Placer County
AIR POLLUTION CONTROL DISTRICT

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Thomas J. Christofk, Air Pollution Control Officer

MEMORANDUM

TO: Board of Directors, Placer County Air Pollution Control District

FROM: Don Duffy, Associate Air Quality Engineer DD

AGENDA DATE: August 12, 2010

SUBJECT: Adoption of Amended Rule 102, Definitions, Amended Rule 501, General Permit Requirements, Amended Rule 503, Emission Statement, and Amended Rule 504, Emission Reduction Credits (Public Hearing/Action)

Action Requested:

1) Conduct a Public Hearing regarding the proposed adoption of amended Rule 102, Definitions, amended Rule 501, General Permit Requirements, amended Rule 503, Emission Statement, and amended Rule 504, Emission Reduction Credits

2) Approve and adopt Resolutions #10-04 (Attachment #1), #10-05 (Attachment #2), #10-06 (Attachment #3), and #10-07 (Attachment #4), adopting the text of the amended rules; and adopt all of the required "Findings and Recommendations" found in Attachments 5, 6, 7, and 8.

Background:

Placer County Air Pollution Control District's general permitting program was established in its current form in September 1993, with the adoption of Rule 501, General Permit Requirements, and Rule 502, New Source Review. Rule 502 replaced the rule that had previously addressed New Source Review, Rule 508. The new rules provided requirements and procedures for the review of stationary sources of air pollution and the orderly review of the modification and operation of existing sources through the issuance of permits. Because portions of the District have been designated as nonattainment for failure to meet the federal 8-hour ground-level ozone standard, the United States Environmental Protection Agency (EPA) requires the District to implement measures to reduce sources of ozone and its precursors. The District makes its commitment to reduce pollution through the State Implementation Plan (SIP). The SIP is federally enforceable through EPA and the Federal Clean Air Act. A permitting program is required as part of the SIP. The purpose of the proposed amendments of the District's permitting rules is to achieve SIP approval of the permitting program.

A stated goal of the District in FY 2009-2010 was adoption of an updated Rule 502, New Source Review, rule as well as updating associated permitting rules.

The main permitting rule, Rule 502, New Source Review, was amended at the February, 2010, Board meeting to incorporate new federal requirements and to make other beneficial changes. To gain SIP approval of Rule 502, all other rules referenced in this rule and any other rules considered part of the permitting program must also be SIP approved. This requirement for the SIP approval of associated rules in order for Rule 502 to be SIP approvable, as well as some minor changes for consistency, is the main reason for the current proposed amendment of Rules 102, 501, 503, and 504. The amendment of the permitting rules associated with Rule 502 was a stated goal for FY 2010-2011, and these rules were among those identified for adoption in the annual "2010 Regulatory Measures List" of rules to be considered for adoption. An additional rule that is a minor part of the permitting program, Rule 505, Priority Reserve, will require an amendment to be approvable by EPA. This rule is not being amended at this time, and EPA has indicated that it will not impede the approval of the other rules. Rule 505 will be amended at a later time.

Discussion, Rule 102, Definitions:

The purpose of Rule 102, Definitions is to provide definitions of specific terms used in the Placer County Air Pollution Control District Rules and Regulations. In general, the terms defined in this rule are used multiple times in other District rules and regulations. Defining terms in this rule precludes the need to define these terms in each rule or regulation where they might be used.

The District's permitting rules have recently, or are currently, being amended. These rules incorporate Rule 102, Definitions by reference. Existing definitions are updated and new definitions added to the rule to comply with current EPA and California Air Resources Board (ARB) terminology and requirements.

The version of Rule 102 that is currently SIP approved was adopted on June 19, 1997. On October 12, 2000, this rule was amended to modify the definition of "RESIDENTIAL ALLOWABLE BURN MATERIALS". This latest amendment was not submitted for incorporation into the SIP.

Since the last amendment to Rule 102, EPA and ARB have evaluated additional volatile organic compounds (VOC) and determined they were not expected to meaningfully contribute to ozone formation due to their low reactivity in the atmosphere. Section 232, Exempt Compounds, was amended to include these compounds. The determination by EPA for tertiary butyl acetate (TBAC) is unique in that EPA still requires recordkeeping and reporting even though it is exempt. The added compounds are:

- ethoxy-nonafluorobutane (HFE-7200), which consists of 2 compounds:
  - a ethoxy-1,1,2,2,3,3,4,4,4-nonafluorobutane; and
  - b (ethoxydifluoromethyl)-1,1,1,2,3,3,3-heptafluoropropane
- methyl acetate
- propylene carbonate
- dimethyl carbonate

- tertiary butyl acetate (TBAC) (all recordkeeping, emissions reporting, photochemical dispersion modeling and inventory requirements which apply to VOC are required and shall be uniquely identified in emission reports, but are not VOC for purposes of VOC emissions limitations or VOC content requirements)

Discussion, Rule 501, General Permit Requirements:

Rule 501, General Permit Requirements specifies which stationary sources of air pollution are required to obtain permits, procedures for obtaining preconstruction permits (Authority to Construct), and standards for granting and maintaining permits.

