JUL 15 2015

Larry Gallian
Visalia Cooperative Cotton Gin
3131 E. Douglas
Visalia, CA 93292

Re: Notice of Preliminary Decision – Emission Reduction Credits
Facility Number: S-516
Project Number: S-1122688

Dear Mr. Gallian:

Enclosed for your review and comment is the District's analysis of Visalia Cooperative Cotton Gin's application for Emission Reduction Credits (ERCs) resulting from the shutdown of a cotton gin, at 33580 Road 132 in Visalia. The quantity of ERCs proposed for banking is 183 metric tons CO2e/yr.

The notice of preliminary decision for this project will be published approximately three days from the date of this letter. After addressing all comments made during the 30-day public notice comment period, the District intends to issue the ERCs. Please submit your written comments on this project within the 30-day public comment period, as specified in the enclosed public notice.

Thank you for your cooperation in this matter. If you have any questions regarding this matter, please contact Mr. Steve Roeder of Permit Services at (661) 392-5615.

Sincerely,

[Signature]

Arnaud Marjollet
Director of Permit Services

AM:SR/ya

Enclosures

cc: Mike Tollstrup, CARB (w/enclosure) via email
cc: Gerardo C. Rios, EPA (w/enclosure) via email
The primary business of this facility is cotton ginning. Visalia Coop Cotton Gin has surrendered the Permit to Operate (PTO) for their cotton gin (S-516-1-4) following the permanent shutdown after the 2006 ginning season. The facility had submitted an application to bank the emission reduction credits (ERCs) for the actual emission reductions (AER) of the criteria pollutants on 11/27/06 (ERC Project S-1064832).

Subsequently, the facility has submitted this application to bank the Greenhouse Gas (GHG) AER that also resulted for the shutdown of their gin. See the surrendered (PTO) in Appendix A.

Selection of Geographical Boundary for Determining Permanence of the GHG Emission Reduction

Rule 2301 contains several eligibility criteria for emission reduction credit banking, including that the emission reduction must be permanent. When determining the geographical boundary in which the emission reduction is determined to be permanent, the applicant may consider how the GHG ERC may likely be used.

Please note that the while Rule 2301 allows facilities to receive ERCs for GHG emission reductions, the District does not have any requirements on the use of GHG ERCs. However, it is anticipated that the likely uses of such GHG ERCs would be their future retirement as GHG mitigation in the California Environmental Quality Act (CEQA) process.

Pursuant to CEQA, lead agencies must consider the environmental impact of GHG emissions from a project and may require that such GHG emissions be mitigated. In evaluating various mitigation techniques, including the retirement of GHG ERCs, the lead agency must determine if the proposed mitigation technique adequately mitigates the projects GHG emission increase.
When a lead agency determines if the retirement of a particular GHG ERC provides adequate GHG mitigation for a project, the lead agency may choose to consider the location where the GHG ERC was generated and the geographical boundary used to determine the permanence of the emission reduction. In making this determination, the lead agency may conclude that the retirement of a particular GHG ERC would provide adequate mitigation for projects within that same geographical boundary. Again, that determination will be made by the lead agency for any particular project.

For this application, the facility has selected California as the geographical boundary for which the emission reduction is permanent. Information has been provided to validate this geographical boundary selection. Using this geographical boundary, it was determined that the GHG emission reduction is permanent within California.

The following AER qualify for ERC banking.

<table>
<thead>
<tr>
<th>ERC Certificate</th>
<th>Pollutant</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-4599-24</td>
<td>CO₂e</td>
<td>183 metric tons/year</td>
</tr>
</tbody>
</table>

II. Applicable Rules

Rule 2301  Emission Reduction Credit Banking (1/19/12)

III. Location of Reduction

The equipment was located at 33580 Road 132 in Visalia.

IV. Method of Generating Reductions

The emission reductions were generated by the shutdown of a permitted cotton ginning operation. The GHG were emitted from the cotton drying equipment which was fired on natural gas.

