



South Coast Air Quality Management District

21865 E. Copley Drive, Diamond Bar, CA 91765-4182
(909) 396-2000 • <http://www.aqmd.gov>

*Office of the Executive Officer
Barry R. Wallerstein, D.Env.
909.396.2100, fax 909.396.3340*

FILED
MAY 18 11:05 AM '01
FEDERAL ENERGY REGULATORY COMMISSION

May 16, 2001

Daniel Larcamp
Director, Office of Markets, Tariffs, & Rates
FEDERAL ENERGY REGULATORY COMMISSION
Washington D.C. 20426

RECEIVED
MAY 16 2001
COMMUNICATIONS SECTION

Re: San Diego Gas & Electric Company v. Sellers of Energy,
FERC Docket No. EL00-95-017 - Response to Your May 9, 2001 Letter

Dear Mr. Larcamp:

I am pleased to respond to your letter dated May 9, 2001 requesting additional information on nitrogen oxide (NOx) emission costs for electric generators regulated by the South Coast Air Quality Management District (SCAQMD).¹ The SCAQMD is concerned about the appropriateness of including NOx emission costs that are unique to the SCAQMD in any statewide "proxy market clearing price" for electricity. I understand that this issue is particularly important, because it not only relates to the March 9, 2001 Order issued by the Federal Energy Regulatory Commission (FERC) relating to refunds, but also to FERC's April 26, 2001 Order establishing a mitigation and monitoring plan for wholesale electricity prices in the State of California.

Your request for information is timely, because recently on May 11 our Governing Board amended SCAQMD regulations (RECLAIM) to provide significant relief to electric generators in response to the ongoing electricity crisis. Since these rule amendments, in effect, codified the SCAQMD Executive Orders that you are requesting information about, I will also be discussing them in the context of my responses to your questions. Before addressing your questions, I believe it will be helpful to provide you with some background information on the RECLAIM

¹ Cantor Fitzgerald and your letter refer to us as the Southern California Air Quality Management District. However, there is no entity known as the Southern California AQMD. Our jurisdiction is much more limited, and does not cover all of Southern California. The SCAQMD includes all of Orange County, and the non-desert portions of Los Angeles, Riverside, and San Bernardino Counties, as well as the Palm Springs/Indio area. The South Coast AQMD includes 12,000 square miles and 15 million people.

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program, which created this ability, which only exists in the SCAQMD and not elsewhere in California, to trade NO_x emission credits or RTCs (RECLAIM Trading Credits). Thereafter, I will provide answers to your specific questions. Finally, I will provide some additional comments about the significance of the information you requested.

RECLAIM Program Description

The Regional Clean Air Incentives Market (RECLAIM) program was adopted by the SCAQMD Governing Board in October 1993 and the program was implemented in 1994. It applies only within the SCAQMD and has no applicability in other parts of California. The program was developed with widespread industry and electrical utility support and represents a significant departure from traditional command-and-control regulations. Under command-and-control, facilities would be required to purchase NO_x emission reduction credits (ERCs) at the time of construction to offset all NO_x emissions from their future intended operation. As a result, these purchases of ERCs would represent a sunk cost and further purchases would not be required as a result of the operation.

On the other hand, facilities under the RECLAIM program were issued a declining annual emissions allocation based on their past maximum production levels. Allocations are issued in the form of RECLAIM Trading Credits (RTCs), which represent pounds of NO_x allowed to be emitted. Each RTC is valid for a period of one year and may be traded or sold. All of the medium and larger sized fossil fuel fired power plants in the District were in the RECLAIM program until the program was changed as explained below. Today, several hundred other industrial facilities remain in the program. There are presently no power generators over 50 MW participating in the program. A RECLAIM source may choose to install emission control equipment that enables it to operate within its allocation, or may exceed its emissions allocation, so long as it acquires sufficient RTCs from other sources. (Likewise, a source that emits at lower levels than its allocation may sell the excess at whatever price the market will bear to facilities needing RTCs.) RTCs must be used for the year they are issued. If not used, they expire. Most, if not all power plant owners chose to purchase RTCs instead of adding control equipment. As a result, power plant owners were able to defer until now the costs of installing advanced pollution control equipment such as selective catalytic reduction (SCR) on their large power generation boilers.²

From the start of RECLAIM, the price of NO_x RTCs had remained relatively stable until the summer of 2000, at which time an increased demand for power generation resulted in the electric power industry purchasing inordinately large quantities of RTCs. This action resulted in

² Under command-and-control, they would have been required to install this control equipment years ago in the mid-1990's.

the near depletion of available RTCs and caused the price of NOx RTCs for Compliance Year 2000 to jump from approximately \$4,284 per ton traded in 1999 to approximately \$45.609 per ton traded during 2000. This sharp rise in RTC prices caused havoc in the RECLAIM market, particularly to those non-power-producing industry businesses that could not install pollution controls and could not compete with the power producers for the RTCs they needed for compliance. (Power producers could pass on these increased costs.) Even for those facilities that could install air pollution control equipment, the inevitable time required for permitting and installation of controls forced them into the wildly escalating RTC market.

