

BOARD MEETING DATE: January 5, 2018

AGENDA NO. 18

PROPOSAL: Determine that Proposed Amendments to Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x) Are Exempt from CEQA and Amend Rules 2001 and 2002

SYNOPSIS: The adoption Resolution of the Final 2016 AQMP directed staff to achieve additional NO_x emission reductions and to transition the RECLAIM program to a command-and-control regulatory structure as soon as practicable. Proposed Amended Rule 2001 will commence the initial steps of this transition by ceasing any future inclusions of facilities into NO_x and SO_x RECLAIM. Proposed Amended Rule 2002 will establish notification procedures for RECLAIM facilities that will exit the program and address the RECLAIM Trading Credit holdings for these facilities.

COMMITTEE: Stationary Source Committee, November 17, 2017, Reviewed

RECOMMENDED ACTIONS:

Adopt the attached Resolution:

1. Determining that the proposed amendments to Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x) are exempt from the requirements of the California Environmental Quality Act; and
2. Amending Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x).

Wayne Natri
Executive Officer

Background

The South Coast Air Quality Management District (SCAQMD) Board adopted the Regional Clean Air Incentives Market (RECLAIM) program in October 1993. Regulation XX – RECLAIM was most recently amended on December 4, 2015 and October 7, 2016. During the adoption of the 2016 AQMP, the adopting Resolution directed staff to modify Control Measure CMB-05 to achieve an additional five tons per day NO_x emission reductions as soon as feasible but no later than 2025, and to transition the RECLAIM program to a command-and-control regulatory structure requiring Best Available Retrofit Control Technology (BARCT) level controls as soon as practicable. California State Assembly Bill (AB) 617, which was approved in July 2017, requires an expedited schedule for implementing BARCT at cap-and-trade facilities that are also subject to RECLAIM and requires the implementation of BARCT by no later than December 31, 2023.

Proposed amendments to Rule 2001 – Applicability and 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x), which are two rules within Regulation XX – RECLAIM, initiate the transition of the NO_x and SO_x RECLAIM program to a command-and-control regulatory structure by precluding any new, non-RECLAIM facilities from entering into RECLAIM. In preparation for facilities in the RECLAIM program to transition to command-and-control, the proposed amendments address the RTC holdings for the initial group of facilities that will be exited from RECLAIM, as well as establishing notification procedures for RECLAIM facilities for their transition out of the program.

Public Process

Staff has held monthly working group meetings to discuss the transition of facilities in the RECLAIM program to a command-and-control regulatory structure and to discuss key policy issues. Proposed Amended Rules 2001 and 2002 were discussed at the RECLAIM working group meetings on June 8, July 13, September 14, October 12, November 8, and December 14, 2017. In addition, staff has also met individually with numerous facility operators and industry groups regarding the transition. A public consultation meeting was held on November 8, 2017, with the comment period closing on November 22, 2017.

Proposed Amendments

The proposed amendments to Regulation XX will affect Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x). Proposed Amended Rule 2001 would preclude new or existing facilities from entering the NO_x and SO_x RECLAIM programs as of the date of amendment.

Proposed Amended Rule 2002 contains notification procedures for facilities that will be transitioned out of RECLAIM and addresses the RTC holdings for these facilities that will be transitioned out or that elect to exit RECLAIM. Under PAR 2002, the Executive Officer will provide an initial determination notification to a RECLAIM facility for

potential exit to a command-and-control regulatory structure with requirements for the facility to identify all NO_x-emitting equipment. After review of the information and if it is determined that the facility meets the criteria for the type of equipment or is in compliance with the current applicable command-and-control BARCT rules, the Executive Officer will send the facility a final determination notification that the facility will be exiting RECLAIM. Upon exiting RECLAIM, future compliance year RTCs cannot be sold or transferred and only RTCs in that current compliance year can be used.

Key Issues

Through the rulemaking process, staff has worked with stakeholders to resolve various issues and is not aware of any remaining key issues.

California Environmental Quality Act (CEQA)

SCAQMD staff has reviewed the proposed amendments to Rule 2001 and Rule 2002 pursuant to: 1) CEQA Guidelines Section 15002(k) – General Concepts, the three-step process for deciding which document to prepare for a project subject to CEQA; and 2) CEQA Guidelines Section 15061 – Review for Exemption, procedures for determining if a project is exempt from CEQA. The effect of preventing any new or existing non-RECLAIM facility that emits four or more tons per year of NO_x or SO_x from entering the RECLAIM program would result in no change to these facilities in continuing to be subject to their current permits and/or all applicable non-RECLAIM, SCAQMD rules and regulations. Further, the action of identifying facilities that will be transitioning out of the RECLAIM program will not alter the applicability of SCAQMD rules and regulations on the identified facilities. Thus, the proposed amendments to Rule 2001 would not be expected to cause any physical changes that would affect emissions or any other environmental topic area. Similarly, the proposed amendments to Rule 2002 establishing procedures for notifying facilities to be transitioned out of the NO_x RECLAIM program, and addressing the use of RTCs during the transition period for the set of facilities, are also not expected to cause any physical changes that would affect emissions or any other environmental topic area. Therefore, staff has determined that it can be seen with certainty that there is no possibility that the proposed amendments to Rule 2001 and Rule 2002 may have a significant adverse effect on the environment. Thus, the proposed amendments to Rule 2001 and Rule 2002 are considered to be exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule. A Notice of Exemption has been prepared pursuant to CEQA Guidelines Section 15062 – Notice of Exemption. If the proposed project is approved, the Notice of Exemption will be filed with the county clerks of Los Angeles, Orange, Riverside and San Bernardino counties.

Socioeconomic Analysis

Among the 266 facilities currently in the NOx RECLAIM program as of November 2017, none would be affected by PAR 2001, while staff has identified 38 facilities that would be initially affected by PAR 2002. Of the 38 facilities, 25 are located in Los Angeles, with the remaining located in Orange, Riverside, and San Bernardino counties. Based on the North American Industry Classification System (NAICS), the majority of these facilities belong to the industry sectors of Manufacturing (NAICS 31-33) and Mining, Quarrying, and Oil and Gas Extraction (NAICS 21). Based on permitting data, the RECLAIM equipment at the 38 facilities are all currently at BARCT; therefore, PAR 2002 would not result in increased costs related to compliance with current command-and-control rules. Based on an analysis of historical NOx emissions and current NOx RTC holdings data, if these 38 facilities were to remain in the NOx RECLAIM program, three of them were estimated to hold a total of 0.027 TPD of surplus NOx RTCs available for future sale or transfer, which were acquired from the market (in addition to the facilities' no-cost initial allocations) and are valued at \$62,000 per compliance year using the current market price. By comparison, 19 other facilities would have insufficient NOx RTCs, by 0.110 TPD, than their future compliance needs. By exiting out of the NOx RECLAIM program, these facilities – including the four directly affected small businesses – would save a total of \$254,000 per compliance year based on the current market price. Considering the past market behavior by these facilities, staff concludes that the potential impact of PAR 2002 on the demand and supply of NOx RTC market is expected to be minimal and large price fluctuations in the NOx RTC market are unlikely to result directly from the potential exit of these facilities out of the NOx RECLAIM program. Therefore, PAR 2002 would have minimal impacts on the existing facilities that are not yet ready to exit the NOx RECLAIM program. These minimal cost impacts would result in a minimal impact on jobs in the regional economy.

Resource Impacts

Existing staff resources are adequate to implement the proposed amendments.

Attachments

- A. Summary of Proposal
- B. Key Issues and Responses
- C. Rule Development Process
- D. Key Contacts List
- E. Resolution
- F. Proposed Amended Rule 2001
- G. Proposed Amended Rule 2002
- H. Final Staff Report
- I. Notice of Exemption
- J. Board Meeting Presentation

ATTACHMENT A SUMMARY OF PROPOSAL

Proposed Amended Rule 2001 – Applicability

Purpose

- Ends the addition of any facilities into the NO_x and SO_x RECLAIM programs

Proposed Amended Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x)

- Establishes the process for notification of transition of a RECLAIM facility to a command-and-control regulatory structure, and freezing the sale or transfer of future compliance year RTCs upon exiting RECLAIM
- Staff has identified an initial group of 38 facilities that can potentially exit the NO_x RECLAIM program because they have no facility NO_x emissions or have NO_x emissions solely from the combination of Rule 219 equipment (unless the equipment would be subject to a command-and-control rule that it cannot reasonably comply with), various locations permits, or unpermitted equipment and/or RECLAIM equipment that meets current command-and-control BARCT rules

Notification Procedures for Facilities Exiting RECLAIM

- The Executive Officer will provide initial determination notifications to the identified facilities for potential exit. RECLAIM facilities have 45 days from the date of the notification to identify all NO_x-emitting equipment. Failure to provide the complete information will result in a freeze on RTC uses until the requested information is submitted
- If the RECLAIM facility is deemed ready for transition after Executive Officer review, it will receive a final determination notification that will require its exit from RECLAIM and the facility will become subject to command-and-control regulations
- If the RECLAIM facility is deemed as not ready for transition, it will be notified that it will remain in NO_x RECLAIM until a later time
- If a RECLAIM facility receives a final determination notification, it would not be allowed to sell or transfer future compliance year RTCs as of the date specified in the notification and may only sell or transfer that current compliance year's RTCs until it is transitioned out of RECLAIM

ATTACHMENT B

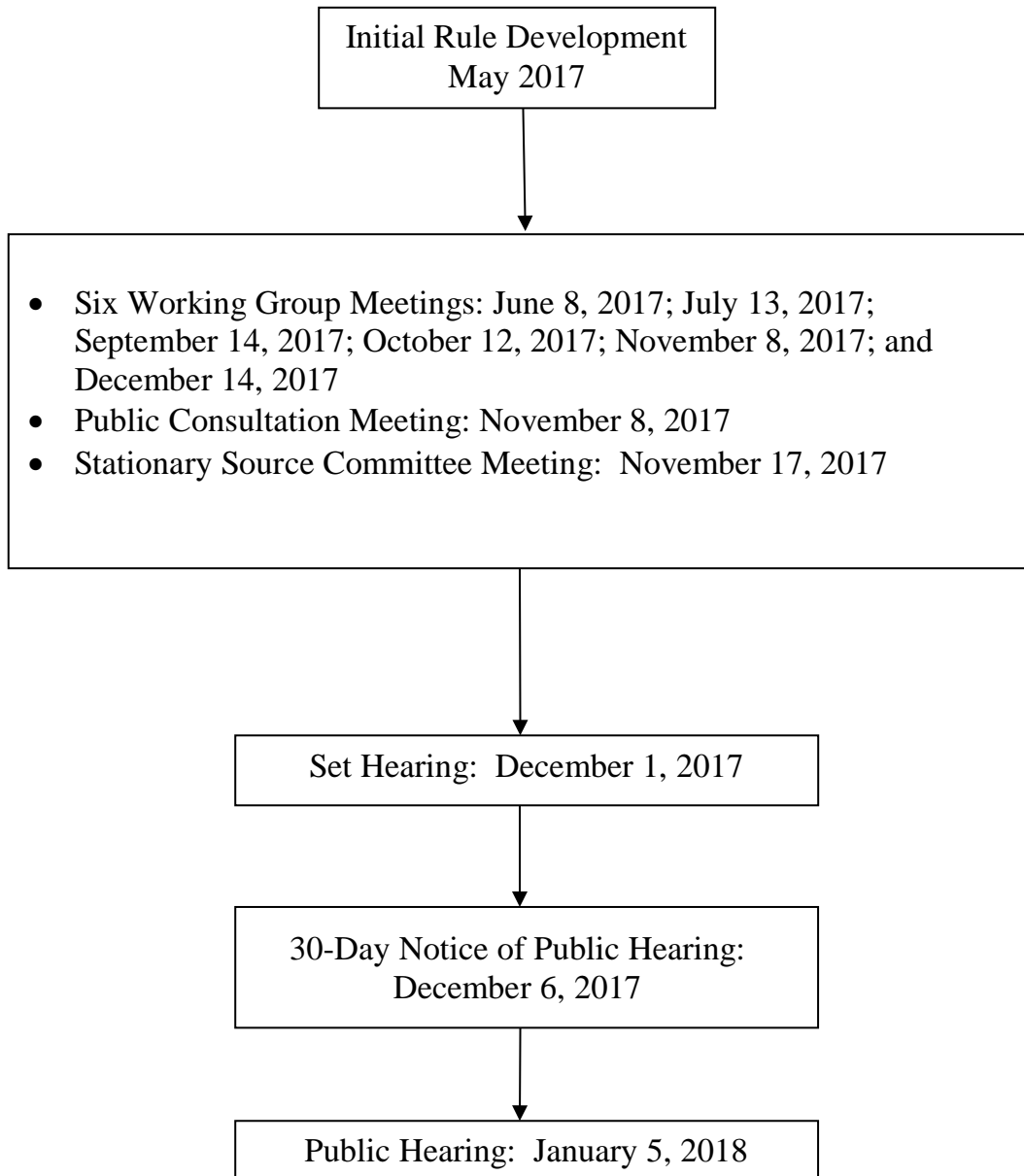
KEY ISSUES AND RESPONSES

Proposed Amended Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO _x) and Oxides of Sulfur (SO _x)
Staff is not aware of any key remaining issues.

ATTACHMENT C

RULE DEVELOPMENT PROCESS

Proposed Amended Rule 2001 – Applicability and 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x)



Eight (8) months spent in rule development.

One (1) Public Consultation Meeting

One (1) Stationary Source Committee Meeting

Six (6) Working Group Meetings

ATTACHMENT D
KEY CONTACTS LIST

Amerex Brokers, LLC
Boeing Company
California Air Resources Board
California Construction and Industrial Materials Association (CalCIMA)
California Council for Environmental and Economic Balance (CCEEB)
EarthJustice
Element Markets, LLC
Evolution Markets
Industry Coalition
National Resources Defense Council
NRG Energy, Inc.
Regulatory Flexibility Group (RegFlex)
Southern California Air Quality Alliance (SCAQA)
Southern California Gas Company (Sempra)
U.S. Environmental Protection Agency
Western States Petroleum Association (WSPA)

ATTACHMENT E

RESOLUTION NO. 18-_____

A Resolution of the Governing Board of the South Coast Air Quality Management District (SCAQMD) determining that the proposed amendments to Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NOx) and Oxides of Sulfur (SOx) are exempt from the requirements of the California Environmental Quality Act (CEQA).

A Resolution of the SCAQMD Governing Board amending Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NOx) and Oxides of Sulfur (SOx).

WHEREAS, the SCAQMD Governing Board finds and determines that the proposed amendments to Rules 2001 and 2002 are considered a “project” pursuant to CEQA Guidelines Section 15002(k) – General Concepts, the three-step process for deciding which document to prepare for a project subject to CEQA; and

WHEREAS, the SCAQMD has had its regulatory program certified pursuant to Public Resources Code Section 21080.5 and has conducted a CEQA review pursuant to such program (SCAQMD Rule 110); and

WHEREAS, the SCAQMD Governing Board finds and determines that after conducting a review of the proposed project in accordance with CEQA Guidelines Section 15002(k) - General Concepts, the three-step process for deciding which document to prepare for a project subject to CEQA, and CEQA Guidelines Section 15061 - Review for Exemption, procedures for determining if a project is exempt from CEQA, that the proposed amendments to Rules 2001 and 2002 are determined to be exempt from CEQA; and

WHEREAS, the SCAQMD Governing Board finds and determines that it can be seen with certainty that there is no possibility that the proposed project may have any significant effects on the environment, and is therefore, exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule; and

WHEREAS, the SCAQMD staff has prepared a Notice of Exemption for the proposed project, that is completed in compliance with CEQA Guidelines Section 15062 – Notice of Exemption; and

WHEREAS, Proposed Amended Rules 2001 and 2002 and supporting documentation, including but not limited to, the Notice of Exemption, the Final Staff Report, and the Socioeconomic Impact Assessment included in the Final Staff Report, were presented to the SCAQMD Governing Board and the SCAQMD Governing Board has reviewed and considered the entirety of this information, as well as has taken and considered staff testimony and public comment prior to approving the project; and

WHEREAS, the SCAQMD Governing Board finds and determines, taking into consideration the factors in Section (d)(4)(D) of the Governing Board Procedures (codified as Section 30.5(4)(D)(i) of the Administrative Code), that the modifications to Proposed Amended Rules 2001 and 2002 since the notice of public hearing was published add clarity that meets the same air quality objective and are not so substantial as to significantly affect the meaning of the proposed amended rules within the meaning of Health and Safety Code Section 40726 because: (a) the changes do not impact emission reductions, (b) the changes do not affect the number or type of sources regulated by the rules, (c) the changes are consistent with the information contained in the notice of public hearing, and (d) the consideration of the range of CEQA alternatives is not applicable because Proposed Amended Rules 2001 and 2002 are exempt from CEQA; and

WHEREAS, Proposed Amended Rules 2001 and 2002 will be submitted for inclusion into the State Implementation Plan; and

WHEREAS, the SCAQMD staff conducted a Public Consultation Meeting regarding Proposed Amended Rules 2001 and 2002 on November 8, 2017; and

WHEREAS, Health and Safety Code Section 40727 requires that prior to adopting, amending or repealing a rule or regulation, the SCAQMD Governing Board shall make findings of necessity, authority, clarity, consistency, non-duplication, and reference based on relevant information presented at the public hearing and in the staff report; and

WHEREAS, the SCAQMD Governing Board has determined that Proposed Amended Rules 2001 and 2002 are needed to commence the initial steps to transition facilities in the RECLAIM program to a command-and-control regulatory structure, as directed by Control Measure CMB-05 of the Final 2016 Air Quality Management Plan; and

WHEREAS, the SCAQMD Governing Board obtains its authority to adopt, amend or repeal rules and regulations from Sections 39002, 39616, 40000, 40001, 40440, 40702, 40725 through 40728, and 41508 of the Health and Safety Code; and

WHEREAS, the SCAQMD Governing Board has determined that Proposed Amended Rules 2001 and 2002 are written or displayed so that the meaning can be easily understood by the persons directly affected by it; and

WHEREAS, the SCAQMD Governing Board has determined that Proposed Amended Rules 2001 and 2002 are in harmony with and not in conflict with or contradictory to, existing statutes, court decisions or state or federal regulations; and

WHEREAS, the SCAQMD Governing Board has determined that Proposed Amended Rules 2001 and 2002 will not impose the same requirements as any existing state or federal regulations. The amendments are necessary and proper to execute the powers and duties granted to, and imposed upon, SCAQMD; and

WHEREAS, the SCAQMD Governing Board, in amending Rules 2001 and 2002, references the following statutes which the SCAQMD hereby implements, interprets, or makes specific: Health and Safety Code Sections 39002, 40001, 40702, 40440(a), and 40725 through 40728.5; and

WHEREAS, the SCAQMD Governing Board finds that Proposed Amended Rules 2001 and 2002 fall within one or more of the categories specified in Health and Safety Code Section 40727.2(g) and, therefore, comply with Health and Safety Code Section 40727.2(a); and

WHEREAS, the SCAQMD Governing Board finds that there is a problem that Proposed Amended Rule 2001 and 2002 will alleviate and that the rules will promote the attainment or maintenance of state or federal ambient air quality standards; and

WHEREAS, the SCAQMD Governing Board has determined that the Socioeconomic Impact Assessment, as contained in the Final Staff Report, of Proposed Amended Rules 2001 and 2002, is consistent with the March 17, 1989 Governing Board Socioeconomic Resolution for rule adoption; and

WHEREAS, the SCAQMD Governing Board has determined that Proposed Amended Rules 2001 and 2002 will not result in increased compliance costs, but may, upon a facility's exit out of the RECLAIM program, result in a loss if the facility has purchased future compliance year RECLAIM Trading Credits (RTCs) for future compliance and/or investment purposes, or result in net cost-savings if the facility has yet to purchase NOx RTCs needed for future compliance purposes. These impacts which are considered to be reasonable; as specified in the Socioeconomic Impact Assessment, as contained in the Final Staff Report; and

WHEREAS, the SCAQMD Governing Board has actively considered the Socioeconomic Impact Assessment, as contained in the Final Staff Report, and has made a good faith effort to minimize such impacts; and

WHEREAS, the SCAQMD Governing Board has determined that the Socioeconomic Impact Assessment, as contained in the Final Staff Report, is consistent with the provisions of California Health and Safety Code Sections 40440.8, 40728.5, and 40920.6; and

WHEREAS, the SCAQMD specifies the Planning and Rules Manager of Rules 2001 and 2002 as the custodian of the documents or other materials which constitute the record of proceedings upon which the adoption of these proposed amendments is based, which are located at the South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, California; and

WHEREAS, a public hearing has been properly noticed in accordance with the provisions of Health and Safety Code Section 40725; and

WHEREAS, the SCAQMD Governing Board has held a public hearing in accordance with all provisions of law; and

NOW, THEREFORE, BE IT RESOLVED, that the SCAQMD Governing Board does hereby determine, pursuant to the authority granted by law, that Proposed Amended Rules 2001 and 2002 are exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule. This information was presented to the SCAQMD Governing Board, whose members reviewed, considered and approved the information therein prior to acting on Proposed Amended Rules 2001 and 2002; and

BE IT FURTHER RESOLVED, that the SCAQMD Governing Board does hereby adopt, pursuant to the authority granted by law, Proposed Amended Rules 2001 and 2002 as set forth in the attached, and incorporated herein by reference.

