

BOARD MEETING DATE: March 4, 2016

AGENDA NO. 33

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee met Friday, February 19, 2016. Following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

Ben Benoit, Chair
Stationary Source Committee

MN:am

Attendance

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

ACTION ITEMS

Dr. Lyou recommended adding “Comments to the Air Resources Board Regarding Mitigating Methane Emissions from the Aliso Canyon Gas Leak” to the agenda as an urgency item for the Committee meeting. The need for action came to the attention of the SCAQMD after the posting of the agenda and it was necessary to take urgent action because the CARB Board held a public meeting on February 18, 2016 and is asking for input regarding a draft plan required under Governor Brown’s Executive Order for how funds that will be received from the Southern California Gas Company (So Cal Gas) to mitigate methane emissions from the Aliso Canyon Gas Leak will be spent. The plan must be developed by CARB by March 31, 2016, which necessitates this item being discussed by the Stationary Source Committee and the Board at the first available opportunity. It is anticipated that a substantial amount of funding will be received and it is important to emphasize the Board’s priority that mitigation benefits occur in and near the community that has been so heavily impacted by this situation. Dr. Lyou introduced

a motion to add this item to the agenda as an urgency item and was seconded by Mayor McCallon and passed unanimously by all other Committee Members present.

Dr. Barry Wallerstein, Executive Officer, distributed a portion of the presentation given by CARB staff to their Board at the February 18, 2016 meeting and explained that SoCal Gas committed to the Governor that they would mitigate the climate impacts from the gas leak. Dr. Wallerstein testified at the CARB Board meeting and presented the January 2016 SCAQMD Board Resolution stressing the need to spend mitigation funds in Porter Ranch or nearby communities, and if not possible to do so, then in Southern California. The present proposed draft criteria for such projects are that they occur in California. Co-benefits are a criteria, but are not one of the primary considerations.

Staff is preparing a comment letter that will go to the Board at their March 2016 meeting. Other areas of comments will be directed towards using the best scientific information available to assess the climate impacts, including the atmospheric lifetime of methane.

Dr. Lyou asked what areas staff needed direction on, and Dr. Wallerstein replied that there are issues such as using the funds for immediate, tangible projects or longer term technology development and demonstration. Dr. Lyou stated his preference for immediate pollutant reductions, such as black carbon, which would provide greenhouse gas and toxic reductions. Councilmember Mitchell asked how different lawsuits would be handled. Barbara Baird, Chief Deputy Counsel, responded that there was a process underway by the courts to determine how to handle this complex litigation, and the different lawsuits may be consolidated.

Dr. Wallerstein commented that Supervisor Michael Antonovich has consistently advocated that all funding be used to benefit the Porter Ranch community and nearby communities.

Approved as recommended by the following vote:

Ayes: Benoit, Mitchell, McCallon, Lyou

Noes: None

Absent: Nelson and Rutherford

1. Annual RECLAIM Audit Report for Compliance Year 2014

Mohsen Nazemi, Deputy Executive Officer for Engineering and Compliance, gave a brief description of the RECLAIM Audit Report for Compliance Year 2014, which is currently on the agenda for the Board's March 4, 2016 meeting. He pointed out that some of the results he was discussing were preliminary in that the audit of thirty RECLAIM facilities is ongoing and that the report that will be presented to the

Board at the March Board Meeting will include final data for all RECLAIM facilities.

The 2014 Compliance Year covers January 1, 2014 through June 30, 2015—the twenty-first year of the RECLAIM program. The findings in the annual report are consistent with those for prior years. The RECLAIM universe had a net decrease of three active facilities (with four facilities dropping out of and one entering the RECLAIM program), bringing the total number of facilities in the program to 272 as of June 30, 2015. RECLAIM met its aggregate emission goals and the individual facility allocation compliance rates were very high. Compliance Year 2014 NO_x emissions were 23% below aggregate Allocations. Compliance Year 2014 SO_x emissions were 23% below aggregate Allocations.

The Board periodically reduces (“shaves”) RTC holdings to ensure that RECLAIM facilities comply with Best Available Retrofit Control Requirements. NO_x RTC holdings were shaved by 22.5% with the reductions phased in from 2007 to 2011, then SO_x RTC holdings were shaved by 48.4% with the phased implementation commencing in 2013 and scheduled to be completed in 2019, and a second NO_x shave commenced in 2016 and is scheduled for completion in 2022, resulting in an additional 45.3 % NO_x reduction.

Over \$1.34 billion in RTC trades have occurred since RECLAIM began in 1994, with \$197.1 million traded in Calendar Year 2015. The total amount traded in Calendar Year 2015 represented an 89% increase over the prior year (\$104.2 million). The RTC prices were higher than in previous years; however, the average prices for discrete year and infinite year NO_x and SO_x RTCs were all well below program review thresholds.

