

BOARD MEETING DATE: June 5, 2020

AGENDA NO. 20

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee held a meeting on Friday, May 15, 2020. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Ben Benoit, Chair
Stationary Source Committee

AD:cr

Committee Members

Present: Council Member Ben Benoit (Chair)
Senator Vanessa Delgado (Ret)
Board Member Gideon Kracov
Council Member Judith Mitchell
Supervisor V. Manuel Perez
Supervisor Janice Rutherford

Call to Order

Chair Benoit called the meeting to order at 10:30 a.m.

INFORMATIONAL ITEMS:

1. Reasonably Available Control Technology (RACT) Demonstration and Emissions Statement Certification for 2015 8-Hour Ozone Standard

Zorik Pirveysian, Planning and Rules Manager, provided a presentation on the Reasonably Available Control Technology Demonstration (RACT) and the Emissions Statement Certification for the 2015 8-hour Ozone Standard.

Supervisor Rutherford asked about the types of businesses in the automobile assembly line operations. Mr. Pirveysian responded that there are less than 10 facilities in the South Coast Air Basin which are involved in the automobile assembly line coating operations.

Supervisor Perez inquired about the number and type of major stationary sources in Coachella Valley and about the emissions reporting timeline for these facilities. Mr. Pirveysian responded that there are three major source facilities in Coachella Valley - Sentinel Power, Wildflower Energy, and Imperial Irrigation District which report their emissions on an annual basis to South Coast AQMD under the Annual Emissions Reporting (AER) program. There are no additional requirements for these facilities based on the RACT demonstration.

Council Member Benoit asked if there is a way to push the envelope for the Ultraviolet/Electron Beam/Light-Emitting Diode (UV/EB/LED) technology and discussed the applications and basics of the UV/EB technology. Mr. Pirveysian responded that the purpose of RACT demonstration was to evaluate whether South Coast AQMD's existing rules met the U.S. EPA's RACT requirements based on an evaluation of the U.S. EPA's Control Technique Guidelines (CTG) and rules adopted by other agencies representing controls achieved in practice. Staff will conduct a more comprehensive evaluation of all feasible technologies including the UV/EB/LED technology in terms of technical feasibility and cost-effectiveness for various coating categories and applications as part of the 2022 AQMP development process. Dr. Philip Fine, Deputy Executive Officer/Planning, Rule Development and Area Sources, also clarified that RACT is a baseline level of control that the U.S. EPA requires air districts to meet. Dr. Fine also emphasized that detailed evaluation will be conducted during the 2022 AQMP development.

Rita Loof, RadTech, expressed concerns that many of the U.S. EPA's coatings CTGs have not been updated for decades and do not reflect the current state of VOC control technologies. She requested that staff consider the UV/EB/LED technology as a compliance option for the RACT level of control. Dr. Fine responded that staff is committed to evaluate this UV/EB/LED technology in the 2022 AQMP as part of the control measure development and clarified that RACT is not an analysis of new control technologies, but an analysis of CTGs and other agencies rules.

Council Member Benoit asked staff to contact the U.S. EPA requesting them to update their outdated CTGs. Executive Officer Wayne Nastri responded affirmatively.

2. Overview of New Source Review for the RECLAIM Transition

Susan Nakamura, Assistant Deputy Executive Officer/Planning, Rule Development, and Area Sources, provided an overview of Regulation XIII – New Source Review and Rule 2005 – RECLAIM New Source Review to highlight key issues for the transition of RECLAIM facilities to command and control related to New Source Review (NSR).

Supervisor Rutherford queried who were the five largest holders of Emission Reduction Credits (ERCs). Ms. Nakamura said that she will need to look up that information and will provide it later.

Council Member Mitchell asked why facilities would not want to generate ERCs and if it is because the fee for ERCs is high. Ms. Nakamura replied that fees could be part of the reason and added that if the facilities received ERCs from the internal bank, they would have to return those before they could generate new ERCs. Ms. Nakamura continued saying that ERCs are also discounted to Best Available Control Technology (BACT) levels, which is quite steep. She added that in addition to the cost and the time, many facilities when shutting down don't want to spend the effort to claim the ERCs. Council Member Mitchell followed up by asking why there is a twelve month wait to claim orphan shutdown credits. Ms. Nakamura answered that the delay could be even longer. South Coast AQMD allows a facility to submit applications for ERCs within 180 days after the permits are inactivated which could be twelve or more months after the shutdown. Chief Deputy Counsel Barbara Baird added that most orphan shutdowns are a result of letting the permit expire. Under South Coast AQMD rules, she continued, the facility has a year to reinstate their permits and the delay avoids claiming the offsets when the facility may still require them if they reinstate their permits. Council Member Mitchell declared her preference to shorten that timeframe. Ms. Nakamura reported that in the working group meeting yesterday staff discussed creating a bank to ensure offsets are available because staff has found that operators tend to hold on to ERCs for their possible business growth in the future.

