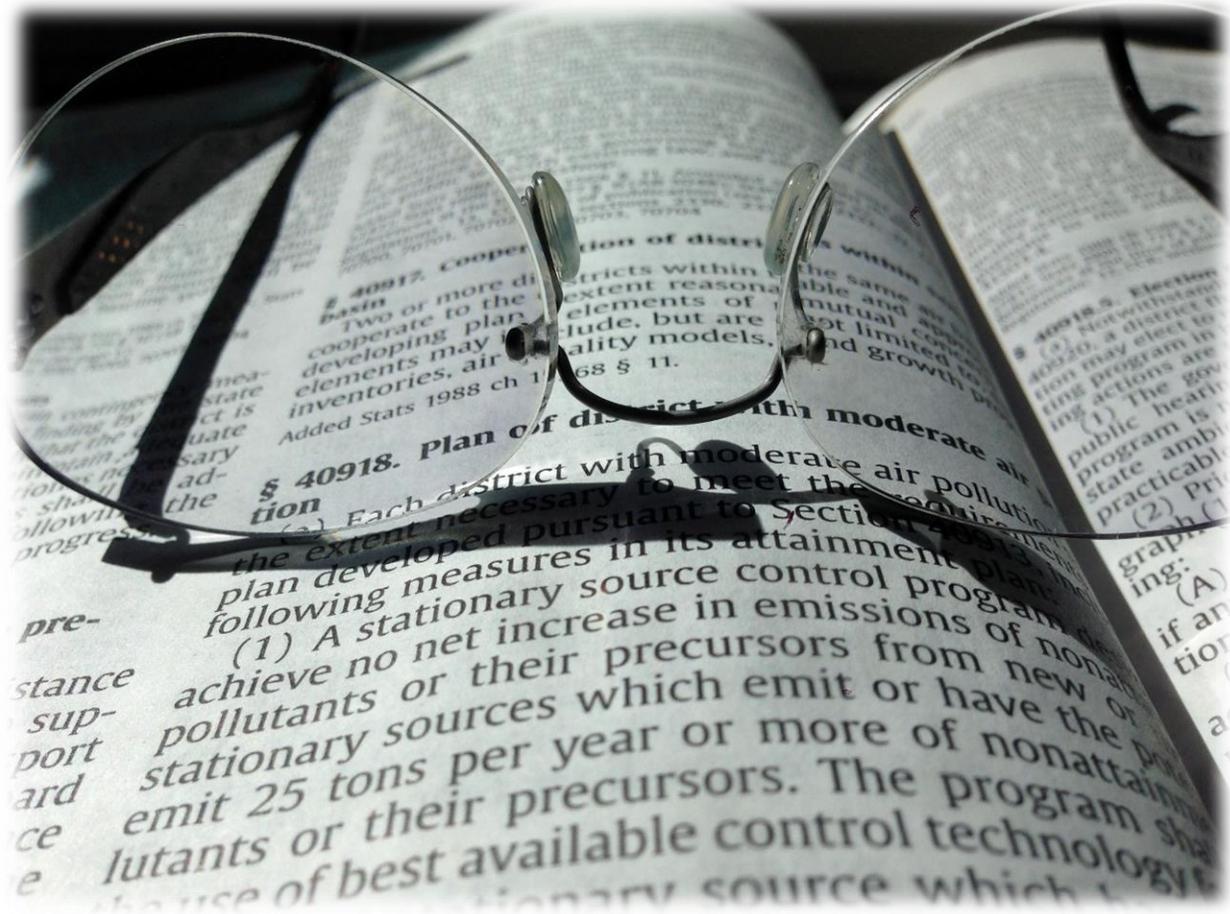


**SANTA BARBARA COUNTY
AIR POLLUTION CONTROL DISTRICT
PROPOSED STAFF REPORT**



Proposed Rule Changes to:

- Rule 102. Definitions**
- Rule 204. Applications**
- Regulation VIII. New Source Review**
- Rule 1301. Part 70 Operating Permits – General Information**

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Our Mission

*Our mission is to protect the people and the environment of
Santa Barbara County from the effects of air pollution.*

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Table of Contents

| | |
|--|------------|
| EXECUTIVE SUMMARY | III |
| 1. SUMMARY..... | 1-1 |
| 1.1 Introduction | 1-1 |
| 1.2 Permit Program Overview | 1-1 |
| 1.3 Overview of the Major Changes..... | 1-2 |
| 1.4 Cost/Staffing Implications..... | 1-9 |
| 1.5 Comparisons to Other Local Districts | 1-9 |
| 1.6 Mandates | 1-10 |
| 1.7 Public Review..... | 1-12 |
| 1.8 California Environmental Quality Act (CEQA) | 1-12 |
| 2. PROPOSED AMENDED RULES AND NEW RULES | 2-1 |
| 2.1 Proposed Amended Rule 102. Definitions | 2-1 |
| 2.2 Proposed Amended Rule 204. Applications | 2-1 |
| 2.3 Proposed Amended Rule 801. New Source Review - Definitions and General Requirements | 2-2 |
| 2.4 Proposed Amended Rule 802. New Source Review..... | 2-2 |
| 2.5 Repeal of Rule 803. Prevention of Significant Deterioration | 2-4 |
| 2.6 Proposed Amended Rule 804. Offsets..... | 2-5 |
| 2.7 Proposed Amended Rule 805. Air Quality Impact Analysis, Modeling, Monitoring, and Air Quality Increment Consumption | 2-6 |
| 2.8 Proposed Amended Rule 806. Emission Reduction Credits..... | 2-7 |
| 2.9 Proposed Rule 809. Federal Minor Source New Source Review | 2-8 |
| 2.10 Proposed Amended Rule 1301. Part 70 Operating Permits – General Information | 2-9 |
| 2.11 State Implementation Plan (SIP) – Actions Needed..... | 2-10 |
| 3. DISCUSSION OF MAJOR CHANGES..... | 3-1 |
| 3.1 Text Revisions | 3-1 |
| 3.2 Changing from NEI to PTE Based Calculations | 3-1 |
| 3.3 Revising Offset Thresholds, Zones and Ratios..... | 3-3 |
| 3.4 New Offset Exemption for Equipment Replacements | 3-11 |
| 3.5 New Offset Exemption for Emergency Standby Engines | 3-11 |
| 3.6 Merging Rule 803 Requirements into Rules 802, 804 and 805 | 3-12 |
| 3.7 Adding PM _{2.5} to the Attainment Pollutant Permit Requirements..... | 3-13 |
| 3.8 Revising the AAQS/Increment Procedures | 3-13 |
| 3.9 New Rule 809 for Federal Minor Source NSR..... | 3-14 |
| 3.10 SB 288 Discussion - Analysis | 3-14 |
| 4. STATIONARY SOURCES IMPACTED..... | 4-1 |
| 5. COST IMPLICATIONS AND DISTRICT STAFFING | 5-1 |
| 6. CLARIFICATION OF RULE ISSUES..... | 6-1 |
| 7. PUBLIC REVIEW | 7-1 |
| 7.1 Public Participation | 7-1 |
| 7.2 Rule Changes..... | 7-1 |
| 7.3 Public Comments | 7-2 |
| 8. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)..... | 8-1 |
| 9. ATTACHMENTS..... | 9-1 |
| 9.1 Attachment A. SB 288 No Net Increase Programmatic Comparison | 9-1 |

List of Tables and Figures

Tables

| | |
|---|------|
| TABLE 1-1. RULES AFFECTED..... | 1-3 |
| TABLE 1-2. COMPARISON OF KEY PROPOSED REVISIONS TO OTHER LOCAL DISTRICT RULES | 1-10 |
| TABLE 2-1. RULE 102, DEFINITIONS | 2-11 |
| TABLE 2-2. RULE 204, APPLICATIONS | 2-12 |
| TABLE 2-3. RULE 801, NEW SOURCE REVIEW - DEFINITIONS AND GENERAL REQUIREMENTS | 2-13 |
| TABLE 2-4. RULE 802, NEW SOURCE REVIEW - REQUIREMENTS | 2-14 |
| TABLE 2-5. RULE 803, PREVENTION OF SIGNIFICANT DETERIORATION..... | 2-17 |
| TABLE 2-6. RULE 804, OFFSETS | 2-19 |
| TABLE 2-7. RULE 805, AIR QUALITY IMPACT ANALYSIS, AND MODELING, MONITORING, AND AIR QUALITY INCREMENT CONSUMPTION..... | 2-21 |
| TABLE 2-8. RULE 806, EMISSION REDUCTION CREDITS | 2-22 |
| TABLE 2-9. RULE 1301, PART 70 OPERATING PERMITS – GENERAL INFORMATION..... | 2-23 |
| TABLE 2-10. STATE IMPLEMENTATION PLAN (SIP) – ACTIONS NEEDED | 2-24 |
| TABLE 3-1. NO NET EMISSION INCREASE MONITORING REPORT..... | 3-5 |
| TABLE 3-2. SB 288 OFFSETS PROGRAMMATIC ANALYSIS OZONE PRECURSORS | 3-8 |
| TABLE 3-3. SB 288 OFFSETS PROGRAMMATIC ANALYSIS SOX/PM10..... | 3-10 |
| TABLE 4-1. STATIONARY SOURCES WITH DAILY NEI W/IN 25% OF THE OFFSET THRESHOLD..... | 4-3 |
| TABLE 4-2. STATIONARY SOURCES WITH ANNUAL NEI W/IN 25% OF THE OFFSET THRESHOLD | 4-4 |
| TABLE 4-3. STATIONARY SOURCES THAT CURRENTLY REQUIRE OFFSETS USING NEI CALCULATION..... | 4-5 |
| TABLE 4-4. STATIONARY SOURCES WITH A DAILY POTENTIAL TO EMIT > 240 POUNDS PER DAY | 4-6 |
| TABLE 4-5. STATIONARY SOURCES WITH AN ANNUAL POTENTIAL TO EMIT > 25 TONS PER YEAR..... | 4-7 |
| TABLE 5-1. IMPLICATIONS OF MAJOR RULE CHANGES..... | 5-2 |

Figures

| | |
|---|-----|
| FIGURE 1-1. NOX ERC COSTS 1999 - 2014 | 1-6 |
|---|-----|

Executive Summary

The New Source Review (NSR) permitting program is an important tool to help the District meet our Clean Air Plan goal of attaining all State and Federal ambient air quality standards. The NSR rules require the District to evaluate proposed emission controls, offset mitigation packages and ambient air quality analyses when permitting new or modified stationary sources of air pollution. The current NSR rules have safeguarded our air quality since 1997, but they have recently become more difficult and costly to implement due to various circumstances that were unforeseen at the time of adoption.

We are proposing to address these issues by amending eight rules, adopting one new rule and repealing one rule. The main changes include:

- Revising the rule text to be clearer and to eliminate redundancies;
- Reorganizing the rules for easier implementation;
- Updating the calculation methodologies;
- Updating the offsets program and adding new offsets exemptions;
- Updating our ambient air quality/increment analysis procedures;
- Adding PM_{2.5} as a regulated pollutant; and
- Adding a new Federal Minor Source NSR rule, as mandated by EPA.

All of these changes are focused towards meeting the twin objectives of:

- 1) Safeguarding the region's air quality, and
- 2) Providing more flexibility and simplicity in the permitting process without compromising our air quality.

These objectives, as well as all State and Federal mandates, will be met under the proposed revisions. In addition, we are required to comply with Senate Bill 288 - *the Protect California Act of 2003*. SB 288 prevents the District from relaxing NSR permitting rules. This staff report provides the necessary analyses to show the proposed rule revisions will comply with the SB 288 requirement. The District proposes to move forward with these changes while ensuring that we're on a path to further enhancing the region's air quality.

Table ES-1, Implications of Major Rule Changes, provides a summary of the rules, proposed changes, and impacts to District costs, program effectiveness, revenues, and staffing.

The advantages that these rule changes provide include:

- Having rule text that is easier to follow and understand by our regulated community;
- Providing a simplified calculation procedure that removes complex and outdated methods. This will result in the regulated sources having a much better understanding of what our permit requirements will be when planning future projects;
- Maintaining an effective emissions offsets program while at the same time addressing many of the implementation issues that currently exist;
- Limiting the impacts of the offsets program to only the largest sources, which have the means to buy and/or create Emission Reductions Credits (ERCs);
- Making more ERCs available for use in the South County; and
- Establishing an offsets exemption for equivalent replacement projects that result in less actual emissions to the atmosphere.

Table ES -1. Implications of Major Rule Changes

| No. | Rule | Change | Cost Impact to Regulated Community ¹ | Impact on District Program Effectiveness ² | Impact on District Fee Revenues | Impact on District Staffing |
|-----|---------|--|---|---|---------------------------------|-----------------------------|
| 1 | All | Revising rule text to be clearer and to eliminate redundancies | Neutral | Increase | Neutral | Neutral |
| 2 | 801 | Replacing the NEI calculation methodology with the PTE methodology | Decrease | Increase | Neutral | Neutral |
| 3 | 802/804 | Revising the offset program thresholds, ratios and calculation basis | Decrease | Increase | Neutral | Neutral |
| 4 | 802 | Adding offset exemption for equipment replacements | Decrease | Increase | Increase | Increase |
| 5 | 802 | Adding offset exemption for emergency generators/flood/firewater pumps | Decrease | Neutral | Neutral | Neutral |
| 6 | 803 | Merging the requirements of Rule 803 into Rules 802, 804 and 805 | Neutral | Increase | Neutral | Neutral |
| 7 | 802 | Adding PM _{2.5} to the attainment pollutant permitting requirements | Increase | Increase | Neutral | Increase |
| 8 | 805 | Revising the AAQS and increment AQIA calculation procedures | Decrease | Increase | Increase | Decrease |
| 9 | 809 | New Rule 809 for Federal Minor Source New Source Review | Neutral | Neutral | Neutral | Neutral |
| | | Overall Impact of Changes => | Decrease | Increase | Neutral | Neutral |

¹ This column indicates the likely direct impact of the proposed change on sources affected by the change from the perspective of the source.

² This column refers to the effect of the proposed change on the District’s regulatory program as a whole.

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1. Summary

1.1 Introduction

The Santa Barbara County Air Pollution Control District (District) is proposing to modify Regulation VIII - New Source Review, which implements the District's New Source Review (NSR) permitting program. This is the first revision to our NSR rules in over 17 years.

1.2 Permit Program Overview

Permitting programs are primarily intended to provide a mechanism for air pollution control agencies to ensure businesses comply with applicable local, state and federal air quality requirements. The permitting process allows the District to review a company's proposed plan to construct a source of air pollution, analyze the potential air pollutants that the proposed facility may emit and impose emission limits. The District permit contains conditions that stipulate the parameters under which the source must operate in order to remain in compliance with the rules. Also, the permit enables the District to keep track of the location, number and size of air pollution sources so that pollution control strategies of the Clean Air Plan are based on sound information.

Regulation II – Permits, establishes the permitting system which applies to all stationary sources of pollution in the County. This regulation specifies the content of applications, timelines for processing permits and equipment exempt from permitting. In addition to complying with Regulation II, new or modified stationary sources must also comply with Regulation VIII - New Source Review. The objectives of Regulation VIII include:

- Preventing the degradation of air quality from air pollution generated by both new stationary sources of air pollution and modifications of existing stationary sources of air pollution, and to ensure that the source does not interfere with the attainment or maintenance of air quality standards,
- Establishing air pollution emission thresholds which, if exceeded, may require the installation of Best Available Control Technology, the surrender of offsets and/or the completion of an Air Quality Impact Analysis,
- Specifying how increases in both nonattainment and attainment pollutants are permitted, and
- Establishing provisions that allow for the banking of emission reductions to offset future emissions growth.

1.3 Overview of the Major Changes

The revisions primarily affect Regulation VIII. Eight rules would be amended: Rules 102, 204, 801, 802, 804, 805, 806 and 1301 would be amended. New Rule 809, Federal Minor Source New Source Review, would be adopted. Whereas Rule 803, Prevention of Significant Deterioration, would be repealed. Table 1-1 summarizes all of the affected rules. The major changes and their implications to the regulated sources of air pollution are summarized in Table ES-1. Chapter 2 discusses the changes made and contains tables detailing each specific rule revision and where the requirement can be found if the text was moved. Chapter 3 provides the analyses of these proposed rule changes.

The following text summarizes the major rule changes listed in Table ES-1:

No. 1: All Rules. Revising rule text to be clearer and to eliminate redundancies

The text of the affected rules would be revised to eliminate redundant requirements, to re-organize text in a more logical fashion and to re-write text to be clearer and more to the point.

No. 2: Rule 801. Replacing the NEI calculation methodology with the PTE methodology

Staff is proposing to delete the Net Emissions Increase (NEI) calculation methodology for our New Source Review (NSR) rule threshold determinations. The use of the NEI methodology was used by the District as an equivalent system to the Potential to Emit (PTE) methodology required by the California Health & Safety Code. The NEI methodology has become very complicated to both the regulated community and the District. It involves a convoluted system of tracking emission increases and decreases for every stationary source since 1990. We have seen many times where there have been disagreements and confusion as to how the NEI calculation works and how it pertains to a specific stationary source. The result can be a time consuming permit process and has resulted in regulated entities having to revise their projects at the last minute. No other air District currently uses this NEI calculation methodology.

We are proposing to simplify the process by using the PTE calculation methodology in lieu of the NEI calculation in our Regulation VIII threshold determinations. We already calculate the stationary source and project PTE, so it would not add to our workload. Use of the PTE methodology for the regulated community will result in less complexity when permitting new or modified projects and will provide far more certainty in planning future projects.

No. 3: Rules 802/804. Revising the offset program thresholds, ratios and calculation basis

Under the State Health & Safety Code Section 40918, our District is classified as a Moderate area for ozone. This requires us to have the following program thresholds:

- (a) A Best Available Control Technology (BACT) threshold of 25 pounds per day.
- (b) A no net emissions (offsets) threshold of 25 tons per year.

Table 1-1. Rules Affected

| Rule No. | Current Rule Name | Proposed Rule Name | Proposed Actions |
|-----------------|---|--|-------------------------|
| 102 | Definitions | Definitions | Amendments |
| 204 | Applications | Applications | Amendments |
| 801 | New Source Review | New Source Review - Definitions and General Requirements | Amendments |
| 802 | Nonattainment Review | New Source Review | Amendments |
| 803 | Prevention of Significant Deterioration | n/a | Repeal |
| 804 | Emission Offsets | Offsets | Amendments |
| 805 | Air Quality Impact Analysis and Modeling | Air Quality Impact Analysis, Modeling, Monitoring, and Air Quality Increment Consumption | Amendments |
| 806 | Emission Reduction Credits | Emission Reduction Credits | Amendments |
| 809 | n/a | Federal Minor Source New Source Review | New |
| 1301 | Part 70 Operating Permits – General Information | Part 70 Operating Permits – General Information | Amendments |

No. 3: (Continued)

Both of these programs use the Potential to Emit (PTE) based calculation methodology.

In 1997, the District adopted revisions to our New Source Review (NSR) regulation to implement the State mandates for BACT and offsets. We adopted the BACT requirement using the 25 pound per day PTE-based calculation methodology and have not had any major implementation issues.

For offsets, a different approach was used. This approach included a number of prongs to make up what was considered an equivalent approach to the State mandated requirement. These included: lower daily and annual thresholds, a NEI-based calculation methodology tied to a 1990 baseline, offset zones, trading ratios, quarterly ERCs and associated implementation policies. The District obtained Air Resources Board approval to use this alternative approach.

Except for difficulties inherent in using the NEI-based calculation, our offsets program worked fine for the first few years. There were sufficient quantities of ERCs being created, sold and used. Prices for ERCs ranged from \$5,000 to \$15,000 per ton. Over time, however, less and less ERCs were being created and the prices started to surge. Currently, the cost for 1 ton of NO_x ERCs is around \$125,000. See Figure 1-1 for a graph showing the cost of NO_x ERCs over the years. Further, companies that own ERCs are reluctant to sell at any price and larger companies are pro-actively securing ERCs before they even become available on the open market. Since the NEI-based program's offset thresholds are so low, this is proving to be an impediment for medium sized companies to make modifications or for the opening of new businesses in the County.

The District believes that revising the offsets program to be more aligned with the State mandated approach will help deal with the issues noted above and still safeguard air quality. The approach will not result in a relaxation of the overall regulatory program and our analyses show that we'll have a slightly higher level of offset mitigation for ozone precursor pollutants. The proposed approach includes: higher annual and daily thresholds, a PTE-based calculation methodology with no baseline requirement, a single offset zone, and revised trading ratios.

An important aspect of this proposed change is that we are required by State law (SB 288) to maintain the stringency of our existing NSR programs as they were in effect on December 30, 2002¹. For offsets, the Air Resources Board allows some flexibility in how we implement this requirement. Specifically, we must show that the offset requirements are "*on a programmatic basis*" as stringent as our existing rules. Thus, it allows us to make the changes we are proposing (e.g., increasing the thresholds) if our analyses shows that overall the mitigation will be equal to or better than before. We have performed detailed analyses of our proposed rule

¹ SB 288 allows for exceptions in certain circumstances, such as when the area attains all federal ambient air quality standards.

revisions in comparison to our current rules and can show that we can meet the programmatic basis test. Chapter 3 of this Staff Report contains this analysis. The net result is that the burden for providing offsets will fall to the larger stationary sources, which are better positioned to procure and/or create the required mitigation.

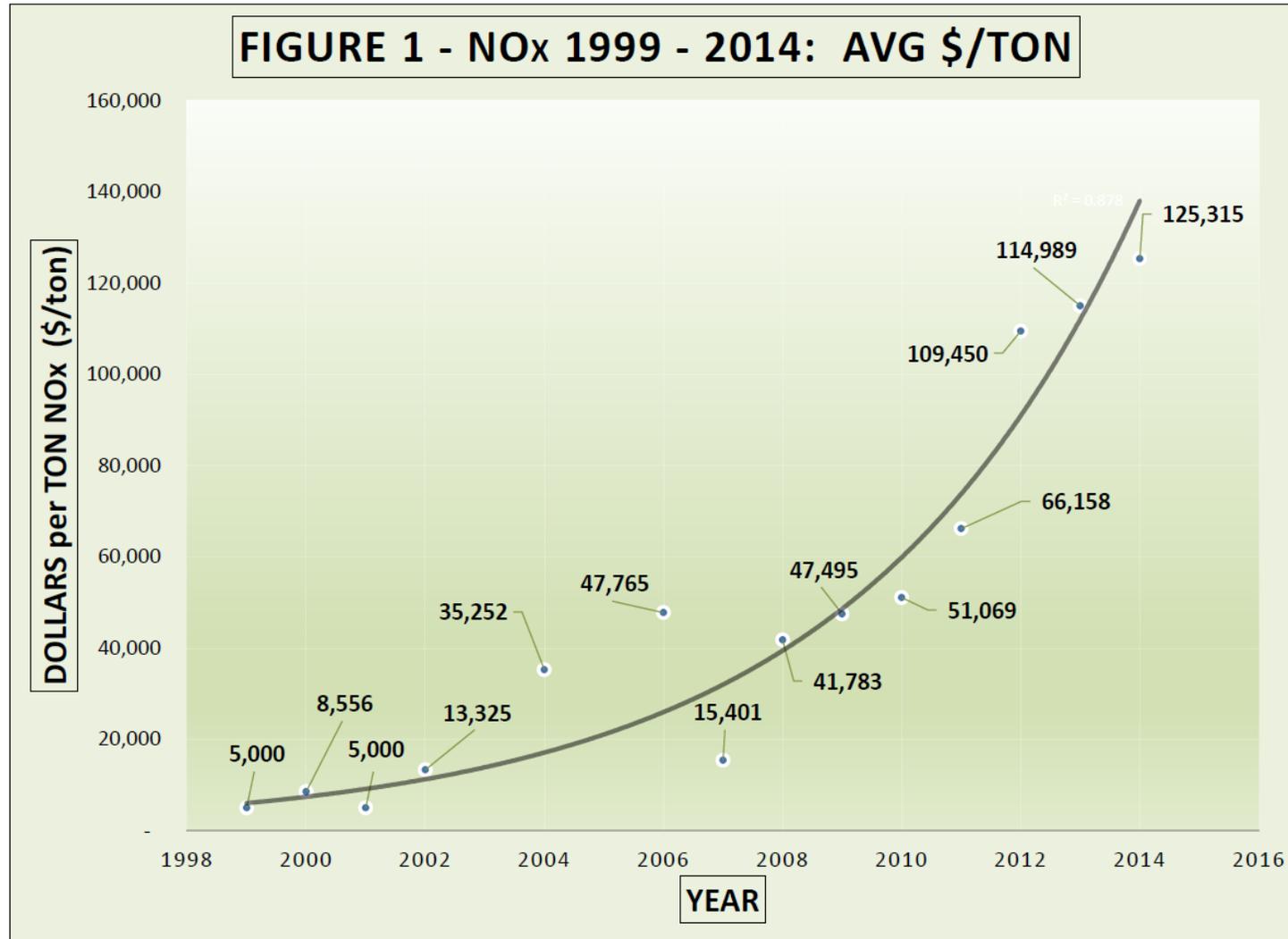
No. 4: Rule 802. Adding offset exemption for equipment replacements

Due to the way the current permitting process works, there are a number of instances where projects to replace/modernize existing equipment required offsets. Typically, the potential emissions for a new project (which is required for permitting) is greater than the actual emissions baseline for the existing equipment being replaced (which is required for documenting emission reductions). Offsets are required for this difference even if the new equipment is cleaner and actual emissions will be reduced, which is typically the case. The District is proposing a new offsets exemption to address this situation. Essentially, if the replacement project is functionally equivalent, uses Best Available Control Technology, does not increase the Potential to Emit and does not de-bottleneck a process, then offsets would not be required. This exemption will result in less “actual” emissions to the atmosphere because it facilitates a source’s desire to update equipment versus the current situation which discourages system improvements.

