

BOARD MEETING DATE: March 1, 2019

AGENDA NO. 26

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee held a meeting on Friday, February 15, 2019. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Ben Benoit, Chair
Stationary Source Committee

LT:cr

Committee Members

Present: Council Member Ben Benoit/Chair (videoconference)
Dr. Joseph Lyou/Vice Chair
Supervisor Janice Hahn (videoconference)
Mayor Judith Mitchell
Supervisor V. Manuel Perez (videoconference)

Absent: Supervisor Janice Rutherford

Call to Order

Chair Benoit called the meeting to order at 10:40 a.m.

INFORMATIONAL ITEMS:

1. Annual RECLAIM Audit Report for 2017 Compliance Year

Dr. Laki Tisopulos, Deputy Executive Officer/Engineering & Permitting, presented the annual report on the NOx and SOx RECLAIM program prepared in accordance with Rule 2015 - Backstop Provisions. The report assesses emission reductions, availability of RECLAIM Trading Credits (RTCs) and their average annual prices, job impacts, compliance issues, and other measures of performance for the twenty-fourth year of this program. In addition, recent trends in trading future year RTCs are analyzed and presented. Dr. Tisopulos concluded by stating that the RECLAIM program met all its program objectives and recommended that the Annual RECLAIM Audit Report for 2017 Compliance Year be presented to the Board for approval.

Dr. Lyou asked what happens in the event a facility does not have sufficient amount of RTCs to cover its emissions for a given compliance year. Dr. Tisopulos responded that the facility's future year allocation is reduced automatically by an amount equivalent to the shortfall.

2. RECLAIM Quarterly Report – 4th Update

Susan Nakamura, Assistant Deputy Executive Officer/Planning, Rule Development, and Area Sources, provided the quarterly update regarding transitioning the NOx RECLAIM program to a command-and-control regulatory structure and highlighted the key issues surrounding New Source Review (NSR).

In response to Mayor Mitchell, staff confirmed that the second internal bank would be in addition to the open market.

Bill Pearce, Boeing, commented that he is pleased that his facility has been transitioned out of RECLAIM and expressed appreciation for staff's work.

Dr. Lyou asked about SCAQMD's obligation to ensure offsets for future NSR events and if the SCAQMD can require a facility to sell emission reduction credits (ERCs). Barbara Baird, Chief Deputy District Counsel, responded that the SCAQMD does not have a legal obligation to ensure sufficient offsets. Dr. Tisopulos responded that there is no legal ability to require someone to sell their ERCs.

Dr. Lyou asked if the concept of another internal bank and the programmatic demonstration for Rule 2005 offset obligations has been discussed with U.S. EPA. Ms. Nakamura replied that the supply of offsets is the next topic that will be discussed with the U.S. EPA. She also stated staff has discussed the programmatic demonstration offset obligations with the U.S. EPA but they have not provided any formal comments. In addition, Dr. Lyou asked if SCAQMD has checked with the legislature on SB 288 issues and requested to keep the legislature informed. Dr. Philip Fine, Deputy Executive Officer/Planning, Rule Development and Area Sources, stated that CARB has oversight over SB 288 and they have been participating in the RECLAIM Working Group meetings.

Mayor Mitchell commented that if there are no offsets available and equipment is not permitted, then companies will not stay in the district or cannot open or expand their businesses. Ms. Nakamura confirmed that this is the agency's concern. Dr. Lyou added that this is especially important for businesses that are mandated to take organic waste and create renewable natural gas. Mayor Mitchell also mentioned that there is a state policy to avoid having companies leave the state.

3. Summary of Proposed Amended Rule 1134 – Emission of Oxides of Nitrogen from Stationary Gas Turbines

Michael Morris, Planning and Rules Manager, presented a summary of the proposed amendments to Rule 1134.

Dr. Lyou asked why the Liquid – Outer Continental Shelf NO_x limits were higher than other proposed limits. Mr. Morris responded that the limit reflects use of diesel fuel, and diesel fuel is only used when produced gas is not available, which is infrequent because gas produced at the site is free.

Mayor Mitchell asked why there are concerns about the proposed ammonia limit for compressor turbines. Mr. Morris replied that the combination of low NO_x and ammonia limits has not been demonstrated for that category of turbines.

