

SANTA BARBARA COUNTY
AIR POLLUTION CONTROL DISTRICT
POLICIES AND PROCEDURES

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Topic:	<u>The Source Register</u>	
Distribution:	<u>Engineering Division Staff</u>	

1.0 APPLICABILITY

This Policy and Procedure applies to use of the Source Register (Rule 806).

2.0 INTRODUCTION

This policy and procedure provides guidance on the design, operation and use of the Source Register. Rule 806 (*Emission Reduction Credits*) establishes the requirements and procedures that sources must follow in order to create an emission reduction credit ("ERC"). Once the APCD has approved a source's request to create an ERC, and the underlying operating permit has either been issued, modified or canceled, the APCD is required to issue an ERC Certificate to the source. All ERC Certificates are tracked in the Source Register. Once issued, the ERC Certificate may be used by sources to meet regulatory requirements to provide emission offsets.

The distinction between the terms "emission offsets" and "emission reduction credits" is important to understanding the offset process. Simply put, a permit applicant triggers the requirement for "emission offsets." "Emission reduction credits" are used to satisfy their "emission offset" requirements. The "emission reduction credits" are always provided in the form of an "Emission Reduction Credit Certificate" and are tracked in the APCD's "Source Register." Creating an ERC and obtaining an ERC Certificate is a distinct process in and of itself, as any source may create an ERC and register it in the APCD's Source Register for future use by that source or by any other source needing to use the ERCs to meet an emission offset liability.

3.0 THE SOURCE REGISTER

- 3.1 ERC Certificates - General: Section H of Rule 806 requires that the Control Officer issue an ERC Certificate upon registration of the approved ERCs in the Source Register. ERC Certificates are subject to: 1) the conditions noted on the Decision of Issuance ("DOI");

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2) standard administrative conditions established by the District; and, 3) source specific conditions (if any). ERC Certificates are “used” (or redeemed) by surrendering the ERC Certificate to the APCD in conjunction with the issuance of a permit that triggers the requirement for emission offsets. ERC Certificates may be transferred from one owner to another by submitting an ERC Certificate transfer application to the APCD. ERCs used prior to August 25, 2016 are permanently retired from the Source Register. An ERC is considered “used” if it has been dedicated to a project via an ATC permit or other process that resulted in the turning in of the ERC certificate to the APCD for a “use”. Note, DoD ERCs subject to DOI No. 001 may be returned to the Source Register pursuant to the requirements of Rule 806. ERCs used on or after August 25, 2016 may be re-registered in the Source Register if the specific equipment/emissions that required the ERCs is subsequently shut down. The owner of the ERCs must submit the appropriate application form and the District must ensure that the ERCs are still surplus. See also P&P 6100.057 for additional guidance on the potential re-use of ERCs.

The life of an ERC Certificate is five years (unless a shorter time period is listed as a Condition of the Certificate). To renew the ERC Certificate, the owner must submit an ERC renewal application prior to the expiration date, otherwise the ERCs may be terminated.

- 3.2 Initial ERC Application: Section F (*Requirements - Emission Reduction Credit Application Procedures*) of Rule 806 defines the steps in the ERC application process. An *Emission Reduction Credit - Creating New ERCs Application Form* (APCD-05A) must be submitted with each ERC application. Permit applications (e.g., ATC or PTO Modification) for the ERC source creating the ERC should be submitted concurrently with the ERC application in order to streamline the processing time to issue the requested Certificate.
- 3.3 Certificate Numbering: ERC Certificates shall be numbered using the following two-part format: XXXX-MMYR. The first part (“XXXX”) is a unique sequential integer starting at 0001. The second part (“MMYR”) is the number abbreviation for the month and year in which the ERC will expire (e.g., 0502 means May, 2002) if a renewal application is not submitted. The purpose of the second part is to have an easy way to determine the ERC Certificate Expiration Date without needing the Certificate in hand. Examples of valid ERC Certificate numbers are: 0344-1102, 1485-0503 and 0214-0105. The transfer, partial use or modification of an ERC Certificate does not alter the ERC expiration date.