No. 5: Rule 802. Adding offset exemption for emergency standby generators / flood / firewater pumps

Up until 2005, emergency generators and flood and firewater pumps were exempt from District permits, and thus were not subject to New Source Review (NSR) requirements such as offsets. These emergency engines are subject to the State Airborne Toxic Control Measures for diesel engines and have limits on the amount of time that they may be used for non-emergency use (typically less than 50 hours per year for new engines). During the rulemaking for removing the exemption, it was not the District’s intent for these engines to trigger the offset thresholds. We have found that some of the larger engines in this category exceed the daily offsets thresholds or may be located at sources that already exceed the offsets thresholds. This proposal would exempt new emergency standby engines from offset requirements. This proposed exemption would be consistent with SB 288 requirements since this equipment was previously exempt from NSR and its associated offset requirements on December 30, 2002, the baseline date for SB 288. Thus, this is not a relaxation under SB 288.

Figure 1-1. NOx ERC Costs 1999 - 2014



No. 6: Rule 803. Merging the requirements of Rule 803 into Rules 802, 804 and 805

The District is proposing to consolidate and simplify our New Source Review (NSR) rules in Regulation VIII. Currently, Rule 803 covers permitting requirements for pollutants that attain State/Federal ambient air quality standards and Rule 802 covers pollutants that do not attain State/Federal ambient air quality standards.

Rule 803 was originally designed to serve as our federally delegated Prevention of Significant Deterioration (PSD) rule for attainment pollutants. However, on March 3, 2003, EPA revoked their delegation to the District to administer the federal PSD program. Since then, the District pursued the ability to implement federal PSD requirements and on January 20, 2011 we adopted Rule 810 (Federal Prevention of Significant Deterioration) which incorporated federal PSD regulations by reference. Rule 810 only applies to very large projects (over 100 tons per year for new stationary sources). Rule 803 still remains an active NSR rule that applies to stationary sources in the District. Per SB 288, we are required to maintain the requirements of Rule 803.

Our proposed rule revisions would apply Rule 802 to both attainment and nonattainment pollutants by merging in the attainment pollutant requirements of Rule 803. This would place all NSR requirements in a single rule and make it easier for the regulated community and District staff to implement the rule.

Further, we would move specific administrative requirements related to offsets to existing Rule 804 in order to better organize the rules. This keeps the offset thresholds and exemptions in Rule 802 and moves the administrative aspects of offsets to existing Rule 804. Similarly, we will keep the AQIA/Modeling thresholds in Rule 802 and move the administrative requirements related to AQIAs, Modeling, Monitoring and Increments to existing Rule 805. Both of these changes improve the organization of the rules.

Since Rule 803 requirements would be moved into Rules 802, 804 and 805, we are proposing to repeal the rule.

No. 7: Rule 802. Adding PM_{2.5} to the attainment pollutant permitting requirements

The District is required to add PM_{2.5} to the list of pollutants we permit. This requirement is codified in the Federal Clean Air Act, which mandates that each New Source Review program includes enforceable procedures to prevent the construction of any new source or modification that will interfere with the attainment or maintenance of any NAAQS.

We are currently designated as “Unclassified” for this pollutant by both the State and EPA. As such, PM_{2.5} would be considered an attainment pollutant under Rule 802. We currently regulate PM and PM₁₀ in Rule 803 as attainment pollutants and PM₁₀ under Rule 802 as a nonattainment pollutant for the State ambient air

quality standard. Adding PM_{2.5} to the list of regulated pollutants in amended Rule 802 is consistent with past Board actions to regulate attainment pollutants. It also aligns our rule set with proposed Rule 809 (Federal Minor Source New Source Review). PM_{2.5} would be subject to the BACT and AQIA requirements of Rules 802 and 805, respectively.

No. 8: Rule 805. Revising the AAQS and increment AQIA calculation procedures

When Rule 803 was adopted in 1997, EPA determined that the rule was equivalent to the federal Prevention of Significant Deterioration (PSD) regulations and delegated us authority to implement the federal PSD program. Two key features of a PSD program are Air Quality Impact Analyses (AQIA) and Increment Consumption Analyses. Rule 803 was written to satisfy federal PSD standards for major sources, but also applied to smaller non-major sources. With the revocation of EPA's delegation and our subsequent adoption of Rule 810 (which applies only to major sources), we now have rule language for AQIA and Increment Consumption Analyses that apply only to non-major sources. We are proposing to streamline these analyses for non-major sources. The proposed rule revisions simplify the processing of AQIA and Increment Consumption Analyses while at the same time not affecting the level of stringency of those requirements.

Key changes would include eliminating the baseline dates and the requirement to model additional sources. Baseline dates are a federal PSD requirement that define how the increment is calculated and when additional sources must be added to the modeling analyses. It results in a far more complex modeling exercise. Instead, we are proposing to use actual monitored background data in the modeling analyses which will provide a more accurate analysis and a less time consuming process. This does not eliminate the required modeling, but rather simplifies the process.

Additional changes would include streamlining the alternative mitigation approach for pollutants with increment ranges to remove the monitoring based option language and to provide a single approach: the 10-year mitigation option, which is existing text in the rule. In all historical cases where this requirement applied, the 10-year mitigation option was used. Table 1 of Rule 805 would also be revised to reflect updates to State and Federal ambient air quality standards and increments since 1997.

No. 9: Rule 809. New Rule 809 for Federal Minor Source NSR

EPA has requested that we revise our permitting rules to meet federal mandates to include a permitting program for minor sources. This is called a Federal Minor Source New Source Review program and it is required pursuant to the Federal Clean Air Act. While our current rules contain many of the aspects of what EPA has mandated, we do not meet all the provisions. One of the options that EPA presented to us was to create a stand-alone rule. This approach limits the number of rules submitted to the State Implementation Plan for EPA approval. Rule 809 would satisfy EPA's requirements and be consistent with the proposed modifications to Regulation VIII. Rule 809 would not add additional requirements

to what we are proposing for Rules 801-806. This would simplify the permit process for the regulated community, ease the workload for District staff and satisfy the mandate from EPA.

1.4 Cost/Staffing Implications

Cost implications of the proposed revisions to the regulated community, to fee revenues and to staffing are highlighted below. The discussion addresses the implications of the proposed revisions in the aggregate. See Chapter 5 for more information.

Cost to the Regulated Community

Overall, the District expects to decrease the cost to the regulated community by implementing the proposed rule amendments. Items such as eliminating the Net Emissions Increase (NEI) calculation methodology, adding offsets exemptions, simplifying the ambient air quality and increment analyses process and revising the offsets thresholds and ratios would reduce costs. Some larger facilities (those with a Potential to Emit over 25 tons per year not already subject to offsets) will see an increase in costs due to the revisions to NEI calculation methodology and the changes to the offsets thresholds and ratios. We estimate that 28 facilities (16 companies) will be subject to the offset requirements for the first time. See Chapter 4 for a breakdown of the companies that are impacted. Future projects subject to the new PM_{2.5} Best Available Control Technology and/or Air Quality Impact Assessment requirements may also see an increase in costs.

Impact on District Fee Revenues

The District does not expect any substantive changes to our fee revenues due to the proposed rule amendments. We may see increased revenues due to modernization projects taking advantage of the offsets replacement exemption and increases in increment fees if any projects trigger the increment fee requirement.

Impact on District Staffing

We don't expect to change District staffing levels to implement the proposed rule amendments and the new rule. We may see increases in workload due to modernization projects taking advantage of the offsets replacement exemption as well as additional efforts addressing the permitting of PM_{2.5}. Revisions to the Air Quality Impact Assessment/increments process will save time.

1.5 Comparisons to Other Local Districts

A comparison of the proposed regulations to regulations from other local districts in the South Central Coast Air Basin is given in Table 1-2. The districts selected for this evaluation are both medium sized districts with similar industries and staffing levels. In general, our proposed rule amendments align well with the other Districts.

Table 1-2. Comparison of Key Proposed Revisions to Other Local District Rules

| Regulatory Issue ^(a) | Existing Santa Barbara APCD | Proposed Santa Barbara APCD | Ventura APCD | San Luis Obispo APCD |
|--|------------------------------------|------------------------------------|----------------------|-----------------------------|
| PTE-Based NSR Calculations | No | Yes | Yes | Yes |
| Emission Offset Thresholds | 55/240 lbs/day 10 tpy | 240 lbs/day 25 tpy | 5 tpy ^(b) | 25 tpy |
| Emission Offset Ratios | 1.2 to 6.0 | 1.1 to 1.3 | 1.1 to 1.3 | 1.0 |
| Emission Offset Zones | Three Zones | Single Zone | Single Zone | Single Zone |
| Offset Exemption: Equipment Replacements using BACT | No | Yes | Yes | Yes |
| Offset Exemption: Emergency Generator/Flood Control/Firewater Pump Engines | No | Yes | No | No |

(a) PTE is Potential to Emit. BACT is Best Available Control Technology.

(b) Ventura County APCD is subject to more stringent State/Federal emission offset threshold due to their ozone nonattainment classifications.

1.6 Mandates

The proposed revisions must adhere to a number of State and Federal requirements. The most important requirements are discussed below.

California Health & Safety Code Section 40918

The District is classified as Moderate nonattainment for the State 8-hour ozone standard. California Health & Safety Code Section 40918 requires the District to implement Best Available Control Technology for all new or modified stationary sources that have a Potential to Emit 25 pounds per day or more of any nonattainment pollutant and no net increase in emissions of nonattainment pollutants from all sources with a potential to emit more than 25 tons per year.

Senate Bill 288

Senate Bill 288, the Protect California Air Act of 2003¹, prohibits Districts from amending their New Source Review (NSR) programs to be less stringent than it was as of December 30, 2002.

¹ See <http://www.arb.ca.gov/nsr/sb288/sb288detail.htm>. H&SC Section 42500.

However, SB 288 has provisions that allow for a district to make changes to their NSR rules to be less stringent under any one of the following circumstances:

- Replacing a rule that causes a risk to public health or safety with a new rule that provides greater public protection.
- Replacing a rule that proves to be unworkable due to engineering or other technical problems with a rule that is effective.
- Amending a rule to relieve a business or source category of substantial hardship. The rule amendment must be very narrowly tailored to relieve the specific hardship. Also, the district is responsible for offsetting any emission increases that result.
- Adopting a temporary rule that is needed to respond to an emergency to prevent or mitigate loss or damage to life, health, property, or essential services.
- Rule changes are allowed for areas that attain all national ambient air quality standards under the following conditions:
 - The changes will not impair maintenance of those standards, and
 - The changes will not impair progress toward attaining State ambient air quality standards.

For all of the specific circumstances listed above, the rule changes cannot exempt or reduce the obligation of a major stationary source to obtain a permit or to meet California Best Available Control Technology requirements. In addition, the rule changes must be consistent with any environmental justice guidance approved by the California Air Resources Board.

Of the above, the fifth bullet (areas that attain all national ambient air quality standards) applies to our case. The District meets all federal air standards, the changes we propose will not impair maintenance of those standards and the changes will not impair progress towards attaining the state standards.

Despite the fact that the District meets the criteria to relax our rules, the District has chosen to prove that the proposed rules are equivalent to the NSR rules that were in effect on December 30, 2002. For such equivalency determinations, the Air Resources Board has developed guidance for Districts to follow. Specific to our proposed amendments, revisions to offset programs are allowed if it can be shown that, *on a programmatic basis*, the revisions provide equivalent or better emissions reductions.

Federal Minor Source NSR

Air districts are mandated to maintain a federally approved Minor Source New Source Review permit program. Our current rules do not fully comply with the federal requirements and we have proposed a new Rule 809, Federal Minor Source New Source Review, to address this deficiency. EPA requirements for a Federal Minor Source New Source Review permit program are detailed in 40 CFR part 51, Subpart I – Review of New Sources and Modifications, Sections 51.160-164.

1.7 Public Review

The District has solicited for feedback on the proposed changes to both the Air Resources Board and the Environmental Protection Agency. The revisions, in their current form, have been approved by their staff.

The proposed revisions were publicly noticed on August 16, 2015 and two workshops will be held in Santa Barbara and Santa Maria on September 17 and 18, 2015, respectively.

After the workshops, the District will be bringing the proposed changes to the Community Advisory Council (CAC) so that all the changes can be fully vetted.

All public comments and the District's responses to such comments will be attached to the final staff report.

1.8 California Environmental Quality Act (CEQA)

The proposed amendments to the District's NSR permitting program are intended to and expected to benefit public health and the environment. In particular, the proposed amendments will add new permitting requirements for PM_{2.5} and will allow more permitting projects that reduce actual emissions to be fully approved. Notwithstanding these air quality benefits, the District is preparing an Environmental Impact Report (EIR) to evaluate whether the proposed amendments could cause any significant impacts as a result of the proposed rule amendment.

The Notice of Preparation will be sent out in late August and the Notice of Availability for the EIR will be sent out after the CAC process is completed. The final EIR will be a part of the Board adoption package for these amendments.

2. PROPOSED AMENDED RULES and NEW RULES

This Chapter describes the proposed amended rule revisions for Rules 102, 204, 801, 802, 803, 804, 805, 806 and 1301 as well as the new proposed Rule 809. We developed a series of tables for each proposed amended rule that details the changes made along with an explanation for each change. As one of the main changes was to move the requirements of Rule 803 into Rules 802, 804 and 805, the tables also contain cross references to show the reviewer where specific text was moved. These tables are located at the end of this Chapter. The sections below discuss the more relevant changes to the existing rules as well as the new rule.

2.1 Proposed Amended Rule 102. Definitions

See Table 2-1 below for specifics on all the proposed revisions to this rule. This proposed amended rule reflects the necessary revisions due to the changes to Regulation VIII.

A few of the notable changes include:

- The text related to baseline emission determinations in the definition of “Actual Emission Reductions” has been deleted because it is redundant to existing language in Rule 802.
- The definition of “Baseline Air Quality,” which was used for Air Quality Impact Analysis modeling, has been deleted as this term is no longer proposed for use in Rule 805.
- The definition of “Potential to Emit” has been revised to remove the term “federally,” as EPA has noted that this is not required to ensure enforceability on limitations to a source’s PTE.
- The definition of “PM_{2.5}” has been added.
- The definition of “Precursor” has been revised to include PM_{2.5}. Nitrogen Dioxide and Sulfur Dioxide were also re-added as secondary pollutants, which were inadvertently left out when the definition for precursor was transferred from Rule 201 to this rule in 1997.

This rule revision will be submitted to EPA for inclusion in the State Implementation Plan (SIP). The January 20, 2011 version of this rule is currently included in the SIP.

2.2 Proposed Amended Rule 204. Applications

See Table 2-2 below for specifics on all the proposed revisions to this rule. This amendment is necessary since the rule currently references Rule 803, which is being

repealed. Of note, Section E.3.b was revised for better clarity regarding the type of Best Available Control Technology review being referenced.

Rule 204 was originally a part of the SIP, but it was removed from the SIP in 2004 since it was, at the time, deemed an administrative rule by EPA. However, due to the federally required updates to the minor source New Source Review provisions, Rule 204 is now required to be in the SIP to fully implement the program. This rule revision will be submitted to EPA for inclusion in the State Implementation Plan (SIP).

2.3 Proposed Amended Rule 801. New Source Review - Definitions and General Requirements

See Table 2-3 below for specifics on all the proposed revisions to this rule. The proposed amended rule begins with a change to the title to better reflect the purpose of this rule.

A few of the notable changes include:

- The text in Section B (Exemptions) was moved to Rule 802.
- The definition of “Ambient Air Quality Standards” was deleted here as it is already defined in Rule 102, Definitions.
- The definition of “Net Emissions Increase” was deleted. This definition is no longer required due to the proposed changes to Rules 802 and 803.
- The definitions of “Enforceable” and “Real” were added to provide clarity to the requirements for an Emission Reduction Credit.

This rule will not be submitted to EPA for inclusion in the State Implementation Plan (SIP) because proposed Rule 809 satisfies EPA’s requirements for a Minor Source New Source Review rule. The April 17, 1997 version of this rule was submitted to EPA for inclusion in the SIP, but was never acted on by EPA. Hence, the 1997 rule will be withdrawn from SIP consideration.

2.4 Proposed Amended Rule 802. New Source Review

See Table 2-4 below for specifics on all the proposed revisions to this rule. The title of this rule was changed to reflect that it now covers both attainment and nonattainment pollutants. The requirements of Rule 803, our local Prevention of Significant Deterioration (PSD) rule, were merged into this rule. The rule was re-organized to flow better and to accommodate the bifurcation of Best Available Control Technology (BACT) requirements for both nonattainment and attainment pollutants. The District already has rules that address the specific requirements for offsets (Rule 804) and Air Quality Impact Analyses (AQIA) (Rule 805). Since Rule 802 contains many offset/AQIA (modeling) requirements, we moved those specific items to Rules 804 and 805, respectively. The main New Source Review

(NSR) elements, such as thresholds and exemptions, are maintained in Rule 802. The net result is a set of rules that is easier to understand for both the regulated community and District staff.

A few of the notable changes include:

- The term Net Emissions Increase (NEI) was replaced by Potential to Emit (PTE) throughout the rule.
- The exemption from NSR requirements will be moved from Rule 801 to Section B.1.
- The existing Health and Safety Code offset exemptions for demolition projects and mandated emission control projects will be moved from Rule 804 to Section B.4.
- A new offsets exemption for functionally equivalent replacements was added.
- New text exempting emergency standby generator/flood control/firewater pump engines from the offset requirements was added to Section B. This exemption reflects District practices for sources that do not otherwise exceed the offset thresholds. The proposed exemption will apply to all new emergency engines.
- BACT, Section D, was revised to address both nonattainment and attainment pollutants. The BACT thresholds were not changed except for carbon monoxide, which was reduced from 550 pounds per day to 500 pounds per day.
- PM_{2.5} was added as an attainment pollutant to Tables 2, 4 and 5. A BACT/AQIA threshold of 55 pounds per day was implemented. See Chapter 3 for more discussion on this item.
- Offsets, Section E, was revised to address the proposed new PTE-based offset thresholds as well as retaining the existing Rule 803 daily attainment pollutant offsets threshold in Table 3. Offsets are required if the post project stationary source PTE exceeds the threshold(s) in Table 3. For projects at stationary sources already above the threshold, offsets are required to mitigate the PTE for any new modification. The project's emission increases must be offset. There is no netting out if the post project PTE exceeds the offset threshold. If the post project stationary source PTE exceeds the threshold(s) in Table 3 for the first time, then only that amount of PTE above the threshold is required to be offset. All offset mitigation is determined per the requirements of Rule 804. All mitigation must be qualified under the procedures of Rule 806. See Chapter 3 for more discussion on this item.

- Old Section E.2 was deleted as it only applies to projects that trigger Federal PSD review, which is now covered by Rule 810.
- The offset zone and ratio requirements of Section E.4 are replaced by the new provisions in Rule 804, Sections D.8 – D.10. See Chapter 3 for more discussion of this item.
- Section F.1, Calculations, was deleted as it is redundant to the Rule 102 definition of “Potential to Emit.”
- Section F.2, Baseline Calculations, was moved to Rule 804, Section E.
- The AQIA requirement of Rules 802 and 803 have been merged into Sections F and G of this rule.
- Section G monitoring exemption that only applied to projects that triggered Federal PSD review was deleted, as it is now covered by Rule 810.
- Section I noticing requirements were revised to clarify that it applies to Authority to Construct applications. EPA references are deleted as this rule will not be part of the SIP.
- Section I.1.b.5 (electronic notifications) clarifies actual District practice and reflects current technological advances.

This rule will not be submitted to EPA for inclusion in the State Implementation Plan (SIP) because proposed Rule 809 satisfies EPA’s requirements for a Minor Source NSR rule. The April 17, 1997 version of this rule was submitted to EPA for inclusion in the SIP, but was never acted on by EPA. As we attain all federal ambient air quality standards, there is no need to maintain a federal nonattainment rule in the SIP. Hence, the 1997 rule will be withdrawn from SIP consideration.

2.5 Repeal of Rule 803. Prevention of Significant Deterioration

See Table 2-5 below for specifics on all the proposed revisions to this rule. The requirements of this rule, our local Prevention of Significant Deterioration rule, would be merged into Rule 802, Rule 804 and Rule 805. The goal is to consolidate and simplify the New Source Review rule requirements. We therefore propose to repeal Rule 803.

The April 17, 1997 version of this rule was submitted to EPA for inclusion in the State Implementation Plan (SIP), however the District has already requested to withdraw the rule from SIP consideration due to the recently adopted Rule 810, Federal Prevention of Significant Deterioration. No further SIP action is needed for this repeal.

2.6 Proposed Amended Rule 804. Offsets

See Table 2-6 below for specifics on all the proposed revisions to this rule. The title of this rule was changed to be clearer. This is an existing rule that addressed offset requirements. With the consolidation of Rule 803 into Rule 802, it makes sense to move over the non-threshold offset requirements to this rule. This will provide better clarity and organization of the offset requirements.

A few of the notable changes include:

- Section D.1 was revised to change the Emission Reduction Credit (ERC) requirement from a quarterly to an annual basis. A few facilities have unique operating schedules where they can't predict which quarter they will be operating in. Under the quarterly provisions, these facilities would have to provide 4 times the amount of ERCs to account for operational flexibility, which is absurd. We foresee no measurable impact to our air quality by making the change to an annual offset basis. More importantly, our Clean Air Plan uses annual emissions inventories, not quarterly, and we are maintaining a daily offsets threshold.
- Section D.3 regarding inter-District offsets was deleted as Section D.10 now addresses this item.
- Section D.5 regarding inter-pollutant offsets was revised and reorganized to read better. The approval process was revised to make the District the final authority in approving the offsets (required since this rule will not be included in the SIP).
- Section D.6 text regarding EPA and SIP submittals was deleted since this rule will not be included in the SIP.
- Existing Section D.8 regarding Health and Safety Code (H&SC) offset exemptions was moved to Rule 802.B.
- Section D.8 establishes a new offset ratio for reductions used as mitigation at the same stationary source where the Authority to Construct (ATC) permitted emission increase is occurring. The ratio of 1.1:1 is proposed.
- Section D.9 establishes a new offset ratio for reductions used as mitigation at areas in the County that are not from the same stationary source where the ATC permitted emission increase is occurring. The ratio of 1.3:1 is proposed.
- Section D.10 provides the necessary rule language required to implement H&SC Section 40709.6 for inter-district offset trades between our district and Ventura and San Luis Obispo districts. Before any trade can be granted, both district boards must make the required H&SC findings. A minimum offset

ratio of 1.5:1 is established. Higher ratios may be required depending upon case specific parameters.

This rule will not be submitted to EPA for inclusion in the State Implementation Plan (SIP) because proposed Rule 809 satisfies EPA's requirements for a Minor Source New Source Review rule. The April 17, 1997 version of this rule was submitted to EPA for inclusion in the SIP, but was never acted on by EPA. As we have attained all federal ambient air quality standards, there is no need to include this rule in the SIP. Hence, the 1997 rule will be withdrawn from SIP consideration.

2.7 Proposed Amended Rule 805. Air Quality Impact Analysis, Modeling, Monitoring, and Air Quality Increment Consumption

See Table 2-7 below for specifics on all the proposed revisions to this rule. The title of this rule was changed to address the actual scope of the rule. This is an existing rule that addressed air quality impact analysis and modeling requirements. With the consolidation of Rule 803 into Rule 802, it makes sense to move over the procedural AQIA, modeling, monitoring and increment requirements to this rule. This will provide better clarity and organization for these requirements.

A few of the notable changes include:

- Section A, Applicability, will be revised to clarify that new major sources or major modifications of existing major sources (i.e., federal projects) must also comply with Rule 810.
- Section C, Definitions, will be revised to delete the term "excessive pollutant concentrations" since the term is no longer necessary and to move the term "Effective Stack Height" to Rule 102, as the definition will also be used in Rule 809.
- Section D.1 will be revised to clarify the modeling techniques used and to delete the cost reimbursement reference as Rule 210 already addresses the procedures for collecting cost reimbursement fees for this work.
- The Class I area requirement from Rule 803 will be moved to Section E of this rule.
- The ambient air quality standard increment requirements of Rule 803.I.1 will be moved to Section F.1 of this rule. The second sentence will be deleted since it no longer applies. The third sentence will be deleted as part of the effort to simplify the process since this rule will not be part of the SIP.
- The increment requirements of Rule 803.I.2 will be moved to Sections F.2 and F.3 of this rule. Section F.3 will be streamlined to limit the options for addressing mitigation when handling increment ranges. This action reflects actual District practice since these provisions were added to the rules back in the 1980s.

