SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Attachment 1 to the Governing Board Resolution for Proposed Amended Rule 1309.1 - Priority Reserve:

Statement of Findings, Statement of Overriding Considerations and Mitigation Monitoring Plan

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INTRODUCTION

Proposed amended Rule (PAR) 1309.1 - Priority Reserve is considered to be a "project" as defined by the California Environmental Quality Act (CEQA) (Cal. Public Resources Code §§21000 et seq.). The South Coast Air Quality Management District (SCAQMD) is the lead agency for the proposed project and, therefore, has prepared a Program Environmental Assessment (PEA) pursuant to CEQA Guidelines §§15252 and 15168(a)(1), (3), and (4), and SCAQMD Rule 110. The purpose of the PEA is to describe the proposed project and to identify, analyze, and evaluate any potentially significant adverse environmental impacts that may result from adopting and implementing the current and future proposed projects. The Draft PEA was circulated to the public for a 45-day review and comment period from May 16, 2007, to June 29, 2007. Minor changes were necessary to make the Draft PEA into a Final PEA. However, these minor modifications and updates do not constitute "significant new information"[1] and, therefore, do not require recirculation of the document pursuant to CEQA Guidelines §15088.5. The Final PEA was prepared and will be presented to the Governing Board at its July 13, 2007 public hearing.

SUMMARY OF THE PROPOSED PROJECT

The program considered in the current and future proposed amendments to Rule 1309.1 include providing temporary access to the SCAQMD's Priority Reserve particulate matter less than 10 microns (PM10), oxides of sulfur (SOx) and carbon monoxide (CO) accounts for new electric generating facilities (EGF) with applications deemed complete between 2005 and 2008 provided they pay the appropriate mitigation fee and meet all the other rule requirements. Further, EGF projects downwind to the district in non-attainment areas would be able to access SCAQMD's Priority Reserve volatile organic compound (VOC) account.

Future amendments to the program currently under consideration would allow certain energy projects access to the Priority Reserve provided they pay the appropriate mitigation fee and meet all the other rule requirements. Other future amendments also being considered would allow publicly-owned biosolids treatment facilities, which are currently not allowed access, to qualify for permanent access to the Priority Reserve and would not be subject to mitigation fee requirements.

[1] "Significant new information" requiring recirculation include, for example, a disclosure showing that:

(1) A new significant environmental impact would result from the project or from a new mitigation measure proposed to be implemented.

(2) A substantial increase in the severity of an environmental impact would result unless mitigation measures are adopted that reduce the impact to a level of insignificance.

(3) A feasible project alternative or mitigation measure considerably different from others previously analyzed would clearly lessen the environmental impacts of the project, but the project's proponents decline to adopt it.

(4) The draft EIR was so fundamentally and basically inadequate and conclusory in nature that meaningful public review and comment were precluded.

POTENTIAL DIRECT SIGNIFICANT ADVERSE IMPACTS THAT CANNOT BE REDUCED BELOW A SIGNIFICANT LEVEL

Direct adverse environmental impacts to one environmental topic area, air quality, were identified and concluded to be significant because credits that would not otherwise be used will now be used to meet a facility's offset requirements pursuant to Rule 1303. The potential direct adverse air quality impact from the proposed amendments could exceed significance if the mitigation fees collected to fund emission reduction projects are unable to produce emission reductions in an amount equal to the amount of credits used by newly eligible projects. This potential shortfall of emission reductions is expected to exceed the SCAQMD's PM10, SOx, VOC and CO daily operational significance thresholds. PRR 1315, which was analyzed in the Draft PEA as part of the same "program," has concluded to likewise have a significant adverse impact on PM10, SOx, VOC and CO, and also on NOx.

