

BOARD MEETING DATE: December 4, 2015

AGENDA NO. 25

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee met Friday, November 20, 2015.
Following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

Dennis Yates, Chair
Stationary Source Committee

MN:am

Attendance

The meeting began at 10:30 a.m. In attendance at SCAQMD Headquarters were Committee Chair Dennis Yates and Committee Members Judith Mitchell and Dr. Joseph Lyou. Committee Member Shawn Nelson attended via videoconference. Absent was Committee Member Ben Benoit.

Mayor Yates took comments at the beginning of the meeting on Agenda Item #6 – Proposed Guidelines for Disbursement and Tracking of Funds Received Pursuant to Rule 1304.1 – Electronic Generating Facility Fee for Use of Offset Exemption, from two elected representatives of the City of Huntington Beach. Councilman Dave Sullivan commented that the staff proposal is inconsistent with the Board’s direction and >50% of funds should be focused on projects in a 6-mile radius from the power plant. Councilwoman Barbara Delgleize stated that there will be uncertainty in the amount of funding received since facilities have the option of paying annually or in a lump sum, so it is important to have >50% of the funding for projects in a 6-mile radius.

ACTION ITEM

1. Home Rule Advisory Group Membership

Deputy Executive Officer for Planning, Rule Development and Area Sources, Dr. Philip Fine presented the request from Southern California Gas Company to appoint Noel Muyco as Lee Wallace’s replacement to the Home Rule Advisory Group.

Moved (Lyou); seconded (Mitchell); unanimously approved.

INFORMATIONAL ITEMS

2. Update on Regulation XX – Regional Clean Air Incentives Market (RECLAIM)

Dr. Philip Fine provided the Committee with an update of the proposed amendments to Regulation XX, which include a 14 ton per day NO_x RECLAIM Trading Credit (RTC) reduction for the top 90 percent of RTC holders. Proposed regulation changes were presented, which include provisions for shutdown credits and an option for electricity generating facilities (EGFs) to exit the RECLAIM program. In addition, staff provided a summary of recent comments received.

Several Industry representatives provided testimony to the Committee, including representatives from the Southern California Air Quality Alliance, California Asphalt Pavement Association, Los Angeles County Business Federation (BizFed), Western States Petroleum Association (WSPA), Los Angeles Area Chamber of Commerce, California Council for Environmental and Economic Balance (CCEEB), DeWitt Petroleum, California Small Business Alliance, Chevron, Nelco, Inland Empire Economic Partnership, Tesoro, and Evolution Markets.

Industry representatives had concerns about the timing and public process for the recent rule language provisions, primarily stakeholder-responsive changes dealing with the EGF opt-out and shutdown provisions. They feel that the changes are significant and that a delay in the Board hearing is needed to allow time for additional discussion with stakeholders. Additionally, they stated that not enough notice was given for the next working group meeting that is to be held during the Thanksgiving week on Tuesday, November 24.

Ron Fleming (Nelco) requested that staff address an issue relating to allocations that his facility is facing for inclusion into the program. Dr. Barry Wallerstein, Executive Officer, responded that he would work with staff on this issue. Tony Grasso (California Asphalt and Pavement Association) and John DeWitt (DeWitt Petroleum) expressed concerns that the shave could negatively affect small businesses. Sue Gornick (WSPA), Rod Spackman (Chevron) and Susan Stark (Tesoro) commented on continued disagreements with staff on BARCT costs, equipment life, and shutdown credits. Mr. Spackman stated the refinery allocation and emissions charts that staff presented are not a complete characterization of emission reductions over the life of the RECLIAM program and that refineries are subject to many requirements from many different agencies. He also added that their new sulfur recovery unit controls are capable of achieving 5-10 ppm NO_x emissions, but that further reductions to 2 ppm cannot be done cost-effectively with add-on controls. He also supports a 10-year useful equipment life because

regulations can change during that time span. Ms. Stark added that Tesoro has reduced emissions by 66% since 1994 and that a similar 66% reduction over a 7-year period, as now proposed by staff, would be infeasible. She also stated that if the EGFs opt out of the program, they would take 22% of the market's RTCs with them and that the new rule provisions relating to EGFs and shutdowns would change the RECLAIM program. Christine Grandstaff (Evolution Markets) commented that additional economic review, as was done previously, is needed for the newly proposed provisions pertaining to shutdowns and the EGF opt-out, which could have impacts on the price and availability of RTCs.

