

BOARD MEETING DATE: March 3, 2017

AGENDA NO. 30

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee met Friday, February 17, 2017. Following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

Ben Benoit, Chair
Stationary Source Committee

LT:eb

Attendance

The meeting began at 10:35 a.m. In attendance at SCAQMD Headquarters were Committee Chair Ben Benoit, Committee Vice Chair Dr. Joseph Lyou, and Committee Members Judith Mitchell, and Sheila Kuehl. Committee Members Shawn Nelson and Janice Rutherford attended via videoconference.

ACTION ITEMS

1. Home Rule Advisory Group Membership

Based on the Blue Ribbon Panel Recommendations and approval by the Board, Councilmember Judith Mitchell has requested the appointment of David Rothbart as her Community Representative to the Home Rule Advisory Group and this recommendation was submitted for the concurrence of this Committee.

Supervisor Nelson joined the meeting at 10:40 a.m., and therefore did not participate in the vote on this item.

Moved by Mitchell, seconded by Lyou; unanimously approved.

Ayes: Benoit, Lyou, Kuehl, Mitchell and Rutherford
Noes: None
Absent: Nelson

- 2. Add Equipment and Add/Delete Positions to Address Operational Needs in Science and Technology Advancement for Metals Monitoring and Analysis**
Assistant Deputy Executive Officer/Science and Technology Advancement Office (STA), Dr. Jason Low, presented on the need to enhance the SCAQMD monitoring and laboratory analysis capability and proposed to invest in new laboratory and field equipment and better align staffing resources to address the increasing demand for extensive monitoring of hexavalent chromium (Cr6) and other metals in the City of Paramount and potentially other parts of the Basin. He indicated that this action is partially funded by U.S. EPA.

In response to questions from Councilmember Mitchell and Dr. Lyou, Dr. Low clarified the laboratory analysis technique of Ion Chromatography and the Scanning Electron Microscopy (SEM) and the number of samplers that could be purchased through the proposed action.

In response to Mayor Pro Tem Benoit's inquiry relative the cost of meteorology systems, Dr. Low replied that the systems are designed to meet stringent U.S. EPA criteria and requirements.

Mayor Pro Tem Benoit inquired how close SCAQMD was in putting the data on a GIS map. Mr. Nastri reported that work is in progress and there would be more to report next month.

Councilmember Mitchell inquired if SCAG's database (extensive GIS system) could be leased or rented. Mr. Nastri indicated there would be licensing requirements that would need to be addressed.

Moved by Mitchell, seconded by Kuehl; unanimously approved.

Ayes: Benoit, Lyou, Kuehl, Mitchell, Nelson and Rutherford
Noes: None
Absent: None

INFORMATIONAL ITEMS

- 3. Update on District Activities Related to Hexavalent Chromium Emissions in the City of Paramount**

Executive Officer Wayne Nastri, and Dr. Low provided an overview of the unprecedented SCAQMD monitoring, analysis, and compliance efforts regarding elevated ambient Cr6 emissions measured in the City of Paramount and coordination with other agencies. Currently, two facilities are operating

under Stipulated Orders for Abatement. Also, staff discussed next steps for potential expansion to other areas in the Basin and the required resources that would be associated with those efforts.

Supervisor Kuehl asked for an explanation of steps between monitoring and enforcement against other potential facilities that would be emitting Cr6. Mr. Nastri indicated the monitoring data is reviewed by Compliance & Enforcement staff and that inspectors visit and inspect the facilities and issue Notices to Comply or Notices of Violation, if appropriate. He also stated that the Stipulated Order for Abatement includes a provision of “John Does” to potentially add other facilities.

Supervisor Kuehl asked if there are difficulties tying emissions to a particular business. Bill Wong, Principal Deputy District Counsel, replied that in this situation there was strong evidence from results of onsite monitoring to tie elevated ambient measurements to two facilities (Aerocraft and Anaplex).

