

**NOTICE OF PUBLIC WORKSHOP
AND CEQA SCOPING MEETING**

**Proposed Rule 1304.2 –California Public Utilities Commission Regulated Electrical
Generating Facility Fee For Use of SO_x, PM₁₀, and NO_x Offsets**

&

**Proposed Rule 1304.3 – Local Publicly Owned Electrical Utility Fee For Use of SO_x,
PM₁₀, and NO_x Offsets**

**Wednesday, September 7, 2016 - 1:30 pm
SCAQMD Headquarters
21865 Copley Drive • Diamond Bar, CA 91765
Room CC-2**

PURPOSE OF THE MEETING

The South Coast Air Quality Management District (SCAQMD) has scheduled a Public Workshop and California Environmental Quality Act (CEQA) scoping meeting regarding Proposed Rule (PR) 1304.2 – California Public Utilities Commission (CPUC) Regulated Electrical Generating Facility (EGF) Fee For Use of SO_x, PM₁₀, and NO_x Offsets; and PR 1304.3 – Local Publicly Owned Electrical Utility (LPOEU) Fee For Use of SO_x, PM₁₀, and NO_x Offsets. The SCAQMD, as the lead agency, has determined that the proposed project may have statewide, regional, or area-wide significance; therefore, a CEQA scoping meeting is required (pursuant to Public Resources Code § 21083.9(a)(2)).

The focus of this meeting is to solicit public comments on staff's proposal for PR 1304.2 and PR 1304.3 and their air quality objective, and also to solicit public comments on the scope of the CEQA analysis for the proposed project. The proposed rules are scheduled to be adopted at a Public Hearing before the SCAQMD Governing Board on January 6, 2017.

PROJECT LOCATION

SCAQMD's area of jurisdiction consists of the four-county South Coast Air Basin (Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties), and the Riverside County portions of the Salton Sea Air Basin and the Mojave Desert Air Basin.

AIR QUALITY OBJECTIVE

The air quality objective of PR 1304.2 and PR 1304.3 is to recover the fair market value of any offsets utilized from SCAQMD internal offset accounts for the siting of new fossil fueled electrical power generation or increased capacity at an existing site. Such offsets are a public good and fees for utilizing such offsets would be invested in air pollution improvement strategies pursuant to the provisions of the proposed rules consistent with the needs of the Air Quality Management Plan. Priority would be given to air quality improvement projects in Environmental Justice (EJ) areas and/or in close proximity to the source utilizing such offsets.

DESCRIPTION OF NATURE, PURPOSE, AND BENEFICIARIES OF THE PROPOSED RULES

These two proposed rules, if adopted, would allow proposed IOU and LPOEU power projects that meet specific rule requirements to pay a fee for the use of SO_x, PM₁₀, and NO_x emission offsets from SCAQMD's internal offset accounts. The owner/operator requesting such offsets must demonstrate that a reasonable good faith effort has been made to procure the required emission credits from all other sources, including any Emission Reduction Credits (ERCs) already held. Furthermore, the project for which the offsets are requested must be in compliance with all applicable Regulation XIII – NSR rules. Fees for the utilization of such offsets pursuant to the provisions of both of these rules do not confer any form of ownership right to the owner/operator of the EGF. The offset fee payment may be made in a single payment or as an annual payment, and all fees are subject to the annual rate of change in the Consumer Price Index (CPI). Any fees received will be utilized to fund air pollution reduction projects to benefit communities located within close proximity to sited projects and other communities located in EJ areas.

