



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4182
(909) 396-2000 • www.aqmd.gov

Subject: NOTICE OF PREPARATION OF A DRAFT PROGRAM ENVIRONMENTAL ASSESSMENT

Project Title: RE-ADOPTION OF PROPOSED RULE 1315 – FEDERAL NEW SOURCE REVIEW TRACKING SYSTEM, AND ADOPTION OF PROPOSED AMENDMENTS TO RULE 1309.2 – OFFSET BUDGET

In accordance with the California Environmental Quality Act (CEQA), the South Coast Air Quality Management District (SCAQMD), as the Lead Agency, has prepared this Notice of Preparation (NOP) and Initial Study (IS). This NOP/IS serves two purposes: 1) to solicit information on the scope of the environmental analysis for the proposed project, and 2) to notify the public that the SCAQMD will prepare a Draft Program Environmental Assessment (PEA) to further assess potential environmental impacts that may result from implementing the proposed project.

This letter, NOP, and the attached IS are not SCAQMD applications or forms requiring a response from you. Their purpose is simply to provide information to you on the above project. If the proposed project has no bearing on you or your organization, no action on your part is necessary.

Comments focusing on issues relative to the environmental analysis for the proposed project should be addressed to Mr. Michael Krause at the address shown above, or sent by FAX to (909) 396-3324 or by e-mail to mkrause@aqmd.gov. Comments must be received no later than 5:00 PM on April 15, 2009. If submitting comments, please include your name and phone number. Questions relative to the proposed rules should be directed to Mr. Mohsen Nazemi at (909) 396-2662.

A public Scoping Meeting to solicit comments on the scope of the PEA analysis is scheduled for April 8, 2009. The Public Hearing for the proposed project is currently scheduled for October 2, 2009; however, this date is subject to change. Both meetings will take place at 9:00 a.m. at the SCAQMD Headquarters.

Date: March 17, 2009

Signature: *Steve Smith*

Steve Smith, Ph.D.
Program Supervisor

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

21865 Copley Drive, Diamond Bar, CA 91765-4182

NOTICE OF PREPARATION OF A DRAFT PROGRAM ENVIRONMENTAL ASSESSMENT

Project Title:

Initial Study: Re-adoption of Proposed Rule 1315 – Federal New Source Review Tracking System, and Adoption of Proposed Amendments to Rule 1309.2 – Offset Budget

Project Location:

South Coast Air Quality Management District: the four-county South Coast Air Basin (Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties) and the Riverside County portions of the Salton Sea Air Basin and the Mojave Desert Air Basin.

Description of Nature, Purpose, and Beneficiaries of Project:

The project to be considered involves the re-adoption of proposed Rule 1315 and adoption of proposed amendments to Rule 1309.2. Rule 1315 would codify existing procedures for establishing equivalency with federal offset requirements for the use of internal offsets by operators of various projects subject to Rule 1309.1 – Priority Reserve, Rule 1309.2 – Offset Budget, (which is pending approval by the United States Environmental Protection Agency), and Rule 1304 – Exemptions, and would specify the types of reductions that may be deposited in the SCAQMD's internal offset account, including newly tracked reductions. Rule 1309.2 establishes an offset budget pre-funded by surplus shutdowns from non-major polluting facilities and requires mitigation fees for access to the offset budget. The proposed amendments to Rule 1309.2 would preclude fossil fuel-fired thermal power plants from accessing credits from the Rule 1309.2 Offset Budget other than certain facilities that generate electricity for their own use, update the mitigation fees based on current market prices of emission reduction credits, and clarify the public notice requirements. The analysis in the Initial Study (IS) shows that access to, and use of, emission offsets from the SCAQMD's internal offset accounts could generate potentially significant direct adverse air quality impacts from new or modified facilities using the emission offsets. In addition, significant adverse indirect environmental impacts from siting, constructing, and operating these facilities could occur. Potential direct and indirect impacts from the proposed project will be evaluated in the Draft Program Environmental Assessment.

Lead Agency:

South Coast Air Quality Management District

Division:

Planning, Rule Development and Area Sources

Initial Study and all supporting documentation are available at:

SCAQMD Headquarters
21865 Copley Drive
Diamond Bar, CA 91765

or by calling:

(909) 396-2039

Initial Study is available by accessing the SCAQMD website at:

<http://www.aqmd.gov/ceqa/aqmd.html>

The Public Notice of Preparation is provided through the following:

Los Angeles Times (March 17, 2009) SCAQMD Website SCAQMD CEQA Mailing List and Interested Parties

Initial Study Review Period:

March 17, 2009 – April 15, 2009

Scheduled Public Meeting Dates (subject to change):

Scoping Meeting:	April 8, 2009	9:00 a.m.	SCAQMD Auditorium
Public Hearing	October 2, 2009 (subject to change)	9:00 a.m.	SCAQMD Auditorium

Send CEQA Comments to:

Mr. Michael Krause

Phone:

(909) 396-2706

Email:

mkrause@aqmd.gov

Fax Number:

(909) 396-3324

Direct Questions on Amendments:

Mr. Mohsen Nazemi

Phone:

(909) 396-2662

Email:

Mnazemi1@aqmd.gov

Fax Number:

(909) 396-2999

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Initial Study:

**Re-Adoption of Proposed Rule 1315 – Federal New Source Review Tracking System,
and Adoption of Proposed Amendments to Rule 1309.2 – Offset Budget**

March 17, 2009

SCAQMD No. 090317MK
State Clearinghouse No. TBD

Executive Officer

Barry R. Wallerstein, D.Env.

Deputy Executive Officer

Planning, Rule Development and Area Sources

Elaine Chang, DrPH

Assistant Deputy Executive Officer

Planning, Rule Development and Area Sources

Laki Tisopulos, Ph.D., P.E.

Planning and Rules Manager

Susan Nakamura

Prepared by:

ICF Jones & Stokes

Reviewed by:

Steve Smith, Ph.D.
Mohsen Nazemi, P.E.
Michael Krause
Kurt Wiese
Barbara Baird
Linda Vogel
Kavita Lesser
Mitch Haimov, M.S.

Program Supervisor
Assistant Deputy Executive Officer
Air Quality Specialist
General Counsel
District Counsel
Senior Deputy District Counsel
Deputy District Counsel II
Air Quality Analysis & Compliance Supervisor

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TONIA REYES URANGA
Councilmember, City of Long Beach
Cities of Los Angeles County, Western Region

DENNIS YATES
Mayor, City of Chino
Cities of San Bernardino County

EXECUTIVE OFFICER

BARRY WALLERSTEIN, D. Env.

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CHAPTER 1 - PROJECT DESCRIPTION

Introduction

Legislative Authority

California Environmental Quality Act

Project Location

Background

Project Description

Project Objectives

Project Alternatives

INTRODUCTION

The South Coast Air Quality Management District (SCAQMD) will be preparing a Program Environmental Assessment (PEA) for the re-adoption of proposed Rule 1315 – Federal New Source Review Tracking System, and the adoption of proposed amendments to Rule 1309.2 – Offset Budget. Proposed Rule 1315 would codify existing procedures for establishing equivalency under federal New Source Review requirements for the use of internal offsets by operators of various projects who either obtain emissions offsets pursuant to Rule 1309.1 – Priority Reserve, or Rule 1309.2 – Offset Budget (which is currently pending approval by the United States Environmental Protection Agency (USEPA) into the State Implementation Plan), or are exempt from the emissions offsets requirements of Rule 1303 – Requirements pursuant to Rule 1304 – Exemptions. Proposed Rule 1315 would also specify the types of reductions that may be deposited into the SCAQMD’s internal offset accounts, including newly-tracked reductions. The term “equivalency” means that the SCAQMD provides sufficient offsets from its internal offset accounts to cover the emission increases from new or modified sources that are exempt from offsets under the SCAQMD rules or that obtain credits from the Priority Reserve or Offset Budget, but are subject to offset requirements under federal law. The PEA will analyze direct and indirect impacts from major sources relying on the SCAQMD’s internal offset accounts for purposes of federal new source review. The PEA will also analyze direct and indirect impacts from both major and minor sources relying on credits from the Rule 1309.1 Priority Reserve, Rule 1309.2 Offset Budget, or Rule 1304 offset exemptions. The analysis in the PEA will include the worst-case assumption that all newly- tracked credits will be used.

The SCAQMD is re-adopting proposed Rule 1315 in response to litigation challenging the SCAQMD’s CEQA determinations for former versions of Rule 1315 and amended Rule 1309.1. In particular, the Los Angeles County Superior Court issued a writ of mandate ordering the SCAQMD to, *inter alia*, set aside its August 2007 adoption of Rule 1315 and amended Rule 1309.1 (“the 2007 Project”). The Court held that the SCAQMD violated CEQA in adopting the rules and also included injunctions that enjoined the SCAQMD from undertaking any actions to implement the 2007 Project pending CEQA compliance and required it to rescind permits it had issued prior to entry of judgment. As a result of the Court’s decision, the SCAQMD is not considering re-amending Rule 1309.1 to allow electric generating facilities access to the SCAQMD’s internal emission offsets in its Priority Reserve. If proposed Rule 1315 is readopted, USEPA may consider approving Rule 1309.2 into the State Implementation Plan (SIP). Rule 1309.2 would become effective upon such approval into the SIP. Implementing Rule 1309.2 would make offsets available to operators of facilities that require external offsets, but do not qualify for Rule 1304 exemptions or allocations from the Priority Reserve. The SCAQMD is proposing to amend Rule 1309.2 to exclude access to offsets by fossil fuel-fired thermal power plants that generate electricity primarily for distribution through the state grid system and to update the mitigation fee for offsets to reflect current market value.

The PEA is a substitute CEQA document, prepared in lieu of an environmental impact report (EIR) [Cal. Code Reg. tit. 14 §15252], pursuant to the SCAQMD’s Certified Regulatory Program (CEQA Guidelines §15251(1) codified in Rule 110). It is being

prepared for proposed Rule 1315 and proposed amended Rule 1309.2 to address the Court’s decision regarding the previous CEQA analysis for Rules 1315 and 1309.1. To provide a conservative analysis, the PEA will include an analysis of direct and indirect impacts from major sources relying on offsets in the SCAQMD’s internal offset accounts to ensure equivalency with federal new source review requirements. The PEA will also include an analysis of direct and indirect impacts from both major and minor sources relying on credits from the Rule 1309.1 Priority Reserve, Rule 1309.2 Offset Budget, or Rule 1304 offset exemptions. The analysis in the PEA will assume that all offsets in the SCAQMD’s accounts, including previously-untracked offsets, will be used.

LEGISLATIVE AUTHORITY

The California Legislature created the SCAQMD in 1977¹ as the agency responsible for developing and enforcing air pollution control rules and regulations in the South Coast Air Basin (Basin) and portions of the Salton Sea Air Basin and Mojave Desert Air Basin, (this geographic area is referred to hereinafter as the district). The political and geographical boundaries of the district are described in greater detail in the discussion of the project location (below). By statute, the SCAQMD is required to adopt an air quality management plan (AQMP) demonstrating compliance with all federal and state ambient air quality standards for the district². Furthermore, the SCAQMD must adopt rules and regulations that carry out the AQMP³. The 2003 and 2007 AQMPs concluded that major reductions in emissions of volatile organic compounds (VOC) and oxides of nitrogen (NO_x) were necessary to attain the air quality standards for ozone and inhalable particulate matter (PM₁₀). As part of the strategy to achieve ambient air quality standards, federal and state laws require the development and implementation of air quality permitting programs, commonly known as New Source Review (NSR) programs. Local NSR programs must, at a minimum, comply with the requirements established pursuant to federal and state law. The general requirements of NSR programs include: (1) pre-construction review; (2) installing California best available control technology (BACT)⁴; and (3) mitigating emission increases by providing emission offsets.

The SCAQMD is proposing to re-adopt Rule 1315 and to amend Rule 1309.2 in order to maintain the SCAQMD’s ability to (1) administer its NSR program for major and minor sources, (2) specify the types of surplus emission reductions that may be deposited into the SCAQMD’s internal accounts and used to offset emission increases, (3) memorialize in rule form the accounting procedures used by the SCAQMD to establish equivalency with federal offset requirements, and (4) establish mechanisms that ensure valid emission offsets are available before a source relying on those emission offsets obtains an approved permit, in order to prevent a net increase in criteria and precursor emissions.

¹ The Lewis-Presley Air Quality Management Act, 1976 Cal. Stats., Ch 324 (codified at Cal. Health & Safety Code, §§ 40400-40540).

² Cal. Health & Safety Code, § 40460 (a).

³ Cal. Health & Safety Code, § 40440 (a).

⁴ California BACT is comparable to federal lowest achievable emission rate (LAER).

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Proposed Rule 1315 and proposed amended Rule 1309.2 comprise a "project" as defined by CEQA (Cal. Public Resources Code §21000, *et. seq.*). The SCAQMD is the lead agency for the proposed project and will prepare an appropriate environmental analysis pursuant to its certified regulatory program. California Public Resources Code §21080.5 allows public agencies with certified regulatory programs to prepare a plan or other written document in lieu of an environmental impact report once the Secretary of the Resources Agency has certified the regulatory program. The SCAQMD's regulatory program was certified by the Secretary of the Resources Agency on March 1, 1989, and is codified as SCAQMD Rule 110.

CEQA requires that potential adverse environmental impacts of proposed projects be evaluated and that feasible methods to reduce or avoid significant adverse environmental impacts of these projects be identified. To fulfill the purpose and intent of CEQA, the SCAQMD has prepared this Initial Study (IS) to identify potential adverse environmental impacts associated with adopting and implementing proposed Rule 1315 and proposed amended Rule 1309.2, which will be further analyzed in a Draft PEA.

The purpose of the IS is to provide the SCAQMD, as lead agency, with the information to use as the basis for deciding whether to prepare a CEQA document identifying significant adverse impacts (EIR or EIR equivalent) or one that does not identify significant adverse impacts (negative declaration or negative declaration equivalent). If the lead agency decides, on the basis of preparing an IS, that an EIR or EIR-equivalent CEQA document is warranted, the IS assists in the preparation of the CEQA document by identifying potentially significant adverse effects, identifying insignificant effects, and explaining the reasons for determining why potentially-significant effects would not be significant. Based on the analysis in this IS, the SCAQMD has concluded that proposed Rule 1315 and the proposed amendments to Rule 1309.2 have the potential to generate significant adverse environmental impacts. Therefore, this IS, along with a Notice of Preparation (NOP), is being circulated for a 30-day public review period to solicit comments from public agencies, and the public in general, on potential impacts from the proposed project. All comments received during the public comment period on the NOP/IS will be responded to and will be included in the Draft PEA.

CEQA includes provisions for program CEQA documents in connection with issuance of rules, regulations, plans, or other general criteria to govern the conduct of a continuing program, including adoptions of broad policy programs as distinguished from those prepared for specific types of projects (e.g., land use projects) [Cal. Code Reg. tit. 14 (hereinafter referred to as CEQA Guidelines) §15168]. The environmental assessment for the proposed project will be a PEA because it examines the environmental effects of a proposed rule and proposed amended rule, which would establish criteria to govern the conduct of a continuing program (CEQA Guidelines §15168).

A program CEQA document allows consideration of broad policy alternatives and program-wide mitigation measures at a time when an agency has greater flexibility to deal with basic problems of cumulative impacts. A PEA also plays an important role in establishing a

structure within which CEQA reviews of future related actions can effectively be conducted. This concept of covering broad policies in a PEA and incorporating the information contained therein by reference into subsequent EAs for specific projects is known as “tiering” (CEQA Guidelines §15152). A PEA will provide the basis for future environmental analyses and will allow future project-specific CEQA documents, if necessary, to focus solely on the new effects or detailed environmental issues not previously considered. If an agency finds that no new effects could occur, or no new mitigation measures would be required, the agency can approve the activity as being within the scope of the project covered by the PEA and no new environmental document would be required [CEQA Guidelines §15168(c)(2)].

