

BOARD MEETING DATE: November 6, 2015

AGENDA NO. 30

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee met Friday, October 16, 2015. Following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

Dennis Yates, Chair
Stationary Source Committee

MN:am

Attendance

The meeting began at 10:30 a.m. In attendance at SCAQMD Headquarters were Committee Chair Dennis Yates and Committee Members Judith Mitchell and Dr. Joseph Lyou. Committee Member Ben Benoit attended via videoconference. Absent was Committee Member Shawn Nelson. Mayor Yates announced that agenda item #4 would be taken out of order since it was continued from the previous month.

INFORMATIONAL ITEMS

4. Rule 1113 – Architectural Coatings

Dr. Phillip Fine, Deputy Executive Officer for Planning, Rule Development & Area Source, presented a summary of the staff proposal and an update on the changes being proposed since the Public Workshop. Members representing industry made the following comments:

David Darling of the American Coatings Association commented that the emissions from architectural coatings are four tons below the projected emissions from the 2012 Air Quality Management Plan so the small container exemption should not be phased out at this time. He emphasized rust preventatives and historical preservations as categories still needing the small container exemption. Mr. Darling also requested a further commitment from the SCAQMD to continue working on the volatile organic compound (VOC) test methods.

Barry Cupp of the Sherwin Williams Corporation commented that the test method being proposed for adoption is an improvement for low-VOC water based coatings,

but it does not work for all coating types. Mr. Cupp also asked for a commitment from the SCAQMD to continue working on the VOC test method.

Megan Gaughan of the Rust-Oleum Corporation distributed handouts and commented that water-based alkyd enamels do not perform well compared to solvent-based alkyds in a salt fog chamber, a standard corrosion test. The exempt solvent formulations do perform as well but would double the cost of a quart container. Mayor Yates requested to see salt fog results for the low-VOC exempt solvent rust preventative coatings.

Robert Wendoll of the Dunn Edwards Corporation also commented on the removal of the small container exemption for rust preventative coatings and stated that they will consider replacing them with aerosol coatings. He mentioned that aerosol coatings have more regulations but allow higher emissions. Mr. Wendoll also commented that the solvents used in their products have low reactivity. In addition, he noted there is no price incentive for the solvent-based over the water-based rust preventative coatings, in fact the profit margin is higher for their water based line. Mr. Wendoll commented that the performance of the water-based coatings is improving and that they are selling less solvent-based coatings, but the loss of the small container exemption would cause the shutdown of their local Los Angeles facility.

Howard Berman, an attorney representing the Rust-Oleum Corporation, commented that the company is working on possible alternative pathways to the phase out of the small container exemption with staff and requested that the rule come back to the November Stationary Source Committee.

Mohsen Nazemi, Deputy Executive Officer for Engineering & Compliance, brought to the attention of the Committee Members a comment received by Katy Wolf, from the Institute of Research and Technology Assistance, which supported SCAQMD staff's proposal to exempt 2-methyl-2-amino propanol (AMP) and requested the removal of tertiary butyl acetate (tBAC) as an exempt solvent.

After comments were received from members representing the coatings industry, Dr. Lyou inquired about the test method and staff's plan to address the remaining issues. Dr. Fine confirmed that staff will include a resolution to continue working on addressing the few remaining issues. Dr. Lyou also inquired about the statement from Rust-Oleum that transferring their compliant gallon formulation into quart containers would double the cost. Dr. Fine acknowledged that the claim was from the manufacturer. Dr. Lyou also inquired about the toxicity of tBAC, the status of the Office of Environmental Health Hazard Assessment (OEHHA) draft analysis and the exemption in Rule 1113. Dr. Fine stated that tBAC has toxicity associated with it, but staff will wait until the final assessment before considering a change and re-evaluate the worker exposure risks associated with the uses exempted in the rule. Barbara Baird, Chief Deputy Counsel, pointed out that the exemption for tBAC is limited to industrial maintenance coatings where personal protection equipment is

typically used and that a CEQA analysis was conducted at the time of the exemption, including worker exposure, but the new information will be considered. Councilmember Mitchell inquired about the corrosion testing that Rust-Oleum presented and asked if the SCAQMD had corrosion data on the water-based rust preventative coatings. Dr. Fine indicated that the results presented were conducted by Rust-Oleum, performance is very dependent on surface preparation, and we discussed conducting third-party testing to address the performance. Mayor Yates also questioned the results of the corrosion testing and requested more science data on the performance of the water-based coatings. Councilmember Mitchell encouraged staff to continue working with industry on these issues. Mayor Benoit expressed his concern about the price of the coating doubling if exempt solvents are utilized and encouraged outside testing of the water-based products.

1. Update on Industrial Facility Modernization White Paper

Susan Nakamura, Director of Strategic Initiatives in Planning, Rule Development and Area Sources, presented an update on the Industrial Facility Modernization White Paper. The concept of industrial facility modernization deals with encouraging new and existing stationary sources to use zero- or near-zero emission technologies. The approach in the White Paper is to present a comprehensive list of incentives to encourage facilities to implement zero- and near-zero emission technologies. Dr. Lyou wanted to be sure that the environmental community is aware of this White Paper and wants staff to fully vet the incentives, especially related to NSR reform, with the public before any recommendations are pursued. SCAQMD staff stated that many of the listed incentive concepts have been discussed over the past several years, and acknowledged the importance of a public process to prioritize which incentives to pursue. No public comments were made on this item.

