

BOARD MEETING DATE: October 7, 2016

AGENDA NO. 28

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee met Friday, September 16, 2016. Following is a summary of that meeting.

RECOMMENDED ACTION:
Receive and file.

Ben Benoit, Chair
Stationary Source Committee

LT:eb

Attendance

The meeting began at 10:30 a.m. In attendance at SCAQMD Headquarters were Committee Chair Ben Benoit and Committee Members Judith Mitchell and Larry McCallon. Committee Member Shawn Nelson attended via videoconference. Absent were Committee Members Dr. Joseph Lyou and Janice Rutherford.

ACTION ITEMS

1. Home Rule Advisory Group Revised Membership Roster

Based on the Blue Ribbon Panel Recommendations and approval by the Board, a request from Dr. Joseph Lyou to reappoint his representative Jaclyn Ferlita to the Home Rule Advisory Group was submitted for the concurrence of the Committee.

Moved (McCallon), seconded (Mitchell) and approved as recommended by the following vote:

Ayes: Benoit, Mitchell, McCallon, Nelson

Noes: None

Absent: Lyou, Rutherford

2. Amend BACT Guidelines and Approve Charter for BACT Scientific Review Committee

Alfonso Baez, Program Supervisor, provided the Committee with a presentation on the proposed amendments to the BACT Guidelines and proposed Charter for the BACT Scientific Review Committee (SRC). The proposed amendments of the BACT Guidelines are to make them consistent with current requirements of SCAQMD rules and regulations as well as state and federal requirements such as the addition of Parts E and F to address greenhouse gas BACT that is now covered under the federal Prevention of Significant Deterioration and Title V Permit Programs. To formalize the operation of the BACT SRC, staff is proposing the approval of a Charter which will detail the BACT SRC's goals and objectives, composition and selection of the BACT SRC membership and the operational guidelines, all consistent with the initial establishment of the BACT SRC.

David Rothbart representing Southern California Alliance of Publicly Owned Treatment Works (SCAP) noted that the BACT Guidelines have not been updated in almost ten years, and the SRC meeting was the first since then. Mr. Rothbart stated that his members were under the impression that there would be another SRC meeting. There are issues that need to be brought back to the SRC to be addressed. In addition to those issues, there are permit streamlining issues that can be addressed. He also requested additional time for review and to have another meeting before this item goes to the Board.

Curt Coleman of Southern California Air Quality Alliance stated that he received an email from one of his members asking what was the rush to approve the BACT Guidelines. The website description of the SRC implies that the responses are to be brought back to the SRC. In addition, they have been faced with limited time due to many other issues, such as the Draft AQMP, that still need to be addressed. He would appreciate one more SRC meeting. Bill LaMarr of Southern California Small Business Alliance and Sue Gornick of Western States Petroleum Association also expressed their support for having another BACT SRC meeting before this item goes to the Board.

Dr. Matt Miyasato, Deputy Executive Officer of Science & Technology Advancement, stated that the BACT Guidelines are guidance for permitting, not a regulatory requirement. He clarified that the BACT SRC's role is to review and comment on proposed amendments to the BACT Guidelines, not to serve as an approving body.

Wayne Nastri, Acting Executive Officer, asked Dr. Miyasato if there were any substantive issues brought forth to staff. Dr. Miyasato responded that there were concerns about portable Tier 4 engines but those have been addressed in the proposed amendments consistent with current CARB requirements.

Mr. Nastri stated that staff will continue to meet and work with the BACT SRC to resolve any outstanding concerns, with the option to pull the item from the October 7 Board agenda if something substantive is brought forth by the BACT SRC and not resolved.

Mayor McCallon asked how is BACT applied? Mr. Baez stated that for major sources, BACT is applied at the time a permit is issued. For minor sources BACT is applied at the time an application is deemed complete.

Councilmember Mitchell made a motion directing staff to hold a BACT SRC meeting between now and October 7, 2016 to receive input regarding the proposed amended BACT Guidelines, for review and inclusion into the proposed amendments, and to have this item remain on the agenda for the October 7, 2016 Board meeting agenda. She asked BACT SRC members to communicate with Board members if issues are not resolved.

Moved (Mitchell), seconded (McCallon) and approved as recommended by the following vote:

Ayes: Benoit, Mitchell, McCallon, Nelson

Noes: None

Absent: Lyou, Rutherford

INFORMATIONAL ITEMS

3. Permit Backlog Reduction Plan

Dr. Laki Tisopulos, Deputy Executive Officer of Engineering & Permitting, provided an overview of the Permit Application Backlog Reduction Draft Action Plan that was developed to address the permit application backlog. The key objectives in developing the plan are to reduce the backlog as expeditiously as possible, ensure timely issuance of permits in the future, improve customer service and transparency, and keep the environment whole. The Draft Action Plan identifies multiple immediate action and longer term strategies that seek to improve permit processing capacity and operational efficiency and includes many permit processing modernization and automation measures. The overview included an analysis of the various efficiency measures and strategies, cost scenarios and timelines considered, as well as early gains made in reducing the backlog over the last two months. The feedback from stakeholders (business and environmental community representatives) was very positive. The Draft Action Plan will be presented to the full Board in October. In an effort to maintain an ongoing dialogue with stakeholders, staff plans to have additional listening sessions prior to and after the Board meeting in October.

