

Regulation XIII – New Source Review



Working Group Meeting
September 10, 2020

Join Zoom Meeting

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Meeting ID: 942 6613 0569

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Agenda

- Previous Working Group Meeting Summary
- Tracking NSR Issues
- Rule Amendments Associated With Coachella Valley Ozone Non-Attainment Reclassification

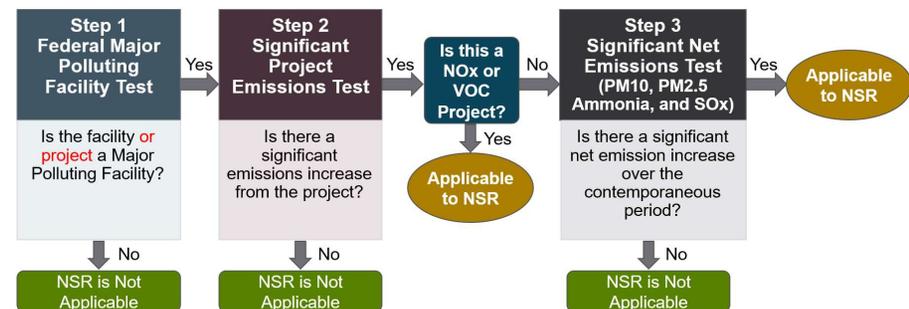
Previous Working Group Meeting Summary

Tracking NSR Issues

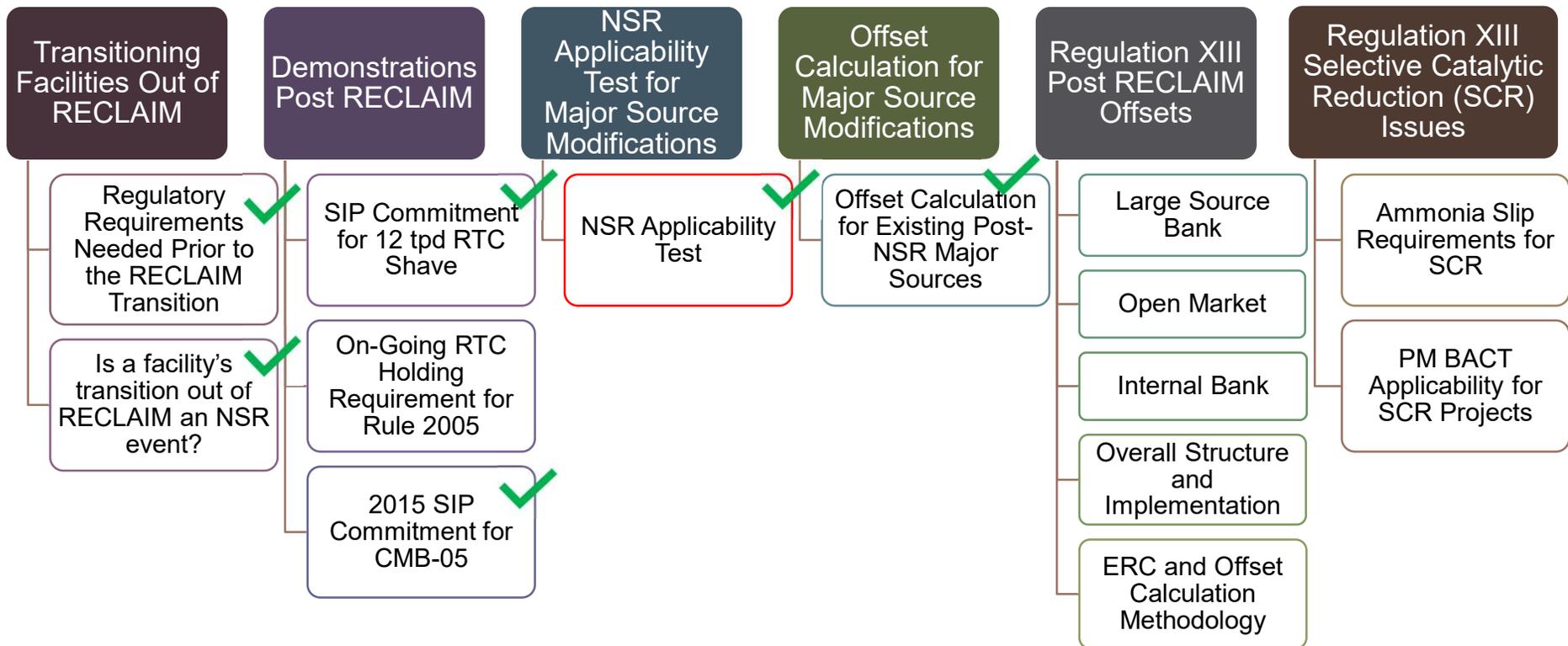
- To help track the status and breadth of NSR issues, presented a general list of NSR issues and provided a summary status of each issue
- At the beginning of each Working Group Meeting, staff will provide a summary status of NSR issues