- The baseline dates referenced in Section F.3 and in Table 1 will be deleted. Baseline dates are a federal Prevention of Significant Deterioration requirement that define how the increment is calculated and when additional sources must be added to the modeling analyses. It results in a far more complex modeling exercise. Instead, we are proposing to use actual monitored background data in the required modeling analyses, which will provide a more accurate analysis and a less time consuming process. This does not eliminate the required modeling, but rather simplifies the process. We will utilize actual monitored baseline data measured by the District or from applicant installed pre-construction monitors. This will streamline the process and reflects actual practice over the years for non-major source projects.
- Table 1 was renamed from “Air Quality Increments” to “Air Quality Standards and Increments” to better reflect its purpose. The air quality standards and increments were updated to reflect changes to both State and Federal standards. The PM_{2.5} standards and increments were added to the table.
- Section H title was revised from “Requirements - Administration” to “Requirements - Air Quality Increment Analysis” to better reflect the purpose of the Section.

This rule will not be submitted to EPA for inclusion in the State Implementation Plan (SIP) because proposed Rule 809 satisfies EPA’s requirements for a Minor Source New Source Review rule. The April 17, 1997 version of this rule was submitted to EPA for inclusion in the SIP, but was never acted on by EPA. As we have attained all federal ambient air quality standards, and so there is no longer a need to include this rule in the SIP. Hence, the 1997 rule will be withdrawn from SIP consideration.

2.8 Proposed Amended Rule 806. Emission Reduction Credits

See Table 2-8 below for specifics on all the proposed revisions to this rule. This is an existing rule that addresses the application requirements and banking procedures for Emission Reduction Credits.

A few of the notable changes include:

- Section D.7.b.1 was revised to add the Standard Industrial Classification code for National Aeronautics and Space Administration (NASA) operations (*government space research and technology*) within the single Vandenberg Air Force Base (VAFB) stationary source designation. This clarifies the original rule text to ensure that NASA operations are included under this rule provision. NASA operations are included in the single VAFB stationary source.

- Section G was revised to remove the reference to offset “zones” as this is being removed from the offset program.
- Section H.2 is being revised to eliminate the automatic termination of a certificate. The District will notify the certificate owner and allow them 60 days to provide their application. If the owner does not reply, then the certificate may be cancelled ..

This rule will not be submitted to EPA for inclusion in the State Implementation Plan (SIP) because proposed Rule 809 satisfies EPA’s requirements for a Minor Source New Source Review rule. The April 17, 1997 version of this rule was submitted to EPA for inclusion in the SIP, but was never acted on by EPA. As we have attained all federal ambient air quality standards, there is no need to include this rule in the SIP. Hence, the 1997 rule will be withdrawn from SIP consideration.

2.9 Proposed Rule 809. Federal Minor Source New Source Review

The proposed rule was developed in response to EPA’s mandate that we have an approvable Federal Minor Source New Source Review (NSR) permit program. EPA was recently informed by their headquarters that California air districts did not meet the minimum requirements for a Federally-approvable Minor Source NSR permit program, as codified in the federal regulations at 40 CFR part 51, Subpart I – Review of New Sources and Modifications. Sections 51.160-164 are considered the general provisions for a permit program and constitute the requirements for a Minor Source NSR program.

A Minor Source NSR permit program is required to contain the following elements:

- Requirement to obtain an Authority to Construct prior to construction.
- Requirement to obtain a permit, which must apply to all pollutants subject to a National Ambient Air Quality Standard (NAAQS).
- Requires the District to determine that the stationary source will comply with all State Implementation Plan (SIP) rules.
- Requires a determination by the District that the source will not interfere with ability to attain or maintain the NAAQS.
- Requires public noticing for permits at appropriate thresholds.
- Have a statement that the issuance of the permit does not relieve a permit holder from the obligation to comply with all other applicable regulations.
- Requirement to pay permit fees.
- Requirement to maintain records to verify compliance.

Our agency reviewed our rules and concur that, although we had many of the components required by EPA, additional rule fixes were necessary. One of the options EPA presented to us was to create a stand-alone rule. Such an approach has benefits, the main one being limiting the number of rules submitted to EPA for inclusion into the SIP.

Proposed Rule 809 satisfies all of EPA's requirements and does not add any substantially new requirements to our rule set. The changes include revising the carbon monoxide Best Available Control Technology threshold from 550 lbs/day to 500 lbs/day, adding PM_{2.5} as a regulated pollutant, and addressing the public noticing requirements. To simplify the permit process for the regulated community and to ease the workload of District staff, the District has incorporated these changes into Rules 801-806 as well. Thus, compliance with Rules 801-806 will ensure compliance with all of the federal Minor Source NSR requirements in Rule 809.

The District has determined that using the already established thresholds from Rules 801-806 for Rule 809 will not interfere with the ability to maintain the NAAQS. The District is confident in this assessment because our current program continues to meet or exceed all NAAQS. As for PM_{2.5}, the 55 lbs/day threshold was chosen because it is equivalent to the 10 tons/year significant emission rate for PM_{2.5}, as established by EPA. Hence, a PM_{2.5} emission rate of less than 55 lbs/day is less than significant and will not interfere with the ability to maintain the PM_{2.5} NAAQS.

This rule will be submitted to EPA for inclusion in the SIP along with a few other District rules that are needed in order to implement proposed Rule 809. See Section 2-11 for more details.

2.10 Proposed Amended Rule 1301. Part 70 Operating Permits – General Information

See Table 2-9 below for specifics on all the proposed revisions to this rule. This is an existing rule that addresses the general requirements for Title V (Major) Sources of Air Pollution.

A few of the notable changes include:

- The definition of “Net Emission Increase”, which references the Regulation VIII definition, has been deleted. All calculations in this rule will rely on EPA's definition of Net Emission Increase, as defined in 40 CFR Part 51 and Part 52.
- The definition of “Significant Part 70 Permit Modification” was modified so that it references the broader Regulation VIII requirements rather than specific, outdated subsections.
- The definition of a “Title I Modification” was updated to include the applicable PM_{2.5} significance thresholds, as listed in 40 CFR §51.166.

This rule revision will not be submitted to EPA for inclusion in the State Implementation Plan (SIP) because the rule is a part of the approved Part 70 Program, which is not required to be a part of the SIP.

2.11 State Implementation Plan (SIP) – Actions Needed

As previously stated in Section 2.9, proposed Rule 809 will meet EPA’s requirements for a Federal Minor Source NSR program and it must be submitted to the SIP. With Rule 809 in the SIP and since the District attains all National Ambient Air Quality Standards, Rules 801-806 will no longer be required in the SIP. All previous submittals for those aforementioned rules can be withdrawn.

However, Rule 809 also relies on a few other rules in the District’s rulebook, such as Rules 201-206, to be able to fully implement the program. These Regulation II rules must be SIP approved as well, but some of them have already been submitted. To summarize the SIP requirements in one place, Table 2-10 presents the District’s analysis of the actions that need to be taken.

Table 2-1. Rule 102, Definitions

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|----|----------------------|------------------|--|
| 1) | 102 | Same | Revised the definition of “ <i>Actual Emission Reductions</i> .” Changed the reference for this definition from Rule 802.F.2 to Rule 804.E and delete the rest of the text. The deleted text is redundant to existing text in Rules 802.F.2 and 803.J.2. Eliminated the text in the Rule 102 “ <i>Actual Emission Reductions</i> ” definition and Rule 803.J.2 and rely on the Rule 802.F.2 text (proposed to be relocated to Rule 804.E.) |
| 2) | -- | 102 | Added “PM _{2.5} ” to the definition of “Affected Pollutant” for additional clarification. |
| 3) | -- | 102 | Added the definition “Air pollutant” to mean “Affected Pollutant” for additional clarification in Rule 809. |
| 4) | 102 | -- | Deleted the definition of “ <i>Baseline Air Quality</i> .” This definition is no longer required due to the changes to Rule 803 and Rule 805. |
| 5) | 102 | Same | Revised the definition of “Best Available Control Technology.” Revise the references in this definition to Rule 802.D.2 and Rule 802.D.3. |
| 6) | 805.C | 102 | Moved the definition of “Effective Stack Height” to Rule 102. This term appears in Rule 805 as well as the proposed Rule 809. |
| 7) | -- | 102 | Added the definition “PM _{2.5} ” since the pollutant is being regulated in Rules 802, 805, and 809. |
| 8) | 102 | Same | Revised the definition of “Potential to Emit” to remove the term “federally,” as EPA has noted that this is not required to ensure enforceability on limitations to a source’s PTE. |
| 9) | 102 | Same | Revised the definition of “Precursor” to address the addition of PM _{2.5} to Rules 802, 805 and 809. Nitrogen Dioxide and Sulfur Dioxide were also re-added as secondary pollutants, which were inadvertently left out when the definition for precursor was transferred from Rule 201 to this rule in 1997. |

Table 2-2. Rule 204, Applications

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|----|----------------------|------------------|--|
| 1) | 204.E.3.b | same | Revised the reference from Rule 803 to Rule 802. |

Table 2-3. Rule 801, New Source Review - Definitions and General Requirements

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|----|----------------------|------------------|--|
| 1) | Title | Same | Changed the title from " <i>New Source Review</i> " to " <i>New Source Review - Definitions and General Requirements</i> ." The title change is to make it more descriptive of the provisions the rule contains. |
| 2) | 801.B | 802.B.1 | This exemption section is being moved as Rule 802.B, Exemptions, is the new location for the Reg. VIII exemptions |
| 3) | 801.C | -- | Deleted the term " <i>Ambient Air Quality Standards</i> " since it is already defined in Rule 102 (Definitions) |
| 4) | -- | 801.C | Added new definitions for " <i>real</i> " and " <i>enforceable</i> " to clarify the existing ERC banking terminology. |
| 5) | 801.C | -- | Deleted the " <i>Net Emissions Increase</i> " definition. The definition will no longer be needed because the revised Reg. VIII provisions are based on " <i>Potential to Emit</i> " (PTE). Rule 102 already includes a definition of PTE. |
| 6) | 801.D.1.b | Same | Replaced text "owner or operator" with "applicant" throughout the regulation. |
| 7) | 801.E.2.d | Same | Deleted vague language |
| 8) | -- | 801.F | New text that ensures that applicants comply with all regulatory requirements |

Table 2-4. Rule 802, New Source Review - Requirements

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|------------------|---|
| 1) | Title | Same | Changed the title from " <i>Nonattainment Review</i> " to " <i>New Source Review</i> ." This was necessitated by the merging of Rule 803 requirements into this rule. |
| 2) | 802.A | Same | Changed the reference from <i>Nonattainment</i> to <i>New Source</i> . Strikeout <i>national primary before ambient air quality standard</i> . Add <i>and without interfering with the protection of areas designated attainment or unclassifiable</i> . Portions of the Rule 803.A provisions are being transferred into Rule 802.A. Removed the reference to Rule 801 and added the same applicability text here. |
| 3) | -- | 802.B | Created new Section B. Consolidates the exemption requirements from Rule 801.B and Rule 804.D.8. Adds new exemptions. |
| 4) | 801.B.1 | 802.B.1 | The Rule 801.B exemption is being relocated here. Revised the word "Regulation" to "rule" due to the change in the structure of the regulation. |
| 5) | -- | 802.B.2 | This is a new offsets exemption for qualifying equivalent equipment replacements. This exemption makes equipment replacements and modernizations easier and results in cleaner air by the use of Best Available Control Technology. |
| 6) | 804.D.8 | 802.B.3 | The Rule 804.D.8 offsets exemption is being relocated here with minor text edits for rule clarity and consistency. |
| 7) | -- | 802.B.4 | This offsets exemption for emergency electrical generator, flood control, and firewater pump engines reflects actual District practice since 2005 that applied to most sources and now will apply to all sources. Prior to 2005, all engines powering emergency generators, flood control pumps, and firewater pumps were exempt from permit. |
| 8) | -- | 802.C | This new section, Definitions, was added to keep in line with standard rule format/structure. |
| 9) | 802.C | 802.D | Renumbering |
| 10) | 802.C.1 | 802.D.1 | Consolidates the BACT requirements of Rule 802 and 803. The separate nonattainment and attainment provisions are maintained. Text changes are made for clarity. No changes to existing BACT thresholds are proposed. Added a new PM2.5 threshold. |
| 11) | 802.C.2 | 802.D.2 | The amended text, which defines BACT for nonattainment pollutants, was reworded for improved rule clarity. |
| 12) | 803.D.2 | 802.D.3 | This section was moved from Rule 803.D.2. The amended text, which defines BACT for attainment pollutants, was reworded for improved rule clarity. |
| 13) | 803.D | 802.D.4 | Section D.1 now contains the general attainment BACT threshold. This section retains the BACT provision for sources located within 10 kilometers of a Class I area. |

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|--------------------------------|---|
| 14) | 802.E | 802.E | Revised the section title. Added word “ <i>thresholds</i> ” to make it clear that this is what the section addresses. Offsets requirements are moved to Rule 804. Deleted the text “ <i>Emissions</i> ” from the title for clarity. Consolidated Rule 803 offsets threshold into this section. Changed the term “owner/operator” to “applicant” throughout the rule. |
| 15) | 802.E.1 | 802.E | Revised the offset thresholds for nonattainment pollutants from a NEI-based calculation of 55 lbs/day and 10 tpy (80 lbs/day and 15 tpy for PM10) to 25 tpy (PTE-based calculation). This aligns our offset thresholds to the State mandated levels and eliminates the District’s alternative offsets program that was established in 1997. The daily Rule 803 offset threshold of 240 lbs/day is retained and consolidated into this section. Text was revised to reflect the changes and for clarity. Requires all emission increases at sources with a PTE over 25 tpy or 240 lbs/day to be mitigated according to the requirements of Rule 804. PM _{2.5} is not added to the offset requirements as it is a component of PM ₁₀ , which is already covered by this section. Revised the CO threshold to be consistent with Proposed Amended Rule (PAR) 809 requirements. |
| 16) | 802.E.2 | 804.D.1 | Relocated to Rule 804.D.1. |
| 17) | 802.E.3 | 804.D.7 | Relocated to Rule 804.D.7 |
| 18) | 802.E.4 | 804.D.8 804.D.9 804.D.10 | Section E.4 is being replaced by those found in Rule 804.D.8, D.9, and D.10. |
| 19) | 802.F | -- | This section is being deleted since all of its subsections have been moved or deleted. |
| 20) | 802.F.1 | -- | Section F.1 text, “ <i>Requirements - Calculations</i> ” is being deleted as it is redundant to the Rule 102 definition of “ <i>Potential to Emit</i> .” |
| 21) | 802.F.2 | 804.E | Section F.2 has moved to Rule 804.E |
| 22) | 802.D | 802.F | The AQIA requirements in Rule 802.D are being relocated within Rule 802 and assigned the section letter “F.” Added the word “thresholds” to the title. |
| 23) | 802.D.1 803.F.1 | 802.F.1 | The subsection title “Thresholds” is deleted because it now appears in the Section F title. A portion of Rule 803.F.1 is being integrated into Rule 802.F.1. Text changes make the AQIA thresholds applicable to any pollutant (rather than just nonattainment pollutants), and adds a requirement that the AQIA be conducted consistent with Rule 805. Other text changes to the first paragraph are made for improved rule clarity. |
| 24) | 802.D.1 803.D.1 | 802.F.1 | Table 2 is being renumbered as Table 4. Combined the existing nonattainment values from this table with the required AQIA values for attainment pollutants in the previous Table 1 of Rule 803. Deleted text for clarity. Added a new PM _{2.5} threshold and revised the CO threshold to be consistent with Table 2 changes. |
| 25) | 802.D.2 | -- | Section is deleted. This language is redundant with Rule 810 requirements. |
| 26) | 803.F.2 | 802.F.2 | Text is relocated from Rule 803. The text is being changed from “ <i>emits in its entirety</i> ” to “ <i>has the potential to emit</i> .” The references to the sections on air quality models and AQIAs are being updated. |

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|-------------------------------|---|
| 27) | 803.G | 802.G | Section G from Rule 803 is moved into this new Section G of Rule 802. |
| 28) | 803.G.1 | 802.G.1 802.G.2 802.G.3 | Rule 803.G.1 is being relocated and distributed into sections G.1, G.2, and G.3. The Rule 803.G.1 provisions were split out into new Subsections 2 and 3. The Rule 802.G.1 criteria is being changed from "net emissions increase" to "potential to emit." The table reference was updated. The text related to major sources was deleted as this is now covered by Rule 810. Additional text changes were made to improve rule clarity. Table 2 is being renumbered as Table 5 and the rule title is being changed to be " <i>Attainment Pollutant Monitoring Thresholds.</i> " Added PM _{2.5} to the table. |
| 29) | 803.G.2 | 802.G.4 | Rule 803.G.2 is being relocated to Rule 802.G.4. This provision is being simplified, condensed, and broken out into paragraphs to improve rule clarity. |
| 30) | 803.H | 802.H | Rule 803.H is being relocated to Rule 802.H. The criteria is being changed from " <i>emits in its entirety</i> " to " <i>with a potential to emit.</i> " The reference to Table 2 is changed to be Table 5. Additional text edits were made to improve rule clarity. |
| 31) | 802.I | Same | Added clarification that all public hearings require at least a 30 day public notice. |
| 32) | 802.G | 802.I | Changed from section G to section I. |
| 33) | 802.G.1 | 802.I.1 | The revisions to this section clarifies District practice that these requirements apply to ATC applications. EPA references are deleted as this rule is not being submitted to the SIP. The text has been reworded to be more straight-forward. Text edits were made to improve rule clarification. |
| 34) | 803.K.6 | 802.I.1.b.5 | The words " <i>appropriate party</i> " are being struck out and replaced with " <i>applicant, Air Resources Board, adjoining air pollution control districts, and any person who has made a written request to be notified of the final decision.</i> " Staff also added a sentence indicating that the notification may be made electronically. |
| 35) | 802.G.2 | 802.I.2 | Minor text edits made. |
| 36) | 802.G.3 | 802.I.3 | The two relevant changes were deletion of the word " <i>federally</i> " before " <i>enforceability</i> " and deletion of " <i>have been or will likely be complied with by any dates specified.</i> " On the first deletion, EPA has indicated it is not necessary to indicate " <i>federally</i> " enforceable because ATC conditions that are enforceable as a practical matter are sufficient. The other text deletion removes the " <i>will likely be complied with</i> " clause. As part of the permitting process, staff confirm that the owner/operator has complied with all ATC conditions before issuing a PTO. |
| 37) | 802.G.5 | 802.I.5 | Deleted this section as this rule will not be submitted to EPA for inclusion in the SIP. See Rule 809 and Rule 810 for federal permitting rules submitted for SIP approval. |

Table 2-5. Rule 803, Prevention of Significant Deterioration

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|------------------|---|
| 1) | 803 | -- | <p>Delete entire rule and move content to Rules 802, 804 and 805. Rule 802 and Rule 803 both regulate the permitting of new or modified stationary sources. We are consolidating the provisions into Rule 802 to simplify the permitting process. We are also expanding Rule 804 and Rule 805 to include the specific requirements related to offsets and Air Quality Impact Analyses, respectively.</p> <p>Rule 803 was originally developed to address Federal PSD requirements. The District has subsequently adopted Rule 810, Federal PSD, and therefore Rule 803 is no longer required as an EPA SIP rule. However, the provisions of Rule 803 are still required due to the SB 288. Combining these requirements with Rules 802, 804 and 805 simplifies the permitting process. Further, numerous requirements in Rule 803 are redundant to our existing rules (e.g., Rule 810) and are being deleted and/or modified.</p> |
| 2) | 803.A | 802.A | Rule 802.A is being modified to include attainment and nonattainment review. The scope of applicability in Rule 805.A is being expanded to include monitoring and consumption of an air quality increment. |
| 3) | 803.B.1 | -- | The District does not issue permits for such operations. Hence, there is no need for this exemption. |
| 4) | 803.C | -- | This section is being deleted. There are no definitions to move. |
| 5) | 803.D.1 | 802.D.1 | Table 1 is relocated to Rule 802.D.1 as Table 2. |
| 6) | 803.D.2 | 802.D.3 | Relocated to Rule 802. |
| 7) | 803.E.1.a | -- | Rule 803.E.1.a is being deleted because it is similar to Rule 804.D.1. |
| 8) | 803.E.1.b | 802.E | Rule 803.E.1.b is being integrated into Rule 802.E, Table 3 as "Attainment pollutants (except carbon monoxide)." |
| 9) | 803.E.2 | 804.D.8-10 | Deleted provisions are being replaced by those found in Rule 804.D.8, D.9, and D.10. See related item in Rule 804 changes table. |
| 10) | 803.F.1 | 802.F.1 | This provision are being integrated into proposed amended Rule 802.F.1 with text amendments. |
| 11) | 803.F.2 | 802.F.2 | This is relocated to proposed amended Rule 802.F.2 with text amendments. |
| 12) | 803.F.3 | 805.E | Rule 805.E is a new Section entitled, "Requirements - Air Quality Impact Analysis: Class I Area." |
| 13) | 803.G.1 | 802.G.1 - 3 | Relocated to Rule 802. |
| 14) | 803.G.2 | 802.G.4 | Relocated to Rule 802. |
| 15) | 803.H | 802.H | Relocated to Rule 802. |
| 16) | 803.I | 805.F | Relocated to proposed amended Rule 805.F with amended text. |

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|------------------|--|
| 17) | 803.J | 805.G | Relocated to proposed amended Rule 805.G. Section J.3 is deleted since it is redundant to Rule 804 requirements regarding offset calculations. |
| 18) | 803.K.1 | 805.H | The following is being transferred to proposed amended Rule 805.H |
| 19) | 803.K.2 | -- | Deleted. Is redundant to Rule 810 requirements for federal PSD sources |
| 20) | 803.K.3 | -- | Deleted. The provisions are generally redundant to those found in proposed amended Rule 805.D.1 |
| 21) | 803.K.4 | -- | Deleted. The provision is being deleted as it is redundant to Rule 810 requirements for federal PSD sources and Rule 802.I.1 |
| 22) | 803.K.5 | -- | Deleted. The provisions are generally redundant to those in proposed amended Rule 802.I.1. |
| 23) | 803.K.6 | -- | Deleted. The provisions are generally redundant to those in proposed amended Rule 802.I.1. |
| 24) | 803.K.7 | -- | Deleted. The following is being deleted as it is redundant to Rule 810 requirements for federal PSD sources. |
| 25) | 803.K.8 | -- | Deleted. The following is being deleted because Health and Safety Code Section 42302.1 defines the appeal method. |
| 26) | 803.K.9 | -- | Deleted. The provisions are generally redundant to those in proposed amended Rule 802.I.1. |
| 27) | 803.K.10 | -- | Deleted. The provisions are generally redundant to those in proposed amended Rule 802.I.1. |
| 28) | 803.K.11 | -- | Deleted. The provisions are redundant to those in proposed amended Rule 804.D.6. |
| 29) | 803.K.12 | -- | Deleted. The provisions are redundant to those in proposed amended Rule 801.E.2.c. |

Table 2-6. Rule 804, Offsets

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|------------------|--|
| 1) | Title | Same | Revised the title to the more widely used term "Offsets" |
| 2) | 804.A | Same | Clarified that the scope of the rule includes those required to obtain offsets and those creating/selling ERCs. Other minor text edits to improve rule clarity were also made. |
| 3) | 804.D.1 | Same | Delete the existing paragraph and replace with modified Rule 802.E.2 text. Emission reductions are being changed from <i>average quarterly</i> to <i>average annual</i> . Revised the text to clarify that the PTE of the project must be offset, consistent with the changes proposed to Rule 802. |
| 4) | 804.D.2 | Same | Added the word "real" before "surplus." |
| 5) | 804.D.3 | -- | This section is being deleted because proposed Rule 804.D.10 provisions allow emission offsets to be in Ventura County and in San Luis Obispo County. Subsequent subsections numbers are reduced by one increment. |
| 6) | 804.D.4 | 804.D.3 | Renumbered |
| 7) | 804.D.5 | 804.D.4 | Renumbered |
| 8) | 804.D.6 | 804.D.5 | Renumbered Text was moved around and created paragraphs "a" and "b" to improve rule readability and rule clarity. EPA approval was deleted as this rule will not be submitted for inclusion in the SIP. |
| 9) | 804.D.7 | 804.D.6 | Text requiring EPA and ARB approval was deleted as this rule will not be submitted for inclusion in the SIP. |
| 10) | 804.D.8 | 802.B.4 | This offsets exemption language is being moved to Rule 802 where all offset exemptions are being consolidated. |
| 11) | 802.E.3 | 804.D.7 | The District is putting in an exception on emission reductions used as offsets occurring at the same time or before the emission increase from the project. This exception is in existing Rule 802.G.3.a.3 (PAR 802.I.3.a.3) and allows the APCO to grant up to 90 days as a start-up period for simultaneous operations. |
| 12) | -- | 804.D.8 | The Rule 802.E.4 and Rule 803.E.2 provisions are being replaced by the provisions in Rule 804.D.8 - D10. Rule 804.D.8 is new and requires an owner/operator to provide emission reductions at the same stationary source at a ratio of 1.1 to 1. This revision replaces the current trading zones concept. |
| 13) | -- | 804.D.9 | The Rule 802.E.4 and Rule 803.E.2 provisions are being replaced by the provisions in Rule 804.D.8 - D10. Rule 804.D.9 is new and requires an owner/operator to provide emission reductions not located at the same stationary source but located in Santa Barbara County at a ratio of 1.3 to 1. This revision replaces the current trading zones concept. |