Although four facilities shut down during the compliance year, RECLAIM facilities experienced an overall gain in employment of 0.26%. None of the four shutdown facilities cited RECLAIM as contributing to their decisions to shut down. RECLAIM also met all other performance criteria. Federal New Source Review offset ratios and State No Net Increase in emissions requirements were met. There was no significant shift in emissions from winter to summer, and no evidence of increased health risk due to RECLAIM.

Mr. Nazemi concluded by mentioning that investors, who are RTC holders that do not operate RECLAIM facilities, remained as strong active participants in the RECLAIM market during calendar year 2015; at the end of the year investors held 1.9% of IYB NO_x and 3.3% of IYB SO_x. He asked that the Stationary Source Committee recommend that the Annual RECLAIM Audit Report for 2014 Compliance Year be presented to the Board at the March 4, 2016 meeting for approval.

There were no questions or comments regarding this item from the public. Dr. Lyou noted that the goal is for all facilities to comply but that every year there are a few facilities that do not comply with the requirement to reconcile their RECLAIM emissions with their RTC holdings and asked if staff needs additional resources to bring the remaining facilities into compliance. Mr. Nazemi responded that, for reasons such as staffing changes or use of inappropriate emission calculations, there continue to be facilities that are not completely clear on the required calculation methodologies and that some facilities simply fail to reconcile by the due date for each quarter. Dr. Wallerstein also explained that the RECLAIM compliance rate is very high, and that he wishes the compliance rates for other programs were as high. Dr. Lyou asked how staff compares toxics impacts and NSR offset ratios under RECLAIM to what they would be under command and control in the absence of RECLAIM. Mr. Nazemi explained that the federal and state new source review programs require certain offset ratios and staff demonstrates that RECLAIM achieves compliance with those ratios. He also explained that RECLAIM facilities are not exempt from any toxics rules and are subject to toxics analyses as though they were not in RECLAIM. Dr. Lyou also asked about RTC brokers' contribution to investors' RTC holdings. Mr. Nazemi explained that brokers facilitate trades but do not actually hold RTCs so they are not considered investors.

Moved (Benoit); seconded (Lyou); and approved as recommended by the following vote:

Ayes: Benoit, Mitchell, McCallon, Lyou

Noes: None

Absent: Nelson and Rutherford

2. Home Rule Advisory Group Membership

The Stationary Source Committee approved the request from Dr. Lyou to appoint Morgan Wyenn to replace Diane Moss, and the request from Bill Quinn to appoint Janet Whittick as his alternate to the Home Rule Advisory Group.

Moved (McCallon); seconded (Lyou); and approved as recommended by the following vote:

Ayes: Benoit, Mitchell, McCallon, Lyou

Noes: None

Absent: Nelson and Rutherford

3. Approve SCAQMD Comments on U.S. EPA’s Proposed Amendments to Regulation Governing U.S. EPA Procedures for Investigating Title VI Complaints

Ms. Baird presented draft comments on U.S. EPA’s proposed amendments to its regulations for investigating Title VI complaints. Title VI is part of the Civil Rights Act of 1964 and prohibits agencies receiving federal funding from discriminating in any of their programs on the basis of race, color, or national origin. U.S. EPA is proposing to amend its regulations governing investigations to eliminate specific deadlines and replace them with a requirement to investigate “promptly.” The intent is to allow U.S. EPA to devote appropriate time and resources to each case, especially the more complex investigations. Ms. Baird explained that the draft comments recommended that instead of eliminating deadlines entirely, U.S. EPA should extend the deadlines that it feels are unrealistic. She noted that a requirement to act “promptly” would be difficult to enforce, and provide unacceptable uncertainty for complainants, agencies receiving funding, and affected permit applicants. She reviewed specific recommended revised deadlines. Councilmember Mitchell recommended that U.S. EPA include in its regulations a provision that U.S. EPA may allow a complainant to amend their complaint to cure any defects, but if this was not successfully done within 30 days, the complaint would be dismissed. Councilmember Mitchell believed staff’s recommended deadlines were reasonable. Councilmember Mitchell’s recommendation was included in the motion to approve the staff recommendation.

Moved (Lyou); seconded (Mitchell); and approved as recommended by the following vote:

Ayes: Benoit, Mitchell, McCallon, Lyou

Noes: None

Absent: Nelson and Rutherford

INFORMATIONAL ITEMS

4. Proposed Guidelines for Disbursement and Tracking of Funds Received Pursuant to Rule 1304.1 – Electrical Generating Facility Fee for Use of Offset Exemption

Tracy Goss, Planning and Rules Manager, presented an overview of recent updates to the Proposed Guidelines for Disbursement and Tracking of Funds Received Pursuant to Rule 1304.1 – Electrical Generating Facility Fee for Use of Offset Exemption, as a follow-up to the January 22, 2016 Committee meeting. The briefing included a summary of the input from the working group meeting held January 26, 2016, and reiterating the Committee’s previous direction for distribution of funding goal of 50% based on a 10 mile radius proximity and 50% for environmental justice (EJ) areas located within a 15 mile radius.