NSR Applicability Test

- Updated the two-tier NSR applicability test for major source modifications
 - Second tier to be the Federal Applicability Test using the Three Part Test
- Correction to Step 1
 - In addition to the facility, evaluation if the project itself is over the Major Polluting Facility Thresholds
- Discussed details of the Federal Applicability Test



Summary of Status of NSR Issues



NSR Applicability Test for Major Source Modifications

NSR
Applicability
Test for
Major Source
Modifications

NSR Applicability
Test

Does the modification result in an emission increase for PTE-to-PTE test?

Yes

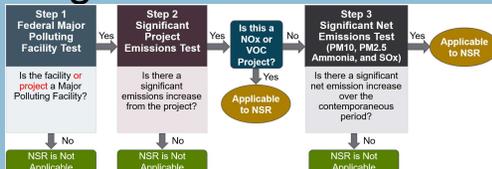
Applicable to NSR

No

Does the modification result in a significant increase using the Federal Applicability Test using the Three Part Test?

Yes

Applicable to NSR



No

NSR is not Applicable

- At the last Working Group Meeting, staff discussed the updated version of the two-tier NSR applicability test for major source modifications
- Stakeholders' recommended
 - Federal applicability test be included in rule language instead of incorporating by reference
 - To minimize deviations from the relevant federal NSR provisions
- Status: Complete
 - Rule amendment is needed, stakeholder comments will be discussed during rulemaking



Rule Amendments Associated With Coachella Valley Ozone Non-Attainment Reclassification

National Ambient Air Quality Standards (NAAQS)

- U.S. EPA establishes National Ambient Air Quality Standards (NAAQS) for various air pollutants to protect human health
- There are three NAAQS for 8-hour ozone
 - 8-hour ozone (1997) of 0.08 ppm
 - 8-hour ozone (2008) of 0.075 ppm
 - 8-hour ozone (2015) of 0.070 ppm
- Areas not meeting the standard are designated as “non-attainment areas”
- There are six designations for classifying non-attainment based on how far above the standard or the exceedance level

Designation and Classification and Attainment Dates for the 1997 8-Hour Ozone Standard of 0.08 ppm