Equipment Description

S-516-1-4: COTTON GIN WITH TWO 5.0 MMBTU/HR AND ONE 2.0 MMBTU/HR GAS-FIRED HEATERS
V. Calculations

A. Assumptions and Emission Factors

Assumptions

- Units of GHG AER is metric tons of CO$_2$e per year, rounded to the nearest metric ton
- 1,000 kg = 1 metric ton
- 1 therm of Natural Gas = 100 scf
- The final CO$_2$e emission factor from the combustion of natural gas includes GHG emissions of CO$_2$, CH$_4$ and N$_2$O, where the total emission factor includes the summation of each of the compounds multiplied by their Global Warming Potential (GWP)
- The emission factors are from the District's Spreadsheet: ARB GHG Emission Factors

Emission Factors (EF)

The emission factors, global warming potential, and CO$_2$ equivalent emission factors for CO$_2$, CH$_4$, and N$_2$O are shown in the following table.

<table>
<thead>
<tr>
<th>Pollutant</th>
<th>kg/MMBtu</th>
<th>0.1 MMBtu/therm</th>
<th>GWP</th>
<th>CO2e EF</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO$_2$</td>
<td>52.87</td>
<td>0.1</td>
<td>1.00</td>
<td>5.287 kg-CO$_2$e/therm</td>
</tr>
<tr>
<td>CH$_4$</td>
<td>0.0009</td>
<td>0.1</td>
<td>21.00</td>
<td>0.0019 kg-CO$_2$e/therm</td>
</tr>
<tr>
<td>N$_2$O</td>
<td>0.0001</td>
<td>0.1</td>
<td>310.0</td>
<td>0.0031 kg-CO$_2$e/therm</td>
</tr>
<tr>
<td>CO$_2$e</td>
<td></td>
<td></td>
<td></td>
<td>5.292 kg-CO$_2$e/therm</td>
</tr>
</tbody>
</table>

The CO$_2$e emission factor is converted into metric tons/therm as follows:

$$\frac{5.292 \text{ kg} \cdot \text{CO}_2 \text{e}}{\text{therm}} \times \frac{1 \text{ metric ton}}{1,000 \text{ kg}} = 0.00529 \frac{\text{metric tons} \cdot \text{CO}_2 \text{e}}{\text{therm}}$$

B. Baseline Period Determination

Pursuant to Rule 2301, Section 3.6, the Baseline Period is the same as defined in Rule 2201, which is:

*The two consecutive years of operation immediately prior to the submission date of the complete application; or at least two consecutive years within the five years immediately prior to the submission date of the complete application if determined by the APCO as more representative of normal source operation.*

The original ERC Banking Project S-1064832 specified the baseline period as the operating years 2003 - 2004. Since the District has already established this as the correct baseline period for the criteria pollutant emission reductions that have already been evaluated and issued, the same baseline period is used for this evaluation.

Therefore the Baseline Period is the operating years of 2003 and 2004.
C. Baseline Data

The baseline natural gas-use is taken from the annual fuel-use records that have been supplied by the applicant, as evaluated in ERC project S-1074221, and is posted in the following table.

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Fuel Use (Therms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>35,030</td>
</tr>
<tr>
<td>2004</td>
<td>34,135</td>
</tr>
</tbody>
</table>

D. Historical Actual Emissions (HAE)

The HAE from the fuel use is determined by multiplying the annual fuel-use by the emission factor presented above.

<table>
<thead>
<tr>
<th>Year</th>
<th>Emission Factor</th>
<th>Annual Fuel Use (Therms)</th>
<th>Emission</th>
<th>Total Emission</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.00529</td>
<td>35,030</td>
<td>0.185</td>
<td>185</td>
</tr>
<tr>
<td>2006</td>
<td>0.00529</td>
<td>34,135</td>
<td>0.181</td>
<td>181</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td>183</td>
</tr>
</tbody>
</table>

E. Post Project Potential to Emit (PE2)

As discussed above, the subject equipment has been permanently shut down and its PTO was surrendered. Therefore the PE2 is 0.

