

## **Response to CEC Staff Data Adequacy Comments**

### **Technical Area: Air Quality**

Following are additional information and/or clarifications in response to the specific issues raised in the CEC staff Data Adequacy review. For each specific area where the AFC was considered inadequate by CEC staff, the applicable section of the CEC siting Regulations is identified, followed by the “Information Required to Make AFC Conform with Regulations”, followed by the supplemental/clarifying information.

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#### **AIR-1. Appendix B (g) (8) (b).**

##### **Information Required:**

Provide heat rate and capacity factor for the proposed facility components (e.g. Gas Turbines/Heat Recovery Steam Generators, Auxiliary Boiler, and Heat Transfer Fluid Heater).

##### **Response:**

The **heat rate** is a measure of generating station thermal efficiency, generally expressed in Btu per net kilowatt-hour (Btu/kW-hr). It is computed by dividing the total Btu content of fuel burned for electric generation by the resulting net kilowatt hour generation. The **capacity factor** of a power plant is the ratio of the actual output of a power plant over a period of time and its output if it had operated a full capacity of that time period. This is calculated by totaling the energy the plant produced and dividing it by how the energy it would have produced at full capacity. The heat rate and capacity factor for the VV2 Project are discussed below.

##### **Gas Turbines/Heat Recovery Steam Generators**

The net heat rate of the Gas Turbines/Heat Recovery Steam Generators varies depending on the ambient temperature, gas turbine load, and duct burner load. Based on the higher heating value of the fuel, the gross heat rate of the system (in new condition) is expected to be in the 6,700 Btu/kW-hr to 8,000 Btu/kW-hr range. The minimum heat rate would occur at lowest ambient temperature. The gross fuel to electricity efficiency at the minimum heat rate is 51%.

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The overall annual availability of the Gas Turbines/Heat Recovery Steam Generators is expected to be in the range of 90 to 95 percent. The plant's capacity factor will depend on the provisions of bilateral power sales contracts as well as market prices for electricity, ancillary services, and natural gas. The design of the power plant provides for operating flexibility (i.e., ability to rapidly start up, shut down, turn down, and provide peaking output), so that operations may be readily adapted to changing market conditions. Included in this flexibility is the ability of the plant to start up the combined-cycle system in slightly over one-half the industry standard for combined-cycle plants in the United States. If the plant operates at 100% load for whenever it is available, the capacity factor would be in the 90% to 95% range. However, actual capacity factor will be lower as the plant responds to market demands. As a conservative assumption, the AFC is based on the average ambient temperature at continuous operation for 8,760 hours/year at full load, a capacity factor of 100%.

#### **Auxiliary Boiler**

The auxiliary boiler will be used primarily to produce steam to heat the combined-cycle system to reduce start-up time. It does not contribute to the generation of electricity. Therefore, the term heat rate does not apply to the auxiliary boiler. The fuel to steam efficiency of the auxiliary boiler is expected to be in the 87% to 92% range. The capacity factor of the auxiliary boiler will be less than 6%.

#### **Heat Transfer Fluid (HTF) Heater**

The Heat Transfer Fluid (HTF) Heater will be used to heat oil (e.g., Therminol™ VP-1) in the solar array, and does not contribute to the power plant's capacity to generate electricity. Therefore, the term heat rate does not apply to the HTF Heater. The fuel to heat output of the HTF Heater is expected to be in the 87% to 92% range. The capacity factor of the HTF Heater will be less than 12%.

Maximum annual fuel usage rates of this equipment are shown in Table 6.3-46.

**Table 6.3-46  
Equipment Sizes and Maximum Usage Per Unit**

Component	No. of Units	Maximum Heat Input (MMBtu/hr) <sup>a</sup>	Maximum Annual Usage (hours/year)	Maximum Fuel Usage (MMscf/year)
GE 7FA Combustion Turbine	2	1,736.4	8,760	14,854
HRSB Duct Burner	2	424.3	8,760	3,630
Auxiliary Boiler	1	35	500	17.1
HTF Heater	1	40	1,000	39.1
a. Higher Heating Value, 1,024 Btu/scf				

**AIR-2. Appendix B (g)(1), (g)(8)(J)(ii) and (iii).**

**Information Required:**

- a. Provide a discussion of the emission reduction credits' effectiveness to mitigate the project oxides of sulfur (SO<sub>x</sub>) impact. Provide discussions of the access to the South Coast Air Quality Management District's VOC priority reserve for ozone precursors (NO<sub>x</sub> and VOC) for mitigating the project's emissions. Provide a discussion of road dust (PM<sub>10</sub>/PM<sub>2.5</sub>) reduction measures for mitigating the project's emission impacts.
- b. Provide specific locations and quantity of each criteria air contaminant's (NO<sub>x</sub>, VOC, SO<sub>x</sub>, PM<sub>10</sub>, PM<sub>2.5</sub>) emission reduction credits (ERC) that are earmarked to mitigate the project's emission impacts.
- c. Please specify the methods or approaches such as shutdowns, road paving or other options that would be used to mitigate and reduce the project's emissions.

**Response:**

Under Federal and California law, the MDAQMD is required to implement a New Source Review (NSR) program that attains, or makes reasonable progress toward attaining, the ambient air quality standards (AAQS) within the District. If the air quality exceeds the standards, then the area is designated nonattainment, and offsets must be provided for major new sources or modifications to existing sources. The District is required to develop an Air Quality Management Plan (also referred to as a State Implementation Plan or SIP), which identifies rules and other measures that must be adopted to attain or maintain

compliance with the AAQS. MDAQMD Regulation XIII, New Source Review program, is the cornerstone of this process. This regulation provides the requirements, such as how calculations must be done and thresholds over which emissions must be offset. It also defines which pollutants must be offset, what ratios must be used, and the criteria of what can be used as an ERC. If a project meets these requirements, then the mitigation can be considered to be completely effective since the program has been developed to ensure eventual attainment of the standards.

As discussed in Section 6.3.5.2, the VV2 Project emissions of NO<sub>x</sub>, VOC, and PM10 must be offset as required by MDAQMD Rule 1305. These pollutants must be offset because the VV2 Project will emit more than 25 tpy of these pollutants and the Victorville area is currently designated as nonattainment for ozone, for which NO<sub>x</sub> and VOC are precursors, and for PM10. The MDAQMD is currently designated as attainment of the SO<sub>2</sub> and PM2.5 AAQS. Although SO<sub>2</sub> is considered a precursor of PM10, the MDAQMD NSR program only requires the offsetting of SO<sub>2</sub> (as a PM10 precursor) if project emissions are above 25 tpy. As described above, this offset threshold was determined by the District to be effective to lead to attainment the AAQS. This may be because the NSR program requires mitigation for NO<sub>x</sub> at a 1.3 to 1 ratio and PM10 at a 1 to 1 ratio, along with other Federal, State and local programs, which provide a programmatic net air quality benefit. Furthermore, it has been demonstrated that much of the air quality problems in the MDAQMD are due to transport of emissions from the SCAQMD, and hence, reduction of emissions in the SCAQMD should also provide for air quality improvements in the Mojave Desert Air Basin.

In spite of the fact that the MDAQMD considers its NSR program to be effective in mitigating the impacts of new major sources, the CEC may require the Project to provide additional emission reductions to also mitigate emissions of SO<sub>x</sub> and PM2.5 if potential impacts from these pollutants are considered to be significant. The offset/mitigation strategy for these criteria pollutant emissions for the VV2 Project is discussed below.

### **Ozone Precursors (NO<sub>x</sub> and VOC)**

As shown in Table 6.3-27, the VV2 Project has a potential to emit of 111.9 tons per year (tpy) of NO<sub>x</sub> and 34.6 tpy of VOC. According to MDAQMD Rule 1305, the VOC and NO<sub>x</sub> emissions must be offset at ratio of 1.3 to 1, if emission reduction credits (ERC) within the Mojave Desert Air Basin (MDAB) are used. However, it has been determined (as discussed further below) that there are insufficient banked ERC in the MDAQMD that are available for purchase. Therefore, use of interbasin VOC credits from the SCAQMD Priority Reserve is proposed to offset both VOC and NO<sub>x</sub> emissions for the VV2 Project.

The High Desert Power Project (HDPP, 97-AFC-01) in Victorville also used this approach, i.e., use of SCAQMD VOC ERCs to offset both VOC and NO<sub>x</sub> emissions from the HDPP. In fact, it was through the efforts of the HDPP proponents that the California Health & Safety (H&S) Code, MDAQMD and SCAQMD rules were modified to allow this method of offsetting project emissions. For HDPP, VOC ERC were purchased from the SCAQMD bank. Subsequent to the permitting of the HDPP, SCAQMD determined that it preferred to approve the transfer of certain emission offsets from the Priority Reserve, rather than approve the transfer of banked ERC.

The Applicant for the VV2 Project has worked extensively with the SCAQMD and the MDAQMD in the modification of Rule 1309.1 to make the use of VOC credits available for the VV2 Project. The record for the rulemaking process provides a clear indication that the SCAQMD and the MDAQMD are aware of the intended use of these credits to provide both NO<sub>x</sub> and VOC offsets for the VV2 Project (and the Palmdale Project).

Attachment AQ-1 includes Resolution No. 06-26 adopted by the SCAQMD Governing Board on September 8, 2006, as well as the Minutes of the September 8, 2006 meeting. The third paragraph of Resolution No. 06-26 states that it is:

“A Resolution of the Governing Board of the South Coast Air Quality Management District approving Inland Energy’s request for inter-district transfer of Volatile Organic Compound Emission Reduction Credits from the South Coast Air Quality Management District to the Antelope Valley Air Quality Management District and the Mojave Desert Air Pollution Control District.”

Page 3 of Resolution No. 06-26 sets for the findings that must be made to approve an inter-district transfer pursuant to H&S Code Section 40709.6 and SCAQMD Rule 1309(i). As set forth at page 11 of the Minutes of the September 8, 2006 SCAQMD Governing Board meeting, a motion was made and approved by the Board to adopt Resolution No. 06-26), and specifically to:

“Approve Inland Energy’s inter-district transfer request of up to 5,000 lbs/day of VOC offsets from the Priority Reserve for siting two electrical generating facilities in the Antelope Valley Air Pollution Control District and the Mojave Desert Air Pollution Control District.”

Attachment AQ-2 includes Resolution 06-04, adopted by the Governing Board of the Mojave Desert Air Quality Management District on September 25, 2006, as well as the Minutes of the September 25, 2006 meeting. As indicated in these materials, the

Governing Board of the MDAQMD approved the inter-district transfer of up to 2,500 pounds per day of VOC credits from the SCAQMD Priority Reserve pursuant to the requirements of H&S Code Section 40709.6.

Pursuant to the amendments adopted by the SCAQMD Governing Board on September 8, 2006, an Electric Generating Facility (EGF) located in a downwind air basin may be qualified to draw VOC credits from the Priority Reserve provided:

- All applicable requirements of H&S Code 40709.6 (providing for inter-district transfers) are met;
- The Applicant pays a mitigation fee;
- The Applicant certifies the application for permit to construct has been deemed complete by the downwind district (in this case, the MDAQMD);
- The cumulative amount of VOC credits issued to all downwind air basin EGFs does not exceed 5,000 pounds per day;
- The Executive Officer receives a written request for the credits to be drawn before January 1, 2009; and
- The CEC AFC was submitted during calendar years 2005, 2006, 2007 or 2008.

The VV2 Project submitted its AFC in February 2007 and the MDAQMD has deemed the application complete. The Project will require less than half of the available credit (see below, 1,521.6 pounds based on the assumed ratios). The Project will meet H&S Code requirements since it is located in a downwind air basin that has been found to be overwhelmingly impacted by the SCAQMD; additionally, the H&S Code requirement that both Districts approve the trade has already been accomplished as discussed above. Once all approvals are obtained for the Project, the Applicant will request the credits and pay the mitigation fee in a timely manner.