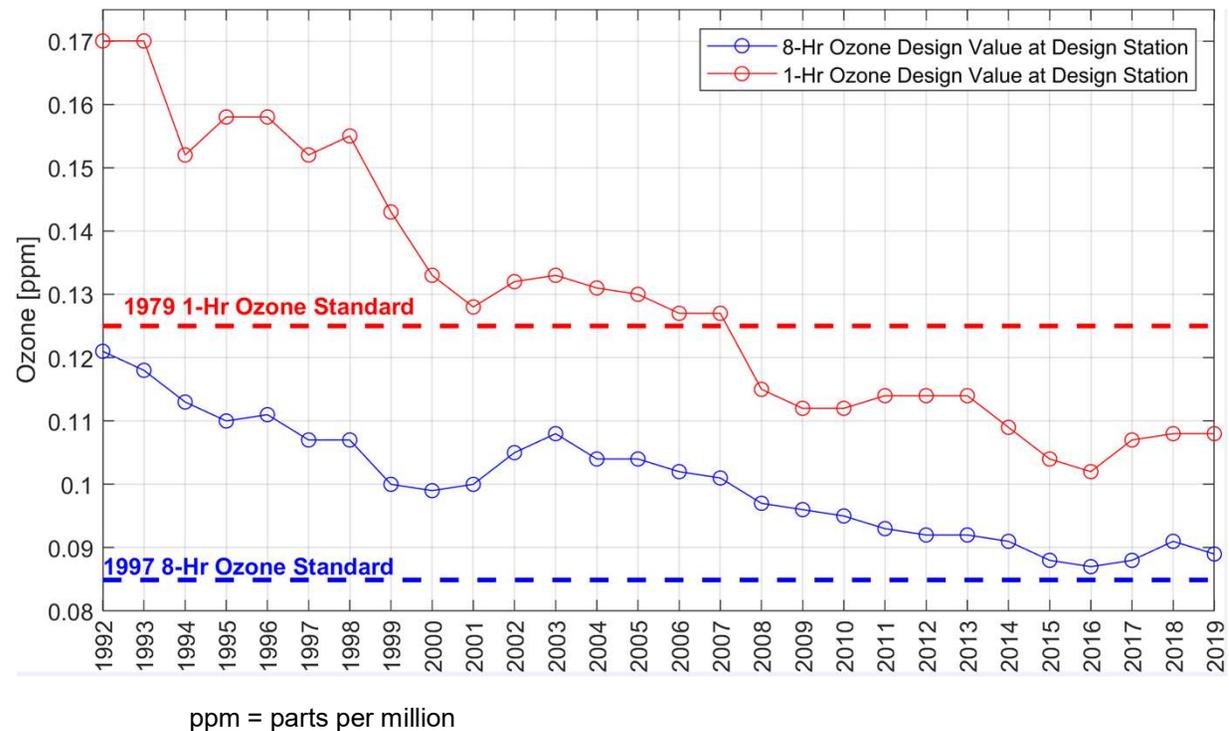
Designation and Classification	Design Value	Deadlines to reach attainment are based on the designation and classification of the non-attainment area, with more time provided for areas with worse air quality
Extreme	0.175 ppm and above	
Severe 17	0.119 to less than 0.175 ppm	
Severe 15	0.113 to less than 0.119 ppm	
Serious	0.100 to less than 0.113 ppm	
Moderate	0.086 to less than 0.100 ppm	
Marginal	0.076 to less than 0.086 ppm	

Coachella Valley 8-Hour Ozone (1997) Non-Attainment Classification

- If an area is unable to attain a standard, the Clean Air Act allows agencies to request for a reclassification to the next higher level of non-attainment to allow more time to meet the standard
- Coachella Valley was previously classified as a Severe-15 non-attainment area for the 1997 8-hour ozone NAAQS with an attainment date of June 15, 2019
- Despite improvements in ozone air quality, higher ozone levels were experienced 2017 and 2018
- U.S. EPA granted the South Coast AQMD's request to voluntarily reclassify the Coachella Valley from "Severe-15" to "Extreme" for the 1997 8-hour ozone NAAQS
- Coachella Valley is anticipated to attain the standard earlier than the attainment deadline of June 15, 2024