As a result, on January 11, 2001, SCAQMD staff proposed rule amendments for the RECLAIM program which would eliminate the need for power-producing facilities to purchase RTCs in order to comply with their emissions allocations. On February 6, 2001, I issued SCAQMD Executive Order #01-02, which immediately allowed large power-producing facilities (over 50 MW) to exceed their emissions allocation by paying a mitigation fee of \$7.50 per pound of NOx emitted in excess of their allocation. (This order has now been replaced by SCAQMD Executive Order #01-03, making a technical correction.) The Executive Order was issued pursuant to SCAQMD Rule 118, authorizing suspension of SCAQMD rules to alleviate an emergency as declared by the Governor. Since then, the Order has been extended in 10-day increments as allowed by Rule 118. The relief provided by the Executive Order has now been formally codified by the SCAQMD Board's amendment of RECLAIM on May 11, 2001. The effect of the Executive Order and the new RECLAIM amendments was to decouple compliance costs of power producers from the RTC prices paid by other facilities that remain in RECLAIM.

I will now address the specific questions you have raised in your letter.

Responses to FERC Questions

Q-1. Please explain how the provisions of the Executive Order apply to and what are the practical implications for electric generators. Please list the generating units to which this Order applies. What are the cost implications of deducting RTCs from the facility's allocations for the subsequent compliance year 2003?

A. As indicated earlier in this letter, SCAQMD Executive Order #01-03 allowed the power plant operators to exceed their RECLAIM NOx allocations and provided a mechanism to pay a mitigation fee of \$7.50 per pound of NOx instead of purchasing RTCs to cover any exceedances. In effect, power generators were no longer constrained from operation by their emissions allocation and the cost of exceeding their allocation is now fixed at a price well below the then market price of RTCs. (FERC's Notice of Proxy Price for February referred to a February RTC market price of over \$40.00 per lb.)

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SCAQMD Executive Order #01-03 was available to all RECLAIM power plant operators with 50 or more megawatts of generation who wished to take advantage of it. To date, four separate facilities have sought use of the Executive Order. These power plant facilities are listed in Table I below. Since RECLAIM provides an allocation for the entire facility, rather than on a generating unit by unit basis, the Executive Order applied to all the generating units within the facility. Consequently, a third party could not determine a specific mitigation fee for a specific generating unit under the RECLAIM program.

Under the RECLAIM rules prior to the May 11 amendment, facilities that exceeded their allocation had those excess emissions deducted from their next year's allocation in order to make the environment whole. Under SCAQMD Executive Order #01-03 and the amended RECLAIM rules, power-producing facilities may further delay this deduction by two years, at which time it is anticipated that full control equipment will be in place, and the demand and supply of electricity will come into balance. In addition, the mitigation fees will be used by the SCAQMD to generate NOx emission reductions that will be credited to offset any deductions from the power-producing facilities. As a result, the SCAQMD sees no significant additional costs stemming from the subsequent year deductions. Indeed, the SCAQMD has already identified emission reduction projects that will create enough NOx reductions to fully compensate for power plant NOx emission exceedances that occurred in the first quarter of 2001.

Q-2. Over what period has the suspension of rules for RECLAIM-power-producing facilities having the capacity to produce 50 MW or more been in effect?

A. The suspension of rules for RECLAIM-power-producing facilities has been in effect since February 6, 2001 and the substantive relief provided by the suspension continues to remain in effect as a result of the May 11, 2001 RECLAIM rule amendments. Under the May 11 RECLAIM amendments, the power producers are removed from the RECLAIM RTC market through 2003 and possibly longer. If they emit in excess of their allocation, they need only pay a \$7.50 per lb. mitigation fee. The SCAQMD is required by the RECLAIM rules to use that money to obtain NOx emission reductions from mobile sources, such as cleaner marine engines. Existing large power producers are now prohibited from using RTCs acquired after January 11, 2001 to compensate for excess emissions occurring after April 1, 2001. They now pay mitigation fees instead, which are not a tradable instrument.

Q-3. Facility operators are to pay the District a mitigation fee at the time of the quarterly or annual report required by Rule 2004. Have these payments and reports been made by electric generators? If so, please provide the Commission a copy of the reports and records of the payments. If the payments and reports have not been received, when do you expect them to be made? Please provide the Commission a copy of the reports and records of the payments when you receive them.

A. Facility operators need only pay a mitigation fee if their actual reported NOx emissions exceeds their annual allocation. Pursuant to SCAQMD Rule 2004, facility operators are provided 30 days after the first three compliance quarters and 60 days after the last quarter to reconcile their emissions with their annual allocation. By the end of the reconciliation period, facilities pay a mitigation fee if there are emission exceedances. As a result, mitigation fees are not paid at the time of exceedance, and therefore may not be determined on a real time basis. Thus, there is no way for a third party to determine when mitigation fees may need to be paid. In addition, no mitigation fees are paid for emissions that are covered by the facility's allocation. Further, if mitigation fees are paid at all, the amount is unique to each facility and is not tradable. Therefore, mitigation fees should not be incorporated as part of a proxy market-clearing price.

During the reconciliation period following the RECLAIM compliance quarter ending March 31, 2001, four power-producing facilities reported NOx emissions in excess of their RTC holdings and paid mitigation fees. As a result, these facilities submitted a mitigation fee in the amount of \$7.50 per pound of excess NOx emissions. Table I below summarizes these mitigation payments. (Some RECLAIM power producers chose not to use the Executive Order and chose to remain in the RECLAIM market, an option which they no longer have.)

TABLE I

<u>Company Name</u>	<u>Payment (\$)</u>
AES Huntington Beach	2,044,290
AES Alamitos	2,382,375
AES Redondo Beach	989,333
Reliant Energy - Etiwanda	1,184,160
<u>Total</u>	6,600,158

Attached to this letter as Exhibit A are copies of the records of payments made by these facilities as well as their quarterly reports. Please note that these quarterly reports only reflect the facility's reported emissions in that particular quarter. Additional information such as the facility's allocation and cumulative emissions would be required to verify the amount of exceedance. In addition, it should be noted that facility emission reports are subject to field audit by SCAQMD compliance staff and may require revision. The above payments were based on the facility's calculation of emissions in excess of its allocations.