In addition to these qualifications, the EGF in a downwind air basin must meet the following requirements:

- The owner or operator must agree to a permit condition requiring the facility to meet Best Available Retrofit Control Technology for pollutants received from the Priority Reserve on a specified schedule. All existing sources under common ownership within the SCAQMD must be in compliance with all applicable LORS;
- The Applicant conducts a due diligence effort to secure or create available ERC;

- The credits must be obtained at an offset ratio determined by the downwind air district;
- The new source must be fully operational within 3 years. A municipality owned project with a renewable energy component of 50 MW or more may have an additional year, and the SCAQMD Governing Board can grant time extensions based upon a demonstration by the Applicant of circumstances beyond their control; and
- The Owner enters into long-term (at least one year) contracts with the State of California to sell at least 50% of the portion of power generated using Priority Reserve credits, provided the state is entering into such contracts.

The VV2 Project can comply with each of these requirements. Each bullet is addressed below.

1) The VV2 Project will meet Best Available Control Technology (BACT) requirements (generally more stringent than BARCT) for NO<sub>x</sub> and VOC, and there are no sources under common ownership with the VV2 Project located within the SCAQMD.

2) A due diligence effort has been conducted for the VV2 Project within the MDAQMD. Mr. Alan DeSalvio of the MDAQMD provided a list of all ERC certificate holders within the MDAQMD that would be appropriate offsets for the Project. ENSR contacted or attempted to contact all of the ERC certificate holders. A summary of the due diligence effort is provided in Attachment AQ-3, which has been separately filed under a claim of confidentiality. The only ERC holder that expressed a willingness to sell was the Southern California Gas Company, who holds ERC from the control of the Hinkley compressor station. These ERC were reviewed during the HDPP siting case, and were found to be unacceptable as ERC for that project. These credits could be considered for mitigation of emissions not subject to the NSR requirements, but were not pursued at this stage.

3) For HDPP, studies were conducted to determine the appropriate ratio for the interbasin, interpollutant trade of SCAQMD VOC ERC for both VOC and NO<sub>x</sub> emissions in Victorville. Both EKMA and UAM ozone modeling were performed by ENSR. The results of these modeling efforts concluded that an interpollutant trade ratio of less than 1 to 1 would provide a net air quality benefit. However, in order to provide additional protection to areas outside the modeling domain, the EPA concluded that a ratio of at least 2 to 1 was needed. Therefore, HDPP applied an interpollutant, interbasin trade ratio for NO<sub>x</sub> of 2.08 to 1, which includes the 1.3 net air quality benefit ratio and a 1.6 interpollutant ratio. Since the previous modeling showed that a lower ratio would be sufficient and since ozone air quality has continued to improve in the region, the MDAQMD has indicated that

this ratio is still acceptable to them, and additional ozone modeling would not be required. Since Rule 1309.1 specifically provides that the downwind district should set the trade ratio, this ratio would also be acceptable to the SCAQMD. Based on the MDAQMD-approved ratios for VOC and NO<sub>x</sub> emissions, the following offsets will be provided:

- NO<sub>x</sub>: 111.9 tons per year @ 2.08 ratio => 232.7 tons
- VOC: 34.6 tons per year @ 1.3 ratio => 45.0 tons

For a combined total of 277.7 tons (1,521.6 pounds) of VOC credits from the SCAQMD Priority Reserve.

4) It is expected that the VV2 Project will be on line within the timeframes specified in Rule 1309.1, which provide additional time for a municipal project with a renewable component.

5) The state is not currently entering into long term contracts for the purchase of power. Again, this offset strategy/approach is considered effective for mitigating the emissions of the ozone precursors because the ozone nonattainment in the MDAB has been demonstrated to be overwhelmingly due to emissions in the SCAQMD. Reduction of emissions in the SCAQMD would therefore be more effective in improving the local air quality than reducing emissions in the vicinity of the Project. Ozone is produced by a complex chemical process in which emissions are mixed and converted by sunlight, often over large distances. This is the reason why the California H&S Code and both the SCAQMD and MDAQMD rules allow for this approach to be taken. The CEC, EPA and ARB also approved the approach for HDPP.

#### **PM10 and PM10 Precursor (SO<sub>2</sub>)**

As noted above, the MDAB is designated as nonattainment of the PM10 AAQS, but is attainment for PM2.5 and SO<sub>2</sub>. For PM10 ERCs, the VV2 Project Applicant has been working closely with the MDAQMD to develop a rule to allow for the banking of PM10 ERCs from the paving of unpaved roads. MDAQMD has developed a draft Rule 1406 which they have discussed with EPA and have patterned after a similar rule that has been proposed by Maricopa County, Arizona Air Quality Department (MCAQD). The MDAQMD expects to propose Rule 1406 for public comments within the next month.

The VV2 Project will be required by MDAQMD Rule 1305 to offset 121 tpy of PM10 using banked ERC. These ERC must be identified prior to licensing of the VV2 Project. The MDAQMD has provided a list of potential unpaved roads within the MDAB that could be candidates for paving. This list of road segments is provided as Attachment AQ-4.

Example calculations of potential PM10 and PM2.5 ERC are provided in Table 6.3-48 based on the average daily traffic (ADT) and daily vehicle miles traveled (DVMT) provided by MDAQMD for these road segments and the equations in draft Rule 1406.

**Table 6.3-48**  
**Sample Road Paving ERC Calculations**

Street Name	Location	Length (miles)	ADT	DVMT	ERC (tons)	
					PM10	PM2.5
Adelanto	Adelanto	0.25	1189	297	63.33	6.32
Luna	Victorville	0.12	533	64	13.63	1.36
Amethyst	Victorville	0.50	371	186	39.52	3.94
Emerald	Victorville	0.50	270	135	28.76	2.87
Total		1.37			145.24	18.43

The list of unpaved roads in Attachment 6.3-A provided by MDAQMD is based on inventory information from 1994. In order to bank ERCs, the draft rule requires that actual traffic data be collected, as well as other current information. However, based on the long list of candidate roads, sufficient ERC should be available from this source and method of emission reduction.

The HDPP used road paving to create PM10 ERC for the project. Roughly one mile of Rancho Road in Adelanto was paved and created sufficient ERC for the HDPP. This method of ERC creation meets the NSR requirements and is considered effective for PM10 mitigation. As noted in Section 6.3.4.2 of the AFC, VV2 Project contribution to the PM10 concentrations in the vicinity are relatively small. The reason that the impact could be considered significant is due to the high existing PM10 background levels. The high existing background levels are most likely due to fugitive dust from low level sources. Therefore, emission reductions from paving of roads would be the most effective way to mitigate PM10 emissions in the MDAB. Further, paving of roads anywhere within the MDAB would meet the requirements for the MDAQMD NSR program, and provide an overall benefit to air quality.

The VV2 Project has a potential to emit 8.3 tpy of SO<sub>2</sub> (see AFC Table 6.3-27). This amount is considered conservative since the sulfur content of the natural gas is typically less than the level assumed. Since SO<sub>2</sub> is an attainment pollutant and this amount is below

25 tpy, MDAQMD Rule 1305 does not require that it be offset. Because SO<sub>2</sub> is a precursor to PM<sub>10</sub>, mitigation might be required by the CEC. In that case, further reductions of PM<sub>10</sub> would serve to provide this mitigation. The table above shows that sufficient road paving ERC would be effective in mitigating both the PM<sub>10</sub> and SO<sub>2</sub> emissions for the VV2 Project, if necessary. We note that no mitigation for SO<sub>2</sub> emissions, consistent with the MDAQMD rules, was required for HDPP.

### **PM2.5 Mitigation**

MDAQMD is classified as an attainment area for PM<sub>2.5</sub>. The standards for PM<sub>2.5</sub> are relatively new, and specific offset thresholds and other implementation requirements have not yet been developed. However, because it is an attainment pollutant, it is not expected that NSR offsets would be required by the MDAQMD.

The modeling for the VV2 Project demonstrated that the emissions of PM<sub>2.5</sub> would not cause or contribute to an exceedance of the PM<sub>2.5</sub> AAQS during normal operation. The emissions of PM<sub>2.5</sub> were conservatively assumed to be equal to PM<sub>10</sub>, which were estimated at a conservatively high level. Therefore, since the Project does not cause or contribute to an exceedance of the PM<sub>2.5</sub> standards, the Project does not have a significant impact to PM<sub>2.5</sub> and no mitigation should be required. Although mitigation is not considered necessary, the road paving ERC shown in Table 6.3-48 will provide some PM<sub>2.5</sub> reductions.

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### **AIR-3. Appendix B (h) (2)**

#### **Information Required:**

Although the AFC identifies applicable LORS, please provide a discussion of how the project will conform to requirements of applicable Federal, State and District's Rules and Regulations.

#### **Response:**

The LORS applicable to the VV2 Project are discussed in AFC Section 6.3.1 and summarized in Tables 6.3-1.a and 6.3-1.b. This supplement describes how the project will conform to these LORS.

### Consistency with Federal Requirements

The MDAQMD has been delegated authority by the EPA to implement and enforce most Federal requirements that are applicable to the VV2 Project, including the new source performance standards (NSPS) and national emissions standards for hazardous air pollutants (NESHAP). Compliance with the MDAQMD regulations ensures compliance and consistency with the corresponding Federal requirements as well. The VV2 Project will also be required to comply with the Federal Operating Permits (Title V) and Acid Rain requirements (Title IV). Since the MDAQMD has received delegation for implementing Title IV through its Title V permit program, the VV2 Project will secure a MDAQMD Title V permit that imposes the necessary requirements for compliance with the Title IV Acid Rain provisions. As required by MDAQMD rules, the VV2 Project will comply with these requirements by submitting a Title V application within one year after starting commercial operation of the facility.

The MDAQMD has not been delegated the authority to implement PSD review for attainment pollutants. As discussed in AFC Section 6.3.1.1, the EPA PSD program applies to a new major facility that will emit 250 tpy or more, or if it is one of the listed PSD source categories in the Federal Clean Air Act that has a potential to emit 100 tpy or more of an attainment pollutant. The VV2 Project is one of the listed categories (fossil fuel fired steam electric generating facility) and will emit more than 100 tons of NO<sub>x</sub> and CO, as shown in Table 6.3-49. The VV2 Project will comply with this PSD requirement by applying for a PSD permit from EPA Region IX. All of the PSD requirements, including BACT, air quality impact assessment, and air quality related values (e.g., visibility) analyses are addressed and shown to comply in Sections 6.3.3 and 6.3.4 of the AFC.

**Table 6.3-49**  
**PSD Applicability Thresholds For the VV2 Project**

<b>Pollutant</b>	<b>PSD Facility Applicability Level (tpy)</b>	<b>Facility Emissions (tpy)</b>	<b>PSD Applies</b>
NO <sub>x</sub>	100	111.9	Yes
SO <sub>2</sub>	100	8.3	No
PM10	N/A	120.9	No
CO	100	257.3	Yes
VOC	N/A	34.6	No
N/A – Not Applicable as the pollutant is classified as nonattainment or as a nonattainment precursor pollutant.			

### **Consistency with State Requirements**

State law sets up local air pollution control districts and air quality management districts with the principal responsibility for regulating emissions from stationary sources. As discussed above, the VV2 Project is under the local jurisdiction of the MDAQMD, and compliance with MDAQMD regulations will ensure compliance with State air quality requirements.

### **Consistency with Local Requirements**

The MDAQMD has been delegated responsibility for implementing local, State, and Federal air quality regulations, except for the PSD program, in the region surrounding the project site. The VV2 Project is subject to MDAQMD regulations that apply to new sources of emissions, to the prohibitory regulations that specify emission standards for individual equipment categories, and to the requirements for evaluation of impacts from toxic air pollutants. The following paragraphs summarize the conformity of the VV2 Project with the applicable MDAQMD requirements.

### **Regulation II – Permits and Regulation XIII – New Source Review**

- The requirement for an **Application for a Permit to Construct** in Rule 202 has been satisfied by the submission of the AFC. MDAQMD has identified that the information provided is complete and has initiated its **Determination of Compliance** review as required under Rule 1306.
- **Best Available Control Technology (BACT)** will be applied to the applicable nonattainment pollutants (NO<sub>x</sub>, VOC, and PM10) for the equipment proposed for the facility. The BACT evaluation is described in AFC Section 6.3.3.
- **New Source Review** rules include modeling requirements that apply to the VV2 Project. All analyses have been conducted in accordance with specified criteria and the results are discussed in AFC Section 6.3.4.

