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May 29, 2007

Dr. William A. Burke
c/o The Los Angeles Marathon
11110 West Ohio Avenue, Suite 100
Los Angeles, CA 90025

Dear Dr. Burke:

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) want to thank you and the SCAQMD staff for listening to our concerns with portions of the 2007 South Coast Air Quality Management Plan (SCAQMP).

We are also pleased that we were able to resolve our key concerns on the language for the two gas quality measures in the SCAQMP (CMB-04 and CTY-01). The numerous discussions with SCAQMD staff were constructive and the current proposal will provide a more productive way forward to address this issue. SoCalGas and SDG&E have been investigating issues associated with our customers' use of higher Wobbe Index gas since 2002. We have invested almost \$2 million dollars to research the safety, performance and air quality issues associated with use of gas with different gas quality characteristics. In 2006, we filed with the CPUC our plans for the next few years which will include more testing, in-the-field verification throughout our service territory, and a large customer outreach and education program. We believe that the revised natural gas specification measures will enhance these efforts. All of the data gathered pursuant to these measures, together with detailed analysis of environmental and economic impacts, will be used to develop appropriate regulatory policies that will be brought back to the Board for consideration in the near future. We are confident that we can build on our history of collaboration with the SCAQMD to develop measures that are cost-effective as well as feasible environmentally, technically, legally, economically, and socially.

Although our concerns over the gas quality measures have been resolved, we are currently supporting our customers' efforts to resolve their concerns with other control measures. In particular, we ask your assistance with two important measures:

Facility Modernization (Non-RECLAIM Sources) (MCS-01)

1. Economic “off-ramps” are essential. A recent survey of SoCalGas customers showed that 35% of industrial facilities anticipate that the cost of MCS-01 would force them to either relocate or shut down their business due to “low profitability.” This response assumed that installing required control equipment would not trigger New Source Review (NSR) requirements. But if the SCAQMD cannot waive NSR requirements, then the cost of MCS-01 would be even higher. Whether or not the SCAQMD can waive NSR is less clear as a result of a recent court decision. In *South Coast Air Quality Management District v. Environmental Protection Agency*, 472 F.3d 882 (DC Circuit, 2006), the U.S. Court of Appeals for the DC Circuit held, *inter alia*, that NSR is a “control” under the anti-backsliding provisions of Section 172 (e) of the Clean Air Act (472 F.3d at 902), and that withdrawal of any controls from an SIP “*would constitute impermissible backsliding.*” *Id.* at 900. Therefore, the prudent course for the SCAQMD is to make sure that future MCS-01 rulemaking will include options for economic “off-ramps.”

2. Low-use exemptions are necessary. Equipment such as an emergency or standby generator may operate very few hours per year and produce very few emissions as compared to a similar device that operates year-round. It would not be reasonable or cost effective to require equipment upgrades for standby equipment that is rarely used.

3. A stakeholder group should be formed to determine the criteria for the “useful life” of equipment. In order to accelerate the replacement of existing permitted equipment this control measure will require replacement with BACT “at the end of useful life.” However, existing equipment in the field may have little or inconsistent information about its start up date or usage over the years. Additionally, there are many economic and operational factors that go into determining the real “useful life” of a piece of equipment. It would not be reasonable for the District to rely solely upon the statements of vendors or manufacturers in defining “useful life.” All stakeholders must be brought into the development of this key element of MCS-01

Under-fired Charbroilers (BCM-05)

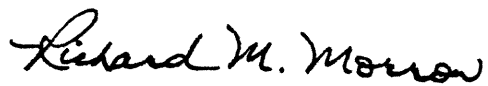
Implementation of a rule based on BCM-05 should be delayed until safe, environmentally-correct, and cost effective control equipment can be developed. CARB has only recently recommended that the SCAQMD adopt an aggressive charbroiler rule, similar to the one that the Bay Area AQMD is considering. However the recommended control equipment, precipitators and filters, were declared “technologically infeasible” in 2004 by this Board. Precipitators and filters have several adverse collateral impacts, including the risk of fire, unless they are thoroughly cleaned on a daily basis. More critically, the “media transfer” of the waste grease from these filters and precipitators will likely create water quality concerns as a significant amount of new waste gets flushed into the existing sanitation system. Alternatively, this new waste could be handled and

transported as hazardous waste, thereby using up limited landfill space. ***Either way, immediate rulemaking will impose substantial burdens for small businesses in the Basin.*** The existing proposal in the 2007 AQMP (BCM-05) in which a study of technology solutions would be conducted and completed by 2010, is a far better approach.

Accordingly, SoCalGas and SDG&E request that the Board direct the staff during the rulemaking process to address the concerns that still remain with MCS-01 and BCM-05.

With these changes, SoCalGas and SDG&E support the adoption of the proposed SCAQMP. We look forward to working closely with the SCAQMD to implement the SCAQMP by adopting feasible, cost-effective rules that meet our collective clean air objectives.

Sincerely,

A handwritten signature in black ink that reads "Richard M. Morrow". The signature is written in a cursive, flowing style.

Richard M. Morrow
Vice President
Customer Service, Major Markets

cc: Dr. Barry Wallerstein, Executive Officer, SCAQMD