

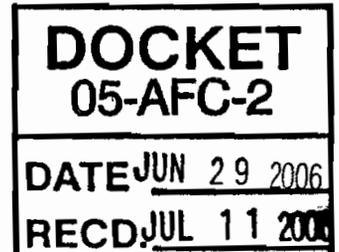


South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

June 29, 2006

Mr. Thomas J. McCabe, Jr.
Edison Mission Energy
18101 Von Karman Ave. Suite 1700
Irvine, CA 92612-1046



Subject: Request for Entry into the NO_x and SO_x RECLAIM Program

Dear Mr. McCabe:

This is in reference to your letters to the South Coast Air Quality Management District (AQMD) dated March 3, 2006 in which you requested to include the Sun Valley Energy Project (05-AFC-3; ID No. 146534) and the Walnut Creek Energy Project (05-AFC-4; ID No. 146536) in the RECLAIM NO_x and SO_x program. AQMD staff has reviewed your requests and determined that these two electric generating facilities are qualified to be included in the NO_x RECLAIM program effective upon issuance of a facility permit pursuant to Rule 2006. However, after careful review of your request, we have determined that the above two power plant projects cannot be included in the SO_x RECLAIM program for the following reasons:

- Regulation XX – RECLAIM does not consider SO_x emissions from equipment burning natural gas exclusively to be a RECLAIM pollutant with certain exceptions.
Rule 2000(c)(62):
“RECLAIM POLLUTANTS are NO_x emissions and SO_x emissions at a facility subject to RECLAIM requirements excluding any NO_x or SO_x emissions from on-site, off-road mobile sources and any SO_x emissions from equipment burning natural gas exclusively, unless the emissions are SO_x emissions at a facility that elected to enter RECLAIM pursuant to Rule 2001 (i)(2)(A)”
- Regulation XX exempts certain sources from the RECLAIM program, but allows specific sources to opt into the program Rule 2001(i)(2)(A):
“The following sources, including those that are part of or located on a Department of Defense facility, shall not be initially included in RECLAIM but may enter the program pursuant to subdivision (f):
(A) electric utilities (exemption only for the SO_x program);”
- Rule 2000(c)(26) defines what an electric utility is.
“ELECTRIC UTILITY is all in-Basin facilities which generate power and are owned or operated by any one of the following: Southern California Edison, Los Angeles Department of Water and Power, City of Burbank, City of Glendale, City of Pasadena, or any of their successors.”

Based on the above rule language, SOx emissions from the proposed projects are not considered a RECLAIM pollutant. Therefore, emissions from the above projects, with the exception of NOx emissions, are subject to the requirements of Regulation XIII and other applicable non-RECLAIM rules and regulations; and the projects do not meet the RECLAIM definition of electric utilities.

Additionally, you further requested the AQMD amend Regulation XX to allow SOx emissions from your facilities be included in the RECLAIM program. The AQMD staff carefully reviewed your request and has determined that, since AQMD staff is proposing amendments to Rule 1309.1 – Priority Reserve to make SOx credits available to electric generating facilities through the Priority Reserve, we do not believe an amendment to Regulation XX to make RECLAIM Trading Credits (RTC) also available for these projects is appropriate at this time. We anticipate that Rule 1309.1 will provide sufficient SOx credits for additional electric generation capacities in the South Coast Air Basin to address the potential generation shortfall in Southern California as projected by the California Energy Commission. Proposed amendments to Rule 1309.1 are currently scheduled for Public Hearing and Board adoption on September 8, 2006.

If you have further questions concerning this matter, please contact me at (909) 396-2662.

Sincerely,



Mohsen Nazemi, P.E.
Assistant Deputy Executive Officer
Engineering & Compliance

MN:CM:ln

(mission energy)

cc: Eric Knight, CEC
Robert Worl, CEC
Mike Carroll, Latham & Watkins
Barry Wallerstein, AQMD
Kurt Wiese, AQMD
Carol Coy, AQMD
Elaine Chang, AQMD
Danny Luong, AQMD
John Yee, AQMD



CALIFORNIA
ENERGY
COMMISSION

1516 Ninth Street
Sacramento, CA 95814
800-822-6228
www.energy.ca.gov

**ELECTRONIC PROOF OF SERVICE LIST
and ELECTRONIC DISTRIBUTION LIST
Revised 05/26/06**

WALNUT CREEK ENERGY PARK
APPLICATION FOR CERTIFICATION
DOCKET NO. 05-AFC-2

docket@energy.state.ca.us	Energy Commission Docket Unit
jpffannen@energy.state.ca.us	Commissioner Pfannenstiel
cgraber@energy.state.ca.us	Commissioner Pfannenstiel's Office
jgeesman@energy.state.ca.us	Commissioner John Geesman
pao@energy.state.ca.us	Margret J. Kim, Public Adviser
gshean@energy.state.ca.us	Garret Shean, Hearing Officer
eknight@energy.state.ca.us	Eric Knight, Staff Project Manager
ldecarlo@energy.state.ca.us	Lisa De Carlo, Staff Attorney
lkostrzewa@edisonmission.com	Lawrence Kostrzewa, Applicant, Edison Mission Energy
dbenham@edisonmission.com	Dereck Benham, Applicant, Edison Mission Energy
tmccabe@edisonmission.com	Thomas McCabe, Applicant, Edison Mission Energy
jenifer@njr.net	Jenifer Morris, NJ Resources
ddavy@ch2m.com	Douglas Davy, CH2M Hill
sgalati@gb-llp.com	Scott Galati, Attorney for Applicant
mdjoseph@adamsbroadwell.com	Marc Joseph, CURE, Intervenor
gsmith@adamsbroadwell.com	Gloria D. Smith, CURE

I declare that I transmitted the foregoing document via e-mail, or as indicated by first class postal mail, to the above named on the date indicated thereby. I declare under penalty of perjury that the foregoing is true and correct.

Distribution List

double.li@verizon.net	Dan Horan, Three Valley MWD
kcoats@aqmd.gov	Ken Coats, AQMD
mchu@hsilai.org	Mae Chu, Hsi Lai Temple/B.L.I.A
fdiamond@mail.rowland.k12.ca.us	Fred Diamond, RUSD
rwhittemore@cityofindustry.org	Ronald Whittemore, Industry MFRS Council
dsachs@cityofindustry.org	Donald Sachs, Industry Chamber of Commerce
bjohnston@chemtreat.com	Bruce Johnston, Chemtreat
mconiglio@puretecinc.com	Mike Coniglio, Puretec
dsimmons@lacbos.org	Dick Simmons, Los Angeles County
tsmith@wellhead.com	Tim Smith, Wellhead Electric Company
garreola@lapuente.org	Guillermo Arreola, City of Puente
milton.howard@cinergy.com	Milton Howard, Panoche Energy Center
jennifer-wu@urscorp.com	Jennifer Wu, URS Corporation
kdeck@rowlandwater.com	Ken Deck, Rowland Water District