noted that they did not properly update the NOx values in Table 3-2 (revised) in the September 2008 revised permit application document. Additionally, staff believes that the worst-case short-term SO<sub>2</sub> emissions should be based on the SoCalGas sulfur CPUC tariff sheet limit value of 0.75 grains/100 scf. Staff believes that the following corrected NOx and SO<sub>2</sub> lb/hour values are appropriate for PDOC Table 10, by operating scenario.

Pollutant	1	2	4	5	7
NOx	3.81	2.94	3.98	2.94	3.71
SO <sub>2</sub>	1.01	0.80	1.02	0.80	1.01

Page 61 to 71 – Offset Requirements/NSR Entries

Staff believes that the emission unit by emission unit approach employed by the District to determine total facility offset requirements, considering the rounding procedures used in the calculations, and the number of equipment at the site creates propagation of rounding errors. For example, the total ERCs determined necessary for SO<sub>2</sub>, including the 1.2 offset ratio, was 4 lbs/day using the District's 30-day average emissions procedure. However, the total facility 30-day average SO<sub>2</sub> emissions are 4.51 lbs/day before application of the offset ratio, which after the 1.2 offset ratio is applied would equal 5.41 lbs/day. That would provide for at least 5 lbs/day of ERCs if the fractional value is rounded down. Rule 1306 does not indicate or even suggest that a unit by unit approach should be used in these calculations, and in fact 1306(b) uses the plural term "sources" that would suggest that the emissions be totaled for the facility sources to determine offset requirements. We are concerned that with this approach it allows circumvention of the offset requirements by allowing a party to obtain multiple smaller emitting units and stipulating to monthly usage limits that would limit the 30-day average pollutant emissions for each source to under 0.5 lbs/day. An example would be 20 small boilers all emitting 0.45 lbs/day (30-day average) of SO<sub>2</sub>, which based on the procedures used for the Canyon Power Plant (CPP) would result in zero offsets being required even though the total permitted emissions would be 9 lbs/day, or twice the emissions of the CPP.

We suggest that the District revise the ERC calculation approach by adding all of the emissions from all of the sources, then applying the offset ratio, and then finally rounding up or down based on normal mathematic convention to the nearest integer to determine the ERC requirements.

Mr. Michael Mills  
March 10, 2009  
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If you have any questions, please contact Keith Golden of my staff at (916) 653-1643. Thank you for the opportunity to comment on the Canyon Power Plant Project Preliminary Determination of Compliance.

Sincerely,

DALE EDWARDS, Manager  
Environmental Protection Office  
Siting, Transmission and Environmental  
Protection Division

cc: Docket  
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