### **Regulation IV – General Prohibitory Rules**

A number of MDAQMD prohibitory rules are applicable to the VV2 Project. Each rule was discussed in AFC Section 6.3.1.3 and Table 6.3-1.b and a summary of Project compliance with these rules is presented below:

- **Rule 401 - Visible Emissions:** Use of natural gas in the turbines, boiler and heater will ensure compliance with visible emission requirements.

- **Rule 402 – Nuisance:** Use of dust control during construction and good operating practices during operation will avoid the potential for a public nuisance.
- **Rule 403 – Fugitive Dust:** Use of mitigation measures, such as a dust control plan discussed in AFC Section 6.3.5.1, during the construction of the facility will ensure compliance with Rule 403. Fugitive dust is not expected to be an issue during operation of this power plant since no material handling is proposed.
- **Rule 403.2 - Fugitive Dust Control for the Mojave Desert Planning Area:** Use of mitigation measures discussed in AFC Section 6.3.5.1 during the construction of the facility will ensure compliance with Rule 403.
- **Rule 404 – Particulate Matter Concentration:** Use of natural gas and low-sulfur diesel fuels will ensure compliance with the particulate limits in this rule related to fuel combustion in the boiler, heater and engines.
- **Rule 406 – Specific Contaminants:** Use of natural gas in the turbines, boiler and heater and low sulfur diesel fuel in the emergency engines will ensure compliance with Rule 406.
- **Rule 407 - Liquid and Gaseous Air Contaminants:** Use of natural gas in the turbines, boiler and heater will ensure compliance with the CO limit (2,000 ppm) in Rule 407, especially since these units will meet BACT limits for CO as well.
- **Rule 409 – Combustion Contaminants:** Use of natural gas will ensure compliance with the combustion contaminant limit (0.1 grains per cubic foot) in this rule related to gas combustion in the turbines, boiler, and heater.
- **Rule 431 – Sulfur Content of Fuels:** Use of low sulfur natural gas and diesel fuel in the emergency engines will ensure compliance with the SO<sub>2</sub> limits (800 ppm calculated as H<sub>2</sub>S in gaseous fuels and 0.5% by weight in liquid fuels) in Rule 431.

### **Regulation IX – Standards for Performance for Stationary Sources**

As noted in AFC Section 6.3.1.1, the VV2 Project will be subject to NSPS 40 CFR Part 60, Subparts A, KKKK, and IIII. MDAQMD Regulation IX incorporates the Federal NSPS by reference, but has not been updated to specifically reflect the recently adopted Subparts KKKK and IIII. As described in the AFC, the VV2 Project will comply with Subpart KKKK by meeting the more stringent BACT limits and will comply with Subpart IIII by restricting the testing of the emergency generator and fire-water pump engine to 50 hours or less of testing and maintenance per year. The reporting, recordkeeping and testing requirements of Subpart A will be met, as applicable.

### **Regulation XI – Source Specific Standards**

Only two of the rules in this regulation apply to the VV2 Project. Compliance will be ensured as follows:

- **Rule 1113- Architectural Coatings:** Compliant materials (paints and coatings) will be used for construction and maintenance at the facility.
- **Rule 1158 – Electric Utility Operations:** The NO<sub>x</sub> BACT required for the combustion turbines and auxiliary boiler will be much more stringent than the NO<sub>x</sub> limits required by this rule. The Rapid Start Process will also ensure that the rule limits can be met within two hours of the start of the thermal stabilization period. Compliance will be monitored with a NO<sub>x</sub> CEMS.

### **Regulation XII – Federal Operating Permits**

A requirement for a Title V Operating Permit under Rule 1202 is triggered since the VV2 Project will be a major source (more than 25 tpy of NO<sub>x</sub> and VOC and more than 100 tpy of PM10 and CO) and will be subject to other Federal requirements such as NSPS and the Acid Rain program. A Title V Permit application will be submitted for the VV2 Project within one year of the start of commercial operation. An Acid Rain permit application (Rule 1210) and other notifications will be filed as needed to be timely for processing by the MDAQMD. The substantive requirements of the Acid Rain program will be to include a NO<sub>x</sub> CEMS on the combustion turbines and to provide SO<sub>2</sub> allowances based on actual emissions. The VV2 Project will comply with these requirements.

**ATTACHMENT AQ-1**

- **SOUTH COAST AQMD GOVERNING BOARD  
RESOLUTION NO. 06-26  
(APPROVED SEPTEMBER 8, 2006)**
- **SOUTH COAST AQMD GOVERNING BOARD  
MEETING MINUTES SEPTEMBER 8, 2006**



**RESOLUTION NO. 06-26**

**A Resolution of the Governing Board of the South Coast Air Quality Management District (Governing Board) certifying that the proposed adoption of Proposed Amended Rule 1309.1 – Priority Reserve is exempt from the requirements of the California Environmental Quality Act (CEQA).**

**A Resolution of the Governing Board amending Rule 1309.1 – Priority Reserve.**

**A Resolution of the Governing Board of the South Coast Air Quality Management District approving Inland Energy's request for inter-district transfer of Volatile Organic Compound Emission Reduction Credits from the South Coast Air Quality Management District to the Antelope Valley Air Quality Management District and the Mojave Desert Air Quality Management District.**

**WHEREAS, the AQMD staff reviewed the proposed project and determined that it is exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code section 21080(b)(6) and CEQA Guidelines section 15271(A); and**

**WHEREAS, the Governing Board has determined in accordance with the Legislature's intent, as expressed in Public Resources Code section 21080(b)(6), that it is appropriate to move forward with that portion of Rule 1309.1 dealing with thermal power plants (EGFs); and**

**WHEREAS, the Governing Board has determined that the socioeconomic impact assessment of Proposed Amended Rule 1309.1 – Priority Reserve, is consistent with the Governing Board March 17, 1989 and October 14, 1994 Socioeconomic Resolution for rule adoption; and**

**WHEREAS, the Governing Board has determined that the socioeconomic assessment of the Proposed Amended Rule 1309.1 – Priority Reserve, complies with the provisions of Health and Safety Code Sections 40440.8, 40728.5 and 40920.6; and**

**WHEREAS, the Governing Board has reviewed and considered the staff's findings related to cost impacts of Proposed Amended Rule 1309.1 – Priority Reserve, as set forth in the socioeconomic impact assessment, and hereby finds and determines that the cost impacts are as set forth in that assessment; and**

**WHEREAS, a socioeconomic impact assessment concluded that Proposed Amended Rule 1309.1 – Priority Reserve, will not impose any additional compliance costs on affected sources, and as such, will not result in any adverse socioeconomic impacts; and**

**WHEREAS, the Governing Board has determined that Proposed Amended Rule 1309.1 – Priority Reserve, is not a control measure in the 1997 Air**

Quality Management Plan (AQMP) amended in 1999 and thus is not ranked by cost-effectiveness relative to other AQMP control measures in the amended 1997 AQMP; and

WHEREAS, the Governing Board has determined that a need exists to amend Rule 1309.1 – Priority Reserve, to provide qualifying electrical generation facilities (EGFs) limited, temporary access to the priority reserve for PM-10, SOx and CO credits subject to meeting conditions specified in the rule; and

WHEREAS, the Governing Board obtains its authority to adopt, amend, or repeal rules and regulations from California Health and Safety Code Sections 39002, 40000, 40001, 40440, 40441, 40463, 40702, 40709.6 (inter-basin offsets), 40725 through 40728, 41508, and 42300; and

WHEREAS, the Governing Board has determined that Proposed Amended Rule 1309.1 – Priority Reserve, has been written or displayed so that its meaning can be easily understood by the persons affected by it; and

WHEREAS, the Governing Board has determined that Proposed Amended Rule 1309.1 – Priority Reserve, as proposed to be amended, is in harmony with, and not in conflict with or contradictory to, existing federal or state statutes, court decisions, or regulations; and

WHEREAS, the Governing Board has determined that Proposed Amended Rule 1309.1 – Priority Reserve, as proposed to be amended, does not impose the same requirements as any existing state or federal regulations and are necessary and proper to execute the powers and duties granted to, and imposed upon, the District; and

WHEREAS, the Governing Board in adopting Proposed Amended Rule 1309.1 – Priority Reserve, as proposed to be amended, references the following statutes which the AQMD hereby implements, interprets or makes specific: Health and Safety Code Sections 42300, 40709.6, 40920.5, federal Clean Air Act Sections 110, 172, 173, 182 and 189 (42 U.S.C. Sections 7410, 7502, 7503, 7511a, and 7513a); and Health and Safety Code Sections 40001, 40702, and 40900; and

WHEREAS, a public hearing has been properly noticed in accordance with the provisions of Health and Safety Code Section 40725; and

WHEREAS, the Governing Board has held a public hearing in accordance with all provisions of law; and

WHEREAS, the AQMD specifies the manager of Proposed Amended Rule 1309.1 – Priority Reserve, as the custodian of the documents or other materials which constitute the record of proceedings upon which the adoption of this proposed amendment is based, which are located at the South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, California; and

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District has received a request from Inland Energy to approve an inter-district offset transaction for Volatile Organic Compound Emission Reduction Credits; and

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District obtains its authority to approve inter-district offset transactions from Section 40709.6 of the California Health and Safety Code and South Coast Air Quality Management District Rule 1309(i); and

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District has determined that the South Coast Air Quality Management District is an upwind district to the Antelope Valley Air Quality Management District and the Mojave Desert Air Quality Management District; and

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District has determined that the South Coast Air Quality Management District is in a worse state nonattainment status than the Antelope Valley Air Quality Management District and the Mojave Desert Air Quality Management District for ozone (for which Volatile Organic Compounds is a precursor); and

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District has determined that the inter-district transfer request for Volatile Organic Compound Emission Reduction Credits by Inland Energy will not have an adverse impact on air quality, public health, or the regional economy; and

**WHEREAS**, the Governing Board of the South Coast Air Quality Management District has determined that the requested Volatile Organic Compound Emission Reduction Credits inter-district offset transfers meet the requirements specified in Section 40709.6 of the California Health and Safety Code and South Coast Air Quality Management District Rule 1309(i).

**WHEREAS**, the AQMD Governing Board finds and determines, taking into consideration the factors in §(d)(4)(D) of the Governing Board Procedures, that the modifications adopted which have been made to Proposed Amended Rule 1309.1 - Priority Reserve since notice of public hearing was published do not significantly change the meaning of the proposed rule within the meaning of Health and Safety Code §40726 and would not constitute significant new information pursuant to CEQA Guidelines §15088.5; and

**NOW, THEREFORE, BE IT RESOLVED** that the Governing Board of the South Coast Air Quality Management District does hereby approve the inter-district transfer of up to 2500 pounds per day for the Inland Energy City of Palmdale project and up to 2500 pounds per day for the Inland Energy City of Victorville project for a cumulative total of up to 5000 pounds per day of Volatile Organic Compound Emission Reduction Credits from the South Coast Air Quality Management District to Antelope

Valley Air Quality Management District and the Mojave Desert Air Quality Management District.

**BE IT FURTHER RESOLVED**, that the AQMD Governing Board does hereby certify the Notice of Exemption for Proposed Amended Rule 1309.1 – Priority Reserve, as proposed to be amended, has been completed in compliance with the CEQA Guidelines Sections 15002 (k)(i), 15061 (b)(i) and 15271 (a) and that it has been presented to the Governing Board, whose members reviewed, considered and approved the information therein prior to acting on Proposed Amended Rule 1309.1 – Priority Reserve; and

**BE IT FURTHER RESOLVED**, that the Governing Board does hereby approve the Socioeconomic Impact Assessment; and

**BE IT FURTHER RESOLVED**, that the Governing Board does hereby adopt, pursuant to the authority granted by law, Proposed Amended Rule 1309.1 – Priority Reserve, as set forth in the attached and incorporated herein by reference; and

**BE IT FURTHER RESOLVED**, that the Governing Board hereby directs staff to submit Proposed Amended Rule 1309.1 – Priority Reserve, to the United States Environmental Protection Agency for revisions to the State Implementation Plan; and

**BE IT FURTHER RESOLVED**, that the Governing Board hereby directs staff to monitor the status of project installations and report back to the Board if an extension of the 2008 sunset date in PAR 1309.1 – Priority Reserve is advisable; and

**BE IT FURTHER RESOLVED**, that the Governing Board hereby directs staff to monitor the PM-10, CO and SOx credit balance in the Priority Reserve and present the Governing Board with recommendations in the event that any of these credit balances does or is likely to fall below 500 pounds per day, including the transfer of up to 1,500 lbs per day of any of these pollutants to the Priority Reserve if available; and

**BE IT FURTHER RESOLVED**, that the Governing Board hereby directs that staff shall use all mitigation fee proceeds collected pursuant to paragraph (f) of PAR 1309.1 - Priority Reserve to fund PM-10, CO and SOx emission reduction programs as close as possible to the new or modified source of emissions and one third of the mitigation fee proceeds collected be used to promote the installation of renewable energy projects, including solar power, in communities where the new power plants will be located and to work with utilities and other interested parties to assist staff in establishing an effective process to implement this directive; monitor the cost of PM-10, CO and SOx reductions achieved; review and report, at least annually, on the adequacy of the mitigation fee levels; and

**BE IT FURTHER RESOLVED**, that the Governing Board directs the Executive Officer to conduct at least one community meeting in the vicinity of any power plant accessing credits from the Priority Reserve to solicit public input regarding local environmental impacts prior to the issuance of a preliminary determination of compliance required by CEC and issuance of permits to construct by SCAQMD; and

**BE IT FURTHER RESOLVED**, that the Governing Board directs staff return with recommendations as soon as practical to amend Rule 1309.1 – Priority Reserve to address issues of siting electrical generating facilities within communities in the AQMD, that are disproportionately impacted by adverse air quality.