F. Emission Reductions Eligible for Banking

The emission reductions eligible for banking are the difference between the historical actual emissions and the potential to emit after the project.

\[
\text{ERCs eligible for banking} = 183 \text{ metric ton/year} - 0 \text{ ton/year} = 183 \text{ metric ton/year}
\]

VI. Compliance

Rule 2301 – Emission Reduction Credit Banking

Regarding GHG, the purpose of this Rule is to:

1.2.1 Provide an administrative mechanism for sources to bank voluntary greenhouse gas emission reductions for later use.
1.2.2 Provide an administrative mechanism for sources to transfer banked greenhouse gas emission reductions to others for any use.
1.2.3 Define eligibility standards, quantitative procedures and administrative practices to ensure that banked greenhouse gas emission reductions are real, permanent, quantifiable, surplus, and enforceable.
Section 4.5 specifies eligibility criteria for GHG emission reductions to qualify for banking. Below is a summary of each criteria and a description of how the emission reductions satisfy the criteria.

Section 4.5.1 requires that the emission reduction must have occurred after 1/1/05.

The emission reductions occurred when the PTO was surrendered on 1/1/06. As the emission reduction occurred after 1/1/05, this criteria has been satisfied.

Section 4.5.2 requires that the emissions must have occurred in the District.

The emissions occurred at 33580 Road 132 in Visalia, CA. Since this location is within the District, this criteria has been satisfied.

Section 4.5.3 requires that the emission reductions must be real, surplus, permanent, quantifiable, and enforceable.

Real:

The GHG emission reductions were generated by the shutdown of a cotton gin. The real emissions were calculated from actual historic fuel-use data and recognized emission factors. The cotton gin has been removed. Therefore, the emission reductions are real.

Surplus:

The facility is not subject to the CARB cap and trade regulation, and the emission reductions occurred prior to 1/1/12. Therefore, the emission reductions satisfy the surplus requirement in Section 4.5.3.1.

There are no laws, rules, regulations, agreements, orders, or permits requiring any GHG emission reductions from cotton gins. Therefore, the emission reductions satisfy the surplus requirement in Section 4.5.3.2.

The emission reductions are not the result of an action taken by the permittee to comply with any requirement. The emission reductions are surplus and additional of all requirements. Therefore, the emission reductions satisfy the surplus requirement in section 4.5.3.4.

The Certificates will be identified according to Section 6.15.3 below.

Permanent:

The cotton gin has been shut down, removed, and the PTO has been surrendered.
When determining the geographical boundary in which the emission reduction is determined to be permanent the applicant may consider how the GHG ERC may likely be used.

Please note that the while Rule 2301 allows facilities to receive ERCs for GHG emission reductions, the District does not have any requirements on the use of GHG ERCs. However, it is anticipated that the likely uses of such GHG ERCs would be their future retirement as GHG mitigation in the CEQA process.

Pursuant to CEQA, lead agencies must consider the environmental impact of GHG emissions from a project and may require that such GHG emissions be mitigated. In evaluating various mitigation techniques, including the retirement of GHG ERCs, the lead agency must determine if the proposed mitigation technique adequately mitigates the projects GHG emission increase.

When a lead agency determines if the retirement of a particular GHG ERC provides adequate GHG mitigation for a project, the lead agency may choose to consider the location where the GHG ERC was generated and the geographical boundary used to determine the permanence of the emission reduction. The in making this determination, the lead agency may conclude that the retirement of a particular GHG ERC would provide adequate mitigation for projects within that same geographical boundary. Again, that determination will be made be the lead agency for a particular project.

This facility has selected California as the geographical boundary for which the emission reduction is permanent. Information has been provided below to validate this geographical boundary selection.

As shown in the following chart, the total cotton acreage has been on a decline since January of 2005. Acreage has declined from 667,000 acres in 2005 down to 190,065 acres in 2009. The decline in acreage forced the closure of several cotton gins in California.
Because there has been a decrease in the amount of cotton being grown in the state of California, the need to gin cotton in California has decreased accordingly.

Based on this information, the geographical boundary for which the emission reduction is permanent within California.

The ERC will include the following identifier:

"Shutdown of cotton gin verified as permanent within the State of California"

Quantifiable:

The actual emissions were calculated from historic fuel-use records and accepted emission factors. Therefore, the emission reductions are quantifiable and have been quantified.