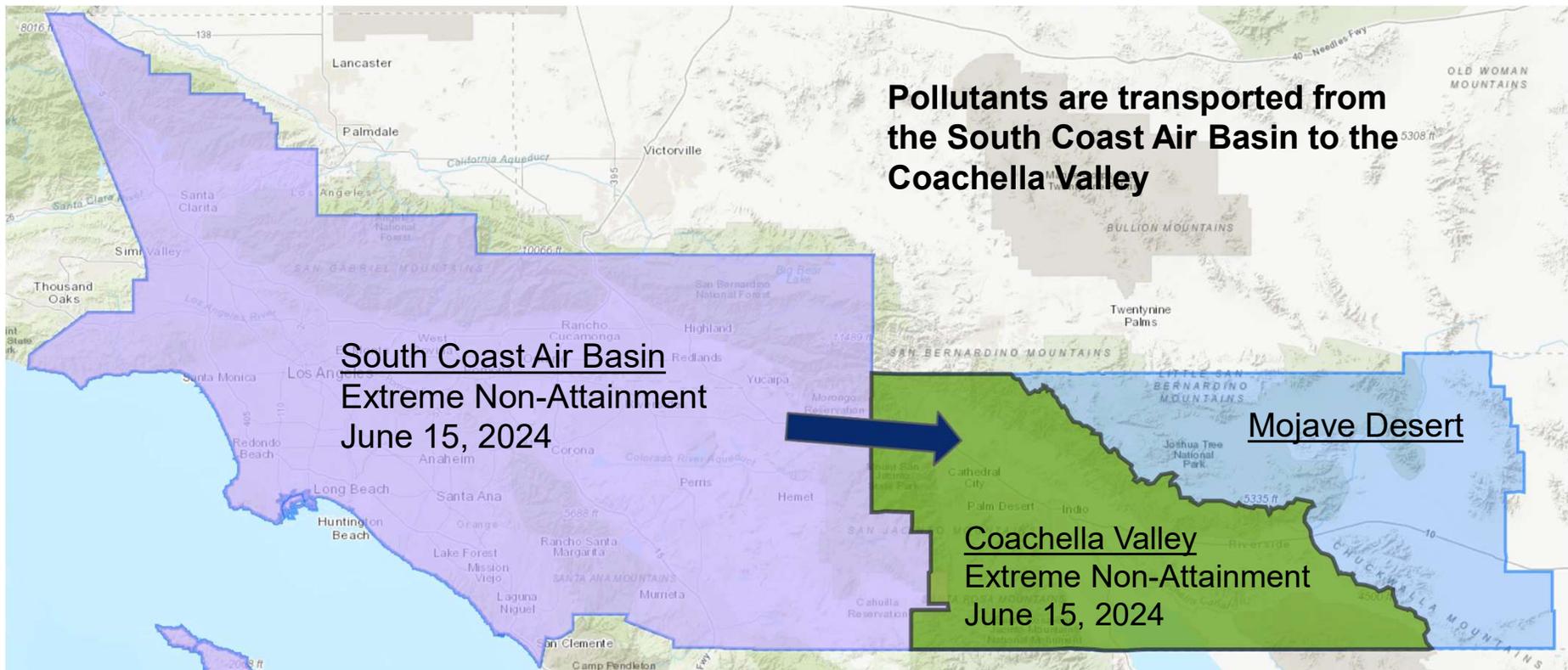
Ozone Trend in Coachella Valley

- Ozone levels have been decreasing in the South Coast Air Basin and Coachella Valley over the years
- Unusual weather patterns in 2016 and 2017, such as higher temperatures and stagnant conditions, increased ozone statewide



Ozone Levels in Coachella Valley Directly Impacted By Pollutant Transport From South Coast Air Basin

- Ozone exceedances in Coachella Valley are primarily due to the direct transport of ozone and its precursors from South Coast Air Basin

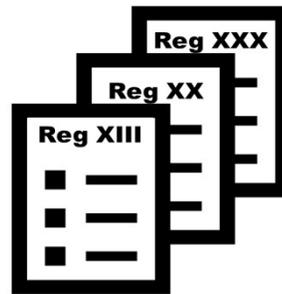


Effects of Re-Classification of Coachella Valley



New Deadline to Meet Standard

Provides more time to meet 8-hour ozone standard – new deadline June 14, 2024



Regulatory Changes

Requires lowering the thresholds for federal Major Stationary Sources requiring regulatory amendments to New Source Review, RECLAIM, and Title V



