



South Coast Air Quality Management District

# Permit Streamlining Task Force Subcommittee Meeting

January 28, 2009

2:00 – 4:00 p.m.

Conference Room CC8

# Agenda

- Call to Order/Opening Remarks
- Review of Minutes from October 23, 2008 Subcommittee Meeting
- Status of Rules 1315 and 1309.1 Lawsuit
- Permit Moratorium for Offsets
- Rule 1110.2 – Emissions from Gaseous- and Liquid-Filled Engines.
- Greenhouse Gases (GHG) CEQA Significance Threshold
- Permitting Actions Associated with AB32-California Global Warming Solutions Act of 2006
- Permit Inventory Status Update
- Other Permit Streamlining Recommendations
- Next Meetings Schedule
- Public Comment Period

# Status of Rule 1315 and 1309.1 Lawsuit

Barbara Baird

# NSR Litigations

Natural Resources Defense Council,  
Communities for a Better Environment,  
Coalition for a Safe Environment and  
California Communities Against Toxics  
filed two lawsuits against SCAQMD:

- One in State Court challenging SCAQMD's Adoption of Rules 1309.1 and 1315
- One in Federal Court challenging validity of SCAQMD's Offsets

# Status of Environmental Organizations' Law Suit Against AQMD in State Court

Date	Event
August 3, 2007	AQMD Adopted Rule 1315 - Federal NSR Tracking System and Amended Rule 1309.1 - Priority Reserve
August 31, 2007	NRDC, CBE, CSA & CCAT filed a law suit in State Superior Court challenging AQMD's adoption of Rule 1315 and Rule 1309.1 Amendment
July 28, 2008	Judge Ann I. Jones issued a ruling invalidating Adoption of Rule 1315 and Amendments to Rule 1309.1 based on CEQA
October 2, 2008	AQMD filed a motion with Judge Jones requesting to allow permitting of essential public services and other exempt sources (excluding power plants) to continue while AQMD readopts Rule 1315
October 20, 2008	NRDC, et. al. filed a motion in opposition to AQMD's motion
November 3, 2008	Judge Jones issued a final decision denying AQMD's motion and approving NRDC's motion
November 28, 2008	AQMD filed an appeal to Judge Jones' decision in the Court of Appeals, 2nd District
December 18, 2008	NRDC, et. al. filed a cross appeal to Judge Jones' decision in the Court of Appeals, 2nd District

# Status of Environmental Organizations' Law Suit Against AQMD in Federal Court

Date	Event
August 18, 2008	NRDC, CBE, CSA & Desert Citizens Against Pollution filed a lawsuit in federal court against AQMD to invalidate credits in AQMD's offset bank
October 8, 2008	AQMD filed a motion to dismiss NRDC, et.al. lawsuit
December 11, 2008	Court Hearing on motion to dismiss and request for intervention. Decision continued.
February 2, 2009	Continuation of court hearing on motion to dismiss & request for intervention

# Permit Moratorium for Offsets

Mohsen Nazemi

# NSR Offset Requirements

- Emission Offsets (ERCs or RTCs) are required for permitting of:
  - New Facilities
  - Relocations
  - Existing Facility Modifications/Expansions by:
    - Installation of New Equipment
    - Replacement of Existing Equipment
    - Modification and/or modernization of equipment
- Emission Offset Exemptions (Rules 1309.1 and 1304)
  - SCAQMD NSR Rules provide exemptions from offsets (i.e., ERCs) for certain specific sources
  - SCAQMD provides offsets for the exempt sources from its Offset Credit Bank



# The SCAQMD's Offset Credit Bank

1990 -Offset Credit Bank established

Funded primarily with:

- (i) “Pre-1990” emission reduction credits
- (ii) Post 1990 “major-source orphan shutdowns”

An NSR Tracking System is used to account for credit withdrawals and deposits

2002

In connection with other NSR rule amendments EPA asked SCAQMD to memorialize NSR Tracking system in a SCAQMD regulation

# Actions Taken by SCAQMD in 2006 and 2007

## SCAQMD Adopted Rule 1315 →

### NSR Tracking Rule

- Replaced some of pre-1990 credits with creditable minor source orphan shutdowns

## Use of SCAQMD Credit Bank



### SCAQMD Rule 1309.1- Priority Reserve

- Essential Public Services (i.e. sewage treatment plants, landfills, hospitals)
- Amended to add power plants