Dr. Lyou then asked if this would change given the proposed new legislation on ‘cease and desist’ authority. Mr. Nastri replied that the Aerocraft and Anaplex decision occurred before the holidays and the Hearing Board was not operating. Other agencies such as U.S. EPA, DTSC, etc. have imminent and substantial endangerment authority and this authority is typically exerted a small number of times. However, he stated he believes that it would be very helpful for SCAQMD to have this authority in extreme cases.

Dr. Matt Miyasato, Deputy Executive Officer/STA, mentioned that resources are limited and maintaining measurement/monitoring activities at current levels is very costly. Mr. Nastri added that moving forward, more resources would be required.

Dr. Lyou indicated that the staff response for this issue was very good and thorough and will help in Sacramento when the agency is requesting resources. He also requested an overview of the proposed rules that would be coming up to address these issues.

Dr. Philip Fine, Deputy Executive Officer/Planning, Rule Development & Area Sources, indicated that Proposed Rule 1430 deals with metal grinding at forging facilities and added that there is information learned from this experience that could potentially be incorporated into future rules. Dr. Fine continued that there is an amendment to Rule 1469 (chrome plating rule), in the Rule Forecast Report.

Councilmember Mitchell stated that the good that came out of the Paramount situation is the improved communication with cities and the realization that many businesses that required permits had not gotten them.

Mr. Nastri stated that there have been discussions with Paramount and the various cities regarding permitting. He indicated that the Legislative, Public Affairs & Media staff will elevate awareness in the COGs of the necessity for permits related to the SCAQMD.

Mayor Pro Tem Benoit indicated that in his city they are hiring a consultant to help identify businesses at the front end.

Dr. Cher Snyder, Assistant Deputy Executive Officer/Compliance & Enforcement, indicated that door to door inspections were conducted along with facility inspections guided from a list from the City of Paramount.

4. Status Report on Reg. XIII

Deputy Executive Officer/Engineering and Permitting Dr. Laki Tisopulos gave a status report on Regulation XIII, specifically the preliminary determination of federal equivalency of the District's New Source Review Program (NSR). Dr. Tisopulos started out his presentation noting that NSR is a regulation that identifies the requirements that apply to new and modified facilities. Two main components of the NSR program that were briefly discussed include the requirement for facilities to install the Best Available Control Technology (BACT) to reduce emissions, and the requirement for facilities to provide emission offsets, in the form of emission reduction credits (ERC), which are produced through actual emission reductions achieved by the facility or purchased on the open market. The program is designed to allow for future growth in the air basin, and to keep the environment whole. Future growth allowance is achieved through facilities having open market access to ERCs on an as-needed basis, and the environment is kept whole through an offset mechanism which requires offsets be surrendered at a 1.2 to 1.0 ratio of ERCs to emission increases, which essentially retires 1.2 pounds of offsets for every pound of emission increase, ultimately lowering emissions in the air basin over time.

The District NSR program differs from the federal NSR program and for that reason U.S. EPA requires that a semi-annual demonstration, in aggregate, be made to ensure that the District NSR program is equivalent or more stringent than the federal NSR program. District Rule 1315, adopted on February 4, 2011, establishes the accounting methodology used in the demonstration of NSR equivalency. Under the guidelines outlined in Rule 1315, the District tracks both credits to, and debits from, the District's internal offset accounts on an annual basis, by pollutant, and maintains an annual running balance of all such events. Credits are associated with emission reductions and debits are associated with emission increases. When the running balance for a given calendar year is positive, the District NSR program is considered to be equivalent to the federal NSR program and equivalency has been demonstrated. In addition to demonstrating equivalency for any reporting calendar year, Rule 1315 also requires that projections of the running balance be made for two calendar years following the reporting calendar year. Projections are based on a five-year average of historic reporting data, and the projected running balances similarly need to show that federal equivalency is forecasted.