As explained in more detail in Chapter 2, the Draft PEA will evaluate the use of offsets by the SCAQMD to demonstrate equivalency with federal offset requirements applicable to future projects obtaining permits subject to Regulation XIII New Source Review requirements. Under the CEQA provision for tiering, as explained above, the lead agency may rely on this PEA to form the basis of a project-specific analysis for projects that access the Priority Reserve or Offset Budget, or are exempt from offsets under Rule 1304.

The degree of specificity required in a CEQA document corresponds to the degree of specificity involved in the underlying activity described in the CEQA document (CEQA Guidelines §15146). A CEQA document on a construction project will necessarily be more detailed regarding the analysis of environmental impacts from the project than will be a CEQA document on the adoption of a local general plan, for example, because the effect of a construction project can be predicted with greater accuracy (CEQA Guidelines §15146(a)). Because the level of information regarding some potential impacts related to the siting and consideration of future projects requires making certain assumptions and projections, some of the environmental impact forecasts of cumulative impacts from these projects may be general or qualitative in nature. In certain instances, such as future construction and operation of affected facilities, impacts are quantified or modeled to the degree feasible.

PROJECT LOCATION

Proposed Rule 1315 and proposed amended Rule 1309.2 would apply to proposed projects located in the SCAQMD’s entire area of jurisdiction (i.e., the entire district). The district is an area of 10,473 square miles, consisting of the four-county South Coast Air Basin (Basin) and the Riverside County portions of the Salton Sea Air Basin (SSAB) and the Mojave Desert Air Basin (MDAB). The Basin, which is a sub area of the SCAQMD’s jurisdiction, is bounded by the Pacific Ocean to the west and the San Gabriel, San Bernardino, and San Jacinto Mountains to the north and east. The 6,745 square-mile Basin includes all of Orange County and the non-desert portions of Los Angeles, Riverside, and San Bernardino counties. The Riverside County portion of the SSAB and MDAB is bounded by the San Jacinto Mountains to the west and spans eastward up to the Palo Verde Valley. The federal nonattainment area (known as the Coachella Valley Planning Area) is a sub region of both Riverside County and the SSAB and is bounded by the San Jacinto Mountains to the west and the eastern boundary of the Coachella Valley to the east (Figure 1-1).

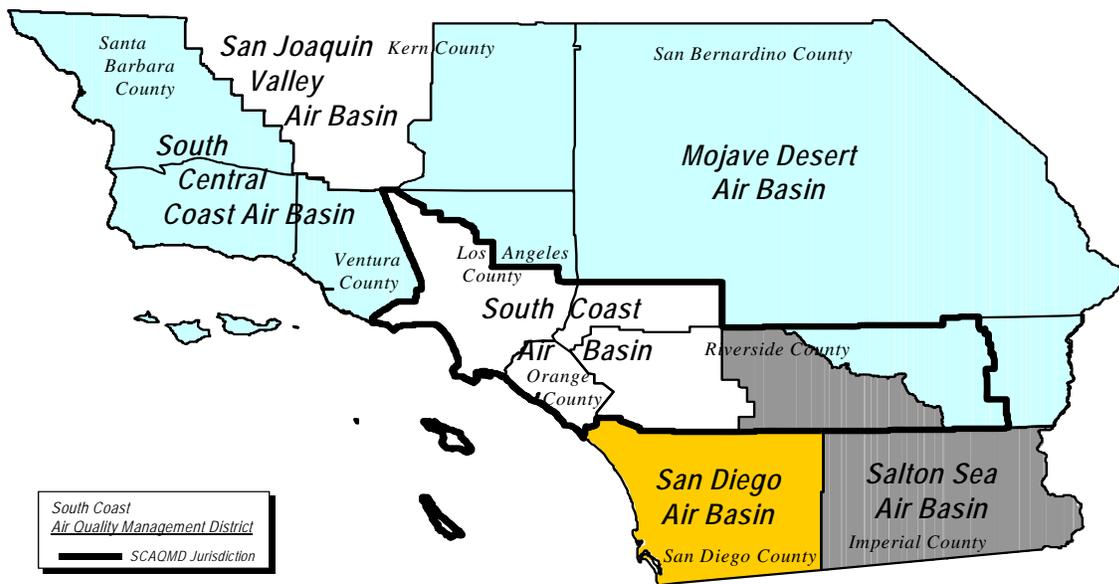


FIGURE 1-1

South Coast Air Quality Management District Boundaries

BACKGROUND

The enactment of the Clean Air Act of 1970 (1970 CAA) required the development of comprehensive federal and state regulations to limit emissions from both stationary (industrial) sources and mobile sources by establishing the following four major regulatory programs affecting stationary sources: 1) the National Ambient Air Quality Standards (NAAQS), 2) State Implementation Plans (SIPs), 3) National Emission Standards for Hazardous Air Pollutants (NESHAPs) and 4) New Source Performance Standards for new and modified stationary sources. Furthermore, enforcement authority of 1970 CAA Act requirements was substantially expanded.

New Source Review

New Source Review, which is part of the CAA, and California statutes require the development and implementation of NSR programs to ensure that the operation of new, modified, or relocated stationary emission sources in nonattainment areas does not impede with the attainment and maintenance of NAAQS and California ambient air quality standards (CAAQS). Local NSR programs must, at a minimum, comply with the federal and state requirements, which include: (1) pre-construction review; (2) compliance with

LAER (SCAQMD’s BACT is equivalent to LAER); and, (3) offsetting of emission increases by providing emission reductions or purchasing emissions reduction credits (ERCs).

Overview of SCAQMD’s New Source Review Program – Federal and California No Net Increase Provisions

SCAQMD’s NSR regulation sets forth pre-construction review requirements for new, modified, or relocated facilities to ensure that the operation of such facilities does not interfere with progress in attaining the NAAQs and that future economic growth within the district is not unnecessarily restricted. The specific air quality goal of this regulation is to achieve no net increases from new or modified permitted sources of nonattainment air contaminants or their precursors.

In general, the Federal Clean Air Act requires that, among other things, emission increases of nonattainment air pollutants from new and modified federal major sources be offset with emissions reductions. The specific quantity of emission reductions required to offset a specific increase in federal nonattainment emissions is dependent upon the pollutant’s federal nonattainment designation for the air basin in which the increase occurs. In the case of the Basin, the applicable offset ratios are 1.2 pounds of reductions for every 1.0 pound of increase for VOC and NOx⁵ and at least 1.0 pound of reduction for every 1.0 pound of increase for all other nonattainment pollutants and their precursors.

Some aspects of the offset requirements in the SCAQMD’s NSR program (Regulation XIII – New Source Review⁶) are more stringent than the federal offset requirements, while other aspects are less stringent. For example, Regulation XIII is more stringent in that it requires offsets for increases from sources that are not federal major sources (federal minor sources) and an offset ratio of 1.2-to-1.0 for all nonattainment pollutants and their precursors (rather than the federally-required 1.0-to-1.0 for pollutants other than VOC and NOx) and is less stringent in that it includes a variety of exemptions from the offset requirement that do not exist in federal NSR.

In addition to the emissions offset requirements, the SCAQMD’s NSR program also requires that new and modified stationary sources with the potential-to-increase emissions employ BACT, which is comparable to federal LAER, and use modeling to demonstrate that the increase will not “cause a violation, or make significantly worse an existing violation...of any state or national ambient air quality standards at any receptor location in the District.” Provisions for banking emissions reductions as emission reduction credits (ERCs) and for transferring ERCs are also included in Regulation XIII. Each of the existing rules that

⁵ The federally-required offset ratio for VOC and NOx applicable to the Basin, as an extreme nonattainment area, would be 1.5-to-1.0, but SCAQMD’s NSR program requires installation of best available control technology (BACT), which is comparable to federal lowest achievable emission rate (LAER), on new and modified federal non-major sources, making SCAQMD eligible to use a 1.2-to-1.0 offset ratio for VOC and NOx under the federal Clean Air Act.

⁶ SCAQMD’s Regional Clean Air Incentives Market (RECLAIM) program includes its own NSR requirements for new and modified sources of NOx and/or SOx subject to RECLAIM in its Rule 2005 – New Source Review for RECLAIM. PR 1315 is not applicable to RECLAIM emissions, so Rule 2005 is outside the scope of this discussion.

collectively comprise the SCAQMD’s NSR program (Regulation XIII – New Source Review) as it currently exists is summarized in the following bulleted items:

- Rule 1301 – General (adopted October 5, 1979, last amended December 7, 1995): Rule 1301 describes the purpose and applicability of Regulation XIII.
- Rule 1302 – Definitions (adopted October 5, 1979, last amended December 6, 2002): Rule 1302 provides definitions for 42 terms and phrases used throughout Regulation XIII.
- Rule 1303 – Requirements (adopted October 5, 1979, last amended December 6, 2002): Rule 1303 presents the pre-construction review requirements that make up the core of SCAQMD’s NSR program. These requirements include BACT for all new or modified sources with an increase in potential to emit any nonattainment air contaminant, any ozone depleting compound, or ammonia, as well as modeling and emissions offsets for any new or modified source with an increase in potential to emit any nonattainment air contaminant. The rule also includes additional requirements for new major sources and major modifications at existing major sources, including an analysis of alternatives (similar to CEQA requirements for an environmental analysis), demonstration of statewide compliance, and modeling of plume visibility for certain sources of PM10 or NOx located near specified Federal Class I areas.
- Rule 1304 - Exemptions (adopted October 5, 1979, last amended June 14, 1996): Rule 1304 establishes exemptions from Rule 1303 modeling and offset requirements for certain specified categories of projects (e.g., functionally identical replacements, emergency equipment, and air pollution control strategies) and exemptions from Rule 1303 offset requirements for other specified categories of projects (e.g., relocations, concurrent facility modifications, regulatory compliance, replacement of ozone depleting compounds, and new and modified facilities with potential to emit below established thresholds).
- Rule 1306 – Emissions Calculations (adopted October 5, 1979, last amended December 6, 2002): Rule 1306 codifies the basis for quantifying emissions increases and emissions reductions for specified Regulation XIII purposes (e.g., determining applicability of BACT, quantifying the amount of emission offsets required or the amount of ERCs to be banked).
- Rule 1309 – Emission Reduction Credits and Short Term Credits (adopted September 10, 1982, last amended December 6, 2002): Rule 1309 “addresses the application, eligibility, registration, use, and transfer of [ERCs] and Short Term Credits (STCs).” It addresses the conversion of pre-1990 negative balances to ERCs and the conversion of pre-1990 ERCs to post-1990 ERCs, the application process for banking new ERCs and STCs, transfer and use of ERCs and STCs, interpollutant offsets, and inter-basin and inter-district offsets.
- Rule 1309.1 – Priority Reserve (adopted June 28, 1990, last amended August 3, 2007): Rule 1309.1 establishes the Priority Reserve of offsets, specifies the types of essential public service projects that are eligible to obtain offsets from the Priority Reserve, and requires that any facility operator who holds ERCs must use them as offsets prior to obtaining Priority Reserve offsets for the same pollutant.

- Rule 1309.2 – Offset Budget (adopted December 6, 2002): Rule 1309.2 establishes an Offset Budget and the eligibility requirements applicable to project proponents requesting emissions offsets from the Offset Budget, provides guidance to the Executive Officer for implementing the Offset Budget, and specifies the public notice requirements applicable to the use of offsets from the Offset Budget and to the banking and use of STCs. Rule 1309.2 does not become effective unless and until it is approved into the SIP by USEPA.
- Rule 1310 – Analysis and Reporting (adopted October 5, 1979, last amended December 7, 1995): Rule 1310 addresses the Executive Officer’s application completeness determinations, annual reports to the Governing Board “regarding the effectiveness of Regulation XIII in meeting the state and federal NSR requirements,” and public notice requirements for banking ERCs above specified threshold amounts.
- Rule 1313 – Permits to Operate (adopted October 5, 1979, last amended December 7, 1995): Rule 1313 exempts permit renewal, change of operator, or change in Rule 219 – Equipment Not Requiring a Written Permit Pursuant to Regulation II from the SCAQMD’s NSR program, specifies that an application for a permit to operate a source that was constructed without a prior permit to construct is considered an application for a permit to construct for purposes of the SCAQMD’s NSR program, establishes a 90-day deadline for facilities to provide emissions offsets requested by the Executive Officer for a permit to operate, provides a window of up to 90 days for a replacement source to operate concurrently with the source it is replacing, specifies the inclusion of NSR permit conditions on permits, and specifies that relaxing or removing a condition limiting mass emissions from a permit is subject to NSR if that condition limited the source’s obligations under NSR.
- Rule 1316 – Federal Major Modifications (Adopted December 2, 2005) Rule 1316 establishes that if a major source demonstrates that “a proposed modification to an existing stationary source would not constitute a Federal Major Modification” the proposed modification is exempt from the analysis of alternatives otherwise required by Rule 1303 and that if an operator of a major stationary source applies for and receives a plantwide applicability limit (PAL), transactions allowable under the PAL are exempt from the analysis of alternatives for the pollutant covered by the PAL.

Offset Tracking – SCAQMD submitted its NSR program to CARB for approval, and incorporation into the SIP. CARB then forwarded the SCAQMD’s NSR program to USEPA. USEPA approved of the SCAQMD’s NSR program in 1996, the SCAQMD has implemented an NSR tracking system to demonstrate programmatic equivalence between its NSR program and the offset requirements of the federal program.

However, USEPA’s approval included the assumption that the SCAQMD would implement a tracking system to account for emission reductions of federal nonattainment air pollutants that occur under the SCAQMD’s NSR program, but that are surplus under federal NSR, as well as emission increases of federal nonattainment pollutants that occur under the SCAQMD’s NSR program, even though the SCAQMD’s NSR program does not comply

with a small number of the specific individual federal NSR’s offset requirements⁷. The purpose of this tracking system is to “continuously show that in the aggregate the SCAQMD is able to provide for the necessary offsets required to meet the appropriate statutory offset ratio” (TSD, p. 16). The TSD further states that “USEPA determined that the District’s proposal to offset all emissions increases with emissions reductions not otherwise required by the Act could be met in the aggregate was consistent with the language of the Act” (p. 16). The tracking system accounts for the differences in emissions reductions achieved through offset requirements under SCAQMD Regulation XIII and federal NSR programs.

As a part of the effort to track emissions offsets SCAQMD staff has prepared a series of reports that track credits and debits from August 1990 through July 2002 and present the remaining balances of credits in the SCAQMD’s federal and California offset accounts. These NSR tracking reports go back to the year 1990 because that was the year when fundamental amendments were made to the SCAQMD’s Regulation XIII. A key source of creditable reductions in these tracking reports was orphan shutdowns of federal major sources and of sources with potential to emit above California’s NNI applicability thresholds. Other creditable reduction sources included “negative NSR balances” resulting from permit actions prior to 1990 and the “BACT discount” currently required by Regulation XIII when banking ERCs.

New Source Review Balance – Prior to 1990, in order to implement its offset requirements, SCAQMD kept a running “NSR balance” for each facility with permitted sources. The NSR balance included an entry for every increase and every decrease in emissions at the facility that resulted from a permit action. The entries in the NSR balance were based on maximum allowable emissions, i.e. the maximum amount of emissions that a source could emit given its physical capabilities and permit limitations and rule requirements. However, the NSR balance was initially determined for each piece of equipment that had not previously undergone an NSR analysis (i.e., pre-NSR equipment) from an actual emissions baseline for that equipment. Any subsequent NSR activity for such equipment was conducted on a potential-to-potential emissions basis. Therefore, a pre-NSR source modified under NSR would be subject to NSR on an actual-to potential emissions basis (i.e., actual pre-modification emissions to potential post-modification emissions)—a very conservative approach.