Enforceable:

The cotton gin has been shut down and the PTO has been surrendered to the District. Operation of the equipment without a valid permit would subject the permittee to enforcement action. Therefore, the emission reductions are enforceable.

Section 4.5.4 requires that GHG emission reductions be calculated as the difference between the historic annual average GHG emissions (as CO$_2$e) and the PE2 after the reduction is complete. The historical GHG emissions must be calculated using the consecutive 24 month period immediately prior to the date the emission reductions occurred (the shutdown of the cotton gin), or another consecutive 24 month period in the 60 months prior to the date the emission reduction occurred if determined by the APCO as being more representative of normal operations.

The GHG emission reductions were calculated according to the baseline period identified above. Since this is a permanent shutdown of the cotton gin, with none of the load being shifted to any other gin in California, there is no post-project potential to emit GHG.

Section 4.5.5.5 requires that GHG emission reductions proposed to be quantified using CARB-approved emission reduction project protocols shall be calculated in accordance with the applicable protocol.

Since the GHG emission reductions are not subject to an applicable CARB-approved emission reduction project protocol, this section is not applicable.
Section 4.5.6 requires that ERCs shall be made enforceable through permit conditions or legally binding contract.

The cotton gin held a legal District operating permit. That permit has been surrendered to the District. Since the operation of the cotton gin would require a new Authority to Construct, as discussed above the emission reduction is enforceable.

Section 5 identifies ERC Certificate application procedures.

Section 5.5.2 requires, for emission reductions occurring prior to 1/19/12, applications for ERCs must be submitted by 7/19/12.

The ERC application was submitted on 7/19/12, therefore the application is timely.

Section 6.15 specifies the registration requirements for GHG ERCs.

This emission reductions are surplus and additional of all requirements pursuant to Section 4.5.3.4. Therefore the ERC certificate shall include the following notation:

“This emission reduction is surplus and additional to all applicable regulatory requirements.”

Compliance with Rule 2301 has been demonstrated and no adjustments are required under this Rule.

VII. Recommendation

Issue the ERC Certificate in the amount posted in the table below and on the Draft ERC Certificate in Appendix B.

<table>
<thead>
<tr>
<th>GHG ERCs</th>
<th>Pollutant</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERC Certificate</td>
<td>CO₂e</td>
<td>183 metric tons/year</td>
</tr>
</tbody>
</table>

List of Appendixes

A. Surrendered PTO
B. Draft Emission Reduction Credit Certificate
Appendix A
Surrendered PTO
CONDITIONS FOR PERMIT S-516-1-4

LEGAL OWNER OR OPERATOR: VISALIA COOP COTTON GIN
MAILING ADDRESS: PO BOX 1208
                    VISALIA, CA 93279
LOCATION: ROAD 132 AND AVENUE 336
                    VISALIA, CA 93279

