

Proposed Rule 1304.2

Greenfield Electrical Generating Facility Fee For Use Of SO_x And PM₁₀ Offsets

Working Group Meeting #2

November 20, 2014

Background

- Rule 1304.1 applicable to Repowering of units at Existing power plants - Adopted 9/6/2013
- Provides PM, NO_x, SO_x and VOC Offsets to repowers for a fee
- Current dearth of PM, SO_x and NO_x ERCs available in the open market

Objectives of PR 1304.2

- Implement Governor's Grid Reliability Task Force Report – Contingency Measures
- Promote preferred resources
 - CPUC Loading Order
 - CARB AB32 Scoping Plan
 - SCAQMD Energy Policy
- Facilitate grid reliability
- Assist in implementation of attainment strategy

Progress to Date

- Informal Meetings with key stakeholders since February 2014 Board Meeting
- Development of a Draft Rule
- Working Group Meeting #1 – July 10, 2014

Proposed Rule - Overview

- Require a Fee for SO_x/PM₁₀ Offsets obtained from District offset accounts for new and expanding Electrical Generating Facility in SOCAB
- Not mandatory to obtain offsets from District accounts
- Fee proceeds to be invested in air pollution improvement strategies consistent with the Air Quality Management Plan and/or local impacts (impacted EJ areas given priority)

Proposed Rule - Purpose & Applicability

■ Purpose

- Allows GEEGs with insufficient SO_x/PM₁₀ ERCs and unable to procure ERCs in the open market despite best efforts, to pay for the use of SCAQMD offsets, subject to certain provisions

■ Applicability

- Must have contracted to sell energy to a LSE subject to the jurisdiction of the CPUC;
OR
- Must have an IRP or an equivalent process approved by a public agency or municipality

Proposed Rule – Definitions

- GREENFIELD ELECTRICAL GENERATING FACILITY (GEGF) means a new facility or increased capacity at an existing facility that generates electricity for distribution in the state or local grid system, regardless of whether it also generates electricity for its own use or for use pursuant to a contract.
- NATIVE LOAD means the wholesale and retail customers on whose behalf the Local Publicly Owned Electric Utility (LPOEU), by statute, franchise, regulatory requirements, or contract; which is the subject of an IRP or equivalent process approved by the appropriate oversight body; and that LPOEU has undertaken an obligation to construct and operate the Transmission Provider's/Customer's system to meet the reliable electric needs of such customers.

Proposed Rule – Definitions (cont.)

- **ENVIRONMENTAL JUSTICE AREA** means an area where:
 - at least 10 percent of the population falls below the Federal poverty level based on the 2008-2012 or more recent American Community Survey (ACS) data; **AND**
 - the highest 15 percentile of PM2.5 concentration measurements interpolated to a 2 kilometer grid of the most recent Multiple Air Toxics Emissions Study (MATES) modeling domain; **OR**
 - the highest 15 percentile of cancer risk as calculated in the most recent MATES.

Proposed Rule – Definitions (cont.)

- Load Serving Entity – means an electrical corporation, electrical service provider, or community choice aggregator as defined in California Public Utilities Commission Code Section 380(j).

Minimum Program Requirements - To Qualify

- GFE to first secure ERCs in the open market
- Existing sources at GEGF must meet BACT or BARCT
- Non-refundable reservation fee (first year fee)
- Permit application(s) deemed complete
- Sufficient credits for R1309 & R1304 Emitters*
 - SOx Set Aside = 50 lb/day
 - PM10 Set Aside = 420 lb/day
- Total use not exceeding R1315 Cap

* CY 2002-2011 (10 Yr) historical draw of internal offsets: SOx = 152 lb/day
PM10 = 1,393 lb/day

Minimum Program Requirements - To Reserve Offsets

- Load Serving Entity – must generate electricity for distribution in the state or local grid pursuant to a contract under the CPUC LTPP
- Local Publicly Owned Electric Utility:
 - IRP or equivalent, approved by public agency/municipality at public meeting
 - Approving body has adopted energy policy on preferred resources and loading order consistent with CPUC policy
 - Power only for native load and grid reliability

Minimum Program Requirements – Offsets Use by GEGFs

■ Load Serving Entity Only -

- Contract approved via the CPUC application or advice letter process

■ All GEGFs:

- Appropriate CEQA document has been certified
- Offsets previously reserved
- Payment of Offset Fee

- Annual Payment Option: first year (reservation) fee

- Single Payment Option: fee – first year (reservation) fee

Offset Reservation Program Operation

- Qualified reservations will be taken on a first-come, first served basis
- An offset reservation expires 24 months after the PC is issued and the deposit forfeited
- The EO may extend an offset reservation by an additional 36 months
- The total amount of offsets reserved shall be posted, on a quarterly basis, at

www.aqmd.gov

Offset Fee

- Offset Fee(s) to be paid for each pollutant (i) for each year that the offsets are encumbered by the GEGF
- Calculation based on Permitted Potential to Emit
- Annual Fee (GF_{Ai}) to be paid for the entire operational period of the new unit or expansion; or optionally as a one-time single up front fee (GF_{Si})
- The annual fee by pollutant type (i):
 - derived by applying the CY 2013 1.6% increase in the CPI rate to Rule 1304.1 fee rates
 - adjusted annually by the Consumer Price Index

Offset Fee (cont.)