NSR balance entries had to be quantifiable and enforceable. Balance entries only occurred pursuant to permit applications with sufficient substantiating data to ensure quantifiability after evaluation by SCAQMD engineers, review by supervisory staff pursuant to Regulation XIII rules and implementing policies established by the SCAQMD, and upon issuance of permits or permit modifications that were enforceable under state law.

⁷ USEPA, Region IX Air & Toxics Division Technical Support Document (TSD) for USEPA’s Notice of Final Rulemaking for the California State Implementation Plan South Coast Air Quality Management District New Source Review by Gerardo C. Rios, October 24, 1996.

Existing SCAQMD Rules Affected by Proposed Rule 1315

Proposed Rule 1315 identifies sources of emissions offsets, including orphan shutdowns, surplus reductions, and prior NSR balances. These emission offsets may be used by various permit projects subject to Rule 1304 – Exemptions, Rule 1309.1 – Priority Reserve, and Rule 1309.2 – Offset Budget.

Rule 1304 – Rule 1304 – Exemptions, provides exemptions from specific Regulation XIII requirements, including offset requirements for the following sources:

- replacements of functionally identical sources;
- electric utility steam boiler replacement;
- abrasive blasting equipment;
- emergency non-utility electrical power generation equipment;
- air pollution control strategies, i.e., source modifications for the sole purpose of reducing emissions;
- equipment used exclusively for emergency activities;
- portable equipment;
- portable internal combustion engines;
- intra-facility portable equipment;
- relocations of existing equipment;
- concurrent facility modification;
- resource recovery and energy conservation projects;
- regulatory compliance. i.e., modifications to comply with federal, state, or SCAQMD pollution control requirements;
- regulatory compliance for essential public services;
- replacement of ozone depleting compounds;
- methyl bromide fumigation; And
- new and modified facilities with minimal potential to emit (less than four tons per year of VOC, NO_x, SO_x or PM₀, or less than 29 tons per year of CO).

For each of these exemption types, specific detailed conditions apply.

Rule 1309.1 – The Rule 1309.1 Priority Reserve was established to provide emissions offsets for specific priority sources, including essential public services, innovative technology, and research operations. Essential public services include sewage treatment facilities, prisons, police facilities, fire fighting facilities, schools, hospitals, landfills, water operations and public transit. To draw from the Priority Reserve bank of credits, an essential public service must either provide all required offsets available by modifying sources at the same facility to best available retrofit control technology (BARCT) levels or

demonstrate that no sources within the facility could be modified to BARCT levels to provide offsets.

Rule 1309.2 – In 2002, the SCAQMD adopted an Offset Budget rule (Rule 1309.2 – Offset Budget) as part of the SCAQMD’s NSR program to address some of the shortage problems with ERCs. As adopted, Rule 1309.2 makes the Offset Budget available as a “bank of last resort” to sources that are subject to the SCAQMD’s NSR offset requirements but are unable to obtain sufficient NO_x, SO_x, CO, or PM₁₀ ERCs to provide as emissions offsets on the open market. Offsets are available to such sources from the Offset Budget provided the sources pay a non-refundable mitigation fee based on the quantity and species of offsets obtained from the Offset Budget. Rule 1309.2 also includes the public notice requirements that are applicable to the issuance and use of short term credits (STCs). As part of the discussions between USEPA and the SCAQMD regarding Rule 1309.2, USEPA raised some questions related to the offsets in the SCAQMD’s internal offset accounts for use in the Offset Budget. Among the key issues raised by USEPA are the following:

- creditability of pre-1990 emission reductions, particularly availability of existing records associated with such reductions;
- creditability of reductions resulting from the BACT discount of newly-banked ERCs, since the discount is presumably also used to satisfy the federal surplus at the time of use discount requirement;
- baseline calculation procedures to assure an “actual” baseline;
- surplus adjustment at time of use for credits in the tracking system; and
- consistency of offset use with assumptions in the SIP.

USEPA staff requested that these issues be resolved prior to USEPA considering approval of Rule 1309.2 into the SIP. USEPA staff also requested that the SCAQMD adopt a rule specifying how the tracking of debits and credits into the offset bank would occur in the future. Therefore, USEPA and the SCAQMD staff engaged in a series of discussions to develop a proposed revised NSR Tracking System intended to demonstrate continued programmatic equivalency of the SCAQMD’s NSR program with federal NSR requirements and to address USEPA’s above-described concerns. Rule 1315 – Federal New Source Review Tracking System, as adopted September 8, 2006, was the result of this process.

Legal Challenges to Rules 1309.1 and 1315

Re-adoption of Rule 1315 is necessary because of a judgment in a lawsuit challenging the CEQA analyses for former adoptions of Rule 1315 and former versions of amended Rule 1309.1 – Priority Reserve. The intent of the former versions of Rule 1309.1 was to allow electric generating facilities (EGFs) temporary access to the Priority Reserve, thus, providing scarce emissions offsets to EGFs. In 2006, the first version of Rule 1309.1 incorporating such EGF access to the Priority Reserve was adopted, relying upon a statutory exemption from CEQA pertaining to actions relating to thermal power plants (CEQA Guidelines §15271) and the first version of Rule 1315 was adopted, relying on the general rule exemption [CEQA Guidelines §15061(b)(3)] from CEQA. After the SCAQMD

Governing Board adopted Rule 1315 and PAR 1309.1, a number of environmental and community groups filed a lawsuit challenging the SCAQMD's determination that these rules were exempt from CEQA.

Prior to the Court reaching a final decision, SCAQMD started the process of readopting Rule 1315 and re-amending Rule 1309.1 to avoid the possibility of the rules being vacated by the judge, which would require readopting Rule 1315 and the amendments to Rule 1309.1 after many months of delay. As part of the re-adoption process, the SCAQMD prepared a PEA that analyzed direct and indirect impacts of the proposed project... The Governing Board certified the PEA and re-adopted Rule 1315 and adopted a revised version of PAR 1309.1 on August 3, 2007 (2007 Project). A number of environmental and community groups filed a lawsuit on the PEA, citing alleged deficiencies in complying with substantive and procedural CEQA requirements.

The Los Angeles County Superior Court issued a writ of mandate ordering the SCAQMD to, *inter alia*, set aside its August 2007 adoption of Rule 1315 and amended Rule 1309.1. The Court held that the SCAQMD's PEA violated CEQA. The Court also issued injunctions that enjoined the SCAQMD from undertaking any actions to implement the 2007 Project pending CEQA compliance. It also enjoined the SCAQMD to rescind any other approvals or actions taken since the approval of and pursuant to the 2007 Project.

Subsequent to the Court's decision, the SCAQMD does not intend to pursue re-adopting amendments to Rule 1309.1 that would allow EGFs to access internal offsets in the SCAQMD's Priority Reserve. Because re-adoption of PR 1315 would make Rule 1309.2 effective following approval into the SIP by USEPA, the PEA will analyze potential adverse direct and indirect impacts from all credits in the internal accounts and the use of offsets from the 1309.2 Offset Budget. The SCAQMD is proposing amendments to Rule 1309.2 that would preclude issuance of Offset Budget offsets to most fossil-fuel fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts, where at least 70 percent of the generated electricity is for its own use.

PROJECT DESCRIPTION

The proposed project consists of re-adopting proposed Rule 1315 and adopting the proposed amendments to Rule 1309.2. Together, the proposed changes, re-adoption of Rule 1315 and adoption of the amendments to Rule 1309.2, constitute the "proposed project." The major components of proposed Rules 1315 and 1309.2 are briefly summarized in the following subsections. Complete copies of proposed Rule 1315 and proposed amended Rule 1309.2 can be found in Appendices A and B, respectively.

Proposed Rule 1315

Proposed Rule 1315 would ensure that exempt sources (under Rule 1304), sources relying on the Offset Budget (under Rule 1309.2), and Priority Reserve sources (under Rule 1309.1) are fully offset to the extent required by federal law by valid emission reductions from the SCAQMD's internal offset accounts. The proposed rule would achieve this by establishing

what types of reductions are eligible to be used to offset emissions and how those reductions are tracked. The proposed rule would also allow the use of certain previously-untracked reductions to offset emission increases. For example, proposed Rule 1315 would allow the SCAQMD to recognize emission reductions generated from minor source “orphan shutdowns” that were not previously accounted for in the SCAQMD’s federal equivalency demonstrations, to offset emission increases from other sources. Proposed Rule 1315 would also continue to exclude from the applicable equivalency obligation emissions from any new or modified permits that are not required to provide offsets under federal law.

Proposed Rule 1315 would specify procedures to be followed by the Executive Officer to make annual demonstrations that the SCAQMD’s NSR program, in the aggregate, satisfies federal offset requirements for major sources under Clean Air Act section 173. SCAQMD Rule 1304 exempts certain types of projects from NSR offset requirements⁸. Additionally, specific essential public services may obtain offsets from the SCAQMD’s Priority Reserve pursuant to SCAQMD Rule 1309.1. Following SIP approval of Rule 1309.2 by USEPA, other sources might access the SCAQMD’s internal offset accounts under Rule 1309.2. Proposed Rule 1315 would ensure that the SCAQMD’s NSR program is equivalent in the aggregate to the federal nonattainment NSR offset requirements under the CAA, even after the removal from the SCAQMD’s internal offset account of certain pre-1990 credits pursuant to a 2006 agreement with the USEPA. Specific components of proposed Rule 1315 are briefly summarized below.

Purpose (subdivision a)

The purpose of this rule is the following:

- Maintain the ability to issue permits to major sources that obtain offset credits from the Priority Reserve under Rule 1309.1, from the Offset Budget under Rule 1309.2, and/or are exempt from offsets under Rule 1304 [paragraph (a)(1)];
- Memorialize in rule form the accounting procedures used to establish NSR program equivalency with federal NSR offset requirements [subparagraph (a)(2)(A)]; and
- Demonstrate that sufficient emission reductions, including previously untracked emission reductions, existed beyond federal regulatory requirements, and could propose to be used as offsets to establish that the SCAQMD’s NSR program is equivalent to federal NSR offset requirements for major sources exempt under Rules 1304, 1309.1 and/or 1309.2 [subparagraph (a)(2)(B)].

Definitions (subdivision b)

A definition for “Community Bank” [paragraph (b)(1)] has been included for clarification sake.

⁸ Note that, although SCAQMD Rule 1304 exempts certain types of projects from offset requirements, emission increases from these projects are still subject to federal offset requirements pursuant to the Clean Air Act or state no net increase in emissions requirements.

Other proposed definitions added to PR 1315 include:

- “Offset Budget” [paragraph (b)(2)]
- “Offset Ratio” [paragraph (b)(3)];
- “Orphan Reduction” [paragraph (b)(4)];
- “Orphan Shutdown” [paragraph (b)(5)]; and
- “Priority Reserve” [paragraph (b)(6)]

Offset Accounts for Federal NSR Equivalency (subdivision c)

- The Executive Officer shall maintain a separate offset account for each federal nonattainment air contaminant that is subject to federal NSR offset requirements (federal offset account) [paragraph (c)(1)].
- The Executive Officer shall track and debit the eligible types of offset allocations or exemptions (e.g. Priority Reserve, Community Bank, Offset Budget, Rule 1304) located at major polluting facilities not exempt from federal offset requirements [paragraph (c)(2)];
- The Executive Officer shall track and credit the eligible types of emission reductions (e.g., orphan shutdowns, orphan reductions, ERCs provided for sources located at minor facilities) that have occurred since October 1, 1990 to the federal offset accounts [subparagraph (c)(3)(A)].
- The Executive Officer shall deposit emission reductions into the federal offset accounts according to procedures, which make the credits real, quantifiable, permanent and enforceable [subparagraph (c)(3)(B)].
- All unused orphan shutdown and orphan reduction credits in the federal offset accounts shall be discounted annually by the Executive Officer to ensure that they remain surplus at the time of use [paragraph (c)(4)].

Federal NSR Equivalency Determination Reports (subdivision d)

- The Executive Officer shall aggregate tracked offsets provided from the offset accounts into specific reporting periods [paragraph (d)(1)].
- Commencing with calendar year 2008 reporting period, the Executive Officer shall, no later than twelve months after the completion of the reporting period, complete a Preliminary Determination of Equivalency (PDE) with federal nonattainment NSR offset requirements [paragraph (d)(2)].
- Commencing with calendar year 2008 reporting period, the Executive Officer shall, no later than eighteen months after the completion of the reporting period, complete a Final Determination of Equivalency (FDE) with federal nonattainment NSR offset requirements accounting for both debits and credits during the subject reporting period for any account(s) for which the PDE did not demonstrate equivalence [paragraph (d)(3)].

- In lieu of preparing both a PDE and FDE for a single reporting period, the Executive Officer may opt to include the PDE in the FDE for the same reporting period [paragraph (d)(4)].

Projections of Federal Offset Account Balances (subdivision e)

Each PDE and FDE report the Executive Officer prepares and presents to the Governing Board and USEPA shall also include projections of the federal offset account balances at the end of each of the two subsequent calendar year reporting periods.

Backstop Provisions (subdivision f)

- The Executive Officer shall discontinue funding the Priority Reserve for any air contaminant that the most recent FDE has demonstrated does not have a positive balance in its federal offset account [subparagraph (f)(1)(A)].
- The Executive Officer shall discontinue issuing permits to construct or operate that rely on Rule 1304 exemptions, the Priority Reserve, or the Offset Budget for any air contaminant that has a shortfall to sources that are major sources of that air contaminant [subparagraph (f)(1)(B)].
- If an FDE demonstrates that a shortfall exists in any of the federal offset accounts or a subdivision (e) projection predicts a shortfall, the Executive Officer shall prepare a report to the Governing Board recommending implementation of one or more backstop provisions as needed to correct the shortfall or demonstrating that the backstop provisions are not necessary by demonstrating continued compliance with federal NSR offset requirements on an aggregate basis [paragraph (f)(2)].

Please refer to Appendix A for the text of proposed Rule 1315.

Proposed Amended Rule 1309.2

The proposed project also includes proposed amendments to existing Rule 1309.2 – Offset Budget that would preclude most fossil fuel-fired thermal power plants, as described below, from accessing emission offsets from the Rule 1309.2 Offset Budget. Existing Rule 1309.2 establishes an Offset Budget pre-funded by surplus shutdowns from non-major polluting facilities and requires qualified facilities to pay a mitigation fee in order to access the Offset Budget. The proposed amendments to Rule 1309.2 include revising existing mitigation fees, clarifying public notice requirements, and would preclude issuance of Offset Budget credits to fossil fuel-fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts, where at least 70 percent of the generated electricity is for its own use.

Offset Budget (subdivision a)

Proposed amended Rule 1309.2 would delete CO from the list of nonattainment air contaminants for which emissions offsets may be obtained from the Offset Budget because CO is no longer a nonattainment air contaminant within the district.

Eligibility Requirements (subdivision b)

Updated mitigation fees are proposed for both permanent credits and short-term credits reflecting the current market value for criteria pollutant emission credits plus a ten percent premium to make the Offset Budget a “last resort” source of emissions offsets and a fifteen percent administrative fee.

The Executive Officer (subdivision c)

The amendments propose adding a prohibition on granting allocations from the Offset Budget to fossil fuel-fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts where at least 70 percent of the generated electricity is for its own use [paragraph (c)(12)].

Public Notice (subdivision d)

Exclusion of the conversion of ERCs to short-term credits from the public notice requirements is proposed.

Please refer to Appendix B for the full text of proposed amended Rule 1309.2.