INSPECT PROGRAM PARTICIPANT: NO

EQUIPMENT DESCRIPTION:
COTTON GIN WITH TWO 5.0 MMBTU/HR AND ONE 2.0 MMBTU/HR GAS-FIRED HEATERS

CONDITIONS

1. No air contaminant shall be released into the atmosphere which causes a public nuisance. [District Rule 4102]
2. No air contaminant shall be discharged into the atmosphere for a period or periods aggregating more than three minutes in any one hour which is as dark as, or darker than, Ringelmann 1 or 20% opacity. [District Rule 4101]
3. Operation shall include plenum chamber with ten (10) 48" 1D3D cyclones serving the unloading (telescope), #1 dryer/cleaner, #2 dryer/cleaner, and overflow systems. [District Rule 2201]
4. Operation shall include lint cotton handling system, including, five gin stands, five feeders, ten lint cleaners, and five 72" 1D3D cyclones. [District Rule 2201]
5. Operation shall include one motes cleaning system, including: one motes served by two 54" 1D3D cyclones and one motes cleaner served by one 36" 1D3D cyclone. [District Rule 2201]
6. Operation shall include one battery condenser system, including: one battery condenser, one lint slide, one sampler, one bale press, and three (3) 72" 1D3D cyclones. [District Rule 2201]
7. Air pollution control equipment shall be in good operating condition and operate in accordance with the manufacturer's recommendations at all times when process equipment is in operation. [District Rule 1080]
8. Fugitive dust emissions resulting from vehicular traffic shall be effectively controlled by the following methods: paving, watering, or treating with a dust-reducing compound approved by the District. [District Rule 4102]
9. Facility grounds shall be free of accumulations of trash and spilled cotton. [District Rule 4102]
10. The District shall be notified of any breakdown conditions in accordance with Rule 1100 (Equipment Breakdown). [District Rule 1100]
11. Emissions from natural gas-fired heaters shall not exceed: 0.1 lb-NOx/MMBtu; 0.02 lb-CO/MMBtu; 0.0076 lb-PM10/MMBtu; 0.003 lb-SOx/MMBtu or 0.006 lb-VOC/MMBtu. [District Rule 2201]
12. Daily ginning rate shall not exceed 150 tons of baled cotton per day (equivalent to 600 five hundred pound bales per day). [District Rule 2201]
13. Ginning rate shall not exceed 6,250 tons of baled cotton per season (equivalent to 25,000 five hundred pound bales per season). [District Rule 2201]
14. Total gin emissions of PM10 shall not exceed 3.08 pounds per ton of baled cotton (equivalent of 0.77 pounds per each 500 pound bale). [District Rule 2201]
15. Emissions of PM10 from the unloading (telescope), #1 dryer/cleaner, #2 dryer/cleaner, and overflow system served by the ten 48 inch diameter 1D3D cyclones at the plenum chamber shall not exceed 0.48 lb/bale. [District Rule 2201]
16. Emissions of PM10 from the lint cleaning, lint trash/robber, and gin stand feeder trash served by the five 72 inch diameter 1D3D cyclones shall not exceed 0.17 lb/bale. [District Rule 2201]
17. Emissions of PM10 from the motes cleaner served by one 36 inch diameter 1D3D cyclone and the motes served by two 54 inch diameter 1D3D cyclones shall not exceed 0.02 lb/bale and 0.07 lb/bale, respectively. [District Rule 2201]
18. Emissions of PM10 from the Battery Condenser served by three 72 inch diameter D3D cyclones shall not exceed 0.03 lb/bale. [District Rule 2201]

19. Permittee shall maintain daily records specifying the following: a) date, b) number of bales of cotton produced, c) weight of bales produced, and d) volume of natural gas and propane burned. [District Rule 1070]

20. Permittee shall maintain the records of operating schedule including: start-up date, last day of operation, hours per day of operation, days per season of operation, weight of cotton baled, and annual quantities of natural gas and propane burned. [District Rule 1070]

21. The trash loading area shall be enclosed with four sides that are higher than the trash auger. Two sides shall be solid. The remaining sides shall have flexible wind barriers that extend below the top of the trash trailer sides. [District Rule 4204]

22. Permittee shall conduct daily visual inspections of the material handling systems for leaks, breaks, or other visible signs of equipment malfunctions. [District Rule 4204]

23. Permittee shall maintain a record of the daily inspections, including any equipment malfunctions discovered and corrective action taken to repair the malfunction, and any source test results. [District Rule 4204]

24. All records shall be retained on site for five years and made available to the District upon request. [District Rules 1070 and 4204]
Appendix B
Draft ERC Certificate
Emission Reduction Credit Certificate

ISSUED TO: VISALIA COOP COTTON GIN
ISSUED DATE: <DRAFT>
LOCATION OF REDUCTION: ROAD 132 AND AVENUE 336

For CO2E Reduction In The Amount Of:

183 metric tons / year

[ ] Conditions Attached

Method Of Reduction
[X] Shutdown of Entire Stationary Source
[ ] Shutdown of Emissions Units
[ ] Other

Shutdown of cotton gin verified as permanent within the State of California

Emission Reduction Qualification Criteria
This emission reduction is surplus and additional to all applicable regulatory requirements.

Seyed Sadredin, Executive Director / APCO

Arnaud Marjollet, Director of Permit Services