



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
STATIONARY SOURCE COMMITTEE MEETING

COMMITTEE MEMBERS

GAYLE B. UILKEMA – CHAIRPERSON
SUSAN GARNER
CAROLE GROOM
SCOTT HAGGERTY

JAMES SPERING - VICE CHAIRPERSON
JOHN GIOIA
CAROL KLATT
NATE MILEY

THURSDAY
MAY 13, 2010
9:30 A.M.

7th FLOOR BOARD ROOM
939 ELLIS STREET
SAN FRANCISCO, CA 94109

AGENDA

1. **CALL TO ORDER - ROLL CALL**
2. **PUBLIC COMMENT PERIOD** (*Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3*) Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Board's authority. Speakers will be limited to three (3) minutes each.
3. **APPROVAL OF MINUTES OF MARCH 5, 2010 AND APRIL 12, 2010**
4. **PROPOSED AMENDMENTS TO REGULATION 9, RULE 10: NO_x AND CO FROM BOILERS, STEAM GENERATORS AND PROCESS HEATERS IN PETROLEUM REFINERIES**

H. Hilken/4642
hhilken@baaqmd.gov

The Committee will receive an update on proposed amendments to reduce NO_x emissions under Regulation 9, Rule 10.
5. **STATUS REPORT ON THE FLARE MINIMIZATION PLANS UNDER REGULATION 12, RULE 12: FLARES AT PETROLEUM REFINERIES**

K. Wee/4760
kwee@baaqmd.gov

The Committee will receive an update on the Flare Minimization Plans under Regulation 12, Rule 12.
6. **COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).
7. **TIME AND PLACE OF NEXT MEETING** – At the Call of the Chair
8. **ADJOURNMENT**

CONTACT THE EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109

(415) 749-5130

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BAAQMD homepage:

www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Executive Office should be given at least 3 working days prior to the date of the meeting, so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the Air District's headquarters at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the Air District's website (www.baaqmd.gov) at that time.

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

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF DISTRICT MEETINGS

MAY 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Advisory Council Regular Meeting	Wednesday	12	9:00 a.m. – 11:00 a.m.	Board Room
Board of Directors Stationary Source Committee <i>(At the Call of the Chair)</i>	Thursday	13	9:30 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i> CANCELLED	Wednesday	19	9:45 a.m.	Board Room
Board of Directors Climate Protection Committee Meeting <i>(At the Call of the Chair)</i>	Wednesday	19	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(At the Call of the Chair)</i> CANCELLED	Thursday	20	9:30 a.m.	4 th Floor Conf. Room
Joint Policy Committee	Friday	21	10:00 a.m.	MTC Auditorium 101 – 8 th Street Oakland, CA 94607
Board of Directors Executive Committee <i>(At the Call of the Chair)</i>	Monday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	27	9:30 a.m.	4 th Floor Conf. Room

JUNE 2010

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	2	9:45 a.m.	City of San Jose Chambers 200 East Santa Clara St. San Jose, CA 95113
Advisory Council Regular Meeting	Wednesday	9	9:00 a.m. – 12:00 a.m.	Board Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	16	9:45 a.m.	Board Room
Board of Directors Mobile Source Committee <i>(Meets 4th Thursday each Month)</i>	Thursday	24	9:30 a.m.	4 th Floor Conf. Room

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Uilkema and Members
of the Stationary Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: May 4, 2010

Re: Stationary Source Committee Draft Minutes

RECOMMENDED ACTION:

Approve attached draft minutes of the Stationary Source Committee meetings of March 5, 2010 and April 12, 2010.

DISCUSSION

Attached for your review and approval are the draft minutes of the March 5, 2010 and April 12, 2010 Stationary Source Committee meetings.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

**Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 771-6000**

DRAFT MINUTES

Summary of Board of Directors
Stationary Source Committee Meeting
9:30 a.m., Friday, March 5, 2010

Call to Order – Roll Call: Chairperson Gayle Uilkema called the meeting to order at 9:30 a.m.

Present: Gayle B. Uilkema, Chairperson; Vice Chairperson James Spring; and Committee Members Susan Garner, Carole Groom, Carol Klatt and Scott Haggerty

Absent: Directors John Gioia, Liz Kniss and Nate Miley

Public Comment Period:

Joseph Guth, Legal Director, Science and Environmental Health Network, spoke of the District's significant risk thresholds for existing facilities as the highest of any other air district in the State. He believes there is a large gap between existing and new facilities which creates an incentive to retain existing facilities and voiced opposition to grandfathering in facilities, allowing extensions and relaxing of standards.

3. Approval of Minutes of November 16, 2009

Committee Action: Director Garner made a motion to approve the minutes of November 16, 2009; Director Groom seconded the motion; unanimously carried without objection.

4. Status Report on Proposed Amendments to Regulation 11, Rule 16, Perchloroethylene and Synthetic Solvent Dry Cleaning Operations

Director of Engineer, Brian Bateman, provided background on the District regulation of Perchloroethylene (Perc) and synthetic solvent dry cleaning operations, stating they have been subject to increasing rounds of regulatory requirements over the years. He described dry cleaner operations under the original adopted rule and said the Board of Directors adopted Perc amendments in March 2009 and directed staff to develop additional amendments. The effect of regulations from 1993 through 2008 shows a trend of emissions declining. This decline is due to facilities removing Perc from operations and replacing it with new solvents as they become available.