Air Quality

PAR 1309.1 would allow EGFs limited access to the Priority Reserve to obtain ERCs to offset the PM10, SOx, and CO emissions from operating in-district EGFs, and VOC for out-of-district EGFs. Future amendments to PAR 1309.1 could allow operators of specified energy projects of regional significance (EPRS), such as LNG and crude oil storage and import projects, the opportunity to access the Priority Reserve to offset emissions from the operation of their facilities. Future amendments could also expand the definition of an essential public service to include publicly-owned biosolids treatment facilities, which would allow them access to all pollutant ERCs in the Priority Reserve within the limits of Rule 1309.1 (e)(7). Publicly-owned biosolid treatment facilities will not be required to pay a mitigation fee and, therefore, access to the Priority Reserve will be provided to facility operators who otherwise would not have been provided access. Local sanitation districts have estimated the amount of ERCs needed in the future to offset composting and drying/pelletizing biosolids projects. Table 1 shows the estimated emissions expected from EGFs eligible due to the current amendments, and future demand by EPRSs and publicly-owned biosolids treatment facilities that could be eligible to withdraw ERCs from the Priority Reserve under future amendments to PAR 1309.1. The emissions are based on the assumption that none of the anticipated ERC demand would be satisfied by ERC holdings obtained from the open ERC market through the required due diligence effort.

TABLE 1
Estimated Emissions from Eligible Facilities

	PM10 (lbs/day)	**SOx** (lbs/day)	**VOC** (lbs/day)	**CO** (lbs/day)	**NOx** (lbs/day)
In-District EGFs (5,000 MW projects)	4,419	364	--	4,997	---
Downwind EGFs	--	--	<5,000	--	---
EPRS	198	1,121	--	473	---
Biosolids projects (present to 2010)	43	--	980	224	44
Biosolids projects (2010 to 2020)	24	--	532	122	24
TOTAL (before 2010)	4,660	1,485	5,980	5,694	44
TOTAL (after 2010)	24	--	532	122	24
CEQA Operational Significance Thresholds (lbs/day)	150	550	55	550	55
Significant?	Yes	Yes	Yes	Yes	No

PAR 1309.1 will not change regional or localized air quality impacts that would otherwise occur from these projects. The proposed project does not require permit applicants to obtain credits from the Priority Reserve, it simply provides an additional option for acquiring credits. Those facilities eligible to take advantage of Priority Reserve credits are still subject to all other rules and regulations, including air quality standards, toxic requirements and SCAQMD's Rule 402 - Nuisance. Facilities would still have to comply with Rule 1303(b)(1), which requires air quality modeling. New sources, such as gas turbines, internal combustion engines, co-generation units and boilers, are subject to BACT requirements. By definition, the applicant would not receive approval for the project if the modeling shows that the project causes or contributes to an exceedance of any air quality standard at a sensitive receptor. To obtain permits from the SCAQMD, the operators of eligible facilities must demonstrate that the permitted equipment will not violate any air quality standard or expose sensitive receptors to substantial pollutant concentrations. PAR 1309.1 does not alter this requirement in any way. Finally, while the proposed project will allow EGFs and other emission sources to be built that may not otherwise be built, it will not make existing NSR rules less stringent since the facilities are still subject to offsetting at an increased offset ratio.

No feasible mitigation measures were identified that would reduce significant adverse direct air quality impacts to less than significant. No significant adverse direct impacts from the proposed project were identified for any other environmental topic area besides air quality.

POTENTIAL INDIRECT SIGNIFICANT ADVERSE IMPACTS THAT CANNOT BE REDUCED BELOW A SIGNIFICANT LEVEL

Indirect effects of operating and constructing these facilities were compiled in Chapter 5 and Appendix D of the PEA from previously prepared CEQA documents for the known EGFs that are the subject of the currently proposed amendments and for EPRS and publicly-owned biosolids treatment facilities projects that may be the subject of future proposed amendments. This literature search was conducted and disclosed in the PEA even though the SCAQMD has no approval authority over siting these projects and is not the lead agency relative to preparing the CEQA documents analyzing environmental impacts of affected facilities, or identify and implementing mitigation measures.