Dr. Lyou asked about the impact on particulate emissions and what NO_x emissions would be created if low-use turbines were allowed to operate up to the 10% annual average capacity. Dr. Fine explained that the resulting particulate emissions would be very small. Mr. Morris added that if low-use turbines were allowed to operate as is, the NO_x emissions would be on the order of a few tenths of a ton per day.

4. Update on Implementation of Rule 1111- Reduction of NO_x Emissions from Natural-Gas-Fired, Fan Type Central Furnaces

Michael Krause, Planning and Rules Manager, provided a status update on implementation of Rule 1111 and the Clean Air Furnace Rebate Program.

Mayor Mitchell asked what the difference is between certified units and commercialized units. Staff responded that certified units have been tested to meet the NO_x emission limit of and commercialized units are available for purchase.

Mayor Mitchell asked why the number of rebate claims are so low. Ms. Nakamura responded that there could be a variety of reasons, such as consumers are not aware of the compliant units or the rebate. She explained that staff is contemplating sending a Compliance Advisory to distributors, dealers, and contractors to communicate information on compliant units.

Dr. Lyou asked if there are any reasons not to open the rebate to builders. Mr. Krause added that expanding the rebate to new home builders could help further commercialize compliant units. Dr. Fine responded that initially the rebate was focused on consumers.

Mr. Karl Dunwoody, Trane and American Standard, requested that the implementation date be extended due to the lack of product availability and that a cutoff date for manufacturing non-compliant units be imposed instead of a mitigation fee end date. He also stated that there should be incentives for zero emission heat pumps.

Mr. Rusty Tharp, Goodman, commented that there is a lack of compliant product selection for the consumer. He stated more time is needed for due diligence necessary to complete safety tests, and expressed support for a 6 month sell-through period.

Mr. Dave Winningham, Lennox International, acknowledged challenges in developing new technology and stated that his company offers a portfolio of compliant products. He also stated regulatory certainty is the key to drive market adoption of compliant products, and that a sell-through provision would delay compliance.

Mr. Mark Woodruff, Ingersoll Rand, commented that the market is not ready for the mitigation fee option to end and does not agree with staff's recommendation. Mr. Woodruff stated that ten percent of the market is not covered due to lack of availability for varying load sizes. He added there are no commercialized "down flow" furnaces, which account for five to ten percent of customers, and high efficiency units cannot be paired with air conditioning systems of another brand. Mr. Woodruff supports a 6-month extension of the mitigation fee option plus another 6-month sell-through period.

Mr. Jeff Winter, Howard Industries, expressed concern that the sell-through provision is not the same as an extension of the mitigation fee option. He commented that the rule is allowing a monopoly in this market and expressed support for a 6-month sell-through period.

Mr. Braden Cook, Carrier Corporation, disagreed with staff's analysis that 90 percent of consumers are covered by compliant products. He stated that Carrier currently has 2 models available in the market, 16 out of 21 base compliant models available in the market are from a single manufacturer. Mr. Cook does not believe one manufacturer can support the market and stated support for a 6-month sell-through period.

Mr. Chris Forth, Johnson Controls, stated that his company will have compliant products by the end of the mitigation fee period but believes it is critical for SCAQMD to harmonize its policy with the San Joaquin Valley Air Pollution Control District home furnace rule. Mr. Forth also expressed concern that one manufacturer cannot support the market and supports a 6-month sell-through period.

Dr. Lyou requested that staff provide comments in response to public comments.

Dr. Fine noted that staff's estimate of 90 percent coverage is based on all the manufacturers' product lines available as of today, and that staff expects the market to get full coverage by the end of the mitigation fee period. He also stated that staff views a sell-through period as being the same as extending the mitigation fee period

and highlighted the dramatic advancements in the last 10 months as demonstrated by multiple manufacturers with compliant units.

Mayor Mitchell supported the staff recommendation to include builders in the rebate program and to maintain the current mitigation fee period with no extension.

Dr. Lyou agreed with Mayor Mitchell to proceed with Rule 1111 without an amendment and suggested the possibility of working with city permitting agencies to automate and spread awareness for the rebate program. Council Member Benoit agreed with Dr. Lyou's suggestions and supports the staff recommendations.