Q-4. The Executive Order requires facilities to provide written notification 24 hours prior to generating excess emissions. Please provide the Commission copies of these notifications.

A. The SCAQMD staff has been in numerous meetings with the major power producers and knew that they would be using the Executive Order. As a result, staff waived the written notice requirements. Under the rule amendments adopted on May 11, 2001, advance notice is not required.

Q-5. The Commission is relying on one emissions broker for information on NOx emission allowance costs. Are there other brokers? If so, please identify them.

A. Before answering this question, the SCAQMD must first point out that since the issuance of SCAQMD Executive Order #01-03 on February 6, 2001, any reported brokerage prices for NOx RTCs would not reflect the cost of RTCs for RECLAIM-power-producing facilities. As you are aware, these costs are now capped at \$7.50 per pound of excess NOx emissions by both the Order and the amended RECLAIM rules.

As to your specific question, there are several brokers participating in the RECLAIM trading market. Similar to Cantor Fitzgerald, most brokers serve as a third party assisting both buyers and sellers in negotiating RTC prices. Many of these brokers have a vested interest in higher RTC prices, since their commissions are based on these prices. Another major participant in the RTC market is ACE. This firm periodically holds an auction where potential buyers and seller input their desired prices into the system. Based on the bidding prices, the ACE system creates a single "market price." Sellers who bid at "market price" or lower and buyers who bid at "market price" or higher will be able to participate at the market price. This process is different from the method used by Cantor Fitzgerald and other brokers who serve as intermediary in the direct price negotiation between two parties. A list of the brokers, both active and non-active, that have been participating in the RECLAIM market is also attached as Exhibit B for your information.

General Comments and Suggestion for a Technical Conference

Based on the above information, I believe that you will conclude that the inclusion of emission costs, particularly as suggested using SCAQMD-specific NOx RTC prices as reported by Cantor Fitzgerald, is inappropriate in setting state-wide market-clearing prices for electricity. The use of NOx RTC prices as input for a market clearing price would inevitably lead to potential upward manipulation of NOx RTC prices, thereby potentially undoing the SCAQMD's work in separating out the power-producing facilities from RECLAIM. The SCAQMD has recently observed situations in which power producers have bought RTCs at prices greatly exceeding market prices from out-of-state companies that had purchased RTCs that same day at market prices. Also, the inclusion of emissions costs in the market-clearing price would undermine the SCAQMD's program by encouraging the use of dirtier equipment in an attempt to maintain a high market-clearing price for all units. Inclusion of emissions costs could even

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provide an incentive for facilities to delay installing needed controls in order to keep their emissions high, resulting in higher mitigation fees and higher proxy prices. Further, we understand that the proxy prices will be allowed for all power producers, even for those that are operating within their allocations, which cost them nothing.

The SCAQMD's Governing Board is extremely concerned that NOx emission costs should not be used to inappropriately calculate higher prices for power in California and to create incentives for more pollution. However, SCAQMD has acted expeditiously to alleviate the power crisis by amending its rules to allow power producers to exceed otherwise applicable emission limits upon compliance with specific conditions. SCAQMD would be pleased to meet in a technical conference or other appropriate forum with FERC representatives to discuss this matter further. Should you have any questions, please call me at (909) 396-2100

Sincerely,



Barry R. Wallerstein, D.Env.
Executive Officer

BRW:BB:WW:pma
\\fs21.dco_fs\share\bill\letters\ferc\tr.doc

cc: Michael P. Kenny, Executive Officer, California Air Resources Board
Jack P. Broadbent, Director, Air Division, EPA Region IX

EXHIBIT "A"

AES Huntington Beach, L.L.C.

VENDOR NO: SOAQMDFB

NAME: South Coast AQMD

CHECK DATE: 4/30/01

301784

REFERENCE NUMBER	DATE	GROSS AMOUNT	DISCOUNT TAKEN	NET AMOUNT PAID
04-30-01	4/30/01	2,044,290.00	0.00	2,044,290.00

Mitigation fee last Oct

TOTAL >

2,044,290.00

0.00

2,044,290.00

AES Huntington Beach, L.L.C.
21730 Newland Street
Huntington Beach, CA 92646

Drawn on
Wells Fargo Bank, N.A.
11-24/1210(B)

301784

DATE	4/30/01
\$	2,044,290.00

PAY TO THE ORDER OF Two Million Forty-Four Thousand Two Hundred Ninety and 00/100

TO THE ORDER OF South Coast AQMD
21665 E. Copley Drive
Diamond Bar, CA 91765-4182

Ed Blackford
Lara

CHECK IS PRINTED ON SECURITY PAPER WHICH INCLUDES FLUORESCENT & VISIBLE FIBERS. BORDER CONTAINS MICROPRINTING

⑈301784⑈ ⑆12100024614668 897769⑈

Regional Clean Air Incentives Market (RECLAIM)
 Quarterly Certification of Emissions Report

Facility ID#: 115389 Facility Name : AES Huntington Beach LLC

I hereby certify that the emissions reported below are accurate and representative of our facility's emissions for the quarter beginning on 01 / 1 / 01 and ending on 03 / 31 / 01. I understand that all records, including but not limited to, MRR recordkeeping forms (e.g., Forms NOx/SOx-2, NOx/SOx-3, NOx/SOx-4 and NOx/SOx-5) and other documents necessary for the accurate calculation of these emissions must be maintained for 3 years at the facility pursuant to Rules 2011(g) and 2012(i). I also understand I am responsible for providing such documents to substantiate the emissions reported if audited.