Indirect environmental impacts from siting, constructing and operating of EGFs, EPRS and publicly-owned biosolids treatment facilities that may be allowed access to the Priority Reserve as part of the currently proposed project and potential future proposed amendments are summarized in Table 2. As indicated in Table 2, significant adverse indirect impacts were identified for one or more projects to the following environmental topic areas: aesthetics, air quality, biological resources, hydrology/water quality, noise and recreation (operational phase).

Indirect impacts to all other environmental topic areas were concluded by the lead agencies to be less than significant impact or could be mitigated to less than significant. Refer to Chapter 5 and Appendix D of the PEA for more detailed discussions on the indirect impacts from eligible facilities evaluated in previously prepared CEQA documents.

TABLE 2
Indirect Environmental Impacts from Known Eligible Facilities

Environmental Impact Area	AES Highgrove	Cabrillo Port	El Segundo Repower	Nursery Products	Riverside Energy	SES Long Beach	Sun Valley	City of Vernon	City of Victorville	Walnut Creek
Aesthetics (Visual Resources) - Construction	Less than significant	Significant	Mitigated to less than significant	Less than significant	Not evaluated in document	Less than significant	Less than significant	Less than significant	Less than significant	Mitigated to less than significant
Aesthetics (Visual Resources) - Operation	Less than significant	Significant	Mitigated to less than significant	Less than significant	Not evaluated in document	Less than significant	Less than significant	Less than significant	Less than significant	Mitigated to less than significant
Agricultural (and Soil) Resources - Construction	Mitigated to less than significant	Not evaluated in document	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Not identified in document	Mitigated to less than significant	Mitigated to less than significant	Not identified in document
Agricultural (and Soil) Resources - Operation	Less than significant	Not evaluated in document	Less than significant	Less than significant	Not evaluated in document	Not evaluated in document	Not identified in document	Less than significant	Mitigated to less than significant	Less than significant
Air Quality - Construction	Mitigated to less than significant	Significant	Significant	Less than significant	Mitigated to less than significant	Significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant
Air Quality - Operation	Mitigated to less than significant	Significant	Significant	Significant	Mitigated to less than significant	Significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant
Biological Resources – Construction	Mitigated to less than significant	Significant	Less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant
Biological Resources - Operation	Less than significant	Significant	Significant	Less than significant	Not identified in document	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant

TABLE 2 (CONTINUED)
Indirect Environmental Impacts from Known Eligible Facilities

Environmental Impact Area	AES Highgrove	Cabrillo Port	El Segundo Repower	Nursery Products	Riverside Energy	SES Long Beach	Sun Valley	City of Vernon	City of Victorville	Walnut Creek
Cultural Resources and Paleontology - Construction	Mitigated to less than significant	Less than significant	Less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Less than significant	Mitigated to less than significant
Cultural Resources and Paleontology - Operation	Not identified in document	Less than significant	Not identified in document	Less than significant	Not identified in document	Less than significant	Less than significant	Less than significant	Less than significant	Mitigated to less than significant
Energy	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document
Geology - Construction	Mitigated to less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Mitigated to less than significant
Geology - Operation	Not evaluated in document	Less than significant	Less than significant	Less than significant	Not identified in document	Less than significant	Mitigated to less than significant	Less than significant	Less than significant	Mitigated to less than significant
Hazards and Hazardous Materials - Construction	Mitigated to less than significant	Less than significant (Significant public safety)	Less than significant	Less than significant	Not identified in document	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Less than significant
Hazards and Hazardous Materials – Operation	Mitigated to less than significant	Less than significant (Significant public safety)	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant
Hydrology and Water Quality - Construction	Mitigated to less than significant	Significant	Mitigated to less than significant	Less than significant	Not identified in document	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant

TABLE 2 (CONTINUED)
Indirect Environmental Impacts from Known Eligible Facilities