DATE: _____

CLERK OF THE BOARDS

ATTACHMENT F

(Adopted October 15, 1993)(Amended December 7, 1995)
(Amended February 14, 1997)(Amended May 11, 2001)(Amended January 7, 2005)
(Amended May 6, 2005)(Amended December 4, 2015)(PAR 2001 January 5, 2018)

PROPOSED AMENDED RULE 2001. **APPLICABILITY**

(a) Purpose

This rule specifies criteria for inclusion in RECLAIM for new and existing facilities and also establishes a final date for any facility inclusions. It also specifies requirements for sources electing to enter RECLAIM and identifies provisions in District rules and regulations that do not apply to RECLAIM sources.

(b) Criteria for Inclusion in RECLAIM

The Executive Officer will maintain a listing of facilities which are subject to RECLAIM. The Executive Officer will include facilities up until (date of amendment), unless otherwise exempted pursuant to subdivision (i), if emissions fee data for 1990 or any subsequent year filed pursuant to Rule 301 - Permit Fees, shows four or more tons per year of NO_x or SO_x emissions where:

(1) NO_x emissions do not include emissions from:

- (A) any NO_x source which was exempt from permit pursuant to Rule - 219 Equipment Not Requiring A Written Permit Pursuant to Regulation II;
- (B) any NO_x process unit which was rental equipment with a valid District Permit to Operate issued to a party other than the facility;
- (C) on-site, off-road mobile sources; or
- (D) ships as specified in Rule 2000(c)(62)(C) and (D).

(2) SO_x emissions do not include emissions from:

- (A) any SO_x source which was exempt from permit pursuant to Rule - 219 Equipment Not Requiring A Written Permit Pursuant to Regulation II; or
- (B) any SO_x source that burned natural gas exclusively, unless the emissions are at a facility that elected to enter the program pursuant to subparagraph (i)(2)(A); or
- (C) any SO_x process unit which was rental equipment with a valid District Permit to Operate issued to a party other than the facility;
- (D) on-site, off-road mobile sources; or

- (E) ships as specified in Rule 2000(c)(62)(C) and (D).
- (3) The Executive Officer will not include a facility in RECLAIM if a permit holder requests exclusion no later than January 1, 1996 and demonstrates prior to October 15, 1993 through the addition of control equipment, the possession of a valid Permit to Construct for such control equipment, or a Permit to Operate condition that the emissions fee data received pursuant to Rule 301, which shows emissions equal to or greater than four tons per year of a RECLAIM pollutant, is not representative of future emissions.
- (c) Amendments to RECLAIM Facility Listing
 - (1) The Executive Officer will amend the RECLAIM facility listing to add, delete, change designation of any facility or make any other necessary corrections upon any of the following actions:
 - (A) Approval by the Executive Officer pursuant to Rule 2007 - Trading Requirements, of the permanent transfer or relinquishment of all RTCs applicable to a facility.
 - (B) Approval by the Executive Officer of a change of Facility Permit holder (owner or operator) or change of facility name.
 - ~~(C) Approval by the Executive Officer of a Facility Permit for a new facility if such new facility would, under RECLAIM, have a starting Allocation equal to or greater than four tons per year of a RECLAIM pollutant NO_x or SO_x, unless the facility would be exempt pursuant to subdivision (i).~~
 - ~~(D) Approval by the Executive Officer of a Facility Permit for an existing non-RECLAIM facility, which reports NO_x or SO_x emissions pursuant to Rule 301 - Permit Fees, for any year which are equal to or greater than four tons, as specified in subdivision (b), unless the facility would be exempt pursuant to subdivision (i).~~
 - ~~(E) Approval by the Executive Officer of the election of a facility to enter the RECLAIM program pursuant to subdivision (f).~~

~~(F) Upon delegation of authority from EPA to the District for Outer Continental Shelf (OCS) sources and inclusion of RECLAIM in 40 CFR Part 55 pursuant to the consistency update process, such OCS sources shall be RECLAIM facilities. The OCS sources' starting Allocation for the year of entry and Allocations for the years 2000 and 2003 and interim years, shall be determined pursuant to Rule 2002—Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x), except that fuel usage and emissions data reported to the Minerals Management Service of the Department of the Interior be utilized where emissions data reported pursuant to Rule 301 is not available, provided that the permit holder substantiates the accuracy of such fuel usage and emissions data. The starting Allocation shall be adjusted to reflect the rate of reduction which would have been applicable to the facility if it had been in the RECLAIM program as of October 15, 1993.~~

(C) Upon the transition of a facility out of RECLAIM, pursuant to Rule 2002.

(2) The actions specified in this subdivision shall be effective only upon amendment of the Facility Listing.

(d) Cycles

(1) The Executive Officer will assign RECLAIM facilities to one of two compliance cycles by computer-generated random assignment which, to the extent possible, ensures an even distribution of RTCs. The Facility Listing will distinguish between Cycle 1 facilities, which will have a compliance year of January 1 to December 31 of each year, and Cycle 2 facilities, with a compliance year of July 1 to June 30 of each year.

(2) The issue and expiration dates of the RTCs allocated to a facility shall coincide with the beginning and ending dates of the facility's compliance year.

- (3) Within 30 days of October 15, 1993, facilities assigned to Cycle 2 may petition the Executive Office or the Hearing Board to change their cycle designation. Facilities assigned to Cycle 1 may not petition the Executive Officer or Hearing Board to change their cycle designation. Facilities entering the RECLAIM program after October 15, 1993 will be assigned to the cycle with the greatest amount of time remaining in the compliance year.
- (e) **High Employment/Low Emissions (HILO) Facility Designation**
A new facility may, after January 1, 1997 apply to the District for classification as a HILO Facility. The Executive Officer will approve the HILO designation upon the determination that the emission rate for NO_x, SO_x, ROC, and PM₁₀ is less than or equal to one-half (1/2) of any target specified in the AQMP for emissions per full-time manufacturing employee by industry class in the year 2010.
- (f) **Entry Election**
On and after (date of amendment), a non-RECLAIM facility may not elect to enter the RECLAIM program.
- (1) ~~A non-RECLAIM facility may elect to permanently enter the RECLAIM program, provided that:~~
- ~~(A) the owner or operator files an Application for Entry;~~
 - ~~(B) the facility is not listed as exempt under paragraph (i)(1);~~
 - ~~(C) the facility is not operating under an Order for Abatement or in violation of any District rule; and~~
 - ~~(D) the facility is not subject to a compliance date in an existing rule within six months of the date of Application for Entry.~~
- (2) ~~Upon approval of an Application for Entry, the Executive Officer will issue a Facility Permit. The facility's starting Allocation for the year of entry and Allocations for the years 2000 and 2003 and interim years, shall be determined pursuant to Rule 2002—Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x). If necessary, the Allocation shall be adjusted to equal the Allocations which would have been applicable to the facility if it had been subject to the RECLAIM program as of October 15, 1993.~~

~~(3) Entry into the RECLAIM program will be effective upon issuance of a Facility Permit pursuant to Rule 2006—Permits, and publication of the addition of the facility to the Facility Listing.~~

(g) Exit from RECLAIM

(1) The owner or operator of an electricity generating facility (EGF) may submit a plan application (i.e., opt-out plan) subject to plan fees specified in Rule 306 to request to opt-out of the NOx RECLAIM program provided that the following requirements are met as demonstrated in an opt-out plan submitted to the Executive Officer:

(A) At least 99 percent of the EGF's NOx emissions for the most recent three full compliance years are from equipment that meets current Best Available Control Technology (BACT) or Best Available Retrofit Control Technology (BARCT), for NOx.

(B) The EGF is subject to NOx RECLAIM as of December 4, 2015 or has been subject to NOx RECLAIM for at least 10 years as of the plan submittal date.

For the purpose of this rule an electricity generating facility (EGF) is a NOx RECLAIM facility that generates electricity for distribution in the state or local grid system, excluding cogeneration facilities.

(2) If the Executive Officer approves an opt-out plan, based on the criteria specified in paragraph (g)(1), then the EGF Facility Permit holder shall submit applications to include in its permit and accept permit conditions that ensure all of the following apply:

(A) NOx RTCs held by the EGF shall be treated as follows:

- (i) For an EGF that does not meet the definition of an existing facility, as defined in Rule 2000(c)(35), the quantity of NO_x RTCs for all compliance years after the date of approval of the opt-out plan required to be held by the EGF pursuant to Rule 2005 – New Source Review for RECLAIM shall be surrendered by the facility, retired from the market, and used to satisfy any NO_x requirements for continuing obligations under Regulation XIII – New Source Review. If needed to equal this amount, any Non-tradable/Non-usable RTCs and any RTCs corresponding to the EGF’s contribution to the Regional NSR Holding Account may be used for this purpose and, if RTCs from the Regional NSR Holding Account are used, these RTCs shall be removed from the Regional NSR Holding Account.
 - (ii) For existing EGFs, that meet the definition of an existing facility, as defined in Rule 2000(c)(35), an amount of NO_x RTCs equivalent to the EGF’s NO_x holdings as of September 22, 2015 adjusted pursuant to Rule 2002(f)(1) for all compliance years after the date of approval of the opt-out plan shall be surrendered by the EGF and retired from the market.
 - (iii) Any NO_x RTCs held by an EGF beyond those referred to in clauses (i) and (ii) above may be sold, traded, or transferred by the facility.
- (B) The EGF operator shall ensure that all equipment identified in the opt-out plan as meeting BACT or BARCT shall not exceed the respective BACT or BARCT levels of emissions or any existing permit condition limiting NO_x emissions that is lower than BACT or BARCT as of the date of the opt-out plan submittal.
- (C) Limits on EGF Emissions
 - (i) For an EGF that meets the definition of an existing facility in Rule 2000(c)(35), total facility emissions shall be limited to the amount of Compliance Year 2015 RTCs held as of September 22, 2015.

- (ii) For an EGF that does not meet the definition of an existing facility in Rule 2000(c)(35), emissions from each NO_x source shall be limited to the amount of RTCs required to be held for that source pursuant to Rule 2005 as of the date of opt-out plan approval.
- (D) The owner or operator of multiple EGFs under common control shall have one opportunity to apportion the NO_x emission limits among its facilities under common control for the purpose of meeting the requirements of clause (C)(i) or (C)(ii) as part of its opt-out plan as specified in paragraph (g)(1), provided all of the facilities opt out concurrently. The apportionment shall be described in the opt-out plan that shall be submitted to the Executive Officer. Each facility shall not have a limit that exceeds the amount of emissions that can be generated by all equipment located at the facility.
- (E) Subdivision (j) shall not be applicable to the EGF for any equipment installed or modified after the date of approval of the opt-out plan, and for other equipment at the earliest practicable date but no later than three years after the date of approval of the opt-out plan except Regulation XIII – New Source Review shall apply upon permit issuance.
- (F) Notwithstanding the requirements specified in subparagraph (g)(2)(E), the EGF operator shall continue to comply with the requirements of Rule 2012 and its associated protocols unless the Executive Officer has approved an alternative monitoring and recordkeeping plan which is sufficient to determine compliance with all applicable rules.
- (G) Notwithstanding the requirements specified in subparagraph (g)(2)(E), for EGFs not subject to Regulation XXX, the EGF's permit shall be re-designated as an “opt-out facility permit” and shall remain in effect, subject to annual renewal, unless expired, revoked, or modified pursuant to applicable rules. The EGF operator shall continue to pay RECLAIM permit fees pursuant to Rule 301(l).

- (3) The Executive Officer shall approve or deny the opt-out plan within 180 days of receipt of a complete plan, unless the EGF and the Executive Officer have mutually agreed upon a longer time period. The Executive Officer shall not approve the opt-out plan unless it has been determined that the requirements of subparagraphs (g)(1)(A) and (g)(1)(B) are met, and the EGF accepts appropriate permit conditions to ensure compliance with the requirements of subparagraphs (g)(2)(B) through (H). If, within 180 days or within the mutually agreed upon time period of receiving a complete opt-out plan, the Executive Officer does not take action on the plan, the EGF may consider the plan denied. Executive Officer denial of an opt-out plan can be appealed to the Hearing Board. The Executive Officer shall not re-issue the facility permit removing the EGF from RECLAIM unless the EGF surrenders the required amount of RTCs pursuant to subparagraph (g)(2)(A). Removal from RECLAIM of an EGF with an approved opt-out plan is effective upon issuance of a facility permit incorporating the conditions specified in paragraph (g)(2).
 - (4) No facility, on the initial Facility Listing or subsequently admitted to RECLAIM, may opt out of the program, unless approved by the Executive Officer pursuant to paragraph (g)(3).
- (h) **Non-RECLAIM Facility Generation of RTCs**
- Non-RECLAIM facilities may not obtain RTCs due to a shutdown or curtailment of operations which occurs after October 15, 1993. ERCs generated by non-RECLAIM facilities may not be converted to RTCs if the ERCs are based on a shutdown or curtailment of operations after October 15, 1993.
- (i) **Exemptions**
- (1) The following sources, including those that are part of or located on a Department of Defense facility, shall not be included in RECLAIM and are prohibited from electing to enter RECLAIM:
 - (A) dry cleaners;
 - (B) fire fighting facilities;
 - (C) construction and operation of landfill gas control, processing or landfill gas energy recovery facilities;
 - (D) facilities which have converted all sources to operate on electric power prior to October 15, 1993;

- (E) police facilities;
 - (F) public transit;
 - (G) restaurants;
 - (H) potable water delivery operations;
 - (I) facilities located in the Riverside County portions of the Salton Sea and Mojave Desert Air Basins, except for a facility that has elected to enter the RECLAIM program pursuant to subparagraph (i)(2)(M); and
 - (J) facilities that have permanently ceased operations of all sources before January 1, 1994.
 - (K) The facility was removed from RECLAIM pursuant to paragraph (g)(3).
- (2) The following sources, including those that are part of or located on a Department of Defense facility, shall not be initially included in RECLAIM but may enter the program pursuant to subdivision (f):
- (A) electric utilities (exemption only for the SO_x program);
 - (B) equipment rental facilities;
 - (C) facilities possessing solely "various location" permits;
 - (D) hospitals;
 - (E) prisons;
 - (F) publicly owned municipal waste-to-energy facilities;
 - (G) portions of facilities conducting research operations;
 - (H) schools or universities;
 - (I) sewage treatment facilities which are publicly owned and operated consistent with an approved regional growth plan;
 - (J) electric power generating systems owned and operated by the City of Burbank, City of Glendale or City of Pasadena or any of their successors;
 - (K) ski resorts;
 - (L) facilities located on San Clemente Island;
 - (M) any electric generating facility that has submitted complete permit applications for all equipment requiring permits at the facility on or after January 1, 2001 may elect to enter the NO_x RECLAIM program if the facility is located in the Riverside County portions of the Salton Sea or Mojave Desert Air Basins;

- (N) facilities that are an agricultural source as defined in California Health and Safety Code § 39011.5; and
- (O) any EGF as defined in paragraph (g)(1), except for an EGF that has been removed from NO_x RECLAIM, pursuant to paragraph (g)(3).

(j) **Rule Applicability**

Facilities operating under the provisions of the RECLAIM program shall be required to comply concurrently with all provisions of District rules and regulations, except those provisions applicable to NO_x emissions under the rules listed in Table 1, shall not apply to NO_x emissions from NO_x RECLAIM facilities, and those provisions applicable to SO_x emissions of the rules listed in Table 2 shall not apply to SO_x emissions from SO_x RECLAIM facilities after the later of the following:

- (1) December 31, 1994 for Cycle 1 facilities and June 30, 1995 for Cycle 2 facilities; or
- (2) the date the facility has demonstrated compliance with all monitoring and reporting requirements of Rules 2011 or 2012, as applicable.

Notwithstanding the above, NO_x and SO_x RECLAIM facilities shall not be required to comply with those provisions applicable respectively to NO_x and SO_x emissions of the listed District rules in Tables 1 and 2 which have initial implementation dates in 1994. The Facility Permit holder shall comply with all other provisions of the rules listed in Table 1 and 2 relating to any other pollutant.

Table 1

EXISTING RULES
NOT APPLICABLE TO RECLAIM FACILITIES FOR
REQUIREMENTS PERTAINING TO NO_x EMISSIONS

RULE	DESCRIPTION
218	Stack Monitoring
429	Start-up & Shutdown Exemption Provisions for NO _x
430	Breakdown Provision
474	Fuel Burning Equipment - NO _x
476	Steam Generating Equipment
1109	Emis. of NO _x Boilers & Proc. Heaters in Petroleum Refineries
1110	Emis. from Stationary I. C. Engines (Demo.)
1110.1	Emis. from Stationary I. C. Engines
1110.2	Emis. from Gaseous and Liquid-Fueled I. C. Engines
1112	Emis. of NO _x from Cement Kilns
1117	Emis. of NO _x from Glass Melting Furnaces
1134	Emis. of NO _x from Stationary Gas Turbines
1135	Emis. of NO _x from Electric Power Generating Systems
1146	Emis. of NO _x from Boilers, Steam Generators, and Proc. Heaters
1146.1	Emis. of NO _x from Small Boilers, Steam Generators, and Proc. Heaters
1159	Nitric Acid Units - Oxides of Nitrogen
Reg. XIII	New Source Review

Table 2

EXISTING RULES
NOT APPLICABLE TO RECLAIM FACILITIES FOR
REQUIREMENTS PERTAINING TO SO_x EMISSIONS

RULE	DESCRIPTION
53	Sulfur Compounds - Concentration - L.A. County
53	Sulfur Compounds - Concentration - Orange County
53	Sulfur Compounds - Concentration - Riverside County
53	Sulfur Compounds - Concentration - San Bernardino County
53A	Specific Contaminants - San Bernardino County
218	Stack Monitoring
430	Breakdown Provisions
407	Liquid and Gaseous Air Contaminants
431.1	Sulfur Content of Gaseous Fuels
431.2	Sulfur Content of Liquid Fuels
431.3	Sulfur Content of Fossil Fuels
468	Sulfur Recovery Units
469	Sulfuric Acid Units
1101	Secondary Lead Smelters/Sulfur Oxides
1105	Fluid Catalytic Cracking Units SO _x
1119	Petroleum Coke Calcining Operations - Oxides of Sulfur
Reg. XIII	New Source Review

ATTACHMENT G

(Adopted October 15, 1993)(Amended March 10, 1995)(Amended December 7, 1995)
(Amended July 12, 1996)(Amended February 14, 1997)(Amended May 11, 2001)
(Amended January 7, 2005)(Amended November 5, 2010)(Amended December 4, 2015)
(Amended October 7, 2016)(PAR 2002 January 5, 2018)

PROPOSED AMENDED RULE 2002.

ALLOCATIONS FOR OXIDES OF NITROGEN (NO_x) AND OXIDES OF SULFUR (SO_x)

(a) Purpose

The purpose of this rule is to establish the methodology for calculating facility Allocations and adjustments to RTC holdings for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x).

(b) RECLAIM Allocations

- (1) RECLAIM Allocations will begin in 1994.
- (2) An annual Allocation will be assigned to each facility for each compliance year starting from 1994.
- (3) Allocations and RTC holdings for each year after 2011 are equal to the 2011 Allocation and RTC holdings, as determined pursuant to subdivision (f) unless, as part of the AQMP process, and pursuant to Rule 2015 (b)(1), (b)(3), (b)(4), or (c), the District Governing Board determines that additional reductions are necessary to meet air quality standards, taking into consideration the current and projected state of technology available and cost-effectiveness to achieve further emission reductions.
- (4) The Facility Permit or relevant sections thereof shall be re-issued at the beginning of each compliance year to include allocations determined pursuant to subdivisions (c), (d), (e), and (f) and any RECLAIM Trading Credits (RTC) obtained pursuant to Rule 2007 - Trading Requirements for the next fifteen years thereafter and any other modifications approved or required by the Executive Officer.
- (5) Annual emission reports submitted pursuant to Rule 301 more than five years after the original due date shall not be considered by the Executive Officer in determining facility Allocations.

(c) Establishment of Starting Allocations

- (1) The starting Allocation for RECLAIM NO_x and SO_x facilities initially permitted by the District prior to October 15, 1993, shall be determined by the Executive Officer utilizing the following methodology:

Starting Allocation = $\Sigma[A \times B_1]$ + ERCs + External Offsets

Where

- A = the throughput for each NO_x and SO_x source or process unit in the facility for the maximum throughput year from 1989 to 1992 inclusive; and
- B₁ = the applicable starting emission factor for the subject source or process unit as specified in Table 1 or Table 2
- (2) (A) Use of 1992 data is subject to verification and revision by the Executive Officer or designee to assure validity and accuracy.
- (B) The maximum throughput year will be determined by the Executive Officer or designee from throughput data reported through annual emissions reports submitted pursuant to Rule 301 - Permit Fees, or may be designated by the permit holder prior to issuance of the Facility Permit.
- (C) To determine the applicable starting emission factor in Table 1 or Table 2, the Executive Officer or designee will categorize the equipment at each facility based on information relative to hours of operation, equipment size, heating capacity, and permit information submitted pursuant to Rule 201 - Permit to Construct, and other relevant parameters as determined by the Executive Officer or designee. No information used for purposes of this subparagraph may be inconsistent with any information or statement previously submitted on behalf of the facility to the District, including but not limited to information and statements previously submitted pursuant to Rule 301 - Permit Fees, unless the facility can demonstrate, by clear and convincing documentation, that such information or statement was inaccurate.
- (D) Throughput associated with each piece of equipment or NO_x or SO_x source will be multiplied by the starting emission factors specified in Table 1 or Table 2. If a lower emission factor was utilized for a given piece of equipment or NO_x or SO_x source pursuant to Rule 301 - Permit Fees, than the factor in Table 1 or

Table 2, the lower factor will be used for determining that portion of the Allocation.