Reported by: *Ed Blackford* Date: 4/23/01
 (Signature of Highest Ranking Responsible Official) (Type or print name) (Type or print Title)

Total Quarterly Emissions

Equipment Category	NOx (lbs)	SOx (lbs)
Major Sources	560380	N/A
Large Sources	N/A	
Process Units	79572	N/A
Equipment Exempt Pursuant to District Rule 219	3	N/A
Equipment with Various Locations Permits	N/A	N/A
Equipment Operating without an AQMD Permit	N/A	N/A
Total	639955	N/A

For Corrections to a Previously Submitted Quarterly Certification of Emissions Report Only:

Check the appropriate box if this is to correct a previously submitted quarterly certification of emissions report:

- This correction is submitted within the reconciliation period of the reporting period. Corrections to electronically filed emissions reports have been transmitted to the AQMD Central Station or corrections to manually filed emissions reports are attached.
- This correction is submitted after the end of the reconciliation period of the reporting quarter. Form C-ERE (for electronic reports) or Form NOx/SOx-1 (for manual reports) is attached to list the details of and the cause(s) for making the changes. Also attached is the proof to demonstrate the error was caused by conditions beyond the reasonable control of the permit holder.

Reasons for correction: (check all applicable boxes)

- Missing data procedures were not followed properly.
- Excess emissions resulting from breakdowns have been approved by AQMD to be excluded from determining compliance with the facility's annual allocations.
- Other: _____

Mail to: SCAQMD, RECLAIM Administration - Quarterly Certification,
 P.O. Box 4830, Diamond Bar, CA 91765-0830

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 FORM: NO_x/SO_x - 1
 MONITORING, REPORTING, AND RECORDKEEPING (MRR) FORM

Month: <u>Jan-Mar</u>	Year: <u>2001</u>
Facility ID #: <u>115389</u>	Co. Name: <u>AES Huntington Beach LLC</u>

o NO_x o SO_x

RECORDED DATA		CHECK IF QUARTERLY**	REPORTED DATA***
Fuel Meter and/or Timer (I.D. #)	Device* (I.D. #)		Equipment Specific Monthly Emissions (LBS/MO or LBS/QTR)
Unit 5 A1	D6	x	10331
Unit 5 B1	D7	x	9308
Unit 5 C1	D8	x	10027
Unit 5 D1	D9	x	10120
Unit 5 A2	D59	x	10331
Unit 5 B2	D60	x	9308
Unit 5 C2	D61	x	10027
Unit 5 D2	D62	x	10120
HB1	D5	x	0
R219	- R219	x	2.55

- * For equipment exempt under Rule 219, please indicate with "R219"
- ** Check if reporting quarterly emissions for process unit or Rule 219 equipment.
- *** Monthly emissions calculated from Form NO_x/SO_x-2 or NO_x/SO_x-5; Quarterly emissions calculated from Form NO_x/SO_x-3, NO_x/SO_x-4, or NO_x/SO_x-5

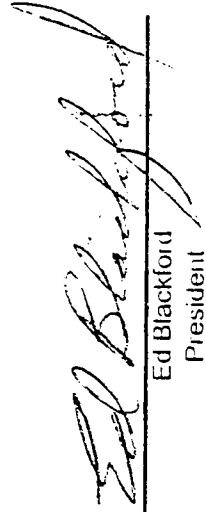
Reported By: Ed Blackford Ed Blackford
 (Signature) (print or type name)

Title: President Date: 4/23/01
 (print or type)

ATTACHMENT: NOx
 RECLAIM QUARTERLY SUMMARY - 219 EXEMPT EQUIPMENT
 QUARTER 4-2000 1, 2001
 DATE: 4/25/01

CYCLE II FACILITIES

FACILITY	GENERIC 219 EXEMPT EQUIPMENT	FUEL TYPE	ESTIMATED FUEL USAGE (GALS) APR-JUN	NOX EMISSION FACTOR (LBS/GAL)	ESTIMATED EMISSIONS (LBS) APR-JUN
AES HUNTINGTON BEACH	PORTABLE SUMP PUMPS	GASOLINE	25	0.102	2.55
	SUMP PUMP	DIESEL	0	0.469	0


 Ed Blackford
 President

17L



5547



0000

U.S. POSTAGE
PAID
HUNTINGTON BEACH, CA
92646
APR 27 2001
AMOUNT

\$3.74
00045553-14

ADMINISTRATION -
REGISTRATION

30

CA

91765-0830

92646

4/30/01-NOX	4/30/01	2,382,375.00	0.00	2,382,375.00
TOTAL >		2,382,375.00	0.00	2,382,375.00

ALS Manitos, L.L.C.
 690 N. Shudebaker Road
 Long Beach, CA 90803

Drawn on
 Wells Fargo Bank, N.A.
 11 24/121068

103797

DATE	4/30/01
AMOUNT	***2,382,375.00

PAY Two Million Three Hundred Eighty-Two Thousand Three Hundred Seventy-Five and 00/100*****

TO THE ORDER OF South Coast AQMD
 File Number 54296
 Los Angeles, CA 90074-4296

B. P. Fenwick
Karen D. Fenwick

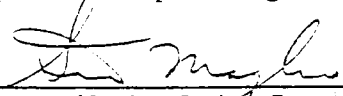
CHECKS PRINTED ON SECURED PAPER WHICH INCLUDES FINE PRINT AND WATER MARKS. BORDER CONTAINS MICROPRINTING.