Environmental Impact Area	AES Highgrove	Cabrillo Port	El Segundo Repower	Nursery Products	Riverside Energy	SES Long Beach	Sun Valley	City of Vernon	City of Victorville	Walnut Creek
Hydrology and Water Quality - Operation	Mitigated to less than significant	Significant	Mitigated to less than significant	Less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant
Land Use and Planning - Construction	Not identified in document	Less than significant	Less than significant	Less than significant	Not identified in document	Less than significant	Not identified in document	No impact	Less than significant	Not identified in document
Land Use and Planning - Operation	No impact	Less than significant	Less than significant	Less than significant	No impact	Less than significant	Less than significant	No impact	Less than significant	Mitigated to less than significant
Mineral Resources	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document
Noise - Construction	Mitigated to less than significant	Significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant
Noise - Operation	Mitigated to less than significant	Significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant
Population/ Housing	Not evaluated in document	Not evaluated in document	Not evaluated in document	Less than significant	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Less than significant	Not evaluated in document
Public Services – Construction	Not evaluated in document	Not evaluated in document	Less than significant	Less than significant	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Less than significant	Not evaluated in document
Public Services - Operation	Not evaluated in document	Not evaluated in document	Less than significant	Less than significant	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Less than significant	Not evaluated in document
Recreation - Construction	Not evaluated in document	Less than significant	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document

TABLE 2 (CONCLUDED)
Indirect Environmental Impacts from Known Eligible Facilities

Environmental Impact Area	AES Highgrove	Cabrillo Port	El Segundo Repower	Nursery Products	Riverside Energy	SES Long Beach	Sun Valley	City of Vernon	City of Victorville	Walnut Creek
Recreation - Operational	Not evaluated in document	Significant	Not evaluated in document	Less than significant	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document	Not evaluated in document
Solid/ Hazardous Waste – Construction	Mitigated to less than significant	Not evaluated in document	Mitigated to less than significant	Not evaluated in document	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant
Solid/ Hazardous Waste - Operation	Mitigated to less than significant	Not evaluated in document	Mitigated to less than significant	Not evaluated in document	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant
Traffic Impacts - Construction	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Mitigated to less than significant	Less than significant	Mitigated to less than significant
Traffic Impacts - Operation	Less than significant	Less than significant	Mitigated to less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant	Less than significant

Mitigation measures imposed by the lead agency, such as the California Energy Commission (CEC), to reduce significant impacts from each of the projects with previously prepared CEQA documents are listed in detail in Appendix D. Refer to Appendix D for summaries of the specific mitigation measures imposed by the lead agency for the project for each environmental topic.

Because there are known CO_2 emissions from the operation of EGFs and a reliable emission factor to calculate CO_2 emissions from EGFs, this analysis estimated the CO2 emissions projected by the known facilities eligible to access the Priority Reserve as a result of the proposed project. If sited, constructed and operated at the projected operating levels, the CO_2 emissions from each facility's turbines can be calculated. Total annual CO_2 emissions are 35.4 billion pounds from all the known affected EGFs. While the SCAQMD has not determined whether the proposed projects individually will have a significant impact on global warming or climate change, the proposed projects taken together overall will contribute to greenhouse gas emissions in California. Given the position of the legislature on AB 32, which states that global warming poses serious threats to health and the environment, and the requirements of CEQA for the lead agency to determine whether a project will have a significant impact, the overall effect of 35.4 billion pounds of projected annual CO_2 emissions is considered sizeable. Thus, the indirect greenhouse gas impact from the proposed project is considered significant. This determination is based on the lack of clear scientific or other criteria for determining the level of significance of all the projects' contribution to the already degraded air quality in state of California and the world at large.