The preliminary running balance for calendar year 2015 is positive for all criteria pollutants, effectively demonstrating a preliminary determination of equivalency of the District NSR program to the federal NSR program for that calendar year. Additionally, the projected ending balances for both calendar years 2016 and 2017 are positive, demonstrating that equivalency is projected for both of those calendar years.

5. Annual RECLAIM Audit Report for Compliance Year 2015

Dr. Laki Tisopulos, presented the annual report on the NO_x and SO_x RECLAIM program prepared in accordance with Rule 2015 – Backstop Provisions. The report assesses emission reductions, availability of RECLAIM Trading Credits (RTCs) and their average annual prices, compliance issues, job impacts, and other measures of performance for the twenty-first year of this program. In addition, recent trends in trading future year RTCs are analyzed and presented in this report. Dr. Tisopulos concluded by stating that the RECLAIM program met all its program objectives and recommended that the Annual RECLAIM Audit Report for 2015 Compliance Year be presented to the Board for their approval.

Supervisor Kuehl noted that allocations and emissions have leveled out over the last few years. Staff explained that the NO_x graph ends in 2015 so it doesn't show the impact of the NO_x shave that was approved in late 2015. If the graph was extended into the future it would show a 45% reduction in NO_x allocations for the period of 2016 through 2022. Dr. Joseph Lyou and Supervisor Kuehl requested that the graph be revised to include 2016 through 2022.

Supervisor Kuehl questioned whether the market has too many trading credits. Staff responded that NO_x and SO_x emissions are 25% and 26% below allocations, respectively, but this margin is expected to come down in future years due to the NO_x shave that reduces NO_x Allocations by 45%. Dr. Lyou noted that the compliance margin for the program should be 10% and not 25% and that a 10% compliance margin was built into the 2007 NO_x Shave. Staff explained that the projections in 2007 included an allowance for growth in addition to the 10% compliance margin but actual growth since 2007 has not been as robust as projected.

Supervisor Kuehl ask for clarification on the “No evidence of increased health risk” statement and questioned whether trades in certain areas could be causing toxic hot spots in those areas. She asked if there was any data mapping that illustrated where the credits are purchased for use so that hot spots could be identified. Staff responded that RTC purchase data is not mapped but NO_x and SO_x emissions are mapped to identify areas of high NO_x and SO_x emissions. With regards to the first question, staff replied that qualifying language is used because the impact of RECLAIM on health risk is complicated. RECLAIM is only one of numerous rules, regulations, permit conditions, etc. that impact toxic emissions from RECLAIM facilities. Although there has been discussion regarding market-based regulations such as RECLAIM and GHG regulations contributing to local health risk due to facilities purchasing credits in lieu of installing emissions controls, there is no evidence that RECLAIM has caused higher health risk near RECLAIM facilities. Dr. Lyou noted that most RECLAIM facilities are located in environmental justice areas so RTCs are essentially traded from one EJ area to another EJ area.

Dr. Lyou asked if there are any steps that can be taken to increase the compliance rates from 94% or 97% to 100%. Staff noted that total amount of the exceedances on a mass basis is small and that each exceedance is subtracted from the violating facility's future years allocations. Dr. Lyou asked if there is a way to help facilities project their RTC needs or are the facilities solely responsible. Staff confirmed that the facilities are responsible for determining their own RTC needs and that an NOV is issued to facilities that fail to hold adequate RTCs to reconcile their emissions.

Dr. Lyou inquired about the \$200,000 low-price threshold for IYB prices that was established in a recent RECLAIM amendment. Staff advised that the \$200,000 threshold is not effective until Compliance Year 2019.

6. Permit Application Backlog Reduction Quarterly Report

Dr. Laki Tisopulos gave the first quarterly progress report on implementing the Permit Application Backlog Reduction Plan, approved by the Board in October 2016. During the past six months, implementation of the steps outlined in this plan have already helped to reduce the pending applications by 25%, which is ahead of the pace required to meet the plan's two-year goal. Reduction by pending applications to date equates to approximately 50% of the backlog reduction target.