The first part of Perc phase-out was effective January 1, 2008 where no new installations were allowed. The deadline of July 1, 2010 will require Perc machines located in co-residential facilities, converted machines, and machines greater than 15 years old to be prohibited. And, as machines reach 15 years of age, they need to be retired by January 1, 2023.

Mr. Bateman noted that staff has looked at options to accelerate phase out and identified four (4) options:

- Option A: Shutdown at 12 years of age
- Option B: Shutdown at 10 years of age
- Option C: Shutdown at 8 years of age

After the District held workshops, received comments and completed its socio-economic impact analysis, Option D was developed. Option D would retain the 15-year shutdown provision but advance the date for final Perc phase-out, moving the date up to January 1, 2020.

Mr. Bateman stated that a large number of existing Perc machines will be subject to this requirement. However, there have been issues involving financing equipment replacements, but the deadline currently stands which would result in about half of the remaining dry cleaners in the Bay Area being removed from service. Since there are many machines proposed to be phased out by July 1, 2010, if an accelerated phase-out is implemented, staff does not recommend doing this on that same date, but rather to start the phase-out one year later, or July 1, 2011.

Mr. Bateman presented a chart of existing versus proposed phase-out for the total number of machines with a 15-year timeline for Perc machines to shutdown under each option from July 2010 through 2023. He presented a second chart of the same data, which represents Perc machines remaining under each option from July 2010 through 2023, noting that in years 2015 through 2016, there is an increase in the number of machines that would become 15 years old. This is largely due to facilities complying with a rule adopted in the 1990's. He noted for Option D, conditions are identical to the 15-year option until the end of Perc machines where in 2020, a total of 8 machines will remain. He then presented a chart expressed in a slightly different manner; showing Perc machines remaining for retirement at 15 years with all four options.

Staff conducted a socio-economic impact analysis for accelerated Perc phase-out. The typical cost of a new non-Perc drying cleaning machine is \$65,000. The annual loss of equity costs is \$2,700 to \$3,100 per year and the following represents the total loss of equity costs of shutting down equipment in advance of 15 years:

- Option A: \$5,400 to \$9,300
- Option B: \$10,800 to \$15,500
- Option C: \$16,200 to \$21,700
- Option D: \$9,300 (for 3 machines in the District)

Additionally, Mr. Bateman noted dry cleaners are small businesses; about two-thirds have between 1 and 4 employees. Average annual sales are estimated at \$62,200 and average annual profits are at \$4,100. The loss of equity costs are 66% to 76% of average annual profits. In CARB's rule development, a figure of 10% as business loss is considered potentially significant. However, due to economic downturn, current annual sales and profits are likely to be less than

average. Because of this, the District held a workshop with an industry work group who meet on a regular basis, and the following comments were received:

- They do not want to lose equity they have in Perc machines, as many were installed in the late 1990's to comply with adoption of Regulation 11, Rule 16;
- Current economic conditions are not great, with severely reduced income;
- Difficulty in securing financing for new equipment;
- Limited equipment availability;
- Limited contractor availability

Given this information and due to the socio-economic impact analysis, and the fact that Perc dry cleaners are already subject to significant regulations, staff recommends Option D. Option D would phase out Perc machines at 15 years of age beginning on July 1, 2010, but accelerate the final phase-out date by 3 years which would work as follows:

51% of Perc machines shutdown by July 1, 2010

70% shutdown by January 1, 2016

100% shutdown by January 1, 2020

Staff believes Option D would minimize adverse economic impacts on operators. He noted that it would still represent the most stringent Perc dry cleaning rule of any other air districts in the state and would provide additional time for non-solvent alternatives to develop prior to the required date for machine replacement.

Committee Comments/Discussion:

Director Garner questioned and confirmed that solvents cannot be used in existing machines and the average life of a machine is about 15 years; however, there are some in service at about 20-25 years.

Director Spring questioned if industry members had agreed to Option D in workshops. Mr. Bateman noted Option D was developed after the workshop. Two facilities have two machines, but he stated others would not be affected. He reiterated that there were many concerns of dry cleaners expressed during adoption of the State regulations; however, the District cannot adopt a rule that is less stringent than that of the State ATCM.

Director Spring suggested Option A as more business-friendly. Mr. Bateman agreed Option A is the least stringent; it would require shutdown of machines three years sooner. He noted that action to develop options was based on Board direction, and staff wants to present a range of options for consideration. Further, Mr. Bateman said most air districts follow the State ATCM with a 15-year phase out option.

Director Groom confirmed that if Option A or D was chosen, the bulk of the machines must be replaced in 2014, 2015 and 2016. She believed that if there is an average annual profit of about \$4,000, it would be very difficult for operators to have enough money in the bank to purchase new machines.