### SCAQMD Rule 1304 (Exemptions)

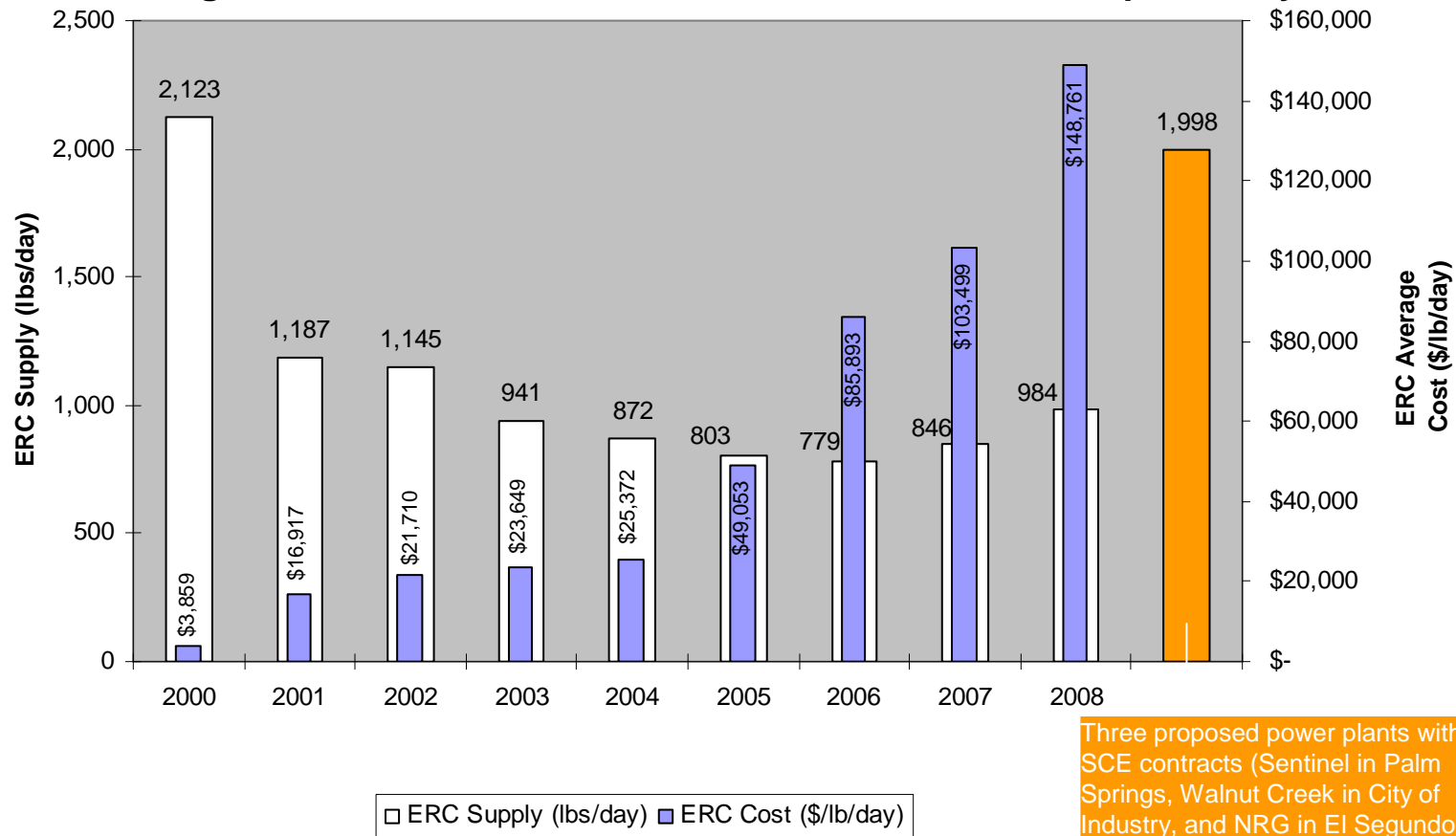
- Credit exemptions for certain sources

# As A Result of the Court Decision

- Without SCAQMD's bank of offset credits:
  - No essential public service projects can be permitted
  - No other local government & business permits can be issued
  - No new power plants can be permitted
- The only remaining option for local government and business is to purchase ERCs in Open Market
  - Not enough ERCs in the open market
  - ERCs are expensive and potentially unaffordable

# PM10 ERC Supply & Average Cost Trends (2000-2008)

Supply dropped by 54% since 2000  
 Cost increased by 3,755% since 2000  
 Highest Price of PM10 ERC sold in 2008 was \$247,000 per lb/day



# Cost of ERCs for Businesses, If SCAQMD Does not Provide Offset Credits

<u>Typical Projects</u>	<u>Cost of ERCs*</u>
■ Police Station (Emergency Backup Generator)	\$110,000
■ Gas Station	\$255,000
■ Printer (Printing Press)	\$390,000
■ Auto body Shop (Spray Booth)	\$500,000
■ Hospital (Boiler)	\$2 million
■ Food Processing (Tortilla Fryer & Oven)	\$2 million
■ Sewage Treatment Plant Expansion	\$3 million
■ Landfill Gas Recovery (Renewable Energy)	\$140 million
■ Power Plants (state-of-the-art)	\$100-200 million

*\* Based on typical project emissions and average market price of ERCs in 2008. Individual project emissions and ERC purchase prices may vary on a case-by-case basis.*

# Permit Applications with Offset Exemptions on Hold

Presently, the following number of permit applications which qualify for offset exemptions are on hold:

- For Rule 1309.1 Exemption > 130
- For Rule 1304 Exemption >1100
- Exempt Projects which Purchased ERCs 11

# Examples of Projects Currently on Hold

PROJECT NAME	LOCATION	TYPE OF FACILITY	PROJECT DESCRIPTION
Eastern Municipal Water District	Moreno Valley	Sewage Treatment	Expanding capacity at sewage treatment facility
Eastern Municipal Water District	San Jacinto	Sewage Treatment	Expanding capacity at sewage treatment facility
Riverside Co. Waste Management	Moreno Valley	Landfill	Air pollution control device consisting of a landfill gas flare
Los Angeles City	Terminal Island	Sewage Treatment	Air pollution control device consisting of digester gas flare
MM West Covina	West Covina	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Montauk Energy	Irvine	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Ridgewood Power Management	Brea	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Sunshine Gas Producers	Sylmar	Landfill	Air pollution control device consisting of landfill gas to energy turbine
Los Angeles City Sanitation & DWP (SHARE Project)	Los Angeles	Sewage Treatment	Air pollution control device consisting of digester gas to energy turbine
Los Angeles County Sanitation District	Palos Verdes	Landfill	Air pollution control device consisting of landfill gas to energy turbine and ultra-low emission flare
Loma Linda University	Loma Linda	School	2 crematory furnaces



# Other Potential Impacts

As a result of the Hold on Permits, there will be potential Delays in:

- Implementation of SIP Rules
- Implementation of soil or ground water cleanup orders from other agencies
- Implementation of requirements of the AB32 CARB Scoping Plan
- Facility & Equipment Modernizations
- Hundreds of Permits for small sources such as gas stations, print shops, auto body shops and other businesses



# Status Update of Rule 1110.2 Permitting & Compliance

Jay Chen

# Greenhouse Gases (GHG) CEQA Significance Threshold

Steve Smith

# Background

- Attorney General lawsuits/settlements
  - ✓ San Bernardino County General Plan Lawsuit – failure to analyze GHGs
  - ✓ ConocoPhillips Bay Area Refinery Settlement – failure to conclude whether or not GHGs significant
  - ✓ Great Valley Ethanol Project (Hanford) Settlement – failure to adequately mitigate GHG emissions

# Background (cont.)

- Is prudent to use GHG significance threshold adopted by Board Resolution via a public process
- AQMD Working Group (4/04 -1/09, 8 meetings)
  - ✓ State agencies (AG office, OPR, CARB)
  - ✓ Other air districts' staff
  - ✓ Local governments
  - ✓ Environmental community
  - ✓ Business community
- OPR CEQA & Climate Change Technical Advisory (8/08)
- CARB staff's draft GHG threshold proposal (10/08)
- CEC process to develop GHG thresholds for power plants (10/08)