Coachella Valley State Implementation Plan

Requires development of a new State Implementation Plan to show how Coachella Valley will meet the standard on or before June 14, 2024

Regulatory Changes Needed

- Reclassification of Coachella Valley requires amendments to
 - Regulation XIII – New Source Review (NSR)
 - Regulation XX – Regional Clean Air Incentives Market (RECLAIM)
 - Regulation XXX – Title V
- Rules within these regulations have specific thresholds that are associated with the classification of Coachella Valley for ozone
- Since VOC and NO_x are precursors to ozone, proposed changes to thresholds and revisions are focused on these two pollutants
- Most of the rules refer to Coachella Valley as the “Riverside portion of the Salton Sea Air Basin (SSAB)”

Proposed Regulation XIII Amendments

- Regulation XIII establishes New Source Review requirements for permitting to meet state and federal requirements
- Proposed Regulation XIII amendments are needed to lower Major Polluting Facility and Major Modification thresholds for Coachella Valley for determining New Source Review applicability
- Lowering the thresholds means more facilities in Coachella Valley with Major Modifications at a Major Polluting Facility could be subject to New Source Review requirements

	Pollutant	Current Threshold	Proposed Threshold
Major Polluting Facility	VOC and NOx	25 tons per year or more	10 tons per year or more
Major Modification	VOC and NOx	25 tons per year or more	1 pound per day or more

Proposed Regulation XX Amendments

- Regulation XX establishes requirements for NOx and SOx facilities in the RECLAIM program and includes New Source Review requirements specifically for RECLAIM facilities
- Proposed Regulation XX amendments are needed to lower the Major Modification threshold for Coachella Valley
- Lowering the threshold means more facilities in Coachella Valley with Major Modifications at Major Polluting Facilities could be subject to RECLAIM New Source Review

	Pollutant	Current Threshold	Proposed Threshold
Major Modification	NOx	25 tons per year or more	1 pound per day or more

Proposed Regulation XXX Title V Rule Amendments

- Regulation XXX establishes requirements to standardize air quality permits and the permitting process for Major Sources
- Revisions to the Title V program for Coachella Valley are necessary to reduce the Potential to Emit applicability thresholds for VOC and NOx emissions
- Amendments will also remove requirements and references to Phase One applicability requirements which are no longer applicable
- Lowering the threshold means more facilities in Coachella Valley may be subject to Title V requirements

Pollutant	Current PTE Threshold	Proposed PTE Threshold
VOC and NOx	25 tons per year or more	10 tons per year or more

Impacts to Facilities

- Major Polluting Facilities will now include facilities that have a Potential to Emit of 10 tons per year or more of VOC or NOx emissions
- Based on a preliminary review in May 2019, South Coast AQMD staff identified five facilities with a VOC or NOx Potential to Emit between 10 and 25 tons per year which could potentially be affected by the reduced Major Polluting Facility threshold
- Staff is reviewing current data to better assess the impacts, expected that even fewer facilities may be potentially affected

Impacts to Facilities

Regulation XIII and Regulation XX

- Impacted facilities will only be subject to additional permitting requirements upon permit modification if:
 - The facility or a project is above the Major Polluting Facility thresholds; and
 - The modification is greater than the Major Modification threshold of 1 pound per day of NO_x or VOC emissions
- Impacted facilities would trigger Regulation XIII New Source Review and be required to meet Best Available Control Technology (BACT) and offset the emission increase using emission reduction credits (ERCs)
- Facilities have options to apply for permit changes to limit Potential to Emit emissions below Major Polluting Facility thresholds

Impacts to Facilities – Regulation XXX (Title V)

- Title V Potential to Emit applicability thresholds reduced from 25 to 10 tons per year or more of VOC or NO_x emissions
- New or existing facilities above these thresholds subject to Title V permitting requirements
- Rule 3008 includes provisions to exempt facilities with actual emissions below specific thresholds from Title V permit requirements through enforceable permit conditions