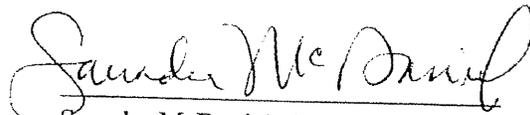
Attachments

AYES: Antonovich, Burke, Carney, Loveridge, Pulido, Silva, Wilson, and Yates.

NOES: Reyes Uranga.

ABSENT: Ovitt, Perry and Verdugo-Peralta.

Dated: 9-8-06

  
Sandra McDaniel, Clerk of the Board



**SUMMARY  
MINUTES OF THE BOARD OF THE  
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

SAUNDRA McDANIEL, CLERK OF THE BOARD

**FRIDAY, SEPTEMBER 8, 2006**

Notice having been duly given, the regular meeting of the South Coast Air Quality Management District Board was held at District Headquarters, 21865 Copley Drive, Diamond Bar, California. Members present:

William A. Burke, Ed.D., Chairman  
Speaker of the Assembly Appointee

Supervisor S. Roy Wilson, Ed.D., Vice Chairman  
County of Riverside

Supervisor Michael D. Antonovich (arrived at 9:15 a.m.)  
County of Los Angeles

Ms. Jane W. Carney  
Senate Rules Committee Appointee

Mayor Ronald O. Loveridge  
Cities of Riverside County

Mayor Miguel A. Pulido  
Cities of Orange County

Councilmember Tonia Reyes Uranga  
Cities of Los Angeles County – Eastern Region

Supervisor James W. Silva  
County of Orange

Ms. Cynthia Verdugo-Peralta  
Governor's Appointee

Mayor Dennis R. Yates  
Cities of San Bernardino County

**Members Absent:**

Supervisor Gary Ovitt  
County of San Bernardino

Councilmember Jan Perry  
Cities of Los Angeles County – Western Region

**CALL TO ORDER:** The meeting was called to order by Chairman Burke at 9:10 a.m.

- Pledge of Allegiance: Led by Mr. Yates.
- Opening Comments

Ms. Uranga Reyes and Ms. Verdugo-Peralta. Announced their attendance at the Air Quality Summit, noting that the event allowed local legislators and elected officials the opportunity to discuss the impact of air quality in the South Coast Basin, and commended staff on their presentations.

Dr. Barry R. Wallerstein, Executive Officer. Announced staff's request to combine the public hearings on Agenda Item 39 [*Amend Rule 1309.1 – Priority Reserve and Approve an Inter-district Transfer of VOC Priority Reserve Credits to Inland Energy*] and 41 [*Adopt Proposed Rule 1315 – Federal New Source Review Tracking System*].

Chairman Burke. Confirmed that the Board would take Agenda Items 39 and 41 out of order due to scheduling conflicts.

- Presentation of Retirement Award to Chery Cooper

Chairman Burke presented a crystal dove to Chery Cooper, Administrative Assistant, in recognition of 25 years of District service.

### **CONSENT CALENDAR**

- 1 Minutes of July 14, 2006 Special Board Meeting
2. Recognize and Appropriate Funds from U.S. EPA and Caltrans, and Execute Contracts to Develop and Demonstrate Three Exhaust After-Treatment Systems for Locomotive Engines
3. Recognize Funds from CARB and Execute Contracts to Re-power Construction Equipment Under Carl Moyer Multi-District Program, and Execute Contracts with Interest Funds from Carl Moyer Program Fund
4. Extend Term of Current Interagency Agreement with State of California Department of General Services to Purchase Natural Gas for Operation of Microturbines at AQMD Headquarters
5. Issue RFP for Demonstration of Refinery Fenceline Monitoring
6. Issue RFP for New Natural Gas Fueling Station Infrastructure at School Districts/Joint Power Authorities and Execute Sole Source Contract Award to Offset CNG Infrastructure Costs

7. Execute Contract to Cosponsor Outreach Project for Innovative Schools Advancing Air Quality
8. Approve Budget for Air Monitoring in Port Area and I-710 Freeway Corridor and Issue Purchase Orders
9. Recommendation on Long-Term Debt Reduction Utilizing One-Time Penalty/Settlement Revenues; Approval of Resolution Authorizing AQMD to Enter into Guaranteed Investment Contract; and Approval to Hire Specialized Legal and Financial Advisory Services

Authorize Transfer from AQMD Building Corporation Restricted Fund to New AQMD Building Corporation Depository Account with US Bank to Cover Ongoing Operation of Building Corporation Until All Bonds Mature

Authorize Purchase of Videoconferencing Display Upgrades

Authorize Executive Officer to Contract with Chery Cooper to Provide Services as WebEditor and Approve Findings Supporting Contract

12. Amend Contract for Lease of South Bay Field Office
13. Authorize Expenditures for Diamond Bar Headquarters Building Refurbishment
14. Approve Amendment of Office Clerical and Maintenance Bargaining Unit MOU with Teamsters Local 911

Authorize Execution of Memorandum of Understanding between Member Agencies of Coachella Valley Association of Governments and South Coast Air Quality Management District

16. Issue RFP for Legislative Representation in Sacramento, California

*This item was withdrawn by staff.*

18. Approve Contracts and Contract Options and Allocate Funding for CNG School Buses Under FYs 2002-03, 2005-06 and 2006-07 AB 2766 Discretionary Fund Work Program
19. Public Affairs Report  
Hearing Board Report
21. Civil Filing and Civil Penalties Report
22. Lead Agency Projects and Environmental Documents Received by AQMD

Rule and Control Measure Forecast

24. Annual Report on AB 2766 Funds from Motor Vehicle Registration Fees for FY 2004-05

Summary of Changes to FY 2005-06 Approved Budget

FY 2005-06 Contract Activity

Status Report on Major Projects for Information Management Scheduled to Start During First Six Months of 2006-07

**BOARD CALENDAR**

Administrative Committee

30. Legislative Committee

31. Mobile Source Committee

32. Stationary Source Committee

Technology Committee

Item No. 26 was withheld for discussion. Dr. Wilson indicated he would abstain on Agenda Item 15 because Coachella Valley is a source of income, and Mr. Silva indicated he would vote "no" on Agenda Item 30.

MR. YATES MOVED THAT THE BOARD: 1) APPROVE AGENDA ITEMS 1 THROUGH 16, 18 THROUGH 25, 27, AND 29 THROUGH 33; 2) ADOPT RESOLUTION NO. 06-25, DIRECTING THE PREPARATION OF A SOLICITATION OF BIDS FOR A GUARANTEED INVESTMENT CONTRACT FOR THE INVESTMENT OF GENERAL FUND, UNDESIGNATED FUNDS, AND REVISING THE DISTRICT'S INVESTMENT POLICY TO PERMIT INVESTMENTS WITH A MATURITY EXCEEDING FIVE YEARS; AND 3) ADOPT THE FOLLOWING POSITIONS ON LEGISLATION, AS RECOMMENDED BY STAFF.

SB 1205 (Escutia) Air Pollution: Oppose  
Children's Breathing Rights Act: Penalties

SB 1494 (McClintock) Top Priority: Oppose

THE MOTION WAS SECONDED BY MR. PULIDO AND CARRIED BY THE FOLLOWING VOTE:

AYES: Burke, Carney, Loveridge, Pulido, Reyes Uranga, Silva [except on Item 30], Verdugo-Peralta, Wilson [except on Item 15], and Yates.

NOES: Silva [on Item 30 only].

ABSTAIN: Wilson [on Item 15 only].

ABSENT: Antonovich, Perry, and Ovitt.

(Mr. Antonovich arrived at 9:15 a.m. during discussion on Agenda Item 26)

28. Items Deferred from Consent Calendar

26. FY 2005-06 Contract Activity

Ms. Verdugo-Peralta requested that staff evaluate all future contracts and advise Board Members of any potential conflict of interest.

ON MOTION OF MS. VERDUGO-PERALTA, SECONDED BY MR. YATES, AND UNANIMOUSLY CARRIED (Absent: Ovitt and Perry), THE BOARD APPROVED AGENDA ITEM 26, AS RECOMMENDED BY STAFF.

PUBLIC HEARINGS

39. Amend Rule 1309.1 – Priority Reserve and Approve an Inter-district Transfer of VOC Priority Reserve Credits to Inland Energy

41 Adopt Proposed Rule 1315 – Federal New Source Review Tracking System

At staff's recommendation, the Board combined the public hearings on Agenda Items 39 and 41.

Ms. Verdugo-Peralta indicated that she would recuse herself and leave the dais during discussion on Agenda Items 39 and 41, because Southern California Edison is a source of income.

Laki Tisopulos, Asst. DEO of Planning, Rule Development and Area Sources, gave the staff report for Agenda Item 39. An errata sheet containing amendments to the adopting Resolution, was distributed to Board Members and copies were made available to the public.

Nazemi Mohsen, Asst. DEO of Engineering & Compliance, gave the staff report for Agenda Item 41.

The public hearing was opened on Agenda Items 39 and 41, and the Board heard testimony from the following individuals.

COLLEEN CALLAHAN, American Lung Association  
\*JESSE MARQUEZ, Coalition for a Safe Environment  
ANGELA JOHNSON MESZAROS, California Environmental Rights Alliance  
SHABAKA HERU, Society for Positive Action  
CYNTHIA BABICH, Del Amo Action Committee.  
\*TIM GRABIEL, Natural Resources Defense Council  
DR. JOSEPH LYOU, California Environmental Rights Alliance  
\*JESUS TORRES, SHANA LAZEROW, ANA CANO, ROBERT CABRALES,  
BERTA CHAVAC, Communities for a Better Environment (CBE)  
RYAN PEREZ, MAYRA GONZALEZ, YESSICA ROJAS, Communities for a  
Better Environment/Youth for Environmental Justice/High School Students  
\*(Submitted written comments)

- Expressed opposition to amend PAR 1309.1 and adopt PR 1315, urged the Board to reject staff's proposals and notice of exemption, and to conduct a CEQA analysis and hold workshops in communities that will be impacted by the power plants.
- Expressed concern that: 1) the rules disregard AQMD's goal to achieve cleaner air; 2) public workshops were not held with the environmental justice communities during the rule making process; 3) staff did not conduct or include a social, economic or public health analysis in the released environmental assessment; and 4) staff did not comply with CBE's public records request to review documents.
- Indicated that the power plants will be processing petroleum coke to make hydrogen that will create an enormous amount of air pollutants; the pollution credits are unfair to the communities who will suffer from the toxic emissions in air.
- Indicated that PAR 1309.1 allows the transfer of up to 5,000 pounds a day only, if the stationary source (Antelope Valley and Mojave Desert) are in a worse non-attainment status than the AQMD, as CARB has indicated that all three agencies are in non-attainments status the transfers cannot be authorized.
- Indicated that the staff's proposal violates AQMD's environmental justice program; violates SB 288 because NSR protections did not exist in the District in 2002; and subsidizing polluting power plants undermines AQMD's RECLAIM program.
- Expressed support for the newly added renewable energy component in the rule.