# Staff's Interim GHG Proposal

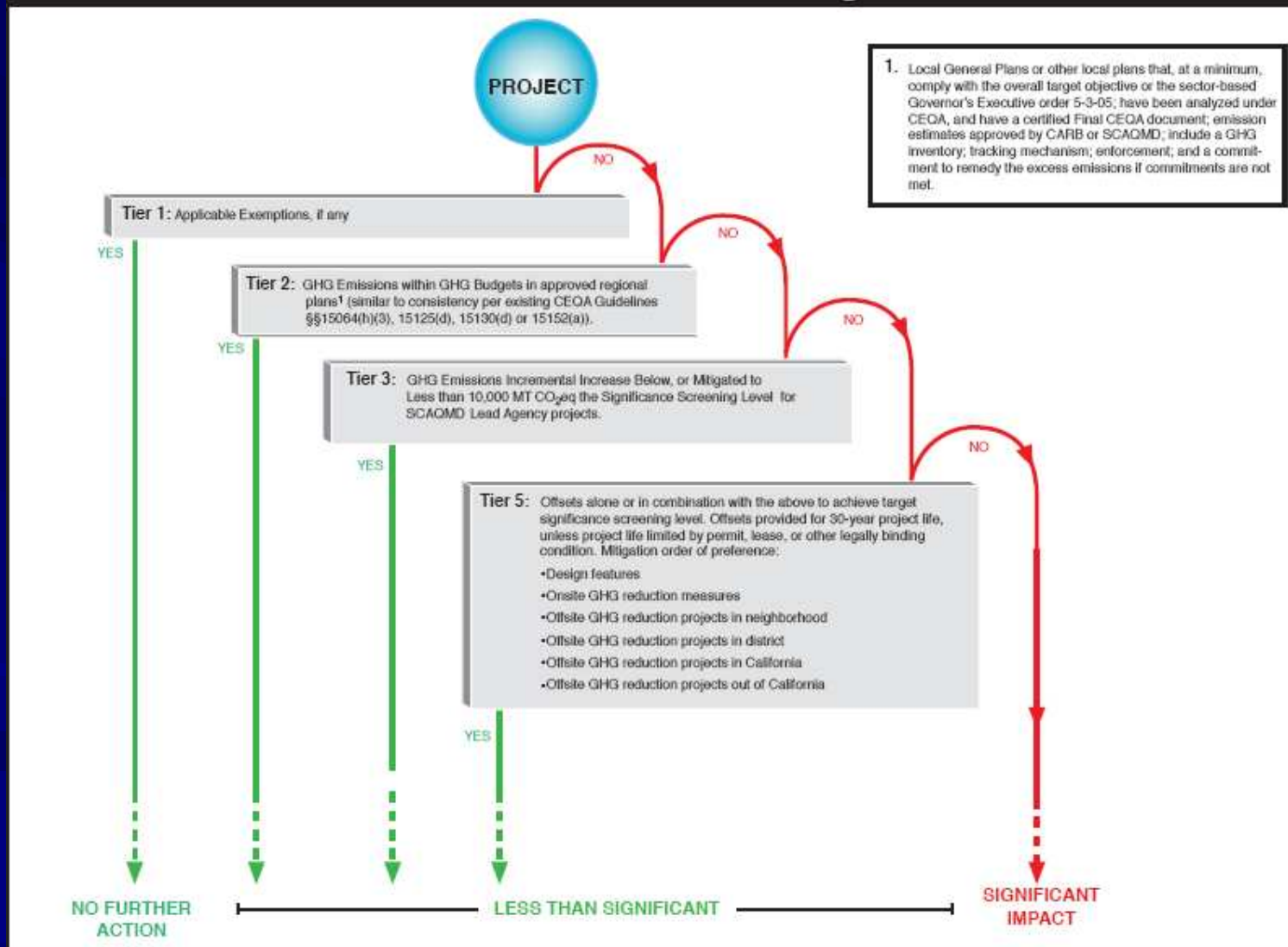
- Adopted by the Governing Board 12/5/08
- Applicability – industrial (stationary source) projects
  - ✓ Only when AQMD assumes lead agency role
    - SCAQMD rules, regulations or Plans, e.g., AQMP
    - Discretionary permit projects where SCAQMD has primary approval authority
  - ✓ Not recommended at this time for use by other agencies for land use projects (residential/commercial)

# Staff's Interim GHG Proposal (Cont.)

- Determining significance using a tiered approach
  - ✓ Tier 1: Applicable CEQA Exemptions
    - E.g., SB 97, categorical & statutory exemptions
  - ✓ Tier 2: Consistent with GHG reduction plan (§§15064(h)(3), 15125(d), or 15152(a))
  - ✓ Tier 3: < or mitigated to < 10,000 MTCO<sub>2</sub>eq/yr (only for industrial projects)
  - ✓ Tier 4: Not recommended at this time
  - ✓ Tier 5: Off-site mitigation for life of project (30 years)

# Staff's Interim GHG Proposal (Cont.)

## Draft AQMD Staff CEQA Greenhouse Gas Significance Threshold





# Staff's Interim GHG Proposal – Methodology

- Capture 90% of GHG emissions from district-wide new/modified stationary/industrial projects
  - ✓ Surveyed AERs for 1,297 existing facilities
  - ✓ Natural gas combustion sources
  - ✓ 10% of facilities responsible for ~ 90% of emissions emitting 10,000 mty or more of CO<sub>2</sub>E
- Threshold applies to both emissions from construction & operational phases plus indirect emissions (electricity, water use, etc.)



# Staff's Interim GHG Proposal – Resolution Language Mitigation Preference

## ■ Real, Quantifiable, Verifiable, and Surplus

- ✓ Project design feature/onsite reduction measures
- ✓ Offsite within neighborhood
- ✓ Offsite within district
- ✓ Offsite within state
- ✓ Offsite out of state

## ■ Rationale

- ✓ Maximize co-benefit potential
- ✓ Maximize real GHG emission reduction potential
- ✓ Projected project emissions include indirect, offsite GHG emission sources

# Staff's Interim GHG Proposal – Resolution Language Other Staff Recommendations

- Defer residential/commercial sector GHG proposal
- Participate in CARB process
- Continue to seek stakeholder input
- Report back to the Board in March on:
  - ✓ Status of CARB, CEC, & OPR proposals
    - CARB process delayed ~ 1 month
  - ✓ Residential & commercial sector GHG proposal
  - ✓ Other Enhancements

# Staff's Interim GHG Proposal – Implementation & Future Activities

- Implementation of GHG significance threshold: upon adoption
- Future Activities
  - ✓ Report back in March on Tier 4 & recommendation for residential & commercial GHG significance thresholds, if not acted on by CARB board by February
  - ✓ Compile GHG emission factors & mitigation measures
  - ✓ Continue working group process in coordination with CARB effort

