

BOARD MEETING DATE: September 4, 2020

AGENDA NO. 29

REPORT: Status Report on Regulation XIII – New Source Review

SYNOPSIS: This report presents the state and federal Final Determination of Equivalency for January 2018 through December 2018. As such, it provides information regarding the status of Regulation XIII – New Source Review in meeting state and federal NSR requirements and shows that South Coast AQMD’s NSR program is in final compliance with applicable state and federal requirements from January 2018 through December 2018.

COMMITTEE: No Committee Review

RECOMMENDED ACTION:
Receive and file.

Wayne Nastri
Executive Officer

AD:JA:DO:GI:SKT

SUMMARY

South Coast AQMD’s New Source Review (NSR) rules and regulations are designed to comply with state and federal Clean Air Act requirements and ensure that emission increases from new and modified sources do not interfere with efforts to attain and maintain the state and federal air quality standards, while economic growth in the South Coast region is not unnecessarily impeded. Regulation XIII - New Source Review, regulates and accounts for all emission changes (both increases and decreases) from the permitting of new, modified, and relocated stationary sources within the South Coast AQMD, excluding NO_x and SO_x sources that are subject to Regulation XX – Regional Clean Air Incentives Market (RECLAIM)¹.

¹ While the RECLAIM program is different than command and control rules for NO_x and SO_x and provides greater regulatory flexibility to businesses, its NSR requirements, as specified in Rule 2005, are designed to comply with the governing principles of NSR contained in the federal Clean Air Act (CAA) and the California State Health and Safety Code.

Rule 1315 – Federal New Source Review Tracking System, was adopted by the Board on February 4, 2011 to maintain South Coast AQMD’s ability to issue permits to major sources that require offsets, but obtain offset credits from the South Coast AQMD’s Priority Reserve under Rule 1309.1 – Priority Reserve, and/or that are exempt from offsets under South Coast AQMD Rule 1304 - Exemptions. Since these sources are not exempt from offsets under the federal Clean Air Act, South Coast AQMD provides offsets from South Coast AQMD’s internal bank consisting primarily of orphan shutdowns, i.e. emissions from sources that shut down but did not apply for emission reduction credits. The purpose of this Determination of Equivalency is to show that there are sufficient offsets in the internal bank to cover sources using these offsets for the year in question and projected to be used for the following two years.

Rule 1315 requires that, commencing with calendar year 2010, and for each calendar year thereafter, the Executive Officer prepare a Preliminary Determination of Equivalency (PDE) and Final Determination of Equivalency (FDE), which cover NSR activities for twelve-month periods. The calendar year 2018 FDE is required to be reported to the South Coast AQMD Board at the September 2020 Board meeting. In addition, Rule 1315 requires the Executive Officer to aggregate and track offsets debited from and deposited to South Coast AQMD’s offset accounts for specified periods between October 1, 1990 and December 31, 2005 and each calendar year from 2006 through 2030 for purposes of making periodic determinations of compliance. The last annual report submitted to the Board on February 7, 2020 presented the PDE for calendar year 2018 and demonstrated that South Coast AQMD’s NSR program continued to meet the federal offset requirements for calendar year 2018. Rule 1315 also requires that, commencing with calendar year 2011, and for each calendar year thereafter, the Executive Officer include in each FDE: the cumulative net emission increase of each nonattainment air contaminant that occurred at major and minor facilities from February 4, 2011, the date of adoption of Rule 1315, through the end of the calendar year 2011 reporting period and through the end of each subsequent reporting period; and the projected cumulative net emission increases at the end of each of the two subsequent reporting periods. The calendar year 2018 FDE contains the cumulative net emission increases through the end of calendar year 2018 and the projected cumulative net emission increases at the end of calendar years 2019 and 2020.

This report demonstrates compliance with state and federal NSR requirements by establishing aggregate equivalence with state and federal offset requirements for sources that were not exempt from state and federal offset requirements, but were either exempt from offsets or obtained their offsets from South Coast AQMD pursuant to Regulation XIII.

The federal offset accounts FDE for calendar year 2018 is summarized in Table 1. Projections of South Coast AQMD’s federal offset account balances for January 2019

through December 2019 and January 2020 through December 2020, as specified and required pursuant to Rule 1315(e), are presented in Table 2. These results demonstrate that there were, and project that there will be, adequate offsets available to mitigate all applicable emission increases during these reporting periods.

The cumulative net emission increase of each nonattainment air contaminant that occurred at major and minor facilities that were issued permits pursuant to Rule 1304 exemptions or Rule 1309.1 Priority Reserve from February 4, 2011, the date of adoption of Rule 1315, through the end of the calendar year 2018 reporting period, as required under Rule 1315(g), is summarized in Table 3. Projections of cumulative net emission increase for January 2019 through December 2019 and January 2020 through December 2020 are summarized in Table 4. These results demonstrate that the cumulative net emission increase, and projections of cumulative net emission increase, of each nonattainment air contaminant remained below the thresholds identified in Table B of Rule 1315(g)(4), and therefore the Executive Officer can continue to issue permits to construct and permits to operate that rely on further use of Rule 1304 exemptions or Rule 1309.1 Priority Reserve offsets to major and minor sources.