The current version of Rule 501 was last amended on December 9, 2004. District staff has been working to this version of the rule since that time. This 2004 amendment was not submitted to EPA or ARB for incorporation in the SIP due to pre-existing issues with the District's other permitting rules. In fact, no prior version of Rule 501 is currently before EPA or ARB for approval, or has ever been approved for incorporation into the SIP. A previous Permit to Operate rule, Rule 501 B, adopted June 19, 1979 was partially approved as a revision to the SIP on May 18, 1981.

Although there are quite a few changes to the language in Rule 501, for the purpose of making the rule SIP approvable, the changes are very minor. Changes include adding a recordkeeping requirement to substantiate qualification for an exemption from the requirement to obtain a permit, updating several definitions, and adding clarifying language that an Authority to Construct will also function as a Temporary Permit to Operate until the regular Permit to Operate is issued.

Discussion, Rule 503, Emission Statement:

The Federal Clean Air Act, as amended in 1990 (sections 172(c)(3) and 182(a)(1)), requires states with nonattainment areas to submit a comprehensive, accurate, current emission inventory as part of the SIP. The emission data required (of Placer APCD) is actual emissions of VOC and oxides of nitrogen (NOx) from sources that emit over ten tons per year of either pollutant. To support the gathering of emissions data for this requirement, air districts are required to have a SIP approved rule to specify how the district will obtain this emission data. This rule is called Emission Statement. The District's current rule was adopted on September 21, 1993. This rule was never SIP approved. This original rule is now outdated regarding the way the state is gathering emission data and is being updated to reflect current practice. The amended rule will be submitted for SIP approval once adopted.

The original rule adopted in 1993 contained language suggested by ARB. This suggested language stated that the emission statement should contain "information contained in the California Air Resources Board's Emission Inventory Turn Around Document as described in Instructions for the Emission Data System Review and Update Report". This "Turn Around Document" (TAD) is no longer used to report and record the emissions inventory for the state.

Currently, emissions inventory data is submitted electronically over the internet through the Hot Spots Analysis and Reporting Program (HARP). The rule amendment removes the specifics of how the data is reported to the ARB so that future changes in reporting requirements will not require a rule amendment.

The emission data to be supplied by the source to the District is amended to be that data specified by the Air Pollution Control Officer (APCO) in the annual Renewal Information Request. This data will be either the actual emissions, if the source has a Continuous Emissions Monitor, or operational data allowing the District to estimate actual emissions. Examples of operational data would be the number of hours an engine operated or the amount of fuel a boiler used.

Discussion, Rule 504, Emission Reduction Credits:

The purpose of Rule 504, Emission Reduction Credits is to provide an administrative mechanism for quantifying, adjusting and certifying surplus emission reductions for later use as offsets pursuant to District, state, and federal regulations.

The current version of Rule 504 was last amended on November 3, 1994. District Staff has been working to this version of the rule since that time. This 1994 amendment was submitted to ARB and EPA for incorporation in the SIP, but later withdrawn due to pre-existing issues with the District's other permitting rules. In fact, no prior version of Rule 504 is before EPA or ARB for approval, or has ever been approved for incorporation into the SIP. A previous rule with the number 504 and title of APPLICATION adopted June 19, 1979 was partially approved as a revision to the SIP.

This amendment proposes a number of changes to Rule 504:

- The exemption from notification of EPA, ARB, and the public for issuing small quantities of ERC is eliminated. This exemption appears to conflict with the current California Health and Safety Code.
- A number of definitions are either added or amended to reflect current EPA and ARB terminology.
- Section 301 of the rule is re-written to state the requirements that must be met before the APCO can certify ERC.
- Section 302, Reevaluation, is deleted. This section required that emission reductions calculated prior to September 21, 1993 be reevaluated under the requirements and procedures specified in this rule. Since there are no longer any ERC from prior to this date, this section is no longer needed.
- In Section 409, the quantity of credits to be transferred to the Priority Reserve Bank is calculated. The current method is calculated as "1.05 emission reductions to 1.0 ERC". This has been confusing in the past. It is proposed to amend to "reducing the calculated credits by 5%". There will be a slight increase in the amount of credits that go to the Priority Reserve Bank. As a comparative example, under the current rule, if emission reductions were calculated to be 105 pounds, then 100 pounds would be issued as ERC and 5 pounds

would be transferred to the Priority Reserve Bank. Under the proposed amendment, of the 105 pounds of emission reductions, 95%, or 99.75 pounds would be issued as ERCs and 5.25 pounds would go to the Priority Reserve Bank.

- Section 412 is deleted. This allowed the District Board of Directors to place a moratorium on use of ERC from the ERC Bank under certain conditions of needing additional emission reductions to meet attainment deadlines. In the unlikely situation of needing to impose a moratorium, the Board could still take this action with a resolution.