Supervisor Hahn and Supervisor Perez agreed with staff's recommendations and asked how staff will continue to work with manufacturers to bring compliant units to the market. Dr. Fine responded that staff will continue to track and monitor progress with the manufacturers with a goal to have 100 percent market coverage. He stated if there are issues, staff will return to the Stationary Source Committee. Dr. Fine explained that there are compliance options outside of rulemaking such as a group variance to cover specific and narrow demands in the market. Council Member Benoit commented that he is most concerned about availability of lower end units for families that are financially challenged.

WRITTEN REPORTS:

5. Notice of Violation Penalty Summary

The report was acknowledged by the Committee.

OTHER MATTERS:

6. Other Business

There was no other business.

7. Public Comment Period

There were no public comments.

8. Next Meeting Date

The next regular Stationary Source Committee meeting is scheduled for Friday, March 15, 2019.

Adjournment

The meeting was adjourned at 11:54 a.m.

Attachments

1. Attendance Record
2. Notice of Violation Penalty Summary

ATTACHMENT 1

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT STATIONARY SOURCE COMMITTEE

Attendance – February 15, 2019

Council Member Ben Benoit (videoconference).....	SCAQMD Governing Board
Dr. Joseph Lyou.....	SCAQMD Governing Board
Supervisor Janice Hahn (videoconference).....	SCAQMD Governing Board
Mayor Judith Mitchell	SCAQMD Governing Board
Supervisor V. Manuel Perez (videoconference).....	SCAQMD Governing Board
Marisa Perez	Board Consultant (Mitchell)
Andrew Silva.....	Board Consultant (Rutherford)
Curtis Coleman.....	Southern California Air Quality Alliance
Karl Dunwoody	Trane and American Standard
Chris M. Forth.....	Johnson Controls
Bill LaMarr.....	California Small Business Alliance
Rita Loof.....	RadTech
Bridget McCann.....	Western States Petroleum Association
Bill Pearce.....	Boeing
David Rothbart	Los Angeles County Sanitation Districts
Susan Stark	Marathon Petroleum
Rusty Thorp	Goodman
Jeff Winter	Howard Industries
Jeremy Winter	Howard Industries
Mark Woodruff.....	Ingersoll Rand
Tammy Yamasaki.....	Southern California Edison
Barbara Baird.....	SCAQMD staff
Amir Dejbakhsh.....	SCAQMD staff
Philip Fine	SCAQMD staff
Bayron Gilchrist	SCAQMD staff
Michael Krause.....	SCAQMD staff
Matt Miyasato.....	SCAQMD staff
Michael Morris.....	SCAQMD staff
Susan Nakamura	SCAQMD staff
Wayne Nastri	SCAQMD staff
William Thompson.....	SCAQMD staff
Laki Tisopulos	SCAQMD staff
Jill Whynot	SCAQMD staff