The proposed project has the potential to generate indirect emissions of PM10, SOx, NOx and CO. The NOx emissions will contribute to the formation of ozone as well as PM2.5 and PM10. SOx emissions are also a precursor to PM10/PM2.5 formation. The potential adverse health effects from PM10, SOx, NOx, and CO emissions include increases in mortality rates, respiratory infections, number and severity of asthma attacks, number of hospital admissions, and airway constriction in some asthmatics. Emissions of NOx and VOCs also contribute to ozone formation. Ozone health effects include increased mortality and decreases in pulmonary function. The SCAQMD has prepared an estimation of the health effects from PM emissions from a plant proposed to be constructed in the City of Vernon, which is the currently the largest of the proposed facilities and thus most likely to have the largest emissions of PM as compared to the other proposed facilities. Based on current emissions data for the plant, the SCAQMD estimates that there may be an increase in annual adult mortality from the Vernon plant of 3.82 persons in the area that would be typically modeled as part of the preparation of a health risk assessment. This figure represents a premature mortality estimate that is significantly less than 0.1 percent of the Basin-wide background mortality from PM 2.5 exposure. Nevertheless, the potential health impacts of PM2.5 emissions from all the proposed EGF projects are considered to be significant. It should be noted that the PM2.5 attainment strategy of the 2007 AQMP is expected to reduce PM2.5 exposure-based premature mortality by approximately 1500 cases annually by 2015.

STATEMENT OF FINDINGS

Public Resources Code §21081 and CEQA Guidelines §15091(a) state that no public agency shall approve or carry out a project for which a CEQA document has been completed which identifies one or more significant adverse environmental effects of the project unless the public agency makes one or more written findings for each of those significant effects, accompanied by a brief explanation of the rationale for each finding. Additionally, the findings must be supported by substantial evidence in the record (CEQA Guidelines §15091(b)). As identified in the Final PEA and summarized above, the proposed project has the potential to create significant adverse direct air quality impacts from the use of the credits, significant adverse indirect air quality impacts from siting, constructing and operating facilities, significant adverse indirect greenhouse gas impacts and significant adverse health effects from facilities accessing the Priority Reserve. The SCAQMD Governing Board, therefore, makes the following findings regarding the proposed project. The findings are supported by substantial evidence in the record as explained in each finding. This Statement of Findings will be included in the record of project approval and will also be noted in the Notice of Decision. The Findings made by the SCAQMD Governing Board are based on the following significant adverse direct and indirect impacts identified in the Final PEA.

1. **Significant direct air quality impact could occur because the credits are expected to be used in amounts that exceed the SCAQMD's PM10, SOx, CO and VOC daily operational significance thresholds and cannot be mitigated to insignificance**.

<u>Finding and Explanation:</u> There are consequences from the proposed project (PAR 1309.1) which could trigger the significant adverse direct air quality impacts to exceed the SCAQMD's significance thresholds. First, ERCs that would not otherwise be used will now be used to meet a facility's offset requirements pursuant to Rule 1303. Also, while the proposed amendments require certain eligible facilities to pay a mitigation fee to be used to fund future clean air projects and PM10 emission reduction programs, such as low-sulfur diesel and particulate matter traps, in order to create PM10 reductions, there is a lack of certainty that the mitigation fee will fully replenish credit accounts. Thus, credits are expected to be used in amounts that exceed the SCAQMD's PM10, SOx, CO and VOC daily operational significance thresholds. PRR 1315, which was analyzed as part of the same "program" in the DPEA, was also concluded to result in significant adverse impacts relative to NOx emissions.

2. **Significant adverse indirect environmental impacts could occur from siting, constructing, and operating facilities that might access the Priority Reserve. Significant adverse indirect impacts could occur from one or more affected facilities in the following environmental topic areas: aesthetics, air quality, biological resources, hydrology/water quality, noise and recreation (operational).**

Findings and Explanation: The PEA identified potentially significant adverse indirect impacts from the proposed project resulting from siting, constructing, and operating current and future proposed facilities that may access the Priority Reserve. Because the SCAQMD does not have siting authority or primary approval authority over facilities expected to access the Priority Reserve, the evaluation of indirect impacts relied on a survey of CEQA documents prepared by other public agencies for the facilities currently identified that are expected to access the Priority Reserve (see Table 2). The survey of CEQA documents for current and future affected facilities showed that they could generate significant adverse indirect impacts from siting, constructing, and operating affected facilities to the following environmental topic areas: aesthetics, air quality, biological resources, hydrology/water quality, noise and recreation (operational).

