RULE 505 PRIORITY RESERVE

Adopted 9-21-93

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100 GENERAL

- **PURPOSE:** The Priority Reserve Bank is established within the Emission Reduction Bank for the following purposes:
 - 101.1 Use in achieving the emissions reduction rate of progress requirements of the District Air Quality Attainment Plan or State Implementation Plan; and
 - 101.2 Use in mitigating emission increases by stationary sources, represented by permit applications for new or modified permits, in the period of July 1, 1991, through January 1, 1993, and the period of January 1, 1993, through September 21, 1993, to the extent mitigation was required by law and was not obtained under the adopted District Rules and Regulations; and
 - 101.3 Use in providing loans of emission reductions for use as offsets for new or modified stationary sources that are essential public services.
- APPLICABILITY: Emission reduction loans from the Priority Reserve shall be made to the extent that banked emission reductions are available and the transfer is allowed pursuant to Section 304, to publicly owned or non-profit essential public services. The applicant must have secured all potential offsets available by modifying emission units at the same stationary source. Disbursement of emission reduction loans shall not be provided for on-site power generation. Disbursement of emission reduction loans shall not be provided for emissions units not necessary to provide or maintain public health and safety. Disbursement of emission reduction loans must be made with banked emission reductions that are surplus to mandated reductions the emission reductions required to meet rate of progress plan commitments and to mitigate emission increases occurring prior to September 21, 1993.
- **DEFINITIONS:** Unless otherwise defined below, the terms used in this rule are defined in Rule 502, NEW SOURCE REVIEW, and Rule 504, EMISSIONS REDUCTION CREDITS.
 - **201 CLEANUP OPERATION:** Operation to remove environmental contaminants from soil or water.
 - **ESSENTIAL PUBLIC SERVICES:** Except as provided in Section 102, the following sources shall be considered essential public services.
 - a. Sewage treatment operations which are publicly owned and operated consistent with the approved General Plan; or
 - b. Prison, jail, correctional facility; or
 - c. Police or fire fighting facility; or
 - d. School or hospital; or
 - e. Landfill gas control or processing systems; or
 - f. Water delivery operations which are publicly owned and operated consistent with the approved General Plan; or
 - g. Cleanup or remediation operations mandated by Regional Water Quality Control Board, California Department of Health Services, Environmental Protection Agency or any other state or federal law, rule or regulation.

- **PRIORITY RESERVE BANK:** A depository of emission reductions used by the District toward achieving mandated emission reductions or for loans to applicable essential public services for use as offsets pursuant to Rule 502, NEW SOURCE REVIEW.
- **204 QUARTERLY:** Calendar quarter beginning in January, April, July, and October.

300 STANDARDS

- **CRITERIA:** The Priority Reserve Bank shall be supported by actual emission reductions which are certified as emission reduction credits (ERC) pursuant to Rule 504, EMISSION REDUCTION CREDITS.
- **302** PRIORITY RESERVE BANK: Support for the Priority Reserve Bank shall include, but not be limited to:
 - 302.1 The adjustment on all emission reductions in accordance with Rule 504, EMISSION REDUCTION CREDITS.
 - 302.2 Shutdowns or modifications of stationary sources or emission units not claimed for emission credits by the facility as provided in Rule 504, EMISSION REDUCTION CREDITS.
- 303 ALLOCATION FOR ESSENTIAL PUBLIC SERVICES: On or before December 31st of each year, the Air Pollution Control Officer shall determine the amount of emission reductions from the Priority Reserve Bank to be made available for withdrawal and application to essential public services for the upcoming year. Additional emission reductions not included in the yearly determination may be added, if the Air Pollution Control Officer determines there is a need, to the previously established quarterly Allocated emissions reductions shall be made available on the first Wednesday of each calendar quarter. The amount available shall never exceed the emission reductions in the Priority Reserve Bank. The Air Pollution Control Officer may reserve a portion or all of the available emission reductions in the Priority Reserve Bank to meet mandated emission reduction requirements. In the event the Priority Reserve Bank lacks sufficient emission reduction credits to offset emission increases for eligible stationary sources or emission units, or such emissions have not been allocated, the owner or operator of the new or modified stationary source or emission unit shall be responsible for obtaining the offsets required.
- 304 DISBURSEMENT: A loan of emission reductions from the Priority Reserve Bank shall be based upon issuance of a final action on an Authority to Construct, pursuant to Rule 502, NEW SOURCE REVIEW, and no later than 15 days following the end of the calendar quarter or other schedule deemed applicable by the Air Pollution Control Officer.
 - 304.1 Legal Title to the emission reductions borrowed from the Priority Reserve Bank remains with the District. An ERC certificate of ownership will not be issued for emission reductions loaned from the Priority Reserve Bank.
 - 304.2 A borrower of emission reductions from the Priority Reserve Bank will be issued an ERC Bank account number and the borrowed emission reductions will be credited to that account.
 - 304.3 Upon application by the borrower for an authority to construct and permit to operate the emission reductions in the borrower's account will be credited to the permit.