The purpose of these proposed rules is to ensure that adequate resources are available to maintain local and regional electrical grid reliability despite the decommissioning of the San Onofre Nuclear Generating Station (SONGS), an aging and progressively unreliable power generation inventory, and the increased reliance on interruptible renewable generation mandated by the California Renewables Portfolio Standard. The current supply of ERCs in the open market may be inadequate to meet the offset requirements for permitting new or expanded power projects. An increase in generation capacity, especially 'peaking' units, may benefit electrical power consumers in the SCAQMD and statewide by averting potential brown-outs and black-outs during periods of high peak demand. IOU projects may benefit from the sale of additional electricity generation.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Pursuant to California Environmental Quality Act (CEQA) Guidelines §§ 15252 and 15168 and SCAQMD Rule 110, the SCAQMD, as lead agency for the proposed project, has determined that a Program Environmental Assessment (PEA) will be required for PR 1304.2 – California Public Utilities Commission Regulated Electrical Generating Facility Fee For Use of SO_x, PM₁₀, and NO_x Offsets; and PR 1304.3 – Local Publicly Owned Electrical Utility Fee For Use of SO_x, PM₁₀, and NO_x Offsets, due to potentially significant effects of the project. SCAQMD staff believes that all CEQA topics may be significantly affected, and thus, has concluded that an Initial Study is not required to be prepared pursuant to CEQA Guidelines § 15060(d). A Notice of Preparation (NOP), which includes a Supplement to the NOP, will be released for a 33-day public review and comment period from August 18, 2016 to September 20, 2016.

The Draft PEA to be prepared will analyze the potential effects that the project may cause on the environment. The environmental topic areas that that may be adversely affected by the proposed project and, as such, warrant analysis and consideration in the Draft PEA are as follows: aesthetics; agriculture and forestry resources; air quality and greenhouse gas emissions; biological resources; cultural resources; energy; geology and soils; hazards and hazardous materials; hydrology and water quality; land use and planning; mineral resources; noise; population and housing; public services; recreation; solid and hazardous waste; and, transportation and traffic.

Since the proposed project may have statewide, regional, or area-wide significance, a CEQA scoping meeting is required pursuant to Public Resources Code § 21083.9(a)(2) and will be held

concurrently with the Public Workshop. The Draft PEA, upon its release, will be available for a 45-day public review and comment period and will contain responses to the comments made at the CEQA scoping meeting and the comment letters received relative to the NOP and the Supplement to the NOP. Questions regarding the CEQA analysis and the upcoming release of the Draft PEA may be directed to:

Barbara Radlein
Planning, Rule Development and Area Sources
South Coast Air Quality Management District
21865 Copley Drive Diamond Bar, CA 91765
Phone: (909) 396-2716
Email: bradlein@aqmd.gov
Fax: (909) 396-3324

SUPPORTING DOCUMENTS AND OTHER RELEVANT INFORMATION

The following supporting documents are currently available:

- Proposed Rule 1304.2 - California Public Utilities Commission Regulated Electrical Generating Facility Fee For Use of SO_x, PM₁₀, and NO_x Offsets
- Proposed Rule 1304.3 – Local Publicly Owned Electrical Utility Fee For Use of SO_x, PM₁₀, and NO_x Offsets
- Notice of Preparation (NOP) and Supplement to the NOP

The following supporting documents will be available on or before the date of the public workshop:

- Preliminary Draft Staff Report for Proposed Rule 1304.2 and Proposed Rule 1304.3

TO OBTAIN COPIES OF THE ABOVE DOCUMENTS

Copies of the proposed rules are currently available online at <http://www.aqmd.gov/home/regulations/rules/proposed-rules#1304.2>. Copies of the NOP and the Supplemental to the NOP are currently available online at <http://www.aqmd.gov/home/library/documents-support-material/lead-agency-scaqmd-projects>. Hard copies of these documents may also be obtained by contacting the Public Advisor. The Preliminary Draft Staff Report when available, and any updates as applicable, will be uploaded to the same links, as applicable, on or before the date of the public workshop, at which time they may also be obtained from the:

Public Advisor
Public Information Center
SCAQMD
21865 Copley Drive
Diamond Bar, CA 91765
(909) 396-2432
Email: PICrequests@aqmd.gov

SUBMISSION OF DOCUMENTS OR COMMENTS

You are invited to attend the meeting and send any comments, documents, or other information relevant to the proposed rules to:

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21865 Copley Drive
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Written comments on proposed rules should be submitted by September 21, 2016.