

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET
SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000**

APPROVED MINUTES

Summary of Board of Directors
Stationary Source Committee Meeting
9:30 a.m., Monday, March 22, 2004

1. Call to Order – Roll Call: 9:30 a.m.

Roll Call: Mark DeSaulnier, Chairperson; Roberta Cooper, Jerry Hill, Julia Miller, Mark Ross, John Silva, Marland Townsend, Gayle Uilkema, Shelia Young .

Absent: None.

Also Present: Scott Haggerty (9:40 a.m.).

2. Public Comment Period: There were none.

3. Approval of Minutes of January 26, 2004: Director Townsend moved approval of the minutes; seconded by Director Miller; carried unanimously without objection.

4. Report on Renewal of Title V Permits to Pacific Gas & Electric Company (PG&E) and Consideration of Recommendation to Support PG&E's Proposed Shut Down of the Hunters Point Power Plant: *Staff presented a report on renewal of Title V Permits to PG&E and the Committee considered staff recommendation to support PG&E's proposed shut down of the Hunters Point Power Plant.*

Brian Bateman, Director of Engineering, presented information on the Title V Permit Program and the Mirant Potrero and PG&E Hunters Point Power Plants, and discussed the following:

- Background information on the Mirant Potrero and PG&E Hunters Point Power Plants.
- Proposed permit renewals to be issued by the end of March 2004.
- Information meetings scheduled for April 6 and April 8, 2004; and Public Hearings scheduled for May 4 and May 6, 2004, respectively.
- BAAQMD Regulation 9, Rule 11 – NOx Emission Limits for Utility Boilers.
- NOx Emissions from Hunters Point S-7 and Potrero S-1 Utility Boilers.

There were three public speakers on this agenda item:

R. Terry Nelson
Director, Power Generation – Fossil Generation
PG&E
San Francisco, CA

Gary DeShazo
California Independent System Operator (ISO) Grid Planning
Folsom, CA

Karl Krupp
Community Health Advocate
Greenaction
San Francisco, CA

In response to concerns expressed by Mr. Krupp, Jack Broadbent, Executive Officer/APCO stated that there is a great deal of public outreach being scheduled for this matter - an informational meeting for public comment is to be held on April 6, 2004, and there will be a public hearing on May 6, 2004 when community members may attend and express their comments.

Committee Action: Director Townsend moved approval of the staff recommendation to support PG&E's proposed shut down of the Hunters Point Power Plant; seconded by Director Hill; carried unanimously by acclamation.

5. Report of Proposed Amendments to District Regulation 3: Fees: *Staff presented a report on proposed amendments to District Regulation 3: Fees.*

Mr. Bateman provided a report on the proposed amendments to District Regulation 3: Fees, and discussed the following:

- Various fee categories and the proposed amendments to the various fee structures.
- Projected revenue for fiscal year 2003/2004.
- Fee increases over the last five years.
- Fiscal Year 2004/2005 Fee Proposal.
- Title V Permit Fees.
- Fiscal Year 2004/2005 Projected Fee Revenue and Program Costs.
- Rule Development Schedule.

Mr. Bateman stated that a public workshop was held on Friday, March 19, 2004, and informed the Committee that staff is proposing to bring this agenda item to the April 21, 2004 Board of Directors' meeting for the first public hearing and to the June 2, 2004 Board of Directors' meeting for the second public hearing.

In response to Committee members' questions and concerns, Staff responded as follows:

Mr. Peter Hess, Deputy Air Pollution Control Officer, explained that staff had looked at the total time spent on the Title V program, and had decided to cap the increase in fees at 20% for this year because staff did not want to overburden any one entity. He stated that the District is still under-collecting the amount for the Title V permit process and that next year staff would like to look throughout the Title V permit fee process and determine where staff can even out the collection of the fees. Some of the sources, as Mr. Bateman mentioned, are paying \$200 and other facilities are paying much more. Mr. Hess also pointed out that, prior to 1999, the Board of Directors, for about four years, did not increase the permit fees. Therefore, the District started with a deficit and, as indicated in this presentation, had a 15% increase later, to try to catch up. The District is still in the catch up mode of trying to get the revenues to match up with the costs. The costs are increasing because mandated programs from the California Air Resources Board and the Environmental Protection Agency demand more and more resources for their operations.