The state offset accounts for calendar year 2018 is summarized in Table 5. This report demonstrates that, for calendar years 2018 through 2020, South Coast AQMD's NSR program continues to meet and is projected to meet state and federal offset requirements and is equivalent to those requirements on an aggregate basis². The South Coast Air Basin was designated as being in attainment with the federal and state CO standards effective June 11, 2007, and therefore South Coast AQMD does not report CO accumulated credits and account balances in this equivalency determination. U.S. EPA designated the South Coast Air Basin as being in attainment with the federal PM10 standard effective July 26, 2013. However, the Coachella Valley has not attained the PM10 NAAQS, therefore, South Coast AQMD will continue to track and report PM10 (in the South Coast Air Basin) accumulated credits and account balances for informational purposes only.

² South Coast AQMD's NSR program is deemed to be equivalent to state and federal offset requirements. South Coast AQMD's ending offset account balances remained positive, indicating there were adequate offsets during this reporting period.

Table 1
Federal Offset Accounts FDE for January 2018 through December 2018

DESCRIPTION	VOC	NO _x	SO _x	PM ₁₀
2017 Actual Ending Balance^a (tons/day)	107.81	23.43	4.27	16.02
2018 Discount of Credits for Surplus Adjustment ^b (tons/day)	0.00	0.00	0.00	0.00
2018 Actual Total Credits ^c (lbs/day)	5,672	1,362	168	1,049
2018 Actual Total Debits ^c (lbs/day)	-322	-385	-120	-467
2018 Sum of Actual Credits/Debits^c (lbs/day)	5,350	977	48	582
2018 Sum of Actual Credits/Debits^c (tons/day)	2.68	0.49	0.02	0.29
2018 Actual Ending Balance^d (tons/day)	110.49	23.92	4.29	16.31

^a Updated “2017 Actual Ending Balance”. VOC and NO_x balances previously reported in Table 1 of the 2017 FDE report dated September 6, 2019 contained incorrect information.

^b This adjustment is surplus at the time of use discount, which is also discussed in Rule 1315(c)(4).

^c For an explanation of the sources of credits and debits please refer to page 11 of this report, as well as Rule 1315(c) and the February 4, 2011 Rule 1315 staff report. Credits are shown as positive and debits as negative, while the sums of credits/debits are shown as positive or negative, as appropriate.

^d “2018 Actual Ending Balance” equals the “2017 Actual Ending Balance,” plus the “2018 Discount of Credits for Surplus Adjustment” and the “2018 Sum of Actual Credits/Debits.”

Table 2
Projections^a of South Coast AQMD's Federal Offset Account Balances for
January 2019 through December 2019, and
January 2020 through December 2020

DESCRIPTION	VOC	NO _x	SO _x	PM ₁₀
2018 Actual Ending Balance^b (tons/day)	110.49	23.92	4.29	16.31
2019 Total Projected Credits ^c (lbs/day)	7,760	2,300	500	1,240
2019 Total Projected Debits ^c (lbs/day)	-840	-440	-120	-400
2019 Sum of Projected Credits/Debits^c (lbs/day)	6,920	1,860	380	840
2019 Sum of Projected Credits/Debits^c (tons/day)	3.46	0.93	0.19	0.42
2019 Projected Ending Balance^d (tons/day)	113.95	24.85	4.48	16.73
2020 Total Projected Credits ^c (lbs/day)	7,760	2,300	500	1,240
2020 Total Projected Debits ^c (lbs/day)	-840	-440	-120	-400
2020 Sum of Projected Credits/Debits^c (lbs/day)	6,920	1,860	380	840
2020 Sum of Projected Credits/Debits^c (tons/day)	3.46	0.93	0.19	0.42
2020 Projected Ending Balance^e (tons/day)	117.41	25.78	4.67	17.15

^a Rule 1315 does not require discount of credits for surplus adjustment for projected balances.

^b "2018 Actual Ending Balance" is as shown in Table 1.

^c Projections are based upon the average of the total annual debits and the average of the total annual credits for the five reporting periods most recently included in a PDE or an FDE, pursuant to Rule 1315(e). For an explanation of the sources of debits and credits please refer to page 7 of this report, as well as Rule 1315(c) and the Rule 1315 staff report. Debits are shown as negative and credits as positive, while the sum of debits/credits are shown as negative or positive, as appropriate.

^d "2019 Projected Ending Balance" equals the "2018 Actual Ending Balance," plus the "2019 Sum of Projected Credits/Debits."

^e "2020 Projected Ending Balance" equals the "2019 Projected Ending Balance" plus the "2020 Sum of Projected Credits/Debits."