Public Comments:

Sushma Dhulipala, San Francisco Department of Environment, reported that they have been very involved in the regulatory matter and have voiced concerns about use of toxic solvents by local businesses within residential neighborhoods. She discussed their undertaking of a comprehensive, scientific assessment that compared solvents. Research shows that wet cleaning is the most cost comparative and viable option, and the least polluting. They have aggressively promoted its use in San Francisco and she thanked the air district for funding which helped extend their rebate program for switching from Perc to wet cleaning. She stated that the staff report fails to acknowledge the environmental and health costs incurred by the public and government with the continued use of Perc and it implies that Option D will benefit greener cleaning options by providing more time for their advancement, which they disagree with. She proposed a modified Option B which would phase out Perc by 2018, but allow a provision for extension to those cleaners who are committed to using wet cleaning.

Joseph Guth, Legal Director, Science and Environmental Health Network, questioned whether depreciation was taken into account, given Perc machines' 15-year life cycle. He asked that the loss be calculated into the factor as a fair measure of the true cost of the rule.

Lynette Watterson, Crystal Cleaning Center, San Mateo, said she owns the single location dry cleaning center with two machines. They started the business in 1963, are the last cleaner to be considered, and installed a Perc machine on December 1, 2007. After considering options and having participated in workshops, she was stunned by the State's ruling when staff recommended maintaining Perc as a viable alternative with viable restrictions. She received the Dry Cleaner of the Year Award in 2008 from the California Cleaners Association, has complied with all recommendations, risk assessments, filter vapor barrier room, maintains a meticulous machine, and wants full use of their machines. The old machine was removed even though it had good life, they use wet cleaning, but while applicable for some garments it is not 100% successful on all garment types. She asked for balance and noted that dry cleaning's impact on the environment is small. She asked the District to maintain the State standard and disregard any options presented.

Mr. Broadbent clarified that in March 2009, the Board directed staff to look at how the District could phase out Perc sooner. Staff looked at accelerating a Perc dry cleaner and when it would be closed from the ATCM that calls for 15 years to 12, 10 or 8 years. After working with dry cleaners, staff developed an Option D which keeps the 15 year life in the ATCM but advances when all Perc must be out by 3 years. Staff thought that given economic conditions and financing issues, this represented a more reasonable approach for the industry.

Regarding loss of equity, Mr. Bateman said the methodology was developed by CARB and staff did not see a reason to change it. It assumes the value of the equipment linearly decreases over time, but it is the same each year.

Director Haggerty noted the existence of problems associated with co-residential facilities expressed in the past, and he questioned if stand-alone businesses could be provided more leeway. Mr. Bateman said co-residential businesses are subject to stringent requirements but they are also slated to be phased out entirely July 1, 2010, which is a requirement of the State ATCM incorporated into the District's rule last March.

Mr. Broadbent stated that co-residential facilities are concerned and have contacted the District indicating they cannot secure financing and meet the July 1st deadline. The District is attempting to work on the issue with the State and Assemblywoman Hayashi.

Director Haggerty confirmed with Mr. Broadbent that associated costs involve the equipment change from Perc dry cleaning to wet cleaning.

Director Garner noted the difference between Option D and the State ATCM, and said three machines are affected in San Francisco and San Mateo.

Chair Uilkema confirmed with Mr. Bungler that the Committee is being asked to recommend Option D and to provide guidance to staff for development of the Rule and to return to the Board of Directors.

Director Haggerty cited the speaker's active involvement at the state and local level, supported maintaining the existing State ATCM and suggested financial incentives be provided to the affected parties. Mr. Broadbent indicated that the Board had directed staff to return with a proposal to phase out Perc dry cleaning sooner.

Director Spring agreed with Director Haggerty's suggestion to maintain the existing ATCM and supported financial incentives to bring the remaining three machines into compliance with the 2020 cycle.

The Committee gave staff direction to pursue Option D in developing its rule amendments; to retain the 15-year shutdown provision but to advance the date for final Perc phase-out to January 1, 2020; and, to develop a plan to assist the two affected Perc dry cleaners (three machines).

5. Status Report on Proposed Bay Area Power Plants

Director of Engineering, Brian Bateman provided background on California's power needs, noting that California's peak demand for electric power is almost 53,000 MW (Megawatts) and consumption is growing by about 24% per year which relates to 1,250 MW of new power needed each year. Although California is one of the most energy-efficient states, per capita consumption is over 40% less than the national average due to stringent state energy efficiency standards for new buildings and appliances.

Needs are driven by population growth, mostly in inland areas. He presented a chart of population in coastal and inland areas through the year 2040, California's electricity mix for the year 2007, noting that natural gas combustion is the largest category of power used in the state and almost 90% of this power is produced in state. Geothermal, biomass, small hydro, wind and solar are considered renewables and collectively provide 12% of the State's power needs.

Mr. Bateman said California has the most diverse renewable power generation systems in the world due mostly to regulatory and incentive programs intended to increase renewables, and he discussed the California Renewables Portfolio Standard (RPS) program which requires electric companies to increase procurement from eligible renewable resources to at least 20% of their total retail sales by the end of the year. The Governor signed an Executive Order which increases this requirement to 33% by 2020. However, the RPS results are not on track to meet the 2010

mandate because of insufficient transmission infrastructure. He described solar plants under licensing review which, all combined, would have a peak output of 4500 MW.