Senator Delgado expressed her support for additional workshops to better understand NSR issues. She said she understood how small businesses might not want to go through the process of acquiring ERCs and added that she understood why a facility would hold onto ERCs rather than sell them in the open market. Senator Delgado stated that she didn't see how the Open Market would ever truly function and there needed to be a change to the current system. She asked why we would want to transition out of a system that is working into a system that is not working. Ms. Nakamura replied that staff is exploring how to keep facilities in RECLAIM as long as possible to utilize RECLAIM NSR while seeding a Large Source Bank with new reductions. She stated that U.S. Environmental Protection Agency has said that facilities may not transition out of RECLAIM unless all regulatory elements are approved, which provide until the 2023 timeframe to seed a Large Source Bank. Ms. Nakamura added that some industry stakeholders have commented that this is a disparate impact as facilities would have to comply with both the Best Available Retrofit Control Technology (BARCT) and the RECLAIM allocation shave. However, those facilities have access to RECLAIM NSR where there is more flexibility.

Board Member Kracov thanked Ms. Nakamura for the presentation. He asked why the Governing Board decided to scrap the RECLAIM program. Ms. Nakamura explained that came after the 2015 amendment and was a measure in the 2016 AQMP. She continued that while there are gains that have been made through the program, the concern is that 60 percent of the equipment is not at BARCT levels. She explained that some may say that facilities meet BARCT in aggregate when looking at total allocations and there are success stories, however, the overwhelming majority of facilities do not have BARCT controls; some of the reductions are associated with shutdowns such as those that occurred in 2008 and even more recently with Cal Portland. Mr. Kracov followed up by asking how the bank is seeded and conveyed his concern about over-allocating at the start of this program. Ms. Nakamura acknowledged criticism about the initial allocations made to the RECLAIM program that was based on their actual emissions; some felt that the facilities were over-allocated. She continued that there have been programmatic checks and that is why there have been adjustments and shaves. Mr. Kracov stated that the over-allocation may have been the reason why facilities did not install pollution controls. He expressed his hopefulness that we have learned some of the lessons which caused RECLAIM to be scrapped and apply those lessons to the new NSR program. Executive Officer Wayne Nastri stated that there was a lot of controversy over RECLAIM decades ago when it was first started and concerns about the trading because a facility may not have to install controls. Mr. Nastri said that some may say that RECLAIM did what it was intended to do, but there was tremendous controversy during the first shave and the second shave. Each successive shave will become much more difficult. He continued that when you look at cap-and-trade and command-and-control, at some point you will reach the same emission level. Mr. Nastri added that this transition back to command-and-control is highlighting the challenges that we see from NSR, BACT, and BARCT. Mr. Nastri said that once we get to a level of control from command-and-control, he does not see us going back because we have made so much progress. Mr. Kracov asked if we would adhere to the timelines established in AB 617. Mr. Nastri said that we will meet the requirements of the legislation.

Mr. Chris Chavez, Coalition for Clean Air, stressed the need for actual emission reductions for communities. He stated that one of the major criticisms is the declining effectiveness of RECLAIM and we need to take new and innovative approaches in regulation and enforcement to further reduce emissions. Regarding AB 617, Mr. Chavez said he understands that South Coast AQMD has its rule schedule and is adhering to that schedule but expressed his hope that control technology would be deployed in a real setting as expeditiously as possible to bring real emission reductions to our communities.

Mr. Michael Carroll, Regulatory Flexibility Group, noted that the RECLAIM program has achieved emission reductions that the Board and staff have

acknowledged is equivalent to BARCT and the rate of reduction from RECLAIM facilities was materially higher than the rate from non-RECLAIM facilities under command-and-control over the same period of time. He stated his main point was to address Council Member Mitchell's question about why ERC's are not pursued. He said the reason is the methodology applied when calculating ERCs. The methodology used to determine ERCs is dramatically different than that used to calculate offsets going into the Internal Bank. He continued that what could be helpful is to take a case study and compare the quantity of ERCs generated to the quantity that would go into the Internal Bank. When facilities looked at the methodology for determining ERCs, Mr. Carroll said facilities realize that they are not going to get anything and that is why most facilities do not submit ERC applications. Mr. Carroll suggested that to increase the supply of offsets, we evaluate the criteria to generate ERCs. He continued that if the offsets generated for the Internal Bank meets federal requirements for a valid offset, then there is no reason why an ERC should not use the same methodology. Mr. Carroll recommended that while we are evaluating the criteria for the Internal Bank, we should be evaluating the criteria for ERCs. He stated there is no reason why the criteria should be any different; it is either a valid NSR offset that meets all the federal requirements or it is not.

