



San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT

May 6, 2009

Mr. Steve Munro
Project Manager
California Energy Commission
1516 Ninth Street, MS-15
Sacramento, CA 95814

Subject: CEC Docket No. 01-AFC-21, Tesla Power Plant
Comments on petition for ownership change and extension of license

Dear Mr. Munro:

The San Joaquin Valley Air Pollution Control District (District) has been notified of Pacific Gas & Electric's (PG&E's) petition to transfer the ownership of the Tesla Power Plant (TPP) and extend the start of construction date for the project by an additional five (5) years. As you are aware, TPP entered into an Air Quality Mitigation Settlement Agreement (AQMA) with the District, which is included in Condition AQ-C7 of the CEC certification of this project. The District offers the following comment on this petition:

As more than 5 years have passed without starting any construction, the AQMA needs to be revisited. Since the project was first certified, the District has gained a better understanding of how to mitigate emissions from projects that impact the San Joaquin Valley Air Basin, but that are not subject to District permitting requirements.

This is evidenced by the adoption of District Rule 9510 (Indirect Source Review) by the District's Board on December 15, 2005. This Rule includes a method of analyzing development projects not subject to District permitting, and includes a specific fee structure for any un-mitigated emissions reductions required from such sources. Additionally, our experience in achieving surplus emission reductions has grown over the past five years, with our Emissions Reduction Incentive Program granting less than \$10 million dollars per year from Carl Moyer and DMV funds when the AQMA was signed, to currently granting over \$100 million dollars per year through a number of different funding sources.

Seyed Sadredin

Executive Director/Air Pollution Control Officer

Northern Region

4800 Enterprise Way
Modesto, CA 95356-8718

Tel (209) 557-6400 FAX (209) 557-6475

Central Region (Main Office)

1990 E. Gettysburg Avenue
Fresno, CA 93726-0244

Tel (559) 230-6000 FAX (559) 230-6061

www.valleyair.org

Southern Region

34946 Flyover Court
Bakersfield, CA 93308-9725

Tel (661) 392-5500 FAX (661) 392-5585

Mr. Steve Munro
May 6, 2009
Page 2

Additionally, if the project should change from that which was originally licensed, or if there have been any changes to the project's offsetting package, those changes should be analyzed to determine the amount of un-mitigated impacts.

We note that CEC Order 08-0813-8 approving an extension of the deadline for commencement of construction for the East Altamont Energy Center, another project which entered into an AQMA with the District, requires them to renegotiate that AQMA as a condition of the extension. We fully support that condition of approval and request to have a similar condition be imposed for this petition.

The District looks forward to working with PG&E to properly amend the AQMA to ensure that the citizens in the San Joaquin Valley Air Basin are not unfairly impacted by the location of this project.

If you have any further questions regarding this matter, please contact myself or Rupi Gill, Permit Services Manager, at (209) 557-6400, or Mr. Gill at rupi.gill@valleyair.org.

Sincerely,

A handwritten signature in black ink, appearing to read "David Warner", with a long horizontal flourish extending to the right.

David Warner
Director of Permit Services

DW:rg

cc: Supervisor Leroy Ornellas
San Joaquin County
222 E. Weber, Room 701
Stockton, CA 95202