Mr. Bateman described the 94 Bay Area power plants which have a peak electrical output of 0.1 MW or greater, as well as smaller “distributed energy” plants which include photovoltaic, reciprocating engines that burn natural gas, micro-turbine, wind turbine and fuel cells. He reviewed the power plant permitting process, which is regulated through the California Energy Commission (CEC) as the licensing entity. The CEC’s permitting process is a certified regulatory program under CEQA. The CEC’s license subsumes all requirements of state, regional, or local agencies otherwise required for a new plant. Air quality permits can be issued for power plants under the federal Prevention of Significant Deterioration (PSD) program.

Mr. Bateman noted that the only PSD permit the District has issued is the Russell City project, issued on February 3, 2010. Five other projects are under evaluation, are simple-cycle and combined-cycle, and all are very similar in terms of equipment with varying efficiencies. All projects must have the Best Available Control Technology to minimize emissions which is met through the exclusive use of natural gas fuel, automated combustion controls, selective catalytic reduction, and oxidation catalysts. The new NO_x and CO back limits for new power plants have become much more stringent due to advances in technology, have continuous emissions monitors, and the actual average emissions are typically far less than the permit limits would otherwise dictate.

He noted additional air quality permitting requirements include air quality impact analysis, health risk screening analysis, emission offsets, and visibility, oils, and vegetation analysis. For GHG emissions, there are yet no existing regulatory requirements for power plants, but this may change due to EPA requirements which would establish PSD permitting requirements for facilities based on GHG emissions; however, staff believes it would not affect any of the presented plants because requirements would not likely come into effect until July 1, 2011.

The CEC has begun addressing GHG emissions as CEQA lead agency. In terms of mitigation, natural gas has lowest GHG emissions of any fossil fuel, new plants have high energy efficiencies, new plants will displace power produced from higher emitting existing plants leading to a reduction in GHG emission from what would otherwise occur, and dispatchable gas fired plants are needed to support renewable.

Mr. Bateman presented the proposed Bay Area power plants and indicated that each plant’s equipment and emission controls are very similar to each other. He displayed aerial photographs of each plant showing their locations and confirmed that construction of the Russell City Energy Center cannot begin until the appeal period has completed.

Russell City Energy Center, Hayward:

600-MW combined cycle; a gas turbine plant, uses only natural gas, is owned by the same company as Metcalf Energy Center, an identical facility, located at Highway 101 and Highway 85.

Los Esteros Critical Energy Facility, San Jose

320-MW combined cycle (conversion from 180-MW simple cycle); the application on file will convert the plant into a combined cycle plant that will increase energy efficiency and power

output and make it cleaner. Staff is working on the application and hoping to get the preliminary determination of compliance done within the next month or so.

Marsh Landing Generating Station, Unincorporated Antioch

760-MW simple cycle; staff thinks the preliminary determination of compliance will be issued within the next month.

Willow Pass Generating Station, Pittsburg

550-MW combined cycle, it is co-located at the existing Pittsburg site; the applicant has requested putting this review on hold until Marsh Landing is finished (same applicant), and the District is 5-6 months away from a preliminary determination of compliance for this plant.

Oakley Generating Station, Oakley

624-MW combined cycle; similar to Willow Pass Generating Station and he presented the aerial view of Willow Pass, Marsh Landing and Oakley generating stations.

Mariposa Energy Project, Northeastern Alameda County

200-MW simple cycle; located near the eastern boundary of Alameda County, northeast of the Bethany Reservoir, and Mr. Bateman displayed its location in San Jose, west of Interstate 80 and north of Highway 237.

Mr. Bateman summarized his presentation stating that collectively, the plants would add 3,000 MW of capacity if all built. There is a trend for older power plants in the Bay Area to be shut down as new capacity is added, like the Hunters Point plant in San Francisco, the Potrero plant which will likely close soon, and the Contra Costa Power Plant which is slated to be shut down when the Marsh Landing plant is operational.

Committee Comments/Discussion:

Director Groom questioned and confirmed that the average length of time from start to finish for plants become operable through permitting is typically 1 to 1.5 years and that general public support varies and is dependent upon location of the plant. Mr. Bateman noted that Russell City Energy Center took a lot longer due to issues with the PSD permit.

Mr. Broadbent added that the presentation does a good job of showing the array of proposed power plants for the Bay Area and staff agrees that the Bay Area is getting its fair share than the rest of California. In attempts to inquire about this fact, the State has not yielded any information about why the Bay Area is experiencing this. In addition, he said there is a growing level of concern that there should not be any fossil fuel combustion power plant facilities sited any more and that power needs of California should be met by solar and other renewables. While renewables are growing in importance, there will still be a need for fossil fuel power plants.

Director Garner referred to the GHG emissions and questioned if the plants would be subject to the proposed GHG requirements under CEQA. Mr. Bateman said the CEQA guideline proposal does have a threshold for stationary source projects like this and all plants would be over that threshold of significance. The CEC is the lead agency and they look somewhat differently at power plants; plants are connected together and electricity is only produced based upon power needs and cannot be stored in significant quantities. When new power is introduced, this by definition will reduce other power that needs to be contributed to some degree. As long as plants

are better than average in terms of GHG emissions per MW produced, they will reduce GHG emissions.

Director Garner questioned whether a construction project would have to consider GHG emissions from power plants. Mr. Bunger said from a CEQA perspective, the only time emissions are considered is when looking at cumulatively considerable and these would already be over the threshold. Therefore, one would never get to the question that they are cumulatively considerable, even if less than significant.