The Governing Board finds that the lead agencies for the affected projects, not the SCAQMD, have incorporated or proposed to incorporate changes or alterations into the proposed projects for the affected facilities that avoid or substantially lessen the significant adverse indirect impacts created by the affected facilities, but that these changes do not reduce significant adverse indirect impacts to less than significant.

The Governing Board finds further that such changes or alterations are within the responsibility and jurisdiction of other public agencies; and not the SCAQMD, which is agency making the current findings, and that such changes have been adopted by such other agencies or can and should be adopted by such other agencies.

3. **Significant adverse indirect greenhouse gas (GHG) emission impacts could occur from operating facilities that might access the Priority Reserve.**

Findings and Explanation: The survey of CEQA documents for current and future affected facilities indicated that the lead agencies did not calculate GHG emissions. As part of the analysis of indirect impacts, the SCAQMD calculated carbon dioxide (CO2) emissions from EGFs. While the SCAQMD has not determined whether the proposed projects individually will have a significant impact on global warming or climate change from GHG emissions, the proposed projects taken together overall will contribute to GHG emissions in California as well as related potential adverse health effects. Given the position of the legislature on AB 32, which states that global warming poses serious threats to health and the environment, as well as the requirements of CEQA for the lead agency to determine whether a project will have a significant impact, the overall effect of 35.4 billion pounds of projected annual CO2 emissions is considered to be sizeable. Thus, the indirect GHG impact from the proposed project is considered significant. This determination is based on the lack of clear scientific or other criteria for determining the level of significance of all the projects' contribution to the already degraded air quality in state of California and the world at large.

The Governing Board finds that the proposed EGF projects have been carefully designed to minimize emissions by installing BACT, and limits that go beyond

BACT, and complying with the requirements of PAR 1309.1 to investigate and document the availability of renewable energy plans as an alternative to the project. In turn, total GHG emissions are reduced. Thus, the SCAQMD has required all feasible mitigation measures to reduce indirect GHG emission impacts of Rule 1309.1. Greenhouse gas emissions, however, remain significant in spite of requiring BACT and emission limits, and in spite of requiring projects to demonstrate that renewable energy is not an available alternative to the EGF projects.

The Governing Board finds further that the strategies relevant to reducing or limiting the GHG emissions from power generation (see Table 5-5 in the Final PEA) which are to be implemented by CEC and CPUC are within the responsibility and jurisdiction of these agencies and not the SCAQMD, which is agency making the current findings. Further, strategies for reducing or limiting GHG emissions can and should be adopted by such other agencies.

4. **Significant adverse indirect health effects from exposure to particulate matter (PM) could occur from operating facilities that might access the Priority Reserve.**

Findings and Explanation: The survey of CEQA documents for current and future affected facilities indicated that the lead agencies did not analyze health effects. As part of the analysis of indirect impacts, the SCAQMD calculated health effects from exposure to PM emissions from a single EGF and concluded that the EGF could produce additional annual adult mortality of 3.82. Based on this result alone, the SCAQMD concluded that health effects are significant. Health effects are caused by pollution from PAR 1309.1 facilities and such impacts can be mitigated by reducing PAR 1309.1 pollutants.

The Governing Board finds that the proposed EGF projects have been carefully designed to minimize PM emissions by installing BACT and controls beyond BACT, and complying with the requirements of PAR 1309.1 to investigate and document the availability of renewable energy plans as an alternative to the project. In turn, total PM emissions are reduced. Thus, the SCAQMD has required all feasible mitigation measures to reduce indirect health impacts of Rule 1309.1. Health impacts, however, remain significant in spite of requiring BACT and requiring demonstration that alternative energy is not an available option for the EGF projects.

In addition, the Governing Board finds that changes have been included in the project to reduce impacts to the maximum extent feasible because PAR 1309.1 requires EGFs to pay mitigation fees, which are designed to be used to reduce the impacts of pollution from the facilities accessing the Priority Reserve by obtaining reductions in Priority Reserve pollutants, their precursors, or pollutants caused by Priority Reserve pollutants, in the areas impacted by the facilities. Despite the mitigation fee, the SCAQMD cannot assure that projects funded by the fees will reduce the impacts to insignificant.