Mr. Bateman explained that the Title V facilities also hold District operating permits and that the Title V is their federal operating permits. All of the Title V facilities pay fees under District operating permits and those fees are substantially more than their Title V fees. For example, all the refineries pay an average of about \$1 million a year in total permit fees and the Title V portion of that is about \$100,000 (one-tenth of the total amount). Therefore, the Title V facilities are paying a very significant part of the overall permit fees.

In response to Director Haggerty's inquiry, Mr. Bateman stated that the South Coast Air Quality Management District's fees are quite a bit higher. The receipt of County revenues subsidizes the Bay Area Air Quality Management District's fees.

Mr. Broadbent added that if the Committee would like staff to investigate how the District can better recover its costs in the Title V program, it would go back and review the figures. He shared the concerns of several Committee members that the District is not collecting as much revenue to cover its total costs in terms of the federally-mandated program. However, Mr. Broadbent felt that basically the District is trying to be modest and prudent in its proposed increases at this point in time. He pointed out that the District is spending a lot of time and resources on the Title V program.

In response to Director Townsend's inquiry on the large gap in the Operating/New & Modified Permit Fees Revenue vs. Costs, Mr. Broadbent stated he would like to initiate the cost recovery study at the District as soon as possible. As a result of this study, staff will make some recommendations to the Board of Directors. Also, there is a fairly sizeable amount allocated in next year's budget for the J.D. Edwards transition – basically taking the IRIS Databank program and transitioning it to a new system. Once the transition is fully completed, the District will start to experience some efficiency and this, in turn, will lower the overall operating costs. The transition will take all of next fiscal year and probably go into the following fiscal year to be completed.

Mr. Broadbent stated that if the District tries to match the total Revenues to total Costs for the Operating/New & Modified Permit fees at this time, there would have to be a significant increase in the permit fees, and he did not feel comfortable recommending such an increase to the Board of Directors at this time.

Chairman DeSaulnier suggested to Mr. Broadbent that staff consider the input provided by Committee members, their concerns and recommendations, and incorporate them into the final recommendation that will be made to the full Board of Directors. Mr. Broadbent responded that staff will consider and incorporate all of the Committee members' suggestions and come back with a final proposal to the full Board, as per the Committee's request.

There was one public speaker on this agenda item:

Dennis Bolt
Western States Petroleum Association
Concord, CA

Committee Action: Director Townsend moved to recommend the Committee's recommendations, including the concerns and comments expressed by Committee members to the Board of Directors; seconded by Director Cooper; carried unanimously by acclamation.

6. **Committee Member Comments/Other Business:** Director Young requested that copies of both Supervisor Maxwell's letter and ISO's response to that letter, mentioned by Mr. DeShazo, be made available to the Board members in their packet for the next Board of Directors' meeting.

Chairman DeSaulnier requested that the workshop notices and notices for other meetings on the PG&E plant be sent to Supervisor Maxwell.

7. **Time and Place of Next Meeting:** 9:30 a.m., Monday, May 24, 2004, 939 Ellis Street, San Francisco, California 94109
8. **Adjournment:** 10:42 a.m.

/s/ Neel Advani

Neel Advani
Deputy Clerk of the Boards

STATIONARY SOURCE COMMITTEE

Follow-Up Items for Staff

March 22, 2004

1. Director Young requested that copies of both Supervisor Maxwell's letter and ISO's response to that letter, mentioned by Mr. DeShazo, be made available to the Board members in their packet for the next Board of Directors' meeting.
2. Chairman DeSaulnier requested that the workshop notices and notices for other meetings on the PG&E plant be sent to Supervisor Maxwell.
3. Staff to consider the Committee's recommendations and concerns regarding the large gap between Title V Permit Fees' total Revenues and total Costs; and in the total Revenues vs. total Costs for the Operating/New & Modified Permit fees. Staff to look into either increasing the Title V Permit fees for this year, so that total Revenues would cover the total Costs, or reducing the total Costs so that the Revenues match the Costs.