⑆103797⑆ ⑆121000216⑆1588 AG3290⑆

Regional Clean Air Incentives Market (RECLAIM)
Quarterly Certification of Emissions Report

Facility ID#: 115394 Facility Name : AES ALAMITOS L.L.C.

I hereby certify that the emissions reported below are accurate and representative of our facility's emissions for the quarter beginning on 1/01/01 and ending on 3/31/01. I understand that all records, including but not limited to, MRR recordkeeping forms (e.g., Forms NO_x/SO_x-2, NO_x/SO_x-3, NO_x/SO_x-4 and NO_x/SO_x-5) and other documents necessary for the accurate calculation of these emissions must be maintained for 3 years at the facility pursuant to Rules 2011(g) and 2012(i). I also understand I am responsible for providing such documents to substantiate the emissions reported if audited.

Reported by:  Date: 4/26/01
(Signature of Highest Ranking Responsible Official)

Steve Maghv
(Type or print name)

TITLE: Corporate Officer
(Type or print Title)

Total Quarterly Emissions

Equipment Category	NO _x (lbs)	SO _x (lbs)
Major Sources	666183.54	N/A
Large Sources	N/A	
Process Units	117956.15	N/A
Equipment Exempt Pursuant to District Rule 219	11.52	N/A
Equipment with Various Locations Permits	N/A	N/A
Equipment Operating without an AQMD Permit	N/A	N/A
Total	784151.21	

For Corrections to a Previously Submitted Quarterly Certification of Emissions Report Only:

Check the appropriate box if this is to correct a previously submitted quarterly certification of emissions report:

- This correction is submitted within the reconciliation period of the reporting period. Corrections to electronically filed emissions reports have been transmitted to the AQMD Central Station or corrections to manually filed emissions reports are attached.
- This correction is submitted after the end of the reconciliation period of the reporting quarter. Form C-ERE (for electronic reports) or Form NO_x/SO_x-1 (for manual reports) is attached to list the details of and the cause(s) for making the changes. Also attached is the proof to demonstrate the error was caused by conditions beyond the reasonable control of the permit holder.

Reasons for correction: (check all applicable boxes)

- Missing data procedures were not followed properly.
- Excess emissions resulting from breakdowns have been approved by AQMD to be excluded from determining compliance with the facility's annual allocations.
- Other. _____

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
FORM: NO_x/SO_x - 1
MONITORING, REPORTING, AND RECORDKEEPING (MRR) FORM

Month: <u>January - March</u>	Year: <u>2001</u>
Facility ID #: <u>115394</u>	Co. Name: <u>AES Alamitos L.L.C.</u>

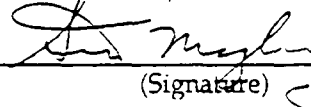
x NO_x o SO_x

RECORDED DATA		CHECK IF QUARTERLY**	REPORTED DATA***
Fuel Meter and/or Timer (I.D. #)	Device* (I.D. #)		Equipment Specific Monthly Emissions (LBS/MO or LBS/QTR)
Unit 7 1A	D21	X	12773
1A	D78	X	12773
2B	D22	X	13052
2B	D83	X	13052
3C	D23	X	17223
3C	D84	X	17223
4D	D24	X	15930
4D	D87	X	15930
AFP1P	D25	X	0.154209
219	R219	X	11.515075

* For equipment exempt under Rule 219, please indicate with "R219"

** Check if reporting quarterly emissions for process unit or Rule 219 equipment.

*** Monthly emissions calculated from Form NO_x/SO_x-2 or NO_x/SO_x-5; Quarterly emissions calculated from Form NO_x/SO_x-3, NO_x/SO_x-4, or NO_x/SO_x-5

Reported By:  Steve Maghy
(Signature) (print or type name)

Title: AES Alamitos Corporate Officer Date: 4/26/01
(print or type)

SCAQMD - Data Transmission Summary

4/26/01 2 00 27 PM

Device ID	Record ID	Date Emitted	Total Emission	Status Code	Fuel Type	SCC Code	Corrected Emission	Corrected Status Code	Transaction Date	Transaction Time	Transaction Record
21	1 NPF	20010331	12773		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
76	1 NPF	20010331	12773		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
22	1 NPF	20010331	13052		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
83	1 NPF	20010331	13052		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
23	1 NPF	20010331	17223		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
84	1 NPF	20010331	17223		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
24	1 NPF	20010331	15930		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
87	1 NPF	20010331	15930		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
25	1 NPF	20010331	0.15		NAT_GAS				04/26/01	13:53:47	OK 00018 1211A01116135340
	1 NPFQ	20010331	117956.15						04/26/01	13:53:47	OK 00018 1211A01116135340
	1 NPF	20010331	1.22		GASOLINE				04/26/01	13:53:47	OK 00018 1211A01116135340
	1 NPF	20010331	10.25		DIESEL				04/26/01	13:53:47	OK 00018 1211A01116135340
	1 NPF	20010331	0.04		PROPANE				04/26/01	13:53:47	OK 00018 1211A01116135340
	1 NXQ	20010331	11.52						04/26/01	13:53:47	OK 00018 1211A01116135340



April 26, 2001

SCAQMD RECLAIM Administration
Quarterly Certification of Emissions
South Coast Air Quality Management District
21865 East Copley Dr.
Diamond Bar, California 91765

Subject: RECLAIM QUARTERLY REPORT

Enclosed are the quarterly reports required by RECLAIM for the first quarter 2001 for the AES Alamos LLC facility ID # 115394.