PROJECT OBJECTIVES

CEQA Guidelines §15124(b) requires the project description to include a statement of objectives sought by the proposed project, including the underlying purpose of the proposed project. Compatibility with project objectives is one criterion for selecting a range of reasonable project alternatives and provides a standard against which to measure project alternatives. The proposed project objectives are as follows:

- Maintain the SCAQMD’s ability to continue to administer its new source review program for major and minor sources (i.e., implement Rule 1304 and Rule 1309.1 and, following approval by the USEPA, Rule 1309.2);
- Memorialize in rule form the accounting procedures the SCAQMD uses to establish equivalency for new source review with federal offset requirements;
- Recognize sufficient previously-unused emission reductions beyond those required by applicable regulatory requirements in order to demonstrate federal equivalency for

- sources that are exempt under Rule 1304 or that obtain credits from the Priority Reserve under Rule 1309.1 or the Offset Budget under Rule 1309.2;
- Establish mechanisms to assure that valid offsets are projected to be available in the existing SCAQMD internal offset account before a source relying on such credits is permitted, and establish backstop provisions, thus assuring that increases in emissions resulting from such sources are fully offset.
 - Specify that offset allocations from Rule 1309.2 will not be provided to most fossil fuel-fired power plants, and clarify public notice requirements.

PROJECT ALTERNATIVES

The Draft PEA will discuss and compare the relative merits of alternatives to the proposed project, as required by CEQA and SCAQMD Rule 110, when the project poses significant adverse environmental impacts. Alternatives will include realistic measures for attaining the basic objectives of the proposed project and provide a means for evaluating the comparative merits of each alternative. Alternatives should be designed to mitigate the significant adverse environmental impacts of the project. In addition, the range of alternatives must be sufficient to permit a reasoned choice and need not include every conceivable project alternative. The key issue is whether the selection and discussion of alternatives fosters informed decision making and public participation. A CEQA document need not consider an alternative whose effect cannot be reasonably ascertained and whose implementation is remote and speculative. Suggestions on alternatives submitted by the public will be evaluated for inclusion in the Draft PEA.

SCAQMD Rule 110 does not impose any greater requirements for a discussion of project alternatives in an environmental assessment than is required for an Environmental Impact Report under CEQA. Alternatives will be developed based in part on modifying major components of the proposed project. The rationale for selecting alternatives rests on CEQA's requirement to present “realistic” alternatives; that is, alternatives that can actually be implemented. CEQA also requires an evaluation of a “No Project Alternative.” Written suggestions on potential project alternatives received during the comment period for the Initial Study will be evaluated for feasibility to be considered when preparing the Draft PEA.

ENVIRONMENTAL ANALYSIS

Chapter 2, the environmental checklist, is a standard tool for assisting lead agencies with identifying potential adverse impacts for proposed projects. Chapter 2 identifies some of the overarching assumptions that will be used to analyze potential adverse environmental impacts from proposed Rule 1315 and proposed amended Rule 1309.2. In addition, the approach taken to determine representative facilities that would use the available offsets is provided before the checklist in Chapter 2 under a section called “Environmental Checklist and Discussion.” Environmental topic areas that will be further analyzed in the Draft PEA have been identified in the checklist portion of the chapter, while environmental topic areas that are not expected to be significantly adversely impacted by the proposed project are also

noted, and reasons are provided regarding why significant adverse impacts are not anticipated for these environmental topic areas. The public may comment on any aspect of the Initial Study, including any suggestions for dropping some environmental topic areas from further analysis or adding additional environmental topic areas for further analysis.

CHAPTER 2 - ENVIRONMENTAL CHECKLIST

Introduction

General Information

Potentially Significant Impact Areas

Determination

Environmental Checklist and Discussion

INTRODUCTION

The environmental checklist provides a standard evaluation tool to identify a project's adverse environmental impacts. This checklist identifies and evaluates potential adverse environmental impacts that may be created by the re-adoption of proposed Rule 1315 - Federal New Source Review Tracking System and the adoption of the proposed amendments to Rule 1309.2 – Offset Budget.

GENERAL INFORMATION

Project Title:	Re-Adoption of Proposed Rule 1315 – Federal New Source Review Tracking System and Proposed Amendments to Rule 1309.2 – Offset Budget
Lead Agency Name:	South Coast Air Quality Management District
Lead Agency Address:	21865 Copley Drive Diamond Bar, CA 91765
CEQA Contact Person:	Michael Krause (909) 396-2706
Rule Contact Person:	Mohsen Nazemi (909) 396-2662
Project's Sponsor Name:	South Coast Air Quality Management District
Project's Sponsor Address:	21865 Copley Drive Diamond Bar, CA 91765
General Plan Designation:	Not Applicable
Zoning:	Not Applicable
Description of Project:	Proposed Rule 1315 would be used to establish that exempt sources (under Rule 1304), sources relying on the Offset Budget (under Rule 1309.2, pending approval by the USEPA), and Priority Reserve sources (under Rule 1309.1) are fully offset to the extent required by federal law by valid emission reductions from the SCAQMD's internal offset accounts. The proposed rule would establish what types of reductions are eligible to be used to offset emissions. The proposed rule would also allow the use of certain previously untracked reductions that are eligible to offset emission increases. Proposed Rule 1315 would also specify procedures to be followed by the Executive Officer to make annual demonstrations of equivalency with federal offset requirements for major sources under Clean Air Act Section 173. Certain types of projects are not subject to the SCAQMD's New Source Review (NSR) offset requirements because they are exempt under SCAQMD Rule 1304. Additionally, specific priority sources may obtain offsets

from the SCAQMD's Priority Reserve under SCAQMD Rule 1309.1. Proposed Rule 1315 would be used to establish that the SCAQMD's NSR program is in the aggregate equivalent to the federal nonattainment NSR offset requirements under the federal Clean Air Act, even after the SCAQMD removed certain pre-1990 credits from its internal offset account of certain pre-1990 credits pursuant to a 2006 agreement with EPA.

Rule 1309.2 establishes an offset budget pre-funded by surplus shutdowns from non-major polluting facilities, and requires qualified facilities to pay a mitigation fee in order to access the offset budget. The proposed amendments to Rule 1309.2 would update mitigation fees based on current market prices of emission reduction credits, clarify public notice requirements, and preclude issuance of Offset Budget credits to fossil fuel-fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts, where at least 70 percent of the generated electricity is for its own use. Rule 1309.2 is an existing rule that will become effective upon adoption of Rule 1315 and SIP approval by USEPA of Rule 1309.2.

Together, the proposed re-adoption of Rule 1315 and adoption of amendments to Rule 1309.2 are referred to in this document as the "proposed project."

Surrounding Land Uses and Setting Not Applicable

Other Public Agencies Whose Approval is Required: Not Applicable

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED

The following environmental impact areas have been assessed to determine their potential to be affected by the proposed project. Any checked items represent areas that may be adversely affected by the proposed project. An explanation relative to the determination of impacts can be found following the checklist for each area.

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Aesthetics | <input checked="" type="checkbox"/> Geology and Soils | <input type="checkbox"/> Population and Housing |
| <input type="checkbox"/> Agricultural Resources | <input checked="" type="checkbox"/> Hazards and Hazardous Materials | <input checked="" type="checkbox"/> Public Services |
| <input checked="" type="checkbox"/> Air Quality | <input checked="" type="checkbox"/> Hydrology and Water Quality | <input type="checkbox"/> Recreation |
| <input checked="" type="checkbox"/> Biological Resources | <input type="checkbox"/> Land Use and Planning | <input checked="" type="checkbox"/> Solid/Hazardous Waste |
| <input type="checkbox"/> Cultural Resources | <input type="checkbox"/> Mineral Resources | <input checked="" type="checkbox"/> Transportation./Traffic |
| <input checked="" type="checkbox"/> Energy | <input checked="" type="checkbox"/> Noise | <input checked="" type="checkbox"/> Mandatory Findings |

DETERMINATION

On the basis of this initial evaluation:

- I find the proposed project, in accordance with those findings made pursuant to CEQA Guidelines Section 15252, COULD NOT have a significant effect on the environment, and that an ENVIRONMENTAL ASSESSMENT with no significant impacts will be prepared.
- I find that although the proposed project could have a significant effect on the environment, there will NOT be significant effects in this case because revisions in the project have been made by or agreed to by the project proponent. An ENVIRONMENTAL ASSESSMENT with no significant impacts will be prepared.
- I find that the proposed project MAY have a significant effect(s) on the environment, and an ENVIRONMENTAL ASSESSMENT will be prepared.
- I find that the proposed project MAY have a "potentially significant impact" on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL ASSESSMENT is required, but it must analyze only the effects that remain to be addressed.
- I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier ENVIRONMENTAL ASSESSMENT pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier ENVIRONMENTAL ASSESSMENT, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Date March 17, 2009

Signature: Steve Smith

Steve Smith, Ph.D.
Program Supervisor

ENVIRONMENTAL CHECKLIST AND DISCUSSION

As stated in Chapter 1, the SCAQMD is proposing to re-adopt proposed Rule 1315 in response to litigation on the 2007 adoption of Rule 1315. Proposed Re-adopted Rule 1315 would specify procedures to be followed by the SCAQMD's Executive Officer to make annual demonstrations of equivalency with federal offset requirements for major sources and specify what types of reductions may be deposited into the SCAQMD's internal accounts. The re-adoption of proposed Rule 1315 may assist permit applicants with complying with offset requirements through increased availability of emissions offsets, the acquiring of which is a critical step in obtaining an approval to begin construction of a project.

In addition to re-adopting Rule 1315, the SCAQMD is also proposing to amend Rule 1309.2, which would revise existing mitigation fees, clarify public notice requirements, and preclude issuance of Offset Budget credits to most fossil fuel-fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts where at least 70 percent of the generated electricity is for its own use. Rule 1309.2 is an existing rule that becomes effective upon adoption of Rule 1315 and SIP approval of Rule 1309.2 by USEPA. Together, the proposed re-adoption of Rule 1315 and adoption of amendments to Rule 1309.2, are referred to in this document as the "proposed project."

To address the Los Angeles County Superior Court's ruling regarding the CEQA document prepared for the 2007 project, out of an abundance of caution the environmental analysis for the currently-proposed project will include the conservative assumption that, in the future, all previously tracked offsets and newly-tracked offsets (e.g., offsets obtained from minor source orphan shutdowns and reductions) in the SCAQMD's internal accounts will be used. Under this assumption, the environmental analysis will treat all newly-tracked offsets as new offsets. This assumption is overly conservative for the following reasons.

- The assumption is not supported by SCAQMD's past experience in that prior to the original adoption of Rule 1315 and the Court decision, the SCAQMD could and did issue tracked offsets from its internal accounts and only a limited amount of credits were used per year. Many of the sources of offsets that would be tracked by proposed Rule 1315 were also tracking what was in place prior to the original adoption of Rule 1315.
- If all offsets in the SCAQMD's internal accounts are used, emissions from project relying on these offsets would represent a large portion of the total future emission inventories. Under this scenario it is unlikely that the SCAQMD would be able to demonstrate attainment of all air quality standards, and would therefore be in violation of federal law.

The PEA will include an analysis of the direct and indirect adverse environmental impacts created by the proposed project by permit applicants who would use the offsets in constructing and operating facilities for which the SCAQMD is making emission offsets available from its internal accounts. The analysis will also include the assumption that facilities expected to use future emissions offsets made available as a result of Rule 1315 would more likely be sited, thus, potentially generating construction and operation impacts. In addition to the analysis of the proposed project based on conservative assumptions, the PEA will also include an analysis of

reasonably-foreseeable future environmental impacts associated with siting, constructing and operating future new and modified facilities.

As noted in CEQA Guidelines §15144, preparing a CEQA document necessarily involves some degree of forecasting. For most projects, forecasting impacts is typically done for a specific project or, more generally, a plan, e.g., general or specific plan, where specific activities or land use classifications are known. SCAQMD staff will need to make a number of assumptions to identify projects that may access the SCAQMD's internal accounts in the future. Therefore, in order to evaluate the potential adverse environmental impacts from the use of the offsets by future facilities, the following approach will be taken.

- First, SCAQMD staff will survey past and pending air quality permit applications to identify the types and sizes of facilities that have accessed offsets pursuant to Rule 1309.1, that would be able to access 1309.2 in the future, or exempt projects pursuant to Rule 1304 where the SCAQMD has provided offsets to demonstrate equivalency with federal offset requirements.
- Then, based on the survey of these past and pending permit applications, representative facilities will be identified and established. These representative facilities will be prime examples of affected facilities at various locations in the district where local zoning ordinances or land use designations would allow such commercial or industrial facilities.

To assist in evaluating the potential adverse environmental impacts from representative facilities, existing CEQA documents will be surveyed to identify projects similar to the representative facilities. The corresponding impact analysis in those CEQA documents will then be reviewed to augment the determination of potential impacts from the representative facilities. In addition, the representative projects will be evaluated on their potential to emit air pollutants, including toxics, as well as their location relative to sensitive receptors and effect on other environmental topics. Finally, the analysis will assume that projects will comply with all applicable laws, rules, regulations, codes, ordinances, required standards and land use designations because, otherwise, the facility could not obtain a permit or project approval. The potential environmental impacts of these representative facilities will be analyzed and disclosed in the Draft Program PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
I. AESTHETICS. Would the project:			
a) Have a substantial adverse effect on a scenic vista?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Substantially degrade the existing visual character or quality of the site and its surroundings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGNIFICANCE CRITERIA

The proposed project impacts on aesthetics would be considered significant if:

- The project would block views from a scenic highway or corridor.
- The project would adversely affect the visual continuity of the surrounding area.
- The impacts on light and glare would be considered significant if the project adds lighting which would add glare to residential areas or sensitive receptors.

DISCUSSION

I. a) - c): **Potentially Significant Impact.** The proposed project specifies regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. Accordingly, the proposed project would have no direct impact on a scenic vista and would not substantially damage scenic resources or substantially degrade the existing visual character or quality of any specific site or its surroundings. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD’s internal offset accounts. These projects could result in either new construction or modification of existing structures. Such projects could potentially result in a scale and mass of the built form that is inconsistent with adjoining development, remove trees or historic buildings, or obstruct regionally or locally important views.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future aesthetic impacts associated with the siting of a new facility/project (e.g., obstruction of scenic vistas and resources, degradation of an area’s visual character, etc.). However, in order to identify typical impacts on the scenic and visual quality of an area or a neighborhood that could be expected in the event that development projects or existing facility modifications occur in a sensitive area within the district, representative projects will be identified for the purpose of this assessment. As discussed earlier in this chapter, the representative projects will be established based on past and pending air quality permit applications for facilities that have and/or could have access to Rules 1304, 1309.1 and 1309.2. The aesthetic impacts of these representative facilities will be analyzed in the Draft PEA. In addition, the construction and operation of permitted facilities will result in the emission of air pollutants that could cause impacts on visibility. The PEA will analyze direct and indirect impacts, including visibility, based on the assumption that all newly tracked reductions are used, which could potentially be significant.

- II. d): **Potentially Significant Impact.** There are no components of the proposed project that would directly alter existing work practices or require activities at night. Therefore, the proposed project is not expected to directly create a new source of substantial light or glare that would affect day or nighttime views in an area. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD’s internal offset accounts. These individual projects could result in new development that may create substantial shade or cast long shadows or result in glare and increased nighttime illumination causing inappropriate light spillover.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future light and glare impacts associated with the siting of a new facility/project (e.g., increased illumination in sensitive areas, increased glare along transportation corridors, increased shading in areas that need sunlight, etc.). Representative projects identified for the purpose of this assessment will be used to identify typical light and glare impacts that could be expected in the event that development projects or existing facility modifications occur in a sensitive area within the district. The impacts of these representative facilities related to shadows, light, and glare will be analyzed in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
II. AGRICULTURE RESOURCES. Would the project:			
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland mapping and Monitoring Program of	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Potentially Significant Impact	Less Than Significant Impact	No Impact
the California Resources Agency, to non-agricultural use?			
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

Project-related impacts on agricultural resources would be considered significant if any of the following conditions are met:

- The proposed project would conflict with existing zoning or agricultural use or Williamson Act contracts.
- The proposed project would convert prime farmland, unique farmland or farmland of statewide importance as shown on the maps prepared pursuant to the farmland mapping and monitoring program of the California Resources Agency, to non-agricultural use.
- The proposed project would involve changes in the existing environment, which due to their location or nature, could result in conversion of farmland to non-agricultural uses.

