

Staff propose the following changes to the April 12 draft language. Staff has determined that these changes do not substantively affect the requirements, and therefore may be acted upon by the Board at the May 17 hearing. In addition, the April 12 Staff Report has been modified to reflect these changes. The discussion of interpollutant trading has been revised to more accurately characterize the justification for proposed changes.

Staff recommend that the Board adopt the April 12 draft language, as amended by incorporation of the following:

Existing language: clear type

April 12 amendments: additions/deletions

May 9 amendments: additions/deletions

Clarification of language in 2-1-232

2-1-232 **New Source:** Any source that meets at least one of the following criteria, except sources which lose a permit exemption or exclusion in accordance with Regulation 2-1-424, shall be considered a new source:

232.1 Any source constructed or proposed to be constructed after March 7, 1979 but which never had a valid District authority to construct or permit to operate.

232.2 Any source which was not in operation for a period of one year or more and did not hold a valid District permit to operate during this period of non-operation, occurring after March 7, 1979.

232.3 Any relocation of an existing source to a non-contiguous property, except for a portable source.

232.4 Any replacement of a source, including an identical replacement of a source, occurring after March 7, 1979, regardless of when the original source was constructed.

232.5 Any replacement of an identifiable source within a group of sources permitted together under a single source number for the purpose of District permitting convenience.

232.6 ~~"Maintenance"~~ Rebricking of a glass furnace where changes to the furnace design result in a change in heat generation or absorption.

Elimination of APCO discretion from 2-1-233.

2-1-233 **Alter:** To make any physical change to, or change in the method of operation of, a source, ~~which the APCO has determined~~ may affect emissions. Such changes require a permit to operate, and may require permit conditions, whether or not the alteration results in an emission increase. The following activities are specifically identified as "alterations."

233.1 Replacement of burners with non-identical burners.

233.2 Maintenance of glass furnaces involving component replacement, unless all replacements are with identical components.

233.3 Expansion of the physical boundaries of a semiconductor fabrication area.

Clarification of language in 2-1-234. Change to 234.3 allows operator to submit documentation to APCO to demonstrate higher historic throughputs than previously reported.

2-1-234 **Modified Source:** Any existing source which ~~will~~ undergoes a physical change, change in the method of operation of, increase in throughput or production, or addition ~~to an existing source~~ which results or may result in any one of the following:

234.1 An increase of either the daily or annual emission level of any regulated air pollutant, or an increase in the production rate or capacity that is used to estimate the emission level, ~~above~~ that exceeds emission or production levels approved by the District in any authority to construct.

- 234.2 An increase of either the daily or annual emission level of any regulated air pollutant, or the production rate or capacity that is used to estimate the emission level, above levels contained in a permit condition in any current permit to operate or major facility review permit.
- 234.3 For sources which have never been issued ~~an~~ a District authority to construct, and which do not have conditions limiting daily or annual emissions, an increase of either daily or annual emission level of any regulated air pollutant, or the production rate or capacity that is used to estimate the emission level, above the highest documented actual levels ~~reported to the District in any correspondence~~ attained by the source prior to March 1, 2000.
- 234.4 The emission of any regulated air pollutant not previously emitted in a quantity which would cause the source to fail an air toxic screening analysis performed in accordance with the current Air Toxic Risk Screening Procedure.
- For the purposes of applying this definition, an hourly limit or capacity may be converted to a daily limit or capacity by multiplication by 24 hours/day; a daily capacity may be converted to an annual capacity or limit by multiplication by 365 days/year.

Reference added for clarity.

2-2-221 Major Modification of a Major Facility: Any modification, as defined in Regulation 2-1-234, at an existing major facility that the APCO determines will cause an increase of the facility's emissions by the following amounts or more:

POC:	40 tons per year
NOx:	40 tons per year
SO ₂ :	40 tons per year
PM ₁₀ :	15 tons per year
CO:	100 tons per year

(Amended June 15, 1994)

Language on Analysis of alternatives removed, as described in memo to the board.

~~**2-2-246 Analysis of Alternatives:** An analysis of alternative sites, sizes, production processes, and environmental control, e.g. the analysis of alternatives contained in an EIR or focused EIR.~~

~~**2-2-247 Adjustment to emission reductions for federal purposes:** An adjustment made, for purposes of the equivalence demonstration in 2-2-423, to an emission reduction, due to changes in federal requirements between issuance of a banking certificate and its use. The adjustment is made as if the source providing the offsets were in operation, at the original baseline levels, on the date of credit use.~~

~~**2-2-318 Analysis of Alternatives:** If the application is for a new major facility or a major modification of an existing major facility, the applicant shall prepare an analysis of alternative sites, sizes, production processes, and environmental control techniques for such proposed source or modification that demonstrates that benefits of the proposed source significantly outweigh the environmental and social costs imposed as a result of its location, construction, or modification.~~

The offset trigger language in 2-2-301 has been altered slightly, at ARB's request, to conform more closely with the requirements of Health & Safety Code. The test for applicability of the BACT requirement is based upon the sources potential to emit (as limited by physical constraints or enforceable permit conditions), not actual emissions.