- (E) Fuel heating values may be used to convert throughput records into the appropriate units for determining Allocations based on the emission factors in Table 1 or Table 2. If a different unit basis than set forth in Tables 1 and 2 is needed for emissions calculations, the Executive Officer shall use a default heating value to determine source emissions, unless the Facility Permit holder can demonstrate with substantial evidence to the Executive Officer that a different value should be used to determine emissions from that source.
- (3) All NO_x and SO_x ERCs generated at the facility and held by a RECLAIM Facility Permit holder shall be reissued as RTCs. RECLAIM facilities will have these RTCs added to their starting Allocations. RTCs generated from the conversion of ERCs shall have a zero rate of reduction for the year 1994 through the year 2000. Such RTCs shall have a cumulative rate of reduction for the years 2001, 2002, and 2003, equal to the percentage inventory adjustment factor applied to 2003 Allocations pursuant to paragraph (e)(1) of this rule and shall have a rate of reduction for compliance year 2004 and subsequent years determined pursuant to paragraph (f)(1) of this rule.
- (4) Non-RECLAIM facilities may elect to have their ERCs converted to RTCs and listed on the RTC Listing maintained by the Executive Officer or designee pursuant to Rule 2007 - Trading Requirements, so long as the written request is filed before July 1, 1994. Such RTCs will be assigned to the trading zone in which the generating facility is located. RTCs generated from the conversion of ERCs shall have a zero rate of reduction for the year 1994 through the year 2000. Such RTCs shall have a cumulative rate of reduction for the years, 2001, 2002, and 2003, equal to the percentage inventory adjustment factor applied to 2003 Allocations pursuant to paragraph (e)(1) of this rule.
- (5) External offsets provided pursuant to Regulation XIII - New Source Review, not including any offsets in excess of a 1 to 1 ratio, will be added to the starting Allocation pursuant to paragraph (c)(1) provided:
 - (A) The offsets were not received from either the Community Bank or the Priority Reserve.
 - (B) External offsets will only be added to the starting Allocation to the extent that the Facility Permit holder demonstrates that they have not already been included in the starting Allocation or as an ERC.

RTCs issued for external offsets shall not include any offsets in excess of a 1 to 1 ratio required under Regulation XIII - New Source Review.

- (C) RTCs generated from the conversion of external offsets shall have a zero rate of reduction for the year 1994 through the year 2000. These RTCs shall have a cumulative rate of reduction for the years 2001, 2002, and 2003, equal to the percentage inventory adjustment factor applied to 2003 Allocations pursuant to paragraph (e)(1) of this rule, and for compliance year 2004 and subsequent years allocations shall be determined pursuant to paragraph (f)(1) of this rule. The rate of reduction for the year 2001 through year 2003 shall not be applied to new facilities initially totally permitted on or after January 7, 2005.
 - (D) Existing facilities with units that have Permits to Construct issued pursuant to Regulation II - Permits, dated on or after January 1, 1992, or existing facilities which have, between January 1, 1992 and October 15, 1993, installed air pollution control equipment that was exempt from offset requirements pursuant to Rule 1304 (a)(5), shall have their starting Allocations increased by the total external offsets provided, or the amount that would have been offset if the exemption had not applied.
 - (E) Existing facilities with units whose reported emissions are below capacity due to phased construction, and/or where the Permit to Operate issued pursuant to Regulation II - Permits, was issued after January 1, 1992, shall have their starting Allocations increased by the total external offsets provided.
- (6) If a Facility Permit holder can demonstrate that its 1994 Allocation is less than the 1992 emissions reported pursuant to Rule 301 - Permit Fees, and that the facility was, in 1992, operating in compliance with all applicable District rules in effect as of December 31, 1993, the facility's starting Allocation will be equal to the 1992 reported emissions.
 - (7) For new facilities initially totally permitted on or after January 1, 1993 but prior to October 15, 1993, the starting Allocation shall be equal to the external offsets provided by the facility to offset emission increases at the facility pursuant to Regulation XIII - New Source Review, not including any offsets in excess of a 1 to 1 ratio.

- (8) The Allocation for new facilities initially totally permitted on and after October 15, 1993, shall be equal to the total RTCs provided by the facility to offset emission increases at the facility pursuant to Rule 2005- New Source Review for RECLAIM.
- (9) The starting Allocation for existing facilities which enter the RECLAIM program pursuant to Rule 2001 - Applicability, shall be determined by the methodology in paragraph (c)(1) of this rule. The most recent two years reported emission fee data filed pursuant to Rule 301 - Permit Fees, may be used if 1989 through 1992 emission fee data is not available. For facilities lacking reported emission fee data, the Allocation shall be equal to the external offsets provided pursuant to Regulation XIII - New Source Review, not including any offsets in excess of a 1 to 1 ratio. The Allocation shall not include any emission offsets received from either the Community Bank or the Priority Reserve.
- (10) A facility may not receive more than one set of Allocations.
- (11) A facility that is no longer holding a valid District permit on January 1, 1994 will not receive an Allocation, but may, if authorized by Regulation XIII, apply for ERCs.
- (12) **Clean Fuel Adjustment to Starting Allocation**

Any refiner who is required to make modifications to comply with CARB Phase II reformulated gasoline production (California Code of Regulations, Title 13, Sections 2250, 2251.5, 2252, 2260, 2261, 2262, 2262.2, 2262.3, 2262.4, 2262.5, 2262.6, 2262.7, 2263, 2264, 2266, 2267, 2268, 2269, 2270, and 2271) or federal requirements (Federal Clean Air Act, Title II, Part A, Section 211; 42 U.S.C. Section 7545) may receive (an) increase(s) in his Allocations except to the extent that there is an increase in maximum rating of the new or modified equipment. Each facility requesting an increase to Allocations shall submit an application for permit amendment specifying the necessary modifications and tentative schedule for completion. The Facility Permit holder shall establish the amount of emission increases resulting from the reformulated gasoline modifications for each year in which the increase in Allocations is requested. The increase to its Allocations will be issued contemporaneously with the modification according to a schedule approved by the Executive Officer or designee (i.e., 1994 through 1997 depending on the refinery). Each increase to the Allocations shall be equal to the increased emissions resulting from the modifications solely to comply with the state or federal reformulated gasoline requirements at the refinery or facility

producing hydrogen for reformulated gasoline production, and shall be established according to present and future compliance limits in current District rules or permits. Allocation increases for each refiner pursuant to this paragraph, shall not exceed 5 percent of the refiner's total starting Allocation, unless any refiner emits less than 0.0135 tons of NO_x per thousand barrels of crude processed, in which case the Allocation increases for such refiner shall not exceed 20 percent of that refiner's starting Allocation. The emissions per amount of crude processed will be determined on the basis of information reported to the District pursuant to Rule 301 - Permit Fees, for the same calendar year as the facility's peak activity year for their NO_x starting Allocation.

(d) Establishment of Year 2000 Allocations

- (1) (A) The year 2000 Allocations for RECLAIM NO_x and SO_x facilities will be determined by the Executive Officer or designee utilizing the following methodology:
- $$\text{Year 2000 Allocation} = \Sigma [A \times B_2] + \text{RTCs created from ERCs} + \text{External Offsets},$$

Where

- A = the throughput for each NO_x or SO_x source or process unit in the facility for the maximum throughput year from 1987 to 1992, inclusive, as reported pursuant to Rule 301 - Permit Fees; and
- B₂ = the applicable Tier I year Allocation emission factor for the subject source or process unit, as specified in Table 1 or Table 2.
- (B) The maximum throughput year will be determined by the Executive Officer or designee from throughput data reported through annual emissions reports pursuant to Rule 301 - Permit Fees, or may be designated by the permit holder prior to issuance of the Facility Permit.
- (C) To determine the applicable emission factor in Table 1 or Table 2, the Executive Officer or designee will categorize the equipment at each facility based on information on hours of operation, equipment size, heating capacity, and permit information submitted pursuant to Rule 201 - Permit to Construct, and other parameters as determined by the Executive Officer or designee. No information used for purposes of this subparagraph may be inconsistent with any information or statement previously submitted on behalf of the

facility to the District including but not limited to information and statements previously submitted pursuant to Rule 301 - Permit Fees, unless the facility can demonstrate, by clear and convincing documentation, that such information or statement was inaccurate.

- (D) Throughput associated with each piece of equipment or NO_x or SO_x source will be multiplied by the Tier I emission factor specified in Table 1 or Table 2. If a factor lower than the factor in Table 1 or Table 2 was utilized for a given piece of equipment or NO_x or SO_x source pursuant to Rule 301, the lower factor will be used for determining that portion of the Allocation.
 - (E) The fuel heating value may be considered in determining Allocations and will be set to 1.0 unless the Facility Permit holder demonstrates that it should receive a different value.
 - (F) The year 2000 Allocation is the sum of the resulting products for each piece of equipment or NO_x or SO_x source multiplied by any inventory adjustment pursuant to paragraph (d)(4) of this rule.
- (2) For facilities existing prior to October 15, 1993 which enter RECLAIM after October 15, 1993, the year 2000 Allocation will be determined according to paragraph (d)(1). The most recent two years reported emission fee data filed pursuant to Rule 301 - Permit Fees, may be used if 1989 through 1992 emission fee data is not available. For facilities lacking reported emission fee data, the Allocation shall be equal to their external offsets provided pursuant to Regulation XIII - New Source Review, not including any offsets in excess of a 1 to 1 ratio.
 - (3) No facility shall have a year 2000 Allocation [calculated pursuant to subdivision (d)] greater than the starting Allocation [calculated pursuant to subdivision (c)].
 - (4) If the sum of all RECLAIM facilities' year 2000 Allocations differs from the year 2000 projected inventory for these sources under the 1991 AQMP, the Executive Officer or designee will establish a percentage inventory adjustment factor that will be applied to adjust each facility's year 2000 Allocation. The inventory adjustment will not apply to RTCs generated from ERCs or external offsets.
- (e) Allocations for the Year 2003
 - (1) The 2003 Allocations will be determined by the Executive Officer or designee applying a percentage inventory adjustment to reduce each facility's

unadjusted year 2000 Allocation so that the sum of all RECLAIM facilities' 2003 Allocations will equal the 1991 AQMP projected inventory for RECLAIM sources for the year 2003, corrected based on actual facility data reviewed for purposes of issuing Facility Permits and to reflect the highest year of actual Basin-wide economic activity for RECLAIM sources considered as a whole during the years 1987 through 1992.

- (2) No facility shall have a 2003 Allocation (calculated pursuant this subdivision) greater than the year 2000 Allocation [calculated pursuant to subdivision (d)].
- (f) Annual Allocations for NO_x and SO_x and Adjustments to RTC Holdings
- (1) Allocations for the years between 1994 and 2000, for RECLAIM NO_x and SO_x facilities shall be determined by a straight line rate of reduction between the starting Allocation and the year 2000 Allocation. For the years 2001 and 2002, the Allocations shall be determined by a straight line rate of reduction between the year 2000 and year 2003 Allocations. NO_x Allocations for 2004, 2005, and 2006 and SO_x Allocations for 2004 through 2012 are equal to the facility's 2003 Allocation, as determined pursuant to subdivision (e). NO_x RTC Allocations and holdings subsequent to the year 2006 and SO_x Allocations and holdings subsequent to the year 2012 shall be adjusted to the nearest pound as follows:

- (A) The Executive Officer will adjust NO_x RTC holdings, as of January 7, 2005 for compliance years 2007 and thereafter by multiplying the amount of RTC holdings by the following adjustment factors for the relevant compliance year, to obtain tradable/usable and non-tradable/non-usable holdings:

Compliance Year	Tradable/Usable NO _x RTC Adjustment Factor
2007	0.883
2008	0.856
2009	0.829
2010	0.802
2011 and after	0.775

- (B) The Executive Officer shall adjust NO_x RTCs held as of September 22, 2015 by the RTC holders identified in Table 7 and their successors using the following adjustment factors to obtain Tradable/Usable and Non-Tradable/Non-Usable RTC Holdings:

Compliance <u>Year</u>	Tradable/Usable NOx RTC <u>Adjustment Factor</u>	Non-tradable/ Non-usable NOx RTC <u>Adjustment Factor</u>
2015	1.0	0
2016	0.906	0.094
2017	0.906	0
2018	0.859	0.047
2019	0.812	0.047
2020	0.719	0.093
2021	0.625	0.094
2022	0.437	0.188
2023 and after	0.437	0

RTC holdings traded from RTC holders in Table 7 on and after September 22, 2015 and held by other RTC holders not listed in Table 7 shall be subjected to the above adjustment factors. The adjustment factor(s) for any RTC sold by an RTC holder that both purchased and sold RTCs between September 22, 2015 and December 4, 2015 shall be based on a last in/first out basis.

- (C) The Executive Officer shall adjust NOx RTCs held as of September 22, 2015 by the RTC holders identified in Table 8 and their successors using the following adjustment factors to obtain Tradable/Usable and Non-Tradable/Non-Usable RTC holdings:

Compliance <u>Year</u>	Tradable/Usable NOx RTC <u>Adjustment Factor</u>	Non-tradable/ Non-usable NOx RTC <u>Adjustment Factor</u>
2015	1.0	0
2016	0.931	0.069
2017	0.931	0
2018	0.896	0.035
2019	0.861	0.035
2020	0.792	0.069
2021	0.722	0.070
2022	0.583	0.139
2023 and after	0.583	0

RTC holdings traded from RTC holders in Table 8 on and after September 22, 2015 and held by other RTC holders not listed in Table 8 shall be subjected to the above adjustment factors. The adjustment factor(s) for any RTC sold by an RTC holder that both purchased and sold RTCs between September 22, 2015 and December 4, 2015 shall be based on a last in/first out basis.

- (D) RTCs designated as non-tradable/non-usable pursuant to subparagraphs (f)(1)(B) and (f)(1)(C) shall be held, but shall not be traded or used for reconciling emissions pursuant to Rule 2004.
- (E) Commencing on January 1, 2008 with NOx RTC prices averaged from January 1, 2007 through December 31, 2007, the Executive Officer will calculate the 12-month rolling average RTC price for all trades for the current compliance year. Commencing on May 1, 2016 with NOx RTC prices averaged from January 1, 2016 through March 31, 2016, the Executive Officer will calculate the 3-month rolling average NOx RTC price for all trades for the current compliance year NOx RTCs and the 12-month rolling average NOx RTC price for all trades for infinite year block NOx RTC as defined in subparagraph (f)(1)(I). The Executive Officer will update the 3-month and 12-month rolling average once per month. The computation of the rolling average prices will not include RTC transactions reported at no price or RTC swap transactions.
- (F) The Executive Officer shall transfer to a Regional NSR Holding account the amount of NOx RTCs holdings listed in Table 9 of this Rule from the corresponding facilities identified in the same table.
- (G) For purposes of meeting the NSR holding requirement as specified in subdivision (f) of Rule 2005, the facilities identified in Table 9 may use a combination of their Tradable/Usable and Non-tradable/Non-usable RTCs specified in subparagraph (f)(1)(C) and the amount listed for each facility in Table 9, which represents the RTCs in the Regional NSR Holding account.
- (H) In the event that the NOx RTC prices exceed \$22,500 per ton (current compliance year credits) based on the 12-month rolling average, or exceed \$35,000 per ton (current compliance year credits) based on the 3-month rolling average calculated pursuant to subparagraph (f)(1)(E), the Executive Officer will report the determination to the Governing Board. If the Governing Board finds that the 12-month rolling average RTC price exceeds \$22,500 per ton or the 3-month rolling average RTC price exceeds \$35,000 per ton, then the Non-tradable/Non-usable NOx RTCs, as specified in subparagraphs (f)(1)(B) and (f)(1)(C) valid for the period in which the RTC price is found to have exceeded the applicable

threshold, shall be converted to Tradable/Usable NO_x RTCs upon Governing Board concurrence.

- (I) In the event that the infinite year block NO_x RTC prices fall below \$200,000 per ton based on the 12-month rolling average, calculated pursuant to subparagraph (f)(1)(E) beginning in 2019 for the compliance year in which Cycle 1 facilities are operating, the Executive Officer will report the determination to the Governing Board.

For the purpose of this rule, infinite year block refers to trades involving blocks of RTCs with a specified start year and continuing into the future for ten or more years.

- (J) Pursuant to subparagraphs (f)(1)(H) and (f)(1)(I) the Executive Officer's report to the Board will also include a commitment and schedule to conduct a more rigorous control technology implementation, emission reduction, cost-effectiveness, market analysis, and socioeconomic impact assessment of the RECLAIM program. The Executive Officer's report to the Board will be made at a public hearing at the earliest possible regularly scheduled Board Meeting, but no more than 90 days from Executive Officer determination.

- (K) The NO_x emission reductions associated with the RTC adjustment factors for compliance years 2016, and 2018 through 2022 shall not be submitted for inclusion into the State Implementation Plan until the adjustments have been in effect for one full compliance year. However, the amount of NO_x RTCs adjustments specified in subparagraph (f)(1)(F) shall not be submitted for inclusion in the State Implementation Plan.

- (L) NO_x Allocations for existing facilities that enter RECLAIM after December 4, 2015 for Compliance Year 2016 and all subsequent years shall be the amount determined pursuant to subparagraph (d)(1)(A) except the variable B2 shall be the lowest of:

- (i) The applicable 2000 (Tier I) Ending Emission Factor for the subject source(s) or process unit(s), as specified in Table 1 multiplied by the percentage inventory adjustment pursuant to subdivision (e) (0.72);
 - (ii) The BARCT Emission factor for the subject source as specified in Table 3; and

(iii) The BARCT Emission factor for the subject source, as specified in Table 6.

(M) SOx RTC Holdings as of November 5, 2010, for compliance years 2013 and after shall be adjusted to achieve an overall reduction in the following amounts:

Compliance Year	Minimum emission reductions (lbs.)
2013	2,190,000
2014	2,920,000
2015	2,920,000
2016	2,920,000
2017	3,650,000
2018	3,650,000
2019 and after	4,161,000

(N) The Executive Officer shall determine Tradable/usable SOx RTC Adjustment Factor for each compliance year after 2012 as follows:

$$F_{\text{compliance year } i} = 1 - [X_i / (A_i + B_i + C_i)]$$

Where:

$F_{\text{compliance year } i}$ = Tradable/usable SOx RTC Adjustment Factor for compliance year i starting with 2013

A_i = Total SOx RTCs for compliance year i held as of November 5, 2010, by all RTC holders, except those listed in Table 5

B_i = Total SOx RTCs for compliance year i credited to any facilities listed in Table 5 between August 29, 2009 and November 5, 2010, and not included in C_i

C_i = Total SOx RTCs held as of November 5, 2010 by facilities listed in Table 5 for compliance year i in excess of allocations as determined pursuant to subdivision (e).

X_i = Amount to be reduced for compliance year i starting with 2013 as listed in subparagraph (f)(1)(M).

(O) The Executive Officer shall determine Non-tradable/Non-usable SOx RTC Adjustment Factors for compliance years 2017 through 2019 as follows:

$$N_{\text{compliance year } j} = F_{\text{compliance year 2016}} - F_{\text{compliance year } j}$$

Where:

$N_{\text{compliance year } j}$ = Non-tradable/Non-usable SOx RTC Adjustment Factor for compliance year j

$F_{\text{compliance year } j}$ = Tradable/Usable SO_x RTC Adjustment Factor for compliance year j as determined pursuant to subparagraph (f)(1)(N)

j = 2017 through 2019

$F_{\text{compliance year 2016}}$ = Tradable/usable SO_x RTC Adjustment Factor for compliance year 2016 as determined pursuant to subparagraph (f)(1)(N)

Non-tradable/Non-usable SO_x RTC Adjustment Factors for compliance years 2013, 2014, 2020, and all years after 2020 shall be 0.0.

- (P) The Executive Officer shall adjust the SO_x RTC holdings as of November 5, 2010, for compliance years 2013 and after as follows:
- (i) Apply the Tradable/Usable SO_x RTC Adjustment Factor ($F_{\text{compliance year } i}$) and Non-tradable/Non-usable SO_x RTC Adjustment Factor ($N_{\text{compliance year } j}$) for the corresponding compliance year as published under subparagraph (f)(1)(Q) to SO_x RTC holdings held by any RTC holder except those listed in Table 5;
 - (ii) Apply no adjustment to SO_x RTC holdings that are held as of August 29, 2009 by a facility listed in Table 5, and that are less than or equal to the facility's allocations as determined pursuant to subdivision (e), and that were not credited between August 29, 2009 and November 5, 2010;
 - (iii) Apply the Tradable/Usable SO_x RTC Adjustment Factor ($F_{\text{compliance year } i}$) and Non-tradable/Non-usable SO_x RTC Adjustment Factor ($N_{\text{compliance year } j}$) for the corresponding compliance year as published under subparagraph (f)(1)(Q) to any SO_x RTC holding as of November 5, 2010, that is held by a facility that is listed in Table 5, and that is over the facility's allocations as determined pursuant to subdivision (e); and

- (iv) Apply the Tradable/Usable SO_x RTC Adjustment Factor ($F_{\text{compliance year } i}$) and Non-tradable/non-usable SO_x RTC Adjustment Factor ($N_{\text{compliance year } j}$) for the corresponding compliance year as published under subparagraph (f)(1)(Q) to any SO_x RTC holding that was acquired between August 29, 2009 and November 5, 2010, by a facility that is listed in Table 5.

No SO_x RTC holding shall be subject to the SO_x RTC adjustments as published under subparagraph (f)(1)(Q) more than once.

