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August 31, 2012

Mr. Philip Fine
Planning and Rules Manager
South Coast Air Quality Management District
Planning, Rule Development & Area Sources
21865 Copley Drive
Diamond Bar, CA 91765-4182

Dear Mr. Fine:

Subject: Comments on the Draft 2012 South Coast Air Quality Management District (AQMD) Draft Air Quality Management Plan (AQMP) and Related Documents

Dear Mr. Fine:

The Los Angeles Department of Water and Power (LADWP) has reviewed the Draft 2012 Air Quality Management Plan (AQMP) and appreciates the opportunity to provide preliminary comments on the proposed control measures that have the potential to impact LADWP operations, as well as on the associated documents, including the California Environmental Quality Act (CEQA) and Socio-economic analysis and the Joint Vision document. General comments are discussed in the following summary; technical comments have been also been provided on specific control measures. It is noted that at this time neither the full CEQA document, nor the socio-economic analysis has been made available for public review. As such, after review of these documents, LADWP may submit additional comments when the next draft AQMP and CEQA analysis are released.

GENERAL COMMENTS

1. The primary purpose of the 2012 AQMP is to identify control measures needed to attain the federal standard for particulate matter less than 2.5 microns in diameter (PM2.5) by 2014. Although there is no federal requirement to submit an ozone plan at this time, LADWP is aware of the enormous challenge with regards to ozone and the urgency AQMD sees for developing an ozone strategy. LADWP would be supportive of keeping the ozone strategy in the plan, but not submit as part of the State Implementation Plan (SIP) which would result in legally binding emission reductions upon approval by the Environmental Protection Agency (EPA).

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111 North Hope Street, Los Angeles, California 90012-2607 Mailing address: Box 51111, Los Angeles 90051-5700
Telephone: (213) 367-4211 Cable address: DEWAPOLA

2. Although the CEQA scoping document identifies the analysis of the PM2.5 measures as a feasible alternative, the Draft Environmental Impact Report (EIR) has not been completed and released for public review. Specifically, this alternative will be reviewed as it relates to environmental impacts on the environment if this alternative is deemed the "project". LADWP will be reviewing the analysis and providing comments on the full EIR upon its availability.
3. AQMD predicts attainment of the PM2.5 standard within several years (2014). As such, LADWP supports the deferral of a Regional Clean Air Incentive Program (RECLAIM) shave to the 2015 AQMP. Since the average rulemaking schedule for a "shave" can take up to two years, dividing the "shave" into two phases as proposed under the 2012 AQMP may not be feasible. With the conversion factor of Nitrogen Oxides (NOx) to PM2.5, minor emission reductions will be achieved through RECLAIM for PM2.5. LADWP recommends substituting a PM2.5 measure for the proposed RECLAIM shave.
4. The Joint "Vision" document has been discussed and vetted in a Public Hearing; however, it is also embedded in the 2012 AQMP as a reference document. LADWP supports unlinking the Vision document from the 2012 AQMP as it is not regulatory in nature.
5. A substantial amount of emission reductions are projected from the implementation of "incentive" programs. It is possible that given the current economic state, a majority of those funds will no longer be available. LADWP is concerned that if emission reductions cannot be achieved through mobile sources, the stationary sources could be held responsible for additional emission reductions.
6. LADWP is concerned that with the proposed electrification in the Basin, impacts on utilities have not been thoroughly evaluated in the CEQA document. This is especially true for many of the incentive programs that aim to reduce emissions from federal sources (ships/trains/aircraft) by requiring sources to substitute electricity for fuel when possible. The CEQA document should carefully evaluate this category for impacts, and identify potential mitigation measures.

COMMENTS ON PROPOSED CONTROL MEASURES

CMB-01 Further Emission Reductions from NOx RECLAIM [NOx]

LADWP is concerned that this control measure, if fully implemented, could have the potential to impact the operation of in-basin power plants and inadvertently limit the ability of electric utilities to fully advance electrification technology in the transportation sector.

In May, 2011, AQMD's Governing Board adopted the "AQMD Energy Policy" which supports many of the existing policies and programs that are going forward on a statewide and local level. LADWP participated and supported the policy, which adopts policies and principles relative to energy use. LADWP has been aggressively pursuing the same goals of achieving emission reductions through the use of clean and efficient energy technologies to meet air quality, renewable energy and climate change objectives. A key strategy to achieving emission reductions is the transition of existing energy sources to the established statewide renewable energy mandate of 33% by 2020. As LADWP implements projects to meet this mandate, the repowering of our in-basin facilities to reduce air pollutant emissions under provisions of the RECLAIM program have been a major undertaking.

LADWP agrees that the increased use of electricity is an essential part of a comprehensive plan to reduce the existing levels of air pollution and bring the basin into compliance with federal air quality standards. LADWP supports these policies that promote the electrification of the transportation sector while recognizing that electrification could result in a shift in emissions to utilities. With the anticipation of an emissions shift to utilities from the transportation sector, preservation of the electric sector's NOx allocation becomes a critical issue; and any "shave" will need to be closely examined to determine the extent of impact it will have on electricity generation.

The determination of Best Available Retrofit Control Technology (BARCT) versus Best Available Control Technology (BACT) levels that are currently in place is also of interest to LADWP during AQMD's proposed second phase of the NOx shave. Any changes in the BARCT levels may have a significant impact on LADWP and the operation of its in-basin power plants. Although it has been portrayed that this measure will not have a significant impact on RECLAIM facilities, LADWP has concerns with the approach to divide the NOx shave into two phases. From a compliance perspective, as well as from an administrative view, the proposed NOx shave ought to be evaluated as a complete measure. LADWP requests that AQMD carefully review the impacts this proposed shave may have on the RECLAIM market, in particular how it will affect the availability of future NOx credits and its pricing. LADWP also requests that during the rulemaking process, AQMD hold a series of public workshop regarding amendments to BARCT standards with an adequate review and comment period.

In summary, LADWP is supportive of an alternative to AQMD's proposed NOx shave. LADWP would support deferring a NOx shave to the 2015 AQMP, thoroughly assessing impacts related to a shift in emissions from transportation to utilities, and protecting existing NOx allocations for electrical generating facilities to achieve AQMD's goal of promoting electrification in the South Coast Air Basin.

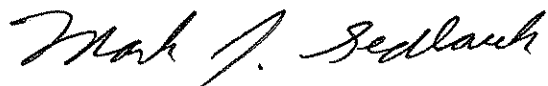
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MCS-01 All Feasible Measures Assessment [All Pollutants]

This control measure is to address the state law requirement for all feasible measures for ozone. Existing rules and regulations for pollutants such as Volatile Organic Compounds (VOC), NOx, Sulfur Oxides (SOx) and Particular Matter (PM) reflect current BARCT. However, BARCT continually evolves as new technology becomes available that is feasible and cost-effective. This control measure has the potential to impact every piece of LADWP equipment permitted with the AQMD, from internal combustion engines to power plant boilers, as this is a "catch all" measure. The issue of BARCT implementation at power plants is a critical discussion for LADWP. LADWP supports that during the rulemaking process, AQMD identify a working group and hold a series of public meetings regarding amendments to BARCT standards with adequate review and comment period.

I appreciate your consideration of these comments and look forward to AQMD's final AQMP. Should you have any questions, please contact me at (213) 367-0403.

Sincerely,



Mark J. Sedlacek
Director of Environmental Affairs

LB:ms

c: Aram Benyamin
Randy Howard
Leila Barker
Dat Quach
Jodean Giese