WRITTEN REPORTS:

3. Notice of Violation Penalty Summary

The report was acknowledged by the Committee.

4. Monthly Update of Staff's Work with U.S. EPA on New Source Review Issues for the Transition of RECLAIM Facilities to a Command and Control Regulatory Program

The report was acknowledged by the Committee.

OTHER MATTERS:

5. Other Business

There was no other business.

6. Public Comment Period

There were no public comments.

7. Next Meeting Date

The next regular Stationary Source Committee meeting is scheduled for Friday, June 19, 2020.

Adjournment

The meeting was adjourned at 11:48 a.m.

Attachments

1. Attendance Record
2. Draft Notice of Violation Penalty Summary
3. Monthly Update of Staff's Work with U.S. EPA on New Source Review Issues for the RECLAIM Transition

ATTACHMENT 1

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT STATIONARY SOURCE COMMITTEE

Attendance –May 15, 2020

All participants attended the meeting remotely pursuant to Executive Orders N-25-20 and N-29-20

Council Member Ben Benoit	South Coast AQMD Governing Board
Senator Vanessa Delgado (Ret.)	South Coast AQMD Governing Board
Board Member Gideon Kracov	South Coast AQMD Governing Board
Council Member Judith Mitchell	South Coast AQMD Governing Board
Supervisor V. Manuel Perez	South Coast AQMD Governing Board
Supervisor Janice Rutherford	South Coast AQMD Governing Board

Fred Minassian	Board Consultant (Mitchell)
Mark Taylor	Board Consultant (Rutherford)

Michael Carroll	Regulatory Flexibility Group
Chris Chavez	Coalition of Clean Air
Curtis Coleman	Southern California Air Quality Alliance
Bridget McCann	Western States Petroleum Association
Bill LaMarr	California Small Business Alliance
Rita Loof	RadTech
Dan McGivney	Southern California Gas Company
David Rothbart	SCAP
Patty Senecal	Western States Petroleum Association
Peter Whittingham	Whittingham Public Affairs Advisors

Derrick Alatorre	South Coast AQMD staff
Jason Aspell	South Coast AQMD staff
Barbara Baird	South Coast AQMD staff
Amir Dejbakhsh	South Coast AQMD staff
Philip Fine	South Coast AQMD staff
Bayron Gilchrist	South Coast AQMD staff
Sheri Hanizavareh	South Coast AQMD staff
Mark Henninger	South Coast AQMD staff
Christian Hynes	South Coast AQMD staff
Jong Hoon Lee	South Coast AQMD staff
Terrence Mann	South Coast AQMD staff
Matt Miyasato	South Coast AQMD staff
Michael Morris	South Coast AQMD staff
Ron Moskowitz	South Coast AQMD staff

ATTACHMENT 1

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT STATIONARY SOURCE COMMITTEE

Attendance –May 15, 2020

All participants attended the meeting remotely pursuant to Executive Orders N-25-20 and N-29-20

Susan Nakamura.....	South Coast AQMD staff
Wayne Nastri.....	South Coast AQMD staff
Zorik Pirveysian	South Coast AQMD staff
Sarah Rees	South Coast AQMD staff
Kathryn Roberts.....	South Coast AQMD staff
Anthony Tang.....	South Coast AQMD staff
William Thompson.....	South Coast AQMD staff
Jill Whynot	South Coast AQMD staff
William Wong	South Coast AQMD staff
Paul Wright.....	South Coast AQMD staff
Victor Yip.....	South Coast AQMD staff

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
General Counsel's Office
DRAFT
April 2020 Settlement Penalty Report

Total Penalties

Civil Settlements:	\$90,145.00
MSPAP Settlements:	\$800.00
Hearing Board Settlements:	\$77,000.00