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|-----|----------------------|------------------|--|
| 14) | -- | 804.D.10 | The Rule 802.E.4 and Rule 803.E.2 provisions are being replaced by the provisions in Rule 804.D.8 - D10. Rule 804.D.10 is new and integrates the Health and Safety Code Section 40790.6 provisions with a minimum ratio of 1.5 to 1. |
| 15) | 802.F.2 803.J.2 | 804.E | Rule 802.F.2 text is also similar to the Rule 803.J.2 text. Staff added a Section title and made some of the text lower case for consistency. |

Table 2-7. Rule 805, Air Quality Impact Analysis, and Modeling, Monitoring, and Air Quality Increment Consumption

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|----|----------------------|------------------|--|
| 1) | Title | Same | Updated the title to better reflect the content of the revised rule. |
| 2) | 805.A | Same | Portions of Rule 803.A provisions are being transferred into Rule 805.A. The provision is being expanded to apply to sources that require monitoring and an air quality increment analysis. Included text that makes it clear that projects subject to Federal PSD must also comply with Rule 810. |
| 3) | 805.C | Same | The lead-in text is being modified per our standard practices. |
| 4) | 805.C | 102 | The definition "Effective Stack Height" was moved to Rule 102 to be consolidated because the term also appears in proposed Rule 809. |
| 5) | 805.D.1 | Same | Revised to reflect actual District practice and EPA's guidance for estimating pollutant concentrations. The last sentence is being deleted because it is redundant to provisions in Rule 210, Fees. Deleted reference to EPA since this rule will not be submitted for SIP inclusion. |
| 6) | 803.F.3 | 805.E | Rule 805.E is a new Section entitled, "Requirements - Air Quality Impact Analysis: Class I Area." That was in Rule 803. |
| 7) | 803.I | 805.F | Table 3 was renumbered as Table 1. Section F.1 text was deleted to reflect actual District practice and to simplify the process. Table 1 was updated to reflect updates to both state and federal air quality standards. Since federal PSD projects are also subject to Rule 810, we are able to simplify the process under this rule by eliminating the complex procedures regarding baselines and have simplified the increment consumption options. These changes reflect our actual practice over the years for non-federal PSD projects. The mitigation language was also simplified to reflect the option used in practice over the years. PM _{2.5} increments were added to Table 1. |
| 8) | 803.J | 805.G | The Section title is being revised to be more descriptive of the requirements contained in it. In Subsection 1, deleted the word "federally" before "enforceable." In Section 2, the text allowing the emissions from an existing source to be adjusted if there was a violation was modified by the deletion of the text " <i>to the operating conditions</i> " to make the process clearer. Section J.3 is deleted since it is redundant to Rule 804 requirements regarding offset calculations. |
| 9) | 803.K.1 | 805.H | Re-Titled "Requirements – Air Quality Increment Analysis." Section H text is deleted to reflect actual practice. The remainder of the rule language is redundant with other Regulation VIII text. |

Table 2-8. Rule 806, Emission Reduction Credits

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|----|----------------------|------------------|--|
| 1) | 806.D.7.b | Same | Added text that clarified the original intent that these credits may be used for NASA activities operated under the VAFB stationary source. This does not apply to Commercial Space operations – these fall under a separate SIC |
| 2) | 806.F.5 | Same | Added minor edits for additional clarity. |
| 3) | 806.G | Same | Revised to reflect changes to Rule 802 and Rule 804. Zones are being deleted. |
| 4) | 806.H | Same | Deletes the automatic termination of the certificate if the ERC holder fails to timely file a renewal application. The District has found that having this clause in the rule does not provide any benefit. The District will provide a 60 day notice to anyone that does not file a timely renewal, after which the certificate may be cancelled. |
| 5) | 806.J | Same | Added minor edits for additional clarity. |

Table 2-9. Rule 1301, Part 70 Operating Permits – General Information

| # | Current Rule/Section | New Rule/Section | Proposed Changes |
|----|----------------------|------------------|---|
| 1) | 1301.C | -- | Deleted the " <i>Net Emissions Increase</i> " definition. The definition will no longer be needed because the revised Reg. XIII provisions are based on EPA's definition of Net Emissions Increase. |
| 2) | 1301.C | Same | Amended the " <i>Significant Part 70 Permit Modification</i> " definition so that it references the broader Regulation VIII requirements rather than specific, outdated subsections. |
| 3) | 1301.C | Same | Amended the " <i>Title I (or Major) Modification</i> " definition so that it includes the PM _{2.5} significance thresholds, as listed in 40 CFR §51.166. |
| 4) | 1301.C | Same | Added minor edits for additional clarity. |
| 5) | 1301.F | -- | Deleted section "Effective Date of Rule" since it is unnecessary language. |

Table 2-10. State Implementation Plan (SIP) – Actions Needed

| Rule # | Rule Name | Version of Rule in SIP | Status | District Action Needed |
|---------------|---|-------------------------------|--|--|
| 102 | Definitions | 6/21/12 | Rule is being updated in this proceeding. | PAR 102 will be submitted for SIP approval. |
| 201 | Permits Required | 7/2/79 | The most recent version (6/19/08) is currently in EPA’s SIP backlog. | None. |
| 202 | Exemptions to Rule 201 | 10/23/78 | The most recent version (6/21/12) is currently in EPA’s SIP backlog. | None. |
| 203 | Transfer | 10/23/78 | The most recent version (4/17/97) is currently in EPA’s SIP backlog. | None. |
| 204 | Applications | None | Rule is being updated in this proceeding. | PAR 204 will be submitted for SIP approval. |
| 205 | Standards for Granting Applications | 7/2/79 | The most recent version (4/17/97) is currently in EPA’s SIP backlog. | None. |
| 206 | Conditional Approval of Authority to Construct or Permit to Operate | 10/23/78 | The most recent version (10/15/91) is currently in EPA’s SIP backlog | None. |
| 801 | New Source Review - Definitions and General Requirements | None | The 1997 version was submitted to the SIP, but not acted on. The rule is no longer required. | Request withdrawal of the 1997 rule for SIP consideration. |
| 802 | New Source Review | None | The 1997 version was submitted to the SIP, but not acted on. The rule is no longer required. | Request withdrawal of the 1997 rule for SIP consideration. |
| 803 | N/A (Previously “Prevention of Significant Deterioration”) | None | The 1997 version was submitted to the SIP, but it was withdrawn in 2011 due to the submittal of Rule 810, Federal PSD. | None. |
| 804 | Offsets | None | The 1997 version was submitted to the SIP, but not acted on. The rule is no longer required. | Request withdrawal of the 1997 rule for SIP consideration. |

| Rule # | Rule Name | Version of Rule in SIP | Status | District Action Needed |
|---------------|--|-------------------------------|--|--|
| 805 | Air Quality Impact Analysis, Modeling, Monitoring, and Air Quality Increment Consumption | None | The 1997 version was submitted to the SIP, but not acted on. The rule is no longer required. | Request withdrawal of the 1997 rule for SIP consideration. |
| 806 | Emission Reduction Credits | None | The 1997 version was submitted to the SIP, but not acted on. The rule is no longer required. | Request withdrawal of the 1997 rule for SIP consideration. |
| 809 | Federal Minor Source New Source Review | None | New rule that will satisfy EPA's mandate to have a Federal Minor Source NSR rule. | Rule 809 will be submitted for SIP approval. |
| 1301 | Part 70 Operating Permits – General Information | None | Not needed in the SIP. Part of the approved Part 70 permit program. | None. |

Notes:

- EPA had approved Rule 210, Fees, into the SIP, but deleted it without replacement per 62 FR 34641 on June 27, 1997 due to being an administrative rule.
- EPA had approved Rule 204, Applications, Rule 207, Denial of Applications, Rule 208, Action on Applications – Time Limits, and Rule 209, Appeals, into the SIP, but deleted them without replacement per 69 FR 67062 on November 16, 2004 due to being administrative rules.

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3. DISCUSSION OF MAJOR CHANGES

This chapter addresses the major New Source Review (NSR) rule changes proposed by the District as they pertain to the requirements of Senate Bill 288. Analyses are presented to substantiate the findings necessary under SB 288 that the proposed revisions will not result in a relaxation of our NSR program. As discussed in Section 1.6, although we are not proposing to do so, the District may relax our NSR requirements if certain conditions are met. Chief among them is if the District attains all federal ambient air quality standards, which it does. Each section herein addresses the impacts of SB 288 and the last section provides an overall discussion and summary.

3.1 Text Revisions

During the process of revising the rules, we found numerous issues with the existing rule language. We made multiple revisions to improve clarity, organization and readability. They include changes such as: changes to rule/section/table titles, adding complete rule names when a rule number is referenced, revising text to be clearer, fixing grammatical errors, reorganizing text and section layout to be presented in a more logical format, and eliminating redundancies within the rules. These proposed textual changes do not impact regulatory requirements nor do they relax any requirement. Thus, the changes are consistent with the requirements set forth in SB 288.

3.2 Changing from NEI to PTE Based Calculations

The Net Emissions Increase (NEI) calculation methodology is used in the current rules to determine whether an application for an Authority to Construct exceeds the offsets and Air Quality Impact Analysis (AQIA) thresholds in Rule 802 and the offsets, AQIA and Best Available Control Technology (BACT) thresholds in Rule 803¹.

Net Emissions Increase is defined in Rule 801 as:

“Net Emissions Increase” means the sum of all increases in emissions of any given pollutant from a new or modified stationary source occurring since November 15, 1990 minus any reduction in emissions of that pollutant at the stationary source occurring since November 15, 1990 subject to the provisions of Section D.2 of Rule 804 (mandated reductions, not applicable). Where an Authority to Construct has been issued for a stationary source and that source has not received a Permit to Operate for the entire stationary source as of November 15, 1990, the net emission increase for that source shall be as specified in the Authority to Construct, subject to increases and decreases as authorized by these Rules and Regulations. Net emissions increases shall be calculated using the formula given below and in accordance with the provisions of Section F of Rule 802 for nonattainment pollutants and Section J of Rule 803 for attainment pollutants. Reductions in emissions shall be valid for determining net emissions increases only if they are established pursuant to Authorities to Construct and Permits to Operate. In no event

¹ The BACT threshold in Rule 802 is already based on the PTE calculation.

shall the net emission increase for a stationary source be less than zero. However, emission reductions may be registered as emission reduction credits pursuant to Rule 806.

Net emission increase shall be calculated as follow.:

New Source:

$$\text{Net emission increase} = I$$

Where

I = Potential to emit of the new source

Modification to an existing source:

$$\text{Net emission increase} = I + (P1 - P2) - D$$

Where

I = Potential to emit of the modification.

P1 = All prior increases in potential to emit resulting from permit actions at the stationary source where the emission unit creating the increase was permitted on or after November 15, 1990 and where the permit action was subject to New Source Review.

P2 = All decreases in potential to emit resulting from permit actions at the stationary source, including the proposed modification where the modification reduces the potential to emit of the emission unit, and where the emission unit creating the decrease was permitted on or after November 15, 1990 provided the emissions were included in P1 above.

D = Decreases in actual emissions resulting from permit actions at the stationary source provided the emissions are not included in P2 above and are not included in the source register.

The value of "I" cannot be negative. A negative net emission increase may be entered into the source register pursuant to Rule 806.

The NEI calculation involves tracking four separate data points all in relation to a 1990 baseline date. For medium and large stationary sources, it has become a cumbersome and complex process to properly track. Most companies simply do not know what their NEI status is and this results in much uncertainty when companies plan for future projects.

The District proposes to switch from the NEI calculation methodology to the PTE methodology. The PTE calculation is a straight forward approach that does not involve multiple inputs or baseline dates. It's simple and predictable. Our Rule 102 already defines PTE as:

“Potential to Emit” means the maximum capacity of the stationary source to emit a pollutant, including fugitive emissions, under its physical and operational design. Any physical or operational limitation on the capacity of the source to emit a pollutant, including air pollution control equipment and restrictions on hours of operation or on the type or amount of material combusted, stored, or processed, shall be treated as part of its

design only if the limitation is federally enforceable. Secondary emissions do not count in determining the potential to emit.

Our proposed revision to Rule 102 includes the removal of the word “federally” for the PTE definition. EPA has stated that this term is not required to ensure enforceability of any limits to the source’s PTE. This is also necessary since only Rules 809 and 810 from Regulation VIII will be submitted for State Implementation Plan approval.

There have been many requests from the regulated community, as well as District staff, to eliminate the NEI calculation. Using the PTE calculation in its place will result in a less complex and more predictable process, is easier to track and will result in fewer applications being deemed incomplete. It’s important to note that we are the only air district that utilizes the NEI calculation as the other air districts adopted the PTE calculation many years ago.

As noted above, our nonattainment review BACT threshold is already based on the PTE calculation. The proposed rule revisions include switching all the NEI-based thresholds to PTE-based thresholds. The PTE of a device/process will always be equal to or greater than the NEI for the same device/process. This is because the Potential to Emit is the “maximum” capacity of the device/process to emit air pollution. As noted above, the Net Emissions Increase calculation uses emission increases, decreases and a baseline date of 1990. This results in instances where the NEI is less than the PTE. For many existing sources, the NEI is equal to zero. For new sources, the NEI equals the PTE. Thus, this proposed change to the PTE-based calculation methodology does not cause a rule relaxation and is consistent with the requirements set forth in SB 288.

3.3 Revising Offset Thresholds, Zones and Ratios

The District is proposing to significantly revise the way the New Source Review (NSR) offsets program works. Currently, Rule 802 contains our nonattainment offset program requirements. The offsets program is actually an Air Resources Board approved “alternative” program to the State’s mandate that was approved in 1997. California Health & Safety Code Section (H&SC) 40918 requires Districts with moderate air pollution to have an offsets program that achieves a no net increase in emissions of nonattainment pollutants or their precursors from new or modified stationary sources, which emit or have the potential to emit 25 tons per year or more of nonattainment pollutants or their precursors. The District has been classified as Moderate. As such, Emission Reduction Credits (ERCs) are required as mitigation for any emission increases at a source with a Potential to Emit (PTE) at or over 25 tons per year.

In 1997, the District Board adopted major revisions to our NSR rules in the form of Regulation VIII. Rule 802 covered nonattainment pollutants and implemented the new H&SC requirements for Best Available Control Technology (BACT) and offsets. The BACT requirements mandated by the H&SC were adopted as is¹,

¹ BACT is required for any project that has a PTE of 25 pounds per day or greater.

however the Board elected to adopt an alternative offsets program in lieu of the specific H&SC language. This alternative program included the following elements:

- Net Emissions Increase (NEI) based emission calculations
- Offset thresholds set at 55 pounds per day and 10 tons per year (NEI)
- A baseline date of 1990
- Establishment of three offset zones (South, North, Cuyama)
- Offset trading ratios ranging from 1.2:1 to 6:1

Since the above program elements did not adhere to the H&SC requirement, the District was required to obtain Air Resources Board approval for this alternative program. The District was required to track the effectiveness of our program against what the H&SC requirement would have achieved. The most current *No Net Emission Increase Monitoring Report* is shown in Table 3-1.

This current report shows that for ozone precursors, we are exceeding the State mandated requirement by approximately 103 tons per year. SO_x and PM₁₀ were not tracked, as the tracking requirement was specific to ozone precursors NO_x and ROC.

Except for the difficulties inherent in using the NEI-based calculation, our offsets program worked fine for the first few years. There were sufficient quantities of ERCs being created, sold and used. Prices for ERCs ranged from \$5,000 to \$15,000 per ton. Over time, however, less and less ERCs were being created and the prices started to surge. Currently, the cost for 1 ton of NO_x ERCs is around \$125,000. See Figure 1-1 (in Chapter 1) for a graph showing the cost of NO_x ERCs over the years. Further, companies that own ERCs are reportedly reluctant to sell at any price and larger companies are pro-actively securing all available ERCs before they even become available on the open market. The NEI-based offsets program's thresholds are low and this is proving to be an impediment for medium sized companies to make modifications or for the opening of new businesses in the County. Lastly, the offset zones have had the unintended effect of further segmenting the offset program, limiting access and participation. Of particular concern is the lack of ERCs in the South zone and the inability of non-oil and gas companies to obtain or afford ERCs.

As the NEI threshold only applies to increases since 1990, existing large sources (25 tons per year or greater of emissions) have been able to expand their operations without offsetting their increases, while other sources (new and existing) have found their growth constrained.

Examples of larger sources that have expanded their operations without offsetting their emission include: Venoco, Greka Oil & Gas, Imerys Minerals California, DCOR and E&B Resources.

Table 3-1. No Net Emission Increase Monitoring Report

| NO NET EMISSION INCREASE MONITORING REPORT (rev: 7/24/14) | | | |
|--|-------------------|---|-------------------------|
| | <u>NOx</u> | <u>ROC</u> <i>(tons per year)</i> | <u>NOx + ROC</u> |
| Permitted Growth | 141.60 | 232.52 | 374.13 |
| NEI P2 Term | 46.78 | 29.51 | 76.29 |
| Total Mitigation | 206.74 | 194.28 | 401.02 |
| ERCs Used | 172.14 | 97.52 | 269.67 |
| Shutdown/Redn TP Discounts | 16.62 | 26.91 | 43.53 |
| Decrease - NEI "D" Term | 17.98 | 69.85 | 87.83 |
| No Net Calculation | -111.92 | 8.73 | -103.19 |

Notes:

- (a) Permitted growth from sources with potential to emit of 25 tons per year or greater.
- (b) Calculations based on all permitting actions since April 1997.
- (c) Permitted Growth includes NEI "I" and "P1". NEI "P2" term is deducted in the bottom line.
- (d) ERCs used based on ERC Transaction table.
- (e) Shutdowns/Reductions in throughput discounts per DOI documents.
- (f) "D" term decreases based on actual emission reductions calculated per permitting actions.
Only includes "D" terms from sources at 25 tpy PTE or greater.

Examples of other sources that have had their growth constrained by the NEI calculation include: Nusil Technology, C&D Zodiac, CalPortland, Byron Vineyard & Winery, Central Coast Wine Services, Trisep, Medtronic and Innovative Micro Technology.

In response to the overall concern of cost and availability of ERCs for our offsets program, the District created an informal Offsets Workgroup to assess the nature and extent of the issue. This Workgroup was made up of various members of the regulated community as well as members of the environmental community. Meetings were held in 2012 and 2013 with suggested solutions being forwarded to the District for consideration. District staff reviewed and analyzed the Workgroup's suggestions and recommended that the Clean Technology Fund option be studied in more detail. The Board was briefed on this issue at their June 2013 meeting and directed staff to proceed with the analyses. At the February 2014 Board meeting, staff presented the findings of our analyses.

The analyses showed that implementing a Clean Technology Fund program would be cost prohibitive and would not achieve the desired results. At the March 2014 Board meeting, staff presented new options to help address the offsets issue. These options included:

- Expanding offset trading to include Ventura and San Luis Obispo counties
- Adding an offsets exemption for Essential Public Services (which would also include electrical peaking power plants)
- Adding an offsets exemption for equipment replacements if BACT is applied
- Revising the offsets requirement to the Health and Safety Code Section 40918 mandated threshold of 25 tpy (based on a stationary source's Potential to Emit).
- Revising the offset zones and trading ratios
- Creating a local GHG Source Register for banking of GHG emission reduction credits

The Board directed the Control Officer to proceed with the rule development process, public workshops and Community Advisory Council (CAC) meetings.

Since the March 2014 Board meeting, staff have worked on developing the proposed amended rules and have worked with staff from the Air Resources Board (ARB) and the Environmental Protection Agency (EPA). ARB staff's main concern is that our revisions comply with the requirements of SB 288 in that there is no relaxation to our NSR program. They also provided important clarifications regarding what our analyses needed to show. Specifically, and most importantly, they informed us that changes to the offsets program must have analyses that show "*on a programmatic basis*" that there is no relaxation to the offsets requirements. EPA noted that since we attain all federal ambient air quality standards, that we do not need a federal nonattainment NSR rule nor do we need a federal offsets program¹. As such, our efforts are focused on the State requirements.

Our proposed revisions to our offsets program are contained in Section E of Rule 802 as well as Rule 804. The proposed revisions were designed to meet the concerns raised by the regulated community, District staff and the ARB. What we propose will not solve the basic problems of cost and availability, but we believe it will have a meaningful impact by limiting the number of stationary sources that would be subject to this requirement to only the largest emitters of air pollution that have the resources to either buy ERCs or create their own onsite.

The elements of the proposed revisions to the offsets program include:

- Potential to Emit based emission calculations
- Offset thresholds set at 240 pounds per day² and 25 tons per year (PTE)
- A single offset zone for the County

¹ EPA did note, however, that we were required to have a federal Minor Source NSR program.

² The 240 pound per day threshold is from existing Rule 803.

- Offset trading ratios from 1.1:1 to 1.3:1
- Allowing for inter-District trades with Ventura and San Luis Obispo counties¹

Also see the Table 1-2 comparison of our proposed rule revisions to other local air Districts in Chapter 1. The 25 ton per year offset threshold is the State H&SC Section 40918 mandated value. We maintained the 240 pound per day offset threshold currently in Rule 803. This Rule 803 offsets threshold has been in place since 1985 and is independent of the current nonattainment rule requirements that we are proposing to revise. Changing this Rule 803 requirement would be considered a relaxation under SB 288, so this daily standard will remain.

A single offset zone was selected to eliminate the fragmentation that the current 3-zone system creates. A single zone is also consistent with the offset programs in Ventura and San Luis Obispo counties (and many other air Districts), both which are in the same air basin with us. Performing ozone modeling on the impacts of the changes is not technically feasible as such modeling is not granular enough to look at the small emission quantities that we are dealing with (plus it is extremely expensive). Lastly, we added rule language that allows for the possibility of trading with Ventura and San Luis Obispo counties using a minimum trading ratio of 1.5:1. These potential trades would be subject to a case-by-case analysis, may result in higher trading ratios and requires the approval of both air District Boards.

Next, we performed a “programmatically analysis” that compares the existing offset program to the proposed revised offset program in the amended rules. Attachment C, *SB 288 Programmatic Comparison*, contains the full analysis. The analysis compares the last 17 years’ worth of ATC permitting actions. For the existing rule, this function has been performed already as part of our *No Net Emission Increase Monitoring Report* (see Table 3-1). As noted in the table, our NSR program has exceeded the State mandate requirement for ozone precursor pollutants by approximately 103 tons per year. ARB staff has stated that for the purposes of SB 288, our proposed amendments to our offsets program will have to meet or exceed our current rule, not the State mandate.

Accordingly, we applied the same 17 years of ATC permitting actions to the proposed offset program as well. The data shows a good comparison of the proposed rules’ potential mitigation to the current rules, and the results are shown in Table 3-2 below. Based off the data in the table, the proposed amended rules will result in more mitigation than the current rules. This was achieved by using trading ratios of 1.1:1 for reductions used at the same stationary source and 1.3:1 for reductions created elsewhere in the County.

It should be noted that Table 3-2 shows that the current rules provide approximately 19 tons more NO_x mitigation than the proposed rules. This does not, however, mean that the proposed rules are under performing with respect to NO_x. First, the District believes, that for the purposes of the analysis, that the combined

¹ As allowed and per the procedures established in H&SC Section 40709.6

tonnage of both ozone precursor pollutants is a valid approach. Second, the reason for the positive NO_x value is that the District has accepted inter-pollutant trades of NO_x ERCs for ROC increases (more than 19 tons worth). In sum, the net positive NO_x value is an artifact since some NO_x ERCs have been converted to ROC ERCs.

Thus, the proposed changes to the NSR offsets program for ozone precursor pollutant thresholds, zones and ratios do not cause (on a programmatic basis) a relaxation of the rules and are consistent with the requirements set forth in SB 288.