2-2-301 Best Available Control Technology Requirement: An applicant for an authority to construct or a permit to operate shall apply BACT to any new or modified source:

- 301.1 Which results in an emission from a new source or an increase in emissions from a modified source and which has ~~emissions~~ the potential to emit 10.0 pounds or more per highest day of precursor organic compounds (POC), non-precursor organic compounds (NPOC), nitrogen oxides (NOx), sulfur dioxide (SO₂), PM₁₀ or carbon

monoxide (CO) ~~of 10.0 pounds or more per highest day.~~ BACT shall be applied for any of the above pollutants which meets both criteria.

A “shutdown” of a unit is not synonymous with a unit “closure.” The intent of the restrictions contained in 2-4-302 and 2-4-303 is to disallow banking for sources whose closure simply displaces activity to another site. The term “shutdown” has been replaced by the term “closure,” and definitions of the both terms have been added.

2-1-235 Shutdown: An action that either

235.1 Causes an emission source to be removed from service temporarily; or

235.2 Results in a transfer of an emission source’s emitting activity to another source within the control of the same operator.

2-1-236 Closure: Permanent removal of a source from service.

2-4-302 Bankable Reductions for Closures: Emission reduction credits not prohibited by Section 2-4-303 are bankable. The following restrictions apply:

302.1 ~~Shutdowns~~ Closure of sources, where the reduction is permanent at the source, but it is unclear whether the reduction will be replaced by an emissions increase elsewhere within the District, are bankable only if the applicant accepts a condition restricting use of the deposits to offsetting emission increases in the same or closely related industries. For example, the ~~shutdown~~ closure of public utility power generation facilities could be bankable if use is restricted to offsetting emission increases from other power generation facilities (including resource recovery and cogeneration facilities). ~~Shutdown~~ Closure of petroleum or petroleum product storage tanks at refineries could be bankable if use is restricted to offsetting emission increases at other petroleum or petroleum products storage tanks, or to offset emission increases at the associated refinery.

302.2 Issuance of a Banking Certificate for emission reductions resulting from a closure cancels the permit to operate. The reduction shall be enforceable through a condition in the Banking Certificate and through enforcement of Regulation 2-1-302 pertaining to operating without a permit.

302.3 The permanency of closures shall be demonstrated through removal of the source from the District, rendering it inoperative, destruction of the source, or by inclusion of appropriate conditions in the Banking Certificate providing for automatic cancellation of the Banking Certificate if emissions resume and replacement by the applicant of the emission reduction credit if the deposit has been transferred or withdrawn.

(Amended July 17, 1991; Amended June 15, 1994)

2-4-303 Limitations on Deposits: The following cannot be banked:

303.1 Emission reduction credits achieved during periods in which a moratorium on banking deposits is in effect pursuant to Section 2-4-410. After removal of the moratorium, they may subsequently be banked. The period of the moratorium shall not be considered "normal operation" for the purpose of determining the bankable emissions.

303.2 Emission reductions from ~~shutdowns~~ closure of sources where the demand for the services or product would merely shift to other sources in the District, with little or no decrease in emissions basin-wide.

2.1 The APCO may, at his or her discretion, require submittal of data to document that reductions from the ~~shutdown~~ closure of such types of operations will not result in such a shift, and could therefore be banked.

2.2 Only the net reduction (if any) shall be banked for shutdowns of manufacturing operations where the operation is being transferred elsewhere within the same stationary source or to a different stationary source owned by the applicant within the District.

303.3 Emission reductions due to the ~~shutdown~~ or closure of sources or the installation of controls on sources excluded from District regulations pursuant to Regulation 1-110 or exempt from permit requirements pursuant to Regulation 2-1.

303.4 Transfer of ownership of an emission source if the source remains operable and within the District.

303.5 Emission reductions at facilities belonging to companies which have received unreimbursed offsets from the Small Facility Emissions Bank. Once these offsets have been reimbursed, the remaining emission reductions may be banked.
(Amended July 17, 1991; June 15, 1994; October 7, 1998)

Unnecessary quotation marks have been removed from the word "held."

2-4-414 Small Facility Banking Account: The APCO may establish a small facility banking account and grant offsets. The APCO may fund the Small Facility Banking Account by deposit of unclaimed emission reductions resulting from source or facility ~~shutdowns~~ closures, and by a small facility growth allowance established in the Clean Air Plan adopted by the District. In no event, may the APCO grant offsets in an amount that exceeds the amount contained in the Small Facility Banking Account. The APCO may provide POC or NO_x offsets, where required by Regulation 2-2-302, to small facilities which emit or will emit less than 50 tons per year of POC or NO_x. Allocation of credits shall conform to the requirements of Section 40919(a)(2) of the Health and Safety Code. If an applicant holds ~~bankable~~ banked emission reduction credits, those credits must be used as a source of offsets prior to the APCO approving offsets from the small facility banking account (this includes bankable emission reduction credits held by other District facilities owned by the applicant). For the purposes of determining the amount of offsets granted by the APCO, any banked emission reduction credits that have been sold during the three years preceding a complete permit application shall be considered to be "held" by the applicant. Allocations from the small facility banking account cannot be transferred or banked by the recipient.

(Adopted July 17, 1991; Amended June 15, 1994; October 7, 1998)