Table 3
Cumulative Net Emission Increase
(February 4, 2011 – December 31, 2018)

DESCRIPTION	VOC	NO _x	SO _x	PM ₁₀
2017 Cumulative Net Emission Increase^a (tons/day)	-19.73	-3.19	-0.78	-0.70
2018 Increases in Potential to Emit ^b (tons/day)	1.89	0.70	0.14	0.62
2018 Decreases in Potential to Emit ^c (tons/day)	-3.55	-0.85	-0.11	-0.65
2018 Cumulative Net Emission Increase^d (tons/day)	-21.39	-3.34	-0.75	-0.73
Rule 1315(g) Table B Threshold (through December of 2018 - tons/day)	10.12	0.76	0.24	1.48

^a Updated “2017 Cumulative Net Emission Increase”. VOC, NO_x, and PM₁₀ cumulative net emission increases previously reported in Table 3 of the 2017 FDE report dated September 6, 2019 contained incorrect information.

^b Increases in potential to emit that occur at major and minor facilities pursuant to Rule 1304 or Rule 1309.1.

^c Decreases in potential to emit that occur at major and minor facilities pursuant to Rule 1304 or Rule 1309.1.

^d “2018 Cumulative Net Emission Increase” is the sum of the increases and decreases in the potential to emit that occur at major and minor facilities pursuant to Rule 1304 or Rule 1309.1 over the period of February 4, 2011 through December 31, 2018.

Table 4
Projections of Cumulative Net Emission Increase
January 2019 through December 2019, and
January 2020 through December 2020

DESCRIPTION	VOC	NO _x	SO _x	PM ₁₀
2018 Cumulative Net Emission Increase^a (tons/day)	-21.39	-3.34	-0.75	-0.73
2019 Projected Emission Increase ^b (tons/day)	2.21	0.84	0.17	0.68
2019 Projected Emission Decrease ^b (tons/day)	-4.84	-1.43	-0.32	-0.78
2019 Projected Cumulative Net Emission Increase^c (tons/day)	-24.02	-3.93	-0.90	-0.83
Rule 1315(g) Table B 2019 Threshold (tons/day)	11.39	0.84	0.27	1.67
2020 Projected Emission Increase ^d (tons/day)	2.21	0.84	0.17	0.68
2020 Projected Emission Decrease ^d (tons/day)	-4.84	-1.43	-0.32	-0.78
2020 Projected Cumulative Net Emission Increase^e (tons/day)	-26.65	-4.52	-1.05	-0.93
Rule 1315(g) Table B 2020 Threshold (tons/day)	12.67	0.92	0.30	1.86

^a “2018 Cumulative Net Emission Increase” from Table 3.

^b “2019 Projected Emission Increase” and “2019 Projected Emission Decrease” are the averages of the 2014, 2015, 2016, 2017 and 2018 increases and decreases, respectively, in potential to emit.

^c “2019 Projected Cumulative Net Emission Increase” is the sum of the “2019 Projected Emission Increase” and “2019 Projected Emission Decrease” added to the “2018 Cumulative Net Emission Increase.”

^d “2020 Projected Emission Increase” and “2020 Projected Emission Decrease” are the averages of the 2014, 2015, 2016, 2017 and 2018 increases and decreases, respectively, in potential to emit.

^e “2020 Projected Cumulative Net Emission Increase” is the sum of the “2020 Projected Emission Increase” and “2020 Projected Emission Decrease” added to the “2019 Projected Cumulative Net Emission Increase.”

Table 5
State Offset Accounts FDE for January 2018 through December 2018

DESCRIPTION	VOC	NO _x	SO _x	PM ₁₀
2018 Actual Starting Balance (tons/day)	83.93	35.27	9.04	21.83
2018 Actual Total Credits ^a (tons/day)	2.84	0.68	0.08	0.52
2018 Actual Total Debits ^a (tons/day)	-1.51	-0.56	-0.06	-0.19
2018 Sum of Actual Credits/Debits^a (lbs/day)	2,655	246	56	668
2018 Sum of Actual Credits/Debits^a (tons/day)	1.33	0.12	0.02	0.33
2018 Actual Ending Balance^b (tons/day)	85.26	35.39	9.06	22.16

^a For an explanation of the sources of credits and debits please refer to page 11 of this report. Credits are shown as positive and debits as negative, while the sums of credits/debits are shown as positive or negative, as appropriate.

^b “2018 Actual Ending Balance” equals the “2018 Actual Starting Balance” plus the “2018 Sum of Actual Credits/Debits.”

