Public Workshop and CEQA Scoping Session

Proposed Amendments to Regulation XX - RECLAIM

April 7, 2004

Purpose of This Workshop

- Summarize the proposed amendments
- Scoping session on the initial study for the environmental assessment
- Seek public input

Background - Program Basics

- RECLAIM originally adopted in October 1993
- Establishes annual facility-wide emission limits
- Subject to a yearly reduction of limits
  - Controls
  - Process Changes
  - Purchasing of RECLAIM Trading Credits
  - other

Background – Historical

- RECLAIM Trading Credit (RTC) prices steady through 1999 and early 2000
- RECLAIM 2000
  - Energy crisis
  - RTC price spike
- October 2000 Board Meeting

Historical (cont.)

- January 2001 Board Meeting
- May 2001 Rule Amendment
  - Restricted trading
  - Required NO_x Controls
  - Added Credit Generation Rules and Mitigation Fee Program
- June 2003 Board Meeting

Historical (cont.)

- December 2003 Rule Amendment
  - Trading restrictions lifted on power producers
  - Effective September 2004
  - Contingent on BARCT assessment

Proposed 2004 Rule Amendments

- 2003 AQMP control measure
- BARCT assessment
- Breakdown emissions
- Other

2003 AQMP Control Measure

- Estimates 3 TPD reduction
- Actual amount based on:
  - Technical feasibility
  - Economic feasibility

BARCT

- Requirement of state law H&SC §40440
  - Consideration of environment, energy, & cost
  - Equivalency Test
    - New and existing sources
    - Power plants
- Equivalency to command-and-control required pursuant to H&SC § 39616
  - Emission Reductions
    - Emission Rates
    - Activity Levels
- 3-year evaluation with AQMP

BARCT Methodology

- Every feasible measure (H&SC §40914)
- Review of several information sources:
  - ARB
  - EPA
  - AQMD and other district rules
  - Manufacturers
  - Permit Data

Categories Identified with Potential Further NOx Reductions

- Turbines (non-Rule 2009 facilities)
- Boilers & heaters
- Metal melting furnaces
- Metal heat treating
- FCCU
- Misc. (ovens, kilns, calciners, dryers, furnaces, etc.)

Preliminary Results

Categories with No Further NOx Reductions Proposed

- Curing and drying ovens
- Glass melting furnaces
- ICEs
- Cement kilns

Preliminary Results

Ongoing Data Analysis on Allocations

- Rule 2009 facilities
  - CEC forecast (December 2003)
  - 2003 AQMP growth assumptions (CEC, 2001)
  - SCAG forecast
  - 2000 allocation exemptions

Ongoing Data Analysis on Allocations (Cont.)

- RECLAIM Allocation Methodology
  - Comparison of BARCT to Tier I factors
  - Peak year equipment for 2000 allocations
  - Application of new BARCT factors to peak year activity as 2010 emissions
  - Comparison between 2010 emissions and 2010 allocations

Ongoing Data Analysis on Allocations (Cont.)

- 2003 AQMP to 2010 Ending Emissions
  - 1997 actual emissions
  - Application of growth and control factors (new BARCT) to 2010
  - Comparison between 2003 AQMP 2010 ending emissions and RECLAIM 2010 calculated emissions

Proposed Amended Rules

PAR 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x)

PAR 2002

- Key Elements
  - 2010 RTC holding adjustment
  - Non-Tradable allocations for power plants
  - Emission factor for micro-turbines

PAR 2002 (continued)

<u>2010 RTC Holding Adjustment</u>

- Emission reductions for all RTC holders
- Programmatic basis
- Implemented over a five-year period
- Initial (one-fifth) reductions in 2006

PAR 2002 (continued)

<u>2010 RTC Holding Adjustment (cont.)</u>

- Specific percent reduction from the 2003 Allocation
- Exact percentage subject to the BARCT analysis
- Equal increments each year
- After 2010 Allocations remains level

PAR 2002 (continued)

<u>Non-Tradable Allocations</u>

- Address future potential spikes or increases in electrical generation demand
- Available for power producing facilities
- Portion of annual Allocation (not yet determined)
- Beginning in the 2006 compliance year and each subsequent compliance year

PAR 2002 (continued)

<u>Non-Tradable Allocations (continued)</u>

- Reserved portion of Power Plant's RTCs
- Used in the event of high electrical demand
- Request to use submitted to the AQMD
- Prior to the end of the compliance quarter for which the non-tradable credits are needed

PAR 2002 (continued)

<u>Emission Factor for Micro-Turbines</u>

- Administrative change to Table 1
- Current default factor is 413 pounds per million standard cubic feet (lbs/mmscf)
- Proposed factor is 54.4 (lbs/mmscf)

Proposed Amended Rules

PAR 2007 – Trading Requirements

PAR 2007

- Power Plants reconcile emissions using RTCs purchased prior to January 12, 2001 through the compliance quarter ending August 31, 2004
- Changed to September 30 to reflect quarter end date
- Restore full trading for Power Plants to date of rule amendment

Proposed Amended Rules

PAR 2009 – Compliance Plan for Power Producing Facilities

PAR 2009

- Environmental Dispatch
- Current compliance plan expires at the end of the 2005 compliance year
- Change sunset date to the date of rule amendment

Proposed Amended Rules

PAR 2010 – Administrative Remedies and Sanctions

PAR 2010

- Clarification on deductions for quarterly exceedances
- Add quarterly exceedances to calculate total annual exceedance
- Deduct annual exceedances

Proposed Amended Rules

PAR 2011 and 2012 – Requirements for Monitoring, Reporting, and Recordkeeping for Oxides of Sulfur and Nitrogen

PAR 2011 and 2012

- Consistent due date for monthly interim reports = 15 days
- Testing procedures for natural gas combustion sources with O_2 content greater than 19%
- RATA schedule for periodically operated equipment
- Typographical corrections

Proposed Amended Rules

PAR 2015 – Backstop Provisions

PAR 2015

- Breakdown Emissions
- Set-Aside
- Deletion of Obsolete Language

PAR 2015 (continued)

<u>Breakdown Emissions</u>

- May 2001 RECLAIM – SIP issue
- September 20, 1999 EPA policy
- Mitigation of all excess emissions during equipment malfunctions, startup, and shutdown

PAR 2015 (continued)

<u>Breakdown Emissions</u>

- Monitoring and tracking of excess emissions from breakdowns
- Compare that amount to unused RTCs each year for the entire RECLAIM program

PAR 2015 (continued)

<u>Breakdown Emissions</u>

- If yearly breakdown emissions from all RECLAIM sources exceeds the unused RTCs, then programmatic reductions from all RECLAIM allocations in the year following the discovery

PAR 2015 (continued)

<u>Set-Aside</u>

- Backstop measure
- If quarterly average price exceeds $15,000 per ton
- Deduction from all RTC holdings (not yet determined) beginning with the 2006 compliance year

PAR 2015 (continued)

<u>Set-Aside (continued)</u>

- Accessible to any RECLAIM facility
- Non-tradable RTCs
- First-come-first-served basis

PAR 2015 (continued)

<u>Set-Aside (continued)</u>

- Transfer only to facilities under common ownership
- Reconcile emissions pursuant to Rule 2004
- Unused RTCs retired to the benefit of the environment

Issues – Soliciting Comment

- BACT
- “Structural Buyers”

Schedule

- Close of comments on Notice of Preparation/Initial Study – April 9, 2004
- Close of comments on rule proposal – April 23, 2004
- Next Working Group Meeting April 15th, 1:00 p.m., Conference Room GB
- July/August 2004 Public Hearing