5. **No feasible mitigation measures were identified that would reduce significant adverse direct impacts to less than significant.**

Findings and Explanation: No feasible mitigation measures beyond the changes in the project, i.e. mitigation fee under PAR 1309.1, the emission controls included in the rule, and the renewable energy due diligence requirements were identified.

The Governing Board finds that aside from the No Project Alternative, the Final EA considered alternatives pursuant to CEQA Guidelines §15126.6, but no project alternatives would reduce to insignificant levels the significant impacts identified for the proposed project and still achieve the objectives of the proposed project.

Findings Conclusion

Changes or alterations (e.g., installation of BACT) and other controls, the renewable energy demonstration, and the mitigation fee, have been incorporated into the proposed project to mitigate or minimize the potentially significant adverse indirect effects associated with criteria pollutants, greenhouse gases and PM emissions. However, these impacts remain significant.

Additional potentially significant indirect impacts were identified from siting, constructing, and operating facilities in areas of aesthetics, air quality, biological resources, hydrology/water quality, noise, and recreation. Additional changes to further reduce indirect impacts from siting, constructing, and operating facilities that could access the Priority Reserve are the responsibility of those public agencies with primary approval authority over these projects, not the SCAQMD. Further, these additional changes can and should be adopted by these other agencies. All of the above findings are supported by substantial evidence in the record for the proposed project. The record of approval for this project may be found in the SCAQMD's Clerk of the Board's Office located at SCAQMD Headquarters in Diamond Bar, California.

STATEMENT OF OVERRIDING CONSIDERATIONS

If significant adverse impacts of a proposed project remain after incorporating mitigation measures, or no measures or alternatives to mitigate the adverse impacts are identified, the lead agency must make a determination that the benefits of the project outweigh the unavoidable adverse environmental effects if it is to approve the project. CEQA requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental risks when determining whether to approve the project (CEQA Guidelines §15093(a)). If the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered "acceptable" (CEQA Guidelines §15093(a)). Accordingly, a Statement of Overriding Considerations regarding potentially significant adverse air quality impacts resulting from the proposed project has been prepared. This Statement of Overriding Considerations is included as part of the record of the project approval

for the proposed project. Pursuant to CEQA Guidelines §15093(c), the Statement of Overriding Considerations will also be noted in the Notice of Decision for the proposed project.

Despite the inability to incorporate changes into the proposed project that will mitigate potentially significant adverse direct and indirect impacts to a level of insignificance, the SCAQMD's Governing Board finds that the following benefits and considerations outweigh the significant unavoidable adverse environmental impacts:

1. Electric power is critical for residences, businesses, maintaining public safety, preserving essential public services, assuring operation of health-related equipment, avoiding potential air traffic control, traffic light and congestion problems, ensuring the operation of clean air technologies, and avoiding heat related illnesses and deaths, disruption of business and industry, and hardship and inconvenience to residents. The proposed project is a proactive approach to avoiding a potential energy crisis situation and the possibility of future rolling blackouts, whereby sufficient power generating capacity is not available to meet increasing demand, due in part to no new or expanded power generating facilities being built in the recent past;

2. CEC and CPUC, California's energy planning agencies, have determined that additional power generation from conventional power plants is needed to meet the state's needs; PAR 1309.1 will help this to occur;

3. In the absence of new power generating capacity there is the potential for the proliferation of high-polluting generation sets and backup generators for purchase and use by consumers for residential purposes during power outages which would substantially increase diesel particulate emissions;

4. The proposed project will minimize the use of standby emergency diesel fired electric power generators since facilities would likely use high-polluting standby emergency diesel fired electric power generators for electrical power generation during power outages or existing power plants that would be run at a higher capacity resulting in a higher emission rate than EGFs complying with BACT requirements;

5. A mitigation fee will be required which will be used to fund emission reduction programs participating in the areas impacted by EGFs to replenish ERCs used as part of the proposed project; and

6. As part of the adopting Resolution for the proposed project, staff will be making the following recommendations to the Governing Board:
   - Invest mitigation fees in and around the communities most impacted by the proposed project;

- Set aside $4,000,000 to identify and pilot the most advanced PM2.5 add-on control technologies that would further reduce PM2.5 emissions from EGFs; and
- Set aside $1,000,000 from the mitigation fees collected to conduct a comprehensive energy resource planning analysis for the next 20 years and identify avenues to maximize renewable energy production in the Basin.