LEANN ROBERTS, Office of Senator George Runner  
GREGORY D. SKANNAL, BP Alternative Energy  
TIM HEMIG, NRG Energy, CA Council for Environmental & Economic Balance  
\*LEON SWAIN, City of Palmdale  
NADER MANSOUR, Southern California Edison (SCE)  
\*TOM McCABE, Edison Mission Energy  
LEE WALLACE, Sempra Utilities, So Cal Gas, San Diego Gas and Electric  
\*JON ROBERTS, City of Victorville  
\*DAVE ASHUCKIAN, California Energy Commission  
LEE WALLACE, Sempra Utilities, So Cal Gas, San Diego Gas and Electric  
CURTIS COLEMAN, Southern California Air Quality Alliance.  
\*JON ROBERTS, City of Victorville  
\*DONAL O'CALLAGHAN, City of Vernon

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\*(Submitted written comments)

- Expressed support for staff's recommendations and urged the Board to adopt PAR 1309.1 and PR 1315. 1315, which would resolve EPA's concerns, allow a number of new generations to come into the system, and avoid any shortages or potential cascading blackout situations in the future.
- Indicated that there are not sufficient credits available in the Antelope Valley and access to the priority reserve is critical to the City of Palmdale and Victorville's ability to proceed with the proposed power plants that will generate a combined 1140 megawatts, approximately one-third of the needed power in the next five years, and utilize the cleanest gas technology.
- Indicated that the Carson Hydrogen Power Project will provide new clean low carbon power generation, and the proposed new facilities will incorporate the BACT to reduce emissions to the maximum extent possible.
- Indicated that the City of Vernon's proposal for a 914 megawatt natural gas fired power plant will be a high efficiency combined cycle facility, provide a safe and reliable source of power to users within the city and California's Independent System Operator grid, and assist in meeting the growing demands for electricity in Southern California.
- Indicated that SCE issued a request for 1500 megawatts of new generation to be installed in Southern California to startup in the summer of 2007, and noted that much of the new capacity will be needed in the South Coast Basin to ensure reliability of the grid to maintain the voltage and frequency support.

- Indicated in response to SCE request initiated the permitting process for two power plants. However, the permitting process would not allow them to go any further and the lack of commercially available emission reduction credits have stalled the applications.
- Indicated that additional power and PM10 ERC are still needed due to the growing demand for renewable energy, energy efficiency and conservation, electricity, refined petroleum products, and natural gas.
- Indicated that the Public Utilities Commission (PUC): 1) implemented a renewable portfolio program of 20 percent electric generation by 2017; 2) are discussing ways to achieve 33 percent renewable energy by 2020; 3) approved a Solar Power Initiative to provide incentives for development over 11 years; 4) adopted an energy efficiency and conservation campaign to eliminate the need to built three large power plants and reduce global warming pollution by an estimated 3.4 million of carbon dioxide by 2008; and 5) will adopt in corroboration with CARB, a more aggressive energy efficiency and conservation program.
- Noted that the public's health would be more adversely impacted if needed energy projects were not built and there are blackouts, and that reliable energy can be brought online quickly.

There being no further public testimony on this item, the public hearing was closed.

In response to questions and concerns raised by Board Members and during public comments during public testimony, Dr. Wallerstein, Dr. Tisopulos, District Counsel Kurt Wise, and Mr. Nazemi, made the following clarifications.

- The projects that are able to access priority reserve will go through licensing process with the California Energy Commission (CEC) as well as AQMD's permitting process.
- The process requires the CEC to conduct a full-blown CEQA analysis, and hold meetings in the affected community as part of the process.

The AQMD issues the Title V permit, public notice, and the public can request to hold hearings, and public consultation meetings for the projects that are Title V facilities have been held.

The AQMD must submit a determination to the CEC, if they feel there are other requirements under CEQA they will impose those on the projects as mitigations before a final determination to license the project is made.

- Staff proposed in the errata sheet a commitment to hold a meeting in the community before issuing a determination of compliance to the CEC, and before AQMD permits including the Title V permits are issued. The community at that time would have the opportunity to comment on the proposal and CEQA document for a specific power plant, propose additional mitigation measures with respect to a specific power plant, and challenge whether or not the BACT standards are being implemented.
- Staff committed language in the adopting resolution to vest one-third of the mitigation fees proceeds back into communities in the vicinity of the power plants, for renewable power energy and solar power.
- The new power plants are necessary to maintain the integrity of the system and create an energy supply necessary to protect the public's health and safety (i.e. traffic lights, use of medical equipment).
- The proposal before the Board is a clean source of energy and will to meet future energy needs without having the experience of a blackout and emitting into the atmosphere dirtier types of pollutants.
- There is a categorical exception in the statute regarding CEQA for actions undertaken by a public agency relating to any thermal power plant that is subsequently permitted by the CEC. If a local agency like the AQMD undertakes an action that relates to the construction of a power plant yet the CEC is the one that is actually identifying the power plants and permitting them, then the CEC will conduct an environmental analysis, and none is required by the local agency.
- The technical and legal staff have reviewed this very well, huge discounts in the District's NSR credit bank have been made, and the earlier version of this rule was approved by CARB, the overseer of SB 288, and recently by the Environmental Protection Agency. CARB and EPA staff did not find any back sliding.
- Senator George Runner introduced legislation last year related to this issue, however, he agreed to drop the bill based on staff bringing a proposal to the Board for consideration.
- Staff's concern is the adverse air quality impacts that will occur due to inadequate power, and believes if the Board does not address this issue there will be high prices and shortages, and would expect the Legislature and the Governor to take action to circumvent AQMD's authority to regulate emissions because the public's needs and what is outlined in the PUC and CEC's energy plans are not being fulfilled.

\*Written Comments Submitted by:  
Antelope Valley Air Quality Management District  
California Local Government Affairs  
EmeraChem, LLC  
Mojave Desert Air Quality Management District

MS. CARNEY MOVED APPROVAL OF AGENDA ITEMS 39 AND 41, WITH THE CHANGES INCLUDED IN THE ERRATA SHEET, AND WITH THE ADDITION TO RULE 1309.1 THAT NO CREDITS FROM THE PRIORITY RESERVE WILL BE AVAILABLE FOR ELECTRIC GENERATION FACILITIES UNTIL FEBRUARY 1, 2007

Dr. Wallerstein suggested that the Board approve the transfer of credits to the Antelope and Mojave Air Districts, noting that not making the credits available would delay the project, and to direct staff to present to the Board in January, additional criteria to be placed in Rule 1309.1 restricting the availability of credits for electrical-generating projects in highly impacted communities.

MR. PULIDO MOVED THAT THE BOARD:

- 1) ADOPT RESOLUTION NO. 06-26, AMENDING RULE 1309.1 AND CERTIFYING THE NOTICE OF EXEMPTION; WITH THE FOLLOWING MODIFICATIONS TO THE RESOLUTION, AS SET FORTH BELOW;
- 2) APPROVE INLAND ENERGY'S INTER-DISTRICT TRANSFER REQUEST OF UP TO 5000 LBS/DAY OF VOC OFFSETS FROM THE PRIORITY RESERVE FOR SITING TWO ELECTRICAL GENERATING FACILITIES IN THE ANTELOPE VALLEY AIR POLLUTION CONTROL DISTRICT AND MOJAVE DESERT AIR POLLUTION CONTROL DISTRICT;
- 3) DIRECT STAFF TO RETURN TO THE BOARD IN JANUARY OR FEBRUARY WITH RECOMMENDED AMENDMENTS TO RULE 1309.1 TO ADDRESS ISSUES OF SITING ELECTRICAL GENERATING FACILITIES WITHIN COMMUNITIES IN THE AQMD THAT ARE DISPROPORTIONATELY IMPACTED BY ADVERSE AIR QUALITY; AND
- 4) ADOPT RESOLUTION NO. 06-27, ADOPTING RULE 1315 AND CERTIFYING THE NOTICE OF EXEMPTION FROM CEQA.

THE MAKER OF THE MOTION ACCEPTED CHAIRMAN BURKE'S AMENDMENT THAT 100 PERCENT OF THE MITIGATION MONEY SHALL BE SPENT IN COMMUNITIES WHERE THE POWER PLANTS ARE TO BE LOCATED.

At Ms. Reyes Uranga's request, the Board took at separate vote on Agenda Item No. 39.

MR. PULIDO MOVED THAT THE BOARD:

- 1) ADOPT RESOLUTION NO. 06-26, AMENDING RULE 1309.1 AND CERTIFYING THE NOTICE OF EXEMPTION;
- 2) APPROVE INLAND ENERGY'S INTER-DISTRICT TRANSFER REQUEST OF UP TO 5000 LBS/DAY OF VOC OFFSETS FROM THE PRIORITY RESERVE FOR SITING TWO ELECTRICAL GENERATING FACILITIES IN THE ANTELOPE VALLEY AIR POLLUTION CONTROL DISTRICT AND MOJAVE DESERT AIR POLLUTION CONTROL DISTRICT; AND
- 3) DIRECT STAFF TO RETURN TO THE BOARD IN JANUARY OR FEBRUARY WITH RECOMMENDED AMENDMENTS TO ADDRESS ISSUES OF SITING ELECTRICAL GENERATING FACILITIES WITHIN COMMUNITIES IN THE AQMD THAT ARE DISPROPORTIONATELY IMPACTED BY ADVERSE AIR QUALITY; AND WITH THE FOLLOWING MODIFICATIONS TO THE RESOLUTION, AS SET FORTH BELOW:

Add the following language to the Resolution:

"BE IT FURTHER RESOLVED, that the Governing Board hereby directs that staff shall use all mitigation fee proceeds collected pursuant to paragraph (f) of PAR 1309.1 – Priority Reserve to fund PM-10, CO and SOx emission reduction programs as close as possible to the new or modified source of emissions and one third of the mitigation fees proceeds collected to be used to promote the installation of renewable energy projects, including solar power, in communities where the new power plants will be located and to work with utilities and other interested parties to assist staff in establishing an

effective process to implement this directive; monitor the cost of PM-10, CO and SOx reductions achieved; review and report, at least annually, on the adequacy of the mitigation fee levels; and

BE IT FURTHER RESOLVED, that the Governing Board directs the Executive Officer to conduct at least one community meeting in the vicinity of any power plant accessing credits from the Priority Reserve to solicit public input regarding local environmental impacts prior to the issuance of a preliminary determination of compliance required by CEC and issuance of permits to construct by SCAQMD; and

BE IT FURTHER RESOLVED, that the Governing Board directs staff to return with recommendations as soon as practical to amend Rule 1309.1 – Priority Reserve to address issues of siting electrical generating facilities within communities in the AQMD, that are disproportionately impacted by adverse air quality.”

THE MOTION WAS SECONDED BY DR. WILSON, AND CARRIED BY THE FOLLOWING VOTE:

AYES: Antonovich, Burke, Carney, Loveridge, Pulido, Silva, Wilson, and Yates.

NOES: Reyes Uranaga.

ABSTAIN None.

ABSENT: Ovitt, Perry, and Verdugo-Peralta.

At Ms. Reyes Uranga's request, the Board took at separate vote on Agenda Item No. 41.

ON MOTION OF MR. PULIDO, SECONDED BY DR. WILSON, AND UNANIMOUSLY CARRIED (Absent: Ovitt, Perry, and Verdugo-Peralta), THE BOARD ADOPTED RESOLUTION NO. 06-27, ADOPTING RULE 1315 AND CERTIFYING THE NOTICE OF EXEMPTION FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AS RECOMMENDED BY STAFF.

**BOARD CALENDAR (Continued)**

34. Mobile Source Air Pollution Reduction Review Committee
35. California Air Resources Board Monthly Report (No Written Material - Transcripts of the meetings are available at CARB's web site, [www.arb.ca.gov](http://www.arb.ca.gov))
36. California Fuel Cell Partnership Steering Team Report and Quarterly Activity Report

ON MOTION OF MS. CARNEY, SECONDED BY DR. WILSON, AND UNANIMOUSLY CARRIED (Absent: Ovitt and Perry), THE BOARD APPROVED AGENDA ITEMS 34 THROUGH 36, AS RECOMMENDED BY STAFF.

