NOx RECLAIM
Working Group Meeting

July 9, 2015
# Shave Approaches Presented at 6/4/2015 Meeting

<table>
<thead>
<tr>
<th>Staff Proposal</th>
<th>Non-Major Facilities</th>
<th>Power Plants</th>
<th>Bottom 10% of RTC Holders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff Proposal Under Consideration</strong></td>
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</table>
| Shave applied to 90% of RTC Holders (Weighted by BARCT Reduction Contribution)  
57 total facilities, plus investors as 1 company, and includes 48 non-major refinery facilities | 67% | 47% | 47% | 0% (218 Facilities) |

<table>
<thead>
<tr>
<th>CEQA Alternative</th>
<th>Non-Major Facilities</th>
<th>Power Plants</th>
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<td><strong>CEQA Alternatives Under Consideration</strong></td>
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| **CEQA Alternative #1** Across the Board  
Affects all facilities and investors | 53% | 53% | 53% | 53% |
| **CEQA Alternative #2** Most Stringent Approach  
Across the Board without 10% Compliance Margin | 60% | 60% | 60% | 60% |
| **CEQA Alternative #3** Industry Approach  
Across the Board: Difference between previous BARCT and new BARCT | 33% | 33% | 33% | 33% |
| **CEQA Alternative #4** No Project | 0% | 0% | 0% | 0% |
| **CEQA Alternative #5** Weighted by BARCT Reduction Contribution  
Affects all facilities and investors | 67% | 36% | 36% | 36% |
| **CEQA Alternative #6** Shave applied to 90% of RTC Holders (Weighted by BARCT Reduction Contribution)  
64 total facilities, plus investors as 1 company, and includes 48 non-major refinery facilities  
**ALSO INCLUDES ALL POWER PLANTS** | 67% | 46% | 46% | 0% (211 Facilities) |
RTC Reductions and Proposed Implementation Schedule

- RTC reductions = 14 tons per day
- Proposed Implementation Schedule
  - 2016: 4 tons per day
  - 2018: 2 tons per day
  - 2019: 2 tons per day
  - 2020: 2 tons per day
  - 2021: 2 tons per day
  - 2022: 2 tons per day
- Total: 14 tons per day
Adjustment Account

• Considering adjustment account for NSR holding and limited power plant needs
• Total shave to be applied first, followed by set-aside
• Individual holding requirements for NSR would no longer be necessary
• Discrete year credits only
• Access possible after program review based on threshold price of $15,000 per ton
• Access would be granted if the Governor declares a state of emergency regarding reliable energy supply
Revised Staff Proposal and CEQA Alternatives

• Previous CEQA Alternative #6 is now the Staff Proposal
  – All power plants would be included as part of the revised Staff Proposal

• Previous Staff Proposal is now CEQA Alternative #6
# Revised Staff Proposal and CEQA Alternatives

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<th>Staff Proposal</th>
<th>Major Refineries/Investors</th>
<th>Non-Major Facilities</th>
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</table>
| **Staff Proposal**      | Shave applied to 90% of RTC Holders (Weighted by BARCT Reduction Contribution)  
65 total facilities, plus investors as 1 company,  
and includes 56 non-major refinery facilities  
*ALSO INCLUDES ALL POWER PLANTS* | 67%  
(9 Facilities) | 47%  
(26 Facilities) | 47%  
(30 Facilities) | 0%  
(210 Facilities) |
| **CEQA Alternatives Under Consideration** | | | | |
| **CEQA Alternative #1** | Across the Board  
Affects all facilities and investors | 53% | 53% | 53% | 53% |
| **CEQA Alternative #2** | Most Stringent Approach  
Across the Board without 10% Compliance Margin | 60% | 60% | 60% | 60% |
| **CEQA Alternative #3** | Industry Approach  
Across the Board: Difference between previous BARCT and new BARCT | 33% | 33% | 33% | 33% |
| **CEQA Alternative #4** | No Project | 0% | 0% | 0% | 0% |
| **CEQA Alternative #5** | Weighted by BARCT Reduction Contribution  
Affects all facilities and investors | 67% | 36% | 36% | 36% |
| **CEQA Alternative #6** | Shave applied to 90% of RTC Holders (Weighted by BARCT Reduction Contribution)  
57 total facilities, plus investors as 1 company,  
and includes 48 non-major refinery facilities. | 67%  
(9 Facilities) | 47%  
(30 Facilities) | 47%  
(18 Facilities) | 0%  
(218 Facilities) |

7/9/2015
Key Comments Received

• Sufficient triggers for adjustment account access
• Mechanism for access to RTCs in case of emergency
• Consider industry shave alternative
• Implementation schedule timing must accommodate engineering, procurement, and construction
Key Comments Received

- Comments from environmental groups
  - BARCT reductions should not have a compliance margin and be more than 14 tons per day
  - Incorporate market review when RTC prices dip below threshold
  - CEQA Alternative for Command and Control
  - Require refinery controls
  - More aggressive implementation schedule
Next Steps

• Public Workshop
  – July 22, 2015
  – Draft Proposed Amended Rule
  – Preliminary Draft Staff Report

• Stationary Source Committee
  – July 2015

• CEQA Draft Environmental Assessment
  – August 2015
Next Steps

• Socioeconomic Report
  – August/September 2015

• Governing Board
  – October 2, 2015