If you have any questions on this data, please contact me at (562) 493-7384.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Steve Maghy', is written over a horizontal line.

Steve Maghy
AES Alamos Corporate Officer

edEx. USA Airbill

Tracking Number

807108694846

Form ID No.

0200

Recipient's Copy

From 4/27/01 Steve Dunninghy Phone (602) 492-1816

MES MIMMOS 690 N. STEVENS RD. Dept. Above/Street/Room

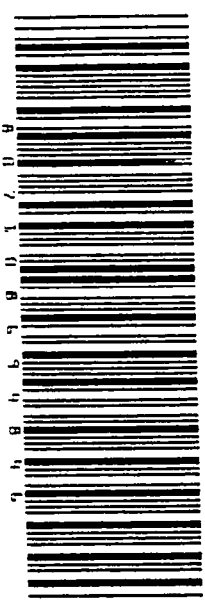
60232 Coach State CA zip 90830

Internal Billing Reference Information

RAYMOND RECLIN MIMMOS Phone (707) 296-2001

417-44-4830 21805 E CALLEYS DR. Dept. Above/Street/Room

WINDY State CA zip 91765-0830



4A Express Package Service Packages under 150 lbs. FedEx Tracking Overnight

4B Express Freight Service Packages over 150 lbs. FedEx Tracking Freight

4C Special Handling Does this shipment contain dangerous goods?

7 Payment Bill to Sender Recipient Third Party Credit Card

Total Packages Total Weight Total Declared Value Total Charges

Release Signature 322

322

IF STAMPED AS VOID, IT IS NOT VALID. IF STAMPED AS VOID, IT IS NOT VALID. IF STAMPED AS VOID, IT IS NOT VALID.

WES Redondo Beach
1700 Harbor Drive
Redondo Beach, CA 90277

Drawn on
Wells Fargo Bank, N.A.
11-24/1210/8

22333

DATE 4/29/01
AMOUNT \$989,333.00

Nine Hundred Eighty-Nine Thousand Three Hundred Thirty-Three and 30/100

TO THE ORDER OF South Coast Air Quality Mgmt
21865 E. Copley Drive
Diamond Bar, CA 91765-4182

[Signature]
[Signature]

CHECK IS PRINTED ON SECURITY PAPER WHICH INCLUDES FLUORESCENT & VISIBLE FIBERS. BORDER CONTAINS MICROPRINTING

⑈ 22333 ⑈ ⑈ 121000 ⑈ ⑈ 464 ⑈ ⑈ 6976 ⑈ ⑈

original
to Rick Pearce
on 5/3/01

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

100 2 5 2001

Regional Clean Air Incentives Market (RECLAIM)
Quarterly Certification of Emissions Report

Facility ID#: 115536

Facility Name : AES Redondo Beach, L.L.C.

I hereby certify that the emissions reported below are accurate and representative of our facility's emissions for the quarter beginning on 01/ 01/ 01 and ending on 03 / 31/ 01. I understand that all records, including but not limited to, MRR recordkeeping forms (e.g., Forms NOx/SOx-2, NOx/SOx-3, NOx/SOx-4 and NOx/SOx-5) and other documents necessary for the accurate calculation of these emissions must be maintained for 3 years at the facility pursuant to Rules 2011(g) and 2012(i). I also understand I am responsible for providing such documents to substantiate the emissions reported if audited.

Reported by:


(Signature of Highest Ranking Responsible Official)

Date: 04/26/01

C.I. Thompson

(Type or print name)

TITLE: Manager

(Type or print Title)

Total Quarterly Emissions

Equipment Category	NOx (lbs)	SOx (lbs)
Major Sources	310,342.20	NA
Large Sources	NA	
Process Units	0	NA
Equipment Exempt Pursuant to District Rule 219	0	NA
Equipment with Various Locations Permits	0	NA
Equipment Operating without an AQMD Permit	0	NA
Total	310,342.20	NA

For Corrections to a Previously Submitted Quarterly Certification of Emissions Report Only:

Check the appropriate box if this is to correct a previously submitted quarterly certification of emissions report:

- This correction is submitted within the reconciliation period of the reporting period. Corrections to electronically filed emissions reports have been transmitted to the AQMD Central Station or corrections to manually filed emissions reports are attached.
- This correction is submitted after the end of the reconciliation period of the reporting quarter. Form C-ERE (for electronic reports) or Form NOx/SOx-1 (for manual reports) is attached to list the details of and the cause(s) for making the changes. Also attached is the proof to demonstrate the error was caused by conditions beyond the reasonable control of the permit holder.

Reasons for correction: (check all applicable boxes)

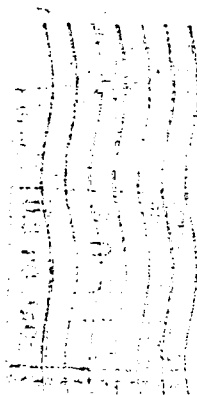
- Missing data procedures were not followed properly.
- Excess emissions resulting from breakdowns have been approved by AQMD to be excluded from determining compliance with the facility's annual allocations.
- Other. _____

Mail to: SCAQMD, RECLAIM Administration - Quarterly Certification,
P.O. Box 4830, Diamond Bar, CA 91765-0830



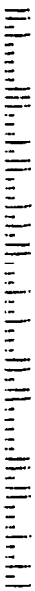
1100 Harbor Drive
Redondo Beach, CA 90277

Redondo Beach, L.L.C.