Table 3-2. SB 288 Offsets Programmatic Analysis Ozone Precursors

| <u>Current Regulation VIII</u> | | <i>(from 2014 No Net Emissions Report: rev 7/24/14)</i> | | |
|---------------------------------------|------------------------------|---|------------------------------------|--|
| | <u>NO_x</u> | <u>ROC</u> | <u>NO_x + ROC</u> | |
| | | <i>(tons per year)</i> | | |
| Total Mitigation | 206.74 | 194.28 | 401.02 | |
| ERCs Used | 172.14 | 97.52 | 269.67 | |
| Shutdown/Redn TP Discounts | 16.62 | 26.91 | 43.53 | |
| Decrease - NEI "D" Term | 17.98 | 69.85 | 87.83 | |

| <u>Proposed Rule Revisions</u> | | <u>NO_x</u> | <u>ROC</u> | <u>NO_x + ROC</u> | |
|---------------------------------------|---------------|------------------------------|-------------------|------------------------------------|--|
| | | <i>(tons per year)</i> | | | |
| Total Mitigation | 187.43 | 307.39 | 494.83 | | |
| ERCs Required | 170.81 | 280.48 | 451.30 | | |
| Shutdown/Redn TP Discounts | 16.62 | 26.91 | 43.53 | | |

Notes:

- (a) Calculations based on all permitting actions since April 1997.
- (b) ERCs used based on ERC Transaction table.
- (c) Shutdowns/Reductions in throughput discounts per DOI documents.
- (d) "D" term decreases based on actual emission reductions calculated per permitting actions.
Only includes "D" terms from sources at 25 tpy PTE or greater.

The above analysis was performed for ozone precursor pollutants. Ozone nonattainment has been the primary focus of the District since the 1970s. Since that time period, we have attained the federal ozone standards and the state 1-hour ozone standard. Our last hurdle is the state 8-hour ozone standard. Our Clean Air Plan, associated emissions inventory, rulemaking efforts and implementation of the H&SC requirements all work in harmony towards meeting the 8-hour ozone standard.

Although our primary focus is on the state ozone standard, we also regulate oxides of sulfur (SO_x) and particulate matter less than 10 microns (PM₁₀). The District has not tracked these two pollutants in our No Net Monitoring report as we do for ozone precursor pollutants since this was not an ARB or H&SC requirement under the alternative offset program approach. Nonetheless, we have prepared a similar analysis for these two pollutants using the same procedures that were performed with the ozone precursors in Table 3-2. The results of this analysis are shown in Table 3-3, which demonstrates that the proposed rules produce more SO_x and PM₁₀ mitigation than the current rule set.

Thus, based on the above analysis the proposed changes to the NSR offsets program for SO_x/PM₁₀ thresholds, zones and ratios will not cause a rules relaxation and are consistent with the requirements set forth in SB 288.

Table 3-3. SB 288 Offsets Programmatic Analysis SOx/PM10

| <u>Current Regulation VIII</u> | | |
|---------------------------------------|---|--------------------|
| | <u>SOx</u> <i>(tons per year)</i> | <u>PM10</u> |
| Total Mitigation | 341.49 | 61.49 |
| ERCs Used | 28.65 | 9.14 |
| Shutdown/Redn TP Discounts | 299.48 | 8.38 |
| Decrease - NEI "D" Term | 13.36 | 43.97 |

| <u>Proposed Rule Revisions</u> | | |
|---------------------------------------|---|--------------------|
| | <u>SOx</u> <i>(tons per year)</i> | <u>PM10</u> |
| Total Mitigation | 351.91 | 74.66 |
| ERCs Required | 52.42 | 66.28 |
| Shutdown/Redn TP Discounts | 299.48 | 8.38 |

Notes:

- (a) Calculations based on all permitting actions since April 1997.
- (b) ERCs used based on ERC Transaction table.
- (c) Shutdowns/Reductions in throughput discounts per DOI documents.
- (d) "D" term decreases based on actual emission reductions calculated per permitting actions.
Only includes "D" terms from sources at 25 tpy PTE or greater.

3.4 New Offset Exemption for Equipment Replacements

Due to the way the permitting process works, there are a number of instances where projects to replace or modernize existing equipment may require offsets. This has to do with the difference between the Potential to Emit of the new project (which is required for permitting) and the actual emissions baseline for the existing equipment being replaced (which is required for documenting emission reductions). The project may be denied even if the new equipment is cleaner, which typically is the case. Therefore, the present offset system hampers the replacement of older equipment with newer, cleaner equipment.

The District is proposing a new offsets exemption to address this situation. Essentially, if the replacement project is functionally equivalent, uses Best Available Control Technology and does not result in the de-bottlenecking of a process, then offsets would not be required. By requiring all of these criteria to be met, the post-project Potential to Emit for the facility will be substantially lower. Furthermore, these criteria should result in less “actual” emissions to the atmosphere, which would otherwise be lost if the project was denied.

When the District solicited for feedback from the Air Resources Board on this exemption, the ARB approved the change due to the reasons listed above. However, they requested that the District track all future projects that use this exemption. The District affirms that we will track all projects under this exemption so that we may provide ARB with the appropriate data, if requested. This tracking will involve two steps. First, each project that uses this exemption will be evaluated against the rule criteria and this will be documented in the permit’s Engineering Evaluation. Second, the District will maintain an ongoing tracking system of this exemption and will prepare an annual report documenting each prior calendar years’ actions.

Since the net “in the air” result of this proposed exemption would result is less air emissions, this exemption will not cause a rules relaxation and is consistent with the requirements set forth in SB 288.

3.5 New Offset Exemption for Emergency Standby Engines

Up until 2005, emergency standby generators, flood control pumps and firewater pumps were exempt from District permits, including New Source Review (NSR) requirements such as offsets. During the rulemaking for removing the exemption, the District did not believe that these rarely used engines would trigger the offset thresholds at existing sources that did not already exceed the thresholds. This is because these engines have limits on the amount of time that they may be used for non-emergency use (typically 50 hours per year for new engines), as required by the State Airborne Toxic Control Measures and federal NESHAP requirements.

However, the District ran into circumstances where a facility’s new emergency generator could exceed the daily offset threshold, but not the annual threshold. To address this situation, the District implemented a policy for sources that trigger

offsets solely on the daily Net Emissions Increase from emergency engines. The policy is that the source needed to trigger the offset requirement from devices other than emergency engines first, before the offset requirement would apply to the new emergency engine. The net result is that some facilities currently provide offsets for these devices and most do not. Our proposal would exempt all new emergency engines from offset requirements to level the playing field. This proposed exemption would still be consistent with SB 288 requirements, since this equipment was previously exempt from permit when the baseline for SB 288 was established in December 2002.

3.6 Merging Rule 803 Requirements into Rules 802, 804 and 805

Rule 803 is a New Source Review (NSR) rule that applies to attainment pollutants. It originated from the 1984 amendments to Rule 205.C. In the 1997 rule amendments, these provisions from Rule 205.C were moved essentially unchanged into the current Rule 803. The purpose of this rule was to implement the federal Prevention of Significant Deterioration (PSD) program. EPA officially delegated federal PSD authority to the District in 1995, allowing the District to implement our local PSD in lieu of the federal PSD regulation. However, in 2003, EPA rescinded their delegation of the federal PSD program due to federal NSR reforms. As such, Rule 803 remains a local PSD rule for attainment pollutants and the recently adopted Rule 810 applies federal PSD program requirements to new major sources and major modifications of existing major sources. Both PSD rules apply to new major sources and major modifications of existing major sources.

Since Rule 803 is classified as an NSR rule, we must maintain its requirements due to SB 288. The District is proposing to integrate the requirements of Rule 803 into Rules 802, 804 and 805, while repealing Rule 803. We believe this results in a more efficient NSR program and eliminates potential confusion as to what the requirements are for permit applicants. Table 2-5 in Chapter 2 provides a roadmap of where the specific requirements in Rule 803 are proposed to be moved to.

The threshold requirements for Best Available Control Technology (BACT), offsets, Air Quality Impact Analyses (AQIA), monitoring and increment analyses will be moved over to Rule 802. To be consistent throughout the NSR program, we are proposing to replace the Net Emissions Increase calculation methodology with the Potential to Emit methodology as well. Redundant, overlapping or confusing rule language was revised or deleted as appropriate. The offsets threshold of 240 pounds per day for attainment pollutants was maintained and was merged to the nonattainment offsets threshold table of Rule 802. The remaining Rule 803 offsets provisions are proposed to be deleted since the existing offset requirements in Rule 802 and Rule 804 (including the proposed revisions of those rules) are simpler to implement and are as stringent as the Rule 803 requirements.

General AQIA requirements for Class I Areas, the ambient air quality standard and increment requirements and calculation requirements were consolidated into Rule 805. This proposed move better organizes these requirements within Regulation VIII. Since the proposed re-organization of the rules will not result in

the relaxation of our attainment pollutant requirements, this change is consistent with the requirements set forth in SB 288.

3.7 Adding PM_{2.5} to the Attainment Pollutant Permit Requirements

The District is proposing to add PM_{2.5} to our New Source Review (NSR) attainment rules. This pollutant has newly established State and Federal ambient air quality standards and increments, and so we are required to have our permitting program demonstrate that new projects will not interfere with the attainment or maintenance of these standards. We are currently designated as “Unclassified” for this pollutant by both the State and EPA, which means that PM_{2.5} is considered an attainment pollutant under our NSR rules. The proposal includes establishing a 55 pound per day BACT and AQIA modeling requirement. The value is based on the Federal significance threshold of 10 tons per year. We do not propose an offsets requirement as PM_{2.5} is already a “component” of PM₁₀ for which offset requirements already exist under our attainment rule provisions.

The addition of PM_{2.5} is consistent with the District’s Mission and the Board’s prior direction in regulating attainment pollutants. It also aligns our rule set with proposed Rule 809 (Federal Minor Source New Source Review). Since this change will only be adding new requirements, the proposed change does not cause a relaxation of our NSR rules and is consistent with the requirements set forth in SB 288.

3.8 Revising the AAQS/Increment Procedures

Currently, Rule 803 contains the detailed procedures for evaluating ambient air quality standard and increment compliance. When developed in the mid-1980’s these provisions were specifically designed to meet (and exceed) the Federal Prevention of Significant Deterioration (PSD) program requirements and to obtain EPA delegation of that program. Our current Rule 810 now covers the Federal PSD program and Rule 803 is a District only PSD rule. Accordingly, we are proposing to relocate these Rule 803 requirements to Section F and Table 1 of proposed amended Rule 805. This will effectively simplify the procedures for evaluating ambient air quality standard and increment compliance.

The proposed changes in Rule 805 look at simplifying an already complex process by removing additional time consuming analyses such as using baseline dates, including other sources in the modeling, and reducing the available options under the alternative increment range mitigation process. Major sources and/or major modifications remain subject to Rule 810 and the full EPA PSD requirements.

Table 1 of Rule 805 has also been revised to address the changes to state and federal ambient air quality standards since 1997. As mentioned earlier, we removed the baseline dates in this table, as these will be covered by Rule 810, and we’ve added PM_{2.5} standards and increments.

The proposed changes do not relax our New Source Review rules and are consistent with the requirements set forth in SB 288.

3.9 New Rule 809 for Federal Minor Source NSR

The District attains all federal ambient air quality standards. As such, we are not required to have a federally approved nonattainment rule (including an offsets program) and we will not be submitting Rules 801-806 to EPA for inclusion in the State Implementation Plan. However, in 2014, EPA notified air districts in California that their permit programs did not satisfy EPA's requirements for a Federal Minor Source New Source Review (NSR) program. The District looked at the criteria for such a rule (see Section 2.9 of Chapter 2) and concluded that we were deficient in certain areas. As suggested by EPA staff, we are proposing a new Rule 809 to address this requirement. Given that many of our existing rules contained what EPA requires, we have written the rule such that (a) duplication of existing Regulation II rules is minimized and (b) compliance with our existing rules (as proposed for amendment) will ensure compliance with this federal requirement. Since the proposed rule does not relax any of our existing NSR rules (or those we propose to amend), this change is consistent with the requirements set forth in SB 288.

3.10 SB 288 Discussion - Analysis

Senate Bill 288, the Protect California Air Act of 2003¹, prohibits Districts from amending their New Source Review (NSR) programs to be less stringent than it was as of December 30, 2002.

However, SB 288 has provisions that allows for a District to make changes to their NSR rules to be less stringent under any one of the following circumstances:

- Replacing a rule that causes a risk to public health or safety with a new rule that provides greater public protection.
- Replacing a rule that proves to be unworkable due to engineering or other technical problems with a rule that is effective.
- Amending a rule to relieve a business or source category of substantial hardship. The rule amendment must be very narrowly tailored to relieve the specific hardship. Also, the district is responsible for offsetting any emission increases that result. SB 288 details criteria that the offsets must meet.
- Adopting a temporary rule that is needed to respond to an emergency to prevent or mitigate loss or damage to life, health, property, or essential services.

¹ See <http://www.arb.ca.gov/nsr/sb288/sb288detail.htm>. H&SC Section 42500.

- Rule changes are allowed for areas that attain all national ambient air quality standards under the following conditions:
 - The changes will not impair maintenance of those standards
 - The changes will not impair progress toward attaining State ambient air quality standards.

For all of the specific circumstances listed above, the rule changes cannot exempt or reduce the obligation of a major stationary source to obtain a permit or to meet California Best Available Control Technology requirements. In addition, the rule changes must be consistent with any environmental justice guidance approved by the ARB.

Of the above, the fifth bullet (areas that attain all national ambient air quality standards) applies to our case. The District meets all national ambient air quality standards. The changes we are proposing will not impair maintenance of those standards as we are implementing the State Health and Safety Code requirements for an air district designated as moderate nonattainment. Also, the changes will not impair progress towards attaining the state standards as can be seen by our 2013 Clean Air Plan emissions inventory, which shows a declining emissions curve over the next 20 years.

Despite the fact that the District meets the criteria to relax our rules, the District has chosen to prove that the proposed rules are equivalent to the NSR rules that were in effect on December 30, 2002. For such equivalency determinations, the Air Resources Board has developed guidance for Districts to follow. Specific to our proposed amendments, revisions to offset programs are allowed if it can be shown that, *on a programmatic basis*, the revisions provide equivalent or better emissions reductions.

Per guidance from ARB staff, our analysis was done “*on a programmatic basis*.” This means that certain specific aspects, on their own, may be less stringent, but when viewed in its entirety, the offsets program must be as stringent as before. The goal of this analysis is to compare the emission reductions generated under the current NEI-based rule to our *proposed* PTE-based rule. To do this, we used the past 17 years of NSR permitting actions to compare the rules. We believe this was a reasonable way to compare the impacts of both rules. It also used the existing rule as the comparison benchmark and not the H&SC mandated requirement. Per ARB staff, this is necessary to show compliance with SB 288 requirements.

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4. STATIONARY SOURCES IMPACTED

The proposed revisions to the New Source Review (NSR) rules will impact both existing and new stationary sources. Chapters 2 and 3 describe the specific changes to the rules and the accompanying analyses of the major revisions. Existing and new stationary sources will be primarily impacted by the following proposed rule changes:

- *Revising the NSR threshold calculation basis from the NEI methodology to the PTE methodology.* This revision will not impact new stationary sources as the emissions calculation using the Potential to Emit (PTE) method is the same as the Net Emissions Increase (NEI) calculation for a new source. Most existing sources will see no impact from this change as both their NEI and PTE are lower than the NSR thresholds. However, some sources are near the NEI limit, which may hamper their ability to expand if ERCs aren't available. Table 4-1 and Table 4-2 below provide a list of companies that are within 25 percent of the current NEI-based offset thresholds for both the daily and annual thresholds, respectively. These sources may benefit from the proposed change. Table 4-3 shows the eight stationary sources (seven companies) that are currently subject to the offset requirements using the NEI calculation. Finally, Table 4-4 and Table 4-5 list the existing sources with a PTE at or over 240 pounds per day or a PTE at or over 25 tons per year, both of which will be subject to offset requirements under the proposed rule revisions.
- *Changing the offset threshold, zones and ratios.* This is the most significant change (combined with the change to emission calculation methodology) that is being proposed by the District. From Table 4-4 and Table 4-5, the number of stationary sources subject to offsets would increase to 36 (23 companies) under the proposed rules. This includes the existing sources/companies currently subject to offset requirement. The actual number of new stationary sources involved would be 28 (16 companies). A number of these stationary sources have not modified their facilities in many years. The change to the zones will enable companies more opportunities at securing Emission Reduction Credits (ERCs), especially South County stationary sources. The change in the ratios generally lowers the amount of ERCs required per project. Finally, ERCs will be required for those amounts above the applicable offset thresholds. This will generally result in fewer ERCs required per project when compared to the current rules. However, this is balanced by the increase in the number of stationary sources subject to the offset requirements. Chapter 6 provides relevant clarifications on how the proposed offset amendments would affect the stationary sources.
- *Addition of the new equipment replacement offsets exemption.* This exemption would only apply to the large stationary sources that have PTE values at or above 25 tons per year or at or above 240 pounds per day

(Table 4-4 and Table 4-5). This exemption requires the use of Best Available Control Technology in addition to a few other caveats. Existing companies would be able to modernize their facility without the need to secure ERCs if the requirements of the exemption are met. Actual emissions are expected to decrease under this exemption.

- *Addition of emergency generator/flood control/firewater pump engine offsets exemption.* Currently, offsets are required for new emergency standby generator, flood control, and firewater pump engines if the existing stationary source exceeds the offset threshold for non-emergency engine emission units. This exemption would impact the sources listed in either Table 4-4 or Table 4-5. Up until 2005, these emissions units were exempt from permit and NSR offset requirements. This revision would not impact the need to obtain a permit or comply with the State Airborne Toxic Control Measure requirements.
- *Adding PM_{2.5} to the attainment pollutant permit requirements.* This change would impact all new sources and all existing sources that modify their facilities if the Best Available Control Technology / Air Quality Impact Analysis thresholds are exceeded. These thresholds would only be exceeded by the largest sources in the County.
- *Addition of a new Federal Minor Source New Source Review rule.* This new rule will apply to all current and future stationary sources. This rule was designed such that compliance with the other District rules (e.g., Regulation II, Rules 801-806) will automatically ensure compliance with this federally mandated requirement.

Table 4-1. Stationary Sources with Daily NEI w/in 25% of the Offset Threshold

| SSID | Company Name | Stationary Source Name | NOx | ROC | SOx | PM10 |
|-------|---|--|-----|-----|-----|------|
| 01012 | Art-Craft Paint | Art-Craft Paint, Incorporated | | x | | |
| 09833 | Bacara Resort & Spa | Bacara Resort & Spa | x | | | |
| 10845 | Byron Vineyard & Winery | Byron Vineyard & Winery | | x | | |
| 03867 | C&D Zodiac, Inc | C&D Zodiac, Inc. - 2641 Airpark Drive | | x | | |
| 10209 | CalPortland Construction | CalPortland Construct- 1625 E. Donovan | | x | | |
| 10834 | Central Coast Wine Services | Central Coast Wine Services | | x | | |
| 02077 | City of Santa Maria | City of Santa Maria WWTP | | | x | |
| 08713 | City of Santa Maria | City of Santa Maria Landfill | x | x | | |
| 03707 | County of Santa Barbara | County of SB-Tajiguas Landfill | | | x | |
| 11048 | County of Santa Barbara | SB County Public Works | x | | | |
| 08003 | DCOR | Dos Cuadras - South County | | x | | |
| 10865 | Dierberg Vineyard | Dierberg Vineyard | | x | | |
| 01073 | E & B Natural Resources | E & B - South Cuyama | | x | | |
| 10364 | Envent | Envent - Degassing | | x | x | |
| 02560 | ERG Resources | ERG Resources - Cat Canyon West | | | x | |
| 11136 | ERG Resources | ERG Resources - Cat Canyon East | x | | | |
| 10600 | Firestone Vineyard | Firestone Vineyard | | x | | |
| 01325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | | | | x |
| 10293 | GEM Mobile Treatment Services, Inc. | GEM Mobile Treatment Services, Inc. | | | x | |
| 11143 | Golden Gate Oil, LLC. | SMV North | x | | x | |
| 08766 | Golden Gate Oil, LLC. | SMV South | | x | | |
| 01536 | Granite | Granite - Buellton | x | | x | x |
| 03736 | Greka Oil & Gas | Armelin | | | x | |
| 02200 | Greka Oil & Gas | Clark Avenue Source | x | x | x | |
| 02658 | Greka Oil & Gas | Greka South Cat Canyon | x | | x | |
| 04630 | Greka Oil & Gas | Casmalia | x | | x | |
| 02680 | Greka Oil & Gas | Gato Ridge | x | | | |
| 04640 | Greka Refining Company | SMRC/Union Sugar | | x | x | |
| 04487 | Helix Medical, L.L.C. | Helix Medical, L.L.C. | | x | | |
| 01735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | | x | | |
| 09654 | Indigo Systems Corporation | Indigo Systems Corporation | | x | | |
| 10708 | Innovative Micro Technology, Inc. (IMT) | Innovative Micro Technology, Inc. (IMT) | | x | | |
| 01794 | L-3/MariPro | L-3/MariPro | x | | | |
| 10309 | Lash Construction | Lash Const. (5 S. Calle Cesar Chavez) | x | | | |
| 01793 | Marian Medical Center | Marian Medical Center | x | x | | |
| 04635 | Medtronic | Medtronic | | x | | |
| 09133 | Precision Auto Body | Precision Auto Body & Painting-Magnolia | | x | | |
| 01958 | Precision Auto Body | Precision Auto Body & Painting-S. Fairview | | x | | |
| 01963 | Prestigious Auto Body & Painting | Prestigious Auto Body & Painting | | x | | |
| 01153 | Purisima Hills LLC | Purisima Hills LLC- Barham Ranch | | x | | |
| 02035 | Raytheon | Raytheon-Bldgs B1,2 & 3 (Infrared) | | x | | |
| 01517 | Santa Maria Energy | Santa Maria Energy - Orcutt Field | | x | | |
| 03640 | Trisep Corp. | Trisep Corp. | | x | | |
| 11133 | Tristar Petroserv | Tristar Petroserv - Degassing | | x | | |
| 02784 | United States Navy | United States Navy - Santa Cruz Island | x | | | |
| 05009 | Venoco | Careaga #1 | x | x | | |
| 01063 | Venoco | Venoco - Ellwood | x | x | | |
| 10222 | Venoco | Careaga LA #2 | | x | | |

Notes:

- All data is subject to change.
- See permit files for current status of the source's NEI.

Table 4-2. Stationary Sources with Annual NEI w/in 25% of the Offset Threshold

| SSID | Company Name | Stationary Source Name | NOx | ROC | SOx | PM10 |
|-------|----------------------------------|-----------------------------------|-----|-----|-----|------|
| 10834 | Central Coast Wine Services | Central Coast Wine Services | | x | | |
| 02077 | City of Santa Maria | City of Santa Maria WWTP | | | x | |
| 08713 | City of Santa Maria | City of Santa Maria Landfill | x | x | | |
| 03707 | County of Santa Barbara | County of SB-Tajiguas Landfill | x | x | x | |
| 08003 | DCOR | Dos Cuadras - South County | | x | | |
| 01073 | E & B Natural Resources | E & B - South Cuyama | | x | | |
| 02560 | ERG Resources | ERG Resources - Cat Canyon West | | | x | |
| 11136 | ERG Resources | ERG Resources - Cat Canyon East | x | | | |
| 01325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | | | x | x |
| 01636 | Gold Coast Collision | Gold Coast Collision - Broadway | | x | | |
| 11143 | Golden Gate Oil, LLC. | SMV North | x | x | x | |
| 08766 | Golden Gate Oil, LLC. | SMV South | | x | | |
| 02658 | Greka Oil & Gas | Greka South Cat Canyon | x | x | x | |
| 03736 | Greka Oil & Gas | Armelin | | | x | |
| 02200 | Greka Oil & Gas | Clark Avenue Source | x | x | x | |
| 04630 | Greka Oil & Gas | Casmalia | x | | x | |
| 02680 | Greka Oil & Gas | Gato Ridge | x | | | |
| 01735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | | x | | |
| 01793 | Marian Medical Center | Marian Medical Center | x | x | | |
| 08745 | National Auto Body & Paint | National Auto Body & Paint | | x | | |
| 02381 | NRG California South LP. | Ellwood Generating Station | x | | | |
| 04621 | NuSil Technology | NuSil Technology | | x | | |
| 01153 | Purisima Hills LLC | Purisima Hills LLC- Barham Ranch | | x | | |
| 01517 | Santa Maria Energy | Santa Maria Energy - Orcutt Field | | x | | |
| 04640 | Greka Refining Company | SMRC/Union Sugar | x | x | x | |
| 01195 | United States Air Force | Vandenberg Air Force Base | x | x | | |
| 02795 | University of California | UCSB | x | | | |
| 05009 | Venoco | Careaga #1 | x | x | | |
| 01063 | Venoco | Venoco - Ellwood | | x | | |
| 10222 | Venoco | Careaga LA #2 | | x | | |

Notes:

- All data is subject to change.
- See permit files for current status of the source's NEI.

Table 4-3. Stationary Sources that Currently Require Offsets Using NEI Calculation

| SSID | Company Name | Stationary Source Name | NOx | ROC | SOx | PM10 |
|-------------|------------------------------|--|------------|------------|------------|-------------|
| 2560 | ERG Resources | ERG Resources - Cat Canyon West | x | x | | |
| 1482 | ExxonMobil Production | ExxonMobil - SYU Project | x | x | x | x |
| 4632 | Freeport-McMoRan Oil and Gas | Pt. Pedernales/Lompoc Oil Fields | | x | | |
| 1325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | x | x | | |
| 2667 | Pacific Coast Energy Company | Pacific Coast Energy Company - Orcutt Hill | x | x | | |
| 4900 | The Okonite Company | The Okonite Company | | x | | |
| 11166 | United Launch Alliance | United Launch Alliance | x | x | | x |
| 1195 | United States Air Force | Vandenberg Air Force Base | x | x | | |

Notes:

- All data is subject to change.
- See permit files for current status.