- Single Upfront Payment Option
 - Full fee due prior to PC

- Annual Payment Option
 - Only 1st year payment for offsets prior to PC
 - Credit applied to first year of operation
 - Annual payments start after first year of operation
 - For Multi-Phase/Block Projects
 - Payments for subsequent phases due only prior to operation of the phase and then annually thereafter

- EGFs may switch from annual to single payment at any time
 - Previous payments credited toward balance

Sample Fee Calculation

For PM10 Offsets ONLY - a separate computation must be performed for any SOx offsets obtained.

- Pollutant i = PM10
- Annual Fee Rate (A_i) = \$4,050/lb per day annually
- Single Fee Rate (S_i) = \$101,237/lb per day
- PTE_{new} = 800 lb/day

$$\begin{aligned} \text{GEGF Annual}_{\text{PM10}} &= A_{\text{PM10}} \times PTE_{new\text{PM10}} \\ &= \$4,050/\text{lb/day annually} \times 800 \text{ lb/day} \\ &= \$3,240,000 \text{ annually} \end{aligned}$$

$$\begin{aligned} \text{GEGF Single}_{\text{PM10}} &= S_{\text{PM10}} \times PTE_{new\text{PM10}} \\ &= \$101,237/\text{lb/day} \times 800 \text{ lb/day} \\ &= \$80,989,600 \end{aligned}$$

Refunds

- To address grid reliability and investment risk concerns, rule allows:
 - Annual payment option, initial year fee for reserving GEGF project offsets non-refundable
 - Partial refund prior to PC issuance (less first year fee and 8% service fee) for:
 - ❑ reduction in multi-phase/multi-year project permitted generation capacity
 - ❑ single payment option

Use of Fees

- Impacted Surrounding Communities, consistent with AQMP
 - Emphasis on Preferred Resources
 - ✓ Energy Efficiency
 - ✓ Demand Response
 - ✓ Energy Storage
 - ✓ Renewables
 - Low- or Zero-Emission Vehicles & Charging Infrastructure
- Consistent with Rule 1304.1 Implementation Guidelines

Key Issues

- Potential Siting in Environmental Justice Areas
 - Criteria to prevent additional exposure
 - Environmental benefits from offset fees
- Grid reliability and Gas Fired Contingency Generation
- Consider separate rules for LSEs and Municipalities

Key Agency Comments

- Utilities to purchase offsets and then apportion them to applicants upon award of power project contract
- Power project contract award prior to the allowing the reservation of offsets

Rule Development

Proposed Schedule

Informal Meetings March - June 2014

Working Group Meeting #1 July 10, 2014

Working Group Meeting #2 November 20, 2014

Public Workshop January 2015 ?

Adoption Hearing 2nd Quarter 2015 ?

Back-Up Slides

Historical Draw on SCAQMD Internal Offset Accounts (CYs 2002 -2011)

Pollutant (lb/day)	Rule 1304(a)(2)	Essential Public Services	All Others	Total	Rule 1304(a)(2) ÷ Total
PM10	3,634	730	663	5,027	72%
VOC	2,513	1,770	4,743	9,026	28%
SOx	126	135	17	278	45%
NOx	0	4,937	5,035	9,972	0%

Offset Fee Formulas

ANNUAL Payment Option (for pollutant i)

$$GEEGF_{Ai} = R_{Ai} \times PTE_{new_i}$$

SINGLE Payment Option (for pollutant i)

$$GEEGF_{Si} = R_{Si} \times PTE_{new_i}$$

(i = Non-RECALIM SO_x / PM)

Offset Fee Formula (cont.)

$GEEGF_{Ai}$ = ANNUAL Greenfield or Extended Electrical Generating Facility Offset Fee for pollutant (*i*)

$GEEGF_{Si}$ = SINGLE Greenfield or Extended Electrical Generating Facility Offset Fee for pollutant (*i*);

Ai = ANNUAL Fee Rate for pollutant (*i*), in \$/lb annually (see Table A of PR 1146.2)

Si = SINGLE Fee Rate for pollutant (*i*), in \$/lb (see Table A of PR 1146.2)

MW = Maximum/total Greenfield or extended project MW rating

$PTEnew_i$ = Maximum/total potential to emit of Greenfield or extended project for pollutant (*i*)

i = PM10 or Non-RECLAIM SOx

Table A Fee Rates (FY2014-15)

TABLE A Pollutant (i)	Annual Offset Fee Rate (R_i) (\$per lb/day annually)*	Single Payment Offset Fee Rate (S_i) (\$ per lb/day)*
SO _x **	3,321	80,530
PM10	4,050	101,237

*Fees shall be adjusted annually by the CPI, consistent with the provisions of Rule 320

**For non-RECLAIM sources only