SCAQMD
RECLAIM Administration
-Quarterly Certification
P.O. Box 4830
Diamond Bar, CA 91765-0830

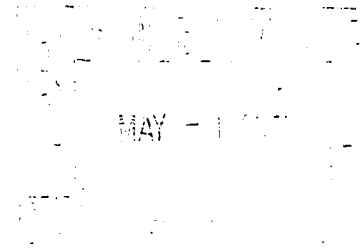
91765-0830





Wholesale Group

PO Box 4943
Houston, Texas 77008-4943
713 297 1000



Ms. Pang Mueller
South Coast Air Quality Management District
21865 E. Copley Dr.
Diamond Bar, CA 91765

Re: Reliant Energy - Etiwanda Facility

Dear Pang:

Per Ms. Deborah D. Lambel, our attorney at Latham & Watkins, I am submitting to you the enclosed checks with funds in the amount of \$1,184,160.00. These funds cover Etiwanda's RTO shortfall for the quarter ended March 31st, 2001. It is my understanding that these funds are to be held in a separate escrow account under the terms of Reliant's agreement order with the District pending the approval of the order by Peter Mieras and others involved.

Please feel free to call me at (713) 297-1449 or email at dangliardi@reliantenergy.com with any questions or comments.

Sincerely,

David Gagliardi

Description of the purpose of this check is inaccurate. See attached letter from Latham & Watkins for explanation regarding Executive Order 01-03 and the request for the disposition of this check.



RELIANT ENERGY ETIWANDA, LLC
HOUSTON, TEXAS

52-53
112

Vendor Number: 0000122258

Date: 04/27/2001

Check Number: 1000631

PAY *One million one hundred eighty four thousand one hundred sixty and 00/100 Dollars*

TO THE
ORDER OF

Pay Exactly
***\$1,184,160.00

SOUTH COAST AQMD
PO Box 4943
DIAMOND BAR CA 91765-0943

FLEETMAINE, N.A.
SOUTH PORTLAND, MAINE

AUTHORIZED SIGNATURE
VOID WITHOUT SIGNATURE
VOID AFTER NINETY DAYS.

⑆1000631⑆ 4014201539⑆ 60064230⑆

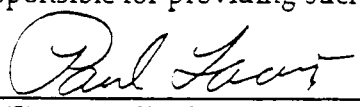
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

APR 23 2001

Regional Clean Air Incentives Market (RECLAIM)
Quarterly Certification of Emissions Report

Facility ID#: <u>115315</u>	Facility Name : <u>Etiwanda Generating Station</u>
-----------------------------	--

I hereby certify that the emissions reported below are accurate and representative of our facility's emissions for the quarter beginning on 1 / 1 / 2001 and ending on 3 / 31 / 2001. I understand that all records, including but not limited to, MRR recordkeeping forms (e.g., Forms NOx/SOx-2, NOx/SOx-3, NOx/SOx-4 and NOx/SOx-5) and other documents necessary for the accurate calculation of these emissions must be maintained for 3 years at the facility pursuant to Rules 2011(g) and 2012(i). I also understand I am responsible for providing such documents to substantiate the emissions reported if audited.

Reported by:  Date : 4 / 23 / 2001
(Signature of Highest Ranking Responsible Official)

Paul Lacroix TITLE : Plant Environmental Coordinator, Air
(Type or print name) (Type or print Title)

Total Quarterly Emissions

Equipment Category	NOx (lbs)	SOx (lbs)
Major Sources	592,367.86	N / A
Large Sources	N / A	N / A
Process Units	163,329.84	N / A
Equipment Exempt Pursuant to District Rule 219	0.11	N / A
Equipment with Various Locations Permits	N / A	N / A
Equipment Operating without an AQMD Permit	N / A	N / A
Total	755,697.81	N / A

For Corrections to a Previously Submitted Quarterly Certification of Emissions Report Only:

Check the appropriate box if this is to correct a previously submitted quarterly certification of emissions report:

- This correction is submitted within the reconciliation period of the reporting period. Corrections to electronically filed emissions reports have been transmitted to the AQMD Central Station or corrections to manually filed emissions reports are attached.
- This correction is submitted after the end of the reconciliation period of the reporting quarter. Form C-ERE (for electronic reports) or Form NOx/SOx-1 (for manual reports) is attached to list the details of and the cause(s) for making the changes. Also attached is the proof to demonstrate the error was caused by conditions beyond the reasonable control of the permit holder.