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
General Counsel's Office**

Item #5

January 2019 Settlement Penalty Report

DRAFT

<u>Total Penalties</u>		
Civil Settlements:		\$178,826.95
Settlements including SEP		\$5,000.00
MSPAP Settlements:		\$25,545.00
Total Cash Settlements:		\$204,821.95
Total SEP Value:		\$5,000.00
Fiscal Year through 1 / 2019 Cash Total:		\$4,956,551.95
Fiscal Year through 1 / 2019 SEP Value Only Total:		\$265,000.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
Civil Settlements						
84052	AGGREKO INC	203	1/11/2019	SMP	P62759 P62760	\$7,500.00
118389	ARCO AM/PM, NYGREN/CARR PROPERTIES, INC	203 461 H&S 41960.2	1/2/2019	NAS	P67222	\$3,000.00
113706	ARCO AM/PM, TIME OUT, LLC	461 H&S 41960.2	1/9/2019	NAS	P66373	\$3,000.00
1073	BORAL ROOFING LLC	2004 2012	1/24/2019	ML	P57877	\$500.00
62649	CALIFORNIA PORTLAND CEMENT CO.	403	1/24/2019	NSF	P67105 P67107 P67110	\$8,500.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
176136	COSTA MESA COLLISION AND AUTO PAINTING <i>Suspended Penalty of \$750.00--the Facility shall remain in full compliance until January 18, 2021.</i>	203(a)	1/22/2019	BST	P63612	\$1,500.00
7411	DAVIS WIRE CORP	2004 2012	1/24/2019	ML	P59282 P63721 P64417	\$10,500.00
125579	DIRECTV	2004 2012	1/24/2019	ML	P57876	\$3,000.00
158700	GAMA CONTRACTING SVCS INC	221 1403	1/11/2019	NAS	P65907	\$10,176.95
142090	GATEGOURMET	2202	1/23/2019	SH	P64802	\$1,500.00
132299	JACCK OIL INC.	461	1/9/2019	NAS	P66374	\$3,000.00
175638	KB ENVIRONMENTAL, INC.	1403	1/8/2019	BST	P64854	\$900.00
550	LA CO., INTERNAL SERVICE DEPT	2012 2012 Appen A	1/24/2019	ML	P57891 P60273 P66202	\$2,000.00
115314	LONG BEACH GENERATION LLC	2004 2012 Appen A	1/24/2019	ML	P57095	\$750.00
8073	METROPOLITAN STEVEDORE COMPANY	203(b) 1155	1/24/2019	ML	P65101	\$2,500.00
51232	NEILL AIRCRAFT CO	203	1/24/2019	ML	P64211	\$20,000.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
117882	NELSON NAMEPLATE COMPANY	3002 3003	1/22/2019	NAS	P61725 P62496	\$5,000.00
72937	P. KAY METAL , INC.	203 221 1147 1420.2	1/24/2019	TRB	P64530 P64531	\$10,000.00
800168	PASADENA CITY, DWP	2012 2012 Appen A	1/11/2019	SH	P64412	\$2,000.00
4242	SAN DIEGO GAS & ELECTRIC	203(b) 2004(f)(1) 3002(c)(1)	1/24/2019	ML	P57094	\$1,000.00
117807	SERFAS SERVICE STN/ARCO #81851	461 H&S 41960.2	1/9/2019	NAS	P67678	\$3,000.00
133820	SHERATON TOWNHOUSE, L.P.	203 1146.2	1/11/2019	DH	P66804	\$25,000.00
176122	TECHNISOIL GLOBAL, INC	314	1/25/2019	BST	P67004	\$500.00
11119	THE GAS CO./ SEMPRA ENERGY	2004	1/24/2019	NSF	P67361	\$4,000.00
185848	VAN OWEN HOLDINGS LLC _ ROBERT ASSIL	1403	1/16/2019	SMP	P61121	\$50,000.00

Total Civil Settlements: \$178,826.95

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
Supplemental Environmental Project (SEP) Settlement:						
52753	OC WASTE & RECYCLING, PRIMA DESHECHA <i>SEP to be completed by 12/31/19 or the Facility will pay the SEP value of \$5,000</i>	402 H&S 41700	1/31/2019	NAS	P63076	\$5,000.00