Overview of Proposed Amendments for Coachella Valley

Regulation XIII New Source Review

- Rule 1302
- Rule 1303
- Rule 1306
- Rule 1309
- Rule 1315

Regulation XX RECLAIM

- Rule 2000

Regulation XXX Title V

- Rule 3001
- Rule 3002
- Rule 3003

Regulation XIII New Source Review

- Rule 1302
- Rule 1303
- Rule 1306
- Rule 1309
- Rule 1315

Proposed Amendments to Regulation XIII

Proposed Amendments to Rule 1302 - Definitions (Subdivision (s))

- Change threshold definition for a Major Polluting Facility from 25 tons per year to 10 tons per year for VOC and NO_x emissions

(s) MAJOR POLLUTING FACILITY means any facility located in the South Coast Air Basin (SOCAB) which emits or has the potential to emit the following amounts or more:

Volatile Organic Compounds (VOC)	(10) tons per year
Nitrogen Oxides (NO _x)	(10) tons per year
Sulfur Oxides (SO _x)	(70) tons per year
Particulate Matter (PM ₁₀)	(70) tons per year
Carbon Monoxide (CO)	(50) tons per year

For any facility located in the Riverside County portion of the Salton Sea Air Basin (SSAB), major polluting facility means any facility which emits or has the potential to emit the following amounts or more:

Volatile Organic Compounds (VOC)	(25) (10) tons per year
Nitrogen Oxides (NO _x)	(25) (10) tons per year
Sulfur Oxides (SO _x)	(70) tons per year
Particulate Matter (PM ₁₀)	(70) tons per year
Carbon Monoxide (CO)	(100) tons per year

Proposed Amendments to Rule 1302 - Definitions (Subdivision (r))

- Change definition of Major Modification for a Major Polluting Facility in the Coachella Valley from 25 tons per year to 1 pound per day or more of VOC and NO_x emissions

- (r) MAJOR MODIFICATION means any modification, as specified in subdivision (s) (x) at an existing major polluting facility that will cause;
- (1) an increase of one pound per day or more, of the facility's potential to emit oxides of nitrogen (NO_x) or volatile organic compounds (VOCs), provided the facility is located in the South Coast Air Basin (SOCAB) or the Riverside County portion of the Salton Sea Air Basin (SSAB), or
 - (2) an increase of 40 tons per year or more, of the facility's potential to emit oxides of sulfur (SO_x), or
 - (3) an increase of 15 tons per year or more, of the facility's potential to emit particulate matter with an aerodynamic diameter of less than or equal to a nominal ten microns (PM₁₀); or,
 - (4) an increase of 50 tons per year or more, of the facility's potential to emit carbon monoxide (CO).

For an existing major polluting facility located in the Riverside County portion of the Salton Sea Air Basin (SSAB) and the Riverside County non-Palo Verde area of the Mojave Desert Air Basin (MDAB), major modification means any modification that will cause an increase of 25 tons per year or more, of the facility's potential to emit NO_x or VOC; whereas the requirements for SO_x, PM₁₀, and CO are as specified above in paragraphs (s)(r)(2), (s)(r)(3), and (s)(r)(4).

Proposed Amendments to Rule 1303 - Requirements (Subparagraph (b)(2)(A))

- Change the offset ratio for Coachella Valley from 1.0-to-1.0 to 1.2-to-1.0 for CO

(2) Emission Offsets

(A) Emission Reduction Credits

Unless exempt from offsets requirements pursuant to Rule 1304, emission increases shall be offset by either Emission Reduction Credits approved pursuant to Rule 1309, or by allocations from the Priority Reserve in accordance with the provisions of Rule 1309.1, or allocations from the Offset Budget in accordance with the provisions of Rule 1309.2. Offset ratios shall be 1.2-to-1.0 for Emission Reduction Credits and 1.0-to-1.0 for allocations from the Priority Reserve, except for facilities not located in the South Coast Air Basin (SOCAB) located in the Riverside County non-Palo Verde area of the Mojave Desert Air Basin (MDAB), where the offset ratio for Emission Reduction Credits only shall be 1.2-to-1.0 for VOC, NO_x, SO_x and PM₁₀ and 1.0-to-1.0 for CO.