**PUBLIC HEARING (Continued)**

37. Amend Rule 1157 – PM10 Emission Reductions from Aggregate and Related Operations

Ms. Carney recused herself and left the dais, indicating that Maruhachi Ceramics of America, Delilah Properties Inc., and Inland Concrete Enterprises, are sources of income.

Ms. Lee Lockie, Director of Planning, Rule Development & Area Sources, gave the staff report. An errata sheet in response to comments received from EPA, Region IX, regarding the staff proposal on August 16, 2006, staff's proposed additions to the resolution and staff report was distributed to Board Members and copies were made available to the public.

The public hearing was opened, and the Board heard testimony from the following individuals.

**TRAVIS LANGE, City of Santa Clarita**

Requested that the Board not amend PAR 1157 until all the studies and reviews in the settlement agreement between the SCAQMD and California Mining Association are completed and agreed to, and at that time complete a comprehensive amendment, if warranted.

Expressed concern that the rule may "unravel" in the future and that the use of water will not work during Santa Ana conditions in the Santa Clarita Valley, and that the mining industry will not shut down and operations will continue during high winds because of the exemption. Also expressed concern that blasting operations are exempt from the rule.

JIM ST. MARTIN, Asphalt Pavement Association  
\*CLIFF OHLWILER, California Precast Concrete Association  
\*MALCOLM WEISS, California Mining Association  
\*JOHN HECHT, Southern California Rock Products Association  
\*(Submitted written comments)

Expressed support for PAR 1157, noting that a viable high wind exemption is needed, and that other than loading materials and transporting products all other operations at facilities must cease and dust controls applied before the exemption could be utilized.

Urged the Board to adopt staff's proposed amendments to the rule, and thanked staff for visiting the facilities.

There being no further public testimony on this item, the public hearing was closed.

In response to concerns raised during public testimony, Dr. Wallerstein and District Counsel Kurt Wiese, made the following clarifications.

- A provision in the settlement agreement calls on staff to bring an amendment to the high wind exemption to the Board as expeditiously as possible.

An additional provision in the agreement requires staff to meet and talk to industry, however, staff believes that no further rule amendments will come out of those discussions.

- There is a commitment by staff that should there be additional amendments, an accumulative impact analysis would be done so that the City of Santa Clarita's concerns are addressed.

\*Written Comments Submitted by:

Southern California Contractors Association, Inc.  
Southern California Ready Mixed Concrete Association

ON MOTION OF DR. WILSON, SECONDED BY  
CHAIRMAN BURKE, AND UNANIMOUSLY CARRIED  
(Absent: Antonovich, Carney, Ovitt, Perry, and Pulido),  
THE BOARD ADOPTED RESOLUTION NO. 06-28,  
AMENDING RULE 1157 AND CERTIFYING THE CEQA FINAL  
ENVIRONMENTAL ASSESSMENT, AS RECOMMENDED  
BY STAFF, WITH THE FOLLOWING MODIFICATIONS  
TO THE RULE AND RESOLUTION, AS SET FORTH BELOW.

Modifications to Rule 1157:

The first paragraph under the section titled Summary of Proposed Rule Amendments on page 3 of the staff report is modified to read:

"In addition, the loading and transport of aggregate may continue, provided that: (1) appropriate dust controls are applied according to District's rules, (2) during active operations, water is applied twice per hour on unpaved roads that are not treated with chemical stabilizers, and (3) water is applied within fifteen minutes of each loading activity to stabilize disturbed areas on the storage piles due to loading. The application of water to the unstabilized areas of the storage piles is intended to be in sufficient quantities to minimize dust by applying water after each loading activity. A loading activity is any continuous series of material loads removed from an open storage pile (i.e., using a front-end loader, for example) and dumped into one or more waiting trucks. High winds are defined as instantaneous wind speeds exceeding 25 mph."

Add the following language to the Resolution:

"BE IT FURTHER RESOLVED that the Governing Board directs staff to conduct a compliance assessment and evaluate the effectiveness and feasibility of applying water for controlling dust before and during material loading activities for the period of high wind events, and report its findings to the Stationary Source Committee by March 2007."

38. Amend Rule 1171 – Solvent Cleaning Operations

Staff recommended that Agenda Item 38 be continued to the October 6, 2006 Board meeting.

AT THE CHAIRMAN'S DIRECTION, AGENDA ITEM 38 WAS CONTINUED TO THE OCTOBER 6, 2006 BOARD MEETING, AS RECOMMENDED BY STAFF.

**Adopt Proposed Rule 410 – Odors from Transfer Stations and Material Recovery Facilities**

Staff recommended that Agenda Item 42 be continued to the October 6, 2006 Board meeting.

AT THE CHAIRMAN'S DIRECTION, AGENDA ITEM 42 WAS CONTINUED TO THE OCTOBER 6, 2006 BOARD MEETING, AS RECOMMENDED BY STAFF.

**Amend Regulation IX – Standards of Performance for New Stationary Sources**

Staff waived an oral report on Agenda Item 40. The public hearing was opened and there being no public testimony on this item, the public hearing was closed.

ON MOTION OF DR. WILSON, SECONDED BY MR. PULIDO, AND UNANIMOUSLY CARRIED (Absent: Ovitt, Perry, and Pulido), THE BOARD ADOPTED RESOLUTION 06-29, AMENDING REGULATION IX AND CERTIFYING THE NOTICE OF EXEMPTION FOR THE PROPOSED AMENDMENTS TO REGULATION IX, AS RECOMMENDED BY STAFF.

**OTHER BUSINESS – None.**

**PUBLIC COMMENT PERIOD – (Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3)**

There was no public comment on non-agenda items.

**BOARD MEMBER TRAVEL – (No Written Material)**

Board member travel reports have been filed with the Clerk of the Boards, and copies are available upon request.

**CLOSED SESSION**

The Board recessed to closed session at 12:30 p.m. pursuant to Government Code sections:

- 54956.9(a) to confer with its counsel regarding pending litigation which has been initiated formally and to which the District is a party. The actions are: Association of American Railroads, et al. v. SCAQMD, et al., United States District Court Case No. CV06-1416 JFW (PLAx); and South Coast Air Quality Management District v. OceanAir Environmental, LLC, Mahesh Talwar, Pierpoint Sport Fishing, Karl Smith, Daniel R. Strunk, et al., Los Angeles Superior Court Case No. KC047828.
- 54956.9(c) to consider initiation of litigation (one case).
- 54597.6(a) to meet with designated representatives regarding represented employee salaries and benefits or other mandatory subjects within the scope of representation [Negotiator: Eudora Tharp; Represented Employees: Teamsters Local 911].

Following closed session, District Counsel Kurt Wiese, announced that a report on the actions taken in closed session would be filed with the Clerk of the Board, and made available upon request.

#### ADJOURNMENT

There being no further business, the meeting was adjourned at 1:00 p.m. by District Counsel Kurt Wiese, in Honor of Mike Justice, who worked with Board Members and staff in an attempt to educate the agriculture industry to come into compliance with the District's Rules and Regulations.

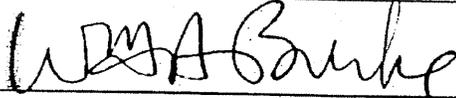
The foregoing is a true statement of the proceedings held by the South Coast Air Quality Management District Board on September 8, 2006.

Respectfully Submitted,



ROSE JUAREZ  
Senior Deputy Clerk

Date Minutes Approved: Oct 6, 2006



Dr. William A. Burke, Chairman

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**ATTACHMENT AQ-2**

- **RESOLUTION 06-04  
(APPROVED SEPTEMBER 25, 2006)**
- **MOJAVE DESERT AQMD GOVERNING BOARD  
MEETING MINUTES SEPTEMBER 25, 2006**



**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM 13*

**DATE:** September 25, 2006

**RECOMMENDATION:** Adopt Resolution approving inter-district and inter-basin transfer of offsets pursuant to Health & Safety Code (H&S Code) §40709.6 for applicant Inland Energy.

**SUMMARY:** Adopt resolution to approve the transfer of certain offsets credited and registered within the South Coast Air Quality Management District (SCAQMD) for potential use within the Mojave Desert Air Quality Management District (MDAQMD) by applicant Inland Energy

**CONFLICT OF INTEREST:** District board members and officers; Inland Energy, its principals and agents.

**BACKGROUND:** H&S Code §40709.6 allows increases in air pollutants at a stationary source located within one air district to be offset by emissions reductions credited in another district under certain circumstances. If the districts are located in two different air basins the source creating the emissions reductions must be in an upwind district with a worse non-attainment status than the downwind district where the credits are to be used (H&S Code §40709.6(a)(1)). In addition, the downwind district must be overwhelmingly impacted by transported air pollution from the upwind district (H&S Code §40709.6(a)(2)). Generally the governing boards of both air districts must approve by resolution the transfer of credits (H&S Code 40709.6(d)). In addition to state law, SCAQMD Rule 1309(i)(3) as amended 12/06/2002 requires the approval, by resolution, of both governing boards prior to the inter-district and inter-basin transfer of offsets.

SCAQMD is located within the South Coast Air Basin (SCAB) while the MDAQMD is located within the Mojave Desert Air Basin (MDAB). SCAQMD has been classified non-attainment and is designated extreme for ozone and its precursors pursuant to H&S Code §§40910 et seq. portions of the MDAQMD have been classified non-attainment and is designated moderate pursuant to those same sections. Pursuant to the provisions of H&S Code §39610 the California Air Resources Board (CARB) has designated the MDAB as overwhelmingly impacted by air pollution from SCAB.

Cc: Executive Director

I, MICHELE BAIRD, CLERK OF THE GOVERNING BOARD OF  
MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
DISTRICT, HEREBY CERTIFY THE FOREGOING TO BE A  
FULL, TRUE AND CORRECT COPY OF THE RECORD OF  
THE ACTION AS THE SAME APPEARS IN THE OFFICIAL  
MINUTES OF SAID GOVERNING BOARD MEETING  
CLERK OF THE BOARD  
MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT

**MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA**

*AGENDA ITEM 13*

**PAGE 2**

Applicant Inland Energy is the proponent and developer of an Electrical Generating Facility (EGF) to be located within the jurisdiction of the MDAQMD. The permitting of this EGF by the MDAQMD will require offsets under MDAQMD Regulation XIII. There are currently insufficient offsets available within the MDAQMD to meet the Regulation XIII. In addition there are few, if any facilities with the potential to provide sufficient offsets for such a project within the MDAQMD.

Pursuant to the provisions of SCAQMD Rule 1309.1 as amended 9/8/2006 and the accompanying resolution adopted on that same date applicant Inland Energy is eligible to purchase and transfer Volatile Organic Compound (VOC) Emissions Reduction Credits contained in the SCAQMD Priority Reserve and transfer such credits for use within the MDAQMD. Inland Energy is requesting the adoption of a resolution approving the transfer of these offsets to satisfy the requirements of Regulation XIII.

**REASON FOR RECOMMENDATION:** H&S Code §40709.6 requires a resolution to effectuate the inter-district and inter-basin transfer of these VOC offsets.

**REVIEW BY OTHERS:** This item was reviewed by Karen Nowak, Deputy District Counsel as to legal form and by Eldon Heaston, Executive Director on September 11, 2006.