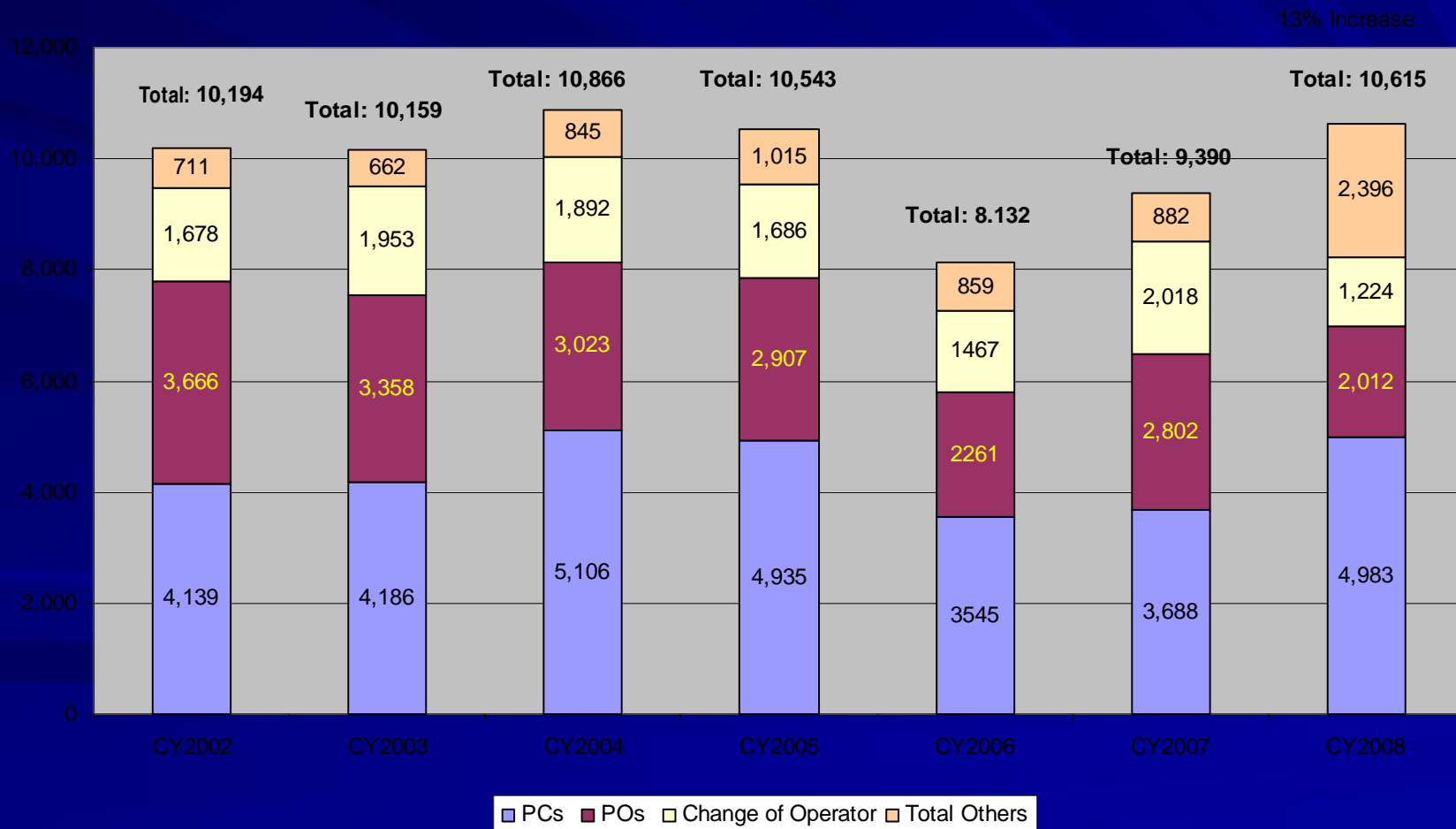
# Permitting Actions Associated with AB32 – California Global Warming