After the initial ERC Certificate is issued, it may be subject to one of the following transactions:

- Transfer (from one owner to another pursuant to Section I of Rule 806),
- Use (in part or whole pursuant to Section J of Rule 806),
- Renewal (every five years pursuant to Section H of Rule 806).
- Re-registration for ERCs used after August 25, 2016. See P&P 6100.057.

ERC Certificates that are transferred, partially used or are modified will have new ERC Certificates issued using a new sequence number (“XXXX”) coupled with the original “MMYR” suffix. This ensures that the original expiration date is maintained. ERC Certificates used in whole are simply canceled and are retired from the Source Register. Renewed ERC Certificates will be issued a new sequence number and a new “MMYR”

suffix (e.g., the old Certificate No. was 00105-1102 and after Renewal the new Certificate No. is 0368-1107.)

3.4 Certificate Content and Format: All ERC Certificates shall have the following content:

- (a) Certificate number. Use the numbering scheme described above (“XXXX-MMYR”).
- (b) Name of the owner(s). The full name of all ERC owners.
- (c) Total Certificate “face value” amount and type of pollutants qualified as ERCs. Units in tons per year.
- (d) The Emission Elements, with amount and type of pollutants qualified as ERCs, that comprise the ERC Certificate.
- (e) Date of initial ERC registration and initial ERC certificate number.
- (f) Expiration date. Five year cycles from the date of initial ERC registration.

- (g) Conditions (e.g., from the Decision of Issuance, standard ERC administrative conditions and special source specific conditions) referenced as an attached page(s).
- (h) ERC summary of how/what created the subject ERCs. Typically, two to three sentences of text that provide sufficient detail to describe how the ERCs were generated is sufficient.
- (i) Control Officer signature.
- (j) Date of ERC certificate issuance.
- (k) APCD embossed seal.

If more than one emission source is qualified as an ERC, either one Certificate for all emission sources may be issued or one Certificate for each emission source may be issued. By default, only one Certificate will be issued unless specifically requested by the applicant to do otherwise. ERC Certificates shall follow the standard format as established by the District. Changes in content and/or format must be approved in writing by the Engineering Manager and may be applicable to all ERC Certificates issued thereafter. Emission Elements may be an individual emission source or groupings of similar emission sources which are subject to the same RACT requirements.

3.5 ERC Certificate Transmittal Letters: Standardized transmittal letters shall be used for issuance of ERC Certificates.

3.6 ERC Filing System: Hard copies of all relevant ERC records shall be maintained for the life of the ERC. ERC files shall be maintained by the permitting staff assigned to operating the Source Register. Filing of Certificates shall be done by DOI number. A separate file folder is used for each ERC Certificate. The initial file shall be for the DOI and all related analyses and documentation. Individual ERC certificates are then filed in separate file folder and are filed behind the DOI file folder. The ERC file for the ERC Certificate must contain the following information:

- (a) ERC certificate (copy)
- (b) Transmittal letter
- (c) Correspondence relating specifically to the ERC certificate
- (d) For renewals and requests to re-register post August 25, 2016 used ERCs, a copy of the APCD’s analysis for ensuring the ERCs are still surplus under local, state and

federal laws (including any proposed control measures in the District's Clean Air Plan and/or Ozone Plan.

When the initial ERC Certificate is superseded due to transfer, partial use, modification or renewal, a new file folder is created for the new ERC Certificate. The information from the initial ERC Certificate file should not be transferred to this new file. These ERC files for subsequent ERC Certificates must contain the following information:

- (a) ERC certificate
- (b) Transmittal letter
- (c) Correspondence relating specifically to the ERC certificate
- (d) ERC applications and related documentation

3.7 Source Register Database: The Source Register shall be maintained in a computer database or spreadsheets. At a minimum, the Source Register Database will track the following information:

- (a) Certificate number
- (b) Name of the owner(s)
- (c) Amount and type of pollutants qualified as ERCs
- (d) Date of initial ERC registration and initial ERC certificate number
- (e) Expiration date
- (f) Date of ERC certificate issuance
- (g) Amount of ERCs used
- (h) Amount of ERCs available for use

The permitting staff assigned to operating the Source Register will be responsible for the Source Register database. This responsibility includes database design issues, data input, data Q/A and reports.