**FINANCIAL DATA:** No increase in appropriation is anticipated.

**PRESENTER:** Eldon Heaston, Executive Director.

MINUTES OF THE GOVERNING BOARD  
OF THE MOJAVE DESERT AIR QUALITY MANAGEMENT DISTRICT  
VICTORVILLE, CALIFORNIA

AGENDA ITEM 13

PAGE 3

ACTION OF THE GOVERNING BOARD  
APPROVED AND ADOPTED

Upon Motion by DAWN BENTON, Seconded by MIKE ROTHSCHILD, as approved by the following roll call vote:

Ayes: 9 LEONE, SAGONA, GLASPER, VALENTINE, WILSON, CURRAN  
ROTHSCHILD, PACK, BENTON

Noes:

Absent: 4 CRAIN, BIANE, RIORDAN, HANSBERGER

Abstain: 1 POSTMUS

Vacant:

MICHELE BAIRD, CLERK OF THE GOVERNING BOARD

BY Michele Baird

Dated: SEPTEMBER 25, 2006

RESOLUTION 06-04

1       **A RESOLUTION OF THE GOVERNING BOARD OF THE MOJAVE DESERT AIR**  
2       **QUALITY MANAGEMENT DISTRICT APPROVING THE INTER-DISTRICT AND INTER-**  
3       **BASIN TRANSFER OF OFFSETS PURSUANT TO HEALTH & SAFETY CODE §40709.6 FOR**  
4       **APPLICANT INLAND ENERGY**

5       On September 25, 2006, on motion by Member BENTON, seconded by Member  
6       ROTHSCHILD, and carried, the following resolution is adopted:

7       **WHEREAS**, Applicant Inland Energy wishes to develop an electrical generating facility (EGF) to  
8       be built within the jurisdiction of the Mojave Desert Air Quality Management District (MDAQMD); and

9       **WHEREAS**, pursuant to MDAQMD Regulation XIII such a project will require offsetting  
10       emissions reductions; and

11       **WHEREAS**, the emissions reductions derived from sources within the MDAQMD nonattainment  
12       area and contained within the MDAQMD emissions bank are currently 270,397 lbs/day PM10; 668,573  
13       lbs/day NOx, 97,902 lbs/day VOC, and 637,741 lbs/day CO and 5,577 lbs/day SOx; and

14       **WHEREAS**, many of the reductions contained within the MDAQMD bank have expiration dates,  
15       are already earmarked by the owner for the owner's future expansions, would be severely discounted due  
16       to the application of the "RACT upon use" doctrine; and

17       **WHEREAS**, there are limited opportunities within the MDAQMD to create additional emissions  
18       reductions; and

19       **WHEREAS**, Inland Energy wishes to purchase offset emissions reductions generated within the  
20       South Coast Air Quality Management District (SCAQMD) for use as offsets for the EGF to be located  
21       within the MDAQMD; and

22       **WHEREAS**, Health and Safety Code (H&S Code) §40709.6 allows increases in air pollutants at a  
23       stationary source located within one air district to be offset by emissions reductions credited in another  
24       district under certain circumstances; and

25       **WHEREAS**, H&S Code §40709.6(a)(1) requires that the source creating the emissions reductions  
26       must be in an upwind district with a worse non-attainment status than the downwind district where the  
27       credits are to be used; and

28       **WHEREAS**, H&S Code §40709.6(a)(2) requires the downwind district must be overwhelmingly  
impacted by transported air pollution from the upwind district; and

RESOLUTION 06-04

1           **WHEREAS**, H&S Code §40709.6(b) requires the district in which the emissions reductions are  
2 credited is required to determine the type and amount of emissions reductions; and

3           **WHEREAS**, H&S Code §40709.6(c) requires the district in which the emissions reductions are to  
4 be used to determine the impact of the emissions increases in the same manner and to the same extent it  
5 would do so for emissions credits generated within its own district and to adopt a rule regarding the  
6 discount of the transferred emissions reductions; and

7           **WHEREAS**, H&S Code §40709.6(d) requires the transfer to be approved by resolution of both  
8 the governing board of the upwind and the downwind districts after taking into consideration the impact  
9 of the offset transfer on air quality, public health and the regional economy; and

10           **WHEREAS**, SCAQMD Rule 1309(i)(3) as amended 12/06/2002 requires the approval, by  
11 resolution, of both governing boards prior to the inter-district and inter-basin transfer of offsets;

12           **WHEREAS**, SCAQMD Rule 1309.1 - *Priority Reserve* as amended 9/8/2006 allows the purchase  
13 and use of emissions reductions generated within the SCAQMD and contained in the Priority Reserve for  
14 use as offsets for EGF's in downwind districts and air basins so long as certain requirements, including  
15 compliance with H&S Code §40709.6 are met; and

16           **WHEREAS**, The SCAQMD is located within the South Coast Air Basin (SCAB); and

17           **WHEREAS**, The MDAQMD is located within the Mojave Desert Air Basin (MDAB); and

18           **WHEREAS**, SCAQMD has been classified non-attainment and is designated extreme for ozone  
19 and its precursors pursuant to H&S Code §§40910 et seq.; and

20           **WHEREAS**, MDAQMD has been classified non-attainment and is designated moderate pursuant  
21 to H&S Code §§40910 et seq.; and

22           **WHEREAS**, Pursuant to the provisions of H&S Code §39610 the California Air Resources Board  
23 (CARB) has designated the MDAB as overwhelmingly impacted by air pollution from SCAB; and

24           **WHEREAS**, SCAQMD has determined the type and amount of emissions reductions generated  
25 within its jurisdiction upon the placement of those emissions reductions in the Priority Reserve pursuant  
26 to the provisions of SCAQMD Rules 1309 and 1309.1; and

27 //

28 //

**RESOLUTION 06-04**

1           **WHEREAS**, MDAQMD Rule 1305(B)(5) allows emissions reductions from outside the air basin  
2 to be used as offsets upon approval of the Air Pollution Control Officer in consultation with CARB and  
3 the U.S. Environmental Protection Agency; and

4           **WHEREAS**, the offset ratio provided in MDAQMD Rule 1305(C) would apply to the use of any  
5 transferred offsets; and

6           **WHEREAS**, the SCAQMD governing board has approved via resolution adopted 9/8/2006 the  
7 transfer of VOC emissions reductions up to 2500 pounds per day from the Priority Reserve pursuant to  
8 the provisions contained in SCAQMD Rule 1309.1;

9           **WHEREAS**, the SCAQMD governing board has found in that resolution that the transfer of such  
10 reductions from the Priority Reserve will not cause an adverse impact on air quality, public health or the  
11 regional economy; and

12           **WHEREAS**, the SCAQMD governing board has found in that resolution that the transfer of such  
13 reductions meet the requirements of H&S Code §40709.6 and SCAQMD Rule 1309(i); and

14           **WHEREAS**, the MDAQMD governing board has determined that the use of up to 2500 pounds  
15 per day of VOC transferred from the SCAQMD will not cause an undue impact on the attainment or  
16 maintenance of the ambient air quality standards, public health or the regional economy within the  
17 MDAQMD; and

18           **WHEREAS**, the MDAQMD governing board has determined that the transfer of up to 2500  
19 pounds per day VOC from the SCAQMD meets the requirements of H&S Code §40709.6; and

20           **WHEREAS**, the MDAQMD governing board has determined that the use of such emissions  
21 reductions within its jurisdiction will be subject to all the applicable provisions of MDAQMD Regulation  
22 XIII -- New Source Review.

23           **NOW THEREFORE BE IT RESOLVED**, that the governing board of the Mojave Desert Air  
24 Quality Management District, after consideration of the economic, public health and air quality impacts of  
25 the proposed transfer of emissions reductions from the SCAQMD, hereby approves the proposed transfer  
26 of such emissions reductions as certified by SCAQMD in an amount not to exceed 25000 pounds of VOC  
27 per day; and  
28

RESOLUTION 06-04

1 **BE IT FURTHER RESOLVED**, that such emissions reductions shall be used by Inland Energy  
2 for the development, construction and operation of an EGF located within the jurisdiction of the  
3 MDAQMD which will comply with all applicable provisions of State and Federal law, State and Federal  
4 regulations and the Rules & Regulations of the MDAQMD.

5 **PASSED, APPROVED AND ADOPTED** by the Governing Board of the Mojave Desert Air Quality  
6 Management District by the following vote:

7 AYES: 9 MEMBER: LEONE, SAGONA, GLASPER, VALENTINE, WILSON,  
8 CURRAN, ROTHSCHILD, PACK, BENTON

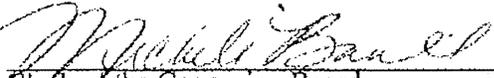
9 NOES: MEMBER:

10 ABSENT: 4 MEMBER: CRAIN, BIANE, RIORDAN, HANSBERGER

11 ABSTAIN: 1 MEMBER: POSTMUS

12 STATE OF CALIFORNIA )  
13 ) SS:  
14 COUNTY OF SAN BERNARDINO )

15  
16 I, Michele Baird, Clerk of the Governing Board of the Mojave Desert Air Quality Management  
17 District, hereby certify the foregoing to be a full, true and correct copy of the record of the action as the  
18 same appears in the Official Minutes of said Governing Board at its meeting of September 25, 2006

19   
Clerk of the Governing Board,  
Mojave Desert Air Quality Management District.



**ATTACHMENT AQ-3**

**ERC DUE DILIGENCE RESULTS  
SUBMITTED SEPARATELY AS A CONFIDENTIAL SUBMITTAL**

- **TAB 1: RESULTS OF CONTACTS WITH ERC  
CERTIFICATE HOLDERS**
- **TAB 2: ERC REGISTRY PROVIDED BY MDAQMD**



**ATTACHMENT AQ-4**

**LIST OF CANDIDATE UNPAVED ROAD SEGMENTS PROVIDED  
BY MDAQMD**



County Maintained Unpaved Roads

Street Name	Location (Yard)	Length	ADT	DVMT
Verbena	Adelanto	0.50	1	1
Lupin	Adelanto	1.50	10	15
Cactus	Adelanto	0.75	10	8
Lilac	Adelanto	0.50	10	5
Daisy	Adelanto	0.49	10	5
St. Basil	Adelanto	1.01	20	20
Aster	Adelanto	0.50	20	10
Bellflower	Adelanto	0.50	26	13
Fremontia	Adelanto	0.50	30	15
Milton	Adelanto	0.50	30	15
Mesquite	Adelanto	0.25	30	8
Helendale	Adelanto	7.44	50	372
Mojave	Adelanto	0.75	55	41
Old El Mirage	Adelanto	4.95	85	421
Helendale	Adelanto	1.10	100	110
Colusa	Adelanto	1.24	118	146
Adelanto	Adelanto	0.25	1189	297
Jolon	Apple Valley	0.25	1	0
Chaparosa	Apple Valley	0.50	2	1
Ocotillo	Apple Valley	0.11	2	0
Estrella	Apple Valley	0.75	3	2
Japatul	Apple Valley	0.90	4	4
Japatul	Apple Valley	0.25	5	1
Sierra Pelona	Apple Valley	0.74	10	7
Soledad	Apple Valley	0.24	10	2
Loma Vista	Apple Valley	0.25	20	5
Yucca	Apple Valley	0.13	20	3
Roundup	Apple Valley	0.53	25	13
Camp Rock	Apple Valley	8.04	27	217
Camp Rock	Apple Valley	8.89	28	249
Lagartijo	Apple Valley	0.50	30	15
Lancelet	Apple Valley	1.00	32	32
Laguna Seca	Apple Valley	0.50	35	18
Colony	Apple Valley	0.38	57	22
Ocotillo	Apple Valley	0.91	60	55
Roundup	Apple Valley	0.53	66	35
Valley Vista	Apple Valley	2.00	68	136
Del Oro	Apple Valley	1.00	69	69
Iroquois	Apple Valley	0.50	69	35
Wren	Apple Valley	0.99	73	72
Lupine	Apple Valley	0.13	80	10
Bowen Ranch	Apple Valley	5.64	83	468
Tujunga	Apple Valley	0.62	83	51
Yucca	Apple Valley	0.02	94	2
Desert View	Apple Valley	0.99	145	144
Tussing Ranch	Apple Valley	0.27	212	57
Wren	Apple Valley	0.50	230	115
Mocking Bird	Apple Valley	1.01	275	278
Joshua	Apple Valley	0.72	326	235
Joshua	Apple Valley	0.13	366	48
Tussing Ranch	Apple Valley	0.52	370	192
Joshua	Apple Valley	0.50	374	187

