



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4182
(909) 396-2000 • www.aqmd.gov

LOCAL GOVERNMENT & SMALL BUSINESS ASSISTANCE ADVISORY GROUP FRIDAY, MAY 18, 2007 MEETING MINUTES

MEMBERS PRESENT:

Jane Carney, AQMD Governing Board Member, LGSBA Chairman
Greg Adams, L.A. County Sanitation District
Paul Avila, P.B.A. & Associates
Geoffrey Blake, DriLube/All Metals
Daniel Cunningham, Metal Finishing Association
Jacob Haik, Councilwoman Janice Hahn
Dr. Joseph Lyou, California Environmental Rights Alliance
Kelly Moulton, Paralegal
Steve Mugg, South Orange County Representative, City of Mission Viejo

MEMBERS ABSENT:

Ronald Loveridge, AQMD Governing Board Member, LGSBA Vice Chairman
Eric Busch, Representative, South Bay Cities Council of Governments
Todd Campbell, Mayor, City of Burbank
Angelo Logan, East Yard Communities for EJ
Harold Martinez, Able Industrial Products, Inc.
Todd Priest, Representative, Orange County Business Council

OTHERS PRESENT:

Earl Elrod, Board Member Dennis Yates
Paul Garza, Board Member Tonia Reyes Uranga
Bill LaMarr, California Small Business Alliance
Rita Loof, Radtech

AQMD STAFF:

Larry Bowen, Planning & Rules Manager
Joe Cassmassi, Planning & Rules Manager
Dr. Pom Pom Ganguli, Asst. Deputy Executive Officer/Public Advisor
Dave Madsen, Acting Community Relations Manager
Mike Mills, Sr. Air Quality Engineering Manager
Gabriela Navar, Office Assistant
Mohsen Nazemi, Asst. Deputy Executive Officer
John Olvera, Sr. Deputy District Counsel
Dr. Jean Ospital, Health Effects Officer
William Thompson, Sr. Air Quality Manager
Dr. Laki Tisopulos, Asst. Deputy Executive Officer
Gracie Tucker, Staff Specialist
Greg Ushijima, Air Quality Engineer II
Nancy Velasquez, Administrative Secretary
Jill Whynot, Planning & Rules Manager

Agenda Item #1 - Call to Order/Opening Remarks

Chair Jane Carney called the meeting to order at 10:03 a.m.

Agenda Item #2 – Approval of April 20, 2007 Meeting Minutes/Review of Follow-Up/Action Items

April 20, 2007 meeting minutes were approved as presented.

There were no action items resulting from April 20, 2007's meeting.

Agenda Item #4 – Emission Reduction Credit Generation & Use (item taken out of order)

Mr. Mohsen Nazemi gave a presentation on Emission Reduction Credit Generation & Use (see attached).

Dr. Joe Lyou stated that due to high prices to buy these credits, there appears to be a large disadvantage for small- to medium-size businesses. Mr. Nazemi replied that AQMD has decided to open the AQMD bank to the large users, such as power plants, so small and medium businesses can afford credits. He added that New Source Review (NSR) is sensitive to economic growth by allowing small sources up to 4 tons of emissions without having to provide any offsets. Dr. Lyou asked what is the average cost per ton for PM in 2007? Mr. Nazemi replied that the average cost was in the \$100,000 per pound/per day range. Dr. Lyou asked about the value of CO credits when attainment is achieved. Mr. Nazemi replied that staff is reviewing the rule to decide what should be done, but stated that AQMD may want to continue BACT for CO. He added that ERCs are used for purposes other than permitting, such as mitigating impacts from CEQA. Dr. Lyou asked what happens to companies that currently carry CO credits on their books as an asset and they are no longer able to carry them as such. Mr. Nazemi replied that those companies will be impacted financially. Dr. Lyou asked if staff anticipated that small businesses and local governments were going to face a crisis, and that they would not be able to compete due to this anticipated availability of credits. Mr. Nazemi replied that this was anticipated and that is why NSR was amended to provide the exemption for small sources. Dr. Lyou stated that technology hasn't created enough credits over time as was anticipated when the program was established. Mr. Nazemi replied that as AQMD has required more stringent controls, the rules have reduced emissions from stationary sources to the point where generating ERCs requires companies to almost shutdown. He added that CAPCOA has been working with EPA and CARB to look at where emission reductions can be generated from the non-traditional sources, such as mobile sources. Dr. Lyou commented that this will raise many environmental justice issues.