Table 4-4. Stationary Sources with a Daily Potential to Emit > 240 pounds per day

| SSID | Company | Stationary Source Name | NOx | ROC | SOx | PM | PM10 |
|-------|--|---|-----|-----|-----|----|------|
| 01249 | CalMat Company | CalMat - Santa Barbara | | | | x | |
| 04411 | CalPortland Construction | CalPortland - Garey Plant | | | | x | x |
| 04421 | CalPortland Construction | CalPortland - Hot Mix Asphalt Plant | x | | x | | |
| 01702 | CalPortland Construction | CalPortland Construction - A St, Lompoc | | | | x | |
| 01366 | CalPortland Construction | CalPortland Construction - Donovan Rd | | | | x | |
| 08713 | City of Santa Maria | Santa Maria Regional Landfill | | x | | | |
| 08003 | DCOR, LLC. | Dos Cuadras - South County | x | x | | x | x |
| 08012 | DCOR, LLC. | Platform Habitat | x | | | | |
| 01073 | E & B Natural Resources | E & B - South Cuyama | x | x | | | |
| 11136 | ERG Resources, LLC. | ERG Resources - Cat Canyon East | x | | | | |
| 02560 | ERG Resources, LLC. | ERG Resources - Cat Canyon West | | x | | | |
| 01482 | ExxonMobil Production Company | ExxonMobil - SYU Project | x | x | x | x | x |
| 01325 | Freeport-McMoRan Oil & Gas, LLC. | The Point Arguello Project | x | x | x | x | x |
| 04632 | Freeport-McMoRan Oil & Gas, LLC. | Pt. Pedernales/Lompoc Oil Fields | x | x | | | |
| 01536 | Granite Construction Company | Granite - Buellton | | | | x | |
| 02658 | Greka Oil & Gas | Greka South Cat Canyon | x | x | | | |
| 04630 | Greka Oil & Gas | Casmalia | x | | | | |
| 04640 | Greka Oil & Gas | Greka Refining Company | x | | x | | |
| 10910 | Greka Oil & Gas | Greka North Cat Canyon | x | x | | | |
| 02200 | Greka Oil & Gas | Clark Avenue Source | | x | x | | |
| 08702 | Greka Oil & Gas | Zaca Field | | x | | | |
| 01661 | Hanson Aggregates Mid-Pacific, Inc. | Sisquoc Sand, Rock and Gravel Plant | x | | x | x | |
| 03886 | Hanson Aggregates Mid-Pacific, Inc. | Hanson Aggregates-Goleta Batch Plant | | | | x | |
| 01735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | x | x | x | x | x |
| 03689 | Lompoc Warehouse Corporation | Lompoc Valley Seed & Milling | | | | x | x |
| 02381 | NRG California South LP. | Ellwood Generating Station | x | x | | | |
| 02667 | Pacific Coast Energy Company LP | Pacific Coast Energy Company- Orcutt Hill | x | x | | | |
| 08001 | Pacific Operators Offshore, LLC. | Pacific Operators - Carpinteria | x | x | | | |
| 03707 | Santa Barbara County/Fortistar | County of SB-Tajiguas Landfill | | x | | | |
| 05019 | Southern California Gas Company | So Cal Gas - La Goleta | x | x | | | |
| 11166 | United Launch Alliance, L.L.C | United Launch Alliance | x | x | | x | x |
| 01195 | United States Air Force | Vandenberg Air Force Base | x | x | x | x | x |
| 02795 | University of California - Santa Barbara | UCSB | x | | | | |
| 01063 | Venoco, Inc. | Venoco - Ellwood | x | x | | | |
| 00027 | Venoco, Inc. | Venoco - Carpinteria | x | x | | | |
| 10912 | Vintage Production California, LLC. | Vintage Central Cat Canyon | x | x | x | | |

Notes:

- All data is subject to change.
- See permit files for current status.

Table 4-5. Stationary Sources with an Annual Potential to Emit > 25 tons per year

| SSID | Company | Stationary Source Name | NOx | ROC | SOx | PM10 |
|-------|--|---|-----|-----|-----|------|
| 04411 | CalPortland Construction | CalPortland - Garey Plant | | | | x |
| 04421 | CalPortland Construction | CalPortland - Hot Mix Asphalt Plant | x | | x | |
| 08713 | City of Santa Maria | Santa Maria Regional Landfill | | x | | |
| 08003 | DCOR, LLC. | Dos Cuadras - South County | x | x | | |
| 08012 | DCOR, LLC. | Platform Habitat | x | | | |
| 01073 | E & B Natural Resources | E & B - South Cuyama | x | x | | |
| 04639 | Elysium Russell, LLC. | Russell Ranch Lease | x | x | | |
| 11136 | ERG Resources, LLC. | ERG Resources - Cat Canyon East | x | | | |
| 02560 | ERG Resources, LLC. | ERG Resources - Cat Canyon West | | x | | |
| 01482 | ExxonMobil Production Company | ExxonMobil - SYU Project | x | x | x | x |
| 01325 | Freeport-McMoRan Oil & Gas, LLC. | The Point Arguello Project | x | x | x | x |
| 04632 | Freeport-McMoRan Oil & Gas, LLC. | Pt. Pedernales/Lompoc Oil Fields | x | x | | |
| 01551 | Gordon Sand Company, Inc. | Gordon Sand - Guadalupe Division | | | | x |
| 02658 | Greka Oil & Gas | Greka South Cat Canyon | x | x | x | |
| 04630 | Greka Oil & Gas | Casmalia | x | | | |
| 04640 | Greka Oil & Gas | Greka Refining Company | x | x | x | |
| 10910 | Greka Oil & Gas | Greka North Cat Canyon | x | x | x | |
| 02200 | Greka Oil & Gas | Clark Avenue Source | x | x | x | |
| 08702 | Greka Oil & Gas | Zaca Field | | x | | |
| 08678 | Greka Oil & Gas | Los Flores | | x | | |
| 01661 | Hanson Aggregates Mid-Pacific, Inc. | Sisquoc Sand, Rock and Gravel Plant | | | x | |
| 01735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | x | x | x | x |
| 03689 | Lompoc Warehouse Corporation | Lompoc Valley Seed & Milling | | | | x |
| 02667 | Pacific Coast Energy Company LP | Pacific Coast Energy Company- Orcutt Hill | x | x | x | |
| 08001 | Pacific Operators Offshore, LLC. | Pacific Operators - Carpinteria | x | x | | |
| 02638 | Purisima Hills LLC | Purisima Hills LLC - Blair Lease | x | x | | |
| 03707 | Santa Barbara County/Fortistar | County of SB-Tajiguas Landfill | x | x | | |
| 05019 | Southern California Gas Company | So Cal Gas - La Goleta | x | x | | |
| 04900 | The Okonite Company | The Okonite Company | | x | | |
| 01195 | United States Air Force | Vandenberg Air Force Base | x | x | | |
| 02795 | University of California - Santa Barbara | UCSB | x | | | |
| 01063 | Venoco, Inc. | Venoco - Ellwood | x | x | x | |
| 00027 | Venoco, Inc. | Venoco - Carpinteria | x | x | | |
| 10912 | Vintage Production California, LLC. | Vintage Central Cat Canyon | x | x | x | |
| 01021 | Wellhead Power Central Coast, LLC. | Wellhead Power Central Coast | x | | | |

Notes:

- All data is subject to change.
- See permit files for current status.

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5. COST IMPLICATIONS AND DISTRICT STAFFING

We believe that the *overall* impact to the regulated community due to the proposed rule amendments will be a decrease in costs. The change in calculation methodology from a Net Emissions Increase basis to a Potential to Emit basis will simplify the permit process and will provide more certainty as to what the requirements will be, thus reducing the time to plan for and prepare a permit application. The changes to the offset thresholds, ratios and associated implementation procedures will limit the offset program to only the larger members of the regulated community who are better suited to the procurement of Emission Reduction Credits (ERCs) and the creation of new ERCs. These changes will keep medium sized companies out of the offsets program (e.g., electronic, aerospace and medical device manufacturers) and thus eliminate a potential cost to their operations. Larger sources over the offsets thresholds will need to provide less ERCs due to the lower trading ratios and the requirement to offset only above the threshold. Those facilities that use ERCs will also have the ability to have their ERCs returned (if still surplus) after the underlying permit is cancelled. The above, combined with the exemptions for replacement units and emergency engines, will result in a decrease in costs. Companies that have to provide ERCs for the first time will see an increase in costs.

The District does not envision substantive changes to fee revenues or staffing requirements due to the proposed rule amendments. With all of the changes considered, we also believe that the District's program effectiveness will be increased since more projects can be approved that reduce actual emissions in the air. A summary of the cost, fee and staffing impacts is provided in Table 5-1 below.

Table 5-1. Implications of Major Rule Changes

| No. | Rule | Change | Cost Impact to Regulated Community ¹ | Impact on District Program Effectiveness ² | Impact on District Fee Revenues | Impact on District Staffing |
|-----|---------|--|---|---|---------------------------------|-----------------------------|
| 1 | All | Revising rule text to be clearer and to eliminate redundancies | Neutral | Increase | Neutral | Neutral |
| 2 | 801 | Replacing the NEI calculation methodology with the PTE methodology | Decrease | Increase | Neutral | Neutral |
| 3 | 802/804 | Revising the offset program thresholds, ratios and calculation basis | Decrease | Increase | Neutral | Neutral |
| 4 | 802 | Adding offset exemption for equipment replacements | Decrease | Increase | Increase | Increase |
| 5 | 802 | Adding offset exemption for emergency standby generators/flood/firewater pumps | Decrease | Neutral | Neutral | Neutral |
| 6 | 803 | Merging the requirements of Rule 803 into Rules 802, 804 and 805 | Neutral | Increase | Neutral | Neutral |
| 7 | 802 | Adding PM _{2.5} to the attainment pollutant permitting requirements | Increase | Increase | Neutral | Increase |
| 8 | 805 | Revising the AAQS and increment AQIA calculation procedures | Decrease | Increase | Increase | Decrease |
| 9 | 809 | New Rule 809 for Federal Minor Source NSR | Neutral | Neutral | Neutral | Neutral |
| | | Overall Impact of Changes => | Decrease | Increase | Neutral | Neutral |

¹ This column indicates the likely direct impact of the proposed change on sources affected by the change from the perspective of the source.

² This column refers to the effect of the proposed change on the APCD's regulatory program as a whole.

6. CLARIFICATION OF RULE ISSUES

The following text provides rule clarifications in the format of frequently asked questions:

Question 1: My PTE is currently over 25 tpy. Do I have to do something upon adoption of the proposed amended rules?

Answer: You will not have to automatically do anything upon rule adoption.

Question 2: My existing PTE is over 25 tpy. If I submit an ATC application to increase my permitted emissions by 3 tpy, how many offsets will I need?

Answer: You will only need to offset the emissions increase, which is 3 tpy in this example. This is your offset obligation. If the source of your ERCs is within the County, but outside your stationary source, then you need to provide 3.9 tpy of ERCs (3 x 1.3). You are not required to offset down to zero.

Question 3: If my PTE is currently 20 tpy and I submit an ATC application for an emission increase of 10 tpy, what is my offset obligation?

Answer: The post-project PTE will be 30 tpy. This makes the offsets obligation 5 tpy, the amount over the offsets threshold. If the source of your ERCs is from the same stationary source, then you need to provide 5.5 tpy of ERCs (5 x 1.1).

Question 4: I previously had to obtain offsets under the prior NSR rule. Can I release those ERCs?

Answer: No, not in this case. The amended NSR rules apply from the date of rule adoption. Prior offset obligations must be maintained as those reductions are relied upon in the approval of the amended NSR rules. The stationary source would be subject to the new offset thresholds and requirements for any new project at the source.

Question 5: If I provide offsets under the new proposed rules, can I get the ERCs back if I cancel the permit (or remove the equipment that required the offsets)?

Answer: In general, yes, the ERCs may be returned to the Source Register. There are caveats, however. First, the ERCs must still pass the surplus test. Surplus is defined in Rule 801 and generally means the emission reductions must not be required by current regulations or are not already relied upon for Clean Air Plan planning purposes. Second, there cannot be a shift in load from the

process/equipment that was offset to older existing equipment that was not offset under the amended rules. A new baseline is not required.

Question 6: Can I use or sell my ERCs for short-term projects?

Answer: Yes, subject to the same criteria noted above in Question 5.

Question 7: My PTE is currently 21 tpy. My new project will result in a PTE increase of 8 tpy and I am also removing from permit unrelated equipment that has a PTE of 10 tpy. What is my offset obligation?

Answer: None. The post project PTE is 19 tpy, so there is no offset obligation as the PTE threshold of 25 tpy has not been exceeded.

Question 8: My PTE is 150 tpy. My new project will increase emissions by 5 tpy. Concurrently with my application I will remove from permit unrelated equipment with a PTE of 20 tpy that has actual baseline emissions (as defined by District rules) of 8 tpy. Do I need to offset my emission increase?

Answer: Yes, your offset obligation is 5 tpy. The source's PTE is reduced, but not enough to get below the offsets threshold of 25 tpy. The actual emission reductions of 8 tpy can be qualified as ERCs under Rule 806 and then be used as ERCs to meet the offset obligations under the ATC. The same source offset ratio of 1.1:1 would apply (5.50 tpy) and the remainder can be issued as an ERC certificate (2.50 tpy) for future use or sale.

Question 9: What does functionally equivalent mean?

Answer: In the context of Rule 802's offsets exemption, we chose the term "functionally equivalent" to separate it from the term "functionally identical." The latter term is used by air Districts to exempt "routine" identical replacements from permit all together. The District is not proposing a permit exemption, rather we are proposing a qualified exemption from offset requirements.

As used in this context, we are using the term equivalent since it has a broader definition than "identical." We recognize that equipment replacements and process modernizations would be hampered by limiting the replacement equipment to the exact manufacturer and model number of the original equipment. The overarching basis for the District's approval for use of this offsets exemption is whether or not the actual emissions after installation of the replacement equipment can reasonably be expected to be the same or less than before.

Question 10: Why isn't the District proposing to require offsets for PM_{2.5}?

Answer: We believe that it is more important to focus on evaluating the need for emission controls and to ensure that State and Federal ambient air quality standards and increments are met. PM_{2.5} is a component of both PM₁₀ and PM, both of which are currently subject to offset requirements. We have no State or Federal mandate to require offsets for PM_{2.5} and given the shortage of ERCs that currently exists, the District believes that our efforts are best focused on the BACT and AQIA requirements.

Question 11: My solvent-using facility currently has a permit limit of 54 lbs/day of ROC to keep the facility from triggering the daily offset threshold. However, under the new rule set, the daily offset threshold will be 240 lbs/day. Can I submit a permit application to raise my daily permit limit to 239 lbs/day of ROC?

Answer: Yes, you may submit an application to increase your permit limit to 239 lbs/day as long as you apply BACT to the process and perform an AQIA. Please note that trying to evade the BACT or AQIA requirements by submitting multiple smaller permit applications will not be allowed as this is considered circumvention, pursuant to District Rule 301. If such a scenario arises, the applications will be evaluated as a single project.

Question 12: How will Rule 809 impact sources subject to the federal Part 70 Operating permit program?

Answer: Since Rule 809 will be part of the SIP, all NSR emission limits, operational limits, monitoring, recordkeeping, reporting and other ATC permit requirements will be federally enforceable under Part 70 Federal Operating permits.

Question 13: What happens to the 1997 NSR Staff Report Rules Clarification list of questions and answers?

Answer: Most of those questions/answers are still valid. Questions related to the NEI and offsets/ERCs will no longer be applicable.

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7. PUBLIC REVIEW

7.1 Public Participation

ARB and EPA Comments

The District provided the Air Resources Board and the Environmental Protection Agency draft copies of the proposed amended rules (and Rule 809) and the draft staff report for their review. Due to the intricacies of the NSR program as well as State and Federal requirements (including SB 288), it was important to obtain oversight agency input early in the process.

The August 2015 proposed revisions have been approved by ARB and EPA staff. However, an earlier proposal to create an Essential Public Services offset exemption and Community ERC Bank did not meet ARB approval and therefore is not being pursued. ARB's other concern was for the District to set up a tracking system for monitoring the proposed offsets exemption for functionally equivalent replacements. The District has agreed to thoroughly document all such approvals in the permit's Engineering Evaluation and to track and prepare an annual report documenting the prior years' actions.

Workshops

The proposed revisions were publicly noticed on August 16, 2015 and two workshops will be held. The first workshop will be held at the District's office in Santa Barbara on September 17, 2015 and the second workshop will be held at the Santa Maria Public Library on September 18, 2015.

Community Advisory Council

To facilitate the participation of the regulated community and the public in the development of the District's regulatory program, the District created the Community Advisory Council (CAC). The CAC is comprised of representatives appointed by the District's Board of Directors. Currently, there are 23 members on the CAC. Its charter is, among other things, to review proposed changes to the District's Rules and Regulations and make recommendations to the Board of Directors on these changes. The District will be bringing the proposed changes to the CAC so that all the changes can be fully vetted.

7.2 Rule Changes

If there are any significant revisions that arise from input at the Public Workshops or CAC meetings, they will be discussed in further detail here.

7.3 Public Comments

The District will attach all public comments and the District's responses to such comments to the final staff report.

8. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The California Environmental Quality Act (CEQA) requires that projects that may significantly affect the quality of the environment be analyzed and disclosed in an environmental impact report so that significant adverse effects may be reduced or eliminated. It is the responsibility of the “lead agency” of such a project to do the analysis or to establish the basis for a finding that such an analysis need not be done. In this case, Santa Barbara County APCD is the lead agency.

The proposed amendments to the District’s NSR permitting program are intended to and expected to benefit public health and the environment. In particular, the proposed amendments will add new permitting requirements for PM_{2.5} and will allow more permitting projects that reduce actual emissions to be fully approved.

Notwithstanding these air quality benefits the District is preparing an Environmental Impact Report (EIR) to evaluate whether the proposed amendments could cause any significant impacts as a result of the proposed rule amendments.

The Notice of Preparation will be sent out in late August and the Notice of Availability for the EIR will be sent out after the CAC process is complete. The final EIR will be a part of the Board adoption package for these amendments.

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9. ATTACHMENTS

9.1 Attachment A. SB 288 No Net Increase Programmatic Comparison

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ATTACHMENT A

SB 288 PROGRAMMATIC COMPARISON OF THE EXISTING AND PROPOSED RULES

PURPOSE:

The purpose of this analysis is to perform a programmatic review that compares the current Regulation VIII mitigation values to the proposed revisions of Regulation VIII. This analysis is required pursuant to SB 288, which mandates that there can be no relaxation in the mitigation requirements of District New Source Review (NSR) rules compared to the rules that existed on December 30, 2002.

CONCLUSION:

Based on historical trends from the past 17 years, the projected emission reductions expected under the proposed amended Regulation VIII will be equivalent to or in excess of the actual emission reductions achieved by the existing Regulation VIII provisions. See Table A-1 and Table A-1a. Therefore, on a *programmatic basis*, the proposed rule revisions will not result in a relaxation of the District's New Source Review program and are consistent with the requirements of SB 288.

BACKGROUND AND PROPOSED REVISIONS:

The District's current NSR rules were adopted in April 1997. At that time, Santa Barbara County was designated as a Moderate nonattainment area for both the state and federal 1-hour ozone standards. Under State Health & Safety Code Section 40918(a)(1), Santa Barbara County was required to establish "*a stationary source control program designed to achieve no net increase in emissions of nonattainment pollutants or their precursors from new or modified stationary sources which emit or have the potential to emit 25 tons per year or more of nonattainment pollutants or their precursors.*" In practice, this would require any increases to be offset at a ratio of 1:1 at stationary sources with a potential to emit (PTE) of 25 tpy or more for any nonattainment pollutant (or their precursors). This section is applicable to the ozone precursors NO_x and ROC.

In lieu of adopting this H&SC Section as written, the District adopted an alternative requirement that was designed, in its entirety, to be equivalent to the H&SC mandate, and ARB approved this approach. The alternative approach was comprised of four components:

- A Net Emissions Increase (NEI) based calculation method,
- Offset thresholds of 55 pounds per day and 10 tons per year,
- Offset trading ratios ranging from 1.2:1 to 6:1, and
- Trading zones.

The proposed revisions to the offsets program are contained in Section E of Rule 802 as well as Rule 804. These revisions were designed to meet the concerns raised by the regulated community, District staff and ARB. What is proposed will not solve the basic problems of cost and availability, but should have a meaningful impact by limiting the population of stationary sources that would be subject to this requirement to only the largest emitters of air pollution.

The elements of the proposed revisions to the offsets program include:

- Potential to Emit based emission calculations
- Offset thresholds set at 240 pounds per day and 25 tons per year (PTE)
- A single offset zone for the County
- Offset trading ratios from 1.1:1 to 1.3:1
- Allowance for inter-District trades with Ventura and San Luis Obispo counties¹

The 25 ton per year offset threshold is the State H&SC Section 40918 mandated value. The existing Rule 803 daily offset threshold of 240 pound per day was maintained (moved to Rule 802). A single offset zone was selected to eliminate the fragmentation that the current 3-zone system creates. A single zone is also consistent with the offset programs in Ventura and San Luis Obispo counties (and many other air Districts), both of which are in the same air basin. Performing ozone modeling on the impacts of the changes is not technically feasible as such modeling is not granular enough to look at the small emission quantities that we are dealing with (plus such modelling is very expensive). Lastly, rule language was added that allows for the possibility of trading with Ventura and San Luis Obispo counties using a minimum trading ratio of 1.5:1. These potential trades would be subject to a case-by-case analysis, may result in higher trading ratios and requires the approval of both air Districts Boards.

BASIS AND ASSUMPTIONS IN THE ANALYSIS:

The goal of this analysis was to compare the emission reductions generated under the current NEI-based rule to the *proposed* PTE-based rule. To do this, the past 17 years of NSR permitting actions was used to compare the rules. This is a reasonable and equitable way to compare the impacts of both rules. It also uses the existing rule as the comparison benchmark and not the H&SC mandated requirement.

The first step in the analysis is to identify which stationary sources have a PTE of 25 tpy or more of ozone precursor pollutants. The District's permit database was queried and 31 stationary sources were identified (owned/operated by 21 different companies). Next, the permit files were reviewed to gather the NEI data elements. This included all increases since 1997 ("I" or "P1" terms), all non-NEI based decreases since 1997 ("D" terms) and all NEI based decreases since 1997 ("P2" terms). This data was entered into Table A-2. This data was then evaluated and the "I", "P1" and "P2" terms associated with sources/pollutants that were at or over 25 tpy were tagged for use in the analysis (shown in red in the table). "D" terms act as internal offsets to the source and are considered mitigation.

The next step in the analysis is to determine the ERC obligation under both the current and proposed rules. For the current rules, Table A-3 shows all the emission reductions credits

¹ As allowed and per the procedures established in H&SC Section 40709.6

(“ERCs”) surrendered for “use” on permits issued since 1997 under the current NSR rules. The data is summarized by company and is based on the transactions documented on the District’s webpage.

For the proposed rules, Table A-4 is the estimate of the ERCs that would have been required for the emissions growth over the past 17 years. The offset ratios proposed in the rule are used (1.1:1 for same source ERCs and 1.3:1 for all other intra-District trades). The analysis does not assume any inter-District trades. To complete the analysis, an estimate of what percentage of the ERCs would be subject to the 1.1:1 or 1.3:1 trade ratio is required. Table A-5 determines this ratio by evaluating every ERC transaction for NSR permitting over the past 17 years. Each use was analyzed for which ratio would be applicable. The ratios were applied and a weighted percentage of all trades was calculated. These percentages were then used in Table A-4 in the estimate of required ERCs under the proposed new rules.

Finally, the District has to show the amount of Rule 806 ERC shutdown and reduction in throughput discounts over the past 17 years, which is seen in Table A-6. These reductions count towards the total mitigation value for the NSR program. However, there are no substantive changes proposed to this calculation method, so the throughput discounts will be identical under both the current and proposed rules.

The same analysis for SO_x/PM₁₀ was performed. Fifteen stationary sources (owned/operated by 11 different companies) were identified as subject to this analysis. The tables are numbered the same as the ozone precursor analysis, except that an “a” is included in the title (e.g. Table A-1a). One other difference is that the SO_x/PM₁₀ analysis assumes that the ERC trading ratio percentage, which was calculated for ozone precursors in Table A-5, can be applied to SO_x/PM₁₀ as well. Hence, there is one less table, and the throughput discount table is numbered A-5a.

ANALYSIS:

The attached tables provide the data to perform a quantitative analysis. This “programmatic analysis” compares the existing offset program to the proposed revised offset program in the amended rules. The analysis compares the last 17 years’ worth of ATC permitting actions. For the existing rule, this function has already been performed as part of our *No Net Emission Increase Monitoring Reports*. Table A-1 provides the summary comparison.