DISCUSSION

II. a) - c): **No Impact.** The proposed project specifies regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not directly result in any construction of new buildings or other structures that would convert farmland to non-agricultural use or conflict with zoning for agricultural use or a Williamson Act contract. There are no provisions in the proposed rule or amended rule that would convert farmland to non-agricultural uses, thus, affecting land use plans, policies, or regulations related to agricultural resources. Land use and other planning considerations are determined by local governments, and no land use or planning requirements would be directly or indirectly altered by the proposed project. As such, the proposed project does not have direct or indirect impacts on agricultural resources. While is unknown at this time where a developer may wish to site a particular facility, agricultural land is not expected to be such a location because the action would require a change in zoning of the land and compliance with CEQA requirements. If such zoning would take place, it would likely be for other business reasons.

Thus, these commercial and industrial projects are not expected to result in the conversion of Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland) to non-agricultural uses. Nor, are these projects anticipated to conflict with existing zoning by using land zoned for agricultural uses or under the Williamson Act contract for non-agricultural purposes.

Based on the above considerations, significant adverse impacts to agriculture resources are not expected from implementing the proposed project. Since there are no significant adverse impacts, no mitigation measures are required. This environmental topic will not be further evaluated in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
III. AIR QUALITY. Would the project:			
a) Conflict with or obstruct implementation of the applicable air quality plan?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Violate any air quality standard or contribute to an existing or projected air quality violation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions that exceed quantitative thresholds for ozone precursors)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Expose sensitive receptors to substantial pollutant concentrations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Create objectionable odors affecting a substantial number of people?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Diminish an existing air quality rule or future compliance requirement resulting in a significant increase in air pollutant(s)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment, based on any applicable threshold of significance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Greenhouse Gases: SCAQMD's approved¹ interim GHG significance threshold is a tiered approach to determining GHG significance of projects. The first two tiers involve (1) exempting the project because of potential reductions of GHG emissions allowed under CEQA and (2) demonstrating that the project's GHG emissions are consistent with a local general plan. Tier 3 proposes a limit of 10,000 MT CO₂ equivalent (CO₂E) per year for industrial projects as the incremental increase signifying significance. Projects with incremental increases below this threshold will not be cumulatively considerable. Under Tier 5, the project proponent would implement mitigation (GHG reduction projects) to reduce GHG emission impacts to less than the proposed screening level. Tier 4 was not recommended for approval by the Board.

DISCUSSION

SCAQMD's NSR regulation sets forth pre-construction review requirements for new, modified, or relocated facilities, to ensure that the operation of such facilities does not interfere with progress toward attainment of the NAAQSs, and that future economic growth within the district is not unnecessarily restricted. The specific air quality goal of this regulation is to achieve no net increases from new or modified permitted sources of nonattainment air contaminants or their precursors. Similarly, the SCAQMD's AQMP must demonstrate attainment of all ambient air quality standards (AAQSs), while still accommodating future anticipated population and economic growth.

- III. a): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project is, therefore, consistent with the existing purposes of Regulation XIII to ensure that there are no net increases in emissions from new or modified permitted sources. However, the proposed project would enable the issuance of permits for sources that will emit air contaminants. If it is assumed that all previously untracked offsets (e.g., minor source orphan shutdowns) are used at the same time, and therefore result in emissions, these emissions could hinder the attainment of the National Ambient Air Quality Standards (NAAQA) and California Ambient Air Quality Standards (CAAQS), violating federal and state requirements and, thus, implementation of the air quality management plan. This issue will be further addressed in the Draft PEA.
- III b - e): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project itself does not include development components and, therefore, would not result in direct air quality-related impacts. However, under the revised tracking requirements of proposed Rule 1315,

¹ Approved SCAQMD CEQA GHG Significance Threshold for projects where SCAQMD is Lead Agency was approved by the Governing Board at its December 5, 2008. <http://www.aqmd.gov/hb/2008/December/081231a.htm>

previously untracked offsets could be made available to the SCAQMD's internal offset accounts due to inclusion of offsets generated from orphan shutdown and orphan reduction² of minor sources, emission reduction credits (ERCs) provided as emissions offsets by minor sources, and ERCs provided by major sources in excess of the federally-required 1.0-to-1.0 offset ratio for non-attainment air contaminants other than extreme nonattainment air contaminants and their precursors. Prior to 2006, offsets from the previously-mentioned components were not included in the federal tracking system. In response to the Court decision and to provide a conservative analysis of potential adverse impacts from the proposed project, the analysis will include the assumption that all offsets from the SCAQMD's internal accounts will be used. Further, potential adverse criteria pollutants, air toxic, and greenhouse gases (GHG) emission impacts will be analyzed at the project level for representative projects and cumulatively with other related projects, as necessary, in the Draft PEA.

As discussed on page 2-5, this analysis represents an overly conservative approach because the usage of all credits could violate federal and state requirements by hindering the attainment of all NAAQS and CAAQS, and past experience shows that not all the credits are used.

Criteria Pollutant Emissions

Some individual projects would result in combustion-source criteria pollutant emissions from construction activity through the use of heavy-duty construction equipment and from vehicle trips generated by construction workers/haul trucks traveling to and from the project site, as well as fugitive dust emissions related to site work and general grading. Mobile source emissions, primarily NO_x and diesel particulate, typically result from the use of construction equipment such as graders, scrapers, bulldozers, wheeled loaders, cranes, etc. During structure erection/finishing phases, paving operations and the application of architectural coatings (i.e., paints) and other building materials, reactive organic compounds would be released. Operation-period impacts, which could include criteria pollutant emissions from permitted stationary sources, may also occur. Individual development projects that could indirectly occur as a result of use of emissions offsets from the SCAQMD's offset accounts through proposed Rule 1315 and proposed amended Rule 1309.2 could potentially result in an increase in vehicle trips (both passenger vehicles and trucks) on local roadways, which could in turn result in an increase in operational-period criteria pollutant emissions. As such, the impacts of implementing these rules could:

- Violate an air quality standard or contribute substantially to an existing or projected air quality violation;
- Result in a cumulatively considerable net increase of a criteria pollutant for which the Basin is in non-attainment under federal or state AAQS;
- Expose sensitive receptors to substantial pollutant concentrations; or
- Expose sensitive receptors to objectionable odors.

² ORPHAN REDUCTION means any reduction in actual emissions from a permitted source within AQMD resulting from a physical change to the source and/or a change to the method of operation of the source provided the change is reflected in a revised permit for the source and provided such reduction is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan and does not result in issuance of an ERC.

Visibility

These projects, when considered cumulatively, could potentially significantly affect visibility. These and the other issues identified above would be considered potentially significant impacts and further analyzed in the Draft PEA.

Health Effects

Increases in criteria pollutant emissions may result in potential adverse health effects, including cardiovascular, neurological, reproductive and respiratory diseases. These potential health impacts will be further analyzed in the Draft PEA.

Toxic Air Contaminant Emissions

As part of the permit application process, individual projects must demonstrate that localized impacts related to toxic air contaminant (TAC) emissions are less than significant. As such, a permit to operate cannot be issued unless localized impacts are demonstrated to be less than significant. However, these individual projects, when considered cumulatively, could potentially have a significant effect on cancer risk Basin-wide. The potential effect on Basin-wide cancer risk related to cumulative TAC emissions is considered a potentially significant impact and, therefore, will be further analyzed in the Draft PEA.

- III. f): **No Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The various major source projects with emissions increases offset by the Priority Reserve or the Offset Budget or exempt from offsets pursuant to Rule 1304 would be subject to best available control technology (BACT) and modeling, and would receive emissions offsets (at applicable offset ratios) from the SCAQMD's internal offset accounts tracked pursuant to the proposed project. As such, the proposed rule and amended rule would continue to be consistent with NSR and, thus, the existing air quality rules and future compliance requirements would not be weakened. .
- III. g - h): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project itself does not include development components and, therefore, would not result in direct emissions of greenhouse gases (GHGs). However, as discussed in Checklist Response III.b-e above, previously untracked offsets could be made available from the SCAQMD's internal offset accounts, which may result in additional new projects that could be constructed within the district. Thus, many projects that would be eligible for emission offsets from the SCAQMD's internal offset accounts through proposed Rule 1315 and proposed amended Rule 1309.2 would generate GHG emissions that may result in a significant impact on the environment or possibly conflict with an applicable plan, policy, or regulation of an agency

adopted for the purpose of reducing the emissions of GHG. These potential impacts will be analyzed in the Draft PEA.

Individual projects could result in combustion-source GHG emissions from construction activity through the use of heavy-duty construction equipment and from vehicle trips generated by construction workers/haul trucks traveling to and from the individual project sites. In addition, operation-period GHG emissions could result from permitted stationary sources, as well as from vehicular travel to/from the permitted stationary sources related to commercial and employee trips. Potential impacts related to GHG emissions would be considered potentially significant and further analyzed in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
IV. BIOLOGICAL RESOURCES. Would the project:			
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Conflicting with any local policies or ordinances	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Potentially Significant Impact	Less Than Significant Impact	No Impact
protecting biological resources, such as a tree preservation policy or ordinance?			
f) Conflict with the provisions of an adopted Habitat Conservation plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

Impacts on biological resources would be considered significant if any of the following criteria apply:

- The project would result in a loss of plant communities or animal habitat considered to be rare, threatened or endangered by federal, state or local agencies.
- The project would interfere substantially with the movement of any resident or migratory wildlife species.
- The project would adversely affect aquatic communities through construction or operation of the project.

DISCUSSION

IV a) - b), d): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. Accordingly, the proposed project would not have direct impacts on plant or animal species or the habitats that support them. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD’s internal offset accounts. Generally, typical impacts of a project on biological resources could include loss or destruction of sensitive species or degradation of sensitive habitat. Habitat degradation, interference with movement of wildlife species or migratory fish, and impacts on migratory wildlife corridors, or wildlife nursery sites may occur through grading or excavation, increases in water or air pollutants, increased noise, light, or vibration, interruption of fresh or salt water supplies, reduction in food supplies or foraging areas, or interference with established wildlife movement patterns on or between habitat areas. Projects that create long-term or episodic impacts to natural areas, such as by generating toxic fumes or fugitive dust, could also result in degradation or destruction of a natural habitat.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts

to plant or animal species or the habitats that support them. Representative projects identified for the purpose of this assessment will be used to identify typical impacts on plant and animal species and the habitats that could be expected in the event that development projects or existing facility modifications occur in an ecologically sensitive area within the district. The potential impacts of these representative facilities on sensitive biological resources will be analyzed in the Draft PEA.

- IV. c): **No Impact.** The proposed project would not require or compel various project proponents to directly remove, fill, or interrupt any hydrological system or have a significant impact on federally-protected wetlands. Generally, individual projects eligible for emissions offsets from the SCAQMD’s internal offset accounts under the proposed project would not affect federally-protected wetlands as defined by Section 404 of the Clean Water Act because the projects at representative facilities are not expected to result in the removal, filling, hydrological interruption of protected wetlands, or interruption of fresh or salt water supplies on federally-protected wetlands.
- IV. e) - f): **No Impact.** There are no provisions in the proposed project that would significantly affect land use plans, local policies or ordinances, or regulations. Land use and other planning considerations are determined by local governments, and no land use or planning requirements would be altered by the proposed project. It is expected that various projects subject to proposed Rule 1315 and proposed amended Rule 1309.2 would continue to comply with local land use requirements. Thus, individual projects are not expected to conflict with local policies or ordinances protecting biological resources, habitat conservation plans, and natural community conservation plans due to the loss or destruction of individuals of a sensitive species, or through degradation of sensitive habitat. .

	Potentially Significant Impact	Less Than Significant Impact	No Impact
V. CULTURAL RESOURCES. Would the project:			
a) Cause a substantial adverse change in the significance of a historical resource as defined in Section 15064.5?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Cause a substantial adverse change in the significance of an archaeological resource as defined in Section 15064.5?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Disturb any human remains, including those	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Potentially Significant Impact	Less Than Significant Impact	No Impact
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interred outside formal cemeteries?

SIGNIFICANCE CRITERIA

Impacts to cultural resources would be considered significant if:

- The project would result in the disturbance of a significant prehistoric or historic archaeological site or a property of historic or cultural significance to a community or ethnic or social group.
- Unique paleontological resources are present that could be disturbed by construction of the proposed project.
- The project would disturb human remains.

DISCUSSION

V. a) - d): **No Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD’s internal offset accounts. There are existing laws in place that are designed to protect and mitigate potential impacts to cultural resources. Historical or archaeological resource databases are expected to be checked before a new facility is constructed. CEQA Guidelines §15064.5 states that resources listed in the California Register of Historical Resources or in a local register of historical resources are considered “historical resources.” If any human remains are discovered during the construction or modification process, proper notification procedures are expected to take place.

For existing facilities, any existing cultural resources will have already been disturbed so facility modifications are not expected to change any historical or archaeological resource, or destroy a unique paleontological resource or site or unique geologic feature. The extent of any previous earth disturbance reduces the likelihood that previously unknown archaeological or paleontological resources will be encountered during project construction.

While the likelihood of encountering cultural resources is low, it is possible that intact prehistoric deposits may occur below the disturbed horizon for either new construction or modification. If such resources were to be encountered unexpectedly during ground disturbance associated with construction of facilities enabled by proposed project, there would be the potential for adverse impacts. To minimize the risk of adverse impacts occurring, project construction would be required to incorporate a number of standard protective measures during earth-disturbing activities:

- If cultural resources are exposed, a professional archaeologist and a Native American representative will be retained to monitor the subsurface work;
- The archaeological monitor will have the authority to temporarily halt or redirect earth disturbance work in the vicinity of the exposed cultural resources, so the find can be evaluated and mitigated as appropriate; and
- As required by State law, if human remains are unearthed, no further disturbance will occur until the County Coroner has made the necessary findings concerning the origin and disposition of these remains. The Native American Heritage Commission will be notified if the remains are determined to be of Native American descent.

Therefore, cultural resources are not expected be disturbed in any way. As a result, the proposed project has no potential to cause a substantial adverse change to a historical or archaeological resource, directly or indirectly destroy a unique paleontological resource or site or unique geologic feature, or disturb any human remains, including those interred outside formal cemeteries.

Based on the above considerations, significant adverse impacts to cultural resources are not expected from implementing the proposed project. Since there are no significant adverse impacts, no mitigation measures are required. This environmental topic will not be further evaluated in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
VI. ENERGY. Would the project:			
a) Conflict with adopted energy conservation plans?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Result in the need for new or substantially altered power or natural gas utility systems?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Create any significant effects on local or regional energy supplies and on requirements for additional energy?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Create any significant effects on peak and base period demands for electricity and other forms of energy?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Comply with existing energy standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

The impacts to energy resources would be considered significant if any of the following criteria are met:

- The project would conflict with adopted energy conservation plans or standards.
- The project would result in substantial depletion of existing energy resource supplies.
- An increase in demand for utilities would impact the current capacities of the electric and natural gas utilities.
- The project would use non-renewable resources in a wasteful and/or inefficient manner.

DISCUSSION

VI. a), e): **No Impact.** While there is a potential need for additional electricity and natural gas to operate representative facilities, the amount is not expected to conflict with adopted energy conservation plans. In addition, new, more efficient equipment and design features should reduce the demand for fuel and electricity. Affected facilities would still be expected to comply with any existing energy conservation standards, to the extent that affected equipment are subject to energy conservation standards.

