Rule 1304.1 Implementation Guidelines For Disbursement and Tracking of Funds

Stationary Source Committee

January 22, 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 of EGF Utility Steam Boilers

Provides an option for EGFs
  • EGFs pay a fee for 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) project(s)
    – non-transferable
    – not any form of asset
  • NOx/SOx offsets cannot be used as RECLAIM RTCs
Implementation Guidelines Development

Board directed staff to work with stakeholders to develop guidelines for use of funds received under Rule 1304.1

Board added rule language:

“Priority shall be given to funding air quality improvement projects in impacted, surrounding communities where the repowering EGF projects are located.” (emphasis added)

Four Working Group meetings:

• October 23, 2013
• July 10, 2014
• November 20, 2014
• September 30, 2015 – Preliminary Suggested Guidelines Presented
• January 26, 2016 (upcoming)
Key Stakeholder Input & Criteria Selection

Project selection criteria
• Proximity to source; EJ area definition; toxics exposure

Objectives
• AQMP attainment goals; emission reductions; cost-effectiveness; impacted communities

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

AES HB anticipated estimated offset Fee (PM10 & VOC):

- Annual Option – ~$2.5M/year
- Single Payment Option – ~$58 Million
Staff’s Initial Suggestion

Target 50% minimum funding within close proximity (6 miles)
- Issue RFP when a minimum of $0.5 million is received

Target 50% minimum funding in EJ areas
- Through existing District programs
- Within and to benefit EJ communities

Projects/Programs should focus on particulate and ozone attainment consistent with AQMP needs
- NOx and direct PM2.5 emission reductions
EJ Area Definition
(Consistent with AB1318 & Carl Moyer)

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 15\textsuperscript{th} percentile of PM10 concentration in CV
EJ AREAS IN THE SCAQMD

Legend

- EJ Area

Mojave Desert Air Basin

Salton Sea Air Basin

SoCAB
Key Comments Received

City of Huntington Beach (AES Repower)

• Staff’s initial approach does not emulate AB 1318 implementation
• Priority should be given to projects in impacted surrounding communities
• EJ should be based on CalEnviroScreen 2.0

City of Glendale (Grayson Repower)

• Request funding for expansion of Scholl Canyon landfill digester gas power project
• Landfill project could qualify as a renewable energy project located in EJ area
• Suggested additional projects for potential funding
Options for Board Consideration

Change or remove minimum percentage distribution for proximity and EJ

Expand proximity area beyond 6 miles

RFPs – Award more points for projects in EJ areas or w/in close proximity
  • Funding for proximity area and EJ may overlap
  • Could have multiple proximity zones with different amounts of extra points

Change minimum funding level for issuing RFPs (i.e. $1 million)

_Ultimately, final funding approval for all projects rests with the Governing Board_
## Potential 1304.1 Repowering*

* Projected August 2015

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<th>Location</th>
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**TOTAL** 5,741 MW
9 Potential Repower Projects in the SCAQMD (August 2015) – 6 Mile Radius
Option – Change Radius for Additional Points or Minimum Funding Levels
Next Steps

Seek Committee direction today

Further engage stakeholders for additional input
  ◦ Working Group meeting January 26, 2016 at 1:00 p.m. (CC-2)

Public Hearing for Governing Board consideration of guidelines
  ◦ February 5, 2016