Proposed Amendments to Rule 1306 - Emissions Calculations (Subdivision (c))

- Current Rule 1306 (c) excludes the Best Available Control Technology (BACT) adjustment for Emission Reduction Credits (ERCs) in Coachella Valley
- With the redesignation of Coachella Valley as extreme non-attainment for ozone, ERCs generated in SSAB will now be subjected to BACT adjustment

(c) Emission Decreases

Emission decreases from sources which are modified or removed from service shall be the actual emissions reduced to the amount which would be actual if current BACT were applied. The emission amount shall be calculated from the following:

- (1) The sum of actual emissions, as determined from company records, shall include annual emissions declarations pursuant to Rule 301, or other data approved by the Executive Officer or designee, whichever is less, which have occurred each year during the two-year period immediately preceding the date of permit application, or other appropriate period determined by the Executive Officer or designee to be representative of the source's cyclical operation, and consistent with federal requirements;
- (2) The sum of BACT adjusted annual emissions shall be divided by the total number of actual operation days in each of those two years or other approved period; and
- (3) The calculated amount from paragraphs (c)(1) and (c)(2) shall be multiplied by the usage factor appropriate to the use of the subject sources in each of the two years used for calculation, as follows:
 - 1.0 when operated 180 days or more,
 - 0.5 when operated 30 to 179 days, and
 - 0.0 when operated less than 30 days.
- (4) Daily emissions shall be determined for each year. The average value shall be calculated for those two years or other approved period.

The BACT adjustment shall not apply to facilities located in the Riverside County portion of the Salton Sea Air Basin (SSAB) and the non-Palo Verde, Riverside County portion of the Mojave Desert Air Basin (MDAB).

Proposed Amendments to Rule 1309 - Emission Reduction Credits and Short-Term Credits (Paragraph (b)(4))

- Emission reduction credits generated in Coachella Valley currently not subject to BACT adjustments
- Proposal is to remove provision that excluded emission reduction credits generated in Coachella Valley to be exempt from the BACT adjustment

(4) Emission Reduction Eligibility Requirements

All Emission Reduction Credits shall be calculated pursuant to Rule 1306 and be subject to the approval of the Executive Officer or designee. The Executive Officer or designee shall consider reductions of air contaminants resulting from removal of equipment from service, and the additional control of mobile and stationary sources. The applicant must demonstrate to the Executive Officer or designee that all stationary and mobile source reductions are:

- (A) real;
- (B) quantifiable;
- (C) permanent;
- (D) federally enforceable, and
- (E) not greater than the equipment would have achieved if operating with current Best Available Control Technology (BACT).

Reductions in emissions due to changes in the hours of operation shall not qualify for an ERC.

The BACT adjustment shall not apply to facilities located in the Riverside County portion of the Salton Sea Air Basin (SSAB) and the non-Palo Verde, Riverside County portion of the Mojave Desert Air Basin (MDAB).

No ERCs shall be issued for sources permitted with Short-Term Credits for Stationary Sources.

Proposed Amendments to Rule 1315 - Federal New Source Review Tracking System (Clause (c)(3)(A)(vi))

- Under Rule 1315, the Executive Officer is required to track offsets for federal NSR equivalency
- Clause (vi) refers to emission reductions that have been adjusted to BACT under Rule 1306 (c)(2)
- Since BACT adjustments will apply to offsets generated in Coachella Valley under Proposed Amended Rule 1306 (c)(2), clause (vi) will be amended to include Coachella Valley

(vi) The difference between the actual daily emission reductions calculated pursuant to Rule 1306(c) with and without the BACT adjustment required in Rule 1306(c)(2) as part of the Executive Officer's evaluation of an ERC banking application. This clause applies only in cases where the Executive Officer demonstrates and EPA concurs that the subtracted amount is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan. **This clause is not applicable to emission reductions that occur in the Riverside County portion of the Salton Sea Air Basin (SSAB) or the non-Palo Verde, Riverside County portion of the Mojave Desert Air Basin (MDAB).**