VI. b) - d): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not directly use non-renewable resources in a wasteful manner, or result in the need for new or substantially altered power or natural gas systems. Additional emissions offsets would be made available in the SCAQMD's internal offset accounts under the proposed project due to the inclusion of offsets from minor source orphan shutdowns and reductions. The proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts. Typical impacts on energy from individual projects could include increased energy consumption. To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts to energy resources. Representative projects identified for the purpose of this assessment will be used to identify energy impacts that could be expected in the event that development projects or existing facility modifications occur in areas within the district where additional supplies of electrical power and natural gas are in great demand. The potential impacts of these representative facilities on energy resources will be analyzed in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
VII. GEOLOGY AND SOILS. Would the project:			
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Strong seismic ground shaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Seismic-related ground failure, including liquefaction?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Landslides?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Result in substantial soil erosion or the loss of topsoil?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Be located on a geologic unit or soil that is unstable or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

Impacts on the geological environment would be considered significant if any of the following criteria apply:

- Topographic alterations would result in significant changes, disruptions, displacement, excavation, and compaction or over covering of large amounts of soil.
- Unique geological resources (paleontological resources or unique outcrops) are present that could be disturbed by the construction of the proposed project.

- Exposure of people or structures to major geologic hazards such as earthquake surface rupture, ground shaking, liquefaction or landslides.
- Secondary seismic effects could occur which could damage facility structures (e.g., liquefaction).
- Other geological hazards would exist which could adversely affect the facility (e.g., landslides and mudslides).

DISCUSSION

VII. a),c), d) - e): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would have no direct impact on geological resources. However, the proposed project would allow the development of individual projects that qualify to receive emission offsets available from the SCAQMD's internal offset accounts. Individual projects could occur along active faults and would be subject to hazards posed by surface fault rupture due to seismic activity. During an earthquake on these active or potentially active faults within the district, potential surface rupture of the fault may result in relative displacement of the ground across the fault surface. Individual projects could be located in areas subject to liquefaction and earthquake-induced landslides. Individual projects may also be subject to impacts resulting from subsidence, soil settlement, and expansive and corrosive soils, all of which have the potential to cause damage to building foundations, structures, pavements, and other landscape features. To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future geology and soils impacts. Representative projects identified for the purpose of this assessment will be used to identify typical geology and soils impacts that could be expected in the event that development projects or existing facility modifications occur in geologically sensitive areas within the district. The potential impacts of these representative facilities on geology and soils will be analyzed in the Draft PEA.

VII. b): **No Impact.** The representative facilities would most likely be located on property that has already been developed, so no potential impacts to existing geophysical conditions are anticipated. New construction will be evaluated for potential substantial soil erosion in order to get a building permit and, thus, would be expected to stabilize the land to assist in evading soil erosion. Therefore, no substantial soil erosion or loss of topsoil is expected from the proposed project. Any soil disturbance that does occur will be subject to the dust control requirements of SCAQMD Rule 403, which would minimize any wind erosion.

VII. e): **No Impact.** The projects at the affected facilities could use septic tanks or alternative waste water disposal systems, however, the projects are not expected to be approved if soils are incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water. In addition,

industrial project areas in the district are built-out and typically provide disposal of waste water, thus not requiring the use of septic tanks or alternative waste water disposal systems.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
VIII. HAZARDS AND HAZARDOUS MATERIALS. Would the project:			
a) Create a significant hazard to the public or the environment through the routine transport, use, disposal of hazardous materials?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Emit hazardous emissions, or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would create a significant hazard to the public or the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires,	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Potentially Significant Impact	Less Than Significant Impact	No Impact
including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?			
i) Significantly increased fire hazard in areas with flammable materials?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGNIFICANCE CRITERIA

The impacts associated with hazards would be considered significant if any of the following occur:

- Non-compliance with any applicable design code or regulation.
- Non-conformance to National Fire Protection Association standards.
- Non-conformance to regulations or generally accepted industry practices related to operating policy and procedures concerning the design, construction, security, leak detection, spill containment or fire protection.
- Exposure to hazardous chemicals in concentrations equal to or greater than the Emergency Response Planning Guideline (ERPG) 2 levels.

DISCUSSION

VIII.a), b), c), e), and f): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not directly result an increased transport, storage, or use of hazardous materials. Therefore, the proposed project would have no direct hazards or hazardous materials impacts. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD’s internal offset accounts. Individual projects could result in either new construction or modification of existing structures. Impacts could result from exposure of persons or the environment to hazardous materials through activities that could include, but not be limited to, excavation of underground materials, accidental release of handled materials, or leaking tanks,. The extent of the impact would be dependent upon the characteristics of the project being proposed and the specific site conditions related to hazardous materials, which cannot be known until the project or project site is identified. Hazardous materials like asbestos, lead based paints (LBPs), and polychlorinated biphenyls (PCBs) are present in many buildings. During renovation or demolition activities, these hazardous materials may be disturbed.

Disturbance of asbestos, LBPs, and PCBs could expose construction workers and residents to health hazards. However, the USEPA and SCAQMD have regulations intended to minimize asbestos exposure during demolition and renovation activities.

Any future development project occurring as an indirect result of the proposed project that involves demolition activity could result in impacts related to hazardous materials. To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts associated with hazards and hazardous materials. Representative projects identified for the purpose of this assessment will be used to identify typical impacts that could be expected in the event that development projects or existing facility modifications occur on sites or in areas within the district exposed to hazardous materials or hazardous wastes. The potential impacts of these representative facilities related to hazards and hazardous materials will be analyzed in the Draft PEA.

VIII. d): **No Impact.** Government code §65962.5 refers to hazardous waste handling practices at facilities subject to the Resources Conservation and Recovery Act (RCRA). If any future affected facilities are identified on such a list, construction of new or modified permit units enabled by the proposed project is not expected to affect in any way any facility's hazardous waste handling practices.

VIII. g): **No Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. Such activities do not impose any new emergency conditions at the facility that would warrant amendments to adopted emergency response plans and emergency evacuation plans, nor would the proposed project be expected to physically interfere with implementing any adopted emergency response plans and emergency evacuation plans.

VIII.h) - i): **Potentially Significant Impact.** The Uniform Fire Code and Uniform Building Code set standards intended to minimize risks from flammable or otherwise hazardous materials and wildland fires. Local jurisdictions are required to adopt the uniform codes or comparable regulations. Local fire agencies require permits for the use or storage of hazardous materials and permit modifications for proposed increases in their use. Permit conditions depend on the type and quantity of the hazardous materials at the facility or risk of wildland fire to the property. Permit conditions may include, but are not limited to, specifications for sprinkler systems, electrical systems, ventilation, and containment. The fire departments make annual business inspections to ensure compliance with permit conditions and other appropriate regulations. Consequently, local fire departments ensure that adequate permit conditions are in place to protect against potential risk of upset from the use of hazardous materials and wildland fires.

Although the proposed project would not result in direct impacts involving wildland fires or fire hazards from flammable materials, development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts through proposed Rule 1315 and amended Rule 1309.2 could result in indirect impacts. Individual development projects could be located within a Wildfire Hazard Area or could require storage of flammable materials, such as diesel and flammable chemicals, during construction or operation. To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts associated with hazards and hazardous materials and wildland fires. Representative projects identified for the purpose of this assessment will be used to identify typical hazards and hazardous materials and wildland fires impacts that could be expected in the event that development projects or existing facility modifications occur in areas within the district that are subject to wildland fires or fire hazards. The potential impacts of these representative facilities associated with wildland fires and fire hazard areas will be analyzed in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
IX. HYDROLOGY AND WATER QUALITY.			
Would the project:			
a) Violate any water quality standards or waste discharge requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g. the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Substantially alter the existing drainage pattern of the site or area, including through alteration of the course of a stream or river, in a manner that would result in substantial erosion or siltation on- or off-site?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Substantially alter the existing drainage pattern of the site or area, including through alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner that would result in flooding on- or off-	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Potentially Significant Impact	Less Than Significant Impact	No Impact
site?			
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Otherwise substantially degrade water quality?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j) Inundation by seiche, tsunami, or mudflow?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
l) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Potentially Significant Impact	Less Than Significant Impact	No Impact
o) Require in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGNIFICANCE CRITERIA

Potential impacts on water resources would be considered significant if any of the following criteria apply:

Water Quality:

- The project would cause degradation or depletion of ground water resources substantially affecting current or future uses.
- The project would cause the degradation of surface water substantially affecting current or future uses.
- The project would result in a violation of National Pollutant Discharge Elimination System (NPDES) permit requirements.
- The capacities of existing or proposed wastewater treatment facilities and the sanitary sewer system would not be sufficient to meet the needs of the project.
- The project would result in substantial increases in the area of impervious surfaces, such that interference with groundwater recharge efforts occurs.
- The project would result in alterations to the course or flow of floodwaters.

Water Demand:

- The existing water supply would not have the capacity to meet the increased demands of the project, or the project would use a substantial amount of potable water.
- The project would increase demand for water by more than five million gallons per day.

DISCUSSION

IX. a): **No Impact.** The affected facilities are not expected to violate any water quality standards or waste discharge requirements because, if a violation was to occur, the affected facility would not get the approval or permit for the project and, if permit was already obtained, would be subject to applicable agency enforcement and penalty actions.

IX. b) - f): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would have no direct impact on hydrology and water quality. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts. These individual projects could result in runoff of sediments, construction materials, and accidental spills of fuels and/or lubricants during construction activities that could adversely affect water quality. These individual projects may be required to comply with National Pollution Discharge Elimination System (NPDES) regulations and implement an associated project-specific Storm Water Pollution Prevention Plan (SWPPP) and Source Control Program that would detail best management practices (BMPs) during construction activities, as well as post-construction operational activities. Compliance with existing regulations would minimize potential water quality impacts during construction and operation of each individual project. Construction could also result in the increase in impervious surfaces within the district, which could lead to increased surface runoff from the individual project sites. This increase in runoff could potentially affect existing or planned stormwater drainage systems.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future hydrological and water quality impacts. Representative projects identified for the purpose of this assessment will be used to identify typical hydrological and water quality impacts that could be expected in the event that development projects or existing facility modifications occur in hydrologically sensitive areas (e.g., located adjacent to water bodies, flood zone areas, etc.) within the district. The impacts of these representative facilities on hydrology and water quality will be analyzed in the Draft PEA.

IX. g): **No Impact.** The proposed project would not involve construction of housing or affect residential siting so it would not result in placing housing in 100-year flood hazard areas that could create new flood hazards.

IX. h) - j): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would have no direct impact on flooding and inundation. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts. Depending on the location of each affected commercial or industrial project, the site may be located within a 100-year flood hazard area, as designated by the Federal Emergency Management Agency (FEMA), an inundation zone, a coastal area, or a hillside, which could result in potential impacts related to flooding, inundation, or mudslides.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future flooding, inundation, and mudslide impacts. Representative projects identified for the purpose of this assessment will be used to identify typical impacts that could be expected in the event that development projects or existing facility modifications occur in areas within the district that are subject to flooding, inundation, and/or mudslide. The potential impacts of these representative facilities related to flooding, inundation, and mudslide will be analyzed in the Draft PEA.

- IX. k): **No Impact.** Affected facilities are expected to comply with existing wastewater treatment requirements or conditions from any applicable Regional Water Quality Control Board or local sanitation district because violating the requirements or conditions would subject the affected facility to enforcement and penalty actions, which could jeopardize the approval or permit allowing the facility to operate.
- IX. l) - o): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would have no direct impact on water, wastewater treatment, and stormwater drainage facilities. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts. Each development project would be required to comply with all federal, state, and local statutes and regulations related to all water, wastewater, and storm drainage facilities. Depending on the location of each development project, the site may be located in an area with deficient water or wastewater treatment facilities, insufficient water supplies, or substandard stormwater drainage facilities, which could result in potential impacts on these facilities and services.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts to water, wastewater, and storm drainage facilities. Representative projects identified for the purpose of this assessment will be used to identify typical water, wastewater, and storm drainage facilities impacts that could be expected in the event that development projects or existing facility modifications occur in areas within the district that have deficient water or wastewater treatment facilities, insufficient water supplies, or substandard stormwater drainage facilities. The potential impacts of these representative facilities on water, wastewater, and storm drainage facilities will be analyzed in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
X. LAND USE AND PLANNING. Would the project:			
a) Physically divide an established community?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Conflict with any applicable habitat conservation or natural community conservation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

- Land use and planning impacts would be considered significant if the project conflicts with the land use and zoning designations established by local jurisdictions.

DISCUSSION

X. a) - c): **No Impact.** There are no provisions in the proposed project that would affect land use plans, policies, or regulations. Land use and other planning considerations are determined by local governments, and no land use or planning requirements would be directly altered by the proposed project. Individual development projects subject to the proposed rule and amended rule would still be required to comply with local land use requirements. Facilities will need to comply with any requirements and land use designations in order to obtain any necessary approval or permit for the project. Therefore, there would be no direct or indirect impacts on land use and planning.

Based on the above considerations, significant adverse impacts to land use and planning are not expected from implementing the proposed project. Since there are no significant adverse impacts, no mitigation measures are required. This environmental topic will not be further evaluated in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XI. MINERAL RESOURCES. Would the project:			
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

Project-related impacts on mineral resources would be considered significant if any of the following conditions are met:

- The project would result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state.
- The project would result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan.

DISCUSSION

XI. a) - b): **No Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. There are no provisions in the proposed project that would directly result in the loss of availability of a known mineral resource of value to the region and the residents of the state, or of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan.

Based on the above considerations, significant adverse impacts to mineral resources are not expected from implementing proposed project. Since there are no significant adverse impacts, no mitigation measures are required. This environmental topic will not be further evaluated in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XII. NOISE. Would the project result in:			
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGNIFICANCE CRITERIA

Impacts on noise would be considered significant if:

- Construction noise levels would exceed local noise ordinances or, if the noise threshold is currently exceeded, project noise sources would increase ambient noise levels by more than three decibels (dBA) at the site boundary. Construction noise levels would be considered significant if they would exceed federal Occupational Safety and Health Administration (OSHA) noise standards for workers.
- The proposed project operational noise levels would exceed any of the local noise ordinances at the site boundary or, if the noise threshold is currently exceeded, project

noise sources would increase ambient noise levels by more than three dBA at the site boundary.

DISCUSSION

XII. a). **No Impact.** Although the representative facilities could generate an increase in noise from their new or modified equipment, they are not expected to expose persons to or generate noise levels in excess of standards established in a local general plan or noise ordinance because violating such standards and ordinances would subject the affected facilities to local jurisdiction enforcement and penalty actions, which could jeopardize further operation of the facility.

XII. b) - f): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would have no direct noise impacts. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts. These individual projects could result in an increase in vehicle trips (both passenger vehicles and trucks) on local roadways, which in turn could result in an increase in noise levels. The individual projects could also cause noise impacts from operation of heavy machinery, cooling towers, HVAC units, etc. Additionally, construction noise could be generated by the broad array of powered, noise-producing mechanical equipment typically used in the construction phase. Because the district encompasses a large area, the potential exists for sensitive receptors to be located within 500 feet of a construction area although it is not possible to determine what specific effects could occur, if any, in the absence of specific information relating to future development activities.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future noise impacts from the construction and operation of various projects resulting from the individual projects accessing the SCAQMD's internal offset accounts under the proposed project. Representative projects identified for the purpose of this assessment will be used to identify typical noise impacts that could be expected in the event that development projects or existing facility modifications occur in noise-sensitive areas within the district. The potential impacts of these representative facilities related to noise will be analyzed in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XIII. POPULATION AND HOUSING. Would the project:			
a) Induce substantial growth in an area either directly (for example, by proposing new homes and businesses) or indirectly (e.g. through extension of roads or other infrastructure)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

The impacts of the proposed project on population and housing would be considered significant if the following criteria are exceeded:

- The demand for temporary or permanent housing would exceed the existing supply.
- The proposed project would produce additional population, housing or employment inconsistent with adopted plans either in terms of overall amount or location.