Background

South Coast AQMD originally adopted its New Source Review Rules and Regulation (NSR program) in 1976. U.S. EPA approved South Coast AQMD’s NSR program into the State Implementation Plan (SIP) initially on January 21, 1981 (46FR5965) and again on December 4, 1996 (61FR64291). U.S. EPA approved South Coast AQMD’s May 3, 2002 Rule 1309.1 amendments into the SIP on June 19, 2006 (71FR35157). The original program has evolved into the current version of the Regulation XIII rules in response to state and federal legal requirements and the changing needs of the local environment and economy. Specific amendments to the NSR rules were adopted by the Board on December 6, 2002 to facilitate and provide additional options for credit generation and use. Rule 1315 was adopted and re-adopted on September 8, 2006 and August 3, 2007, respectively. Rule 1309.1 was amended and replaced on September 8, 2006 and August 3, 2007, respectively. On November 3, 2008, in response to a law suit filed by a group of environmental organizations, a California State Superior Court Judge in the County of Los Angeles invalidated the August 3, 2007 adopted Rule 1315 and amendments to Rule 1309.1, and prohibited South Coast AQMD from taking any action to implement Rule 1315 or the amendments to Rule 1309.1 until it had prepared a new environmental assessment under the California Environmental Quality Act (CEQA). On February 4, 2011 South Coast AQMD adopted a revised and enhanced version of Rule 1315, which included a new CEQA assessment. U.S. EPA approved Rule 1315 into the SIP in 2012 (77FR21300), and this approval was upheld by the U.S. Court of Appeals for the Ninth Circuit Court in 2015.

One element of South Coast AQMD's NSR program design is to offset emission increases in a manner at least equivalent to state and federal statutory NSR requirements. South Coast AQMD's NSR program implements the state and federal statutory requirements for NSR and ensures that construction and operation of new, relocated and modified stationary sources does not interfere with progress towards attainment of the National and State Ambient Air Quality Standards. South Coast AQMD's computerized emission tracking system is used to demonstrate equivalence with state and federal offset requirements on an aggregate basis. Specific NSR requirements of federal law are presented below.

Federal Law

Federal NSR requirements vary with respect to the area's attainment status and classification. Based on their classification in 2007, the South Coast Air Basin (SOCAB) and Salton Sea Air Basin (SSAB) must comply with the requirements for severe 17 and severe non-attainment areas, respectively, for ozone precursors (i.e., VOC and NOx). However, in May 2010, the SOCAB was re-designated as an extreme non-attainment area for ozone. During the 2018 equivalency period, both the SOCAB and the SSAB complied with their respective requirements for ozone non-attainment and serious non-attainment for PM10 and its precursors (i.e., VOC, NOx, and SOx)³. SSAB is considered in attainment for CO. U.S. EPA designated the SOCAB as in attainment with federal CO standards on June 11, 2007. Starting calendar year 2017, South Coast AQMD did not report CO accumulated credits and account balances in this equivalency determination. Both SOCAB and SSAB are considered in attainment for SO2 and NO2; however, SOx and NOx are precursors to pollutants for which both SOCAB and SSAB are designated as in nonattainment⁴. The Mojave Desert Air Basin (MDAB) under South Coast AQMD's jurisdiction is unclassifiable. Federal law requires the use of Lowest Achievable Emission Rate (LAER) and offsets for emissions of nonattainment pollutants (or their precursors) for new, modified, and relocated stationary sources, when the source is considered a major stationary source⁵ for the nonattainment

³ As of July 26, 2013, SOCAB was redesignated as in attainment for the federal 24-hour PM10 standard and U.S. EPA approved a PM10 maintenance plan. South Coast AQMD will continue to track and report PM10 accumulated credits and account balances for informational purposes only in the SOCAB and for equivalency in the SSAB (Coachella Valley).

⁴ SOx is a precursor to PM10, and NOx is a precursor to both PM10 and ozone.

⁵ The major source thresholds for SOCAB, SSAB and MDAB, based on their attainment status during the calendar year 2018 reporting period are summarized below:

Pollutant	SOCAB	SSAB	MDAB
VOC	10 tons/year	25 tons/year	100 tons/year
NOx	10 tons/year	25 tons/year	100 tons/year
SOx	70 tons/year	70 tons/year	100 tons/year
PM10	70 tons/year	70 tons/year	100 tons/year
CO	50 tons/year	100 tons/year	100 tons/year

pollutants (or their precursors). This report demonstrates compliance with the federal NSR offsets requirements.

State Law

State law requires the use of BACT for new and modified sources (Health and Safety Code Sections 40440(b)(1) and 40920.5) and "no net increase in emissions" from certain permitted new or modified sources based on their potential to emit and the non-attainment classification of the area in which they are located. This report demonstrates South Coast AQMD's compliance with the "no net emission increase" requirements of state law for the 2018 period by demonstrating compliance with the requirements for extreme ozone non-attainment areas for ozone precursors and with the requirements for serious non-attainment areas for PM10 and precursors to PM10. The South Coast Air Basin was designated as being in attainment with the state CO standards effective June 11, 2007.