Committee Member Comments/Other Business:

Director Uilkema shared that the Committee has met every three months or four times a year, with significant public comment and inefficiency. She suggested a schedule to address one major facility per meeting, accelerate and combine the rate of the meetings, and if possible, look at rule development that relates to stationary sources. Therefore, the dates coming up will not be addressing all projects in the District's jurisdiction. She relayed the following proposed schedule:

- | | |
|-------------------------|---|
| April 12, 2010 | Facility Update on Pacific Steel Casting, Consideration of the Metal Melting Rule and Update of the Flare Management Plan |
| May 7, 2010 (tentative) | Facility Update on Lehigh, the Cement Kiln Rule, and the proposed Stationary Source Control Measures |
| June Meeting | Petroleum Refinery NOx rule and the Open Burning Rule |
| July/August Meeting | Custom Alloy Allied Scrap Sales and Natural Gas Production Rule |

Time and Place of Next Meeting: Monday, April 12, 2010, at 9:30 a.m.

Adjournment: The meeting adjourned at 10:56 a.m.

Lisa Harper
Clerk of the Boards

**Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 771-6000**

DRAFT MINUTES

Summary of Board of Directors
Stationary Source Committee Meeting
9:30 a.m., Monday, April 12, 2010

Call to Order – Roll Call: Chairperson Gayle Uilkema called the meeting to order at 9:30 a.m. without a quorum.

Present: Gayle B. Uilkema, Chairperson; and Committee Members Susan Garner, and Carole Groom

Absent: Vice Chairperson James Spering, and Committee Members John Gioia, Scott Haggerty, David Hudson, Carol Klatt and Nate Miley

Also Present: Board Chairperson Brad Wagenknecht, and Director Mark Ross

Public Comment Period: None

3. Approval of Minutes of March 5, 2010

Due to a lack of a quorum, the minutes of March 5, 2010 were deferred to the next meeting.

4. Status Report on Pacific Steel Casting Company (PSC)

Kelly Wee, Director of Compliance and Enforcement, provided a presentation regarding Pacific Steel Casting Company (PSC), stating that PSC produces steel parts in three plants. Plant #1 began operations in the 1930's, Plant #2 began operations in 1975, and Plant #3 began operations in 1981. Mr. Wee displayed an aerial map of the plant's location and noted that the District's air monitoring station is located east of the plant, in West Berkeley.

Mr. Wee described the plant's process operations, noting that sand molds are created, scrap metal is melted, molten metal is poured into the molds, metal is allowed to cool and harden, castings are removed, and castings are then finished by various processes.

Air pollutants include criteria pollutants, precursor organics, toxic metals, GHG and odors. Emissions come from scrap metal handling, mold making, melting, pouring and colling, casting removal, and finishing operations. Mr. Wee described emission controls for plants as hoods and building vents, baghouses and carbon which control PM sources and odors.

He stated that the air monitoring station has been in place for two years. All ambient air quality standards were met, except for the 24-hour national PM 2.5 standard and the very stringent annual State PM standards, which is typical during winter months. Toxic air contaminant levels were below all of the Reference Exposure Levels (REL), Manganese levels were well below the REL's, and calculated cancer risks are typical levels observed in the Bay Area for industrial areas.

For 2009 air monitoring, all ambient air quality standards were met except the 24-hour national PM 2.5 standard. Toxic Air Contaminant (TAC) levels were below all REL's, Manganese levels were below the REL's and slightly below the 2008 levels. Preliminary calculated cancer risks are those typically seen, and he said a final report will soon be released.

Regarding facility improvements, Mr. Wee reviewed those taken for Plants 1, 2 and 3, as follows:

- Plant #1: New baghouse for electric arc furnace, designated areas were established for pouring and cooling, and there is improved fugitive emission capture and control;
- Plant #2: New less odorous pre-coated sand;
- Plant #3: Improved capture and control, and new low VOC binder

The Odor Management Plan was developed as a result of enforcement actions which incorporate odor management into daily operations. The plan requires preventative odor control measures, written procedures on air pollution control maintenance and operations, performance of operation measures, and odor control training. The plan also provides continuous odor control improvements.

Mr. Wee presented a complaint history for all three plants, noting that the last complaint received regarding any of the three plants was November 2008.

Next steps include continued ambient air monitoring, continued regulation of emissions, improvement of complaint handling procedures, development of a metal melting operations regulation, and adoption of a toxics risk reduction regulation.

Committee Comments/Discussion:

Director Groom questioned and confirmed that approximately 300 union employees are currently employed by PSC. Mr. Wee knew of no Division of Occupational Safety and Health (OSHA) complaints, and approximately \$3 million in improvements have been made in recent years.

Chairperson Uilkema noted that the plants have reduced operations due to the recession, and she questioned if increased economic activities may generate more complaints. She reported receiving positive results and no recent complaints. Mr. Wee explained that the largest reductions were due to installation of the carbon bed at Plant #3, which he said yielded a 72% reduction in odor and emissions.

Board Chairperson Wagenknecht confirmed that the District constantly looks at capturing emissions more efficiently and effectively, that Bay Area plants have much more robust equipment than the rest of the nation, and that District staff looks for continual improvement in their operations.