DISCUSSION

XIII.a) - c): **No Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. District population will not be affected directly or indirectly as a result of adopting and implementing the proposed project. The proposed project would not directly result in the creation of new uses and facilities that would affect population growth or induce growth. The proposed project is not expected to appreciably affect employment opportunities and, as such, is not expected to result in the relocation or redistribution of population or growth inducement.

Based on the above considerations, significant adverse impacts to population and housing are not expected from implementing the proposed project. Since there are no significant adverse impacts, no mitigation measures are required. This environmental topic will not be further evaluated in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
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XIV. PUBLIC SERVICES. Would the proposal result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered government facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the following public services:

- | | | | |
|-----------------------------|-------------------------------------|--------------------------|-------------------------------------|
| a) Fire protection? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Police protection? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Schools? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d) Parks? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e) Other public facilities? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SIGNIFICANCE CRITERIA

- Impacts on public services would be considered significant if the project would result in substantial physical impacts associated with the provision of new or physically altered governmental facilities, or the need for new or physically altered government facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response time or other performance objectives.

DISCUSSION

XIV.a), b) and e): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not directly result in the creation of new uses and facilities that would directly result in significant impacts to public services. The proposed project would not result in the need for new or physically altered government facilities in order to maintain acceptable service ratios, response times, or other performance objectives. However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD’s internal offset accounts. The representative facilities are commercial or industrial projects that could require an increase in the demand for public services, which, depending on their location, may require the construction of new public service facilities or expansion of existing public services facilities. Specifically,

operation of the future development could result in an increased demand for fire or police services. Further, construction activities associated with new development could affect emergency vehicle access and delay police and fire response times due to additional traffic congestion.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts to public services from the construction and operation of various projects subject to the proposed project. Representative projects identified for the purpose of this assessment will be used to identify typical public services impacts that could be expected in the event that development projects or existing facility modifications occur in areas within the district that may have the need for new or upgraded public facilities to maintain acceptable levels of service, response times, or other performance standards. The potential impacts of these representative facilities on public services will be analyzed in the Draft PEA.

XIV. c) and d): **No Impact.** Because the proposed project has no affect on population growth in the district (see “Population and Housing”), no direct or indirect effects on schools, parks or other recreational facilities are foreseen as a result of implementing the proposed project.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XV. RECREATION.			
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities that might have an adverse physical effect on the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

The impacts to recreation would be considered significant if:

- The project would result in an increased demand for neighborhood or regional parks or other recreational facilities.
- The project would adversely affect existing recreational opportunities.

DISCUSSION

XV. a) - b): **No Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. Thus, the proposed project would not directly result in an increase in the use of existing neighborhood and regional parks or other recreational facilities, or include recreational facilities, or require the construction or expansion of recreational facilities that might have an adverse physical effect on the environment. With regard to the new development projects, the proposed project is determined to have no affect on population growth in the district (see “Population and Housing”), therefore, no direct or indirect effects on recreation or recreational opportunities are foreseen as a result of implementing the proposed project.

Based on the above considerations, significant adverse impacts to recreation are not expected from implementing proposed project. Since there are no significant adverse impacts, no mitigation measures are required. This environmental topic will not be further evaluated in the Draft PEA.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XVI. SOLID/HAZARDOUS WASTE. Would the project:			
a) Be served by a landfill with sufficient permitted capacity to accommodate the project’s solid waste disposal needs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Comply with federal, state, and local statutes and regulations related to solid and hazardous waste?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

The proposed project impacts on solid/hazardous waste would be considered significant if the following occur:

- The generation and disposal of hazardous and non-hazardous waste would exceed the capacity of designated landfills.

DISCUSSION

XVI.a): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects

using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not directly increase the volume of solid or hazardous waste generation, require additional waste disposal capacity, or generate waste that does not meet applicable local, state, or federal regulations. However, the proposed project would allow the development of individual projects that qualify to receive emission offsets available from the SCAQMD's internal offset accounts. These individual projects could result in impacts on solid/hazardous waste by increasing the generation of solid waste such that the daily permitted capacity of the regional landfills are exceeded.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future solid and hazardous waste impacts from the construction and operation of various projects. Representative projects identified for the purpose of this assessment will be used to identify typical solid/hazardous waste impacts that could be expected from development projects or existing facility modifications proposed within the district. The potential impacts of these representative facilities on solid waste (both hazardous and non-hazardous waste) will be analyzed in the Draft PEA.

XVI. b): **No Impact.** Although the representative facilities could generate an increase in solid/hazardous waste from their new or modified equipment, they are expected to comply with federal, state, and local statutes and regulations relating to solid and hazardous waste because violating such statutes and regulations would subject the affected facilities to applicable agency enforcement and penalty actions, which could jeopardize further operation of the facility.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XVII. TRANSPORTATION/TRAFFIC. Would the project:			
a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Result in a change in air traffic patterns, including	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	Potentially Significant Impact	Less Than Significant Impact	No Impact
either an increase in traffic levels or a change in location that results in substantial safety risks?			
d) Substantially increase hazards due to a design feature (e.g. sharp curves or dangerous intersections) or incompatible uses (e.g. farm equipment)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Result in inadequate emergency access or?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Result in inadequate parking capacity?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g. bus turnouts, bicycle racks)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

SIGNIFICANCE CRITERIA

The impacts on transportation/traffic would be considered significant if any of the following criteria apply:

- Peak period levels on major arterials would be disrupted to a point where level of service (LOS) is reduced to D, E or F for more than one month.
- An intersection’s volume to capacity ratio increase by 0.02 (two percent) or more when the LOS is already D, E or F.
- A major roadway is closed to all through traffic, and no alternate route is available.
- There is an increase in traffic (e.g., 350 heavy-duty truck round-trips per day) that is substantial in relation to the existing traffic load and capacity of the street system.
- The demand for parking facilities is substantially increased.
- Water borne, rail car or air traffic is substantially altered.
- Traffic hazards to motor vehicles, bicyclists or pedestrians are substantially increased.

DISCUSSION

XVI.a), b) and e): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked

reductions, eligible to offset emission increases. The proposed project does not directly propose any new site-specific or modified projects that would directly increase worker commute trips, raw material or finished product transport trips, adversely affect parking, or conflict with adopted policies associated with alternative transportation. However, the proposed project would allow the development of individual projects that qualify to receive emission offsets available from the SCAQMD's internal offset accounts. Typical impacts from individual projects could include an increase in vehicle trips leading to congestion and deterioration in the levels of service for the adjacent streets and intersections in the vicinity of each individual project. The projects could also result in inclusion of inadequate design features and incompatible uses that affect traffic operations and safety, and affect emergency access due to design features and traffic congestion.

To the extent possible, the analysis of impacts in the Draft PEA will be based on conservative assumptions and projections to identify reasonably foreseeable future impacts to traffic and transportation impacts from the construction and operation of various projects resulting from the individual projects accessing the SCAQMD's internal offset accounts under the proposed project. Representative projects identified for the purpose of this assessment will be used to identify typical traffic and transportation impacts that could be expected in the event that development projects or existing facility modifications occur in areas within the district that are already congested or in residential neighborhoods. The potential impacts of these representative facilities on traffic and transportation will be analyzed in the Draft PEA.

XVI. c): **No Impact.** Air traffic patterns are not expected to be directly or indirectly affected by the proposed project because the proposed rules and the representative facilities do not require or involve transport of equipment or other materials by air nor does the implementation of the proposed project interfere with air traffic because no project requires construction of structures that would exceed height limitations identified in Federal Aviation Regulation Part 77. All applicable local, state and federal requirements would continue to be complied with so no increase in any safety risks is expected.

XVI. d): **No Impact.** The proposed project is not expected to create or increase roadway hazards due to construction design features because the proposed project does not require or induce the construction of any roadways or other transportation roadway design features.

XVI. f): **No Impact.** The proposed project would have no direct affect on parking or existing parking capacity. While the affected commercial or industrial projects could result in an indirect increase in existing traffic, the parking capacity is not expected to substantially worsen by the proposed project because the representative facilities are expected to provide adequate parking capacity.

XVI. g): **No Impact.** Affected facilities would still be expected to comply with, and not interfere with adopted policies, plans, or programs supporting alternative transportation. In order to obtain and maintain approval for individual projects, representative facilities are not expected to hinder compliance with any applicable alternative transportation plans or policies.

	Potentially Significant Impact	Less Than Significant Impact	No Impact
XVIII. MANDATORY FINDINGS OF SIGNIFICANCE.			
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Does the project have environmental effects that will cause substantial adverse effects on human beings, either directly or indirectly?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

XVIII. a) and c): **Potentially Significant Impact.** As indicated in the environmental checklist responses in the preceding sections, potential project-specific impacts to biological sources (e.g., substantial reduction in the habitat of a fish or wildlife species, drop in fish or wildlife population below self sustaining levels, potential elimination of a plant or animal community, and reduction in the number or restriction of the range of a rare or endangered plant or animal) could occur. The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project is not expected to directly create new or substantially worsen existing impacts. Since the proposed project reflects changes in regulatory procedures, there would not be any direct physical environmental impact.

However, the proposed project would allow the development of individual projects that qualify to receive emissions offsets available from the SCAQMD's internal offset accounts. As discussed in individual impact sections, these individual projects could result in significant environmental impacts. Because the proposed project has the

potential to indirectly generate significant project-specific impacts, the proposed project also has the potential to create significant cumulative impacts. Therefore, this issue will be further evaluated in the Draft PEA.

XVIII. b): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not have any direct physical impacts. However, individual projects qualified to receive emissions offsets from the SCAQMD's internal offset accounts through proposed Rule 1315 and proposed amended Rule 1309.2 could result in significant environmental impacts individually and cumulatively. Representative projects identified for the purpose of this assessment will be used to identify typical cumulative impacts that could be expected from development projects or existing facility modifications proposed within the district. The cumulative impacts of these representative facilities and the other facilities which may utilize credits from the internal accounts will be analyzed in the Draft PEA.

XVIII. c): **Potentially Significant Impact.** The proposed project would specify regulatory procedures for making annual demonstrations of equivalency with federal offset requirements. It also would revise mitigation fees and noticing requirements for projects using the Offset Budget (after approval by USEPA), prohibit access to that budget by most electricity generating facilities, and establish types of reductions, including newly-tracked reductions, eligible to offset emission increases. The proposed project would not have any direct physical impacts. However, individual projects qualified to receive emissions offsets from the SCAQMD's internal offset accounts through proposed Rule 1315 and proposed amended Rule 1309.2 could emit criteria and toxic air contaminants, which in turn could result in health impacts. The potential health impacts from these emissions, on an aggregate basis, will be analyzed in the Draft PEA. Health impacts associated with representative projects identified for purposes of this assessment will also be analyzed to the extent feasible. In addition, GHG emissions from the construction and operation related to the development of individual projects qualified to receive emissions offsets from the SCAQMD's internal offset accounts through proposed Rule 1315 and amended Rule 1309.2 will be analyzed.

APPENDIX A

PROPOSED RULE 1315 FOR RE-ADOPTION

PROPOSED RULE 1315 – FEDERAL NEW SOURCE REVIEW TRACKING SYSTEM

(a) Purpose

The purpose of this rule is to:

(1) Maintain the District's ability to continue to issue permits to major sources that obtain offset credits from the Priority Reserve under Rule 1309.1, from the Offset Budget under Rule 1309.2, and/or that are exempt from offsets under Rule 1304;

(2) Memorialize in rule form the specify procedures to be followed by the Executive Officer ~~to~~for:

(A) Establishing the District's NSR program equivalency with federal NSR offset requirements for such major sources; and

(B) Demonstrating that sufficient emission reductions, including previously-untracked emission reductions, existed beyond regulatory requirements under federal law to be used as offset credits to establish that the District's NSR program is equivalent with federal NSR offset requirements for major sources that are exempt from offsets under Rule 1304, obtain offset credits from the Priority Reserve under Rule 1309.1 and/or the Offset Budget under Rule 1309.2.

~~make annual demonstrations of equivalency to verify that specific provisions in the District's New Source Review (NSR) program related to sources that are either exempt from offsets or which obtain their offsets from the District's offset accounts meet in aggregate the federal nonattainment NSR offset requirements. The procedures specified in this rule are used by the Executive Officer to demonstrate that the sources which are subject to the federal NSR emission offset requirements and which obtain emission credits through allocations from District Rule 1309.1 – Priority Reserve or Rule 1309.2 – Offset Budget or which utilize the emission offset exemptions contained in Rule 1304 – Exemptions are fully offset by valid emission credits.~~

(b) Definitions

(1) COMMUNITY BANK means the Community Bank as established by Rule 1309.1 – Community Bank, as adopted June 28, 1990 and by Rule

1309.1 – Community Bank And Priority Reserve, as amended May 3, 1991, and became unavailable to applications deemed complete after the December 7, 1995 amendments to Rule 1309.1 – Priority Reserve, which eliminated the Community Bank.

- (2) OFFSET BUDGET means the Offset Budget as established by Rule 1309.2.
- ~~(3)~~(4) OFFSET RATIO means the ratio of the quantity of offset credits provided (in pounds per day) to offset a specific quantity of increase in potential emissions (in pounds per day).
- ~~(4)~~(2) ORPHAN REDUCTION means any reduction in actual emissions from a permitted source within AQMD resulting from a physical change to the source and/or a change to the method of operation of the source provided the change is reflected in a revised permit for the source and provided such reduction is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan and does not result in issuance of an ERC.
- ~~(5)~~(3) ORPHAN SHUTDOWN means any reduction in actual emissions from a permitted source within AQMD resulting from removal of the source from service and inactivation of the permit without subsequent reinstatement of such permit provided such reduction is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan and does not result in issuance of an ERC.
- (6) PRIORITY RESERVE means the Priority Reserve as established by the May 3, 1991 amendments to Rule 1309.1 – Community Bank and Priority Reserve and as amended by the December 7, 1995 and subsequent amendments to Rule 1309.1 – Priority Reserve.
- (c) Offset Accounts for Federal NSR Equivalency
- (1) District Offset Accounts
- The Executive Officer shall maintain a separate District offset account for each federal nonattainment air contaminant. The District offset accounts are established with valid credits effective October 1, 1990 for the air contaminants and with the initial account balances as listed in Table A. Any portions of the initial account balances identified in Table A remaining in the District offset accounts at the end of calendar year 2005

shall be removed from the District offset accounts by the Executive Officer and shall not be used for purposes of demonstrating equivalency between federal NSR offset requirements and the District’s NSR program. Additional District offset accounts are to be established by the Executive Officer in the event that additional federal nonattainment air contaminants or their precursors become subject to federal nonattainment NSR offset requirements. If the United States Environmental Protection Agency (EPA) changes the District’s attainment designation from nonattainment to attainment for a specific air contaminant the Executive Officer may discontinue tracking and reporting the associated District offset account for that air contaminant. The District’s NSR program shall be considered equivalent to federal nonattainment NSR offset requirements for an air contaminant so long as the procedures specified in this rule are followed and the balance in the District offset account for that contaminant remains positive.

