

PROPOSED AMENDED RULE 1309.2. - OFFSET BUDGET

(a) Offset Budget

The Executive Officer shall establish an Offset Budget to provide credits for sources that require external emission offsets for NOx, SOx, and PM₁₀~~and CO~~, upon approval by CARB and U.S. EPA.

(b) Eligibility Requirements

(1) Operators of facilities that are not exempt from offset requirements pursuant to Rule 1304 nor are eligible for allocations from the Priority Reserve (Rule 1309.1), and require external offsets may be eligible for allocations from the Offset Budget.

(2) Prior to receiving an allocation from the Offset Budget, an operator shall:

(A)~~(a)~~ Demonstrate that all sources the applicant owns or operates in the AQMD meet Best Available Retrofit Control Technology (BARCT) levels as defined in Regulation XI rules, or demonstrate to the satisfaction of the Executive Officer that the applicant owns or operates no sources which could be modified to BARCT levels; and

(B)~~(b)~~ Conduct a due diligence effort (limited to costs not to exceed the Rule 1309.2 mitigation fee for that pollutant) approved by the Executive Officer or designee to secure available credits, including STCs; and

(C)~~(c)~~ Pay a non-refundable mitigation fee of the following amounts:

(i) For permanent credits ~~(for the period November 1, 2002 through June 30, 2003)~~

CO	\$15,000
NOx	\$ <u>77,203</u> 22,875
PM ₁₀	\$ <u>145,562</u> 31,250
SOx	\$ <u>61,048</u> 11,125

for each pound per day of each pollutant obtained from the Offset Budget; or,

(ii) For short-term credits ~~(for the period November 1, 2002~~

~~through June 30, 2003)~~

CO	\$1,100
NOx	\$5,681,800
PM ₁₀	\$10,7112,300
SOx	\$4,492820

for each pound per day per year by pollutant obtained from the Offset Budget.

~~The mitigation fee for Offset Budget allocations will be identified in Regulation III—Fees, for the period subsequent to June 30, 2003.~~

(c) The Executive Officer:

- (1) Will prioritize allocations based on meeting the qualification of subdivision (b) above and the date the application is deemed complete; and
- (2) Will issue no one facility more than 15% of the allocations available in any one year nor more than necessary for permit issuance; and
- (3) Will track and maintain records of all credits generated and allocations granted for use from the Offset Budget and annually report this activity to the District Governing Board at a regularly scheduled public meeting, CARB and the U.S. EPA; and
- (4) May pre-fund the Offset Budget with year 2000 through 2002 Expired Permit Source Shutdown Credits (EPSSCs), from non-major polluting facilities with emissions greater than 4 tons per year ~~(29 tons per year for CO)~~, that are not used to demonstrate equivalency with federal or state NSR requirements based on actual emissions prior to shutdown. Actual emissions from EPSSCs shall be determined based on emissions reported by the facility as part of the two most recent annual emissions inventory reports, prior to shutdown, submitted pursuant to Rule 301-Permit Fees. In the absence of Rule 301 emissions inventory reports, NSR permit levels discounted by 20% will be used to reflect actual emissions; and
- (5) May accrue ongoing funding for the Offset Budget from:
 - (A) EPSSCs in years 2003 and beyond, from non-major polluting facilities with emissions greater than 4 tons per year ~~(29 tons per year for CO)~~, based on actual emissions determined as specified in paragraph (c) (4),

- (B) Emission reduction projects funded by Offset Budget mitigation funds, as approved by CARB and U.S. EPA, or
 - (C) Other methods as approved by the Executive Officer, CARB and U.S. EPA; and
- (6) ~~The EO~~ shall not use any EPSSCs to fund the Offset Budget, unless equivalency with the state and federal NSR requirements is demonstrated first; and
 - (7) Will adjust all allocations to the Offset Budget to be surplus to any emission reductions otherwise required by the federal Clean Air Act including federal emission limitations and control requirements, state regulations that are approved into the State Implementation Plan, and other requirements relied upon for meeting requirements of the federal Clean Air Act; and
 - (8) Will publish the available allocations in the Offset Budget at the January Board hearing for that calendar year; and
 - (9) Will limit the allocations available from the Offset Budget during that calendar year. Allocations shall not be granted in excess of those available in the Offset Budget; and
 - (10) Shall not allow allocations from the Offset Budget to be banked, transferred, or used by an operator to generate ERCs or STCs except that the District may purchase the unused credits at a price of 66% of the original purchase price; and
 - (11) Shall subject the operator of facilities obtaining allocations from the Offset Budget an offset ratio of 1.2:1; and
 - (12) Shall not grant allocations from the Offset Budget to fossil fuel-fired thermal power plants that generate electricity for distribution in the state grid system, except for any facility with electric generating equipment totaling less than 50 megawatts where at least 70 % of the generated electricity is for its own use.
- (d) Public Notice
- Prior to issuance or granting the use of the allocations or STCs, the operator of a facility requesting allocations from the Offset Budget, or requesting the initial generation (excluding conversion of ERC(s) to STC(s)) or use of any STCs shall:

- (1) Publish a notice, prepared by the Executive Officer, containing source information and the District's analysis on air quality, in a newspaper of general circulation in each of the four counties in the AQMD, and
- (2) Mail a copy of the notice required in paragraph (d)(1) to the Administrator of U.S. EPA Region IX and the Executive Officer of the California Air Resources Board, and
- (3) Respond to all public comments received within 30 days of the notice publication. Copies of all comments and responses shall be provided to the Executive Officer. The Executive Officer will consider all comments and responses prior to final approval of the allocations or STCs and
- (4) Provide proof of publication of the notice to the Executive Officer.