2. Update on Regulation XX – Regional Clean Air Incentives Market RECLAIM

Dr. Philip Fine provided the Committee with an update on the proposed amendments to Regulation XX, which includes a 14 ton per day NO_x RECLAIM Trading Credit (RTC) reduction for the top 90 percent of RTC holders. The amount of reduction would depend on the industry category, and the programmatic reductions would occur on a proposed implementation schedule from 2016-2022. Staff is also proposing the establishment of a Regional NSR Holding Account for newer power plants that are required to hold RTCs at their potential to emit (PTE) level. Dr. Fine provided responses to several comments the Industry representatives made at the September 23, 2015 Stationary Source Committee special session.

Two representatives, Chuck Timms (representing the Cities of Burbank and Pasadena) and Curt Coleman (Southern California Air Quality Alliance) provided testimony to the Committee. Mr. Timms discussed the availability of credits for

electrical generating facilities after the shave, taking Resource Adequacy and the Renewable Portfolio Standard into consideration. He expressed concern that the current price trigger is too slow in responding to emergencies. To alleviate this problem, he wants assurance that credits in the Regional NSR Holding Account could be accessed at any time for a price. Mr. Coleman addressed the Committee and stated that he will come back with additional suggestions to close the gap between the Industry and staff proposals.

Dr. Joseph Lyou stated that he has three concerns. The first concern focused on the number of control devices installed based on the previous NOx RECLAIM amendment. He would like staff to generate a list of the controls that were not installed after the previous NOx RECLAIM amendment in 2005. The second concern is the lack of a program review if the RTC price is low. He would like an option for a program review if the RTC price falls too low. The third concern is the over-allocation of the program. Dr. Lyou would like some resolution language that would address this issue as the program progresses and have staff make ongoing adjustments, as opposed to making the adjustment the next time the program is amended.

Dr. Fine told the Committee that the proposed rule amendment had tentatively been scheduled for the November Board Hearing; Dr. Wallerstein stated that staff will be recommending delay of the Public Hearing until December, and that staff will continue to work with the stakeholders.

3. 2014 Annual Report on AB 2588 Air Toxics Hot Spots Program Concept for Early Risk Reduction for AB 2588 Facilities

Ian MacMillan, Planning and Rules Manager, presented the annual update for the implementation of the AB 2588 Air Toxics “Hot Spots” program. Mr. MacMillan discussed current and upcoming SCAQMD activities including a planned revision to the industry-wide Health Risk Assessments for gas stations and dry cleaners. In response to a question by Mayor Yates, Dr. Wallerstein clarified that there are no plans to further regulate dry cleaners. Susan Nakamura presented initial concepts for a voluntary early risk reduction for AB 2588 core facilities. Dr. Lyou asked how many potential facilities would be able to take part in early risk reduction. Ms. Nakamura and Mr. MacMillan responded; approximately 80 facilities. Dr. Lyou commented that early risk reductions are good, but it is important to maintain transparency for the public. Noel Muyco, from Southern California Gas Company representing California Council for Environmental and Economic Balance, and Mr. David Rothbart, from Southern California Alliance of Publicly Owned Treatment Works, commented that they support the initial concept. Mayor Ben Benoit indicated that he is pleased that there is support and he wants to see staff move forward.

WRITTEN REPORTS

All written reports were acknowledged by the Committee.

PUBLIC COMMENTS

There were no public comments.

The next Stationary Source Committee meeting is scheduled for November 20, 2015, and the meeting was adjourned at 11:55 a.m.

Attachments

Attendance Roster

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATIONARY SOURCE COMMITTEE
October 16, 2015
ATTENDANCE ROSTER (Voluntary)**

NAME	AFFILIATION
Mayor Dennis Yates	SCAQMD Governing Board Member
Councilmember Judith Mitchell	SCAQMD Governing Board Member
Mayor Ben Benoit (Videoconference)	SCAQMD Governing Board Member
Dr. Joseph Lyou	SCAQMD Governing Board Member
Board Consultant Mark Abramowitz	SCAQMD Governing Board (Lyou)
Board Consultant Chung Liu	SCAQMD Governing Board (Mitchell)
Barry Wallerstein	SCAQMD staff
Barbara Baird	SCAQMD staff
Kurt Wiese	SCAQMD staff
Philip Fine	SCAQMD staff
Mohsen Nazemi	SCAQMD staff
Jill Whynot	SCAQMD staff
Susan Nakamura	SCAQMD staff
Joe Cassmassi	SCAQMD staff
Cher Snyder	SCAQMD staff
Amir Dejbakhsh	SCAQMD staff
Bill Wong	SCAQMD staff
Bayron Gilchrist	SCAQMD staff
Bill Lamarr	California Small Business Alliance
Curt Coleman	So Cal Air Quality Alliance
David Rothbart	Los Angeles County Sanitation Districts