

San Joaquin Valley Air Pollution Control District

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www.valleyair.org

DATE: December 18, 2003

TO: SJVUAPCD Governing Board

FROM: 
David L. Crow, Executive Director/APCO
Project Coordinator: Seyed Sadredin

RE: **RECEIVE AND FILE DISTRICT'S ANNUAL OFFSET
EQUIVALENCY REPORT TO FEDERAL
ENVIRONMENTAL PROTECTION AGENCY**

RECOMMENDATION:

Receive and file District's annual offset equivalency report (Attachment A) submitted to federal Environmental Protection Agency (EPA) for the 12-month period from August 20, 2002 through August 19, 2003.

BACKGROUND:

Under District's New Source Review Rule (NSR), new facilities and modifications to existing facilities that cause increases in emissions at certain levels, are required to provide emission reduction credits (ERCs) as mitigation. Although the District's NSR, overall, is more stringent than the federal regulations, it does not exactly match the federal requirements in all respects. In particular, District's NSR rule does not require discounting of ERCs at the time of use.

After years of negotiation with EPA and stakeholders, the parties agreed to an offset equivalency system designed to assess overall equivalency with EPA regulations on an annual basis. The details of this equivalency system were finalized in District Rule 2201 (New and Modified Stationary Source Review Rule), last amended on December 19, 2002.

DISCUSSION:

To demonstrate equivalency with the federal NSR, the annual offset equivalency report must show the following:

1. The District has required as much or more offsets from new and modified stationary sources as would have been required under federal regulations; and
2. The amount of reductions required by the District from new and modified stationary sources, after discounting at the time of use, equals or exceeds the amount of ERCs required under federal regulation.

Under federal NSR, offsets are only required for new major sources and major modifications to existing sources. For instance, for NO_x and VOCs, offsets would be required only if the emissions exceed 25 tons per year. In contrast, District's NSR, as mandated by the California Clean Air Act, requires offsets for facilities emitting 10 tons per year of NO_x or VOCs. In addition to requiring offsets from smaller sources, the District's program is more stringent than the federal program in other way allowing for further credits towards equivalency. Additional sources of credible reductions used by the District to show equivalency may include the following:

- Higher offset ratios
- Extra discounting of credits at the time of banking
- Reductions from application of BACT to existing minor sources
- "Orphan" shutdowns (reductions from facility shutdowns for which ERCs are not granted to the owner)

During this reporting period, there were 2 major modifications for NO_x and 1 major modification for SO_x. No new major sources were permitted during this period. As shown in the attached report, reductions required by the District well exceed the amount required under the federal regulations.

Although equivalency was shown for this reporting period, future equivalency demonstrations will be more difficult due to the following:

- Pending permits for several major power plants requiring large quantities of offsets
- Additional rules adopted by the District and approved by EPA requiring large discounts to credits upon usage in the equivalency system

The District staff will hold public meetings with stakeholder in early 2004 to plan for and devise remedial actions in the event of a future shortfall.

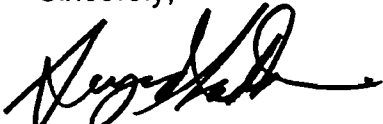
Attachments:

- (A) Offset Equivalency Report to EPA (4 pages)*

Deborah Jordan
November 12, 2003
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If you have any questions or if you need additional details, please call me at (559) 230-5900.

Sincerely,

A handwritten signature in black ink, appearing to read "Seyed Sadredin", with a long horizontal flourish extending to the right.

Seyed Sadredin
Director of Permit Services

CC: Mike Tollstrup, CARB

San Joaquin Valley APCD

Annual Offset Equivalency Report

Summary for 8/20/2002 through 8/19/3003

Pollutant	Number of New Major Sources	Number of Major Mods	Offsets Required under Federal NSR*	Offset Requirement Equivlency *				Surplus at the Time of Use Equivlency*				
				Offsets Required under District NSR	Excess or Shortfall this Year	Excess or Shortfall previous Year	Total Excess or Shortfall	Shortfall from Previous Year	Redeuction (surplus at the time of use) used for equivalency this year	Shortfall this year	Reductions eliminated by discounting at the time of use**	Unused Carry-over Creditable Reductions
NOx	0	2	81.4	986.5	905.1	337.7	1242.8	0.0	81.4	0.0	1114.2	275.0
VOC	0	0	0.0	227.1	227.1	140.5	367.6	0.0	0.0	0.0	177.2	425.0
PM10	0	0	0.0	109.1	109.1	187.3	296.4	0.0	0.0	0.0	0.0	499.0
CO	0	0	0.0	1.4	1.4	10.5	11.9	0.0	0.0	0.0	0.0	15.0
SOx	0	1	16.9	111.2	94.3	126.2	220.5	0.0	16.9	0.0	0.0	282.0

* All numbers are in Tons per Year

** Total quantity of discount since initiating tracking in August 2001

San Joaquin Valley APCD

Annual Offset Equivalency Report - Detail

Transaction details for 8/20/2002 through 8/19/2003

Pollutant Company Name and Address

NOx

AES DELANO INC
31500 POND RD, DELANO

Surplus at the time of use Reductions Used to Mitigate this Increase

<i>Tracking ID for ATC</i>	<i>Fed Offsets Req'd</i>	<i>ATC Date</i>	<i>Tracking ID for Reduction</i>	<i>Credit (t/y)</i>	<i>Time of Use</i>
2003-S-1020711-903-0	45.5	11/21/2002	2003-S-1020711-914-1	45.5	11/21/2002
2003-S-1020710-902-0	35.9	11/21/2002	2003-S-1020710-915-1	35.9	11/21/2002

Total Reductions, this reporting period, for this project 81.4

SOx

AERA ENERGY LLC
LIGHT OIL WESTERN

Surplus at the time of use Reductions Used to Mitigate this Increase

<i>Tracking ID for ATC</i>	<i>Fed Offsets Req'd</i>	<i>ATC Date</i>	<i>Tracking ID for Reduction</i>	<i>Credit (t/y)</i>	<i>Time of Use</i>
2003-S-1020996-904-0	16.9	1/3/2003	2003-S-1020996-937-1	0.6	1/3/2003
2003-S-1020996-904-0	16.3	1/3/2003	2003-S-1020996-938-1	16.3	1/3/2003

Total Reductions, this reporting period, for this project 16.8