- (Q) The Executive Officer shall publish the SO_x RTC Adjustment Factors determined according to subparagraphs (f)(1)(N) and (f)(1)(O) within 30 days after November 5, 2010.
- (R) Commencing on January 1, 2017 and ending on February 1, 2020, the Executive Officer will calculate the 12-month rolling average SO_x RTC price for all trades during the preceding 12 months for the current compliance year. The Executive Officer will update the 12-month rolling average once per month. The computation of the rolling average prices will not include RTC transactions reported at no price or RTC swap transactions.
- (S) In the event that the SO_x RTC prices exceed \$50,000 per ton based on the 12-month rolling average calculated pursuant to subparagraph (f)(1)(R), the Executive Officer will report to the Governing Board at a duly noticed public hearing to be held no more than 60 days from Executive Officer determination. The Executive Officer will announce that determination on the SCAQMD website. At the public hearing, the Governing Board will decide whether or not to convert any portion of the Non-tradable/Non-usable RTCs, as determined pursuant to subparagraphs (f)(1)(O) and (f)(1)(P), and how much to convert if any, to Tradable/Usable RTCs. The portion of Non-tradable/Non-usable RTCs available for conversion to Tradable/Usable RTCs shall not include any portion of Non-tradable/Non-usable RTCs that are designated for previous compliance years and has not already been converted by the Governing Board, or that has been otherwise included in the State Implementation Plan pursuant to subparagraph (f)(1)(T).

- (T) The Executive Officer will not submit the emission reductions obtained through subparagraph (f)(1)(M) for compliance years 2017 through 2019 for inclusion into the State Implementation Plan until the adjustments for the RTC Holdings have been in effect for one full compliance year.
 - (U) SOx Allocations for compliance years 2013 and after, for facilities that enter RECLAIM after November 5, 2010, and for basic equipment listed in Table 4 shall be determined according to the BARCT level listed in Table 4 or the permitted emission limits, whichever is lower.
 - (V) By no later than July 1, 2012, SOx emissions at the exhaust of a Fluidized Catalytic Cracking Unit, as measured at the final stack venting gases originating from the facility's FCC Regenerator, including after the CO Boiler or any additional controls in the system following the regenerator (the final stack shall constitute the only exhaust gas compliance point within the FCCU facility), shall not exceed a concentration of 25 ppm dry @ 0% oxygen on a 365-day rolling average. The numeric concentration-based limit does not apply during time periods in which SOx data are determined to be incorrect due to analyzer calibration or malfunction. For the purpose of demonstrating compliance with this limit, the operator of a FCCU shall commence the use of SOx reducing additives in the FCCU no later than July 1, 2011, unless the operator has an existing wet gas scrubber in operation at BARCT levels prior to November 5, 2010 or can demonstrate to the Executive Officer that the FCCU will achieve this limit by using other control methods.
- (2) New facilities initially totally permitted, on and after October 15, 1993, but prior to January 7, 2005, and entering the RECLAIM program after January 7, 2005 shall not have a rate of reduction until 2001. Reductions from 2001 to 2003, inclusive, shall be implemented pursuant to subdivision (e). New facilities initially totally permitted on or after January 7, 2005 using external offsets shall have a rate of reduction for such offsets pursuant to subparagraph (c)(5)(C). New facilities initially totally permitted on or after January 7, 2005 using RTCs shall have no rate of reduction for such RTCs, provided that RTCs obtained have been adjusted according to paragraph (f)(1), as applicable. The Facility Permit for such facilities will require the Facility Permit holder to, at the commencement of each compliance year,

hold RTCs equal to the amount of RTCs provided as offsets pursuant to Rule 2005.

- (3) Increases to Allocations for permits issued for Clean Fuel adjustments pursuant to paragraph (c)(12), shall be added to each year's Allocation.
- (4) During a State of Emergency declared by the Governor related to electricity demand or power grid stability within the SCAQMD jurisdictional boundaries, the current compliance year Non-tradable/Non-usable NO_x RTCs held by electricity generating facilities as defined in Rule 2001(g)(1) that generate and distribute electricity to the grid system(s) affected by the State of Emergency may be used to offset their emissions after completely exhausting their own Tradable/Usable NO_x RTCs.

If such a facility has completely exhausted their Non-tradable/Non-usable NO_x RTCs, the owner or operator of the facility may apply for the use of the NO_x RTCs in the Regional NSR Holding Account. The use of such RTCs in this Account shall be based on availability at the end of each quarter. The owner or operator of each electricity generating facility requesting NO_x RTCs from the Regional NSR Holding Account shall submit a written request to the Executive Officer specifying the amount of RTCs needed and the basis for requesting the required amount.

The Executive Officer will determine the amount and distribution of the NO_x RTCs from the Regional NSR Holding Account based on the requesting facility meeting the following criteria:

- (i) The State of Emergency related to electricity demand or power grid stability within the SCAQMD jurisdictional boundaries, as declared by the Governor, was the direct cause of the excess emissions;
- (ii) The facility has been ordered to generate electricity in an increased amount and/or frequency due to the State of Emergency;
- (iii) The facility has adequately demonstrated their need for the specific amount of RTCs from the Regional NSR Holding Account; and
- (iv) The facility owner or operator has not sold any part of their RTC holdings for the subject compliance year.

If the total RTCs requested exceed the supply of RTCs in this Account, the RTCs will be distributed proportionately according to the offset needs of the

facilities on a quarterly basis. These RTCs will be non-tradable, but usable to offset emissions.

- (5) The Executive Officer will report to the Governing Board within 60 days of the end of the quarter in which a State of Emergency was declared by the Governor related to electricity demand or power grid stability within the SCAQMD jurisdictional boundaries. Included in this report will be, as applicable:
- (i) the quantity of RTCs from the Regional NSR Holding Account that were distributed for compliance with the requirement to reconcile quarterly and annual emissions;
 - (ii) any adverse impacts that the State of Emergency is having on the RECLAIM program; and
 - (iii) any potential changes to the RECLAIM program that will be needed to help correct these impacts.
- (6) If the Executive Officer provides the owner or operator of a NO_x RECLAIM facility with an initial determination notification that their facility is under review for being transitioned out of NO_x RECLAIM, the owner or operator shall submit to the Executive Officer within 45 days of the initial determination notification date the identification of all NO_x RECLAIM emission equipment, including Rule 219-exempt equipment. The Executive Officer will review the information submitted and, if complete, determine if the facility will be transitioned out of the NO_x RECLAIM program.
- (A) The Executive Officer shall indicate in writing if a facility's submission is not complete and provide a timeline for submission.
 - (B) Failure to submit the requested information within 45 days of the initial determination notification date or failure to timely revise an incomplete submission, as indicated by the Executive Officer, will result in the prohibition on all RTC uses, sales, or transfers by the facility until all requested information is submitted.
- (7) The Executive Officer will provide a final determination notification that the facility will be transitioned out of NO_x RECLAIM if the RECLAIM facility has no facility NO_x emissions or has NO_x emissions solely from the combination of the following:
- (A) Rule 219 equipment, unless it would be subject to a command-and-control rule that it cannot reasonably comply with, various location permits, or unpermitted equipment; and/or

- (B) RECLAIM source equipment that meets current command-and-control BARCT rules.
- (8) In the event that the Executive Officer, upon review of the information pursuant to paragraphs (f)(6) and (f)(7), nonetheless determines that a facility should not yet be transitioned out of the NO_x RECLAIM program, the owner or operator will be notified.
- (9) Any RECLAIM facility that receives a final determination notification from the Executive Officer pursuant to paragraph (f)(7) shall not sell or transfer any future compliance year RTCs as of the date specified in the final determination notification and may only sell or transfer that current compliance year's RTCs until the facility is transitioned out of the RECLAIM program.
- (g) High Employment/Low Emissions (HILO) Facility

The Executive Officer or designee will establish a HILO bank funded with the following maximum total annual emission Allocations:

 - (1) 91 tons per year of NO_x
 - (2) 91 tons per year of SO_x
 - (3) After January 1, 1997, new facilities may apply to the HILO bank in order to obtain non-tradable RTCs. Requests will be processed on a first-come, first-served basis, pending qualification.
 - (4) When credits are available, annual Allocations will be granted for the year of application and all subsequent years.
 - (5) HILO facilities receiving such Allocations from the HILO bank must verify their HILO status on an annual basis through their APEP report.
 - (6) Failure to qualify will result in all subsequent years' credits being returned to the HILO bank.
 - (7) Facilities failing to qualify for the HILO bank Allocations may reapply at any time during the next or subsequent compliance year when credits are available.
- (h) Non-Tradable Allocation Credits
 - (1) Any existing RECLAIM facility with reported emissions pursuant to Rule 301 - Permit Fees, in either 1987, 1988, or 1993, greater than its starting Allocation, shall be assigned non-tradable credits for the first three years of the program which shall be determined according to the following methodology:

Non-tradable credit for NO_x and SO_x:

Year 1 = $(\Sigma [A \times B_1]) - 1994 \text{ Allocation};$

Where:

A = the throughput for each NO_x or SO_x source or process unit in the facility from the single maximum throughput year from 1987, 1988, or 1993; and

B₁ = the applicable starting emission factor, as specified in Table 1 or Table 2.

Year 2 = Year 1 non-tradable credits X 0.667

Year 3 = Year 1 non-tradable credits X 0.333

Year 4 and subsequent years = Zero non-tradable credit.

- (2) The use of non-tradable credits shall be subject to the following requirements:
 - (A) Non-tradable credits may only be used for an increase in throughput over that used to determine the facility's starting Allocation. Non-tradable credits may not be used for emissions increases associated with equipment modifications, change in feedstock or raw materials, or any other changes except increases in throughput. The Executive Officer or designee may impose Facility Permit conditions necessary to ensure compliance with this subparagraph.
 - (B) The use of activated non-tradable credits shall be subject to a non-tradable RTC mitigation fee, as specified in Rule 301 subdivision (n).
 - (C) In order to utilize non-tradable credits, the Facility Permit holder shall submit a request to the Executive Officer or designee in writing, including a demonstration that the use of the non-tradable credits complies with all requirements of this paragraph, pay any fees required pursuant to Rule 301 - Fees, and have received written approval from the Executive Officer or designee for their use. The Executive Officer or designee shall deny the request unless the Facility Permit holder demonstrates compliance with all requirements of this paragraph. The Executive Officer or designee shall, in writing, approve or deny the request within three business days of submittal of a complete request and notify the Facility Permit holder of the decision. If the request is denied, the Executive Officer or designee will refund the mitigation fee.

- (D) In the event that a facility transfers any RTCs for the year in which non-tradable credits have been issued, the non-tradable credit Allocation shall be invalid, and is no longer available to the facility.
- (i) **NO_x RECLAIM Facility Shutdowns**
 - (1) The requirements specified in this subdivision shall be effective October 7, 2016 and only apply to the NO_x RECLAIM facilities listed in Tables 7 and 8 of this rule that had a RECLAIM Allocation as issued pursuant to subdivision (b).
 - (2) An owner or operator of a NO_x RECLAIM facility that permanently shuts down or surrenders all operating permits for the entire facility shall notify the Executive Officer in writing of this shutdown within 30 days.
 - (3) An owner or operator of a NO_x RECLAIM facility that shuts down pursuant to paragraphs (i)(2), (i)(8), or (i)(9) shall have its NO_x RTC holdings reduced from all future compliance years by an amount equivalent to the difference between:
 - (A) The average of actual NO_x emissions from equipment that is operated at a level greater than the most stringent applicable BARCT emission factors specified in subparagraph (f)(1)(L) during the highest 2 of the past 5 compliance years for the facility; and
 - (B) The average NO_x emissions from the same equipment that would have occurred in those same 2 years identified in subparagraph (i)(3)(A) if the equipment was operated at the most stringent applicable BARCT emission factors specified in subparagraph (f)(1)(L).
 - (4) Any offsets provided by the SCAQMD pursuant to Rule 1304 that remain as part of the adjusted initial NO_x allocation shall also be subtracted for each future compliance year.
 - (5) If the reduction of NO_x RTCs calculated pursuant to paragraph (i)(3) and (i)(4) exceeds the adjusted initial NO_x allocation as specified in paragraph (f)(1) for any future compliance year, the facility shall have its NO_x holdings reduced by an amount equivalent to the adjusted initial NO_x allocation for that compliance year.
 - (6) If the reduction of NO_x RTCs calculated pursuant to paragraphs (i)(3) through (i)(5) exceeds the NO_x RTC holdings, within 180 days of notification by the Executive Officer pursuant to paragraph (i)(11), the owner or operator of the NO_x RECLAIM facility shall purchase and surrender to

the Executive Officer sufficient RTCs to fulfill the entire reduction requirement.

- (7) In addition to a self-reported facility shutdown, the Executive Officer will notify the owner or operator of a NOx RECLAIM facility that the facility is under review as potentially shutdown if NOx emissions from an APEP report show a substantial decrease in facility-wide emissions compared to the maximum emissions during the last five years. Within 60 days of the notification date, the owner or operator shall notify the Executive Officer that the facility is shutdown or submit information to substantiate that the facility is not shutdown based on one the following:
 - (A) Permanent emission reductions have been implemented at the facility and can be attributed to implementation of an emissions control strategy such as, but not limited to: implementation of pollution control strategies, efficiency improvements, process changes, material substitution, or fuel changes; or
 - (B) NOx emission reductions are temporary where temporary NOx emission reductions include, but are not limited to: cyclic operations, economic fluctuations, temporary shutdown of equipment due to equipment maintenance, repair, replacement, permitting, compliance, or availability of feedstocks or fuels; or
 - (C) The owner or operator of a NOx RECLAIM facility has an approved Planned Non-Operational Plan pursuant to paragraph (i)(9).
- (8) The Executive Officer will review information submitted under paragraph (i)(7) and notify the owner or operator within 60 days with a determination that the facility has or has not been deemed as shutdown.
 - (A) If the Executive Officer determines that the NOx RECLAIM facility is deemed shutdown, the owner or operator of the NOx RECLAIM facility shall be subject to the requirements specified in paragraphs (i)(3) through (i)(6).
 - (B) The Executive Officer will not consider information submitted pursuant to paragraph (i)(7) beyond 60 days of the notification issue date unless such information is subsequently requested by the Executive Officer.
 - (C) The owner or operator of the NOx RECLAIM facility may file an appeal to the Hearing Board pursuant to paragraph (i)(11).
- (9) The owner or operator of the NOx RECLAIM facility may submit a Planned Non-Operational (PNO) Plan, and fees pursuant to Rule 306, to request status

for a non-operational time period beyond 2 years, but no longer than 5 years for equipment within the facility. The Executive Officer will:

- (A) Consider the criteria in subparagraph (i)(7)(B) for approving the plan. All of the referenced criteria shall require company records to support the claim that a PNO status of no longer than 5 years is necessary.
 - (B) Approve or disapprove the PNO Plan within 180 days of receiving a complete PNO Plan.
 - (i) If the PNO Plan is approved, the owner or operator of the NO_x RECLAIM facility may sell current compliance year RTCs for the duration of the approved PNO Plan. Future year NO_x RTCs shall become non-tradable for the duration of the PNO status.
 - (ii) If the PNO Plan is disapproved and the facility is deemed shutdown by the Executive Officer, the owner or operator of the NO_x RECLAIM facility shall be subject to the requirements specified in paragraphs (i)(3) through (i)(6).
 - (iii) The owner or operator of a NO_x RECLAIM facility may appeal the denial of PNO Plan to the Hearing Board.
- (10) If a NO_x RECLAIM facility has been deemed shutdown pursuant to paragraphs (i)(2), (i)(8), or (i)(9), the RTC holdings shall be reduced pursuant to paragraphs (i)(3) through (i)(5).
- (11) The Executive Officer will notify the owner or operator of the NO_x RECLAIM facility of the amount of reduction in NO_x RTC holdings that was determined pursuant to paragraphs (i)(3) through (i)(5). Reduction of NO_x RTC holdings shall be applied to RTCs for all future compliance years following this notification. The Executive Officer shall re-issue the facility permit to reflect the reduction of NO_x RTC holdings. The owner or operator may file an appeal to the Hearing Board for the shutdown determination and for the reduction in NO_x RTC holdings.
- (12) The owner or operator of a NO_x RECLAIM facility that has notified the Executive Officer of a facility shutdown pursuant to paragraph (i)(2) or has received notification from the Executive Officer that it is under review as potentially shutdown pursuant to paragraph (i)(7), shall not sell any future compliance year RTCs and may only sell current compliance year RTCs until the Executive Officer notifies the owner or operator of the amount of the reduction of NO_x RTCs pursuant to paragraph (i)(11).

- (13) Any NO_x RECLAIM facility under the same ownership as of September 22, 2015 shall submit a written declaration within 30 days after October 7, 2016 identifying the facilities under the same ownership as of September 22, 2015 and a demonstration of how the facilities identified are under the same ownership. For the purposes of this rule, same ownership is generally defined as facilities and their subsidiaries or facilities that share the same Board of Directors or shares the same parent corporation.
- (A) The Executive Officer shall maintain a listing of those facilities that are determined to be of same ownership as of September 22, 2015. The Executive Officer will only amend its same ownership listing to exclude those facilities that no longer qualify for same ownership through circumstances such as mergers, sales, or other dispositions.
- (B) In the event of a facility reporting a shutdown or is deemed shutdown by the Executive Officer, NO_x RTCs from that facility may be transferred to another facility under the same ownership as listed in the most current listing of same ownership without reductions as specified under paragraphs (i)(3) through (i)(6). Such transferred NO_x RTCs shall be designated as non-tradable.

Table 1

RECLAIM NO_x Emission Factors

Nitrogen Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Ems Factor *	2000 (Tier I) Ending Ems Factor *
Afterburner (Direct Flame and Catalytic)	Natural Gas	mmcf	130.000	39.000
Afterburner (Direct Flame and Catalytic)	LPG, Propane, Butane	1000 Gal	RV	3.840
Afterburner (Direct Flame and Catalytic)	Diesel	1000 Gal	RV	5.700
Agr Chem-Nitric Acid	Process-Absrbr Tailgas/Nw	tons pure acid produced	RV	1.440
Agricultural Chem - Ammonia	Process	tons produced	RV	1.650
Air Ground Turbines	Air Ground Turbines	(unknown process units)	RV	1.860
Ammonia Plant	Neutralizer Fert, Ammon Nit	tons produced	RV	2.500
Asphalt Heater, Concrete	Natural Gas	mmcf	130.000	65.000
Asphalt Heater, Concrete	Fuel Oil	1000 gals	RV	9.500
Asphalt Heater, Concrete	LPG	1000 gals	RV	6.400
Boiler, Heater R1109 (Petr Refin)	Natural Gas	mmbtu	0.100	0.030
Boiler, Heater R1109 (Petr Refin)	Fuel Oil	mmbtu	0.100	0.030
Boiler, Heater R1146 (Petr Refin)	Natural Gas	mmbtu	0.045	0.045
Boiler, Heater R1146 (Petr Refin)	Fuel Oil	mmbtu	0.045	0.045
Boiler, Heater R1146 (Petr Refin)	Refinery Gas	mmbtu	0.045	0.045
Boilers, Heaters, Steam Gens Rule 1146 and 1146.1	Natural Gas	mmcf	49.180	47.570
Boilers, Heaters, Steam Gens Rule 1146 and 1146.1	LPG, Propane, Butane	1000 gals	4.400	4.260
Boilers, Heaters, Steam Gens Rule 1146 and 1146.1	Diesel Light Dist. (0.05% S)	1000 gals	6.420	6.210
Boilers, Heaters, Steam Gens Rule 1146 and 1146.1	Refinery Gas	mmcf	51.520	49.840
Boilers, Heaters, Steam Gens	Bituminous Coal	tons burned	RV	4.800
Boiler, Heater, Steam Gen (Rule 1146.1)	Natural Gas	mmcf	130.000	39.460
Boiler, Heater, Steam Gen (Rule 1146.1)	Refinery Gas	mmcf	RV	41.340

* RV = Reported Value

** Does not include ceramic, clay, cement or brick kilns or metal melting, heat treating or glass melting furnaces.

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

**** Newly installed or Modified after the year selected for maximum throughput for determining starting allocations pursuant to Rule 2002(c)(1), and meeting BACT limits in effect at the time of installation.

Nitrogen Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Ems Factor *	2000 (Tier I) Ending Ems Factor *
Boiler, Heater, Steam Gen (Rule 1146.1)	LPG, Propane, Butane	1000 gallons	RV	3.530
Boiler, Heater, Steam Gen (Rule 1146.1)	Diesel Light Dist (0.05%)	1000 gallons	RV	5.150
Boiler, Heater, Steam Gen (Rule 1146)	Natural Gas	mmcf	47.750	47.750
Boiler, Heater, Steam Gen (Rule 1146)	Refinery Gas	mmcf	50.030	50.030
Boiler, Heater, Steam Gen (Rule 1146)	LPG, Propane, Butane	1000 gallons	4.280	4.280
Boiler, Heater, Steam Gen (Rule 1146)	Diesel Light Dist (0.05%)	1000 gallons	6.230	6.230
Boiler, Heater, Steam Gen (R1146, <90,000 Therms)	Natural Gas	mmcf	RV	47.750
Boiler, Heater, Steam Gen (R1146, <90,000 Therms)	Refinery Gas	mmcf	RV	50.030
Boiler, Heater, Steam Gen (R1146, <90,000 Therms)	LPG, Propane, Butane	1000 gallons	RV	4.280
Boiler, Heater, Steam Gen (R1146, <90,000 Therms)	Diesel Light Dist (0.05%)	1000 gallons	RV	6.230
Boiler, Heater, Steam Gen (R1146.1, <18,000 Therms)	Natural Gas	mmcf	RV	39.460
Boiler, Heater, Steam Gen (R1146.1, <18,000 Therms)	Refinery Gas	mmcf	RV	41.340
Boiler, Heater, Steam Gen (R1146.1, <18,000 Therms)	LPG, Propane, Butane	1000 gallons	RV	3.530
Boiler, Heater, Steam Gen (R1146.1, <18,000 Therms)	Diesel Light Dist (0.05%)	1000 gallons	RV	5.150
Boiler, Heater R1109 (Petr Refin)	Refinery Gas	mmbtu	0.100	0.030
Boilers, Heaters, Steam Gens, (Petr Refin)	Natural Gas	mmcf	105.000	31.500
Boilers, Heaters, Steam Gens, (Petr Refin)	Refinery Gas	mmcf	110.000	33.000
Boilers, Heaters, Steam Gens, Unpermitted	Natural Gas	mmcf	130.000	32.500
Boilers, Heaters, Steam Gens, Unpermitted	LPG, Propane, Butane	1000 gallons	RV	3.200
Boilers, Heaters, Steam Gens ****	Natural Gas	mmcf	38.460	38.460

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*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

**** Newly installed or Modified after the year selected for maximum throughput for determining starting allocations pursuant to Rule 2002(c)(1), and meeting BACT limits in effect at the time of installation.