Public Comments:

Calvin Fong, Mayor Tom Bates Office, City of Berkeley, thanked District staff for working with the City of Berkeley and PSC in providing major improvements and reductions; however, he said there remains frustration that more can be done.

Janice Schroeder, West Berkeley Alliance, discussed health impacts associated with PSC and requested the District to revise PSC's odor management plan and she distributed a handout of suggestions and recommendations. She encouraged staff to conduct fence-line monitoring, requested re-evaluating PSC risks in light of recent changes in OEHHA methods for Manganese, and also encouraged no grandfathering in of existing facilities. She also requested that child care centers receive prior notice in order to keep children indoors during days of pouring and other high emission operations.

Ken Kloc, Environmental Law and Justice Clinic & West Berkeley Alliance, echoed Ms. Schroeder's comments. He said there is no true buffer zone and requested staff consider fence-line monitoring with mobile monitoring noting that the air monitoring done at 6th and Camellia Streets is three and a half blocks away.

5. Proposed Metal Melting Rule

Chairperson Uilkema referred to the melting of gold and silver jewelry which has been heavily advertised in newspapers and in the media. She asked staff to include an explanation of whether these operations fall under the proposed metal melting rule.

Principal Air Quality Specialist, Victor Douglas, explained that the District is looking at metal plating and many other operations. He said that the effort was listed as Measure 1 in the Draft Clean Air Plan, noted metal melting and processing facilities include foundries, forges, scrap/recycling facilities, and furnaces/ovens and there are 25-30 facilities in the District and 16 located in CARE facilities.

He reviewed and explained processes for metal management, charging and metal melting, tapping, shake out, cooling, pouring/casting, mold and core making.

He then reviewed current federal rules for toxics, which include:

- Major sources of iron and steel foundries
- Secondary aluminum production
- Electric Arc furnace steelmaking facilities
- Area source iron and steel foundries
- Aluminum, copper and other nonferrous foundries

State Regulations include non-ferrous metal melting ATCM, and

District rules, which include: Permits, particulate matter, and odorous substances

Mr. Douglas indicated that the focus of review has been on emissions of odorous compounds, toxic compounds and particulate matter, and mitigation options relating to best practices, new technologies, capture and control and monitoring.

He then reviewed the District's site visits, technical research performed to date, outreach to stakeholders and said next steps include:

- Regulatory concepts
- Consultation with stakeholders (ongoing)
- Draft Rule
- Workshop (summer)
- Socioeconomic and environmental analyses
- Final proposal
- Public hearing (fall)

Committee Comments/Discussion:

Director Groom disclosed that one month ago she visited a foundry in San Francisco. She learned that it is a complicated business and the owners and managers of plants in Northern California want to cooperate. They have safe plants and she believed that the visit was of great value.

Board Chairperson Wagenknecht thanked staff for the report and reiterated that the District is trying to formulate the best regulatory package with the least obtrusion and the most public health benefit.

Chairperson Uilkema acknowledged staff's work to educate the Board and thanked Mr. Douglas for his presentation.

Director Garner questioned whether some regulations were inadequate or had gaps and need refinement. Mr. Douglas replied there are five federal regulations and some address ferrous and non-ferrous materials, which were promulgated in the last 10 years. There are requirements for new facilities, and the new regulations would grandfather in existing facilities.

Director Garner requested a table of compounds and concentrations for older versus newer facilities, and stressed the need for a balance between businesses closing and protecting the public's health. Mr. Broadbent discussed federal, state and local requirements and also acknowledged the considerable number of complaints received from metal melting facilities. He said staff is cautious in addressing odor management and strives for balance so as not to be cost-prohibitive. He recognized the good working relationships with staff and facilities and personally thanked representatives who approached the District early on.

Chairperson Uilkema confirmed with staff that the proposed metal melting rule is included in the Clean Air Plan, which will be considered in the fall. She questioned electroplating operations and the application of hex chromium, which Mr. Douglas explained stating that the District ensures facilities minimize toxic emissions as much as possible in such operations.

Chairperson Uilkema reported receiving many questions about newspaper articles and advertisements regarding foundries holding collection events all over the Bay Area. She requested a footnote be included in future presentations regarding regulating refiners of gold and silver jewelry melting operations.

Director Garner reviewed the facility locations and requested staff include a map showing each facility's location at an upcoming Committee meeting.

Public Comments:

James Simonelli, California Metals Coalition, El Dorado Hills, provided a background of the coalition stating they have 6,000 metal facilities, none of which are cash for gold a referred to by Chairperson Uilkema, and most are located in Southern California. They employ 250,000 Californians in high wage jobs and are, by volume, the largest recycler in California. He commended staff and the Board for meeting with them early on, said their goal is one of education, noted that all facilities are different in how they process metal, and reported on their work CARB to take SF6 out of magnesium casting, which is the worst GHG. They also proactively work with the State legislature regarding issues to remove lead from products that touch drinking water. He thanked the Committee for their work and offered invitation to the Committee to tour their facilities.