Greg Adams

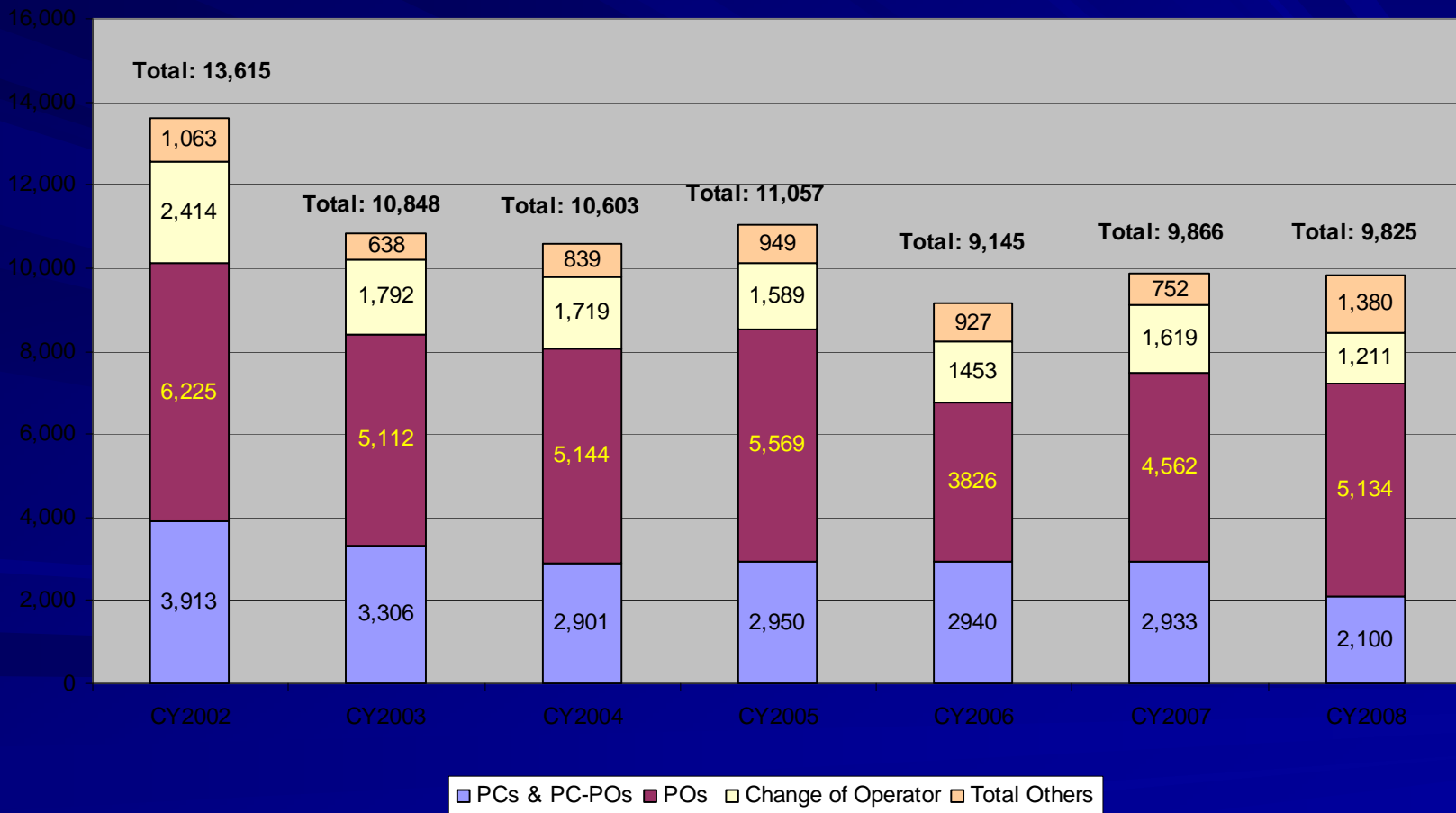
# Permit Inventory Status Update

Mohsen Nazemi

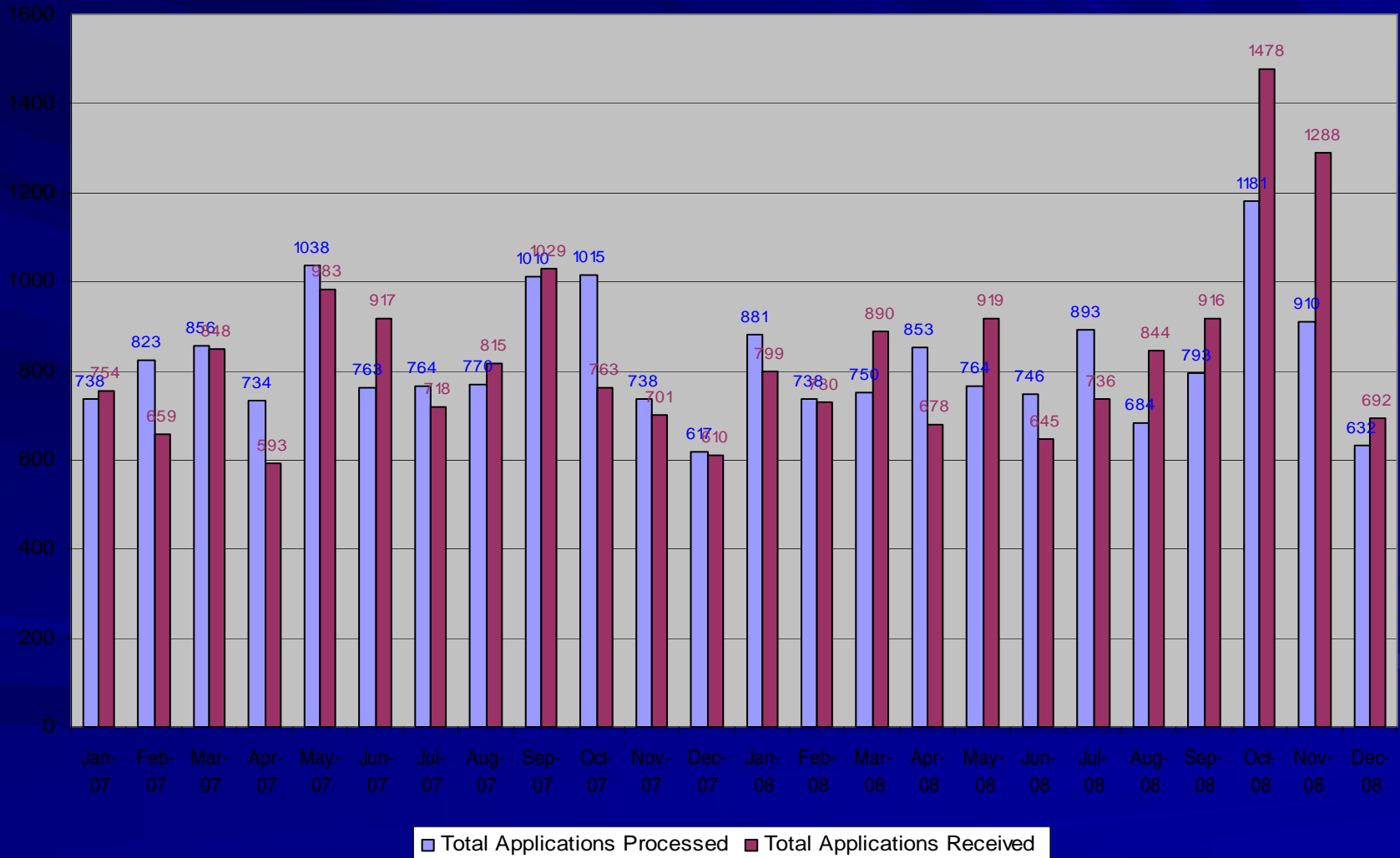
# Permit Inventory Status Update - Applications Received