Nitrogen Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Ems Factor *	2000 (Tier I) Ending Ems Factor *
Boilers, Heaters, Steam Gens ****	Refinery Gas	mmbtu	0.035	0.035
Boilers, Heaters, Steam Gens ****	LPG, Propane, Butane	1000 gallons	3.55	3.55
Boilers, Heaters, Steam Gens ****	Diesel Light Dist (0.05%), Fuel Oil No. 2	mmbtu	0.03847	0.03847
Boilers, Heaters, Steam Gens, Unpermitted	Diesel Light Dist (0.05%)	1000 gallons	RV	4.750
Catalyst Manufacturing	Catalyst Mfg	tons of catalyst produced	RV	1.660
Catalyst Manufacturing	Catalyst Mfg	tons of catalyst produced	RV	2.090
Cement Kilns	Natural Gas	mmcf	130.000	19.500
Cement Kilns	Diesel Light Dist. (0.05% S)	1000 gals	RV	2.850
Cement Kilns	Kilns-Dry Process	tons cement produced	RV	0.750
Cement Kilns	Bituminous Coal	tons burned	RV	4.800
Cement Kilns	Tons Clinker	tons clinker	RV	2.73***
Ceramic and Brick Kilns (Preheated Combustion Air)	Natural Gas	mmcf	213.000	170.400
Ceramic and Brick Kilns (Preheated Combustion Air)	Diesel Light Distillate (.05%)	1000 gallons	RV	24.905
Ceramic and Brick Kilns (Preheated Combustion Air)	LPG	1000 gallons	RV	16.778
Ceramic Clay Mfg	Drying	tons input to process	RV	1.114
CO Boiler	Refinery Gas	mmbtu		0.030
Cogen, Industr	Coke	tons burned	RV	3.682
Electric Generation, Commercial Institutional Boiler	Distillate Oil	1000 gallons	6.420	6.210
Composite Internal Combustion	Waste Fuel Oil	1000 gals burned	RV	31.340
Curing and Drying Ovens	Natural Gas	mmcf	130.000	32.500

* RV = Reported Value

** Does not include ceramic, clay, cement or brick kilns or metal melting, heat treating or glass melting furnaces.

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

**** Newly installed or Modified after the year selected for maximum throughput for determining starting allocations pursuant to Rule 2002(c)(1), and meeting BACT limits in effect at the time of installation.

Nitrogen Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Ems Factor *	2000 (Tier I) Ending Ems Factor *
Curing and Drying Ovens	LPG, Propane, Butane	1000 gals	RV	3.200
Delacquering Furnace	Natural Gas	mmcf	182.2***	182.2***
Fiberglass	Textile-Type Fibr	tons of material processed	RV	1.860
Fluid Catalytic Cracking Unit	Fresh Feed	1000 BBLs fresh feed	RV	RV*0.3 ***
Fluid Catalytic Cracking Unit with Urea Injection	Fresh Feed	1000 BBLs fresh feed	RV	(RV*0.3) / (1-control efficiency) ***
Fugitive Emission	Not Classified	tons product	RV	0.087
Furnace Process	Carbon Black	tons produced	RV	38.850
Furnace Suppressor	Furnace Suppressor	unknown	RV	0.800
Glass Fiber Furnace	Mineral Products	tons product produced	RV	4.000
Glass Melting Furnace	Flat Glass	tons of glass pulled	RV	4.000
Glass Melting Furnace	Tableware Glass	tons of glass pulled	RV	5.680
Glass Melting Furnaces	Container Glass	tons of glass produced	4.000	1.2***
ICEs****	All Fuels		Equivalent to permitted BACT limit	Equivalent to permitted BACT limit
ICEs, Permitted (Rule 1110.1 and 1110.2)	Natural Gas	mmcf	2192.450	217.360
ICEs Permitted (Rule 1110.2)	Natural Gas	mmcf	RV	217.360
ICEs, Permitted (Rule 1110.1 and 1110.2)	LPG, Propane, Butane	1000 gals	RV	19.460
ICEs, Permitted (Rule 1110.1 and 1110.2)	Gasoline	1000 gals	RV	20.130
ICEs, Permitted (Rule 1110.1 and 1110.2)	Diesel Oil	1000 gals	RV	31.340
ICEs, Exempted per Rule 1110.2	All Fuels		RV	RV
ICEs, Exempted per Rule 1110.2 and subject to Rule 1110.1	All Fuels		RV	RV
ICEs, Unpermitted	All Fuels		RV	RV
In Process Fuel	Coke	tons burned	RV	24.593
Incinerators	Natural Gas	mmcf	130.000	104.000
Industrial	Propane	1000 gallons	RV	20.890
Industrial	Gasoline	1000 gallons	RV	21.620

* RV = Reported Value

** Does not include ceramic, clay, cement or brick kilns or metal melting, heat treating or glass melting furnaces.

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

**** Newly installed or Modified after the year selected for maximum throughput for determining starting allocations pursuant to Rule 2002(c)(1), and meeting BACT limits in effect at the time of installation.

Nitrogen Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Ems Factor*	2000 (Tier I) Ending Ems Factor *
Industrial	Dist.Oil/Diesel	1000 gallons	RV	33.650
Inorganic Chemicals, H2SO4 Chamber	General	tons pure acid produced	RV	0.266
Inorganic Chemicals, H2SO4 Contact	Absrbr 98.0% Conv	tons 100% H2SO4	RV	0.376
Iron/Steel Foundry	Steel Foundry, Elec Arc Furn	tons metal processed	RV	0.045
Metal Heat Treating Furnace	Natural Gas	mmcf	130.000	104.000
Metal Heat Treating Furnace	Diesel Light Distillate (.05%)	1000 gallons	RV	15.200
Metal Heat Treating Furnace	LPG	1000 gallons	RV	10.240
Metal Forging Furnace (Preheated Combustion Air)	Natural Gas	mmcf	213.000	170.400
Metal Forging Furnace (Preheated Combustion Air)	Diesel Light Distillate (.05%)	1000 gallons	RV	24.905
Metal Forging Furnace (Preheated Combustion Air)	LPG	1000 gallons	RV	16.778
Metal Melting Furnaces	Natural Gas	mmcf	130.000	65.000
Metal Melting Furnaces	LPG, Propane, Butane	1000 gals	RV	6.400
Miscellaneous		bbls-processed	RV	1.240
Natural Gas Production	Not Classified	mmcf gas	RV	6.320
Nonmetallic Mineral	Sand/Gravel	tons product	RV	0.030
NSPS	Refinery Gas	mmbtu	RV	0.030
Other BACT Heater (24F-1)	Natural Gas	mmcf	RV	RV
Other Heater (24F-1)	Pressure Swing Absorber Gas	mmcf	RV	RV
Ovens, Kilns, Calciners, Dryers, Furnaces**	Natural Gas	mmcf	130.000	65.000
Ovens, Kilns, Calciners, Dryers, Furnaces**	Diesel Light Dist. (0.05% S)	1000 gals	RV	9.500
Paint Mfg, Solvent Loss	Mixing/Blending	tons solvent	RV	45.600
Petroleum Refining	Asphalt Blowing	tons of asphalt produced	RV	45.600
Petroleum Refining, Calciner	Petroleum Coke	Calcined Coke	RV	0.971***
Plastics Prodn	Polyester Resins	tons product	RV	106.500
Pot Furnace	Lead Battery	lbs Niter	0.077***	0.062***
Process Specific	ID# 012183	(unknown process units)	RV	240.000
Process Specific	SCC 30500311	tons produced	RV	0.140

* RV = Reported Value

** Does not include ceramic, clay, cement or brick kilns or metal melting, heat treating or glass melting furnaces.

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

**** Newly installed or Modified after the year selected for maximum throughput for determining starting allocations pursuant to Rule 2002(c)(1), and meeting BACT limits in effect at the time of installation.

Proposed Amended Rule 2002 (Cont.)

(January 5, 2018)

Nitrogen Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Ems Factor*	2000 (Tier I) Ending Ems Factor *
Process Specific	ID 14944	(unknown process units)	RV	0.512
SCC 39090003			RV	170.400
Sec. Aluminum	Sweating Furnace	tons produced	RV	0.300
Sec. Aluminum	Smelting Furnace	tons metal produced	RV	0.323
Sec. Aluminum	Annealing Furnace	mmcf	130.000	65.000
Sec. Aluminum	Boring Dryer	tons produced	RV	0.057
Sec. Lead	Smelting Furnace	tons metal charged	RV	0.110
Sec. Lead	Smelting Furnace	tons metal charged	RV	0.060
Sodium Silicate Furnace	Water Glass	Tons Glass Pulled	RV	6.400
Steel Hot Plate Furnace	Natural Gas	mmcf	213.000	106.500
Steel Hot Plate Furnace	Diesel Light Distillate (.05%)	1000 gallons	31.131	10.486
Steel Hot Plate Furnace	LPG, Propane, Butane	1000 gallons	20.970	10.486
Surface Coal Mine	Haul Road	tons coal	RV	62.140
Tail Gas Unit		hours of operation	RV	RV
Turbines	Butane	1000 Gallons	RV	5.700
Turbines	Diesel Oil	1000 gals	RV	8.814
Turbines	Refinery Gas	mmcf	RV	62.275
Turbines	Natural Gas	mmcf	RV	61.450
Turbines (micro-)	Natural Gas	mmcf	54.4	54.4
Turbines - Peaking Unit	Natural Gas	mmcf	RV	RV
Turbines - Peaking Unit	Dist. Oil/Diesel	1000 gallons	RV	RV
Utility Boiler	Digester/Landfill Gas	mmcf	52.350	10.080
Turbine	Natural Gas	mmcf	RV	61.450
Turbine	Fuel Oil	1000 gallons	RV	8.810
Turbine	Dist.Oil/Diesel	1000 gallons	RV	3.000
Utility Boiler Burbank	Natural Gas	mmcf	148.670	17.200
Utility Boiler Burbank	Residual Oil	1000 gallons	20.170	2.330
Utility Boiler, Glendale	Natural Gas	mmcf	140.430	16.000
Utility Boiler, Glendale	Residual Oil	1000 gallons	20.160	2.290
Utility Boiler, LADWP	Natural Gas	mmcf	86.560	15.830
Utility Boiler, LADWP	Residual Oil	1000 gallons	12.370	2.260
Utility Boiler, LADWP	Digester Gas	mmcf	52.350	10.080
Utility Boiler, LADWP	Landfill Gas	mmcf	37.760	6.910
Utility Boiler, Pasadena	Natural Gas	mmcf	195.640	18.500
Utility Boiler, Pasadena	Residual Oil	1000 gallons	28.290	2.670
Utility Boiler, SCE	Natural Gas	mmcf	74.860	15.600
Utility Boiler, SCE	Residual Oil	1000 gallons	10.750	2.240

* RV = Reported Value

** Does not include ceramic, clay, cement or brick kilns or metal melting, heat treating or glass melting furnaces.

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

**** Newly installed or Modified after the year selected for maximum throughput for determining starting allocations pursuant to Rule 2002(c)(1), and meeting BACT limits in effect at the time of installation.

Table 2

RECLAIM SO_x Emission Factors

Sulfur Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Emission Factor *	Ending Emission Factor *
Air Blown Asphalt		hours of operation	RV	RV
Asphalt Concrete	Cold Ag Handling	tons produced	RV	0.032
Calcliner	Petroleum Coke	Calcined Coke	RV	0.000
Catalyst Regeneration		hours of operation	RV	RV
Cement Kiln	Distillate Oil	1000 gallons	RV	RV
Cement Mfg	Kilns, Dry Process	tons produced	RV	RV
Claus Unit		pounds	RV	RV
Cogen	Coke	pounds per ton	RV	RV
Non Fuel Use		hours of operation	RV	RV
External Combustion Equipment / Incinerator	Natural Gas	mmcf	RV	0.830
External Combustion Equip/Incinerator	LPG, Propane, Butane	1000 gallons	RV	4.600
External Combustion Equip/Incinerator	Diesel Light Dist. (0.05% S)	1000 gallons	7.00	5.600
External Combustion Equip/Incinerator	Residual Oil	1000 gallons	8.00	6.400
External Combustion Equip/Incinerator	Refinery Gas	mmcf	RV	6.760
Fiberglass	Recuperative Furn, Textile-Type Fiber	tons produced	RV	2.145
Fluid Catalytic Cracking Units		1000 bbls refinery feed	RV	13.700
Glass Mfg, Forming/Fin	Container Glass		RV	RV
Grain Milling	Flour Mill	tons Grain Processed	RV	RV
ICEs	Natural Gas	mmcf	RV	0.600
ICEs	LPG, Propane, Butane	1000 gallons	RV	0.350
ICEs	Gasoline	1000 gallons	RV	4.240
ICEs	Diesel Oil	1000 gallons	6.24	4.990
Industrial	Cogeneration, Bituminous Coal	tons produced	RV	RV
Industrial (scc 10200804)	Cogeneration, Coke	tons produced	RV	RV
Inorganic Chemicals	General, H ₂ SO ₄ Chamber	tons produced	RV	RV
Inorganic Chemicals	Absrbr 98.0% Conv, H ₂ SO ₄ Contact	tons produced	RV	RV

* RV = Reported Value

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

Sulfur Oxides Basic Equipment	Fuel	"Throughput" Units	Starting Emission Factor *	Ending Emission Factor *
Inprocess Fuel	Cement Kiln/Dryer, Bituminous Coal	tons produced	RV	RV
Iron/Steel Foundry	Cupola, Gray Iron Foundry	tons produced	RV	0.720
Melting Furnace, Container Glass		tons produced	RV	RV
Mericher Alkyd Feed		hours of operation	RV	RV
Miscellaneous	Not Classified	tons produced	RV	0.080
Miscellaneous	Not Classified	tons produced	RV	0.399
Natural Gas Production	Not Classified	mmcf	RV	527.641
Organic Chemical (scc 30100601)		tons produced	RV	RV
Petroleum Refining (scc30600602)	Column Condenser		RV	1.557
Petroleum Refining (scc30600603)	Column Condenser		RV	1.176
Refinery Process Heaters	LPG fired	1000 gal	RV	2.259
Pot Furnace	Lead Battery	lbs Sulfur	0.133***	0.106***
Sec. Lead	Reverberatory, Smelting Furnace	tons produced	RV	RV
Sec. Lead	Smelting Furnace, Fugitiv	tons produced	RV	0.648
Sour Water Oxidizer		hours of operation	RV	RV
Sulfur Loading		1000 bbls	RV	RV
Sour Water Oxidizer		1000 bbls fresh feed	RV	RV
Sour Water Coker		1000 bbls fresh feed	RV	RV
Sodium Silicate Furnace		tons of glass pulled	RV	RV
Sulfur Plant		hours of operation	RV	RV
Tail gas unit		hours of operation	RV	RV
Turbines	Refinery Gas	mmcf	RV	6.760
Turbines	Natural Gas	mmcf	RV	0.600
Turbines	Diesel Oil	1000 gal	6.24	0.080
Turbines	Residual Oil	1000 gallons	8.00	0.090
Utility Boilers	Diesel Light Dist. (0.05% S)	1000 gallons	7.00	0.080
Utility Boilers	Residual Oil	1000 gallons	8.00	0.090
Other Heater (24F-1)	Pressure Swing Absorber Gas	mmcf	RV	RV

* RV = Reported Value

*** Applies retroactively to January 1, 1994 for Cycle 1 facilities and July 1, 1994 for Cycle 2 facilities.

Table 3

RECLAIM NO_x 2011 Ending Emission Factors

Nitrogen Oxides Basic Equipment	BARCT Emission Factor
Asphalt Heater, Concrete	0.036 lb/mmbtu (30 ppm)
Boiler, Heater R1109 (Petr Refin) >110 mmbtu/hr	0.006 lb/mmbtu (5 ppm)
Boilers, Heaters, Steam Gens, (Petr Refin) >110 mmbtu/hr	0.006 lb/mmbtu (5 ppm)
Boiler, Heater, Steam Gen (Rule 1146.1) 2-20 mmbtu/hr	0.015 lb/mmbtu (12 ppm)
Boiler, Heater, Steam Gen (Rule 1146) >20 mmbtu/hr	0.010 lb/mmbtu (9 ppm)
CO Boiler	85% Reduction
Delacquering Furnace	0.036 lb/mmbtu (30 ppm)
Fluid Catalytic Cracking Unit	85% Reduction
Iron/Steel Foundry	0.055 lb/mmbtu (45 ppm)
Metal Heat Treating Furnace	0.055 lb/mmbtu (45 ppm)
Metal Forging Furnace (Preheated Combustion Air)	0.055 lb/mmbtu (45 ppm)
Metal Melting Furnaces	0.055 lb/mmbtu (45 ppm)
Other Heater (24F-1)	0.036 lb/mmbtu (30 ppm)
Ovens, Kilns, Calciners, Dryers, Furnaces	0.036 lb/mmbtu (30 ppm)
Petroleum Refining, Calciner	0.036 lb/mmbtu (30 ppm)
Sec. Aluminum	0.055 lb/mmbtu (45 ppm)
Sec. Lead	0.055 lb/mmbtu (45 ppm)
Steel Hot Plate Furnace	0.055 lb/mmbtu (45 ppm)
Utility Boiler	0.008 lb/mmbtu (7 ppm)

Table 4
RECLAIM SO_x Tier III Emission Standards

Basic Equipment	BARCT Emission Standard
Calclner, Petroleum Coke	10 ppmv (0.11 lbs/ton coke)
Cement Kiln	5 ppmv (0.04 lbs/ton clinker)
Coal-Fired Boiler	5 ppmv (95% reduction)
Container Glass Melting Furnace	5 ppmv (0.03 lbs/ton glass)
Diesel Combustion	15 ppm by weight as required under Rule 431.2
Fluid Catalytic Cracking Unit	5 ppmv (3.25 lbs/thousand barrels feed)
Refinery Boiler/Heater	40 ppmv (6.76 lbs/mm scf _g)
Sulfur Recovery Units/Tail Gas	5 ppmv for combusted tail gas (5.28 lbs/hour)
Sulfuric Acid Manufacturing	10 ppmv (0.14 lbs/ton acid produced)

Table 5
List of SO_x RECLAIM Facilities Referenced in Subparagraphs (f)(1)(M)
and (f)(1)(O)

FACILITY PERMIT HOLDER	AQMD ID NO.
AES HUNTINGTON BEACH, LLC*	115389
AIR LIQUIDE LARGE INDUSTRIES U.S., LP	148236
ANHEUSER-BUSCH INC., (LA BREWERY)	16642
CALMAT CO	119104
CENCO REFINING CO	800373
EDGINGTON OIL COMPANY	800264
EQUILON ENTER. LLC, SHELL OIL PROD. US	800372
EXIDE TECHNOLOGIES	124838
INEOS POLYPROPYLENE LLC	124808
KIMBERLY-CLARK WORLDWIDE INC.-FULT. MILL	21887
LUNDAY-THAGARD COMPANY	800080
OWENS CORNING ROOFING AND ASPHALT, LLC	35302
PABCO BLDG PRODUCTS LLC,PABCO PAPER, DBA	45746
PARAMOUNT PETR CORP*	800183
QUEMETCO INC	8547
RIVERSIDE CEMENT CO	800182
TECHALLOY CO., INC.	14944
TESORO REFINING AND MARKETING CO*	151798
THE PQ CORP	11435
US GYPSUM CO	12185
WEST NEWPORT OIL CO	42775

* SO_x RECLAIM facilities that have RTC Holdings larger than initial allocations as of August 29, 2009.