Total Settlements including SEP: \$5,000.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
MSPAP Settlements						
179771	"A" CLEANERS	1421	1/17/2019	GC	P63865	\$350.00
154763	21ST CENTURY GROUP,INC. DBA EUCLID CHEVR	461	1/17/2019	GC	P63225	\$550.00
182903	7-ELEVEN INC #37981	461	1/17/2019	TF	P66357	\$1,200.00
155848	ARCO #06085 - CALIFORNIA FUEL DISPENSING	461	1/31/2019	GC	P68102	\$450.00
		H&S 41960.2				
174636	ARCO #42010, TREASURE FRANCHISE COMPANY,	461	1/17/2019	GC	P64979	\$400.00
163098	BEVERLY 76	461	1/17/2019	GC	P65261	\$720.00
184112	F ROBERTS, INC.	1403	1/31/2019	GC	P64526	\$1,700.00
157786	GAMMO CORPORATION	461	1/31/2019	GC	P65744	\$720.00
155593	HENKELS & MCCOY, INC.	13 CCR 2460	1/17/2019	GC	P66751	\$2,080.00
184841	KB HOMES INLAND EMPIRE/BELLANZA	403	1/17/2019	GC	P64758	\$3,400.00
186810	LENDERS CONSTRUCTION INC	1403	1/31/2019	TF	P66702	\$2,400.00
127674	MEESE, INC.	1147	1/31/2019	TF	P65169	\$1,600.00
181257	MONTEBELLO CONTAINER COMPANY, LLC	1146	1/17/2019	TF	P65171	\$1,600.00
135002	MONTY CLEANERS, DAVID HYO HYUN	1421	1/31/2019	TF	P67551	\$50.00
180105	MY GOODS MARKET #5706	461	1/17/2019	TF	P68154	\$1,500.00
119710	NOR-CAL BEVERAGE COMPANY, INC.	1146	1/17/2019	TF	P65165	\$1,600.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbr	Total Settlement
168542	OAKRIDGE LANDSCAPE INC.	13 CCR 2460	1/17/2019	TF	P67655	\$800.00
112314	PRESSURE GROUT COMPANY	203(a) 13 CCR 2453 17 CCR 93116.3	1/31/2019	TF	P66755	\$2,200.00
187163	ROCKRIDGE RESOURCES INC	461	1/17/2019	TF	P63228	\$400.00
187163	ROCKRIDGE RESOURCES INC	203(a)	1/17/2019	TF	P63229	\$500.00
165523	VORSTEINER, INC.	109 201 203(a)	1/31/2019	TF	P63876	\$1,125.00
175221	WASSER FILTRATION INC., DBA PACIFIC PRES	203	1/31/2019	TF	P65770	\$200.00

Total MSPAP Settlements: \$25,545.00

DISTRICT'S RULES AND REGULATIONS INDEX FOR JANUARY 2019 PENALTY REPORT

REGULATION I - GENERAL PROVISIONS

Rule 109 Recordkeeping for Volatile Organic Compound Emissions

REGULATION II - PERMITS

Rule 201 Permit to Construct
Rule 203 Permit to Operate
Rule 221 Plans

REGULATION III - FEES

Rule 314 Fees for Architectural Coatings

REGULATION IV - PROHIBITIONS

Rule 402 Nuisance
Rule 403 Fugitive Dust - Pertains to solid particulate matter emitted from man-made activities
Rule 461 Gasoline Transfer and Dispensing

REGULATION XI - SOURCE SPECIFIC STANDARDS

Rule 1146 Emissions of Oxides of Nitrogen from Industrial, Institutional and Commercial Boilers,
Steam Generators, and Process Heaters
Rule 1146.2 Emissions of Oxides of Nitrogen from Large Water Heaters and Small Boilers
Rule 1147 NOx Reductions from Miscellaneous Sources
Rule 1155 Particulate Matter Control Devices

REGULATION XIV - TOXICS

Rule 1403 Asbestos Emissions from Demolition/Renovation Activities
Rule 1415 Reduction of Refrigerant Emissions from Stationary Refrigeration and Air Conditioning Systems
Rule 1420.2 Emission Standards for Lead from Metal Melting Facilities
Rule 1421 Control of Perchloroethylene Emissions from Dry Cleaning Operations

REGULATION XX - REGIONAL CLEAN AIR INCENTIVES MARKET (RECLAIM)

Rule 2004 RECLAIM Program Requirements

Rule 2012 Requirements for Monitoring, Reporting, and Recordkeeping for Oxides of Nitrogen (NO_x) Emissions

Rule 2012

Appendix A Protocol for Monitoring, Reporting, and Recordkeeping for Oxides of Nitrogen (NO_x) Emissions

REGULATION XXII ON-ROAD MOTOR VEHICLE MITIGATION

Rule 2202 On-Road Motor Vehicle Mitigation Options

REGULATION XXX - TITLE V PERMITS

Rule 3002 Requirements for Title V Permits

Rule 3003 Applications

CALIFORNIA HEALTH AND SAFETY CODE

41700 Violation of General Limitations

41960.2 Gasoline Vapor Recovery

CALIFORNIA CODE OF REGULATIONS

13 CCR 2453 Portable Equipment Application Process

13 CCR 2460 Portable Equipment Testing Requirements

17 CCR 93116.3 Air Resources Board - Portable Engine Air Toxics Control Measures (PE ATCM)