

January 22, 2021

Ms. Susan Nakamura
Assistant Deputy Executive Officer
South Coast Air Quality Management District
Submitted Electronically to snakamura@aqmd.gov

Dear Ms. Nakamura:

Subject: Comments on the RECLAIM Transition Plan (Draft Version 2.0)

The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to comment on the Draft RECLAIM Transition Plan Version 2.0 (Transition Plan), dated December 10, 2020. The Transition Plan clearly identifies actions the South Coast Air Quality Management District (SCAQMD) has taken to date, as well as the key air regulatory issues and topics that have been discussed during the monthly meetings of the RECLAIM and Regulation XIII Working Groups. The Transition Plan also accurately explains the remaining air regulatory issues that need to be addressed in order to complete the transition process. LADWP believes that the steps SCAQMD is taking for the clarity and completeness of the RECLAIM exit are critical, but would like to highlight some key areas of concern.

Startup, Shutdowns and Malfunctions

A key requirement of the landing rules relates to establishing a possible exemption of the NO_x limitations during periods of start-up, shutdown and malfunctions (SSM). LADWP agrees with SCAQMD's assessment that federal Clean Air Act requirements for SSM periods have shifted over the last year. These changes are reflected in the U.S. Environmental Protection Agency's (EPA) recent approval of state implementation plans (SIPs) and new EPA policy guidance that recognizes that SIP emission limitations may contain SSM exemptions for specific stationary sources if all of the emission control requirements in the SIP collectively protect the national ambient air quality standards (NAAQS). LADWP supports SCAQMD's proposed approach to consider providing SSM exemptions for NO_x limitations in the landing rules to the extent that SCAQMD can demonstrate that its suite of NO_x regulatory rules can attain and maintain the NO_x

and ozone NAAQS for the South Coast Air Basin based on EPA guidance for making such demonstrations.

New Source Review

LADWP understands that the development of new source review (NSR) permitting regulations is complicated. LADWP supports SCAQMD's proposed two-tier applicability test to be adopted in the final NSR rulemaking package. It ensures no backsliding under SB 288 because the current potential to emit to potential to emit applicability test is retained and layered with the federal NSR applicability test that compares historical baseline actual emissions to projected future actual emissions. LADWP supports SCAQMD's recommendation in its latest RECLAIM NSR presentation (dated January 21, 2021) to forego imposing a projected actual emissions permit limit. LADWP agrees with staff's current recommendation that, in lieu of a permit limit based on projected actual emissions, recordkeeping and reporting will be required instead to ensure that there is not a significant emission increase triggering NSR permit review. The federal method for verifying projected actual emissions involves recordkeeping, and SCAQMD's consistency with federal methods will eliminate any conflicting guidance.

Conversion of NO_x RECLAIM Trading Credits to Emission Reduction Credits

Another issue of importance to LADWP relates to the conversion of NO_x RECLAIM trading credits (RTCs) to emission reduction credits (ERCs) held by a RECLAIM facility permit holder. LADWP recommends that SCAQMD consider pursuing the option to convert in-perpetuity RTCs to ERCs. Several facilities (including LADWP) purchased RTC perpetuity credits after the California energy crisis to prepare for future emergencies. Perpetuity credits are considerably more expensive than annually expiring RTCs, but LADWP determined that the cost was justified because the credits would be useful in perpetuity. SCAQMD should explore all available options and work with EPA to give facilities reasonable value for these credits. One such option that SCAQMD should closely examine is to convert in-perpetuity RTCs to ERCs at an appropriately discounted level.

Transitional Permitting Issues

There are a number of important permitting issues that SCAQMD should keep in mind as RECLAIM facilities undergo the transition to a command-and-control regime. Most importantly, LADWP urges SCAQMD to establish a permitting process that facilitates

an efficient transition with minimal disruption and keeps permitting fees as reasonable as possible. For example, it makes sense for SCAQMD to establish the general permit structure under the new command-and-control regime based on the same general permit structure that is currently used for RECLAIM permits. The process to separate all of the equipment in the RECLAIM permits into separate, individual command-and-control permits could be burdensome and costly, potentially resulting in substantial permit fees.

The permit applications that must be submitted for new command-and-control permits will need to request removal of non-applicable RECLAIM provisions and the addition of the relevant requirements for the applicable command-and-control rules when the affected facilities exit the RECLAIM program. LADWP agrees with SCAQMD that permit actions on these requests should not be considered a modification that would trigger NSR permit review. Rather, these permit changes should be viewed as administrative changes that do not involve any physical or operational change to the existing facilities that could be considered as a NSR modification under Regulation XIII. LADWP urges the SCAQMD to provide clear “safe harbor” language, either in the permitting regulations or the underlying command-and-control permit, for each affected facility that confirms NSR permit review will not be triggered by these administrative changes to the new permits.

Timing of RECLAIM Exit

LADWP understands that the NSR approval process by EPA will require a great deal of coordination and collaboration with EPA to resolve many complex NSR regulatory and air policy issues at the federal, state and local levels. In light of this fact, it will take time for NSR issues to be fully resolved for final approval. However, landing rules that have been adopted, such as Rule 1135 for electric generating facilities, specify compliance with the landing rule by December 31, 2023. If post-RECLAIM NSR has not been resolved by that time, facilities will have to comply with both RECLAIM regulations and command-and-control regulations. This will result in duplicative reporting, recordkeeping, and monitoring requirements that could be demanding on personnel and challenging to facility compliance. LADWP recommends that SCAQMD create a guideline for the situation where, if post-RECLAIM NSR is not yet resolved by the

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proposed RECLAIM exit date, facilities will only be required to comply with RECLAIM regulations rather than both the RECLAIM and the command-and-control rules.

BARCT Limitations

Another key issue is the determination on “best available retrofit control technology” (BARCT) for the emission units of the facilities that are exiting the RECLAIM program. The BARCT determination for different types of emissions sources is dependent on the technology, fuel use, and age of the equipment. LADWP recommends that SCAQMD consider these factors in determining BARCT and allow the facility operator to perform its own analysis of technical and economic feasibility of BARCT control levels for each affected emitting emission unit. This further BARCT review is necessary since some affected facilities are facing BARCT rules that incur high costs associated with installing emissions control equipment that could potentially achieve minimal additional emission reductions for facilities exiting the RECLAIM program. LADWP recommends that SCAQMD work with facility operators to determine BARCT limitations on a case-by-case basis to ensure that facilities will have cost-effective emission decreases.

In closing, LADWP looks forward to working with SCAQMD on the finalization and implementation of the Transition Plan. If you have any questions or would like to discuss LADWP’s comments, please contact Ms. Andrea Villarin at Andrea.Villarin@ladwp.com or (213)367-0409, or at Ms. Teja Ganapa at Tejasree.Ganapa@ladwp.com or (213)367-332.

Sincerely,



Katherine Rubin

Manager of Air and Wastewater Quality and Compliance

TG:

c: Mr. Mike Morris (SCAQMD)
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