Table 6

RECLAIM NO_x 2022 Ending Emission Factors

Nitrogen Oxides Basic Equipment	BARCT Emission Factor
Boiler, Heater R1109 (Petr Refin) >40 mmbtu/hr	2 ppm
Cement Kilns	0.5 lbs per ton clinker
Fluid Catalytic Cracking Unit	2 ppm
Gas Turbines	2 ppm
Glass Melting Furnaces – Container Glass	80% reduction (0.24 lb/ton glass produced)
ICEs, Permitted (Rule 1110.2) (Non-OCS)	11 ppm @ 15% O ₂ 0.041 lb/MMBTU 43.05 lb/mmcft
Metal Heat Treating Furnace >150 mmbtu/hr	0.011 lb/mmbtu (9 ppm)
Petroleum Refining, Calciner	10 ppm
Sodium Silicate Furnace	80% reduction (1.28 lb/ton glass pulled)
SRU/Tail Gas Unit	95% reduction 2ppm

Table 7
List of NO_x RECLAIM Facilities Referenced in Subparagraph (f)(1)(B)

FACILITY PERMIT HOLDER	AQMD ID NO.
CHEVRON PRODUCTS CO.	800030
EXXONMOBIL OIL CORPORATION	800089
PHILLIPS 66 CO/LA REFINERY WILMINGTON PL	171107
PHILLIPS 66 COMPANY/LOS ANGELES REFINERY	171109
TESORO REF & MKTG CO LLC,CALCINER	174591
TESORO REFINING & MARKETING CO, LLC	174655
TESORO REFINING AND MARKETING CO, LLC	151798
TESORO REFINING AND MARKETING CO, LLC	800436
ULTRAMAR INC	800026
NO _x RTC holders not designated as Facility Permit Holders as of September 22, 2015, except any NO _x RTC holders listed in Table 8	Multiple

Table 8
List of NO_x RECLAIM Facilities Referenced in Subparagraph (f)(1)(C)

FACILITY PERMIT HOLDER	AQMD ID NO.
AES ALAMITOS, LLC	115394
AES HUNTINGTON BEACH, LLC	115389
AES REDONDO BEACH, LLC	115536
BERRY PETROLEUM COMPANY	119907
BETA OFFSHORE	166073
BICENT (CALIFORNIA) MALBURG LLC	155474
BORAL ROOFING LLC	1073
BURBANK CITY, BURBANK WATER & POWER	25638
BURBANK CITY, BURBANK WATER & POWER, SCPPA	128243
CALIFORNIA PORTLAND CEMENT CO	800181
CALIFORNIA STEEL INDUSTRIES INC	46268
CANYON POWER PLANT	153992
CPV SENTINEL LLC	152707
DISNEYLAND RESORT	800189
EDISON MISSION HUNTINGTON BEACH, LLC	167432
EL SEGUNDO POWER, LLC	115663
EXIDE TECHNOLOGIES	124838
GENERAL ELECTRIC COMPANY	700126
HARBOR COGENERATION CO, LLC	156741
INLAND EMPIRE ENERGY CENTER, LLC	129816
LA CITY, DWP HAYNES GENERATING STATION	800074
LA CITY, DWP SCATTERGOOD GENERATING STN	800075
LA CITY, DWP VALLEY GENERATING STATION	800193
LONG BEACH GENERATION, LLC	115314
NEW- INDY ONTARIO, LLC	172005
NRG CALIFORNIA SOUTH LP, ETIWANDA GEN ST	115315
OWENS-BROCKWAY GLASS CONTAINER INC	7427
OXY USA INC	169754
PACIFIC CLAY PRODUCTS INC	17953
PARAMOUNT PETR CORP	800183
PASADENA CITY, DWP	800168
PQ CORPORATION	11435
QUEMETCO INC	8547
SAN DIEGO GAS & ELECTRIC	4242
SNOW SUMMIT INC	43201
SO CAL EDISON CO	4477
SO CAL GAS CO	800128
SO CAL GAS CO	800127
SO CAL GAS CO	5973
SO CAL GAS CO/PLAYA DEL REY STORAGE FACI	8582
SOLVAY USA, INC.	114801

FACILITY PERMIT HOLDER	AQMD ID NO.
SOUTHERN CALIFORNIA EDISON	160437
TABC, INC	3968
TAMCO	18931
US GOVT, NAVY DEPT LB SHIPYARD	800153
WALNUT CREEK ENERGY, LLC	146536
WHEELABRATOR NORWALK ENERGY CO INC	51620
WILDFLOWER ENERGY LP/INDIGO GEN., LLC	127299

Table 9
List of NO_x RECLAIM Facilities for the Regional NSR Holding Account with Balances (in lbs)

FACILITY PERMIT HOLDER	AQMD ID NO.	2016		2017		2018		2019		2020		2021		2022		2023+	
		Dec 2016	Jun 2017	Dec 2017	Jun 2018	Dec 2018	Jun 2019	Dec 2019	Jun 2020	Dec 2020	Jun 2021	Dec 2021	Jun 2022	Dec 2022	Jun 2023	Dec 2023+	Jun 2023+
BICENT (CALIFORNIA) MALBURG LLC	155474	0	0	1,854	1,854	1,854	1,854	2,794	2,794	3,735	3,734	5,588	5,588	7,469	7,469	11,204	11,203
BURBANK CITY, BURBANK WATER & POWER, SCPPA	128243	0	0	1,604	5,159	1,604	5,159	2,418	7,775	3,232	10,392	4,836	15,551	6,464	20,784	9,695	31,177
CANYON POWER PLANT	153992	0	0	3,248	2,548	3,248	2,548	4,896	3,840	6,543	5,133	9,792	7,680	13,087	10,265	19,630	15,398
CPV CENTINEL LLC	152707	0	0	9,645	6,981	9,645	6,981	14,538	10,522	19,430	14,063	29,075	21,044	38,860	28,127	58,290	42,190
GENERAL ELECTRIC COMPANY/INLAND EMPIRE ENERGY CENTER	700126/ 129816	0	0	9,065	6,573	9,065	6,573	13,664	9,907	18,262	13,241	27,327	19,815	36,524	26,484	54,785	39,725
LONG BEACH GENERATION, LLC	115314	0	0	0	5,962	0	5,962	0	8,986	0	12,010	0	17,971	0	24,019	0	36,029
SOUTHERN CALIFORNIA EDISON	160437	0	0	13,227	6,758	13,227	6,758	19,937	10,184	26,646	13,612	39,874	20,370	53,293	27,225	79,940	40,837
WALNUT CREEK ENERGY, LLC	146536	0	0	3,690	4,242	3,690	4,242	5,562	6,393	7,434	8,544	11,124	12,786	14,867	17,089	22,301	25,633
WILDFLOWER ENERGY LP/INDIGO GEN., LLC	127299	0	0	0	3,483	0	3,483	0	5,250	0	7,016	0	10,499	0	14,033	0	21,049

ATTACHMENT H

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Final Staff Report

Proposed Amendments to Regulation XX – Regional Clean Air Incentives Market (RECLAIM)

Proposed Amended Rules 2001 – Applicability and 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x)

January 5, 2018

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GOVERNING BOARD**

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EXECUTIVE OFFICER:

WAYNE NASTRI

Background

The South Coast Air Quality Management District (SCAQMD) Governing Board adopted the Regional Clean Air Incentives Market (RECLAIM) program in October 1993. The purpose of RECLAIM is to reduce NO_x and SO_x emissions through a market-based approach. The program replaced a series of existing and future command-and-control rules and was designed to provide facilities with the flexibility to seek the most cost-effective solution to reduce their emissions. It also was designed to provide equivalent emission reductions, in the aggregate, for the facilities in the program compared to what would occur under a command-and-control approach. Regulation XX includes a series of rules that specify the applicability and procedures for determining NO_x and SO_x facility emissions allocations, program requirements, as well as monitoring, reporting, and recordkeeping requirements for sources located at RECLAIM facilities. Regulation XX – RECLAIM was most recently amended on December 4, 2015 and October 7, 2016. The December 2015 amendment was designed to achieve programmatic NO_x RECLAIM trading credit (RTC) reductions of 12 tons per day from compliance years 2016 through 2022 and the October 2016 amendment was to address RTCs from facility shutdowns.

In response to concerns regarding actual emission reductions in the RECLAIM program under a market-based approach, Control Measure CMB-05 of the 2016 Air Quality Management Plan (AQMP) committed to an assessment of the RECLAIM program in order to achieve further NO_x reductions of five tons per day, including actions to sunset the program and ensure future equivalency to command-and-control regulations. During the adoption of the 2016 AQMP, the Resolution directed staff to modify Control Measure CMB-05 to achieve the five tons per day NO_x emission reduction as soon as feasible but no later than 2025, and to transition the RECLAIM program to a command-and-control regulatory structure requiring Best Available Retrofit Control Technology (BARCT) level controls as soon as practicable. Staff provided a report on transitioning the NO_x RECLAIM program to a command-and-control regulatory structure at the May 5, 2017 Governing Board meeting and provides quarterly updates to the Stationary Source Committee, with the first quarterly report provided on October 20, 2017.

On July 26, 2017 California State Assembly Bill (AB) 617 was approved by the Governor, which addresses non-vehicular air pollution (criteria pollutants and toxic air contaminants). It is a companion legislation to ~~AB Assembly Bill~~ 398, which was also approved, and extends California's cap-and-trade program for reducing greenhouse gas emissions from stationary sources. RECLAIM facilities that are in the cap-and-trade program are subject to the requirements of AB 617. Among the requirements of this bill is an expedited schedule for implementing BARCT for cap-and-trade facilities. Air Districts are to develop by January 1, 2019 an expedited schedule for the implementation of BARCT no later than December 31, 2023. The highest priority would be given to older, higher polluting units that will need to install retrofit controls.

Staff conducted a programmatic analysis of the RECLAIM equipment at each facility to determine if there are appropriate and up to date BARCT NO_x limits within existing SCAQMD command-and-control rules for all RECLAIM equipment. It was determined

that command-and-control rules would need to be adopted and/or amended to provide implementation timeframes for achieving BARCT compliance limits for certain RECLAIM equipment and to also update some of these rules if the emission limits do not reflect current BARCT. Staff also determined that there are some RECLAIM facilities that either do not have any NOx emissions, report only NOx emissions from equipment that is exempt from permitting (e.g., Rule 219 equipment), or operate RECLAIM equipment that is already meeting BARCT. The RECLAIM transition will first address those facilities that can operate under a command-and-control regulatory structure without undergoing any equipment modifications to meet BARCT. Subsequent transition of facilities will involve command-and-control rule amendments that will address RECLAIM equipment which will require the installation of BARCT.

Proposed Amended Rules 2001 and 2002 will initiate the transition of the NOx and SOx RECLAIM program to a command-and-control regulatory structure by precluding any new, non-RECLAIM facilities from entering into RECLAIM. Staff is not proposing future rulemaking to transition SOx RECLAIM at this time to allow staff to focus resources on the transition of NOx RECLAIM to a command-and-control regulatory structure. In preparation for facilities in the RECLAIM program to transition to command-and-control, the proposed amendments will address the RTC holdings for the initial groupwave of facilities that will be exited from RECLAIM or that elect to exit RECLAIM, as well as establishing notification procedures for RECLAIM facilities for their transition out of the program.

Public Process

Staff has held monthly working group meetings to discuss the transition of the NOx RECLAIM program and to discuss numerous key issues and challenges. Staff has also met individually with numerous facility operators and industry groups regarding the transition. A public consultation meeting was held on November 8, 2017, with the comment period closing on November 22, 2017. Responses to comments received are provided in Appendix A of this staff report.

Affected Facilities

There are currently 266 facilities in the NOx RECLAIM program and 31 facilities in the SOx RECLAIM program. These 31 facilities in the SOx program are also in NOx RECLAIM. These facilities either had NOx emissions greater than or equal to four tons per year in 1990 or any subsequent year or elected to enter the program. The proposed amendments would apply to any facility in the NOx RECLAIM program that will be transitioned. More specifically, the proposed amendments would remove approximately 38 facilities from NOx RECLAIM. Any facility outside of RECLAIM that exceeds four tons per year of NOx or SOx emissions would no longer be allowed into RECLAIM.

Summary of Proposal

The proposed amendments to Regulation XX will affect Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x).

Proposed Amended Rule (PAR) 2001

Rule 2001 specifies inclusion criteria into the RECLAIM program for new and existing facilities, as well as for facilities that elect to enter into the program. The proposed change to the applicability would also establish a final date for any new facility inclusions into RECLAIM.

The Executive Officer maintains a listing of all RECLAIM facilities. The proposed amendments would include new or existing facilities into the NO_x and SO_x RECLAIM programs only up until the date of amendment. Subdivision (b) would state:

“The Executive Officer will maintain a listing of facilities which are subject to RECLAIM. The Executive Officer will include facilities up until (date of amendment)...”

Subdivision (c) addresses amendments to the RECLAIM facility listing. Subparagraphs (c)(1)(C), (c)(1)(D), and (c)(1)(E) specify actions for inclusion of any new facility that would be subject to RECLAIM, any existing facility that would be subject to RECLAIM, and for any existing non-RECLAIM facility that elects to enter the program. Since no more inclusions will be allowed under the proposed amendments, these subparagraphs will be removed. Additionally, since the inclusion of outer continent shelf (OCS) facilities into RECLAIM as a result of EPA delegation of authority occurred during the program’s implementation and no additional OCS facilities will be included, subparagraph (c)(1)(F) will be removed. Proposed subparagraph (c)(1)(C) would require the Executive Officer to amend the RECLAIM facility listing:

“Upon the transition of a facility out of RECLAIM, pursuant to Rule 2002.”

Subdivision (f), Entry Election, contains provisions for non-RECLAIM facilities that may elect to enter RECLAIM. Since no more inclusions will be allowed under the proposed amendments, these provisions will be removed and replaced with:

“On and after (date of amendment), a non-RECLAIM facility may not elect to enter the RECLAIM program.”

The proposed amendments to Rule 2001 would prevent any further inclusions of non-RECLAIM facilities into both the NO_x and SO_x RECLAIM programs.

Proposed Amended Rule (PAR) 2002

Rule 2002 establishes the methodology for calculating RECLAIM facility allocations and adjustments to RECLAIM Trading Credit (RTC) holdings for NO_x and SO_x. The proposed amendments will contain the notification procedures for facilities that will be transitioned out of RECLAIM and will address the RTC holdings for these facilities that will be transitioned out of RECLAIM or that elect to exit RECLAIM. These provisions

will be contained in new proposed paragraphs (f)(6) through (f)(9), which will detail how a facility will be notified regarding the transition.

As a facility is identified to transition out of RECLAIM, the Executive Officer will provide a written letter to notify a RECLAIM facility that it is under review for transition ~~in the form by way~~ of an initial determination notification. This initial notification will also include an existing list of NO_x emitting equipment and a request for the owner or operator of the RECLAIM facility to confirm the RECLAIM source equipment at the facility, as well as to identify any NO_x emitting equipment that is not subject to permitting requirements (e.g., Rule 219 permit exempt equipment). The RECLAIM facility would be required to provide an identification of all NO_x emission equipment (including equipment that is exempt from permitting) within 45 days of the date of the initial determination notification. The facility can also respond and provide information to the Executive Officer to confirm that it is ready for the transition to command-and-control. A facility is ready to transition into command-and-control if:

- a) All equipment is at BARCT; or
- b) The applicable equipment command-and-control rules have been adopted and/or amended to reflect current BARCT.

Proposed paragraph (f)(6) states:

“If the Executive Officer provides a NO_x RECLAIM facility with an initial determination notification that the facility is under review for being transitioned out of NO_x RECLAIM, the owner or operator shall submit to the Executive Officer within 45 days of the initial determination notification date the identification of all NO_x RECLAIM emission equipment, including Rule 219 equipment. The Executive Officer will review the information submitted and, if complete, determine if the facility will be transitioned out of the NO_x RECLAIM program.”

Proposed subparagraphs (f)(6)(A) and (f)(6)(B) address facilities that fail to respond to the initial notification determination and facility submissions that are incomplete. In proposed subparagraph (f)(6)(A), the Executive Officer will notify a facility if its submission of information is not complete and will provide a timeline for the submission of the complete information. If a facility fails to submit the requested information within 45 days of the initial determination notification date or fails to revise an incomplete submission by the timeline provided by the Executive Officer, proposed subparagraph (f)(6)(B) states that this would result in:

“...the prohibition on all RTC uses, sales, or transfers by the facility until all requested information is submitted.”

If the notified facility, after responding, is deemed as ready to transition into command-and-control after review by the Executive Officer, it will receive a final determination notification that it will be removed from RECLAIM and be subject to command-and-control regulations [proposed paragraph (f)(7)]. Staff has initially identified 38

RECLAIM facilities that can be removed from the program. These facilities either have no NO_x emissions or have emissions solely from the combination of the following:

- (A) *Rule 219 equipment, unless it would be subject to a command-and-control rule that it cannot reasonably comply with, various location permits, or unpermitted equipment; and/or*
- (B) *RECLAIM source equipment that meets current command-and-control BARCT rules*

These criteria are listed in proposed subparagraphs (f)(7)(A) and (f)(7)(B). Some facilities have NO_x emissions only coming from the equipment types listed in (f)(7)(A) and not from RECLAIM source equipment, which consists of process units, large sources, and major sources. Other facilities may operate RECLAIM source equipment (e.g., process units, large source, and major sources), but this equipment meets the emission requirements in current command-and-control regulations. If this equipment does not meet the emission limits of the current command-and-control BARCT rule, but is on a compliance schedule to meet the emission limits of the rule, it can still exit from RECLAIM because there is a command-and-control rule in place for this equipment.

Certain Rule 219 equipment (e.g., small boilers and heaters) would be subject to SCAQMD Rule 1146.2 upon exit from RECLAIM. Some existing Rule 219 equipment or other unpermitted equipment, if exited from RECLAIM and subject to command-and-control rules, would not comply with the current requirements. To prevent this situation of exiting RECLAIM facilities with equipment that would be subject to command-and-control rules that it cannot reasonably comply with, proposed paragraph (f)(8) would withhold these facilities from exiting the RECLAIM program:

“In the event that the Executive Officer, upon review of the information pursuant to paragraphs (f)(6) and (f)(7), nonetheless determines that a facility should not yet be transitioned out of the NO_x RECLAIM program, the owner or operator will be notified.

If it is determined that a facility is deemed as not ready to exit from RECLAIM and is notified, it will remain in RECLAIM until a subsequent notification and determination is made to exit.

Proposed paragraph (f)(9) outlines requirements pertaining to RTCs for facilities that are notified for exiting RECLAIM. It states that:

“Any RECLAIM facility that receives a final determination notification from the Executive Officer pursuant to paragraph (f)(7) shall not sell or transfer any future compliance year RTCs as of the date specified in the final determination notification and may only sell or transfer that current compliance year’s RTCs until the facility is transitioned out of the RECLAIM program.”

If, after review, a RECLAIM facility receives a final determination notification, then the facility would not be able to sell any future compliance year RTCs as of ~~by~~ a date certain

as specified in the notification, but only the current compliance year RTCs until the facility exits RECLAIM. Some stakeholders have expressed concern regarding the ability to transfer RTCs from exiting facilities to other facilities in RECLAIM that are under common ownership. RECLAIM facilities can transfer or sell RTCs until the date specified in the final determination notification. The basis for establishing an RTC “freeze” is to minimize sell-offs of credits to facilities that will remain in RECLAIM after this first groupwave of exiting facilities. In addition, it will provide staff time for analysis and preserve future options for the use of RTCs. Purchases of RTCs for compliance purposes, however, would still be allowed for any facility that receives a final determination notification in that compliance year.

The proposed amendments will establish the procedures for the initial groupwave of facilities that will exit the RECLAIM program and transition from a programmatic to a command-and-control regulatory structure. Future amendments to the notification procedures will be proposed as needed to accommodate other groups of facilities transitioning out of RECLAIM.

Emission Reductions and Cost Effectiveness

The proposed amendments do not result in any significant effect on air quality and do not result in any emissions limitation. As a result, a cost effectiveness analysis is not required.

AQMP and Legal Mandates

The California Health and Safety Code requires the SCAQMD to adopt an Air Quality Management Plan to meet state and federal ambient air quality standards and adopt rules and regulations that carry out the objectives of the AQMP. This proposed amendment of Regulation XX (Proposed Amended Rules 2001 and 2002) initiates the transition of the RECLAIM program to a command-and-control regulatory structure in order to achieve the commitments of Control Measure CMB-05 of the Final 2016 AQMP.

California Environmental Quality Act (CEQA)

SCAQMD staff has reviewed the proposed amendments to Rule 2001 and Rule 2002 pursuant to: 1) CEQA Guidelines Section 15002(k) – General Concepts, the three-step process for deciding which document to prepare for a project subject to CEQA; and 2) CEQA Guidelines Section 15061 – Review for Exemption, procedures for determining if a project is exempt from CEQA. The effect of preventing any new or existing non-RECLAIM facility that emits four or more tons per year of NO_x or SO_x from entering the RECLAIM program would result in no change to these facilities in continuing to be subject to their current permits and/or all applicable non-RECLAIM, SCAQMD Rules and Regulations. Further, the action of identifying facilities that will be transitioning out of the RECLAIM program will not alter the applicability of SCAQMD Rules and Regulations on the identified facilities. Thus, the proposed amendments to Rule 2001

would not be expected to cause any physical changes that would affect emissions or any other environmental topic area. Similarly, the proposed amendments to Rule 2002 establishing procedures for notifying facilities to be transitioned out of the NO_x RECLAIM program, and addressing the use of RTCs during the transition period for the set of facilities are also not be expected to cause any physical changes that would affect emissions or any other environmental topic area. Therefore, SCAQMD staff has determined that it can be seen with certainty that there is no possibility that the proposed amendments to Rule 2001 and Rule 2002 may have a significant adverse effect on the environment. Thus, the proposed amendments to Rule 2001 and Rule 2002 are considered to be exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule. A Notice of Exemption has been prepared pursuant to CEQA Guidelines Section 15062 - Notice of Exemption. If the proposed project is approved, the Notice of Exemption will be filed with the county clerks of Los Angeles, Orange, Riverside and San Bernardino counties.

Socioeconomic Analysis

PAR XX includes proposed amendments to Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x). PAR 2001 would prevent any further inclusions of non-RECLAIM facilities into both the NO_x and SO_x RECLAIM programs and would not affect the existing facilities constituting either the NO_x or SO_x RECLAIM universes. In comparison, PAR 2002 contains the notification procedures for existing facilities that would be transitioned out of the NO_x RECLAIM program into command-and-control. It also establishes the criteria for the first set of facilities to exit the NO_x RECLAIM program. Once that NO_x RECLAIM facility receives a final determination notification that it is ready to exit the NO_x RECLAIM program, then PAR 2002 would prohibit that facility from selling any future compliance year RTCs. However, the facility would be able to sell the current compliance year's RTCs until the facility exits the NO_x RECLAIM program.