6. Proposed Stationary Source Measures in Draft Bay Area Clean Air Plan

Dan Belik, Rule Development Manager, provided an overview of the Clean Air Plan (CAP) Stationary Source Control Measures, stating that the purpose of the CAP is to update the 2005 Ozone Strategy and to develop an integrated multi-pollutant plan to improve air quality, protect public health, reduce exposure both at regional scale and in impacted communities, and protect the climate.

Mr. Belik reported on the Plan's progress to date, stating there has been extensive public outreach, many workshops and collaboration with regional agency partners, consultation with CARB and neighboring air districts, and development of multi-pollutant evaluation methods to evaluate and quantify benefits/disbenefits of measures. He said draft Control Strategy workshops were held in September 2009, the Draft CAP and Draft EIR were issued March 11, 2010, the socioeconomic analysis was issued April 5, 2010, and three public workshops were held April 6th, 7th, and 8th.

Mr. Belik noted that the Control Strategy is comprised of 55 measures, as listed below. He also reviewed and described each of the measures and their various control strategies:

- 18 stationary source measures
- 10 mobile source measures
- 17 transportation control measures
- 6 land use and local impacts measures
- 4 energy and climate measures
- 17 further study measures
- Leadership platform – the District works with CARB and the legislature for advocacy.

Mr. Belik then reviewed the Rule Development process undertaken by the District which includes: assessing viable technology, contact of stakeholders, assessing costs and emissions reductions, drafting workshop report, receiving comments, re-drafting proposal based on comments, conducting the socioeconomic analysis and CEQA analysis and scheduling of the public hearing before the Board.

He reviewed the draft schedule of the 2010, 2011 and 2012 regulatory agenda, identifying each measure to be presented and scheduled for public hearings, as follows:

2010 Regulatory Agenda:

- SSM 1 Metal Melting Facilities
- SSM 5 Vacuum Trucks
- SSM 6 General Particulate Matter (Reg. 6-1)
- SSM 9 Cement Kilns
- SSM 10 NOx from Petroleum Refineries (Reg. 9-10)
- SSM 17 New Source Review for Toxics (Reg. 2-5)
- SSM 18 Air Toxics Hot Spots

2011 Regulatory Agenda:

- SSM 4 Natural Gas Production and Dist. (Reg. 8-37)
- SSM 7 Open Burning (Reg. 5)
- SSM 8 Petroleum Coke Calcining
- SSM 11 NOx from Residential Fan Furnaces (Reg. 9-4)
- SSM 10 NOx from Large Res. and Comm. Space Heating
- SSM 17 New Source Review for PM 2.5
- LUM 2 Indirect Source Review Rule

2012 Regulatory Agenda:

- SSM 2 Digital Printing
- SSM 3 Livestock Waste
- SSM 13 NOx from Dryers, Ovens, Kilns
- SSM 14 NOx from Glass Furnaces (Reg. 9-12)
- SSM 15 Greenhouse Gases in Permitting

Committee Comments/Discussion:

Chairperson Uilkema questioned where wood burning fits into the measures. Mr. Belik explained that there is a control measure in the plan that looks at enhancing wood burning regulations but does not propose rule amendments. It has to do with the complaint process to potential amendments, which would be an additional stationary source measure should the findings dictate an amendment is necessary.

Chairperson Uilkema cited the initial hostility regarding wood burning from constituents in her District. However, people understand it better and she said there is far more receptivity, given the education provided about the public health issue of the rule, and she commended staff.

Director Garner questioned and confirmed with Mr. Belik that staff has prioritized the schedule in order to achieve the best air quality improvements for the money.

Public Comments - None

7. Committee Member Comments/Other Business:

Chairperson Uilkema noted that the May meeting would include update on the Flare Management Plan and the NOx Rule, and suggested refineries be made aware of the next meeting date.

Time and Place of Next Meeting: Thursday, May 13, 2010, at 9:30 a.m.

Adjournment: The meeting adjourned at 10:35 a.m.

Lisa Harper
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Uilkema and Members
of the Stationary Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: May 3, 2010

Re: Proposed Amendments to Regulation 9, Rule 10: NO_x and CO from Boilers,
Steam Generators and Process Heaters in Petroleum Refineries

RECOMMENDED ACTION:

Receive and file.

BACKGROUND

Regulation 9, Rule 10 limits nitrogen oxides (NO_x) and carbon monoxide (CO) emissions from boilers, steam generators and process heaters operating in petroleum refineries. Further Study Measure FS 14 in the 2005 Ozone Strategy proposes to examine NO_x emissions at refinery heaters and the feasibility and cost-effectiveness of further NO_x controls, and this proposal is reiterated in Control Measure SSM 10 in the draft 2010 Clean Air Plan.

In carrying out Further Study Measure FS 14, staff has determined that further NO_x emission reductions are not cost-effective for most refinery heaters. However, staff has determined that the NO_x emission limit for one class of refinery heaters – CO boilers - should be reduced at this time. CO boilers are a type of steam generator that processes flue gas from coking units or from catalytic cracking units to reduce emissions of carbon monoxide, a criteria pollutant. CO boilers tend to be among the largest refinery heaters, and six of these heaters are operated at three of the Bay Area refineries.