County Maintained Unpaved Roads

Street Name	Location (Yard)	Length	ADT	DVMT
Webster	Barstow	0.05	10	1
Old Yermo Cutoff	Barstow	0.92	27	25
Copper City	Barstow	16.54	40	662
Fossil Bed	Barstow	7.64	76	581
Oak Hill	Cajon	1.85	436	807
Baldy Mesa	Cajon	3.87	689	2666
Corral	Helendale	1.01	1	1
Roundup	Helendale	1.00	1	1
Monterey	Helendale	0.12	1	0
Mountain Springs	Helendale	0.55	3	2
Sunrise	Helendale	0.25	3	1
Bronco	Helendale	0.99	6	6
Mojave Trail	Helendale	0.51	10	5
Riverview	Helendale	0.50	10	5
Buckhorn	Helendale	0.99	11	11
Link	Helendale	0.50	11	6
Sagebrush	Helendale	0.50	12	6
Smithson	Helendale	0.50	22	11
Cottonwood	Helendale	0.50	24	12
Wagonwheel	Helendale	0.50	26	13
Wrangler	Helendale	0.50	33	17
Sundown	Helendale	0.25	39	10
Jordan	Helendale	0.92	40	37
Helendale	Helendale	6.18	49	303
Rodeo	Helendale	1.30	58	75
Mojave Trail	Helendale	0.25	66	17
Helendale	Helendale	4.17	121	505
Bonanza Trail	Helendale	2.25	194	437
Indian Trail	Helendale	0.27	293	79
Shadow Mountain	Helendale	13.03	343	4469
Los Flores	Hesperia	1.65	71	117
Summit Valley	Hesperia	2.18	344	750
Summit Valley	Hesperia	1.20	344	413
Highcrest	Hinkley	0.50	3	2
Serra	Hinkley	0.50	6	3
Valley View	Hinkley	0.48	8	4
Burnt Tree	Hinkley	2.24	11	25
Sycamore	Hinkley	0.38	13	5
Outer 58 South	Hinkley	0.32	14	4
Lockhart	Hinkley	1.00	17	17
Lockhart	Hinkley	1.00	17	17
Tamarack	Hinkley	0.50	19	10
Frontier	Hinkley	1.00	20	20
Acacia	Hinkley	0.25	20	5
Hope	Hinkley	0.24	20	5
Riverview	Hinkley	1.00	23	23
Willow Springs	Hinkley	0.25	23	6
Serra	Hinkley	0.52	30	16
Mountain View	Hinkley	0.50	36	18
Locust	Hinkley	0.48	36	17
Outer 58 N	Hinkley	0.25	37	9
Santa Fe	Hinkley	8.70	40	348
Salinas	Hinkley	0.51	41	21
Petra	Hinkley	0.51	45	23

County Maintained Unpaved Roads

Street Name	Location (Yard)	Length	ADT	DVMT
Pueblo	Hinkley	0.52	47	24
Valley Wells	Hinkley	0.31	48	15
Valley Wells	Hinkley	0.50	63	32
Blanca	Hinkley	0.25	63	16
Holstead	Hinkley	1.69	65	110
Lake View	Hinkley	0.48	72	35
Hinkley	Hinkley	2.90	144	418
Hinkley	Hinkley	0.18	202	36
Fairview	Hinkley	0.22	203	45
Acacia	Hinkley	0.62	648	402
Abelia	Lucerne Valley	1.00	1	1
Red Cedar	Lucerne Valley	1.00	1	1
Smoke Bush	Lucerne Valley	1.00	1	1
Verde	Lucerne Valley	0.50	1	1
Acmite	Lucerne Valley	0.49	1	0
Waverly	Lucerne Valley	0.50	3	2
Lantana	Lucerne Valley	1.00	4	4
Mesa	Lucerne Valley	0.38	5	2
Lake	Lucerne Valley	1.05	7	7
Firethorn	Lucerne Valley	1.00	7	7
Saxon	Lucerne Valley	0.50	7	4
Abelia	Lucerne Valley	1.02	8	8
Jasper	Lucerne Valley	0.41	8	3
Buchanan	Lucerne Valley	0.50	10	5
Cherwell	Lucerne Valley	0.50	10	5
Brucite	Lucerne Valley	0.28	10	3
Laramie	Lucerne Valley	0.25	10	3
Steller	Lucerne Valley	0.50	11	6
Cassia	Lucerne Valley	0.38	11	4
Ivanhoe	Lucerne Valley	17.71	12	213
Shapaval	Lucerne Valley	0.34	12	4
Jackmani	Lucerne Valley	0.38	13	5
Algoman	Lucerne Valley	0.72	14	10
Salvia	Lucerne Valley	0.31	15	5
Laramie	Lucerne Valley	0.50	16	8
Mountain View	Lucerne Valley	0.25	16	4
Fairlane	Lucerne Valley	0.50	17	9
Alamo	Lucerne Valley	0.50	20	10
Houston	Lucerne Valley	0.25	23	6
Gobar	Lucerne Valley	1.33	24	32
Heather	Lucerne Valley	1.00	24	24
Arroyo	Lucerne Valley	0.50	24	12
Clark	Lucerne Valley	1.00	25	25
Trade Post	Lucerne Valley	0.20	26	5
Banta	Lucerne Valley	0.62	27	17
Red Butte	Lucerne Valley	0.25	27	7
Waalew	Lucerne Valley	0.53	28	15
Sussex	Lucerne Valley	0.37	29	11
Sutter	Lucerne Valley	0.50	30	15
Buckeye	Lucerne Valley	0.43	30	13
Sutter	Lucerne Valley	0.25	30	8
Smoke Bush	Lucerne Valley	0.50	31	16



County Maintained Unpaved Roads

Street Name	Location (Yard)	Length	ADT	DVMT
Joshua	Lucerne Valley	0.50	35	18
Chrysolite	Lucerne Valley	0.76	36	27
Lake	Lucerne Valley	0.50	36	18
Granite	Lucerne Valley	2.00	37	74
Colby	Lucerne Valley	0.25	39	10
Laramie	Lucerne Valley	0.25	40	10
North Side	Lucerne Valley	3.00	42	126
Holmes	Lucerne Valley	0.38	42	16
Sharon	Lucerne Valley	0.26	42	11
Morningside	Lucerne Valley	1.04	44	46
Banta	Lucerne Valley	0.25	44	11
Mojave	Lucerne Valley	1.00	45	45
East End	Lucerne Valley	4.04	46	186
Furst	Lucerne Valley	1.00	47	47
Miller Ranch	Lucerne Valley	0.50	48	24
Mercury	Lucerne Valley	1.26	50	63
Santa Fe	Lucerne Valley	1.10	50	55
Sage	Lucerne Valley	0.50	50	25
Foothill	Lucerne Valley	1.00	52	52
Fairlane	Lucerne Valley	0.50	52	26
Manzana	Lucerne Valley	0.50	52	26
Palomar	Lucerne Valley	1.00	59	59
Buena Vista	Lucerne Valley	0.25	70	18
Willow Wells	Lucerne Valley	1.00	71	71
Porter	Lucerne Valley	0.50	72	36
Post Office	Lucerne Valley	1.46	74	108
Spinel	Lucerne Valley	1.03	76	78
Ox Bow	Lucerne Valley	0.34	77	26
Carson	Lucerne Valley	0.50	80	40
Ables	Lucerne Valley	0.50	81	41
Santa Rosa	Lucerne Valley	0.50	83	42
Holmes	Lucerne Valley	1.00	87	87
Fairlane	Lucerne Valley	0.82	89	73
Clark	Lucerne Valley	0.79	92	73
Dallas	Lucerne Valley	0.48	95	46
Haven Rest	Lucerne Valley	0.25	100	25
Pawnee	Lucerne Valley	0.51	101	52
Rabbit Springs	Lucerne Valley	1.94	102	198
Post Office	Lucerne Valley	0.99	108	107
Sherwood	Lucerne Valley	0.69	110	76
Buenos Aires	Lucerne Valley	0.76	120	91
Foothill	Lucerne Valley	0.50	129	65
Lincoln	Lucerne Valley	1.00	133	133
Cody	Lucerne Valley	1.00	134	134
Rosewood	Lucerne Valley	0.25	142	36
Clark	Lucerne Valley	0.99	176	174
Exeter	Lucerne Valley	0.75	181	136
Buena Vista	Lucerne Valley	0.75	196	147
Camp Rock	Lucerne Valley	12.74	198	2523
Pawnee	Lucerne Valley	0.25	213	53
Sutter	Lucerne Valley	1.00	224	224
Cove	Lucerne Valley	1.60	246	394
Midway	Lucerne Valley	2.25	502	1130
Crystal Creek	Lucerne Valley	2.68	506	1356

County Maintained Unpaved Roads

Street Name	Location (Yard)	Length	ADT	DVMT
Robinson Ranch	Oro Grande	0.04	89	4
Bolinas	Phelan	0.38	1	0
Buttemer	Phelan	0.02	1	0
Los Banos	Phelan	0.13	7	1
Buttemer	Phelan	0.02	8	0
Goss	Phelan	0.96	10	10
Fawn	Phelan	0.07	15	1
Riggins	Phelan	0.25	36	9
Cambria	Phelan	0.31	38	12
Valle Vista	Phelan	0.50	42	21
Wintergreen	Phelan	0.50	54	27
Avenal	Phelan	0.50	59	30
Joshua	Phelan	0.37	60	22
Monte Vista	Phelan	0.50	65	33
Goss	Phelan	1.01	76	77
Beekley	Phelan	0.09	79	7
Silver Ridge	Phelan	0.83	83	69
Elsinore	Phelan	0.25	83	21
Sierra Vista	Phelan	0.25	84	21
Smoke Tree	Phelan	0.51	89	45
Lebec	Phelan	0.50	90	45
Arrowhead	Phelan	0.60	95	57
Beekley	Phelan	0.11	95	10
Brawley	Phelan	0.25	97	24
263rd	Phelan	0.26	106	28
Cholla	Phelan	0.51	107	55
Goodwin	Phelan	0.04	113	5
Goodwin	Phelan	0.39	114	44
Sky Line	Phelan	0.51	120	61
Yucca Terrace	Phelan	0.50	137	69
Caughlin	Phelan	2.16	142	307
Sahara	Phelan	0.38	148	56
Rancho	Phelan	0.51	153	78
Wilson Ranch	Phelan	0.11	189	21
Silver Rock	Phelan	0.50	198	99
Lindero	Phelan	0.19	200	38
Wilson Ranch	Phelan	0.11	203	22
Nielson	Phelan	0.31	210	65
Duncan	Phelan	0.49	215	105
Duncan	Phelan	0.13	228	30
Caughlin	Phelan	4.86	240	1166
Snow Line	Phelan	0.58	260	151
Evergreen	Phelan	0.98	330	323
White	Phelan	2.48	459	1138
Beekley	Phelan	1.36	542	737
Sunnyslope	Phelan	0.15	602	90
Eaby	Phelan	1.07	603	645
Deer Haven	Phelan	0.64	860	550

County Maintained Unpaved Roads

Street Name	Location (Yard)	Length	ADT	DVMT
Short	Stoddard Wells	0.52	8	4
Cordova	Stoddard Wells	1.00	10	10
Stoddard Wells	Stoddard Wells	11.06	19	210
Johnson	Stoddard Wells	2.49	21	52
Lucerne Vly Cutoff	Stoddard Wells	9.07	31	281
Colusa	Stoddard Wells	0.50	32	16
Langley	Stoddard Wells	0.78	40	31
Stoddard Wells	Stoddard Wells	6.44	42	270
Victorville Quarry	Victorville	1.84	10	18
San Mateo	Victorville	0.28	17	5
Bonanza	Victorville	1.08	27	29
Maricopa	Victorville	0.24	39	9
San Martin	Victorville	1.00	114	114
Estero	Victorville	0.25	117	29
Begonia	Victorville	1.00	129	129
Aster	Victorville	0.93	158	147
Seneca	Victorville	1.00	179	179
Dos Palmas	Victorville	0.39	180	70
Cholame	Victorville	1.20	186	223
Petaluma	Victorville	0.62	194	120
Anacapa	Victorville	0.28	218	61
Pacoima	Victorville	0.75	226	170
Olancha	Victorville	0.74	226	167
Brucite	Victorville	0.50	237	119
Diamond	Victorville	0.50	262	131
Emerald	Victorville	0.50	270	135
Amethyst	Victorville	0.50	371	186
Luna	Victorville	0.12	533	64

'Length' describes the length of the unpaved road segment in miles

'ADT' describes the average daily trips of the unpaved road segment

'DVMT' describes the daily vehicle miles traveled of the segment, calculated by multiplying the length by the ADT

All data are for San Bernardino County maintained, unpaved roads in MDAQMD as of 1994

Roads in Searles Valley are excluded

Data taken from: 11/17/94 San Bernardino County Traffic ADT printout and  
12/6/94 San Bernardino County Traffic Maintained Road Book

Provided by Alan DeSalvio on 3/26/07