Dr. Lyou clarified that the proximity and EJ criteria refer to the location of the proposed air quality improvement projects and not to the location of the project managers or sponsors. He further indicated that ongoing disbursement of funding under this rule should be transparent, and suggested a web page to track projects and implementation as a possible mechanism. He also encouraged that such a system be developed early, prior to issuing requests for proposals.

Mayor McCallon initiated a discussion about the nature of the electrical generating facility (EGF) projects and whether the proximity criteria was representative of the impacted communities as directed by the rule. Mohsen Nazemi and Dr. Philip Fine responded that the air quality impacts from EGF projects under Rule 1304.1 would vary and could represent a reduction in actual emissions if the old and new equipment operated the same amount of time due to the new units being cleaner and more efficient. For EGF projects with a net emissions increase, some pollutants would have regional impacts as ozone precursors, whereas for PM_{2.5} and NO₂ emissions, more localized impacts would be expected similar to the previously proposed six mile proximity criteria that was based on state law (AB 1318) and used by the California Energy Commission (CEC) as part of their California Environmental Quality Act (CEQA) assessment. Dr. Wallerstein indicated that while the proximity criteria can serve the purpose of prioritizing funding to directly impacted areas, there is also a grid reliability component that may be associated with EGF project location, which may also have an effect on funding availability.

Mayor McCallon asked if funding air quality improvement projects for EJ areas outside the radius in the recommended guidelines could be done if the number of qualifying proposals under an RFP were limited, and whether criteria to do this could be made part of the proposed guidelines rather than as subsequent proposals. Dr. Wallerstein indicated that the option could be made available, although the issuance of a subsequent RFP may not have the desired result of identifying qualifying projects outside of the proximity criteria – instead indicating that funding of existing SCAQMD programs that may target EJ areas outside of the initial criteria could be more effective and not require additional direction from the Board if incorporated into the proposed guidelines.

Public comment was received from City of Huntington Beach Councilmember Barbara Delgleize, who requested that disbursement of funding be limited to projects located within the county where the EGF projects are located, that EJ area considerations be based on use of the CalEnviroScreen tool regardless of air quality, that Orange County in particular should be allowed to recover funds because it is a net contributor with respect to state revenue, and that the Oakview Community specifically should be identified as an EJ area, although it does not currently qualify under the proposed SCAQMD EJ definition.

Dr. Lyou clarified that the Oakview Community is within the condition for proximity and would therefore qualify for funding independent of any EJ criteria under the current proposal.

5. Rule 1147 Draft Technology Assessment & RFP for Third Party Review

Joe Cassmassi, Planning and Rules Director, presented a summary of the Draft Rule 1147 Technology Assessment document, comments received on the draft document at the February 17, 2016 Rule 1147 Task Force meeting, and a Request for Proposals for the review of the draft document by a third party contractor. Mr. Bill Lamarr of the Small Business Alliance requested that stakeholders have an opportunity to meet with the contractor prior to finalizing the technology assessment. Staff assured Mr. Lamarr that stakeholders would be provided the opportunity to present their questions and concerns to the reviewer. Mr. Anthony Endres from Fluid Dynamics, Inc. stated the draft document was a thorough review of technology but had concerns with the cost effectiveness analysis and recommended to use a single cost effectiveness methodology.

6. BACT and BARCT Review for Oil and Gas Production Facilities

Due to time constraints, Committee Chair recommended that this item be heard at the March Committee meeting.

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 March 18, 2016. The meeting was adjourned at 11:50 a.m.

Attachment

Attendance Roster

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATIONARY SOURCE COMMITTEE**

February 19, 2016

ATTENDANCE ROSTER (Voluntary)

NAME	AFFILIATION
Councilmember Ben Benoit	SCAQMD Governing Board Member
Councilmember Judith Mitchell (videoconference)	SCAQMD Governing Board Member
Mayor Larry McCallon	SCAQMD Governing Board Member
Dr. Joseph Lyou	SCAQMD Governing Board Member
Board Consultant Andrew Silva	SCAQMD Governing Board (Rutherford)
Board Consultant Chung Liu	SCAQMD Governing Board (Mitchell)
Board Consultant David Czamanske	SCAQMD Governing Board (Cacciotti)
Barry Wallerstein	SCAQMD staff
Barbara Baird	SCAQMD staff
Philip Fine	SCAQMD staff
Mohsen Nazemi	SCAQMD staff
Jill Whynot	SCAQMD staff
Joe Cassmassi	SCAQMD staff
Al Baez	SCAQMD staff
Dann Luong	SCAQMD staff
Tracy Goss	SCAQMD staff
Matt Miyasato	SCAQMD staff
Kim White	SCAQMD staff
Barbara Delgeize	City of Huntington Beach
Bill Lamarr	California Small Business Alliance
David Rothbart	Los Angeles County Sanitation Districts
Susan Stark	Tesoro
Sue Gornick	Western States Petroleum Association
Rita Loof	RadTech
Peter Whittingham	Curt, Pringle & Assoc.
Erin Sheehy	Environmental Compliance Solutions, Inc.