Fiscal Impact:

The proposed amendments to these rules will have an insignificant or a negligible fiscal impact on permit holders or the public as compared with business conducted under the current rules.

Public Outreach:

The public affected by these rule amendments includes all current permit holders, new and modified stationary sources, residents and businesses near new and modified sources, and environmental organizations. The following events were conducted to notify the affected public and obtain public input on the proposed rules:

- Public notices of a scheduled workshop published once each in the *Auburn Journal*, the *Roseville Press Tribune* and the *Sierra Sun* in the period of June 12 through June 21, 2010
- Direct mailer announcing the workshop to a mailing list including all permitted sources, neighboring air districts and environmental organizations
- Public notice, proposed amended rules, and background documents posted on District website on approximately June 12, 2010
- Public workshop conducted at the Auburn Justice Center on July 1, 2010
- Public notices of the scheduled public hearing published once each in the *Auburn Journal* and the *Roseville Press Tribune* in the period of July 9 through July 10, 2010
- Public hearing conducted at the regular District Board of Directors meeting on August 12, 2010

Public Comment:

District Staff has worked closely with EPA and ARB during development of the amended rules to insure that once adopted, the rules will receive approval into the SIP. The amended rules as posted on the District website and presented in the workshop in July have received one public comment on Rule 102 in support of the additions to the exempt VOC definition as of the writing of this board memo. One permit holder attended the public workshop on July 1, 2010 and asked questions about how the amendments would affect her permits. She had no comments on the amendments.

Recommendation:

The purpose of the Board Hearing is to consider public testimony regarding the proposed amended rules and to consider whether the amended rules should be adopted.

Staff recommends and requests that the Board:

(1) Approve and adopt all Findings and Recommendations found in Attachments #5, #6, #7, and #8, and

(2) Adopt Resolutions #10-04 (Attachment #1), #10-05 (Attachment #2), #10-06 (Attachment #3), and #10-07, (Attachment #4), thereby adopting the text of amended Rule 102 (Exhibit 1), Rule 501 (Exhibit 2), Rule 503 (Exhibit 3), and Rule 504 (Exhibit 4)

Attachment(s)

#1: Resolution #10-04, Adoption of amended Rule 102, Definitions
#2: Resolution #10-05, Adoption of amended Rule 501, General Permit Requirements
#3: Resolution #10-06, Adoption of amended Rule 503, Emission Statement
#4: Resolution #10-07, Adoption of amended Rule 504, Emission Reduction Credits
#5: Analysis and Findings, Rule 102
#6: Analysis and Findings, Rule 501
#7: Analysis and Findings, Rule 503
#8: Analysis and Findings, Rule 504

ATTACHMENT #8

Subject:

Analysis and Findings Required for Rule Adoption

Amendment of Rule 504, Emission Reduction Credits

The following Analysis and the subsequent Findings are intended to address the requirements set forth in the Health and Safety Code relating to adoption of a new or amended District Rule, as well as other State statutes referenced herein.

1. Cost-Effectiveness of a Control Measure

California Health & Safety Code (H&S) Section 40703 requires a District to consider and make public "the cost-effectiveness of a control measure". The amendment of Rule 504 should have insignificant financial impact on permit holders or the public as compared with business under the current rule, therefore there is no cost-effectiveness of this amendment.

2. Socioeconomic Impact

H&S Section 40728, in relevant part, requires the Board to consider the socioeconomic impact of any new rule if air quality or emission limits are significantly affected. However, Districts with a population of less than 500,000 persons are exempted from the socioeconomic analysis. In 2009, the population of Placer County was approximately 340,000 persons.

3. California Environmental Quality Act (CEQA)

Proposed amended Rule 504 is not an activity that may cause a direct or reasonably foreseeable indirect physical effect in the environment therefore not considered a "project", as defined by Section 21065 of the California Public Resource Code and Section 15378(b)(4)&(5) of the CEQA guidelines. A CEQA analysis is therefore not necessary.

4. Findings

A. **Necessity** – The amendment of Rule 504 is necessary in order to obtain federal and state recognition of the District's Emission Reduction Credit rule in the SIP. SIP approval of this rule will allow ERC issued to the rule to be used as offsets for major sources and major modifications.

B. **Authority** – California Health and Safety Code, Sections 40000, 40001, 40701, 40702, and 40716 are provisions of law that provide the District with the authority to adopt this amended Rule.

C. **Clarity** – There is no indication, at this time, that the proposed Rule is written in such a manner that persons affected by the Rule cannot easily understand them.

D. **Consistency** – The regulation is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.

E. **Non-duplication** – The regulation does not impose the same requirements as an existing state or federal regulation.

F. **Reference** – All statutes, court decisions, and other provisions of law used by PCAPCD in interpreting this regulation is incorporated into this analysis and this finding by reference.