Mr. Greg Adams stated that transaction costs do not reflect that many businesses do not qualify for the 4-ton community bank and have abandoned hope because they cannot afford the cost of these credits. He added that it took four years for submittal of Rule 1309.2 to EPA and several years to finally get approved. Mr. Nazemi replied that the rule was adopted in 2002, but it took CARB some time to feel comfortable with

forwarding to EPA. Mr. Adams commented that staff should keep the pressure on EPA to get the rules approved.

Chair Carney asked what rules were being held up at CARB. Mr. Nazemi replied that it is Rule 1309.2 which would allow small- or medium-size businesses to purchase emission reductions from the AQMD bank. He added that EPA wanted AQMD to demonstrate that tracking of credits would be robust so AQMD adopted a rule to formalize the tracking process (Rule 1315). Chair Carney asked about the rule to generate ERCs from mobile sources. Mr. Nazemi replied that those temporary credit generation rules for the RECLAIM program have all ended. He added that CAPCOA and EPA are working with AQMD to identify non-traditional sources that will have a side benefit of emission reductions and toxic reductions for the local community.

Mr. Geoff Blake commented that he once represented a small business that wanted to expand, but would be required to spend \$1.5 million to install a thermal oxidizing unit and was still faced with a 1998 permit limit. Chair Carney asked what happens in that circumstance when a piece of equipment was permitted, but then there is a technological change which allows a true emission reduction. Mr. Nazemi replied that the company either wanted to expand, which requires BACT, or they felt that in order to stay within that limit they had to reduce their emissions so that they could increase production line throughput and still stay below the daily limit. Mr. Blake stated that the company was told by AQMD that if they were going to use any non-complying coatings, the daily limit would be reduced. Mr. Nazemi stated that non-complying coatings was a separate issue where the rule gives an option to use air pollution control equipment if non-compliant coatings are used to achieve the same level of compliance.

Mr. Daniel Cunningham asked whether AQMD anticipated a 20-fold increase of ERC prices in a six- or seven-year period and if staff expects the trend to continue. Mr. Nazemi replied that the result is an outcome of the energy crisis, including other mitigating factors.

Mr. Adams commented that non-traditional sources of credits face the same fundamental problem where, upon demonstration, districts looking for SIP credit will identify that in their latest AQMP. Mr. Nazemi replied that one pilot project does not place that technology into the SIP automatically since a new rule must be adopted and included in the SIP in order to make that mandatory requirement. He added that AQMD doesn't have authority to regulate locomotive emissions so the state or federal government needs to commit to those types of reductions. Mr. Adams asked if the source only has to be identified in the SIP. Mr. Nazemi replied that AQMD defines surplus as a rule that is in existence or a rule where a public workshop has been conducted.

Agenda Item #5 – Proposed Amendments to Rule 1309.1 – Priority Reserve (item taken out of order)

Mr. Larry Bowen gave a presentation on the Proposed Amendments to Rule 1309.1 – Priority Reserve (see attached).

Chair Carney commented that the Board asked for modeling of PM_{2.5} emissions because there is a question about dispersal and it has not yet been presented. Dr. Laki Tisopulos mentioned the difficulty in modeling the proposed facilities and added that the best facility to work with is the largest facility, in Vernon, to give an idea of how the emissions get distributed basin wide. Chair Carney commented that the base load facility, like in Vernon, is different from the single cycle peaker plants that are proposed in a number of other places. She added that it is important to know more information about the peaker plant emissions as well.

Dr. Lyou asked what happens if a single cycle power plant says that it is going to limit its hours and wants to qualify for access to priority reserve, but exceeds its hours. Mr. Bowen replied that the incident would be treated like any other non-compliance issue subject to enforcement action. He added that the power plant would be treated as a flagrant violator if it becomes an ongoing issue, although a state of emergency may be handled differently.

Mr. Blake asked what kind of PM_{2.5} emissions are being generated by the peaker unit as compared to a large-size facility. Mr. Bowen referred to the last slide and added that that peaker units have some of the lowest emission rates for any piece of equipment operating in this district. He added that combined cycle and peaker units have to meet the same standard. Mr. Tisopulos replied that the requirements are lower than AQMD's BACT standards.