- 304.4 The District will enter the permit number and the amount of emission reductions credited from the borrower's account on the permit and in the borrower's account history.
- 304.5 Disbursement of emission reductions from source shutdowns and curtailments shall be in accordance with the most current US Environmental Protection Agency emissions trading policy and applicable federal regulations.
- PRIORITY RESERVE PRIORITIZATION: Priority shall be given to mandated emission reductions, the emission reductions required to meet rate of progress plan commitments and to mitigate emission increases occurring prior to September 21, 1993. To the extent surplus emission reductions are available, priority for essential public services shall be given to applications to the Priority Reserve Bank with the earliest date an application is deemed complete. The Board of Directors of the District may determine that a specific project shall be given priority for access to the Priority Reserve based on public health or safety, regardless of the application submittal date.
- 306 RESERVING PRIORITY RESERVE CREDITS: Sources may, if the Air Pollution Control Officer determines a need, reserve Priority Reserve credits for up to three years to allow multi-year projects to be planned. The sum of such credits shall amount to no more than 25 percent of each calendar quarter allocation for the Priority Reserve for those three years.
- **307 UNUSED CREDITS:** During any calendar quarter for which there are fewer requests for emission credits in the Priority Reserve Bank than are available for the calendar quarter allocation, the credits not allocated shall be made available for use the following calendar quarter.
- **TRANSFERS:** Priority Reserve Bank credits shall not be transferable from one person to another.
- **RETURNS:** Emission reductions shall be returned in full from the borrower's account to the Priority Reserve Bank under any of the following conditions:
 - 309.1 Construction is not complete within two years of date of issuance of the loan.
 - 309.2 Voluntary surrender or revocation of an Authority to Construct or Permit to Operate.
 - 309.3 Emission reduction credits are issued to the stationary source pursuant to Rule 504, EMISSION REDUCTION CREDITS.
- 310 MORATORIUM: Except as provided in Section 309, a loan of emission reduction credits shall exist for the life of the emissions unit using such credits. If the District Board of Directors determines that additional emission reductions are necessary, a moratorium on loans may be imposed. Prior to issuing a moratorium, the Air Pollution Control Officer shall provide a notice of the date of the meeting of the District Board of Directors to consider such actions. The moratorium shall be lifted upon determination that additional emission reductions are not necessary by the District Board of Directors.

400 ADMINISTRATIVE REQUIREMENTS

401 CALCULATION PROCEDURES: Emission reductions deposited in the Priority Reserve Bank shall be quantified pursuant to calculation procedures specified in Rule 504, EMISSION REDUCTION CREDITS.

402 EMISSION REDUCTION CREDITS: Any stationary source which holds Emission Reduction Credits for the affected pollutant requested in this application or requested in prior applications, must first use these to replenish credits previously obtained or for the pending application, prior to being allowed access to the Priority Reserve Bank.

500 MONITORING AND RECORDS

501 RECORDKEEPING

- 501.1 Each stationary source shall maintain a cumulative total of emission credits obtained from the Priority Reserve Bank.
- 501.2 The District shall maintain records of the source and amount of emission reductions obtained for deposit in the Priority Reserve Bank, and transfers of these credits to applicants and to satisfy mandated emission reduction measures.