For estimating the quantity of mitigation from the proposed rules, the same 17 years of ATC permitting actions were used. Table A-4 documents this data set. NO_x ERCs would total 170.81 tons, ROC ERCs would total 280.48 tons and ozone precursor ERCs would total 451.30 tons. Table A-5 calculates the weight percentages of how many ERCs would be subject to the 1.1:1 ratio (47%) and how many would be subject to the 1.3:1 ratio (53%). Table A-6 shows the ERCs that would be generated due to shutdowns and reduction in throughput discount under Rule 806, which would be the same under the both the existing and proposed rules.

It should be noted that the current rules provide approximately 19 tons more NO_x mitigation than the proposed rules. This does not, however, mean that the proposed rules are under performing with respect to NO_x. First, the District believes, that for the purposes of the analysis, that the combined tonnage of both ozone precursor pollutants is a valid approach. Second, the reason for the positive NO_x value is that the District has accepted inter-pollutant trades of NO_x ERCs for

ROC increases (more than 19 tons worth). In sum, the net positive NO_x value is an artifact since some NO_x ERCs have been converted to ROC ERCs.

As shown in Table A-1, the data shows that the proposed amendments to the NSR program will exceed the current NSR program's mitigation levels for ozone precursor pollutants. Therefore, the proposed amendments to the NSR offsets program for ozone precursor pollutant thresholds, zones and ratios do not cause (on a programmatic basis) a relaxation of the rules and are consistent with the requirements set forth in SB 288.

Although our primary focus is on the state ozone standard, we also regulate oxides of sulfur (SO_x) and particulate matter less than 10 micron (PM₁₀). The District has not tracked these two pollutants in our No Net Monitoring report as we do for ozone precursor pollutants since this was not an ARB or H&SC requirement to do so under the alternative offset program approach. None-the-less, we have prepared a similar analysis for these two pollutants using the same procedures that were performed with the ozone precursors. The results of this analysis are shown in Table A-1a. As shown in the table, the proposed rules produce more mitigation than the current rule set.

Table A-1 and Table A-1a summarizes the analysis results. The quantitative analysis shows that the proposed revisions to Regulation VIII will provide similar or better emission reductions as we have been achieving with the current rules. This analysis applies the proposed revisions to the last 17 years of New Source Review permitting actions, so it provides a like-for-like comparison. The analysis also shows that the proposed offset trading ratios (1.1:1 for trades within the same source and 1.3:1 for all other intra-District trades) are properly selected to meet SB 288 mandates for not relaxing our offset requirements. Therefore, on a programmatic basis, the SB 288 requirement has been met.

Table A-1
RULES COMPARISON
SUMMARY

2/13/2015

| <u>Current Regulation VIII</u> | | <i>(from 2014 No Net Emissions Report: rev 7/24/14)</i> | | |
|---------------------------------------|-------------------|---|-------------------------|--|
| | <u>NOx</u> | <u>ROC</u> <i>(tons per year)</i> | <u>NOx + ROC</u> | |
| Total Mitigation | 206.74 | 194.28 | 401.02 | |
| ERCs Used | 172.14 | 97.52 | 269.67 | |
| Shutdown/Redn TP Discounts | 16.62 | 26.91 | 43.53 | |
| Decrease - NEI "D" Term | 17.98 | 69.85 | 87.83 | |

| <u>Proposed Rule Revisions</u> | | <u>NOx</u> | <u>ROC</u> <i>(tons per year)</i> | <u>NOx + ROC</u> |
|---------------------------------------|---------------|-------------------|---|-------------------------|
| Total Mitigation | 187.43 | 307.39 | 494.83 | |
| ERCs Required | 170.81 | 280.48 | 451.30 | |
| Shutdown/Redn TP Discounts | 16.62 | 26.91 | 43.53 | |

Notes:

- (a) Calculations based on all permitting actions since April 1997.
- (b) ERCs used based on ERC Transaction table.
- (c) Shutdowns/Reductions in throughput discounts per DOI documents.
- (d) "D" term decreases based on actual emission reductions calculated per permitting actions.
 Only includes "D" terms from sources at 25 tpy PTE or greater.

**TABLE A-2
STATIONARY SOURCES with OZONE PRECURSORS at 25 TPY and Greater
NEI ACTIVITY SINCE 1997**

| SSID | Company Name | Stationary Source Name | Current Potential to Emit (tons per year) | | Increases Since 1997 I or P1 Terms (tons per year) | | Decreases Since 1997 D Terms (tons per year) | | Decreases Since 1997 P2 Terms (for post '97 P1) (tons per year) | |
|-------|--|---|---|--------|--|-------|--|-------|---|------|
| | | | NOx | ROC | NOx | ROC | NOx | ROC | NOx | ROC |
| 4421 | CalPortland Construction | CalPortland - Hot Mix Asphalt Plant | 33.53 | 5.71 | 0.03 | 0.02 | | | | |
| 8713 | City of Santa Maria/J&A Santa Maria II | Santa Maria Regional Landfill | 13.95 | 89.60 | 9.49 | 7.59 | | | | |
| 3707 | County of SB/Fortistar | County of SB-Tajiguas Landfill | 36.41 | 69.37 | - | - | | | | |
| 8003 | DCOR | Dos Cuadras - South County | 143.72 | 183.16 | 0.80 | 7.30 | | 0.01 | | |
| 8012 | DCOR | Platform Habitat | 63.19 | 23.36 | 2.84 | 0.53 | | | | |
| 1073 | E & B Natural Resources | E & B - South Cuyama | 59.28 | 171.64 | 0.76 | 12.59 | | 0.34 | | 3.27 |
| 4639 | E & B Natural Resources | Russell Ranch Lease | 34.08 | 34.95 | - | 0.68 | | 0.12 | | |
| 2560 | ERG Resources | ERG Resources - Cat Canyon West | 22.40 | 139.02 | 13.56 | 16.86 | | | 2.61 | 4.82 |
| 11136 | ERG Resources | ERG Resources - Cat Canyon East | 66.48 | 25.64 | 7.04 | 3.86 | | | | |
| 1482 | ExxonMobil Production | ExxonMobil - SYU Project | 634.56 | 317.74 | 4.22 | 22.46 | | | | |
| 4632 | Freeport-McMoRan Oil and Gas | Pt. Pedernales/Lompoc Oil Fields | 115.44 | 205.64 | 5.37 | 17.90 | 0.09 | 0.46 | | 0.09 |
| 1325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | 806.54 | 275.04 | 0.12 | 8.48 | | | | |
| 4630 | Greka Oil and Gas | Casmalia | 140.45 | 17.06 | 13.32 | 3.57 | | | | |
| 2200 | Greka Oil and Gas | Clark Avenue Source | 42.95 | 97.98 | 3.69 | 1.00 | | | 3.69 | 0.35 |
| 10910 | Greka Oil and Gas | Greka North Cat Canyon | 64.09 | 93.04 | 0.98 | 6.15 | | | | |
| 2658 | Greka Oil and Gas | Greka South Cat Canyon | 264.37 | 73.84 | 5.46 | 9.49 | 13.74 | 44.91 | 3.46 | 3.53 |
| 8678 | Greka Oil and Gas | Los Flores | 13.39 | 35.83 | 4.21 | 0.92 | | | | |
| 8702 | Greka Oil and Gas | Zaca Field | 13.39 | 35.83 | - | 7.35 | | | | |
| 1735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | 3,780.00 | 667.00 | 14.34 | 12.17 | 3.76 | 0.88 | 13.78 | 3.82 |
| 2667 | Pacific Coast Energy Company | Pacific Coast Energy Company- Orcutt Hill | 437.66 | 185.41 | 21.82 | 26.87 | | 0.63 | 10.45 | 8.69 |
| 8001 | Pacific Offshore Operators Inc. | Pacific Operators - Carpinteria | 164.03 | 35.36 | 9.94 | 5.06 | - | 0.46 | | |
| 2638 | Purisima Hills LLC | Purisima Hills LLC - Blair Lease | 30.03 | 42.34 | 3.65 | 5.52 | | | | 0.16 |
| 4640 | Greka Refining Company | SMRC/Union Sugar | 83.39 | 40.73 | 8.32 | 9.78 | | 0.21 | | |
| 5019 | Southern California Gas Company | So Cal Gas - La Goleta | 98.99 | 295.37 | 2.40 | 15.10 | 0.20 | 14.17 | | |
| 4900 | The Okonite Company | The Okonite Company | 4.00 | 31.77 | 2.75 | 23.19 | | 7.50 | 0.97 | 1.81 |
| 1195 | United States Air Force | Vandenberg Air Force Base | 59.67 | 24.30 | 9.13 | 6.16 | | | | |
| 2795 | University of California | UCSB | 74.18 | 5.75 | 6.85 | 1.13 | | | 0.74 | 0.12 |
| 27 | Venoco | Venoco - Carpinteria | 59.12 | 83.32 | 0.47 | 0.98 | | | | |
| 1063 | Venoco | Venoco - Ellwood | 191.94 | 127.89 | 20.06 | 11.22 | 0.19 | 0.11 | 14.66 | 2.97 |
| 10912 | Vintage Production California | Vintage Central Cat Canyon | 45.53 | 70.86 | - | - | | 0.05 | | |
| 1021 | Wellhead Power Central Coast | Wellhead Power Central Coast | 25.62 | 1.73 | - | - | | | | |

| | | | | | | |
|---------------------------|---------------|---------------|--------------|--------------|--------------|--------------|
| PERMITTED GROWTH = | 141.60 | 232.52 | 17.98 | 69.85 | 46.78 | 29.51 |
| | | 374.13 | | | | |

- (1) Increases and decreases are from April 17, 1997
- (2) Unless otherwise noted, use final permits issued before May 2, 2014.
- (3) I, P1 and P2 terms summed only for sources with PTE over 25 tpy for the pollutant in question.

TABLE A-3
ERCs USED
CURRENT RULES

2/13/2015

| Company | tons | | | |
|--|-----------|--------------------------|---------------|--------------|
| | Quarterly | | Annual | |
| | NOx | ROC | NOx | ROC |
| Arguello, Inc. | 0.18 | 0.54 | 0.71 | 2.18 |
| Boeing | 2.82 | 1.19 | 11.28 | 4.75 |
| Breitbart Energy | 3.25 | 0.66 | 12.99 | 2.62 |
| Chevron USA Prodn | - | 0.37 | - | 1.48 |
| Dos Cuadras Offshore Resources | - | 0.01 | - | 0.02 |
| ERG Resources Company | 8.87 | 5.37 | 35.49 | 21.46 |
| Exxon Company USA | - | 0.18 | - | 0.72 |
| ExxonMobil | 1.89 | 3.24 | 7.58 | 12.97 |
| Freeport-McMoRan Oil & Gas | - | 1.03 | - | 4.10 |
| Lockheed Martin Corporation | - | 0.04 | - | 0.15 |
| Nuevo Energy | 0.01 | 0.18 | 0.04 | 0.72 |
| Pacific Coast Energy Company | 3.65 | 0.17 | 14.58 | 0.70 |
| Plains Exploration and Production | 1.19 | 2.44 | 4.77 | 9.78 |
| POPCO | 0.95 | 3.51 | 3.80 | 14.04 |
| The Okonite Company | 5.14 | | 20.56 | - |
| The Pt. Arguello Companies | 3.46 | 0.31 | 13.84 | 1.23 |
| ULA - Delta IV | 0.20 | 0.78 | 0.79 | 3.11 |
| US Air Force | 11.43 | 4.38 | 45.71 | 17.51 |
| Total ERCs Used Current Rules = | | | 172.14 | 97.52 |
| | | Total NOx + ROC = | 269.67 | |

Notes:

- (1) Data from ERC transactions report.
- (2) Includes use of all ERCs since 1997.

TABLE A-4
ERCs REQUIRED ANALYSIS
PROPOSED NEW RULES

2/13/2015

| | | |
|-------------------|--------------------|--------------------|
| | <u>1.1:1 Ratio</u> | <u>1.3:1 Ratio</u> |
| Ratio % Assumed = | 47% | 53% |

| SSID | Company Name | Stationary Source Name | Current Potential to Emit (tons per year) | | Emission Increases Since 1997 (tons per year) | | ERCs Required (tons per year) | |
|-------|--|---|---|--------|---|-------|-------------------------------|-------|
| | | | NOx | ROC | NOx | ROC | NOx | ROC |
| 4421 | CalPortland Construction | CalPortland - Hot Mix Asphalt Plant | 33.53 | 5.71 | 0.03 | 0.02 | 0.04 | - |
| 8713 | City of Santa Maria/J&A Santa Maria II | Santa Maria Regional Landfill | 13.95 | 89.60 | 9.49 | 7.59 | - | 9.16 |
| 3707 | County of SB/Fortistar | County of SB-Tajiguas Landfill | 36.41 | 69.37 | - | - | - | - |
| 8003 | DCOR | Dos Cuadras - South County | 143.72 | 183.16 | 0.80 | 7.30 | 0.97 | 8.81 |
| 8012 | DCOR | Platform Habitat | 63.19 | 23.36 | 2.84 | 0.53 | 3.43 | - |
| 1073 | E & B Natural Resources | E & B - South Cuyama | 59.28 | 171.64 | 0.76 | 12.59 | 0.92 | 15.19 |
| 4639 | E & B Natural Resources | Russell Ranch Lease | 34.08 | 34.95 | - | 0.68 | - | 0.82 |
| 2560 | ERG Resources | ERG Resources - Cat Canyon West | 22.40 | 139.02 | 13.56 | 16.86 | - | 20.34 |
| 11136 | ERG Resources | ERG Resources - Cat Canyon East | 66.48 | 25.64 | 7.04 | 3.86 | 8.49 | 4.66 |
| 1482 | ExxonMobil Production | ExxonMobil - SYU Project | 634.56 | 317.74 | 4.22 | 22.46 | 5.09 | 27.09 |
| 4632 | Freeport-McMoRan Oil and Gas | Pt. Pedernales/Lompoc Oil Fields | 115.44 | 205.64 | 5.37 | 17.90 | 6.48 | 21.59 |
| 1325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | 806.54 | 275.04 | 0.12 | 8.48 | 0.14 | 10.23 |
| 4630 | Greka Oil and Gas | Casmalia | 140.45 | 17.06 | 13.32 | 3.57 | 16.07 | - |
| 2200 | Greka Oil and Gas | Clark Avenue Source | 42.95 | 97.98 | 3.69 | 1.00 | 4.45 | 1.21 |
| 10910 | Greka Oil and Gas | Greka North Cat Canyon | 64.09 | 93.04 | 0.98 | 6.15 | 1.18 | 7.42 |
| 2658 | Greka Oil and Gas | Greka South Cat Canyon | 264.37 | 73.84 | 5.46 | 9.49 | 6.59 | 11.45 |
| 8678 | Greka Oil and Gas | Los Flores | 13.39 | 35.83 | 4.21 | 0.92 | - | 1.11 |
| 8702 | Greka Oil and Gas | Zaca Field | 13.39 | 35.83 | - | 7.35 | - | 8.87 |
| 1735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | 3,780.00 | 667.00 | 14.34 | 12.17 | 17.30 | 14.68 |
| 2667 | Pacific Coast Energy Company | Pacific Coast Energy Company- Orcutt Hill | 437.66 | 185.41 | 21.82 | 26.87 | 26.32 | 32.41 |
| 8001 | Pacific Offshore Operators Inc. | Pacific Operators - Carpinteria | 164.03 | 35.36 | 9.94 | 5.06 | 11.99 | 6.10 |
| 2638 | Purisima Hills LLC | Purisima Hills LLC - Blair Lease | 30.03 | 42.34 | 3.65 | 5.52 | 4.40 | 6.66 |
| 4640 | Greka Refining Company | SMRC/Union Sugar | 83.39 | 40.73 | 8.32 | 9.78 | 10.04 | 11.80 |
| 5019 | Southern California Gas Company | So Cal Gas - La Goleta | 98.99 | 295.37 | 2.40 | 15.10 | 2.90 | 18.21 |
| 4900 | The Okonite Company | The Okonite Company | 4.00 | 31.77 | 2.75 | 23.19 | - | 27.97 |
| 1195 | United States Air Force | Vandenberg Air Force Base | 59.67 | 24.30 | 9.13 | 6.16 | 11.01 | - |
| 2795 | University of California | UCSB | 74.18 | 5.75 | 6.85 | 1.13 | 8.26 | - |
| 27 | Venoco | Venoco - Carpinteria | 59.12 | 83.32 | 0.47 | 0.98 | 0.57 | 1.18 |
| 1063 | Venoco | Venoco - Ellwood | 191.94 | 127.89 | 20.06 | 11.22 | 24.20 | 13.53 |
| 10912 | Vintage Production California | Vintage Central Cat Canyon | 45.53 | 70.86 | - | - | - | - |
| 1021 | Wellhead Power Central Coast | Wellhead Power Central Coast | 25.62 | 1.73 | - | - | - | - |

ERCs Required New Rule = **170.81** **280.48**

Notes:

- (1) Increases are from April 17, 1997
- (2) Unless otherwise noted, use final permits issued before May 2, 2014.
- (3) Decreases are not accounted for in this table.
- (4) Assumes no inter-District trades at 1.5:1 ratio
- (5) Ratio percentages based on historical ERC data from 1997 to 2014.

Same Source ERC Ratio = 1.1
 Default ERC Ratio = 1.3

TABLE A-5
ESTIMATE of ERC TRADING RATIO PERCENTAGE for PROPOSED NEW RULES

2/13/2015

| ERC Cert. No. Retired | Date | Company Name | Type | NOx | ROC | Ratio | NOx at 1.1 | ROC at 1.1 | NOx at 1.3 | ROC at 1.3 |
|-----------------------|------------|-----------------------------------|---------------|--------|-------|-------|------------|------------|------------|------------|
| 0032-1103 | 1/3/2000 | Arguello, Inc. | Use | | | 1.3 | | | | |
| 0033-1103 | 4/17/2000 | Arguello, Inc. | Use | | | 1.3 | | | | |
| 0037-1103 | 5/2/2000 | Arguello, Inc. | Use | | 0.033 | 1.3 | | | | 0.043 |
| 0044-0105 | 12/14/2000 | Arguello, Inc. | Use | 0.083 | | 1.1 | 0.092 | | | |
| 0045-0105 | 1/14/2001 | Arguello, Inc. | Use | | 0.012 | 1.1 | | 0.013 | | |
| 0067-0807 | 11/14/2006 | Arguello, Inc. | Use | | | 1.3 | | | | |
| 0076-1007 | 11/14/2006 | Arguello, Inc. | Use | | | 1.3 | | | | |
| 0094-1108 | 11/14/2006 | Arguello, Inc. | Use | | | 1.3 | | | | |
| 0135-0909 | 11/14/2006 | Arguello, Inc. | Use | | 0.253 | 1.1 | | 0.278 | | |
| 0137-0611 | 11/14/2006 | Arguello, Inc. | Use | 0.052 | 0.038 | 1.3 | | | 0.068 | 0.049 |
| 0141-1108 | 7/11/2008 | Arguello, Inc. | Use | | 0.033 | 1.3 | | | | 0.043 |
| 0169-0611 | 9/2/2008 | Arguello, Inc. | Use | | 0.047 | 1.3 | | | | 0.061 |
| 0059-1103 | 11/12/2002 | Boeing | Use | 0.680 | 0.167 | 1.3 | | | 0.884 | 0.217 |
| 0062-1103 | 11/12/2002 | Boeing | Use | | | 1.3 | | | | |
| 0064-1103 | 12/2/2002 | Boeing | Use | 1.200 | | 1.3 | | | 1.560 | |
| 0066-1103 | 6/19/2003 | Boeing | Use | | 0.625 | 1.3 | | | | 0.812 |
| 0172-0514 | 12/28/2009 | BreitBurn Energy | Use | 1.647 | 0.546 | 1.1 | 1.811 | 0.600 | | |
| 0215-0514 | 11/4/2010 | BreitBurn Energy | Use | 1.058 | | 1.1 | 1.164 | | | |
| 0237-0514 | 4/20/2011 | BreitBurn Energy | Use | 0.001 | | 1.1 | 0.001 | | | |
| 0005-0403 | 4/8/1998 | Chevron USA Prodn | Use | | 0.158 | 1.1 | | 0.174 | | |
| 0007-0503 | 5/28/1998 | Chevron USA Prodn | Use | | 0.150 | 1.1 | | 0.165 | | |
| 0124-0908 | 11/14/2006 | Dos Cuadras Offshore Resources | Use | | 0.004 | 1.3 | | | | 0.005 |
| 0240-0316 | 3/5/2013 | ERG Resources Company | Use | 1.161 | | 1.3 | | | 1.509 | |
| 0244-0616 | 3/5/2013 | ERG Resources Company | Use | 2.377 | | 1.3 | | | 3.091 | |
| 0271-0714 | 4/26/2013 | ERG Resources Company | Use | | 3.041 | 1.3 | | | | 3.954 |
| 0297-0714 | 5/16/2013 | ERG Resources Company | Use | | 0.149 | 1.3 | | | | 0.194 |
| 0244-0616 | 3/11/2014 | ERG Resources Company | Use | 2.377 | 0.339 | 1.3 | | | 3.091 | 0.441 |
| 0244-0616 | 3/27/2014 | ERG Resources Company | Use | | 0.047 | 1.3 | | | | 0.061 |
| 0004-0103 | 1/21/1998 | Exxon Company USA | Use | | 0.150 | 1.1 | | 0.165 | | |
| 0079-0206 | 5/19/2003 | ExxonMobil | Use | | 0.185 | 1.3 | | | | 0.241 |
| 0080-0307 | 5/19/2003 | ExxonMobil | Use | | 0.221 | 1.3 | | | | 0.287 |
| 0081-0308 | 5/19/2003 | ExxonMobil | Use | | 0.438 | 1.3 | | | | 0.569 |
| 0083-1103 | 5/19/2003 | ExxonMobil | Use | | 0.427 | 1.3 | | | | 0.555 |
| 0115-1009 | 11/1/2004 | ExxonMobil | Use | | 0.407 | 1.1 | | 0.447 | | |
| 0125-0310 | 3/23/2005 | ExxonMobil | Use | | 0.096 | 1.1 | | 0.105 | | |
| 0126-0310 | 3/23/2005 | ExxonMobil | Use | | 0.165 | 1.1 | | 0.182 | | |
| 0132-0811 | 8/15/2006 | ExxonMobil | Use | 0.181 | 0.007 | 1.1 | 0.199 | 0.007 | | |
| 0136-0811 | 11/24/2008 | ExxonMobil | Use | 0.388 | | 1.1 | 0.426 | | | |
| 0128-1009 | 8/28/2009 | ExxonMobil | Use | | 0.187 | 1.1 | | 0.205 | | |
| 0188-0811 | 9/22/2010 | ExxonMobil | Use | 0.238 | | 1.1 | 0.262 | | | |
| 0235-0811 | 2/21/2012 | ExxonMobil | Use | 0.730 | | 1.1 | 0.803 | | | |
| 0030-1103 | 10/17/2001 | ExxonMobil | Transfer/Use | | | 1.3 | | | | |
| 0029-0304 | 11/1/2004 | ExxonMobil | Transfer/Use | | 0.027 | 1.3 | | | | 0.035 |
| 0102-1108 | 11/1/2004 | ExxonMobil | Transfer/Use | 0.033 | 0.000 | 1.3 | | | 0.043 | |
| 0114-1009 | 11/1/2004 | ExxonMobil | Transfer/Use | | 0.219 | 1.1 | | 0.241 | | |
| 0292-1113 | 9/26/2013 | Freeport-McMoRan Oil & Gas | Use | | 0.656 | 1.3 | | | | 0.853 |
| 0299-1113 | 12/26/2013 | Freeport-McMoRan Oil & Gas | Use | | 0.027 | 1.3 | | | | 0.036 |
| 0121-1108 | 5/20/2005 | Lockheed Martin Corporation | Use | | 0.025 | 1.3 | | | | 0.032 |
| 0008-1003 | 3/22/1999 | Nuevo Energy | Use | 0.008 | 0.001 | 1.1 | 0.009 | 0.001 | | |
| 0020-1103 | 7/19/1999 | Nuevo Energy | Use | | 0.120 | 1.3 | | | | 0.156 |
| 0267-0514 | 9/11/2012 | Pacific Coast Energy Company | Return Unused | -0.567 | | 1.1 | -0.623 | | | |
| 0270-0514 | 4/26/2013 | Pacific Coast Energy Company | Use | 3.360 | | 1.1 | 3.696 | | | |
| 0269-0817 | 12/24/2013 | Pacific Coast Energy Company | Use | 0.060 | | 1.1 | 0.066 | | | |
| 0296-0818 | 2/27/2014 | Pacific Coast Energy Company | Use | | 0.090 | 1.1 | | 0.099 | | |
| 0311-0819 | 3/7/2014 | Pacific Coast Energy Company | Use | | 0.011 | 1.1 | | 0.012 | | |
| 0288-0817 | 3/26/2014 | Pacific Coast Energy Company | Use | | 0.044 | 1.1 | | 0.049 | | |
| 0249-0514 | 2/21/2012 | Pacific Coast Energy Company | Use | 0.185 | | 1.1 | 0.204 | | | |
| 0119-0909 | 12/6/2004 | Plains Exploration and Production | Use | | 0.167 | 1.3 | | | | 0.217 |
| 0120-0909 | 9/19/2005 | Plains Exploration and Production | Use | | 0.080 | 1.3 | | | | 0.104 |
| 0130-0909 | 11/12/2005 | Plains Exploration and Production | Use | | 0.010 | 1.3 | | | | 0.013 |
| 0131-0909 | 4/21/2006 | Plains Exploration and Production | Use | | 0.003 | 1.3 | | | | 0.004 |
| 0153-0812 | 7/11/2008 | Plains Exploration and Production | Use | | 0.187 | 1.3 | | | | 0.243 |
| 0143-0611 | 9/3/2008 | Plains Exploration and Production | Use | | 0.047 | 1.3 | | | | 0.061 |
| 0170-0812 | 11/24/2008 | Plains Exploration and Production | Use | | 0.050 | 1.3 | | | | 0.065 |
| 0179-1113 | 10/31/2011 | Plains Exploration and Production | Use | | 0.167 | 1.3 | | | | 0.217 |
| 0199-0812 | 10/31/2011 | Plains Exploration and Production | Use | | 0.047 | 1.3 | | | | 0.062 |
| 0258-1016 | 2/21/2012 | Plains Exploration and Production | Use | | 0.208 | 1.1 | | 0.229 | | |
| 0178-1113 | 9/18/2012 | Plains Exploration and Production | Use | | 0.504 | 1.3 | | | | 0.655 |
| 0205-0515 | 9/20/2012 | Plains Exploration and Production | Use | | 0.018 | 1.1 | | 0.020 | | |
| 0259-0812 | 9/20/2012 | Plains Exploration and Production | Use | | 0.080 | 1.3 | | | | 0.104 |
| 0263-1016 | 9/20/2012 | Plains Exploration and Production | Use | | 0.011 | 1.1 | | 0.012 | | |
| 0284-0817 | 4/26/2013 | Plains Exploration and Production | Use | | 0.123 | 1.1 | | 0.135 | | |
| 0283-0917 | 11/12/2013 | Plains Exploration and Production | Use | 0.993 | | 1.1 | 1.093 | | | |