Mr. Adams asked what percent of mitigation fees are applied in the local area. Mr. Bowen replied that 100 percent of which 1/3 of it is used for renewable and other type projects. Mr. Adams asked if the renewable energy options had to be located locally. Mr. Bowen confirmed that there is a requirement to ensure that the renewable energy benefit occurs in the same local area. Dr. Tisopulos added that the best transferable technology that can be installed in both residential and commercial units is solar, and the Board's direction was to invest 100% of the money in the communities that would be impacted by the facilities. Mr. Nazemi commented that there are two elements of renewable, one element is to demonstrate that alternatives such as renewables are used when available to access the priority reserve, and the second element is when mitigation fees are collected and allocated on renewables in local communities. Chair Carney added that there is a third element where a small amount of mitigation fees are used for planning purposes of overall electricity needs in this basin and how the state moves forward to meet state goals on renewable energy. She added that the renewable projects resulting from this mitigation fee are not going to generate enough electricity to make a significant dent to meet state goals for renewable energy so money is needed for planning. Mr. Bowen commented that though the power plants burn cleanly, some of the mitigation fees will be used to research additional PM_{2.5} controls that can be applied to clean burning power plants. Mr. Adams asked about the mixing of PM_{2.5} and PM₁₀ criteria such as the initial criteria for Zone 1 and 2 that is purely PM_{2.5} and an environmental justice area that is now 48 micrograms PM₁₀ per cubic meter. Dr. Tisopulos replied that PM₁₀ is utilized as a surrogate because PM₁₀ is the criteria pollutant included in Regulation XIII. He added that although EPA has developed the PM_{2.5} standards, they have yet to develop

their implementation policy so Regulation XIII has no PM_{2.5} standards. He further added that 99% of PM₁₀ emissions are PM_{2.5}, so most of the zones are being developed based upon the PM_{2.5} exposure rather than PM₁₀.

Agenda Item #3 – Update on Air Quality Management Plan

Mr. Joe Cassmassi gave a presentation (see attached) on the Air Quality Management Plan (AQMP).

Mr. Adams asked if California Air Resources Board (CARB) is expected to backup the Southern California Association of Governments (SCAG) transportation control measures (TCMs). Mr. Cassmassi replied that AQMD has not received a confirmation from CARB.

Mr. Blake asked about the cost per ton to achieve the revised state strategy that identifies an additional 33 tons per day of reductions. Mr. Cassmassi replied that the cost is \$600 million to reduce the full 74 tons per day. He added that if half of that cost was estimated, then it would cost approximately \$300 million per year over a five-year period.

Agenda Item #6– Status Report on AB 32 – Greenhouse Gas Emissions

Ms. Jill Whynot gave an overview of recent activities related to the California Air Resources Board's development of key aspects of AB 32 and District actions related to these and related efforts.

Ms. Whynot will prepare a one-page summary of the briefings with website link information on it and the summary will then be e-mailed to committee members. Ms. Whynot will provide similar information for future meetings.

Action item: Staff to prepare and e-mail a one-page summary to committee members.

Mr. Adams asked that Ms. Whynot make available the AQMD letter on the early action measures.

Action item: Staff to make the AQMD letter on the early action measures available to committee members.

Mr. Adams commented that the Climate Action Registry will form a local government subgroup to keep local governments apprised of all of the activities that are occurring. Ms. Whynot noted that when a local government joins the Registry, there is a membership fee of approximately \$700.00 per year and there is a commitment to submit an emissions inventory according to the registry's prescribed protocols with third party certification.

A committee member commented that there are many legislative bills introduced in the legislature, along with the Governor's Executive Order and AB 32, and assumed that there will be only one voice from Sacramento. Mr. Adams asked if AQMD's legislative consultants were monitoring the environmental/air quality bills going through Washington D.C. Dr. Ganguli replied that AQMD's legislative consultant has indicated that the majority of these bills will not progress, but if one should progress, AQMD would provide input.

Agenda Item #7- Monthly Report on Small Business Assistance Activities

No comment. Chair Carney suggested that the Small Business Assistance Activities report become part of the e-mailed agenda and minutes package instead of receiving them at the meeting. Mr. Ganguli stated that staff will make every effort to accomplish this request.

Agenda Item #8- Other Business

Mr. Adams asked if there was any progress in getting local government members on the committee. Mr. Ganguli stated that one member has been secured and two additional candidates are being considered. The recommendations will be taken to the Administrative Committee once the committee chair has approved the recommendations.

Agenda Item #9 - Public Comment

Ms. Rita Loof commented that small businesses find the cost of applying for ERCs expensive and that the process is cumbersome.

Agenda Item #10 - Adjournment

The meeting adjourned at 11:45 a.m.