DISCUSSION

Staff will provide the Committee with the following information:

- Description of the current rule requirements;
- Description of the boilers, steam generators and process heaters in petroleum refineries and their emissions;
- Proposed amendments to Regulation 9, Rule 10;
- Estimated emissions reductions and associated costs;
- Rule development process to date; and
- Next steps.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Julian Elliot
Reviewed by: Henry Hilken

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Uilkema and Members
of the Stationary Source Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: May 13, 2010

Re: Status Report on the Flare Minimization Plans under Regulation 12,
Rule 12: Flares at Petroleum Refineries

RECOMMENDED ACTION:

Informational Report. Receive and file.

BACKGROUND

In order to minimize the frequency and magnitude of flaring at petroleum refineries, the District Board of Directors adopted Regulation 12-12: Flares at Petroleum Refineries on July 20, 2005. The regulation recognizes that refinery flares are first and foremost a safety device and it allows refineries to develop plans to continuously minimize flaring without compromising safety. The regulation prohibits the non-emergency use of a refinery flare unless that use is consistent with an approved Flare Minimization Plan (FMP).

Each FMP must include:

- Information regarding the design and operation of the facility as it relates to flaring;
- Description of the prevention measures previously taken that permanently capture current emission reductions and planned measures to further reduce flare emissions at the refinery; and
- Commitments to implement all additional feasible prevention measures expeditiously.

The regulation functions as a continuous improvement process by requiring the refineries to update their FMP annually to incorporate any new prevention measures developed as a result of investigations into the primary cause and contributing factors for significant flaring events.

DISCUSSION

The Air District's flare regulations have been making progress in reducing the frequency and magnitude of flaring as indicated by downward trends in the total volume of vent gas flared, the number of flaring days, and the total emissions of methane and non-methane hydrocarbons. The flare control regulation is structured to account for the variability of petroleum refinery designs, to ensure continuous improvement by identifying flaring prevention measures specific to each refinery's design and operation, and to provide an opportunity to consider public input in developing the most effective FMP.

The District uses a robust engagement process for evaluating FMPs. In addition to working with each refinery, district staff considers all public comments received for each plan. Throughout the FMP engagement process, the District staff focuses on ensuring all feasible prevent measures identified as a result of the investigations into the reasons for flaring are expeditiously implemented. The engagement with refineries centers on the following main areas: vent gas source reduction efforts; fuel gas balance between gas generators and consumers; vent gas compressor capacities; and sour gas scrubbing capabilities.

While emissions and volumes from petroleum refinery flares have been showing steady decreases since 2004 for most pollutants, the Air District does not expect these trends to continue due to the cyclic nature of maintenance activity at refineries. It is not uncommon for maintenance turnarounds to occur on 3 to 5-year intervals, or longer. This long time-frame activity makes any short-term analysis of annual flaring trends difficult, but longer rolling 5-year annual averages are appropriate. Key parameters for tracking the frequency and magnitude of petroleum refinery flaring are presented in Table 1.

Table 1: Petroleum Refinery Flaring Frequency and Magnitude

Five Year Rolling Annual Averages										
Refinery	Volume (MMSCF*)		Number of flaring days**		Total Emissions (tons per year)					
	2004-2008	2005-2009	2004-2008	2005-2009	Methane		Non-Methane		Sulfur Dioxide	
	2004-2008	2005-2009	2004-2008	2005-2009	2004-2008	2005-2009	2004-2008	2005-2009	2004-2008	2005-2009
Chevron	84.6	73.6	139	119	7.7	7.1	30.1	26.9	64.9	47.6
CP	86.3	71.2	83	86	8.2	11.3	15.4	22.0	77.6	59.3
Shell	198.1	181.7	284	223	7.6	6.2	14.6	10.9	3.9	5.1
Tesoro	228.0	159.6	283	284	18.2	11.9	46.2	17.0	117.3	59.0
Valero	153.2	102.7	292	293	11.1	7.8	37.2	27.4	54.2	41.4
Totals	750.2	588.8	1081	1005	52.8	44.3	143.5	104.2	317.9	212.4

* MMSCF = Million Standard Cubic Feet

** Based on Regulation 12, Rule 11: Flare Monitoring Monthly Reports, Hourly Volume of Vent Gas Flared

The District is committed to the goal of continuous improvement in minimizing petroleum refinery flaring and continues to work with all stakeholders to achieve progress through the petroleum refinery FMPs, including enforcement of the requirements of Flare Monitoring: Regulation 12-11 and Flare Control: Regulation 12-12. Since adoption of the Flare Monitoring rule (June 4, 2003) notices of violation have been issued for 66 violations involving deficiencies in notification, monitoring, reporting and minimization. Table 2 illustrates the distribution of these violations.

Table 2: Distribution of flare regulation violations June 2003 thru April 2010

Refinery	Total # of Violations	Flow Monitoring	Composition Monitoring	Records	General Monitoring	Flare Minimization	Notification	Reporting of Cause
Chevron	24	1	17	5		1		
ConocoPhillips	11	4	6		1			
Shell	2		2					
Tesoro	14		7				4	3
Valero	15		12	1	2			
Totals	66	5	44	6	3	1	4	3

The Committee will receive a report on the petroleum refinery FMPs, Prevention Measures, Metrics Trending, and Regulatory Compliance.

BUDGET CONSIDERATION / FINANCIAL IMPACT:

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Alex Ezersky
Reviewed by: Kelly Wee