Overview of Analysis Methodology

The two most important elements of state and federal nonattainment NSR requirements are BACT/LAER and emission offsetting. As set forth in South Coast AQMD's Best Available Control Technology (BACT) Guidelines, South Coast AQMD's BACT requirements are at least as stringent as federal LAER for major sources and state BACT requirements for all sources. Furthermore, the NSR emission offset requirements that South Coast AQMD implements through its permitting process ensure that sources provide emission reduction credits (ERCs) to offset their emission increases in compliance with state and federal requirements. As a result, these sources each comply with state and federal offset requirements by providing ERCs. However, certain sources are exempt from South Coast AQMD's offset requirements pursuant to Rule 1304 or qualify for offsets from South Coast AQMD's Community Bank (applications received between October 1, 1990 and February 1, 1996 only) or Priority Reserve, both pursuant to Rule 1309.1. Providing offset exemptions and the Priority Reserve (as well as the previously-administered Community Bank) is important to the NSR program and the local economy. Therefore, South Coast AQMD has assumed the responsibility of providing the necessary offsets for exempt sources, the Priority Reserve, and the Community Bank. This report examines deposits to and withdrawals from South Coast AQMD's emission offset accounts during calendar year 2018 and demonstrates programmatic equivalence on an aggregate basis with state and federal emission offset requirements for the sources exempt from providing offsets and the sources that receive offsets from the Priority Reserve or the Community Bank.

South Coast AQMD's Offset Accounts

For the purposes of this report, federal debit and credit accounting for South Coast AQMD offset accounts was conducted pursuant to the same procedures previously agreed to by U.S. EPA and as delineated in Rule 1315 and described in the staff report dated January 7, 2011. Each of the pollutants subject to offset requirements has its own

federal offset account. State debit and credit accounting for South Coast AQMD offset accounts was similarly conducted, with the difference that state offset requirements apply to all increases of VOC or NO_x from equipment subject to South Coast AQMD's permitting program and to increases of SO_x and PM₁₀ from facilities that emit 15 or more tons per year. South Coast AQMD's NSR program is considered to provide equivalent or greater offsets of emissions as required by state and federal requirements for each subject pollutant provided the balance of offsets in South Coast AQMD's state and federal offset account for each pollutant remains positive, indicating that there were adequate offsets available.

Debit Accounting

Staff tracks all emission increases that are offset through the Priority Reserve or the Community Bank, as well as all increases that are exempt from offset requirements pursuant to Rule 1304 – Exemptions. These increases are all debited from South Coast AQMD's federal offset accounts when they occur at federal major sources. For federal equivalency demonstrations, South Coast AQMD uses an offset ratio of 1.2-to-1.0 for extreme non-attainment pollutants (ozone and ozone precursors, i.e., VOC and NO_x) and a 1.0-to-1.0 ratio is used for all other non-attainment pollutants (non-ozone precursors, i.e., SO_x and PM₁₀) to offset any such increases. That is, 1.2 pounds are deducted from South Coast AQMD offset accounts for each pound of maximum allowable permitted potential to emit VOC or NO_x increase at a federal source and 1.0 pound is deducted for each pound of maximum allowable permitted potential to emit SO_x or PM₁₀ at a federal source. A more detailed description of federal debit accounting is provided in the Rule 1315 staff report dated January 7, 2011 and Rule 1315(c)(2).

Furthermore, to comply with U.S. EPA's NSR Reform requirements applicable to extreme non-attainment areas for ozone, the South Coast AQMD tracks changes to facility-wide limits under Rule 1304 – Exemptions and debits any increases from the federal offset accounts accordingly.

State offset requirements are based on actual emissions rather than maximum allowable permitted potential to emit. South Coast AQMD considers actual emissions as eighty percent of permitted potential to emit⁶. Thus, 0.8 pounds is debited from South Coast AQMD's state accounts for each pound of maximum allowable permitted emissions increase.

Credit Accounting

When emissions from a permitted source are permanently reduced (e.g., installation of control equipment, removal of the source) and the emission reduction is not required by

⁶ See Status Report on Regulation XIII – New Source Review dated April 2, 2004.

rule or law and is not called for by an AQMP control measure that has been assigned a target implementation date⁷, the permit holder may apply for ERCs for the pollutants reduced. If the permit holder for the source generating the emission reduction had previously received offsets from South Coast AQMD or has a positive NSR balance (i.e., pre-1990 net emission increase), the quantity of South Coast AQMD offsets used or the amount of the positive NSR balance is subtracted from the reduction and “paid back” to South Coast AQMD’s accounts prior to issuance of an ERC pursuant to Rule 1306. In certain other cases, permit holders do not always submit applications to claim ERCs or do not qualify to obtain ERCs for their equipment shutdowns or other eligible emission reductions. These unclaimed reductions are referred to as “orphan shutdowns” and are deposited in South Coast AQMD’s offset accounts. ERCs provided as offsets by major sources in excess of the applicable federally-required offset ratio and all ERCs provided as offsets by minor sources not subject to federal offset requirements are also deposited in South Coast AQMD’s federal offset accounts. A more detailed description of federal credit accounting is provided in Rule 1315(c)(3)(A) and its staff report dated January 7, 2011.

Determination of Equivalency with Federal Offset Requirements

The federal offset requirements FDE for calendar year 2018 and the projections for calendar years 2019 and 2020 are summarized in Tables 1 and 2, respectively. The detailed listing of actual final withdrawals, deposits and sum of withdrawals and deposits are shown in Tables A, B, and C of Attachment 1 to this report.

These account balances, shown in Tables A and B, reflect the tracking sequence described under Rule 1315(c)(5).

