CALIFORNIA ENERGY COMMISSION
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August 3, 2006

Joseph Lapka
U.S. Environmental Protection Agency, Region 9, AIR 3
75 Hawthorne Street
San Francisco, CA 94105-3901

RE: PROPOSED AUTHORITY TO CONSTRUCT FOR CABRILLO PORT PROJECT (PERMIT NUMBER LNG-VT-2006-01)

Dear Mr. Lapka:

The staff of the California Energy Commission has reviewed the U.S. Environmental Protection Agency's (EPA) draft Authority to Construct (ATC or permit) for the Cabrillo Port Liquefied Natural Gas (LNG) Deepwater Port Project. In reviewing the ATC and supporting documents, we understand that EPA has determined that the regulations of Ventura County Air Pollution Control District (VCAPCD) are applicable to the project and that the project, while not located on a Channel Island, will be permitted in the same manner as would a stationary emission source if it were located on a Channel Island.

As stated in the proposed permit, under VCAPCD rules, sources located in the federal attainment area of Ventura County on Anacapa Island and San Nicolas Island are not required to apply best available control technologies (BACT) to emission units or to offset increases in emissions with pollution reduction credits. Staff understands that EPA initially determined that VCAPCD's rule requiring offsets for increases in emissions of reactive organic compounds (ROC), oxides of nitrogen (NOx), particulate matter less than 10 microns in diameter (PM10), and oxides of sulfur (SOx) did apply to the project, but subsequently reversed its determination.

Although EPA has exempted the project from VCAPCD's BACT and offset requirements, BHP Billiton International Inc. (BHPB or applicant) has voluntarily committed to using BACT to control emissions and to retrofitting two marine vessels (long haul tugs) with modern, low-emitting diesel engines that may benefit air quality in the onshore region. As stated in BHPB's June 2, 2006, letter to EPA, based on the applicant's calculations, these tug retrofits will decrease NOx emissions in California coastal waters by more than 210 tons per year (with more than 125 tons per year occurring in the project vicinity). According to the Statement of Basis for the ATC, EPA has not yet completed its own analysis of the expected emission reductions.

As stated in the revised Draft Environmental Impact Report (DEIR) for the Cabrillo Port project issued in March 2006, the California Air Resources Board is concerned that emissions of ozone precursors (NOx and ROC) from the project's offshore activities (both stationary and mobile) can reach the California coastline and add to the air pollution burden of downwind regions. Ventura and Los Angeles counties are in non-attainment of both the national and California ambient air quality standards for ozone, and the Channel Islands are in non-attainment of the California standard for ozone. In addition, the Channel Islands and Ventura County are in non-attainment of the California standards for PM10 and PM2.5 (particulate matter less than 2.5 microns in diameter), and Los Angeles County is in non-attainment of both the national and California standards for PM10 and PM2.5.

As stated in our comment letter on the DEIR, the California Energy Commission has consistently required, when licensing power plants under our jurisdiction, that project applicants fully offset all non-attainment criteria pollutant emissions and their precursors. The staff of the California Energy Commission believes such offset requirements are appropriate for this project, and should be provided through a mechanism acceptable to the California Air Resources Board and the local air districts. Thus, we recommend that EPA include requirements in the ATC that provide permanent, enforceable, and quantifiable offsets for all direct and precursor non-attainment emissions from the project's stationary sources and marine vessels. Alternatively, through its role as a Cooperating Agency in the National Environmental Policy Act (NEPA) process, EPA could require that the Final Environmental Impact Statement prepared for the project include requirements to provide permanent, enforceable, and quantifiable offsets for all direct and precursor non-attainment emissions from the project's stationary sources and marine vessels.

We wish to thank your for the opportunity to comment on the proposed Authority to Construct permit for the Cabrillo Port LNG Deepwater Port project. Should you have any questions about our comments, please call Eric Knight, Energy Commission Specialist, Special Projects Office, at (916) 653-1850.

Sincerely,

B. B. BLEVINS
Executive Director

cc: Rosella Sharpiro
Eric Knight