TABLE A-5
ESTIMATE of ERC TRADING RATIO PERCENTAGE for PROPOSED NEW RULES

2/13/2015

| ERC Cert. No. Retired | Date | Company Name | Type | NOx | ROC | Ratio | NOx at 1.1 | ROC at 1.1 | NOx at 1.3 | ROC at 1.3 |
|-----------------------|------------|----------------------------|---------------|--------|--------|-------|------------|------------|------------|------------|
| 0026-0304 | 12/22/1999 | POPCO | Use | | 0.507 | 1.3 | | | | 0.659 |
| 0028-1103 | 12/22/1999 | POPCO | Use | 0.633 | 1.833 | 1.3 | | | 0.823 | 2.383 |
| 0106-0709 | 11/17/2004 | SpaceX | Use | | 0.013 | 1.3 | | | | 0.017 |
| 0202-0714 | 11/1/2011 | SpaceX | Return Unused | | -0.013 | 1.3 | | | | -0.017 |
| 0226-0315 | 3/25/2011 | The Okonite Company | Use | 1.903 | | 1.3 | | | 2.473 | |
| 0214-0914 | 4/20/2011 | The Okonite Company | Use | 1.523 | | 1.3 | | | 1.980 | |
| 0149-1207 | 10/4/2007 | The Pt. Arguello Companies | Use | 2.541 | | 1.1 | 2.795 | | | |
| 0009-0903 | 9/30/1998 | The Pt. Arguello Companies | Use | 0.150 | 0.025 | 1.1 | 0.165 | 0.028 | | |
| 0012-1103 | 4/22/1999 | The Pt. Arguello Companies | Use | 0.075 | 0.012 | 1.1 | 0.083 | 0.013 | | |
| 0013-0104 | 4/22/1999 | The Pt. Arguello Companies | Use | 0.073 | 0.011 | 1.1 | 0.081 | 0.012 | | |
| 0018-0331 | 5/19/1999 | The Pt. Arguello Companies | Use | | 0.167 | 1.3 | | | | 0.217 |
| 0016-0104 | 6/7/1999 | The Pt. Arguello Companies | Use | 0.044 | | 1.1 | 0.049 | | | |
| 0245-0616 | 11/1/2011 | ULA - Delta IV | Use | | 0.509 | 1.3 | | | | 0.662 |
| 0165-1113 | 8/25/2009 | ULA - Delta IV | Use | 0.132 | 0.009 | 1.3 | | | 0.172 | 0.011 |
| 0001-0902 | 9/26/1997 | US Air Force | Use | 0.883 | 0.333 | 1.1 | 0.972 | 0.367 | | |
| 0002-0902 | 9/26/1997 | US Air Force | Use | 0.167 | | 1.1 | 0.183 | | | |
| 0003-0902 | 9/26/1997 | US Air Force | 806.D.7 | -0.158 | -0.008 | 1.1 | -0.174 | -0.009 | | |
| 0056-1103 | 11/5/2002 | US Air Force | Use | | 0.775 | 1.3 | | | | 1.007 |
| 0058-0907 | 11/27/2002 | US Air Force | 806.D.7 | -0.227 | -0.010 | 1.1 | -0.249 | -0.011 | | |
| 0070-0907 | 12/6/2002 | US Air Force | Use | 2.258 | 0.675 | 1.1 | 2.483 | 0.743 | | |
| 0071-0907 | 6/19/2003 | US Air Force | 806.D.7 | -1.441 | | 1.1 | -1.585 | | | |
| 0086-0907 | 9/30/2003 | US Air Force | Use | 0.979 | 0.698 | 1.1 | 1.077 | 0.767 | | |
| 0093-0907 | 2/26/2004 | US Air Force | Use | 0.163 | 0.023 | 1.1 | 0.179 | 0.025 | | |
| 0092-1108 | 10/18/2004 | US Air Force | Use | | 0.200 | 1.3 | | | | 0.260 |
| 0103-0907 | 2/27/2006 | US Air Force | Use | 0.074 | 0.007 | 1.1 | 0.081 | 0.008 | | |
| 0138-0907 | 5/27/2007 | US Air Force | Use | 0.562 | 0.037 | 1.1 | 0.618 | 0.041 | | |
| 0107-1108 | 9/21/2007 | US Air Force | Use | | 0.008 | 1.1 | | 0.008 | | |
| 0148-0907 | 9/21/2007 | US Air Force | Renewal/Use | 0.187 | 0.006 | 1.1 | 0.205 | 0.006 | | |
| 0129-0907 | 11/29/2007 | US Air Force | Use | 0.063 | 0.004 | 1.1 | 0.069 | 0.004 | | |
| 0150-0912 | 12/17/2007 | US Air Force | Use | 0.056 | | 1.1 | 0.061 | | | |
| 0151-1108 | 12/17/2007 | US Air Force | Use | | 0.003 | 1.1 | | 0.004 | | |
| 0156-1108 | 1/24/2008 | US Air Force | Use | | 0.008 | 1.1 | | 0.008 | | |
| 0157-0912 | 1/24/2008 | US Air Force | Use | 0.070 | 0.000 | 1.1 | 0.077 | | | |
| 0158-1108 | 3/14/2008 | US Air Force | Use | 0.000 | 0.037 | 1.1 | | 0.040 | | |
| 0159-0912 | 3/14/2008 | US Air Force | Use | 0.432 | | 1.1 | 0.475 | | | |
| 0160-1108 | 3/14/2008 | US Air Force | Use | | 0.008 | 1.1 | | 0.008 | | |
| 0161-0912 | 3/14/2008 | US Air Force | Use | 0.042 | | 1.1 | 0.046 | | | |
| 0162-0912 | 10/2/2008 | US Air Force | Use | 0.178 | | 1.1 | 0.196 | | | |
| 0163-1108 | 10/2/2008 | US Air Force | Use | | 0.045 | 1.1 | | 0.050 | | |
| 0167-0912 | 10/2/2008 | US Air Force | Use | 0.057 | | 1.1 | 0.062 | | | |
| 0168-1108 | 10/29/2008 | US Air Force | Use | | 0.012 | 1.1 | | 0.013 | | |
| 0187-1113 | 11/24/2008 | US Air Force | Use | | 0.036 | 1.3 | | | | 0.047 |
| 0182-0912 | 12/1/2008 | US Air Force | 806.D.7 | -0.218 | -0.016 | 1.1 | -0.239 | -0.017 | | |
| 0184-0912 | 1/26/2009 | US Air Force | Use | 0.246 | | 1.1 | 0.270 | | | |
| 0193-0912 | 3/12/2009 | US Air Force | Use | 1.481 | | 1.1 | 1.629 | | | |
| 0194-1113 | 3/12/2009 | US Air Force | Use | | 0.102 | 1.3 | | | | 0.133 |
| 0195-0912 | 3/12/2009 | US Air Force | Use | 0.056 | 0.000 | 1.1 | 0.061 | | | |
| 0196-1113 | 3/12/2009 | US Air Force | Use | | 0.004 | 1.3 | | | | 0.005 |
| 0207-0912 | 3/24/2010 | US Air Force | Use | 0.464 | | 1.1 | 0.511 | | | |
| 0208-1113 | 3/24/2010 | US Air Force | Use | | 0.034 | 1.3 | | | | 0.044 |
| 0221-1113 | 3/24/2010 | US Air Force | Use | | 0.003 | 1.3 | | | | 0.004 |
| 0220-0912 | 4/26/2010 | US Air Force | Use | 0.049 | | 1.1 | 0.054 | | | |
| 0223-0912 | 9/20/2010 | US Air Force | Use | 0.072 | | 1.1 | 0.079 | | | |
| 0224-1113 | 9/20/2010 | US Air Force | Use | | 0.003 | 1.3 | | | | 0.004 |
| 0229-0912 | 9/20/2010 | US Air Force | Use | 0.235 | | 1.1 | 0.259 | | | |
| 0232-1113 | 9/20/2010 | US Air Force | Use | | 0.017 | 1.3 | | | | 0.023 |
| 0234-1113 | 9/21/2010 | US Air Force | Use | | 0.017 | 1.3 | | | | 0.023 |
| 0238-1113 | 4/20/2011 | US Air Force | Use | | 0.008 | 1.3 | | | | 0.010 |
| 0233-0912 | 2/21/2012 | US Air Force | Use | 0.317 | | 1.1 | 0.348 | | | |
| 0250-1113 | 2/21/2012 | US Air Force | Use | | 0.038 | 1.3 | | | | 0.049 |
| 0252-0912 | 3/7/2012 | US Air Force | Use | 0.342 | | 1.1 | 0.376 | | | |
| 0253-1113 | 3/7/2012 | US Air Force | Use | | 0.023 | 1.3 | | | | 0.030 |
| 0273-0912 | 5/24/2012 | US Air Force | Use | 0.375 | | 1.1 | 0.413 | | | |
| 0274-1113 | 5/24/2012 | US Air Force | Use | | 0.025 | 1.3 | | | | 0.033 |
| 0275-0912 | 6/5/2012 | US Air Force | Use | 0.117 | | 1.1 | 0.128 | | | |
| 0276-1113 | 6/5/2012 | US Air Force | Use | | 0.035 | 1.3 | | | | 0.046 |
| 0277-0912 | 6/20/2012 | US Air Force | Use | 0.357 | 0.005 | 1.1 | 0.392 | 0.006 | | |
| 0278-1113 | 6/20/2012 | US Air Force | Use | | 0.019 | 1.3 | | | | 0.025 |
| 0280-1113 | 4/30/2013 | US Air Force | Use | | 0.013 | 1.3 | | | | 0.016 |
| 0290-0917 | 4/30/2013 | US Air Force | Use | 0.188 | | 1.1 | 0.207 | | | |
| 0303-0917 | 5/17/2013 | US Air Force | Use | 0.018 | | 1.1 | 0.020 | | | |
| 0304-1113 | 5/17/2013 | US Air Force | Use | | 0.001 | 1.3 | | | | 0.002 |
| 0305-0917 | 6/12/2013 | US Air Force | Use | 0.048 | | 1.1 | 0.053 | | | |
| 0306-1113 | 6/12/2013 | US Air Force | Use | | 0.006 | 1.3 | | | | 0.008 |
| 0309-0917 | 7/17/2013 | US Air Force | Use | 0.373 | | 1.1 | 0.411 | | | |

TABLE A-5
ESTIMATE of ERC TRADING RATIO PERCENTAGE for PROPOSED NEW RULES

2/13/2015

| ERC Cert. No. Retired | Date | Company Name | Type | NOx | ROC | Ratio | NOx at 1.1 | ROC at 1.1 | NOx at 1.3 | ROC at 1.3 |
|-----------------------|------------|--------------|------|-------|-------|-------|------------|------------|------------|------------|
| 0310-1113 | 7/17/2013 | US Air Force | Use | | 0.020 | 1.3 | | | | 0.026 |
| 0314-0917 | 8/26/2013 | US Air Force | Use | 0.056 | | 1.1 | 0.061 | | | |
| 0315-1113 | 8/26/2013 | US Air Force | Use | | 0.007 | 1.3 | | | | 0.009 |
| 0318-0917 | 12/26/2013 | US Air Force | Use | 0.604 | | 1.1 | 0.665 | | | |
| 0319-1113 | 12/26/2013 | US Air Force | Use | | 0.032 | 1.3 | | | | 0.042 |

22.850 5.252 15.694 16.165

Notes:

- (1) ERC 030, 032, 033, 067, 076 and 094 for SO₂ ERCs
- (2) ERC 062 for PM₁₀ ERCs.
- (3) NOx and ROC listed is the Offset obligation

Total NOx+ROC at 1.1 = 28.102 tpq

Total NOx+ROC at 1.3 = 31.859 tpq

% Ratio of Total at 1.1 = 47%

% Ratio of Total at 1.3 = 53%

TABLE A-6
RULE 806 - SHUT DOWN - REDUCTIONS in THROUGHPUT: DISCOUNTS
CURRENT RULES and PROPOSED NEW RULES

| DOI No. | Company | tons per year | |
|---------|-------------------------|---------------|---------------|
| | | NOx | ROC |
| 010 | Grefco | 5.800 | 6.890 |
| 014 | SB Aerospace | | 1.050 |
| 019 | Chevron | | 1.770 |
| 022 | Southern California Gas | 0.027 | 2.559 |
| 024 | McGhan Medical | | 0.280 |
| 029 | Pactuco | 0.097 | 0.567 |
| 030 | McGhan Medical | | 0.360 |
| 032 | Inamed | | 0.657 |
| 036 | Inamed | 0.521 | 0.729 |
| 041 | GTC | 0.171 | 2.612 |
| 045 | USAF | | 0.032 |
| 056 | Plains Exploration | | 0.022 |
| 059 | Vintgae Petroleum | | 1.959 |
| 067 | ExxonMobil Production | | 0.131 |
| 068 | Plains Exploration | | 0.272 |
| 079 | Venoco | | 0.650 |
| 080 | Santa Maria Energy | | 0.322 |
| 081 | Santa Maria Energy | | 0.189 |
| 086 | E&B Natural Resources | | 0.846 |
| 087 | ERG Resources | | 0.183 |
| 090 | ERG Resources | | 0.773 |
| 092 | ERG Resources | | 0.555 |
| 091 | DCOR | 0.506 | 3.244 |
| 089 | Imerys California | 9.498 | 0.138 |
| 093 | ERG Resources | | 0.120 |
| | | 16.620 | 26.910 |

Table A-1a
RULES COMPARISION
SUMMARY

2/13/2015

| <u>Current Regulation VIII</u> | | |
|---------------------------------------|---|--------------------|
| | <u>SOx</u> <i>(tons per year)</i> | <u>PM10</u> |
| Total Mitigation | 341.49 | 61.49 |
| ERCs Used | 28.65 | 9.14 |
| Shutdown/Redn TP Discounts | 299.48 | 8.38 |
| Decrease - NEI "D" Term | 13.36 | 43.97 |

| <u>Proposed Rule Revisions</u> | | |
|---------------------------------------|---|--------------------|
| | <u>SOx</u> <i>(tons per year)</i> | <u>PM10</u> |
| Total Mitigation | 351.91 | 74.66 |
| ERCs Required | 52.42 | 66.28 |
| Shutdown/Redn TP Discounts | 299.48 | 8.38 |

Notes:

- (a) Calculations based on all permitting actions since April 1997.
- (b) ERCs used based on ERC Transaction table.
- (c) Shutdowns/Reductions in throughput discounts per DOI documents.
- (d) "D" term decreases based on actual emission reductions calculated per permitting actions.
 Only includes "D" terms from sources at 25 tpy PTE or greater.

TABLE A-2a
STATIONARY SOURCES with SOx and PM10 at 25 TPY and Greater
NEI ACTIVITY SINCE 1997

| SSID | Company Name | Stationary Source Name | Current Potential to Emit (tons per year) | | Increases Since 1997 I or P1 Terms (tons per year) | | Decreases Since 1997 D Terms (tons per year) | | Decreases Since 1997 P2 Terms (for post '97 P1) (tons per year) | |
|---------------------------|-------------------------------------|---|--|----------|--|--------------|--|--------------|---|--------------|
| | | | SOx | PM10 | SOx | PM10 | SOx | PM10 | SOx | PM10 |
| 4421 | CalPortland Construction | CalPortland - Hot Mix Asphalt Plant | 67.10 | 10.73 | 0.01 | 2.73 | - | - | - | - |
| 4411 | CalPortland Construction | CalPortland - Garey Plant | - | 140.96 | - | - | - | - | - | - |
| 1482 | ExxonMobil Production | ExxonMobil - SYU Project | 272.82 | 83.31 | - | - | - | - | - | - |
| 1325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | 110.89 | 72.90 | 5.68 | 0.04 | - | - | - | - |
| 1551 | Gordon Sand Company, Inc. | Gordon Sand - Guadalupe Division | - | 26.68 | - | - | - | - | - | - |
| 2200 | Greka Oil and Gas | Clark Avenue Source | 70.97 | 4.13 | 2.83 | 0.16 | - | - | - | - |
| 10910 | Greka Oil and Gas | Greka North Cat Canyon | 35.56 | 5.87 | 1.31 | 0.20 | - | - | - | - |
| 2658 | Greka Oil and Gas | Greka South Cat Canyon | 26.32 | 4.72 | - | - | - | - | - | - |
| 4640 | Greka Refining Company | SMRC/Union Sugar | 52.76 | 4.67 | 8.37 | 1.62 | - | - | - | - |
| 1661 | Hanson Aggregates Mid-Pacific, Inc. | Sisquoc Sand, Rock and Gravel Plant | 46.87 | 18.66 | - | 0.05 | - | - | - | - |
| 1735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | 6,138.00 | 3,634.00 | 17.81 | 54.62 | 13.36 | 43.97 | 6.24 | 18.96 |
| 3689 | Lompoc Warehouse Corporation | Lompoc Valley Seed & Milling | - | 79.07 | - | 0.30 | - | - | - | - |
| 2667 | Pacific Coast Energy Company | Pacific Coast Energy Company- Orcutt Hill | 26.12 | 7.82 | 6.45 | 12.15 | - | - | 4.18 | 5.08 |
| 1063 | Venoco | Venoco - Ellwood | 26.67 | 13.07 | 12.22 | 4.56 | - | - | 3.88 | 1.78 |
| 10912 | Vintage Production California | Vintage Central Cat Canyon | 69.20 | 8.46 | - | - | - | - | - | - |
| PERMITTED GROWTH = | | | | | 54.68 | 56.58 | 13.36 | 43.97 | 14.30 | 25.82 |

- (1) Increases and decreases are from April 17, 1997
(2) Unless otherwise noted, use final permits issued before May 2, 2014.
(3) I, P1 and P2 terms summed only for sources with PTE over 25 tpy for the pollutant in question.

TABLE A-3a
ERCs USED
CURRENT RULES

2/13/2015

| Company | tons | | | |
|--|-----------|------|--------------|-------------|
| | Quarterly | | Annual | |
| | SOx | PM10 | SOx | PM10 |
| Arguello, Inc. | 2.28 | | 9.11 | - |
| Boeing | | 0.28 | - | 1.12 |
| POPCO | 2.75 | 0.13 | 11.00 | 0.52 |
| ULA - Delta IV | | 0.01 | - | 0.03 |
| US Air Force | 2.13 | 1.87 | 8.54 | 7.47 |
| Total ERCs Used Current Rules = | | | 28.65 | 9.14 |

Notes:

- (1) Data from ERC transactions report.
- (2) Includes use of all Ers since 1997.

TABLE A-4a
ERCs REQUIRED ANALYSIS
PROPOSED NEW RULES

2/13/2015

| | | |
|-------------------|--------------------|--------------------|
| | <u>1.1:1 Ratio</u> | <u>1.3:1 Ratio</u> |
| Ratio % Assumed = | 47% | 53% |

| SSID | Company Name | Stationary Source Name | Current Potential to Emit (tons per year) | | Emission Increases Since 1997 (tons per year) | | ERCs Required (tons per year) | |
|-------|-------------------------------------|---|--|----------|--|-------|----------------------------------|-------|
| | | | SOx | PM10 | SOx | PM10 | SOx | PM10 |
| 4421 | CalPortland Construction | CalPortland - Hot Mix Asphalt Plant | 67.10 | 10.73 | 0.01 | 2.73 | 0.01 | - |
| 4411 | CalPortland Construction | CalPortland - Garey Plant | - | 140.96 | - | - | - | - |
| 1482 | ExxonMobil Production | ExxonMobil - SYU Project | 272.82 | 83.31 | - | - | - | - |
| 1325 | Freeport-McMoRan Oil and Gas | The Point Arguello Project | 110.89 | 72.90 | 5.68 | 0.04 | 6.85 | 0.05 |
| 1551 | Gordon Sand Company, Inc. | Gordon Sand - Guadalupe Division | - | 26.68 | - | - | - | - |
| 2200 | Greka Oil and Gas | Clark Avenue Source | 70.97 | 4.13 | 2.83 | 0.16 | 3.41 | - |
| 10910 | Greka Oil and Gas | Greka North Cat Canyon | 35.56 | 5.87 | 1.31 | 0.20 | 1.58 | - |
| 2658 | Greka Oil and Gas | Greka South Cat Canyon | 26.32 | 4.72 | - | - | - | - |
| 4640 | Greka Refining Company | SMRC/Union Sugar | 52.76 | 4.67 | 5.50 | 1.51 | 6.63 | - |
| 1661 | Hanson Aggregates Mid-Pacific, Inc. | Sisquoc Sand, Rock and Gravel Plant | 46.87 | 18.66 | - | 0.05 | - | - |
| 1735 | Imerys Minerals California, Inc. | Imerys Minerals California, Inc. | 6,138.00 | 3,634.00 | 17.81 | 54.62 | 21.48 | 65.87 |
| 3689 | Lompoc Warehouse Corporation | Lompoc Valley Seed & Milling | - | 79.07 | - | 0.30 | - | 0.36 |
| 2667 | Pacific Coast Energy Company | Pacific Coast Energy Company- Orcutt Hill | 26.12 | 7.82 | 6.45 | 12.15 | 7.78 | - |
| 1063 | Venoco | Venoco - Ellwood | 26.67 | 13.07 | 3.88 | 1.87 | 4.68 | - |
| 10912 | Vintage Production California | Vintage Central Cat Canyon | 69.20 | 8.46 | - | - | - | - |
| | | | | | | | | |

ERCs Required New Rule = **52.42** **66.28**

Notes:

- (1) Increases are from April 17, 1997
- (2) Unless otherwise noted, use final permits issued before May 2, 2014.
- (3) Decreases are not accounted for in this table.
- (4) Assumes no inter-District trades at 1.5:1 ratio
- (5) Ratio percentages based on historical ERC data from 1997 to 2014.

Same Source ERC Ratio = 1.1
Default ERC Ratio = 1.3

2/13/2015

TABLE A-5a
RULE 806 - SHUT DOWN - REDUCTIONS in THROUGHPUT: DISCOUNTS
CURRENT RULE and PROPOSED NEW RULES

| tons per year | | | |
|-----------------------|-----------------------|-------------------|--------------------|
| <u>DOI No.</u> | <u>Company</u> | <u>SOx</u> | <u>PM10</u> |
| 010 | Grefco | 4.200 | 5.480 |
| 029 | Pactuco | 0.052 | 0.044 |
| 036 | Inamed | 0.000 | 0.004 |
| 041 | GTC | 0.008 | 0.010 |
| 089 | Imerys California | 295.221 | 2.555 |
| 091 | DCOR | | 0.287 |
| | | 299.481 | 8.380 |

\\sbcapcd.org\shares\Groups\Rule Revision\Regulation VIII - NSR\Reg VIII (2015)\Draft-Proposed-Final Staff Report\SOx and PM10 Offset Tables (3-3, Att A).xlsx]A-1a Offset Program Comp