Total Cash Settlements: \$167,945.00

Total SEP Value: \$0.00

Fiscal Year through 4 / 2020 Cash Total: \$11,910,555.36

Fiscal Year through 4 / 2020 SEP Value Only Total: \$0.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
Civil Settlements						
3417	AIR PROD & CHEM INC	3002(c)(1)	4/10/2020	NSF	P68955 P68956 P68957 P68958	\$56,900.00
39133	COOPER & BRAIN, B & B LEASE	1148.1 1173	4/22/2020	KCM	P63263 P63264	\$9,250.00
346	FRITO-LAY, INC.	2004 2012	4/10/2020	TRB	P66209	\$1,500.00
9163	INLAND EMPIRE UTL AGEN, A MUN WATER DIS	203 1146 3002	4/10/2020	WBW	P65032 P65033	\$10,000.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
45746	PABCO BLDG PRODUCTS LLC,PABCO PAPER, DBA	2004 2012	4/22/2020	TRB	P66101 P68307	\$2,500.00
37603	SGL TECHNIC INC, POLYCARBON DIVISION	2004	4/10/2020	TRB	P65582 P66220 P68253	\$1,500.00
160437	SOUTHERN CALIFORNIA EDISON	2004 3002	4/17/2020	TRB	P64383 P64420	\$7,500.00
1634	STEELCASE INC, WESTERN DIV	2004(f)(1)	4/16/2020	SH	P65367	\$995.00
Total Civil Settlements: \$90,145.00						

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
MSPAP Settlements						
148163	NELSON'S CLEANERS	1421	4/17/2020	TF	P68754	\$375.00
46138	PARIS CLEANERS	1421	4/17/2020	TF	P69301	\$50.00
135682	VASQUEZ MAINTENANCE	461	4/17/2020	TF	P66379	\$375.00
Total MSPAP Settlements: \$800.00						

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
Hearing Board Settlements						
104234	MISSION FOODS CORPORATION	202 203(b) 1153.1 1303	4/16/2020	KCM	5400-4	\$50,000.00
181758	RUDOLPH FOODS WEST, INC.	202	4/17/2020	KCM	6168-1	\$2,000.00
175187	VENICE BAKING, TORRANCE FACILITY	202(a) 203(a)	4/10/2020	KCM	6144-1	\$25,000.00
Total Hearing Board Settlements: \$77,000.00						

SOUTH COAST AQMD'S RULES AND REGULATIONS INDEX FOR APRIL 2020 PENALTY REPORT

REGULATION II - PERMITS

Rule 202 Temporary Permit to Operate

Rule 203 Permit to Operate

REGULATION IV - PROHIBITIONS

Rule 461 Gasoline Transfer and Dispensing

REGULATION XI - SOURCE SPECIFIC STANDARDS

Rule 1146 Emissions of Oxides of Nitrogen from Industrial, Institutional and Commercial Boilers, Steam Generators, and Process Heaters

Rule 1148.1 Oil and Gas Production Wells

Rule 1153.1 Emissions of Oxides of Nitrogen from Commercial Food Ovens

Rule 1173 Fugitive Emissions of Volatile Organic Compounds

REGULATION XIII - NEW SOURCE REVIEW

Rule 1303 Requirements

REGULATION XIV - TOXICS

Rule 1421 Control of Perchloroethylene Emissions from Dry Cleaning Operations

REGULATION XX - REGIONAL CLEAN AIR INCENTIVES MARKET (RECLAIM)

Rule 2004 RECLAIM Program Requirements

Rule 2012 Requirements for Monitoring, Reporting, and Recordkeeping for Oxides of Nitrogen (NO_x) Emissions

REGULATION XXX - TITLE V PERMITS

Rule 3002 Requirements for Title V Permits

May 2020 Update on Work with U.S. EPA on New Source Review Issues for the RECLAIM Transition

At the October 5, 2018 Board meeting, the Board directed staff to provide the Stationary Source Committee with a monthly update of staff's work with U.S. EPA regarding resolving NSR issues for the transition of facilities from RECLAIM to a command and control regulatory structure. The table below summarizes key activities over the past month.

Item	Discussion
Teleconference with U.S. EPA – April 30, 2020	<ul style="list-style-type: none"> Discussed with U.S. EPA concepts for a new Large Source Bank
Teleconference with U.S. EPA – May 7, 2020	<ul style="list-style-type: none"> Continued discussions with U.S. EPA regarding concepts for the Large Source Bank Reviewed material for the May RECLAIM and Regulation XIII working group meetings
RECLAIM and Regulation XIII (New Source Review) Working Group Meeting – May 14, 2020	<ul style="list-style-type: none"> Provided updates on rulemakings for the RECLAIM transition Presented a summary of the March 5, 2020 video conference with U.S. EPA Discussed concepts to establish a new Large Source Bank <ul style="list-style-type: none"> Provided a general overview about offset generation and Federal integrity criteria for offsets Discussed initial discounting concepts to ensure offsets for the Large Source Bank are surplus