# Permit Inventory Status Update - Applications Processed

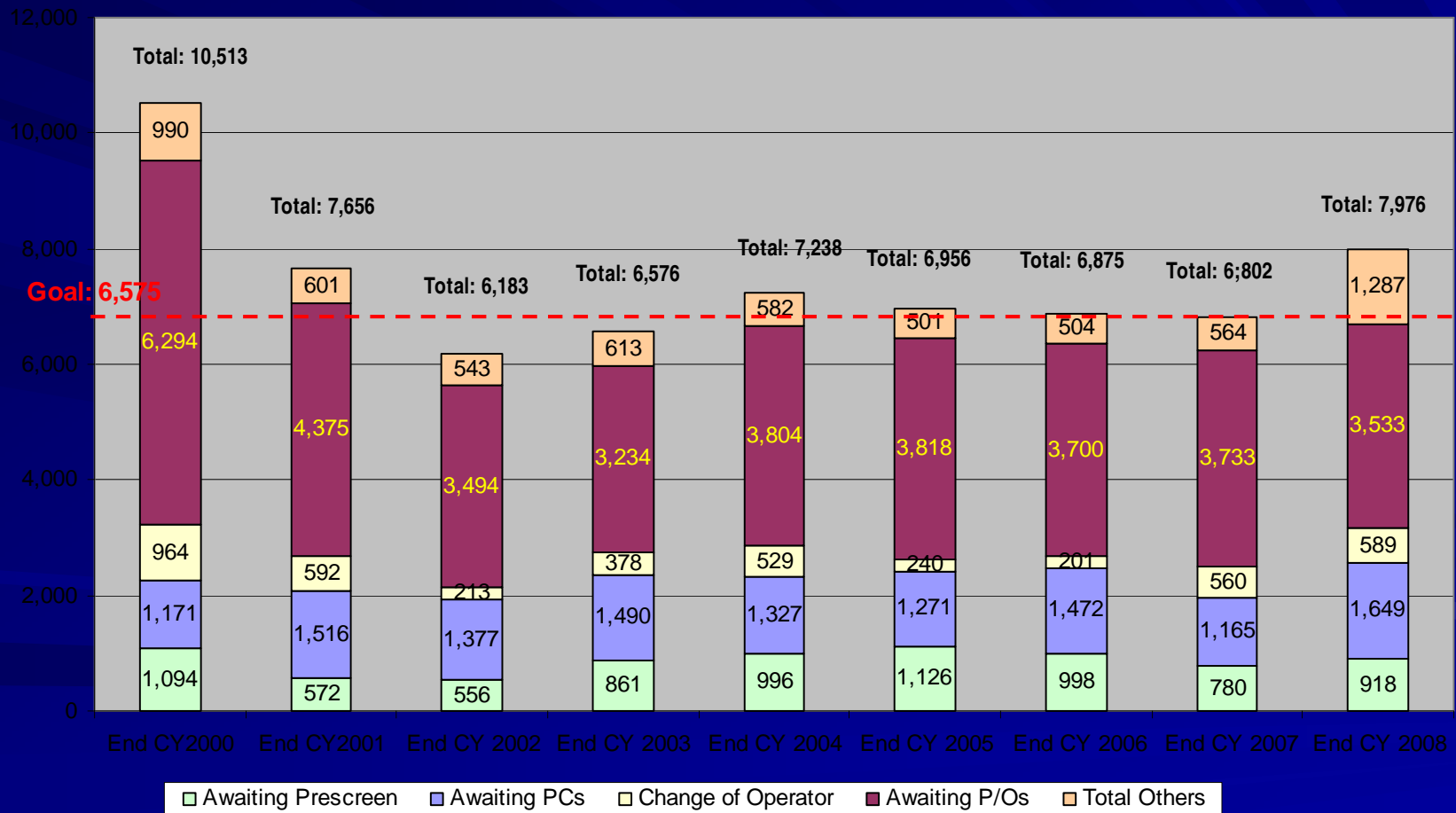


# Permit Inventory Status Update - Applications Processed & Received

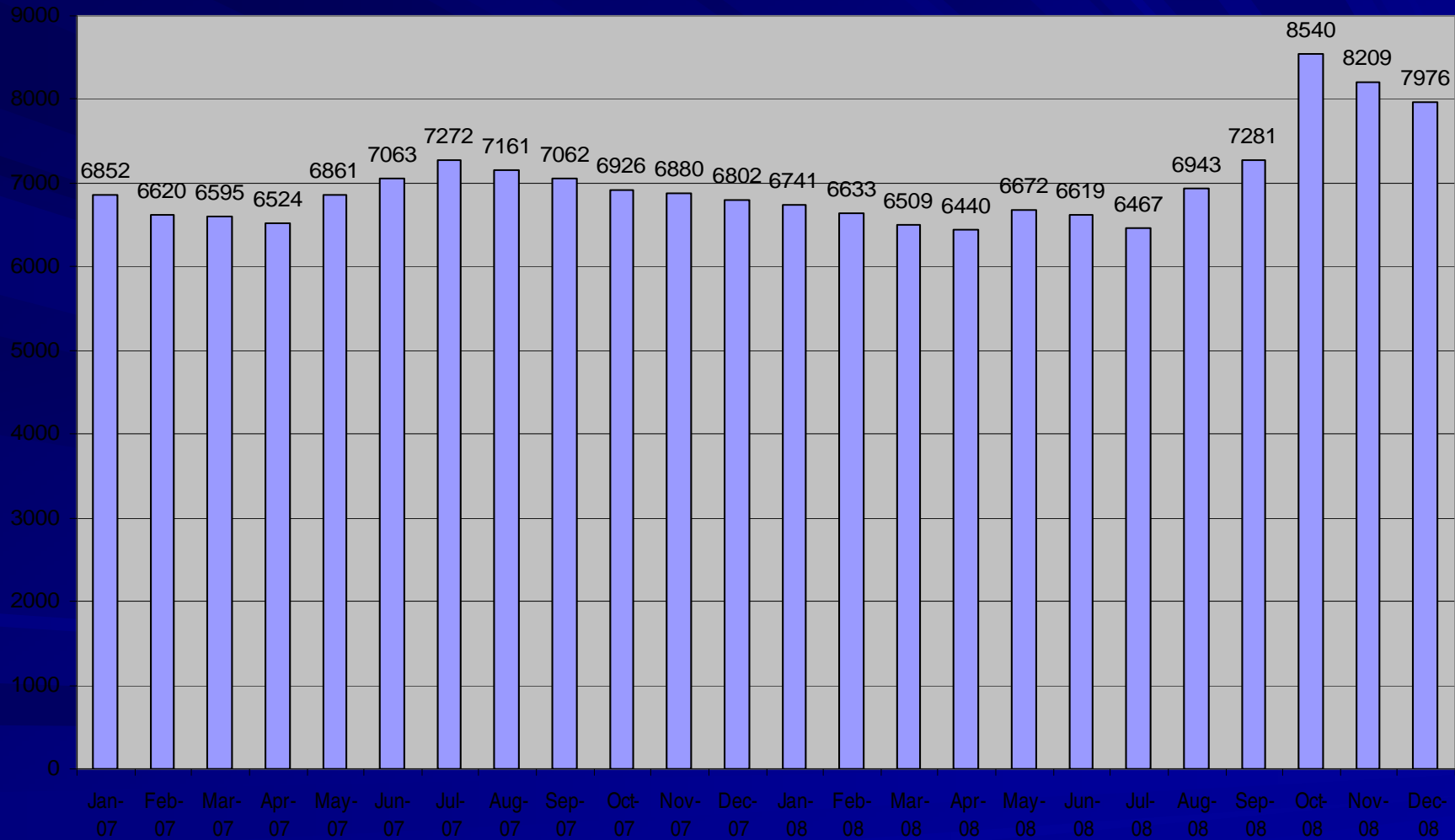




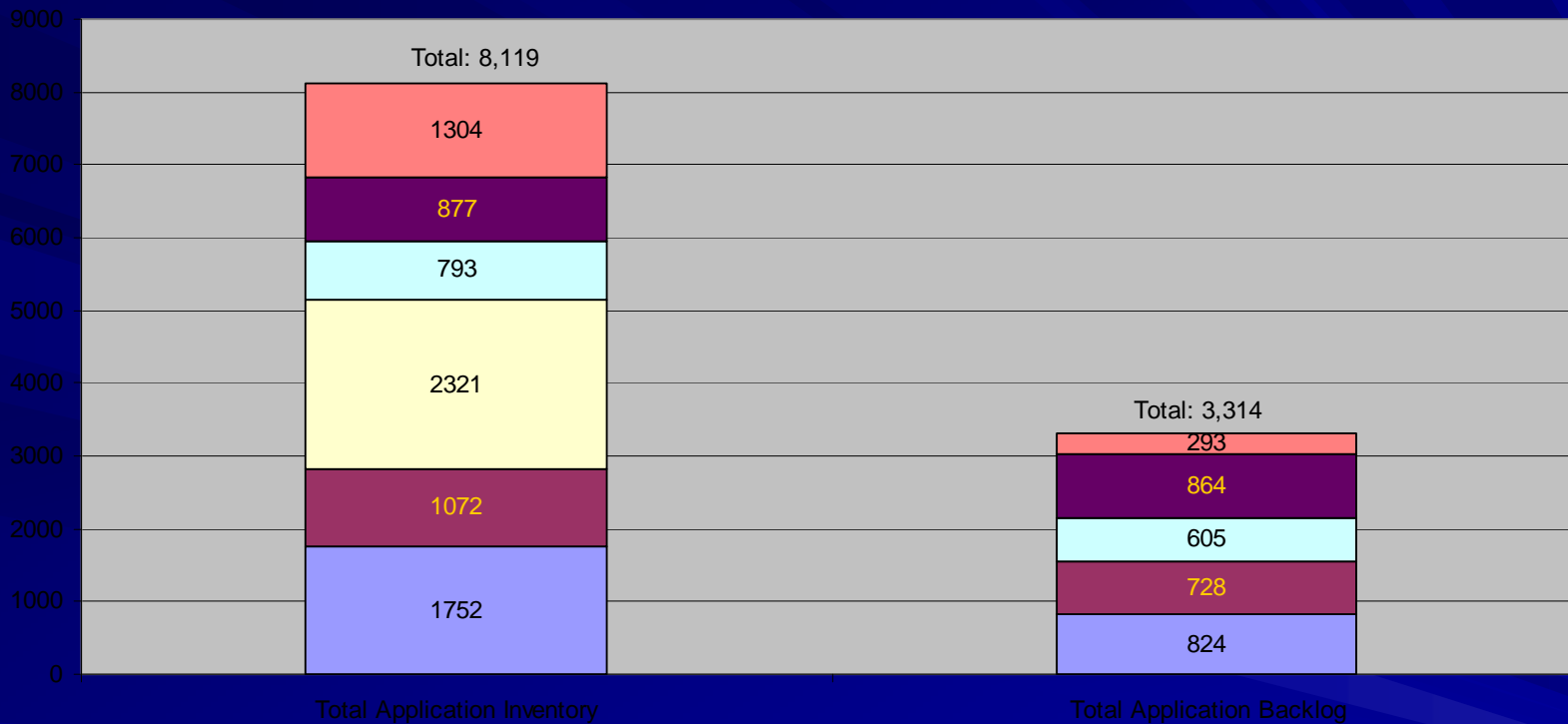