California Environmental Quality Act Backstop Provisions

In addition to the equivalency demonstration with the federal offset requirements, Rule 1315(g) requires the tracking of all increases in potential to emit and emission reductions that occur at major and minor facilities and ensure that the cumulative net emission increases in any given year remain below the thresholds, established in Rule 1315.

Pursuant to Rule 1315(g)(1), net emission increases of nonattainment air contaminants at major and minor facilities are based on the sum of aggregate increases in potential to emit and aggregate emissions reductions at major and minor facilities pursuant to Rule 1304 – Exemptions or Rule 1309.1 – Priority Reserve.

Aggregate increases in potential to emit for major and minor sources include potential to emit increases from the Priority Reserve or Community Bank pursuant to Rule

⁷ Refer to Rule 1309(b) for a complete explanation of eligibility requirements.

1309.1 and exemptions from the offset requirements of Rule 1303 – Requirements pursuant to Rule 1304 – Exemptions.

Aggregate emissions reductions for major and minor sources include, but are not limited to, potential to emit reductions as a result of orphan shutdowns and/or orphan reductions.

In addition, pursuant to Rule 1315(g)(2), projections of cumulative net emission increases at the end of the two subsequent reporting periods are based upon the average of the aggregate increase in potential to emit of each nonattainment air contaminant and the average of the aggregate emissions reductions of the same nonattainment air contaminant for the five reporting periods most recently included in a PDE or an FDE for each of the reporting periods commencing with the 2011 reporting period, whichever is fewer reporting periods. For calendar year 2018 FDE, the averages are based on the 2014, 2015, 2016, 2017 and 2018 aggregate increases in potential to emit and aggregate emissions reductions. The purpose of Rule 1315(g) is to ensure that implementation of Rule 1315 does not cause emission increases beyond those analyzed in the CEQA document for Rule 1315.

Cumulative net emission increases and projected cumulative net emission increases must remain below the thresholds shown in Table B of Rule 1315 in order for the Executive Officer to be able to continue to issue permits to exempt sources pursuant to Rule 1304 or subject to Rule 1309.1 Priority Reserve.

Conclusions

The analysis presented in this report demonstrates the following:

- For calendar year 2018, South Coast AQMD's NSR program provides equivalent offsets to those required by state and federal NSR requirements and is equivalent to the state and federal requirements on an aggregate basis. This conclusion is based on the fact that the final ending state and federal offset account balances for this calendar year reporting period, as shown in Tables 1 and 5, remained positive for all pollutants.
- South Coast AQMD's projected federal offset account balances for 2019 and 2020 are projected to remain positive. This means that the sum of the estimated deposits to and withdrawals from South Coast AQMD's federal offset accounts during 2019 and 2020 are projected to remain positive and, therefore, demonstrates that South Coast AQMD's NSR program is equivalent to federal NSR requirements, as shown in Table 2.
- From the date of adoption of Rule 1315 (February 4, 2011) to the end of calendar year 2018, both the cumulative net emission increase of each nonattainment air contaminant at major and minor facilities and the projected cumulative net emission increase for 2019 and 2020 remained below the

thresholds identified in Table B of Rule 1315, and therefore the Executive Officer can continue to issue permits to construct and permits to operate that rely on further use of Rule 1304 exemptions or Rule 1309.1 Priority Reserve offsets to major and minor sources, as shown in Tables 3 and 4.

ATTACHMENTS

1. Detailed listing of actual debits, actual credits and sum of debits and credits.
2. Board Meeting Presentation

ATTACHMENT 1

Detailed listing of actual debits, actual credits and sum of debits and credits.

Table A
Total Actual Debits from South Coast AQMD's Federal Offset Accounts
(January 2018 through December 2018)

South Coast AQMD OFFSETS USED	VOC	NO_x	SO_x	PM₁₀
Priority Reserve (lbs/day)	-13	-11	0	0
Community Bank ^a (lbs/day)	0	0	0	0
Rule 1304 Exemptions (lbs/day)	-255	-310	-120	-467
Sum Total of South Coast AQMD Offsets (lbs/day)	-268	-321	-120	-467
1.2-to-1.0 Offset Ratio (lbs/day)	-54	-64	N/A	N/A
Total Actual Debits to South Coast AQMD Account (lbs/day)	-322	-385	-120	-467
Total Actual Debits to South Coast AQMD Account (tons/day)	-0.16	-0.19	-0.06	-0.23

^a Updated VOC value.