3.8 Reporting to ARB: Each January, the permitting staff assigned to operating the Source Register shall prepare (for Management signature) and submit a report of all prior-year Source Register transactions to the Air Resources Board that involved the purchase of ERCs for ARB's cost tracking requirements.

3.9 Use of ERCs: Pursuant to APCD Rule 806, the ERCs identified in an ERC Certificate shall be subject to the requirements of all APCD rules and regulations, the Clean Air Plan and all USEPA requirements prior to use. The term "prior to use" shall mean the date of permit issuance for the source using the ERCs to satisfy an emission offset requirement. The APCD will evaluate the ERCs for all applicable requirements in place at this date. If new rules (e.g., RACT) are applicable to the source that created the ERCs, then the renewed ERC Certificate will be decreased accordingly. Further, if a prior RACT discount was applied and is no longer applicable, then the amount of ERCs in the renewed ERC Certificate may be adjusted upwards. The RACT adjustments are based on the face value of the ERC Certificate being used.

Each time an ERC Certificate is used, an APCD Form -05U (*Emission Reduction Credits - Authorization of ERC Use Application Form*) must be submitted. The ERC Certificate must be surrendered to the APCD at least two weeks prior to use. Based on the results of the

current applicable requirements, any remaining ERCs will be re-issued in a new ERC Certificate. The ERC owner shall specify the amount and type of ERCs being used and the Emission Elements that generated the ERCs which are subject to use.

3.10 Transfers: ERC Certificates may be transferred, in whole or in part, from the existing owner to one or many new owners. Section I (*Requirements - Transfers*) of Rule 806 defines the requirements pertaining to transfers. The existing owner of the ERC Certificate (the transferor) is required to submit a written and signed “instrument of transfer” authorizing the transfer in a form authorized by law to the APCD. The District’s Form -05T (*Emission Reduction Credits - ERC Certificate Transfer Application Form*) satisfies this requirement. Form -05T requires the following:

- the amount and type of ERCs transferred (total and by Emission Element)
- the Emission Elements that generated the ERCs subject to the transfer
- a copy of the current ERC Certificate to be canceled or modified and re-issued by the APCD
- the cost, in dollars per ton of each pollutant, paid for the purchase of the ERC

Current applicable requirements (e.g., RACT) are not evaluated during ERC Certificate transfers.

3.11 ERC Renewals: ERCs have a life of five years from the date of initial ERC registration. Section H.2 of Rule 806 allows for the ERCs to be renewed if a renewal application (APCD Form-05R, *Emission Reduction Credits - ERC Certificate Renewal Application Form*) is submitted prior to the expiration date. During the renewal process, the APCD will evaluate the ERCs for all applicable requirements in place at the date the ERC Certificate expires. If new rules (e.g., RACT) are applicable to the source that created the ERCs or if the current Clean Air Plan has identified new control measures, then the renewed ERC Certificate will be decreased accordingly. Further, if a prior RACT discount was applied and is no longer applicable, then the amount of ERCs in the renewed ERC Certificate may be adjusted upwards. The RACT adjustments are based on the face value of the ERC Certificate being renewed.

3.12 Re-Registration of Used ERCs: See P&P 6100.057 for the potential to re-use ERCs that have been assigned to a project after August 25, 2016.

3.13 Fees: Applications to create and register an ERC shall be assessed an application filing fee per Section F.1 of Rule 210 and all processing costs shall be assessed to the applicant on a cost reimbursement basis pursuant to Rule 210. Applications for ERC Certificate transfer, modification and renewal shall be assessed an application filing fee per Section F.1 of Rule 210 only. APCD costs associated with the “use” of an ERC Certificate shall be assessed to the NSR permit being processed. This includes costs for determining the applicability of current rules (e.g., RACT adjustment at time of use) and costs for issuance of a new ERC Certificate for any remaining “unused” ERCs not subject to the NSR process.