# Permit Inventory Status Update - Applications Pending



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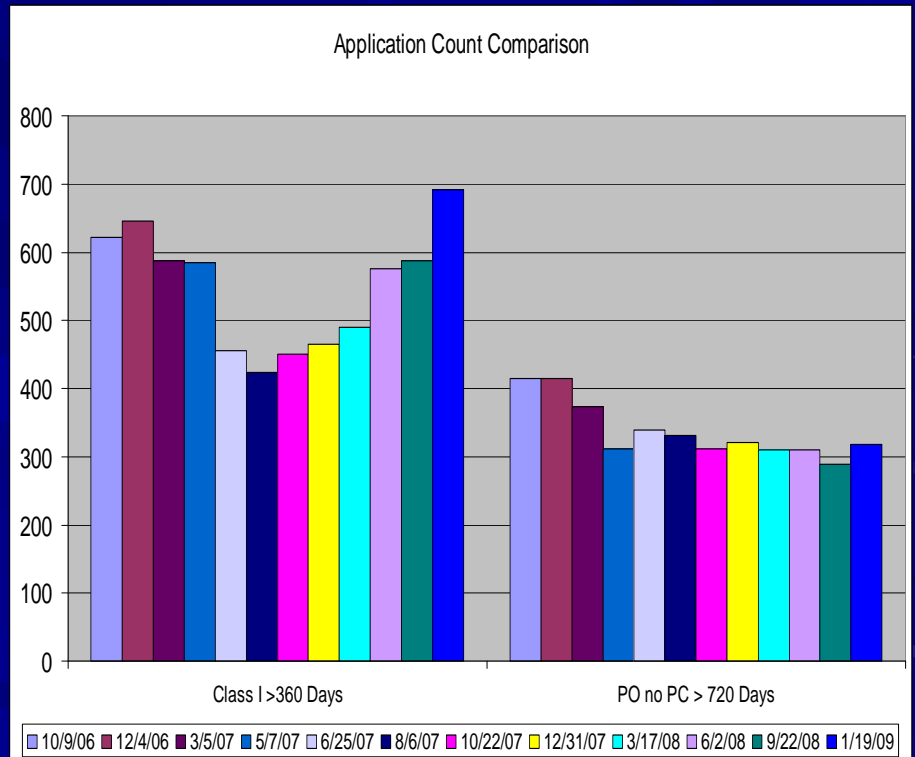
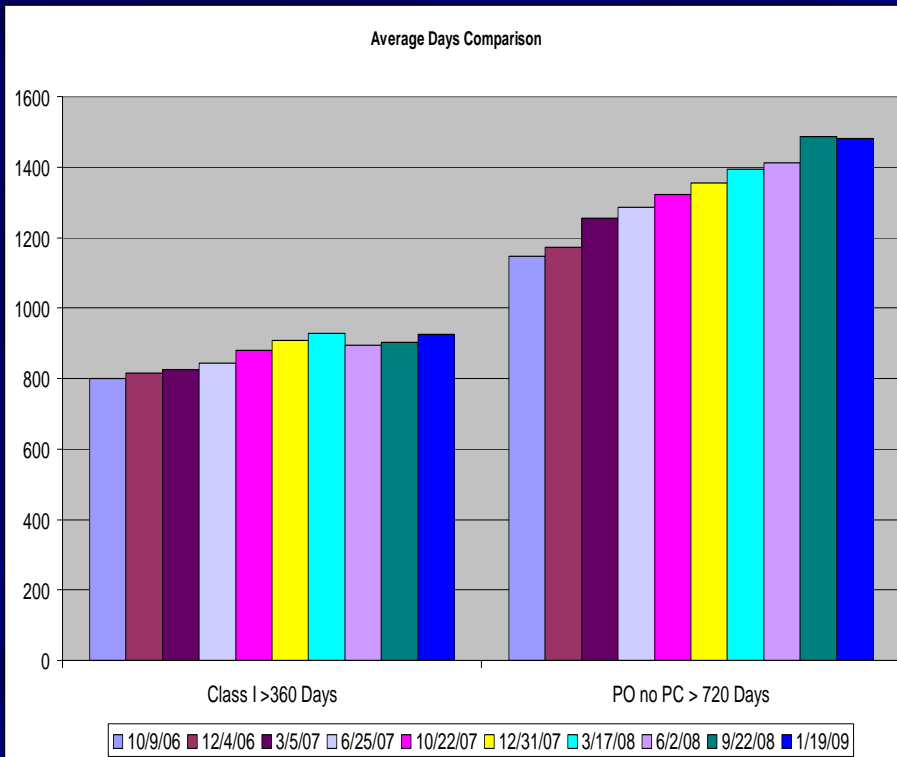
# Permit Inventory Status Update - Applications Pending\*



