



April 9, 2013

The Honorable Roderick D. Wright  
California State Senate  
State Capitol Building, Room 2032  
Sacramento, CA 95814

**RE: SB 389 – EMISSIONS OFFSET CREDITS FOR ELECTRIC GENERATING FACILITIES -- CONCERNS**

Dear Senator Wright,

On behalf of the Southern California Alliance of Publicly Owned Treatment Works (SCAP), I am writing to share our concerns about SB 389. SB 389 would prohibit the South Coast Air Quality Management District (SCAQMD) from charging fees for electric generating facilities (EGFs) for the purchase of emissions offset credits from the SCAQMD credit banks. By way of background, SCAP represents 81 public agencies that provide essential water and wastewater treatment to nearly nineteen million people in Los Angeles, Orange, San Diego, Santa Barbara, Riverside, San Bernardino and Ventura counties. We provide environmentally sound, cost-effective management of more than two billion gallons of wastewater each day and, in the process, convert wastes into resources such as recycled water and renewable energy

Due to the problems at the San Onofre Nuclear Generating Station (SONGS) as well as other factors affecting power generators in the South Coast Air Basin, such as the State Water Resources Control Board's once-through cooling regulations, the Los Angeles area is facing an impending electricity generating shortfall, which is creating a substantial need for new power projects. In order to obtain air quality permits, EGFs must obtain emission credits, and privately held credits are not sufficient to meet the demand. As a result, EGFs are increasingly relying upon the offset exemption in SCAQMD Rule 1304(a)(2) to obtain free credits, which shifts the burden of providing the credits to the SCAQMD. To address the concern, SCAQMD has proposed Rule 1304.1, which would impose significant fees on EGFs. SCAQMD would invest the proceeds in air pollution improvement strategies in the South Coast Air Basin. SB 389 would exempt EGFs from the fees, while continuing to allow EGFs to access SCAQMD's credit banks.

SCAP members provide water and wastewater treatment services to the approximately 16.8 million Californians that reside in the South Coast Air Basin. Along with hospitals,

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police, fire, and other services, these are classified as "essential public services" by SCAQMD, and as such, qualify to obtain free credits from SCAQMD's credit bank.

SCAP's concern is that, while solving one problem – that of the EGFs – SB 389 will create unintended consequences by facilitating the continued depletion of the SCAQMD credit banks thereby making credits unavailable for important projects needed to provide essential services to the public throughout the South Coast Air Basin. These projects may range from replacement of pumps and generators with newer equipment to expansions of facilities in order to meet the needs of a growing population. At the same time, several SCAP members are cities that own electric utilities (e.g., the Cities of Anaheim, Burbank and Los Angeles), and they are also concerned about the fees being proposed under Rule 1304.1, which may impact their ability to replace boilers at their EGFs.

Therefore, SCAP would welcome the opportunity to work with you, the Senate Environmental Quality Committee, representatives of the EGF community, and the South Coast Air Quality Management District to address these important challenges confronting the South Coast Air Basin. We urge you to bring stakeholders together to work on the issues presented by this bill during this legislation session.

Thank you for the opportunity to comment, and we look forward to working with you on SB 389.

Sincerely,

A handwritten signature in cursive script that reads "John Pastore".

John Pastore, Executive Director

cc: Chairman Jerry Hill and Members, Senate Environmental Quality Committee  
Committee consultants  
SCAP Board of Directors