Table B
Total Actual Credits to South Coast AQMD's Federal Offset Accounts
(January 2018 through December 2018)

CREDITS RECEIVED	VOC	NO_x	SO_x	PM₁₀
Major Source Orphan Credits (lbs/day)	1,075	940	0	1
Minor Source Orphan Credits (lbs/day)	6,015	762	210	1,308
Total Orphan Credits (lbs/day)	7,090	1,702	210	1,309
Adjustment to Actual Emissions ^a (lbs/day)	-1,418	-340	-42	-262
Discount of ERCs ^b (lbs/day)	0	0	0	2
Creditable Minor Source ERC Use (lbs/day)	0	0	0	0
Creditable Major Source ERC Use (lbs/day)	0	0	0	0
Total Actual Credits to South Coast AQMD Account (lbs/day)	5,672	1,362	168	1,049
Total Actual Credits to South Coast AQMD Account (tons/day)	2.84	0.68	0.08	0.52

^a Adjustment of orphan shutdown and orphan reduction offset credits deposited in South Coast AQMD offset accounts to correct from potential emissions to actual emissions as discussed in Rule 1315(c)(3)(B)(i).

^b Prior to issuance of ERCs, they are discounted for NSR "Payback," which includes payback of NSR balance, Community Bank and Priority Reserve allocations, and offset exemptions, as discussed in Rule 1315(c)(3)(A)(v) and Rule 1306(c).

Table C
Sum of Final Credits/Debits Activities in South Coast AQMD's Federal Offset Accounts
(January 2018 through December 2018)

Description	VOC	NO_x	SO_x	PM₁₀
Total Actual Debits ^a (lbs/day)	-322	-385	-120	-467
Total Actual Credits ^a (lbs/day)	5,672	1,362	168	1,049
Sum of Actual Debits(-)/Credits(+)^a (lbs/day)	5,350	977	48	582
Sum of Actual Debits(-)/Credits(+)^a (tons/day)	2.68	0.49	0.02	0.29

^a Debits are shown as negative and Credits as positive, while their sum is shown as negative or positive, as appropriate.



Status Report on Regulation XIII - New Source Review

Governing Board Meeting
September 4, 2020

New Source Review Status Report Overview

Purpose

Demonstrate that South Coast AQMD's NSR program is in compliance with applicable state and federal NSR offset requirements as required by the California Air Resources Board, US EPA, and South Coast AQMD Rules 1310 and 1315



NSR Status Report Overview

History

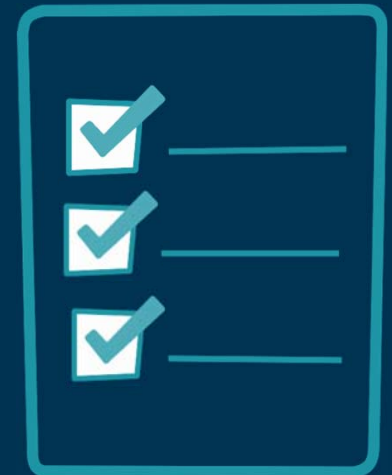
- South Coast AQMD has produced Annual NSR Status Reports going back to 1990
- Around 2002 - 2004 EPA requested South Coast AQMD to adopt a rule to memorialize equivalency demonstrations
- South Coast AQMD adopted Rule 1315 - Federal NSR Tracking System in 2006 / 2007 and adopted revisions in February 2011
- EPA approved Rule 1315 into the SIP and it became effective on June 25, 2012



Rule 1315 - Federal NSR Tracking System

Rule 1315 established procedures to demonstrate equivalency with federal NSR offset requirements for sources exempt from offsets

- ✓ Tracks debits from and credits to South Coast AQMD's federal internal offset account for each pollutant
- ✓ Annual Preliminary Determination of Equivalency (PDE), Final Determination of Equivalency (FDE), and Projections
- ✓ Balances in South Coast AQMD's federal offset accounts must remain positive
- ✓ Cumulative Net Emission Increases must remain below Rule 1315(g) threshold



Federal NSR Offset Accounts

Final Determination of Equivalency (FDE), CY 2018

DESCRIPTION	(Tons / Day)			
	VOC	NOx	SOx	PM10
2017 Final Ending Balance	107.81	23.43	4.27	16.02
2018 Total Credits	2.84	0.68	0.08	0.52
2018 Total Debits	-0.16	-0.19	-0.06	-0.23
2018 Total Discount of Credits for Surplus Adjustment	0.00	0.00	0.00	0.00
2018 Final Ending Balance	110.49	23.92	4.29	16.31

Federal Cumulative Net Emission Increase

February 4, 2011 - December 31, 2018

DESCRIPTION	(Tons / Day)			
	VOC	NOx	SOx	PM10
2017 Cumulative Net Emission Increase	-19.73	-3.19	-0.78	-0.70
2018 Increases in Potential to Emit	1.89	0.70	0.14	0.62
2018 Decreases in Potential to Emit	-3.55	-0.85	-0.11	-0.65
2018 Cumulative Net Emission Increase	-21.39	-3.34	-0.75	-0.73
Rule 1315(g) Table B Threshold	10.12	0.76	0.24	1.48