Mayor Dennis Yates stated that refineries have delayed the installation of controls by purchasing credits. Supervisor Shawn Nelson stated that industry needs a commitment that if they make investments in control equipment, that investment will be protected. He also stated that the shutdowns that have occurred have eliminated emissions from the program. Board Member Yates responded by saying the requirements for reducing RECLAIM allocations and emissions are required by State law.

Councilmember Judy Mitchell asked what the future of RECLAIM would be if the credits keep decreasing and the market becomes equivalent to command and control. Dr. Joseph Lyou asked if legal notification requirements have been met. Kurt Wiese, General Counsel, replied that they have. Dr. Lyou requested a list of BARCT equipment that was not installed from the last shave, which was adopted in 2005. Dr. Wallerstein explained to the committee that the EGF opt-out provisions are an option to address the concerns raised by EGFs, which have been discussed for a long time. He also explained that shutdown credits today are sold to other facilities that elect to purchase credits instead of installing controls.

Dr. Wallerstein also indicated that under command and control, if a facility shuts down, other facilities will not be able to get relief from BARCT and state law requires that RECLAIM be equivalent to command and control. Dr. Fine added that shutdown credits would go to the SIP and would also result in a decreased demand with the decreased supply. To address stakeholder concerns for more discussion on the recent provisions relating to shutdowns and the EGF opt-out, while also addressing the need to maintain the rulemaking schedule in order to allow staff to also fulfill 2016 AQMP development milestones, Dr. Wallerstein told the committee that another working group meeting would be scheduled for Monday, November 30, 2015 and that stakeholders would have the option of attending either or both meetings to discuss the proposed rule amendments.

Mayor Yates indicated that the Committee did not have time to discuss the remaining items on the agenda, since the next Board Committee meeting was about to start. Since

the Board members were not available to continue this meeting in another room, Dr. Wallerstein stated that he would work on the scheduling of when the remaining items will go to the Board.

WRITTEN REPORTS

All written reports were acknowledged by the Committee.

PUBLIC COMMENTS

There were no public comments.

The next Stationary Source Committee meeting is scheduled for January 22, 2016, and Mayor Yates indicated that this is his last Stationary Source Committee meeting. The Committee Members and staff recognized Mayor Yates for his outstanding contributions to the Stationary Source Committee. The meeting was adjourned at 12:00 p.m.

Attachment

Attendance Roster

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATIONARY SOURCE COMMITTEE
November 20, 2015
ATTENDANCE ROSTER (Voluntary)**

NAME	AFFILIATION
Mayor Dennis Yates	SCAQMD Governing Board Member
Councilmember Judith Mitchell	SCAQMD Governing Board Member
Supervisor Shawn Nelson (Videoconference)	SCAQMD Governing Board Member
Dr. Joseph Lyou	SCAQMD Governing Board Member
Board Consultant Mark Abramowitz	SCAQMD Governing Board (Lyou)
Board Consultant Chung Liu	SCAQMD Governing Board (Mitchell)
Board Consultant David Czamanske	SCAQMD Governing Board (Cacciotti)
Barry Wallerstein	SCAQMD staff
Kurt Wiese	SCAQMD staff
Philip Fine	SCAQMD staff
Mohsen Nazemi	SCAQMD staff
Jill Whynot	SCAQMD staff
Joe Cassmassi	SCAQMD staff
Cher Snyder	SCAQMD staff
Amir Dejbakhsh	SCAQMD staff
Bill Wong	SCAQMD staff
Bayron Gilchrist	SCAQMD staff
Bill Lamarr	California Small Business Alliance
Curt Coleman	So Cal Air Quality Alliance
David Rothbart	LA County Sanitation Districts
Lee Wallace	Energy Experts International for SoCalGas
Dan McGiveney	So Cal Gas
Jenifer Lee	Hyperion

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Susan Stark	Tesoro
Sue Gornick	Western States Petroleum Association
Jon Long	Vista Paint
Noel Muyco	So Cal Gas
Karl Lany	Montrose Env. Group
Doug Raymond	Raymond Reg. Resources
Antonia Graham	City of Huntington Beach
Jim Katapodis-Mayor Pro Tem	City of Huntington Beach
Barbara Delgleize	City of Huntington Beach
Kim Yapp	City of Pasadena
Janet Grothe	Phillips 66
Rita Loof	RadTech