Significant progress has also been made in developing online permitting tools for automotive spray booths, service stations, dry cleaners, and online filing of key permit application forms. The business processes have been mapped, and functioning prototypes are projected to be shared with stakeholders in July 2017.

In an effort to increase transparency, a permit 'dashboard' graphic was developed and is available online that shows the progress of the backlog reduction by giving a snapshot of the pending applications on a monthly basis. Also, two Permit Streamlining Task Force meetings have been held, with another scheduled for March 1, 2017.

Supervisor Rutherford commended staff's efforts.

Bill LaMarr, Executive Director, California Small Business Alliance, stated that this was the second serious backlog reduction effort, with the other occurring about ten years ago. The inability for a small business to get a permit in a timely manner is very costly. They are paying leases on their buildings, and cannot legally operate until they receive their permit. Mr. LaMarr stated that no one has explained satisfactorily how this backlog happened, and questioned if it is likely to happen again. Mr. Nastri stated that the historical high staff vacancy rate was a major factor. There were concerns with the budget and the economy in the past, which hindered hiring. Lately, staff has been able to reduce the vacancy rate with new hires. As the work force ages, we are losing many experienced engineers to retirement. With this in mind, staff will continue to address the vacancy rate. Mr. Nastri added that the dashboard provides anyone the ability to see the backlog status at any time, which heightens accountability and transparency.

David Rothbart, representing the Southern California Alliance of Publicly Owned Treatment Works, thanked the staff for their efforts to date, but stated that the future of RECLAIM could greatly impact the backlog by thousands of permits. He would like staff to continue to focus on how to get permit applications through the process as quickly as possible. He stated that one of the major roadblocks is that the permit process often can be adversarial. If that is eliminated, it would go a long way to speeding up the time it takes to process a permit.

Rita Loof, representing RadTech, reiterated a comment that Supervisor Rutherford has made in the past to “not sweat the small stuff.” Rule 219 should be used more effectively. If equipment is known to meet emission targets by a factor of 10, for example, permits should not be required.

WRITTEN REPORTS

All written reports were acknowledged by the Committee.

OTHER BUSINESS

Dr. Lyou requested that a presentation on the joint study reported on at the American Geophysical Union conference in December 2016, regarding the Optical Remote Sensing Technology study of refineries monitoring VOC emissions, be given at the next meeting.

PUBLIC COMMENTS

There were no public comments.

The next Stationary Source Committee meeting is scheduled for March 17, 2017. The meeting was adjourned at 12:05 p.m.

Attachment

Attendance Roster

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

February 17, 2017

Attendance Roster (Voluntary)

Mayor Pro Tem Ben BenoitSCAQMD Governing Board
Dr. Joseph Lyou.....SCAQMD Governing Board
Councilmember Judith MitchellSCAQMD Governing Board
Supervisor Sheila Kuehl.....SCAQMD Governing Board
Supervisor Janice Rutherford (Videoconference).....SCAQMD Governing Board
Supervisor Shawn Nelson (Videoconference).....SCAQMD Governing Board
Board Consultant David Czamanske.....SCAQMD Governing Board (Cacciotti)
Board Consultant Ron Ketcham.....SCAQMD Governing Board (McCallon)
Wayne Nastri.....SCAQMD staff
Barbara Baird.....SCAQMD staff
Philip Fine.....SCAQMD staff
Laki Tisopulos.....SCAQMD staff
Jill Whynot.....SCAQMD staff
Kurt Wiese.....SCAQMD staff
Matt MiyasatoSCAQMD staff
Amir Dejbakhsh.....SCAQMD staff
Bill LaMarrCalifornia Small Business Alliance
David Rothbart.....L.A. County Sanitation Districts
Rita Loof.....RadTech
Susan Stark.....Tesoro
Bill Pearce.....The Boeing Company