Regulation XX RECLAIM

- Rule 2000

Proposed Amendments to Regulation XX

Proposed Amendments to Rule 2000 - Definitions (Paragraph (c)(44))

- Change definition of Major Modification for a Major Polluting Facility in the Coachella Valley from 25 tons per year to 1 pound per day or more of VOC and NO_x emissions

- (44) MAJOR MODIFICATION means any modification, at an existing major polluting facility that will cause:
- (A) an increase of one or more pounds per day, of the facility's potential to emit oxides of nitrogen (NO_x) or volatile organic compounds (VOCs) provided the facility is located in the South Coast Air Basin or Riverside County portion of the Salton Sea Air Basin (SSAB), or
 - (B) an increase of 40 tons per year or more, of the facility's potential to emit oxides of sulfur (SO_x); or
 - (D) an increase of 100 tons per year or more, of the facility's potential to emit carbon monoxide (CO).

For an existing major polluting facility located in the Riverside County portion of the Salton Sea Air Basin (SSAB) and the Riverside County non-Palo Verde area of the Mojave Desert Air Basin (MDAB), major modification means any modification that will cause an increase of 25 tons per year or more, of the facility's potential to emit NO_x or VOC; whereas the requirements for SO_x, PM₁₀ and CO are as specified above in paragraphs (44)(B), (44)(C), and (44)(D).

Regulation XXX
Title V

- Rule 3001
- Rule 3002
- Rule 3003

Proposed Amendments to Regulation XXX

Proposed Amendments to Rule 3001 – Background

- South Coast AQMD Title V Program initially established Phase One and Phase Two applicability thresholds
- Phase One applicability thresholds were based on the facility's reported annual emissions and Phase Two applicability thresholds were based on Potential to Emit emission levels
- Phase One was established at beginning of the Title V program and is no longer applicable
- All facilities are now subject to Potential to Emit applicability thresholds
- Requirements and references to Phase One of the Title V program are proposed to be removed from Rules 3001, 3002, and 3003

Proposed Amendments to Rule 3001 – Applicability Threshold (Subdivision (b))

- Rule 3001 establishes thresholds for applicability to Title V based on the facility's Potential to Emit
 - Will no longer be referred to as Phase Two
- The Potential to Emit annual emissions applicability threshold for Title V facilities in the Coachella Valley will be reduced from 25 tons per year to 10 tons per year of VOC or NOx emissions

(b) (a) ~~Phase Two Title V Permits~~

- (1) Operators of facilities, ~~not subject to the provisions of subdivision (a) of this rule,~~ with the potential to emit any regulated air pollutant at, or greater than, any of the threshold amounts shown in ~~Table 2 1~~ shall submit to the Executive Officer applications for initial Title V permits in accordance with the timelines specified in Rule 3003 - Applications, and obtain Title V permits within five years after the effective date, as defined in paragraph (b)(8) of Rule 3000.

TABLE 2 1

Emission Threshold Levels for Facilities ~~During Phase Two~~
Based on Potential to Emit in tons per year (tpy) per Facility Location

Pollutant	Potential to Emit Emission Threshold Levels Per Facility Location		
	South Coast Air Basin(SOCAB) (tpy)	Riverside County Portion of Salton Sea Air Basin (SSAB) and Los Angeles County-Portion of Mojave Desert Air Basin (MDAB) (tpy)	Non-Palo Verde, Riverside County Portion of Mojave Desert Air Basin (MDAB) (tpy)
VOC	10	25 10	100
NO _x	10	25 10	100
SO _x	100	100	100
CO	50	100	100
PM-10	70	70	100
Single HAP	10	10	10
Combination of HAPs	25	25	25

Schedule Information for Amendments to Address Coachella Valley Re-designation



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