7. PAR 1309.1 (c)(5)(B) requires the EGF operator seeking access the Priority Reserve to consider the use of renewable energy, e.g., hydropower, solar energy, etc., or verify to the Executive Officer that renewable energy is not a viable option.

8. As of June 11, 2007, the district was designated by U.S. EPA as attainment for the CO NAAQS. Pursuant to SCAQMD Rule 1303 emissions offsets are required only for nonattainment pollutants. As a result, CO offsets will no longer be required for new, modified or relocated facilities, so access to the Priority Reserve will no longer be necessary. This means that direct CO impacts identified for PAR 1309.1 have been eliminated.

9. The analysis of potential adverse environmental impacts incorporates a "worst-case" approach. This entails the premise that whenever the analysis requires that assumptions be made, those assumptions that result in the greatest adverse impacts are typically chosen. This method likely overestimates the actual direct and indirect impacts from the proposed project.

The SCAQMD's Governing Board finds that the above-described economic and technological considerations outweigh the unavoidable significant effects to the environment as a result of the proposed project.

MITIGATION MONITORING PLAN

Pursuant to the requirements of Public Resources Code §21081.6(a)(1) and CEQA Guidelines §15097, when a public agency conducts an environmental review of a proposed project in conjunction with approving a project, the lead agency shall adopt a program for monitoring or reporting on the measures it has imposed to mitigate or avoid significant adverse environmental effects. Further, CEQA Guidelines §15097 states that when a public agency has made the finding of significant adverse impacts [pursuant to CEQA Guidelines §15091(a)(1)], the agency shall adopt a program for monitoring or reporting on the revisions which it has required in the project and the measures it has imposed to mitigate or avoid significant environmental effects.

As indicated in the "Findings" section above, the Governing Board finds that no feasible mitigation measures have been identified to eliminate or minimize the potentially significant adverse direct impact to air quality. CEQA defines feasible as "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological facts" (Public Resources Code §21061.1).

The survey of CEQA documents for current and future affected facilities showed that they could generate significant adverse indirect impacts from siting, constructing, and operating affected facilities to the following environmental topic areas: aesthetics, air quality, biological resources, hydrology/water quality, noise, recreation (operational), GHG emissions, and human health. Based on this information, the Governing Board also made findings that the lead agencies for the affected projects, not the SCAQMD, have incorporated changes or alterations into the proposed projects for the affected facilities that avoid or substantially lessen the significant adverse indirect impacts created by the affected facilities (see Table 2), but that these changes do not reduce significant adverse indirect impacts to less than significant. Further such changes or alterations are within the responsibility and jurisdiction of other public agencies; and not the SCAQMD, which is the agency making the current findings, and that such changes have been adopted by such other agencies or can and should be adopted by such other agencies (CEQA Guidelines §15091(a)(2)).

Based on the foregoing information, the SCAQMD is not required to prepare a mitigation monitoring plan because no mitigation measures were identified that could minimize or reduce direct impacts to less than significant. Further, measures to mitigate indirect environmental impacts (see Table 2) are within the responsibility and jurisdiction of other public agencies; and not the SCAQMD. Finally, preparing a mitigation monitoring plan that identifies mitigation measures within the responsibility and jurisdiction of other public agencies, identifies entities responsible for implementing or enforcing implementation of mitigation measures, and that have already been approved by such other public agencies serves no purpose as the SCAQMD cannot change, alter, implement or enforce these measures.