Projected Federal NSR Offset Accounts

CY 2019

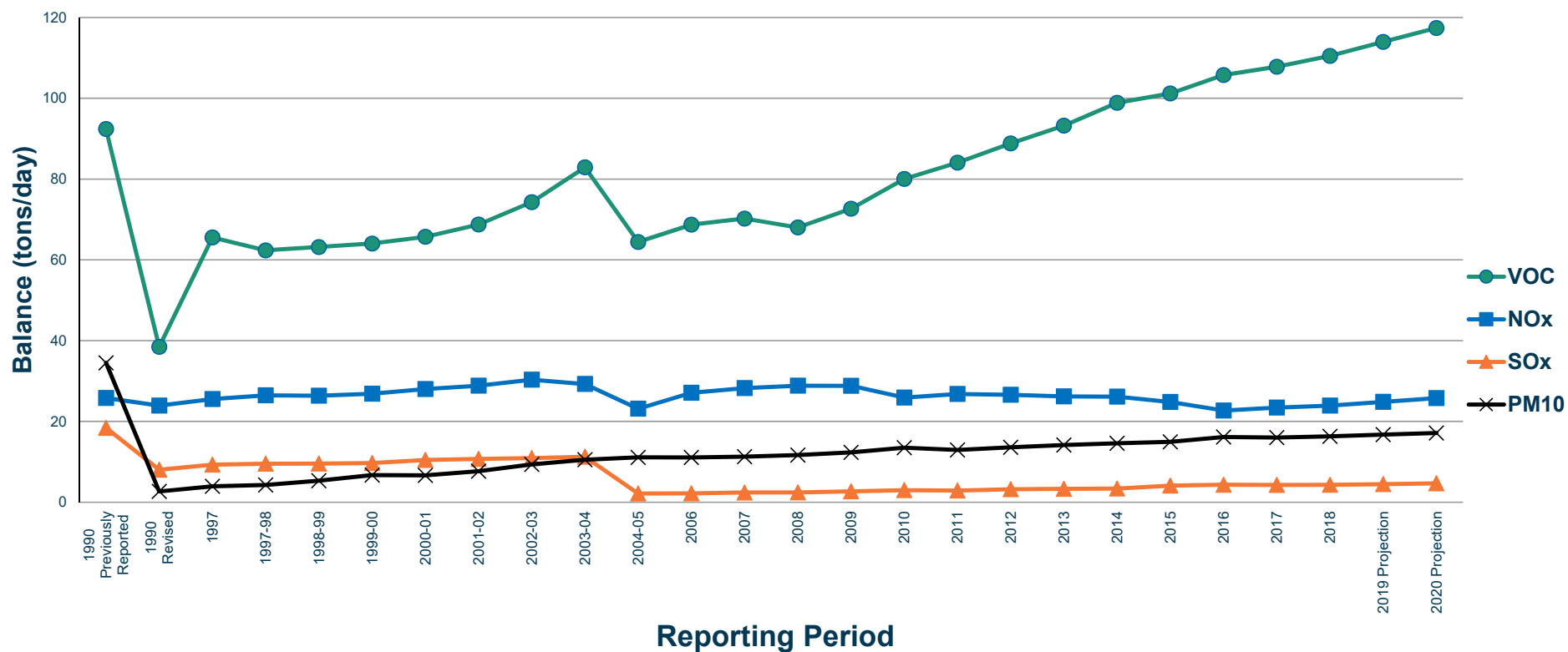
DESCRIPTION	(Tons / Day)			
	VOC	NOx	SOx	PM10
2018 Final Ending Balance	110.49	23.92	4.29	16.31
CY 2019 Total Projected Credits	3.88	1.15	0.25	0.62
CY 2019 Total Projected Debits	-0.42	-0.22	-0.06	-0.20
CY 2019 Projected Ending Balance	113.95	24.85	4.48	16.73

Projected Federal NSR Offset Accounts

CY 2020

DESCRIPTION	(Tons / Day)			
	VOC	NOx	SOx	PM10
CY 2019 Projected Ending Balance	113.95	24.85	4.48	16.73
CY 2020 Total Projected Credits	3.88	1.15	0.25	0.62
CY 2020 Total Projected Debits	-0.42	-0.22	-0.06	-0.20
CY 2020 Projected Ending Balance	117.41	25.78	4.67	17.15

Federal Offset Account Balances (1990 - 2018 with 2019 - 2020 Projections)



State NSR Offset Accounts

Final Determination of Equivalency (FDE), CY 2018

DESCRIPTION	(Tons / Day)			
	VOC	NOx	SOx	PM10
2018 Actual Starting Balance	83.93	35.27	9.04	21.83
2018 Actual Total Credits	2.84	0.68	0.08	0.52
2018 Actual Total Debits	-1.51	-0.56	-0.06	-0.19
2018 Actual Ending Balance	85.26	35.39	9.06	22.16

Conclusions

- The Final Determination of Equivalency for CY 2018 shows South Coast AQMD's NSR program continued to be at least equivalent to the state and federal NSR offset requirements
- For CYs 2019 and 2020 it is also projected that South Coast AQMD's NSR program will continue to be at least equivalent to the federal NSR offset requirements
- The Cumulative Net Emission Increases for CY 2018 remained below the thresholds identified in Table B of Rule 1315(g)(4)
- Next Preliminary Determination of Equivalency for CY 2019 will be presented to the Governing Board in February 2021