Reasons for correction: (check all applicable boxes)

- Missing data procedures were not followed properly.
- Excess emissions resulting from breakdowns have been approved by AQMD to be excluded from determining compliance with the facility's annual allocations.
- Other. _____

Mail to: SCAQMD, RECLAIM Administration - Quarterly Certification,
P.O. Box 4830, Diamond Bar, CA 91765-0830

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
FORM: NO_x/SO_x-1
MONITORING, REPORTING, AND RECORDKEEPING (MRR) FORM

Month: <u>January - March</u>	Year: <u>2001</u>
Facility ID #: <u>115315</u>	Co. Name: <u>Reliant Energy Etiwanda, LLC</u>

NO_x SO_x

RECORDED DATA		CHECK IF QUARTERLY**	REPORTED DATA***
Fuel Meter and/or Timer (I.D.#)	Device* (I.D.#)		Equipment Specific Monthly Emissions (LBS/MO or LBS/QTR)
FP 1	D3	X	0.00
FP 2	D4	X	0.00
Unit 5 A1/A2	D5/D41	X	20,416.23
Unit 5 B1/B2	D6/D43	X	20,416.23
Unit 5 C1/C2	D7/D45	X	20,416.23
Unit 5 D1/D2	D8/D47	X	20,416.23
219	219	X	0.11

- * For equipment exempt under Rule 219, please indicate with "R219"
- ** Check if reporting quarterly emissions for process unit or Rule 219 equipment.
- *** : Monthly emissions calculated from Form NO_x/SO_x-2 or NO_x/SO_x-5; Quarterly emissions calculated from Form NO_x/SO_x-3, NO_x/SO_x-4, or NO_x/SO_x-5

Reported By: *Paul Lacroix* Paul Lacroix
(Signature) (print or type name)

Title: Plant Environmental Coordinator, Air Date: 4 / 23 / 2001
(print or type)



RELIANT ENERGY ETIWANDA, L.L.C.
8996 Etiwanda Avenue
Rancho Cucamonga, CA 91739
(909) 399-7291 FAX (909) 899-7222

April 23, 2001

South Coast Air Quality Management District
RECLAIM Administration – Quarterly Certification
P.O. Box 4830
Diamond Bar, California 91765-0830

**RE: Quarterly Certification of Emissions Report
Etiwanda Generating Station, Facility ID 115315**

Enclosed is the subject report for the first quarter of 2001 for Facility 115315, Reliant Energy Etiwanda, LLC's Etiwanda Generating Station. If you have questions or require further information, please do not hesitate to contact me at (909) 899-7253.

Sincerely,

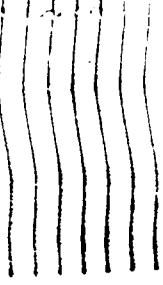
A handwritten signature in cursive script that reads "Paul Lacroix".

Paul Lacroix
Plant Environmental Coordinator, Air

cc: Roger Christopher, SCAQMD (w/enclosures)

enclosures
L270.bcm

Paul Lacroix
RELIANT ENERGY ETHWANDA, L.L.C.
8996 Ethwanda Avenue
Rancho Cucamonga, CA 91739



*South Coast Air Quality Management District
RECLAIM Administration, Quarterly Certification
P.O. Box 4830
Diamond Bar, Calif.
91765-0830*



EXHIBIT "B"

Summary

	Count
Currently Active Traders	13
New	7
Holding Companies for Power Producing	4
Others	13

ID	Name	Status
700004	CANTOR FITZGERALD BROKERAGE, L.P.	Active
101337	NATIONAL OFFSETS	Active
700020	ADV. ENV. CNTRL CONSULTING & ENGR. SERV.	Active
700021	MARKET-BASED SOLUTIONS, INC.	Active
700030	SCEC	Active
700034	BOB HILOVSKY & ASSOCIATES	Active
700052	EXECU-CORP	Active
700057	JITCO GROUP LIMITED	Active
700058	U S TRUST COMPANY, NATIONAL ASSOCIATION	Active
700059	DUJW HOLDING CORPORATION	Active
700060	AG CLEAN AIR HOLDINGS, L.L.C.	Active
700066	NATSOURCE LLC	Active
700068	GRG CONSULTING	Active
700069	TRANSLEX	Active
700070	PINNACLE WEST MARKETING AND TRADE	Active
700071	BOLDWATER BROKERS, LP	Active
700073	MULTI-FUELS EMISSIONS MARKETING L.P.	Active
103831	ENERGY SERVICES	Active
700076	M.A.B. PARTNERS	new
700077	ENVIRON INTERNATIONAL CORPORATION	new
700078	GLOBAL WEST NETWORKS, INC	new
700080	OCEAN AIR ENVIRONMENTAL, LLC	new
700074	AIR CREDIT TRADING INC	new
700075	EARTHGUARD ENVIRONMENTAL SERVICES	new
700079	TEXEX ENERGY PARTNERS, LTD	new
700063	WILLIAMS - ENERGY, MARKETING & TRADING	holding
700065	SOUTHERN COMPANY ENERGY MARKETING	holding
700072	AES HUNTINGTON DEVELOPMENT INC	holding
700081	CALPINE CORPORATION	holding
700006	TEAM ENVIRONMENTAL SERVICES, INC.	
700007	NATIONAL HEALTHY AIR LICENSE EXCHANGE	
700008	ENTRIX, INC.	
700010	AEROVIRONMENT INC.	
700011	SOUTH COAST METALS COALITION ("SCMC")	
700016	JORGENSEN ENVIRONMENTAL, INC.	
700019	SIERRA RESEARCH, INC.	
700024	SHOLTZ & ASSOCIATES, LLC	
700027	PACIFIC STOCK EXCHANGE	
700033	OMNIBUS ENVIRONMENTAL SERVICES, INC.	
700037	SIERRA-PACIFIC ENVIRONMENTAL, INC.	
700042	ENVIRON CORP.	
700044	THE RTC TRUST	
700047	ENVIRONMENTAL COMPLIANCE & ENGINEERING	
700048	ENVIRO-CARE LLC	
700054	CLEAN AIR ACTION CORPORATION	
700061	MULTI-FUELS MARKETING CO	
700062	BRIAN ANDERSON	