



January 14, 2005

Dennis Jang – Air Quality Engineer II
Bay Area Air Quality Management District
939 Ellis Street
San Francisco, CA 94109

Subject: Comments regarding the Cardinal Cogen Proposed Major Facility Review Permit
Facility # A1629.

Dear Mr. Jang,

Please find below the comments of Cardinal Cogen, Inc. (Cardinal Cogen) on the draft Major Facility Review Permit for the above-referenced facility as posted on the District's website on December 6, 2004. We request that the BAAQMD revise it's the draft permit to incorporate the changes recommended below.

Specific Comments:

- 1 Cover Page: The requested correction to the SIC code number on the cover page has two digits transposed. Please change to "4931" instead of "4913".
2. Pages 7 and 8, Condition J.1 and Table II-A: Cardinal Cogen objects to the statement that all capacities specified in an Authority to Construct (ATC) and those listed in Table II-A are enforceable limits on the operation of the plant. Only where specific limits have been included in the operating conditions of an ATC are those limits enforceable. For example, the proposed new limit of 464 mmBTU/hr for the gas turbine is not found in Condition 2878 of Permit 25191 which was issued March 13, 1996. Nor was it included in any prior version of the permit. For other units, there are heat capacity values in the permit, indicating that the District knew when such a limit was needed and knew how to write it. Indeed, the 464 mmBTU/hr value was understood by all parties to be merely a descriptor of the nameplate capacity of what was built. It was never intended to be nor interpreted as a limit on the operations. The District as well as permittees have always known that the calculation of a heat capacity on a boiler or turbine is a function of the heat content of the fuel, which is not a constant. Thus, any value given is meaningful only to the extent that the heat content of the fuel remains that which was assumed as the basis of calculation.

The District has itself previously concluded that the 464 mmBTU/hr value is not a limit.¹ The District has issued annual operating permits to this facility for years, and

¹ We understand that the District is relying on the provision in the cover letter to the ATC that references "Implied Conditions." We respectfully disagree with the District's current interpretation of this provision in that the cover letter also



not one of them has included the 464 mmBTU/hr value as a limit. It was only included as a description of what was built. Consistent with this approach, the original Title V permit did not include this value as a limit.² It is only 5 years later in the permit renewal (and over 20 years since the construction of the turbine was first authorized) that the District now states this was always an enforceable value. If that was the District's historic interpretation of its permits, it would have been indicated in prior documents.

Finally, for our unit, it is clear that there are sufficient enforceable restrictions to ensure compliance with the applicable emission limits and that yet another parameter restriction is unnecessary. The unit is subject to an annual fuel usage limit as well as concentration limits on the exhaust. There are also annual source test requirements to ensure that the site is not exceeding the emission standards that have been established in the Title V permit, Page 27, Condition 2878; part 3b.

In sum, Condition J.1. is overly broad and should be deleted. In addition, any capacities in the Table should be deleted unless a specific permit condition can be cited as supporting regulatory authority.

3. Page 25, Condition #2878, part 1 - change "owner operator" to "owner/operator.
4. Page 28, Condition #2878, part 7 - reinstate proposed deletion of "(b)" to make changed text read "stated in part 1(b) shall not." Striking (b) would make this part include all of part 1. This is incorrect because the limit on natural gas usage only applies to part 1(b), not the entire part 1.
5. Section VI, Condition #19698, 4 and Condition #21844, 4 states that liquid fuel burned must contain "less than 0.5% sulfur by weight", which is inconsistent with the requirement contained in the regulation quoted as the basis, Regulation 9-1-304. Change "less than" to "no more than".
6. Section VI, Condition #19698, 7c states that recordkeeping is required for "for fuel usage at S-10 and S-11 on an individual basis". The underlying regulation quoted for this recordkeeping requirement is Regulation 9-8-530. However, Regulation 9-8-530 does not contain any such recordkeeping requirement for fuel usage. Suggest deleting this condition.

states that the operating conditions are included in the attachment, not in the cover letter. Moreover, the "Implied Conditions" section refers to the Authority to Construct and the source's construction according to what was submitted. Cardinal constructed a source that had the represented nameplate capacity using the fuel heating value assumptions stated in the application. Thus, the Implied Condition does not impose an ongoing obligation on the operation (a reading consistent with the very first statement in the cover letter that the operation is subject to Condition 2878). The Implied Condition to the extent it could even be read to affect operation, is overly broad and thus unenforceable.

² The District's new proposed language would include a new statement that such values are limits.



7. In Section VII, Table VII-A, is not consistent with the requirements in the permit. Given that this table is a summary of the requirements in the permit, the table needs to be changed to be consistent with the permit. On page 39 and 41 of the draft permit are references to Condition 2878, part 1d, that are different from one another. The reference to Condition 2878, part 1d, on page 41 is correct. Change the reference for Condition 2878, part 1d, on page 39 to match that on page 41.
- 8 Page 45, Table VII-B, line "Hours of operation", Monitoring column - change citation from "#2878, part 16a" to "#2878, part 16." Part 16a became part 16 due to previous editing on page 30.
- 9 Page 45, Table VII-B, line "Opacity", Limit column – it is unclear from the strike-out version of the text that we have been given for review whether the dash immediately preceding "3 minutes" is a deletion of a space or a negative sign. Ensure that it is not a negative sign.
10. Page 47, Table VII-C, line "Carbon Monoxide", Limit column – change "< 150 tons" to "< or equal to 150 tons..."
11. The stated function of Section VII is "only to summarize the applicable emission limits contained in Section IV...", but Section VII is actually a summary of the applicable requirements contained in both Section IV *and* Section VI, Permit Conditions. Add wording that Section VII is also a summary of the applicable requirements contained in Section VI. Furthermore, both Section IV and Section VI take precedence over Section VII if there is a discrepancy between either Section IV or Section VI and Section VII. Add wording to the first paragraph in Section VII to that effect.
12. Table VII-A, Table VII-D and Table VII-E Add footnote identical to that in Table VII-B or Table VII-C.
13. To further clarify the issue in item Number 4 above, the following change is recommended in two places. Page 42, Table VII-A, and Page 47, Table VII-C, each, line for "BAAQMD Permit Condition Number 2878 part 7", Limit column – change on each page " 520 MMcf combined fuel usage for duct burners and boilers per year" to "520 MMcf combined fuel usage for duct burners and boilers [operating in mode stated in part 1(b)] per year."
14. Page 51, Table VIII, after line "BAAQMD 6-301" – add a complete new line "BAAQMD 6-303" for the diesels that are subject to Ringelmann No. 2. A similar addition should also be made on page 53 of this same table after line "SIP-12-4-301."

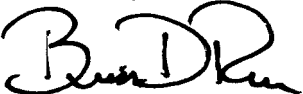
We look forward to working cooperatively with the BAAQMD to resolve the issues raised above. As explained in our meeting on January 12, 2005, Cardinal Cogen is planning to



apply for an Authority to Construct to reallocate the gas usage among the gas turbine, the boilers and the duct burner. We intend to submit this application by the end of February. For efficiency of processing and to allow sufficient time to resolve the issues raised above, we request that the District not issue this renewal permit until the reallocation authorization is issued and can be incorporated into the permit. Please contact us if you intend to move forward on the renewal while the construction application is pending.

Thank you for taking the time to discuss the draft permit on Wednesday and for your consideration of these comments, please contact Brian Ross or me at 650-725-8519 if you need further clarification on the comments provided above.

Sincerely,

 for John Cioffi

John Cioffi
General Manager – Cardinal Cogen

File 4.1.1.0