Rule 1304.1 Implementation Guidelines For Disbursement and Tracking of Funds

Environmental Justice Advisory Group

January 29, 2016
Background

Rule 1304(a)(2) provides an offset exemption for Electric Utility Steam Boiler Replacement

- Offsets for exemption come from District

Rule 1304.1 adopted September 6, 2013

- Applies only to re-powering

Provides an option for Electrical Generating Facilities (EGFs)

- EGFs pay a fee for the use of District offsets
- EGFs do not own offsets and cannot sell or trade them
- Offsets may only be used for designated R1304(a)(2) projects
  - Non-transferable
  - Not any form of asset

NOx/SOx offsets cannot be used as RECLAIM Credits
Background (cont.)

Board directed staff at adoption hearing to return with guidelines for the use of fees /funds for obtaining:

“...emission reductions consistent with the needs of the Air Quality Management Plan.”

And that:

“Priority shall be given to funding air quality improvement projects in impacted surrounding communities where the repowering EGF projects are located”

Five Working Group meetings to date

Received feedback from the Stationary Source Committee at its January 22nd meeting
Project Funding Selection

Areas for project funding
- proximity to source (Proximity); EJ areas (EJ)

Objectives
- AQMP attainment goals; emission reductions; cost-effectiveness; impacted communities
- Projects/Programs should focus on particulate and ozone attainment consistent with AQMP needs (NOx and direct PM2.5 emission reductions)

Project types
- Stationary, area, mobile, indirect sources; short-term/long-term; educational, research and development; seed cost sharing
Proposed Guidelines Summary

Area for funding projects
- Proximity criteria: 10 mile radius
- EJ criteria: 15 mile radius

Goal of 50/50 dispersement for Proximity and EJ

Utilize SCAQMD definition of EJ

Funding threshold ($1M) criteria for RFP issuance
- Issue RFP annually (Proximity and EJ projects)
- Repowering projects have varying schedules
Proposed Guidelines (cont.)

For each repower project, rank proposals individually

Project can qualify based on either Proximity or EJ criteria, or both

Funding and final approval rests with Governing Board
# Potential 1304.1 Repowering*

<table>
<thead>
<tr>
<th>Location</th>
<th>Name</th>
<th>City</th>
<th>Proposed Repower MW as of August 2015</th>
<th>Fac ID #</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AES HUNTINGTON BEACH, LLC</td>
<td>HUNTINGTON BEACH</td>
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<td>NRG GEN ON WEST, LP;</td>
<td>ETIWANDA</td>
<td>640</td>
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</table>

**TOTAL** 5,741 MW

*Projected August 2015*

*Note: AES Redondo Beach has indicated decommissioning, but District has yet to receive a request for cancelation*
Funding Anticipated

Upfront payment in full or annual payments
9 anticipated repowering projects
- Potentially >5,700 MW power replacement (August 2015)
- $0.25 Million received to date (LADWP – Scattergood), one-time payment

Estimated offset fees
- AES Huntington Beach (PM10 & VOC):
  - Annual Option – ~$2.5M/year
  - Single Payment Option – ~$58 Million
- El Segundo Power (PM10, SOx & VOC):
  - Annual Option – ~$1.3M/year
  - Single Payment Option – ~$33 Million
- AES Alamitos:
  - TBD
EJ Area Definition

Both Poverty and Air Quality Criteria

Poverty Criteria
- An area where at least 10% of the population falls below the Federal poverty level based on the most recently published American Community Survey (ACS) data AND

Air Quality Criteria
- SoCAB
  - The highest 15th percentile of PM2.5 OR
  - The highest 15th percentile of cancer risk from MATES
- Coachella Valley (CV)
  - The highest 15th percentile of PM10 concentration in CV
PROXIMITY CRITERIA: 10 MILE RADIUS FOR EGFs

Not to Exact Scale – For Illustrative Purposes Only
EJ CRITERIA: 15 MILE RADIUS BOUND FOR EGFs

Not to Exact Scale – For Illustrative Purposes Only
RFP Evaluation Criteria
(1318 Example)

Experience and expertise of Proposer or other evidence of capacity to complete the project

Helps AQMD’s regional air quality goals and/or promotes long-term emission reduction technologies/strategies associated with state/federal regulatory clean air plans

Job creation

Effective use of funds

Secondary benefits, other than jobs

Community/government support (e.g. support letters)
RFP Evaluation Criteria
(1318 Example - Additional Credit)

Small Business or Small Business joint venture
Disabled Veteran Business Enterprise (DVBE) or DVBE joint venture
Use of DVBE or Small Business subcontractors
Low-emission vehicle business
Local business (Non-EPA funded projects only)
Off-peak hours delivery business
City or local government is project proponent
Input Received

Preference额外点 for government entities

Flexibility to vary evaluation criteria weighting for each RFP

Create a priority list of approved projects to draw from as funding becomes available

Environmental benefit criteria heavily weighted on PM, NOx & Ozone reductions
  ◦ GHGs and other improvements could be included as co-benefits

Consider extra points for shovel ready projects
## Next Steps:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Stakeholder Feedback Deadline</td>
<td>2/5/16</td>
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<tr>
<td><strong>Stationary Source Committee</strong></td>
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<tr>
<td>◦ To further review implementation guidelines</td>
<td>2/19/16</td>
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<tr>
<td>◦ Provide examples of project selection criteria and scoring</td>
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<tr>
<td><strong>Governing Board Meeting</strong> (Public Hearing)</td>
<td>3/4/16</td>
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