Following Dr. Tisopulos' presentation, Mayor McCallon suggested that SCAQMD actively pursue new engineers due to the aging workforce. Mr. Nastri responded that Jill Whynot, Chief Operating Officer, is currently working on succession planning that addresses this issue. Ms. Whynot gave further details to the Committee regarding the succession planning, as well as employee retention efforts.

Councilmember Mitchell asked if SCAQMD is going to hire outside consultants to build the automated system. Mr. Nastri responded that staff is looking at options, including incorporating the Bay Area system, using internal staff to build a system, or looking for outside consultants to build the system. Chris Marlia, Assistant Deputy Executive Officer of Information Management, explained the pros and cons of each option. Councilmember Mitchell recommended putting out an RFP for someone to build the system for SCAQMD. Dr. Tisopulos stated that based on the Bay Area experience, it is advisable to proceed in small increments, as opposed to building an entire system at once.

Mr. LaMarr requested follow up on the number of Expedited Permit requests that are processed in a timely manner. Mr. Coleman was appreciative of staff and expressed gratitude for the Action Plan and offered support to Dr. Tisopulos. David Rothbart also thanked staff for all their hard work, and added a few suggestions. Mr. Rothbart stated that some inefficiencies come from applicants "haggling" over permits with the permit engineer. He also added the priority should be placed on Permits to Construct.

Bill Pearce of the Boeing Company expressed support for the Permit Streamlining effort and inquired about Class I versus Class III permits. Joe Hower of Ramboll Environ also expressed support for the backlog reduction efforts and requested that the permit guidance documents, including Change of Operator Guidelines, be updated and be made available to the public. Staff responded that the updated Change of Operator Guidelines should be completed soon and that updating the Permit Guideline Handbook is part of the Draft Action Plan and that it would be posted on the web as soon as it is updated. Angela Johnson-Meszaros of Earthjustice stated she endorses speeding up the permit process in order to keep businesses from operating without a permit. She expressed her interest for the Environmental community to be involved in the process.

Councilmember Mitchell asked that small equipment be standardized as much as it could be to speed up the process.

4. Alkylolation Technology Study

Dr. Tisopulos reported that the Alkylolation Technology study, initiated in March 2016 in response to the public concerns regarding the continuing reliance on modified hydrofluoric acid-based (HF) alkylolation process by two of our local

refineries, was recently completed. SCAQMD had commissioned Norton Engineering Consultants to conduct an independent review and evaluation of commercially viable options for replacing HF Alkylation units. The completed report was made available to the public through SCAQMD's website on Thursday, September 15.

5. Summary of Proposed Amended Rule 1302 - Definitions and Rule 1325 - Federal PM2.5 New Source Review Program

Mr. Tracy Goss, Planning and Rules Manager, presented a summary of Proposed Amended Rules (PARs) 1325 and 1302, which address the Basin's recent reclassification as a "serious" nonattainment area for PM2.5 and the recently released U.S. EPA's Fine Particulate Matter implementation rule. Specifically, PAR 1325 would lower the major source threshold for PM2.5 and PM2.5 precursors from 100 to 70 tons per year, identify VOC and ammonia as PM2.5 precursors and establish significant modification thresholds for VOC and ammonia at 40 tons per year. An exemption from offset requirements is also proposed under PAR 1325 for sources installing equipment to comply with air pollution regulations. Mr. Goss explained that PAR 1302 includes a correction to the SOx major source threshold and other editorial changes to improve clarity and consistency. U.S. EPA comments have been incorporated into PAR 1325 and SCAQMD staff does not anticipate the amendments will cause any impacts to the regulated community. There were no comments from the public or Committee Members.

6. Update on Proposed Rule 1304.2 and Proposed Rule 1304.3 Development

Mr. Goss gave the staff presentation on Proposed Rule 1304.2 – California Public Utilities Commission Regulated Electrical Generating Facility Fee for Use of SOx, PM10 and NOx Offsets; and Proposed Rule 1304.3 – Local Publicly Owned Electrical Utility Fee For Use Of SOx, PM10 and NOx Offsets. Dr. Fine commented that the initial impetus for the rulemaking was loss of MW generation due to the decommissioning of SONGS; however, the urgency for the proposed rules may have significantly lessened based on the most recent power forecasts by the CEC. Mr. Mike Carroll, Latham & Watkins representing Wellhead Electric, Inc., urged staff to continue rule development since Wellhead was moving ahead with its contract to supply Southern California Edison peaker power via the Stanton Energy Reliability Center project. Wellhead will be submitting applications in the coming weeks [applicable to PR 1304.2]. In addition, regardless of renewable power generation capacity, small distributed natural gas-fired generation is still required to ensure local reliability and avert brown-outs and black-outs, and the best policy would be to have the rules in place for any sudden future additional power need. Ramon Abueg, Chief Assistant General Manager, Glendale Water and Power stated that the city would like to have PR 1304.3 available for repowering aging equipment at the Grayson power plant (~250MW) and that they are currently in the process of vendor selection.