Affected Industries

Among the 266 facilities currently in the NO_x RECLAIM program as of November 2017, an estimated total of 38 facilities would be directly affected by PAR 2002 as they are potentially ready to exit out of the NO_x RECLAIM program.¹ 25 of these facilities are located in Los Angeles County, eight in Orange County, two in Riverside County, and three in San Bernardino County. Based on the North American Industry Classification System (NAICS), the majority of the directly affected facilities belong to the industry sectors of Manufacturing (NAICS 31-33) and Mining, Quarrying, and Oil and Gas Extraction (NAICS 21). Table 1 lists all affected industries, and the aggregate NO_x emissions and NO_x RTC holdings by industry, as measured in tons-per-day (TPD). The amount of NO_x emitted by the 38 directly affected facilities and their overall NO_x RTC

¹ Staff's presentation at the November 8, 2017 Public Consultation Meeting identified 39 facilities that were ready to exit out of the NO_x RECLAIM program. However, one of them is a shutdown facility and therefore not included in the socioeconomic impact assessment.

holdings account for approximately 0.9 and 1.0 percent of the NO_x RECLAIM universe total, respectively.

Table 1: NO_x Emissions and RTC Holdings by Affected Industry

NAICS	Industry Sector	Number of Facilities	Audited NO _x Emissions in 2015 (TPD)*	NO _x RTC Holdings for Compliance Year 2019+ (TPD)**
21	Mining, Quarrying, and Oil and Gas Extraction	8	0.006	0.009
31-33	Manufacturing	18	0.090	0.077
44-45	Retail Trade	1	0.001	0.000
48-49	Transportation and Warehousing	2	0.033	0.013
51	Information	1	0.002	0.000
53	Real Estate and Rental and Leasing	2	0.005	0.003
54	Professional, Scientific, and Technical Services	1	0.001	0.052
56	Administrative and Support and Waste Management and Remediation Services	2	0.014	0.003
72	Accommodation and Food Services	1	0.003	0.002
92	Public Administration	2	0.028	0.060
Total of Affected Industries		38	0.182	0.219
NO_x RECLAIM Universe		266	19.851	21.449

* 2015 is the most recent year for which audited emissions are available.

** NO_x RTC holdings as of November 16, 2017. The holdings remain unchanged from 2019 onwards for the 38 directly affected facilities.

Potential Cost Impacts for Directly Affected Facilities

PAR 2002 would prohibit a directly affected facility from selling any future compliance year RTCs upon receipt of a final determination notification that it is ready to exit the NO_x RECLAIM program. It is expected that all final determination notifications would be received in 2018, which would then mean that the 38 directly affected facilities would not be able to sell their NO_x RTCs for compliance year 2019 onwards.

Among the 38 facilities, 36 were allocated NO_x RTCs free of charge at the outset of the NO_x RECLAIM program. The remaining two facilities joined the NO_x RECLAIM program after its inception in 1994 and were not issued~~therefore have no initial~~ allocations. Taking into account past credit shaves and other adjustments, the adjusted initial allocations for the 38 directly affected facilities would amount to a total of 3.746 TPD in year 2019. However, during past two decades, over 96 percent of these initial allocations have been sold as IYBs to other NO_x RECLAIM facilities and brokers/investors. According to the NO_x RTC holdings data as of November 16, 2017, if no further transaction occurs after this date, the 38 facilities are estimated to have a total NO_x RTC holding of 0.219 TPD for compliance years 2019 and later (see Table 1), which the facilities would not be able to sell upon receiving final determination notifications. However, it is foreseeable that at least some of these NO_x RTC holdings

may be sold or transferred before they are frozen due to receipt of final determination notifications.

Since there were no costs associated with the initially allocated RTCs for a RECLAIM facility, the affected facilities would not incur financial losses when the frozen future compliance year RTC holdings are at or below their adjusted initial allocations. However, it was estimated that 0.042 TPD out of the total 0.219 TPD of future compliance year NO_x RTCs, currently held by the 38 directly affected facilities, were acquired by some of the affected facilities in addition to their initial allocations, either through purchases with positive prices or transfers at no cost. If these facilities continue to stay in the NO_x RECLAIM program and their NO_x emissions remain near their 2015 levels, then over one third of these additionally acquired RTCs (0.015 TPD) were estimated to be used for compliance purposes, with the remaining (0.027 TPD) being potential surplus RTCs available for sale or transfer. These potential surplus NO_x RTCs are currently held by three of the directly affected facilities. Applying the most recent 12-month rolling average NO_x RTC price of \$6,323 per ton,² the value of these potential surplus RTCs would be approximately \$62,000 per compliance year. However, as they pertain to the SCAQMD, RTCs are not property rights. It is known to all market participants that purchasing RTCs beyond the current compliance year is accompanied by known investment risks that are embedded within the RECLAIM programs. The risk factors include, but may not be limited to, programmatic allocation shaves, potential RTC trade freezes, and the eventual sunset of either RECLAIM programs.

At the same time, a total of 19 directly affected facilities are expected to have insufficient NO_x RTC holdings if they were to continue to stay in the NO_x RECLAIM program and their NO_x emissions remain at about their 2015 levels. By exiting the NO_x RECLAIM program, these facilities would avoid the need to acquire about 0.110 TPD of NO_x RTCs which, if valued at \$6,323 per ton, would imply potential cost-savings approximately worth \$254,000 per compliance year.

To staff's knowledge, the applicable pieces of NO_x emitting equipment (i.e., RECLAIM source equipment) at the 38 directly affected facilities are all currently at BARCT. Therefore, no additional control equipment is expected to be needed and no associated costs would be incurred for the RECLAIM source equipment consisting of process units, large sources, or major sources. However, it should be noted that any RECLAIM combustion equipment at these 38 facilities that operates without a permit (e.g., small boilers and heaters) could become subject to Rule 1146.2 upon a facility's exit out of the NO_x RECLAIM program. Therefore, they may be affected by the upcoming proposed

² 12-month rolling average of Compliance Year 2017 NO_x RTCs, as calculated from October 2016 to September 2017. See Table II of "Twelve-Month and Three-Month Rolling Average Price of Compliance Years 2016 and 2017 NO_x and SO_x RTCs," available at: <http://www.aqmd.gov/docs/default-source/reclaim/nox-rolling-average-reports/rctx-price-cy-2016-17---oct-2017.pdf>.

amendments to Rule 1146.2. Any associated cost impacts will be analyzed as part of that particular rule amendment process.

Among the directly affected facilities that are currently in operation and not operated by public agencies, only four were classified as small businesses based on the 2016 Dun and Bradstreet data.³ For these four facilities, none of their estimated future compliance year NO_x RTC holdings exceed their corresponding adjusted initial allocations. Moreover, three of these facilities may accrue potential cost-savings approximately worth \$21,000 per compliance year by exiting the NO_x RECLAIM program, due to the lack of need to purchase additional NO_x RTCs beyond their estimated holdings for compliance purposes. The fourth facility no longer has applicable NO_x emitting equipment; therefore, it would not incur any cost or cost-savings associated with PAR 2002.

Potential NO_x RTC Market Impacts

With the anticipated sunset of the NO_x RECLAIM program, the number of NO_x IYB trades have plummeted to merely three trades over the 12-month period of October 2016 to September 2017, from 44 trades over the 12-month period of May 2015 to April 2016.⁴ The IYB price has also declined rapidly, largely reflecting the remaining years of the NO_x RECLAIM program life that is expected by the market participants. However, the short-term price impact of facility exit on the discrete-year RTC market may not go hand-in-hand with the overall impact of sunsetting the NO_x RECLAIM program on the IYB market, as evidenced by the recent surge in discrete-year NO_x RTC prices.

The analysis below will focus on the potential impacts on the discrete-year NO_x RTC market that are associated with PAR 2002 only. The potential exit of the 38 facilities from the NO_x RECLAIM program could possibly affect the demand and supply in the NO_x RTC market for compliance year 2019 and beyond, and the future prevailing NO_x RTC prices, too. The remaining NO_x RECLAIM facilities may be indirectly impacted as a result.

The overall NO_x emissions from the RECLAIM universe had a maximum year-over-year difference of approximately five percent during the period of 2011-2015. Table 2 reports

³ The SCAQMD defines a "small business" in Rule 102 as, among other things, one which employs 10 or fewer persons and which earns \$500,000 or less in gross annual receipts. For the purpose of qualifying for access to services from the SCAQMD's Small Business Assistance Office (SBAO), Rule 102 further defines a small business as a business with total gross annual receipts of \$5 million or less, or with 100 or fewer employees. The federal Clean Air Act Amendments (CAAA) of 1990 and the federal Small Business Administration (SBA) also provide definitions of a small business. The CAAA classifies a business as a "small business stationary source" if it: (1) employs 100 or fewer employees, (2) does not emit more than 10 tons per year of either VOC or NO_x, and (3) is a small business as defined by SBA. The federal SBA definitions of small businesses vary by six-digit NAICS codes. In general terms, it defines a small business as having no more than 500 employees for most manufacturing and mining industries, and no more than \$7 million in average annual receipts for most nonmanufacturing industries.

⁴ Table V: Twelve-Month Rolling Average Price Data for Infinite-Year Block NO_x RTCs in "Twelve-Month and Three-Month Rolling Average Price of Compliance Years 2016 and 2017 NO_x and SO_x RTCs," available at: <http://www.aqmd.gov/docs/default-source/reclaim/nox-rolling-average-reports/rtsx-price-cy-2016-17---oct-2017.pdf>.

the potentially foregone market demand and supply for three different NO_x emission scenarios: the first scenario assumes future NO_x emissions of the 38 directly affected facilities would be five percent below their respective 2015 levels; the second scenario assumes the same emission levels as in 2015; and the third scenario assumes their future NO_x emissions would be five percent above their respective 2015 levels.

The foregone market demand, as estimated by the shortage of a facility's future compliance year NO_x RTC holdings for NO_x emissions reconciliation, ranges from 0.073 TPD to 0.086 TPD. At the same time, the potential foregone market supply from *all* directly affected facilities with potential surplus RTC holdings was estimated to range between 0.114 TPD and 0.119 TPD, or about 30 to 60 percent higher than the estimated foregone market demand, depending on the emission scenario. However, when compared to the volume of discrete-year NO_x RTCs traded in calendar year 2016, the range of 0.114-0.119 TPD of potential surplus NO_x RTCs is merely two percent of that total traded volume.⁵ Moreover, it was observed that some of these facilities with potential surplus NO_x RTCs have never sold or transferred NO_x RTCs to another NO_x RECLAIM facility since the NO_x RECLAIM program began in 1994. Therefore, it is reasonable to assume that they will not participate in the market even if they continue to stay in the NO_x RECLAIM program. When estimated by the potential surplus NO_x RTC holdings from only the facilities with a historical record of NO_x RTC sales and/or transfers, the foregone market supply would range from 0.082 TPD to 0.085 TPD. This range is consistent with the estimated foregone market demand, particularly under the scenarios where future NO_x emissions are assumed to be at or above the 2015 levels.

Table 2: Potential Impacts on NO_x RTC Market Demand and Supply

	NO _x Emission Scenarios for Future Compliance Years		
	<i>5% Below 2015 NO_x Emissions</i>	<i>Same as 2015 NO_x Emissions</i>	<i>5% Above 2015 NO_x Emissions</i>
Foregone Market Demand	0.073	0.080	0.086
Foregone Market Supply – <i>From All Facilities with Surplus RTC Holdings</i>	0.119	0.116	0.114
Percent Difference: <i>(Supply – Demand)/Demand</i>	62%	46%	32%
Foregone Market Supply – <i>From Facilities with Surplus RTC Holdings & Historical Record of RTC Sales/Transfers</i>	0.085	0.084	0.082
Percent Difference: <i>(Supply – Demand)/Demand</i>	16%	5%	-5%

Note: Percent differences are rounded to the nearest integer.

⁵ In calendar year 2016, a total of 2,173 tons of discrete year NO_x RTCs were traded (2173 tons/365 days = 5.953 TPD). See page ES-2 of “Annual RECLAIM Audit Report for 2015 Compliance Year,” available at <http://www.aqmd.gov/docs/default-source/reclaim/reclaim-annual-report/2015-reclaim-report.pdf>. Notice, however, that some of the RTCs might have been traded more than once in the same year.

Given the analysis above and the fact that the 38 facilities—which are potentially ready to exit out of the NO_x RECLAIM program into command-and-control—account for about one percent of NO_x emissions and NO_x RTC holdings in the NO_x RECLAIM universe, staff concludes that the potential impact of PAR 2002 on the demand and supply of NO_x RTC market is expected to be minimal and large price fluctuations in the NO_x RTC market are unlikely to result directly from the potential exit of the 38 directly affected facilities out of the NO_x RECLAIM program. Therefore, PAR 2002 would have minimal impacts on the existing facilities that are not yet ready to exit the NO_x RECLAIM program.

Job Impacts

It has been a standard practice for SCAQMD’s socioeconomic impact assessments that, when the annual compliance cost is less than one million current U.S. dollars, the Regional Economic Impact Model Inc. (REMI)’s Policy Insight Plus Model is not used to simulate jobs and macroeconomic impacts, as is the case here. This is because the resultant impacts would be diminutive relative to the baseline regional economy. Since the overall cost impacts of PAR XX are expected to be minimal, a REMI analysis was not conducted.

References

Dun & Bradstreet Enterprise Database. 2016.

South Coast Air Quality Management District. Draft Staff Report for Proposed Amendments to Regulation XX – Regional Clean Air Incentives Market, Diamond Bar, CA. December 2017.

South Coast Air Quality Management District. Twelve-Month and Three-Month Rolling Average Price of Compliance Years 2016 and 2017 NO_x and SO_x RTCs: October 2017 Quarterly Report to Stationary Source Committee, Diamond Bar, CA. October 2017.

Draft Findings Under California Health & Safety Code Section 40727

California Health & Safety Code §40727 requires that the Board make findings of necessity, authority, clarity, consistency, non-duplication, and reference based on relevant information presented at the public hearing and in the staff report. In order to determine compliance with Sections 40727 and 40727.2, a written analysis is required comparing the proposed rule with existing regulations.

The draft findings are as follows:

Necessity: PARs 2001 and 2002 are necessary to facilitate the transitioning of RECLAIM to command-and-control by not allowing any facilities from entering the program and to establish the mechanism for notifying and exiting NO_x RECLAIM facilities from the program.

Authority: The SCAQMD obtains its authority to adopt, amend, or repeal rules and regulations from California Health and Safety Code Sections 39002, 39616, 40000, 40001, 40440, 40702, 40725 through 40728, and 41508.

Clarity: PARs 2001 and 2002 have been written or displayed so that their meaning can be easily understood by the persons affected by the rules.

Consistency: PARs 2001 and 2002 are in harmony with, and not in conflict with or contradictory to, existing federal or state statutes, court decisions or federal regulations.

Non-Duplication: PARs 2001 and 2002 do not impose the same requirement as any existing state or federal regulation, and are necessary and proper to execute the powers and duties granted to, and imposed upon the SCAQMD.

Reference: In amending these rules, the following statutes which the SCAQMD hereby implements, interprets or makes specific are referenced: Health and Safety Code sections 39002, 40001, 40702, 40440(a), and 40725 through 40728.5.

Comparative Analysis

H&S Code §40727.2 (g) is applicable because the proposed amended rules or regulations do not impose a new or more stringent emissions limit or standard, or other air pollution control monitoring, reporting or recordkeeping requirements. As a result, a comparative analysis is not required.

Incremental Cost Effectiveness

California H&S Code § 40920.6 requires an incremental cost effectiveness analysis for BARCT rules or emission reduction strategies when there is more than one control option which would achieve the emission reduction objective of the proposed amendments, relative to ozone, CO, SO_x, NO_x, and their precursors. The proposed amendment does not include new BARCT requirements; therefore this provision does not apply to the proposed amendment.

Conclusions and Recommendations

The proposed amendments are needed to facilitate the transitioning of RECLAIM to command-and-control by not allowing any facilities from entering the program and to establish the mechanism for notifying and exiting this initial group of RECLAIM

facilities from the program. As more command-and-control rules are amended to accommodate additional groups of facilities that will exit the RECLAIM program, subsequent amendments to Rule 2002 will be required.

ATTACHMENT A

PAR 2001 AND PAR 2002 PUBLIC COMMENTS AND RESPONSES

The Public Consultation Meeting for Proposed Amended Rules 2001 and 2002 was held on November 8, 2017. Comment letters received on and after that date are responded to below.

Agency/Company	Date	Comment Letter Number
Southern California Air Quality Alliance	11/20/17	1
NRG Energy, Inc.	11/22/17	2
California Council for Environmental and Economic Balance	11/22/17	3

Comment Letter #1 (Southern California Air Quality Alliance):

November 20, 2017

SENT VIA E-MAIL

Kevin Orellana
 Program Supervisor
 South Coast Air Quality Management District
 21865 Copley Drive
 Diamond Bar, CA 91765

Re: SCAQMD Proposed Amended Rule 2002

Dear Mr. Orellana:

On behalf of the Southern California Air Quality Alliance I have been actively participating in the rule development process for the sunseting of the RECLAIM program. We appreciate the willingness of SCAQMD staff to consider and address our concerns.

1-1

After reviewing the proposed amendments to Rules 2001 and 2002, we have a serious concern regarding subparagraph (f)(6)(A). That paragraph provides:

"The owner or operator of a NO_x RECLAIM facility that has received a final determination notification from the Executive Officer that it will be transitioned out of the RECLAIM program shall not sell any future compliance year RTCs and may only sell current compliance year RTCs until the facility is transitioned out of the RECLAIM program."

While the language in this subparagraph prohibits the "sale" of future compliance year RTCs, we are concerned that this may be interpreted to prohibit the "transfer" of future compliance year RTCs to other facilities under common ownership with the facility which has received the final determination notification.

1-2

As I noted during my testimony at the SCAQMD Stationary Source Committee meeting on November 17, a number of facilities keep the bulk of company RTCs in a central account at one facility and transfer RTCs as needed to the other facilities. If the facility with the central account gets the determination notification it could be required to "forfeit" all the RTCs being held by it, including RTCs needed by the company's other facilities. Without RTCs to transfer to the other facilities to satisfy their RTC obligations, multiple violations could occur.

We request that the proposed rule amendments include clarification that intra-company transfers of RTCs between facilities under common ownership do not qualify as prohibited "sales" of RTCs.

6601 Center Drive West
 Suite 500
 Los Angeles, CA 90045
 Attn: Curtis L. Coleman
 (310) 348-8186 Ph
 (310) 670-1229 Fax
 colemanlaw@earthlink.net

This situation will only be exacerbated if District staff determines that the prohibition on sale is effective upon the initial notification, as is currently being considered per the staff presentation at the Stationary Source Committee meeting.

1-3

Mr. Kevin Orellana
November 20, 2017
Page 2

If you have any questions, or wish to discuss this further please feel free to contact me at your convenience.

Thank you for your consideration of this request.

Very truly yours



Curtis L. Coleman, Esq.
Executive Director
Southern California Air Quality Alliance

cc: Philip M. Fine, Ph.D.
Tracy Goss
Gary Quinn, P.E.

Responses to Comment Letter #1 (Southern California Air Quality Alliance):**Response to Comment 1-1:**

SCAQMD staff appreciates your ongoing participation throughout the rulemaking process.

Response to Comment 1-2:

The draft rule language has been updated to prohibit the sale or transfer of future compliance year RTCs as of the date specified in the final determination notification. A RECLAIM facility would still have the opportunity to transfer its RTCs to another RECLAIM facility under common ownership during the time interval between the date of the initial and final notification determination notification.

Response to Comment 1-3:

The staff proposal is to prohibit the sale or transfer of future year RTCs upon the date in the final determination notification.

Comment Letter #2 (NRG Energy, Inc.):

NRG Energy, Inc.
West Region
5790 Fleet Street, Suite 200
Carlsbad, CA 92008

November 22, 2017

via email to korellana@aqmd.gov

Mr. Kevin Orellana
Planning, Rule Development and Area Sources
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

RE: Proposed Amended Rule 2001 – Applicability and Rule 2002 – Allocations for Oxides of Nitrogen and Oxides of Sulfur

Dear Mr. Orellana,

On behalf of our Los Angeles Basin electrical generating facilities, NRG Energy, Inc. (NRG) appreciates the opportunity to comment on Proposed Amended Rule (PAR) 2001 – Applicability and PAR 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x) within South Coast Air Quality Management District's (SCAQMD) Regulation XX - Regional Clean Air Incentives Market (RECLAIM).

2-1

NRG has been a stakeholder in the RECLAIM amendments since 1998. We appreciate the availability and openness of SCAQMD staff to our comments and suggestions, and to that of California Council for Environmental and Economic Balance's (CCEEB) of which we are a member, during this rulemaking. Our comments follow.