- Other Applications:(Compliance Plans, Emission Reduction Credits):
- Applications for Change of Conditions or Administrative Changes
- Applications for Change of Operator/Ownership
- Applications for PO where a previous PC was issued
- Applications for PO where equipment was installed without first obtaining a PC
- Applications for PC new, modified or relocated equipment

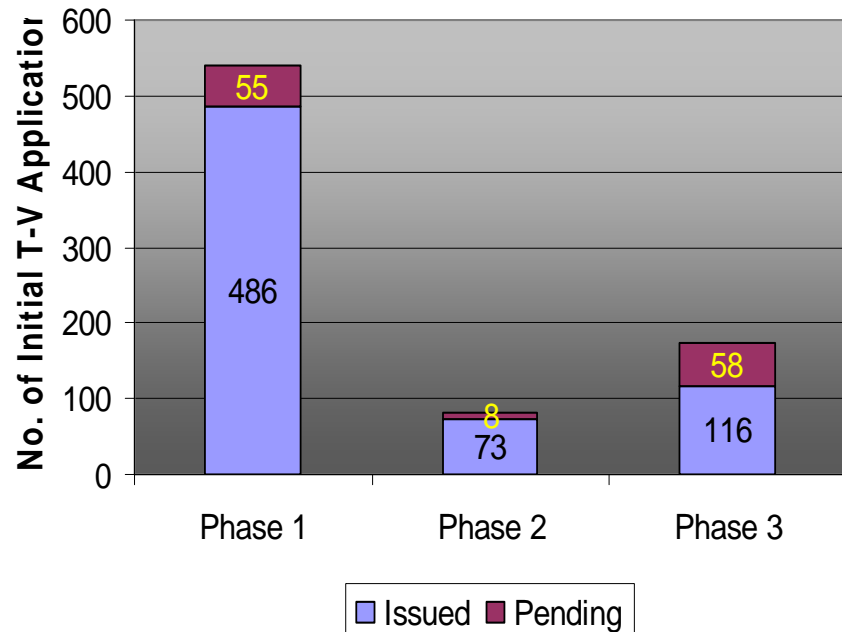
\* As of Jan. 19, 2009

# Permit Inventory Status Update - Aged Application Report

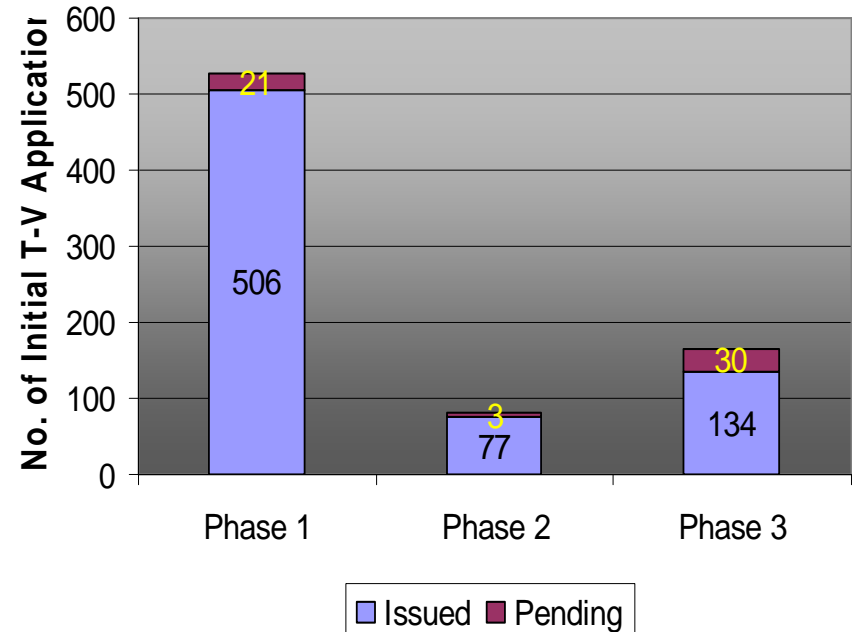


# Permit Inventory Status Update – Initial Title V Applications

Initial Title V Application Status as of April 30, 2008



Initial Title V Application Status as of Jan. 19, 2009



# Next Meeting

- March 17, 2009, Tuesday
  - CC8, 2-4 PM