Ms. Johnson-Meszaros, with Earthjustice, and additionally speaking on behalf of several other environmental groups, opposes the proposed rules based on the following three points: The Board would be endorsing a rule that increases pollution by facilitating the operation of equipment that would otherwise not operate, while SCAQMD rules should be mitigating air pollution; shutdown of SONGs is not an issue any more in late 2016 (based on the latest power projections); and battery storage is displacing the need for need for previously approved California Public Utilities Commission MWs.

Mr. Carroll responded that the current fossil fuel generation being requested was part of the response plan to the SONGs shut down, and just not implemented yet. Dr. Fine added that both proposed rules are optional and that they are to be utilized as a last resort. He also noted that safeguards are in place to assure that only essential/necessary projects are approved including the requirement for either an Integrated Resource Plan (IRP) or Long-Term Procurement Program Plan (LTPP) and the use of other credit sources first, where available. Dr. Fine also pointed out that staff is neutral but is seeking direction from Board Members. He offered that an alternative could be to draft a second scenario/optional set of proposed rule language limiting the scope of either rule to specific projects or based on a time element. Mayor McCallon and Councilmember Mitchell expressed that staff should continue to move forward with the rule development. Councilmember Benoit suggested staff draft a proposed rule alternative that would effectively limit utilization of the proposed rules to the Stanton Energy Reliability Center and City of Glendale projects and the Board could take that under consideration.

7. Status Update on Proposed Amended Rule 2002 – Allocations for Oxides of Nitrogen (NOx) and Oxides of Sulfur (SOx)

Susan Nakamura, Acting Assistant Deputy Executive Officer of Planning, Rule Development and Area Sources, provided the Committee with an update regarding proposed amendments to Regulation XX, Regional Clean Air Incentives Market (RECLAIM). Per Board direction, amendments to Rule 2002 would allow a closer alignment of shutdown credits in the RECLAIM program with command-and-control programs, short of full forfeiture. The proposed amended rule would be considered at the October 2016 Board Meeting. There were no Committee Member comments. Mr. Coleman expressed his appreciation to staff for an open and collaborative process. He also stated that staff has addressed all but one of his comments, which is he does not feel is significant and does not apply to any of his organization's members.

Mr. Hower also thanked staff for their work and expressed his concern with Rule 1304 offsets being included as part of the proposed rule amendment calculation because it is a complex and long process. He understands why staff has this provision, but would prefer it be removed from the proposed amended rule. In

addition, Mr. Hower requested clarity on proposed paragraph (i)(12), because he isn't certain if a facility would be able to sell any remaining NOx RTCs after the reduction calculation.

Mr. Carroll, representing Latham & Watkins and Regulatory Flexibility Group, stated the staff proposal is an improvement from the December 2015 proposal. He also stated that it is industry's perspective that inputs of RTCs into the market from shutdown facilities are vital to its function, and that industry's preference is that there should not be any shutdown provisions in the proposed amended rule.

8. Consider Request by City of Newport Beach for Board to Add Rule 444 - Open Burning to Rule Forecast Report

Due to time constraints, this item was moved to the October meeting.

WRITTEN REPORTS

All written reports were acknowledged by the Committee.

PUBLIC COMMENTS

There were no public comments.

The next Stationary Source Committee meeting is scheduled for October 21, 2016. The meeting was adjourned at 12:25 p.m.

Attachment

Attendance Roster

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATIONARY SOURCE COMMITTEE**

September 20, 2016

Attendance Roster (Voluntary)

Supervisor Ben Benoit	SCAQMD Governing Board
Councilmember Judith Mitchell	SCAQMD Governing Board
Mayor Larry McCallon.....	SCAQMD Governing Board
Supervisor Shawn Nelson (videoconference)	SCAQMD Governing Board
Board Consultant Marisa Perez	SCAQMD Governing Board (Mitchell)
Wayne Nastri	SCAQMD staff
Barbara Baird.....	SCAQMD staff
Philip Fine.....	SCAQMD staff
Laki Tisopulos	SCAQMD staff
Jill Whynot	SCAQMD staff
Kurt Wiese.....	SCAQMD staff
Matt Miyasato	SCAQMD staff
Susan Nakamura	SCAQMD staff
Amir Dejbakhsh.....	SCAQMD staff
Al Baez	SCAQMD Staff
Noel Muyco	SoCalGas
Bill LaMarr	California Small Business Alliance
David Rothbart	L.A. County Sanitation Districts
Sue Gornick	Western States Petroleum Association
Erin Sheehy.....	Environmental Compliance Solutions
Krishna Nand.....	Env. Mgmt. Professionals, LLC
Cecile Felsher	ALTA Environmental
Michael Morrison	ALTA Environmental
Bill Pearce.....	The Boeing Company
Susan Stark	Tesoro
Tom Gross	Southern California Edison