Timing of Freezing Sale or Transfer of RTCs and Common Ownership Considerations as Facilities Exit RECLAIM – both in the Preliminary Draft Staff Report and at the November 8, 2017 RECLAIM working group and public consultation meeting, SCAQMD staff expressed uncertainty about when future compliance year RECLAIM Trading Credits (RTCs) would be frozen as a facility transitions out of RECLAIM. NRG believes greater clarity in PAR 2002(f)(6)(A) is needed, and specifically sufficient time is needed, to allow a facility to manage its RTCs up to the point that it exits from RECLAIM. For example, as currently drafted, PAR 2002(f)(6)(A) would prevent a facility such as an electricity generating facility under common ownership or operation, which may exit RECLAIM at the same or at a different time as a commonly owned or operated facility, from moving its respective future year RTCs to one another of its facilities at the point in which final determination notification from the Executive Officer that it will be transitioned out of the RECLAIM program is received. A proper transition time from the initial notification to the final notification and then the exit date is needed during which the facility and SCAQMD can develop the appropriate transition/compliance plans, in particular where movement of RTCs between facilities with common ownership or operation may be needed to ensure the respective facility's permitted NO_x Potential To Emit is maintained as the respective facility moves to command and control. Each facility will likely have unique circumstances that will need to be managed at the subsidiary level as well as at the parent ownership level. Also, SCAQMD will be in rulemaking throughout 2018. This rulemaking may affect facility compliance and influence compliance plans; so, the final notification/determination should account/align with the relevant amended rules. During this transition period, SCAQMD staff can continue to solicit stakeholder input through the RECLAIM Working Group and therefore consider potential impacts related to the timing of the proposed Regulation XX amendments.

2-2

Mr. Kevin Orellana
November 22, 2017
Page 2

We appreciate the open communication of SCAQMD staff during these important proposed RECLAIM amendments. If you have any questions, please contact me at george.piantka@nrg.com or 760-710-2156 at your convenience.

Best Regards,



George L. Piantka
Sr. Director, Regulatory Environmental Services
NRG Energy, West Region

cc: Dr. Phillip Fine, SCAQMD Deputy Executive Officer
Tracy Goss, SCAQMD Manager

Responses to Comment Letter #2 (NRG Energy, Inc.):**Response to Comment 2-1:**

SCAQMD staff appreciates your comments and ongoing participation throughout the RECLAIM rulemaking.

Response to Comment 2-2:

The draft rule language has been updated to prohibit the sale or transfer of future compliance year RTCs as of the date specified in the final determination notification. As also stated in Response to Comment 1-1, a RECLAIM facility would still have the opportunity to transfer its RTCs to another RECLAIM facility under common ownership during the time interval between the date of the initial and final notification determination notification. Staff believes that this time interval is sufficient for facilities under common ownership to be able to transfer RTCs. As has been discussed in previous working group meetings, however, Electricity Generating Facilities (EGFs) will be treated as a separate industry category, with amendments to Rule 1135 (Emissions of Oxides of Nitrogen from Electric Power Generating Systems) forecasted to be presented to the SCAQMD Governing Board in November 2018. The first working group meeting for this industry category will be held in January 2018. It is anticipated that any initial determination notifications pertaining to EGFs will be sent upon amendment of Rule 1135.

Comment Letter #3 (California Council for Environmental and Economic Balance):**California Council for Environmental and Economic Balance**

101 Mission Street, Suite 1440, San Francisco, California 94105
415-512-7890 phone, 415-512-7897 fax, www.cceeb.org

November 22, 2017

Mr. Kevin Orellana
Planning, Rule Development and Area Sources
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

**RE: Proposed Amended Rule 2001 – Applicability and Rule 2002 – Allocations for
Oxides of Nitrogen and Oxides of Sulfur**

Dear Mr. Orellana,

On behalf of the members of the California Council for Environmental and Economic Balance (CCEEB), we submit the following comments on Proposed Amended Rule (PAR) 2001 – Applicability and PAR 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x). CCEEB is a coalition of business, labor, and public leaders that advances strategies for a sound economy and a healthy environment. CCEEB represents many facilities that operate in the air basin and participate in the Regional Clean Air Incentives Market (RECLAIM). As an active participant of the RECLAIM working group, CCEEB appreciates the difficult task of sunsetting the RECLAIM Program, and offers these comments as a means to help support District efforts.

3-1

CCEEB's comments here are focused on PAR 2002:

- **Common ownership of RTCs for multiple RECLAIM facilities** – as currently drafted, PAR 2002(f)(6)(A) prevents an owner/operator from transferring fungible future compliance year RECLAIM Trading Credits (RTCs) from a facility transitioning out of RECLAIM to a facility still regulated under RECLAIM and needing to satisfy permitted limits. CCEEB wishes to work with staff on a provision to address the common ownership of RTCs for owner/operators of multiple RECLAIM facilities.
- **Freeze RTCs upon Final Determination, Develop Plans for Transition** – both in the Preliminary Draft Staff Report and at the November 8, 2017 RECLAIM working group and public consultation meeting, staff expressed uncertainty about when future compliance year RTCs would be frozen. CCEEB favors the option of freezing RTCs at the final notification of facility's RECLAIM transition. During this transition period, staff should continue to solicit stakeholder input

3-2

3-3

RE: PAR 2001 & 2002

November 22, 2017

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through the RECLAIM Working Group on proposed amendments to the remaining portions of the program and consider potential impacts related to timing. Additionally, CCEEB has concerns regarding the equity of having different implementation schedules for facilities before and after the date of the PAR 2002 amendment.

3-3 cont.

What follows is an expanded discussion of each point.

Common Ownership of Future Compliance Year RTCs

PAR 2002 establishes the methodology for calculating RECLAIM facility allocations and adjustments to RTC holdings for NO_x and SO_x. The proposed amendments contain District procedures for notifying facilities that they will be transitioned out of RECLAIM and addresses RTC holdings for these facilities and those that elect to exit the program.¹ Subparagraph (f)(6)(A) stipulates that when a RECLAIM facility receives a final determination notification from the Executive Officer it shall not sell any future compliance year RTCs and may only sell current compliance year RTCs until it has transitioned out of the program.²

The proposed language appears to preclude an owner/operator of multiple RECLAIM facilities from handling RTCs as common assets among its multiple facilities. RECLAIM, as a market based regulatory program, is intended to provide owner/operators flexibility in achieving the lowest cost NO_x and SO_x emission reductions while still achieving the required emission reductions. Central to this is allowing owner/operators of multiple RECLAIM facilities to trade and transfer RTCs among facilities for the most efficient and cost-effective emission reductions. CCEEB seeks clarification on subparagraph (f)(6)(A) in terms of whether PAR 2002 would preclude the transfer of RTCs among facilities with common ownership. If so, we wish to discuss with staff what is the rationale for this approach. If it is the intent of the proposal to allow the transfer of RTCs between facilities with common ownership, as we support, we ask that staff clarify the language to make this option clear.

3-4

Freeze RTCs upon Final Determination, Not Initial Notification

PAR 2002 (f)(6)(a) would suspend future compliance year RTCs upon a facility's receipt of a "final determination notification from the Executive Officer that it will be transitioned out of the RECLAIM program."³ However, in the draft staff report and at the November 8, 2017 working group meeting, staff indicated that it is also considering

3-5

¹ South Coast Air Quality Management District. Preliminary Draft Staff Report Proposed Amendments to Regulation XX – Regional Clean Air Incentives Market. November 2017.

² South Coast Air Quality Management District. Proposed Amended Rule 2002 – Allocations of Oxides of Nitrogen and Oxides of Sulfur. Amended November 6, 2017.

³ *Ibid.* Subsection (f)(6)(A).

RE: PAR 2001 & 2002

November 22, 2017

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“freezing future infinite year block RTCs trades at the time of the initial notification to prevent over-supply of RTCs.”⁴

The freezing of future compliance year RTCs at the time of initial determination, as opposed to final determination, is problematic for two primary reasons. The first is the resulting economic impacts on RECLAIM facilities. The second is what appears to be an uneven treatment among facilities transitioning out of RECLAIM. For these reasons, CCEEB favors the option of freezing of future compliance year RTCs upon the final determination that a facility will be transitioned from the RECLAIM program.

To illustrate these concerns, consider a scenario in which a facility receives its initial notification, but later is deemed not ready to transition out of NOx RECLAIM, at which point the freeze on its RTC holdings would be lifted. This scenario presents regulatory and business uncertainty during the period between notification and determination. Freezing and unfreezing RTCs based upon a back-and-forth discussion between a facility and the District on the status of a multiple sources would be overly burdensome, and we believe unnecessary given that the District can simply freeze RTCs upon final determination, as the rule currently proposes. At a minimum, we ask staff to analyze whether freezing RTCs at initial notification could create uncertainty and result in supply volatility. Given the potential to impact RTC prices by unexpected changes in RTC supply, CCEEB believes this should be considered as part of the rule’s analysis.

3-5 cont.

Additionally, we have concerns about equity between facilities slated for the first round of transition and those transitioning after adoption of PAR 2002. Staff has stated that the timing of PAR 2002 “would not apply to the first group of facilities that will receive the initial notifications, but to subsequent groups of facilities [...] after the amendments to Rules 2001 and 2002.”⁵ The difference in timing of the freeze of RTCs between facilities transitioned before and after the date of the PAR 2002 seems arbitrary. CCEEB wishes to better understand why staff is considering different alternatives to when RTCs would be frozen, and believes this and the equity issues are important considerations.

3-6

Given the significance of PAR 2002 for the future success of the RECLAIM transition, adequate time for stakeholder input must be provided. As such, we ask staff to delay the set hearing for PAR 2002 for a month, allowing stakeholders to raise the issues we present here at the next RECLAIM Working Group meeting on December 14, 2017. We do not believe a short delay to work through these concerns presents any challenges to the District’s efforts, and PAR 2001 could remain on track, with a set hearing on December 1.

3-7

⁴ South Coast Air Quality Management District. Preliminary Draft Staff Report Proposed Amendments to Regulation XX – Regional Clean Air Incentives Market. November 2017. p. 5.

⁵ *Ibid*

RE: PAR 2001 & 2002

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We appreciate the opportunity to provide these comments and look forward to continuing to engage staff in the rulemaking process and RECLAIM working group.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Quinn". The signature is fluid and cursive, with a large initial "B" and a stylized "Q".

Bill Quinn
CCEEB Vice President
South Coast Air Project Manager

cc: Mr. Jerry Secundy
Ms. Janet Whittick
Mr. Devin Richards
CCEEB South Coast Air Project Members

Responses to Comment Letter #3 (California Council for Environmental and Economic Balance):**Response to Comment 3-1:**

SCAQMD staff appreciates your comments and support during the sunseting of the RECLAIM program.

Response to Comment 3-2:

Staff acknowledges the comment and believes that the proposed draft rule language addresses the concerns for facilities under common ownership.

Response to Comment 3-3:

Staff agrees with not allowing for the sale or transfer of future compliance year RTCs upon the date specified in the final determination notification and not an earlier date. Staff will continue to solicit stakeholder input through the RECLAIM working group, as well as through individual stakeholder meetings. The implementation schedules for RECLAIM facilities will be addressed in Proposed Rule 1100 (Implementation Schedule for NO_x Facilities), which is forecasted to be presented to the SCAQMD Governing Board in April 2018. As command-and-control and industry-specific rules are amended, the respective compliance schedules will be reflected in subsequent amendments to Rule 1100. Stakeholder comments and concerns will be addressed through the various working group meetings throughout the rulemaking process.

Response to Comment 3-4:

Staff acknowledges the concern for facilities under common ownership. The proposed amended rule allows for this transfer of RTCs among facilities with common ownership and is further explained in the draft staff report. See Response to Comments 1-2 and 2-2.

Response to Comment 3-5:

The draft rule language has been updated to prohibit the sale or transfer of future compliance year RTCs as of the date specified in the final determination notification.

Response to Comment 3-6:

The proposed amendments to Rule 2002 for not allowing for the sale or transfer of future compliance year RTCs upon the date specified in the final determination notification will apply for all RECLAIM facilities.

Response to Comment 3-7:

Staff does not believe further time is necessary and will move forward to present the staff proposal at the January 5, 2018 SCAQMD Governing Board Meeting.

ATTACHMENT I



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

SUBJECT: NOTICE OF EXEMPTION FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

PROJECT TITLE: PROPOSED AMENDED REGULATION XX – REGIONAL CLEAN AIR INCENTIVES MARKET (RECLAIM); PROPOSED AMENDED RULE 2001 – APPLICABILITY, AND PROPOSED AMENDED RULE 2002 – ALLOCATIONS FOR OXIDES OF NITROGEN (NO_x) AND OXIDES OF SULFUR (SO_x)

Pursuant to the California Environmental Quality Act (CEQA) Guidelines, the South Coast Air Quality Management District (SCAQMD) is the Lead Agency and has prepared a Notice of Exemption for the project identified above.

SCAQMD staff has reviewed the proposed amendments to Regulation XX which includes Proposed Amended Rule 2001 – Applicability, and Proposed Amended Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x) pursuant to: 1) CEQA Guidelines Section 15002(k) – General Concepts, the three-step process for deciding which document to prepare for a project subject to CEQA; and 2) CEQA Guidelines Section 15061 – Review for Exemption, procedures for determining if a project is exempt from CEQA.

SCAQMD staff has determined that it can be seen with certainty that there is no possibility that Proposed Amended Rules 2001 and 2002 may have a significant adverse effect on the environment. Therefore, the project is considered to be exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule. A Notice of Exemption has been prepared pursuant to CEQA Guidelines Section 15062 - Notice of Exemption. If the proposed project is approved, the Notice of Exemption will be filed with the county clerks of Los Angeles, Orange, Riverside and San Bernardino counties.

Any questions regarding this Notice of Exemption should be sent to my attention at the above address. I can also be reached at (909) 396-2716. Mr. Kevin Orellana is also available at (909) 396-3492 to answer any questions regarding the proposed amended rules.

Date: November 30, 2017

Signature: 

Barbara Radlein
Program Supervisor, CEQA Section
Planning, Rules, and Area Sources

NOTICE OF EXEMPTION

To: County Clerks Counties of Los Angeles, Orange, Riverside and San Bernardino	From: South Coast Air Quality Management District 21865 Copley Drive Diamond Bar, CA 91765
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Project Title: Proposed Amended Regulation XX – Regional Clean Air Incentives Market (RECLAIM): Proposed Amended Rule 2001 – Applicability, and Proposed Amended Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x)

Project Location: The SCAQMD has jurisdiction over the four-county South Coast Air Basin (all of Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties), and the Riverside County portions of the Salton Sea Air Basin (SSAB) and Mojave Desert Air Basin (MDAB). The SCAQMD's jurisdiction includes the federal nonattainment area known as the Coachella Valley Planning Area, which is a sub-region of Riverside County and the SSAB.

Description of Nature, Purpose, and Beneficiaries of Project:

Amendments are proposed to Regulation XX - RECLAIM to initiate the transition of facilities that are currently in the RECLAIM program to a command-and-control regulatory structure. In particular, Proposed Amended Rule (PAR) 2001 would prohibit new or existing non-RECLAIM facilities emitting four or more tons per year of NO_x or SO_x emissions from entering the RECLAIM program. PAR 2002 contains procedures for notifying facilities transitioning out of the NO_x RECLAIM program and adds provisions for RECLAIM Trading Credits (RTCs) during the transition period.

Public Agency Approving Project: South Coast Air Quality Management District	Agency Carrying Out Project: South Coast Air Quality Management District
--	--

Exempt Status:

CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule

Reasons why project is exempt: SCAQMD staff has reviewed the proposed amendments to Regulation XX, which includes PAR 2001 and PAR 2002, pursuant to: 1) CEQA Guidelines Section 15002(k) – General Concepts, the three-step process for deciding which document to prepare for a project subject to CEQA; and 2) CEQA Guidelines Section 15061 – Review for Exemption, procedures for determining if a project is exempt from CEQA. The effect of preventing any new or existing non-RECLAIM facility that emits four or more tons per year of NO_x or SO_x from entering the RECLAIM program would result in no change to these facilities in continuing to be subject to their current permits and/or all applicable non-RECLAIM, SCAQMD Rules and Regulations. Further, the action of identifying facilities that will be transitioning out of the RECLAIM program will not alter the applicability of SCAQMD Rules and Regulations on the identified facilities. Thus, PAR 2001 would not be expected to cause any physical changes that would affect emissions or any other environmental topic area. Similarly, the proposed amendments to Rule 2002 establishing procedures for notifying facilities to be transitioned out of the NO_x RECLAIM program, and addressing the use of RTCs during the transition period for the set of facilities are also not be expected to cause any physical changes that would affect emissions or any other environmental topic area. Therefore, SCAQMD staff has determined that it can be seen with certainty that there is no possibility that PAR 2001 and PAR 2002 may have a significant adverse effect on the environment. Thus, PAR 2001 and PAR 2002 are considered to be exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) – Activities Covered by General Rule.

Date When Project Will Be Considered for Approval (subject to change):

SCAQMD Governing Board Hearing: January 5, 2018; SCAQMD Headquarters

CEQA Contact Person:	Phone Number:	Email:	Fax:
Ms. Barbara Radlein	(909) 396-2716	bradlein@aqmd.gov	(909) 396-3982
Rules Contact Person:	Phone Number:	Email:	Fax:
Mr. Kevin Orellana	(909) 396-3492	korellana@aqmd.gov	(909) 396-3324

Date Received for Filing: _____ **Signature:** _____ *(Signed Upon Board Approval)*

Barbara Radlein
Program Supervisor, CEQA Section
Planning, Rule Development & Area Sources

PROPOSED AMENDMENTS TO RULE 2001 AND RULE 2002

REGULATION XX (RECLAIM)
SCAQMD GOVERNING BOARD MEETING
JANUARY 5, 2018

Overview

- RECLAIM transition to command-and-control:
 - Adoption Resolution for the Final 2016 AQMP (CMB-05) commits to transitioning as early as practicable
 - Assembly Bill 617 requires schedule for BARCT by January 1, 2019 and full implementation no later than December 31, 2023
- Amendments to Rules 2001 and 2002 initiate the transition
 - PAR 2001 ends the addition of any facilities into RECLAIM (for both NOx and SOx)
 - PAR 2002 establishes the process for transitioning facilities to command-and-control

Criteria for Transitioning Facilities

- Staff has initially identified 38 RECLAIM facilities for potential exit
- A facility is ready to transition if the facility has no NOx emissions or NOx emissions are solely from the combination of:
 - Rule 219 equipment¹, various location permits, or unpermitted equipment; and/or
 - RECLAIM equipment meeting current command-and-control BARCT rules²

¹ Unless the equipment would be subject to a command-and-control rule that it cannot reasonably comply with

² Includes any applicable BARCT command-and-control rule regardless if the equipment is currently meeting the BARCT emission limit

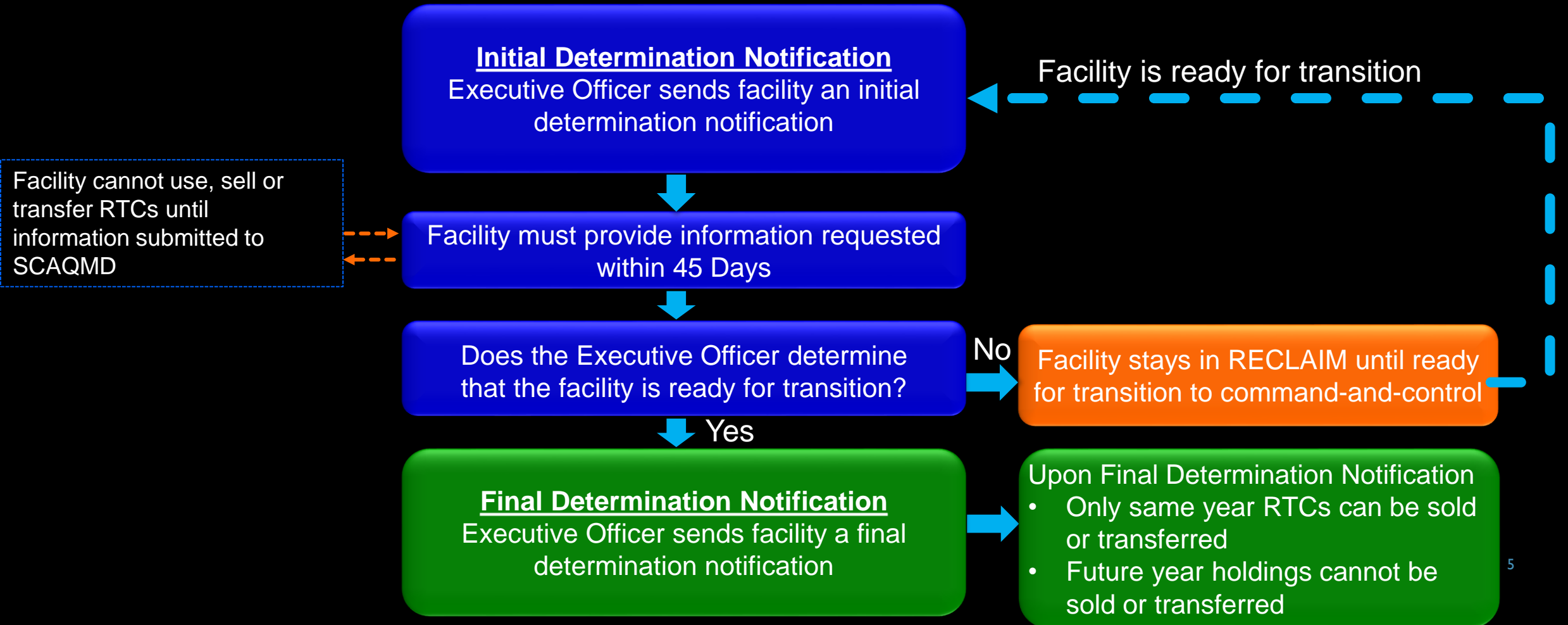
PAR 2002 Notification Process

Executive Officer will notify a facility that it is under review for transition

Facility will identify RECLAIM equipment for Executive Officer review

Final determination notification will be sent by the Executive Officer stating the facility will transition out of RECLAIM

Overview of Transition Approach



Recommendations

- Adopt the Resolution
 - Determining that PARs 2001 and 2002 are exempt from the requirements of CEQA
 - Amending Rules 2001 and 2002