TABLE A
Initial District Offset Account Balances

Air Contaminant	Initial Account Balance (tons per day)
Volatile Organic Compounds (VOC)	38.46
Nitrogen Oxides (NOx)	23.92
Sulfur Oxides (SOx)	8.04
Carbon Monoxide (CO)	8.45
Fine Particulate Matter (PM10)	2.67

- (2) Tracking of Offset Account Debits for Federal NSR Equivalency
The Executive Officer shall track and debit from the District offset accounts the following types of offset allocations or exemptions provided from the District offset accounts for sources located at major polluting facilities and which are not exempt from the offset requirements of federal nonattainment NSR:
 - (A) Emission offsets from the Priority Reserve or Community Bank pursuant to Rule 1309.1 ~~Priority Reserve~~;
 - (B) Emission Offsets from the Offset Budget pursuant to Rule 1309.2—Offset Budget; and

- (C) Exemptions from the offset requirements of Rule 1303 – Requirements pursuant to Rule 1304 – Exemptions.

The applicable offset ratios for offsets tracked by the Executive Officer pursuant to this paragraph is 1.2-to-1.0 for extreme nonattainment air contaminants and their precursors and is 1.0-to-1.0 for all other nonattainment air contaminants.

- (3) Tracking of Offset Account Credits for Federal NSR Equivalency
- (A) The Executive Officer shall track and credit the following types of emission reductions to the District offset accounts:
- (i) Orphan shutdowns;
 - (ii) Orphan reductions;
 - (iii) ERCs provided as emission offsets for sources located at minor facilities;
 - (iv) The difference between the quantity of ERCs provided for a source located at a major polluting facility at a 1.2-to-1.0 offset ratio pursuant to Rule 1303(b)(2)(A) and the quantity of ERCs required to offset the emission increases at a ratio of 1.0-to-1.0 for all non-attainment air contaminants except extreme nonattainment air contaminants and their precursors.
 - (v) The amount of emission reductions associated with a facility's NSR balance, Community Bank, Offset Budget, and Priority Reserve allocations, and offset exemptions which is subtracted from the emission reductions quantified pursuant to Rule 1306(c) as part of the Executive Officer's evaluation of an ERC banking application; and
 - (vi) The portion of all emission reductions quantified pursuant to Rule 1306(c) as part of the Executive Officer's - evaluation of an ERC banking application which is subtracted from the emission credit prior to issuance of the banked ERC pursuant to Rule 1309(b)(4)(E). This clause applies only in cases where the Executive Officer demonstrates and EPA concurs that the subtracted amount exceeds the discount that would be required by approved SIP rules and rules scheduled to be approved by the District in the following year's rule cycle.

- (B) The Executive Officer shall deposit emission reductions into the District offset accounts according to the following procedures:
 - (i) From orphan sources tracked pursuant to clauses (c)(3)(A)(i) or (c)(3)(A)(ii) at eighty percent of the total or change in the source's permitted emission levels, respectively; and
 - (ii) From ERCs tracked pursuant to clauses (c)(3)(A)(iii), (c)(3)(A)(iv), (c)(3)(A)(v), and (c)(3)(A)(vi).
 - (C) The Executive Officer may choose not to track all potential sources of credits in each reporting period if the Executive Officer determines that sufficient credits remain in the District offset accounts to demonstrate equivalency in each reporting period.
- (4) Surplus at the Time of Use
- All credits deposited into the District offset accounts pursuant to clauses (c)(3)(A)(i) and (c)(3)(A)(ii) shall be discounted by the Executive Officer to ensure that they remain surplus at the time of use. Such discounting shall be performed annually and shall be based on the percentage reduction in overall permitted emissions projected to be achieved as a result of implementation of control requirements that become effective during the year for each specific pollutant within the District.
- (d) Federal NSR Equivalency Determinations
- (1) Reporting Periods
- The Executive Officer shall aggregate tracked offsets provided from the District offset accounts - into the following reporting periods for purposes of making periodic determinations of equivalency:
- (A) October 1, 1990 through July 31, 1995;
 - (B) Each of the consecutive twelve-month periods commencing with August 1995 through July 1996 and concluding with August 2003 through July 2004;
 - (C) August 2004 through December 2005; and
 - (D) Each calendar year commencing with 2006.
- (2) Preliminary Determinations of Equivalency
- Commencing with the ~~August 2004 through December 2005~~ calendar year 2008 reporting period, the Executive Officer shall, no later than twelve months after the completion of the reporting period, complete a

Preliminary Determination of Equivalency (PDE) with federal nonattainment NSR offset requirements. The Executive Officer shall report the PDE to the District's Governing Board and EPA no later than the second regularly-scheduled monthly Governing Board meeting after the completion deadline for the PDE. The PDE is a conservative assessment of available balances of credits without accounting for orphan and other credits which become available during the reporting period. As a result, each PDE shall include the debit accounting elements identified in paragraph (c)(2) and the running balances in the District offset accounts at the beginning and at the end of the subject reporting period.

(3) Final Determinations of Equivalency

Commencing with the ~~August 2004 through December 2005~~ calendar year 2008 reporting period, the Executive Officer shall complete a Final Determination of Equivalency (FDE) with federal nonattainment NSR offset requirements for any account(s) for which the PDE did not demonstrate equivalence. The FDE for any such account(s) shall be completed no later than eighteen months after the completion of the subject reporting period. The Executive Officer shall report the FDE to the District's Governing Board and EPA no later than the second regularly-scheduled monthly Governing Board meeting after the completion deadline for the FDE for any account(s) for which the PDE did not demonstrate equivalence. Each FDE shall include both the debit and the credit accounting elements identified in paragraphs (c)(2) and (c)(3), respectively, and the running balances in the District offset accounts at the beginning and at the end of the subject reporting period. The Executive Officer shall report the credit accounting elements identified in paragraph (c)(3) for any account(s) for which the PDE did demonstrate equivalence either with the FDE for the same reporting period or with the PDE for the subsequent reporting period.

(4) Early FDE Subsuming PDE

In lieu of preparing both a PDE and an FDE for a single reporting period, the Executive Officer may opt to include the PDE in the FDE for the same reporting period. Such FDEs are subject to the same completion and reporting deadlines as are the PDEs which they subsume.

(e) Projections of District Offset Account Balances

Each PDE and each FDE report the Executive Officer prepares and presents to the Governing Board and EPA shall also include projections of the District offset account balances at the end of each of the two subsequent reporting periods. The Executive Officer shall make the projections of the District offset account balances based upon the average of the total annual debits and the average of the total annual credits for the five reporting periods most recently included in a PDE or an FDE. Although these projections are to be reported with the results of the PDEs and FDEs, they are separate from the determinations of equivalency and do not constitute an element of the determinations of equivalency.

(f) Backstop Provisions

(1) Funding of the Priority Reserve

If the most recent actual District offset account balances determined by an FDE pursuant to paragraph (d)(3) demonstrate a shortfall for any air contaminant, the Executive Officer shall:

(A) Discontinue funding the Priority Reserve for any air contaminant which the most recent FDE has demonstrated does not have a positive balance in its District offset account no later than the completion deadline for the FDE specified in paragraph (d)(3). If the most recent projections of the District offset account balances prepared pursuant to subdivision (e) in conjunction with a PDE or an FDE predict a shortfall for any air contaminant, the Executive Officer shall discontinue funding the Priority Reserve for that contaminant during the year which the shortfall is projected to exist. The Executive Officer may resume funding the Priority Reserve according to the following schedule:

~~(A) — In cases where the Executive Officer has discontinued funding the Priority Reserve due to an actual account shortfall demonstrated pursuant to paragraph (d)(3), the Executive Officer may resume funding the Priority Reserve upon completion of a PDE or an FDE demonstrating that the shortfall no longer exists.~~

~~(B) — In cases where the Executive Officer has discontinued funding the Priority Reserve due to an offset account shortfall projected pursuant to subdivision (e), the Executive Officer~~

~~may resume funding the Priority Reserve upon either completing a PDE or an FDE pursuant to paragraphs (d)(2) or (d)(3), respectively, demonstrating that no actual shortfall exists for the reporting period in which the shortfall was projected to occur; or completing a new projection pursuant to subdivision (e) for the same reporting period demonstrating that the shortfall is no longer projected to occur.~~

(B) Discontinue issuing permits to construct and permits to operate that rely on Rule 1304 exemptions, Priority Reserve offsets from Rule 1309.1, or the Rule 1309.2 Offset Budget for the air contaminant that has a shortfall to sources that are major sources of that air contaminant. The Executive Officer may resume issuance of such permits upon completion of an FDE demonstrating that the shortfall no longer exists.

(2) If an FDE demonstrates that a shortfall exists in any of the District offset accounts, or the most recent projected District offset balances calculated pursuant to subdivision (e) predict that such a shortfall will exist, the Executive Officer shall prepare a report to the Governing Board recommending appropriate action to rectify the shortfall. The Executive Officer shall present this report to the Governing Board no later than six months after the completion deadline for the FDE pursuant to paragraph (d)(3) demonstrating, or for the projections pursuant to subdivision (e) projecting the shortfall. The report shall either recommend implementing one or more of the following backstop provisions as needed to correct the shortfall or include an explanation of why it is not necessary to implement any of the following backstop provisions by making a demonstration that the District remains in compliance with federal NSR offset requirements on an aggregate basis:

(A) Provide additional credits to the District offset account(s) which have a shortfall within six months of the FDE that demonstrated the shortfall or the subdivision (e) projection that predicted it. The Executive Officer may obtain such credits by purchasing them, by funding emission reduction projects using quantification protocols approved by EPA, application of BACT (federal LAER) in excess

of federal requirements, or other credit sources approved by EPA;
and/or

- (B) Suspend funding of the Offset Budget within 90 days of the Executive Officer's report to the Governing Board recommending implementation of this backstop measure~~FDE that demonstrated the shortfall,~~ with funding not to be resumed until equivalency has been reestablished; and/or
- (C) Propose amendments to Rule 1304, Rule 1309.1, and/or Rule 1309.2 to eliminate certain offset exemptions or to eliminate certain sources' eligibility to receive offsets from the Priority Reserve or from the Offset Budget, respectively.

APPENDIX B

PROPOSED AMENDMENTS TO RULE 1309.2

PROPOSED AMENDED RULE 1309.2. - OFFSET BUDGET

(a) Offset Budget

The Executive Officer shall establish an Offset Budget to provide credits for sources that require external emission offsets for NOx, SOx, and PM₁₀~~and CO~~, upon approval by CARB and U.S. EPA.

(b) Eligibility Requirements

(1) Operators of facilities that are not exempt from offset requirements pursuant to Rule 1304 nor are eligible for allocations from the Priority Reserve (Rule 1309.1), and require external offsets may be eligible for allocations from the Offset Budget.

(2) Prior to receiving an allocation from the Offset Budget, an operator shall:

(A)~~(a)~~ Demonstrate that all sources the applicant owns or operates in the AQMD meet Best Available Retrofit Control Technology (BARCT) levels as defined in Regulation XI rules, or demonstrate to the satisfaction of the Executive Officer that the applicant owns or operates no sources which could be modified to BARCT levels; and

(B)~~(b)~~ Conduct a due diligence effort (limited to costs not to exceed the Rule 1309.2 mitigation fee for that pollutant) approved by the Executive Officer or designee to secure available credits, including STCs; and

(C)~~(c)~~ Pay a non-refundable mitigation fee of the following amounts:

(i) For permanent credits ~~(for the period November 1, 2002 through June 30, 2003)~~

CO	\$15,000
NOx	\$ <u>77,203</u> 22,875
PM ₁₀	\$ <u>145,562</u> 31,250
SOx	\$ <u>61,048</u> 11,125

for each pound per day of each pollutant obtained from the Offset Budget; or,

(ii) For short-term credits ~~(for the period November 1, 2002~~

~~through June 30, 2003)~~

CO	\$1,100
NOx	\$5,681,800
PM ₁₀	\$10,7112,300
SOx	\$4,492820

for each pound per day per year by pollutant obtained from the Offset Budget.

~~The mitigation fee for Offset Budget allocations will be identified in Regulation III—Fees, for the period subsequent to June 30, 2003.~~

(c) The Executive Officer:

- (1) Will prioritize allocations based on meeting the qualification of subdivision (b) above and the date the application is deemed complete; and
- (2) Will issue no one facility more than 15% of the allocations available in any one year nor more than necessary for permit issuance; and
- (3) Will track and maintain records of all credits generated and allocations granted for use from the Offset Budget and annually report this activity to the District Governing Board at a regularly scheduled public meeting, CARB and the U.S. EPA; and
- (4) May pre-fund the Offset Budget with year 2000 through 2002 Expired Permit Source Shutdown Credits (EPSSCs), from non-major polluting facilities with emissions greater than 4 tons per year ~~(29 tons per year for CO)~~, that are not used to demonstrate equivalency with federal or state NSR requirements based on actual emissions prior to shutdown. Actual emissions from EPSSCs shall be determined based on emissions reported by the facility as part of the two most recent annual emissions inventory reports, prior to shutdown, submitted pursuant to Rule 301-Permit Fees. In the absence of Rule 301 emissions inventory reports, NSR permit levels discounted by 20% will be used to reflect actual emissions; and
- (5) May accrue ongoing funding for the Offset Budget from:
 - (A) EPSSCs in years 2003 and beyond, from non-major polluting facilities with emissions greater than 4 tons per year ~~(29 tons per year for CO)~~, based on actual emissions determined as specified in paragraph (c) (4),

- (B) Emission reduction projects funded by Offset Budget mitigation funds, as approved by CARB and U.S. EPA, or
 - (C) Other methods as approved by the Executive Officer, CARB and U.S. EPA; and
- (6) ~~The EO~~ shall not use any EPSSCs to fund the Offset Budget, unless equivalency with the state and federal NSR requirements is demonstrated first; and
 - (7) Will adjust all allocations to the Offset Budget to be surplus to any emission reductions otherwise required by the federal Clean Air Act including federal emission limitations and control requirements, state regulations that are approved into the State Implementation Plan, and other requirements relied upon for meeting requirements of the federal Clean Air Act; and
 - (8) Will publish the available allocations in the Offset Budget at the January Board hearing for that calendar year; and
 - (9) Will limit the allocations available from the Offset Budget during that calendar year. Allocations shall not be granted in excess of those available in the Offset Budget; and
 - (10) Shall not allow allocations from the Offset Budget to be banked, transferred, or used by an operator to generate ERCs or STCs except that the District may purchase the unused credits at a price of 66% of the original purchase price; and
 - (11) Shall subject the operator of facilities obtaining allocations from the Offset Budget an offset ratio of 1.2:1; and
 - (12) Shall not grant allocations from the Offset Budget to fossil fuel-fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts where at least 70 % of the generated electricity is for its own use.
- (d) Public Notice
Prior to issuance or granting the use of the allocations or STCs, the operator of a facility requesting allocations from the Offset Budget, or requesting the initial generation (excluding conversion of ERC(s) to STC(s)) or use of any STCs shall:

- (1) Publish a notice, prepared by the Executive Officer, containing source information and the District's analysis on air quality, in a newspaper of general circulation in each of the four counties in the AQMD, and
- (2) Mail a copy of the notice required in paragraph (d)(1) to the Administrator of U.S. EPA Region IX and the Executive Officer of the California Air Resources Board, and
- (3) Respond to all public comments received within 30 days of the notice publication. Copies of all comments and responses shall be provided to the Executive Officer. The Executive Officer will consider all comments and responses prior to final approval of the allocations or STCs and
- (4) Provide proof of publication of the notice to the Executive Officer.

APPENDIX C

LIST OF NOP/IS PREPARERS

SCAQMD List of Preparers

Michael Krause Air Quality Specialist
Steve Smith, Ph.D. Program Supervisor
Contributor: Mitch Haimov, M.S., Air Quality Analysis & Compliance Supervisor

ICF Jones & Stokes Preparers

Lee Lisecki Project Director
Madonna Marcelo Project Manager
Gabriel Olson Environmental Planner
Hina Gupta Environmental Planner
Keith Cooper Senior Environmental Scientist