AGENDA
Regularly Scheduled Meeting
PLACER COUNTY AIR POLLUTION CONTROL DISTRICT
BOARD OF DIRECTORS

Thursday, February 11, 2010
2:30 P.M.

Placer County Board of Supervisors' Chambers
175 Fulweiler Avenue, Auburn, California

1. Call to Order

2. Flag Salute

3. Roll Call / Determination of a Quorum

4. Approval of Minutes: December 10, 2009, Regular Board Meeting

5. Public Comment

6. Synopsis of Agenda (information only, no action needed)

7. Approval of Agenda

Consent

These items are expected to be routine and non-controversial. The Board will act upon these items at one time without discussion. Any Board member, Staff member, or interested citizen may request that an item be removed from the consent calendar for discussion.

8. Approve Budget Revision #10-01 for budgeted revenue and expenditure for the FY2009-10 Mitigation Fund and DMV Fund: (Consent/Action)
Approve and sign the Budget Revision #10-01 thereby increasing the budgeted expenditure and revenue of the Air Quality Mitigation Fund and the DMV Fund for Clean Air Grants in FY2009-10.

Public Hearing / Action

9. Rule Amendment Rule 502: New Source Review (Public Hearing /Action)
Conduct a Public Hearing regarding Rule 502: New Source Review and approve Resolution #10-01 thereby rescinding the existing rule and adopting the amended Rule 502.

Information

10. Regulatory Measures for 2010
Per Health and Safety Code section 40923, a list of regulatory measures being considered for

adoption by PCAPCD must be published each January. A list of the proposed regulatory measures is provided.

11. Air Pollution Control Officer's Report
(Verbal reports and/or handouts will be provided)

a. Cap-to Cap 2010
b. 2010 Clean Air Grant Marketing Plan
c. Federal Clean Air Act Failure to Attain (section 185) Fees
d. New federal National Ambient Air Quality Standards, Ozone 8 hour proposal
e. Fiscal Update

12. Adjournment

NEXT REGULARLY SCHEDULED MEETING - Thursday, April 8, 2010, 2:30 PM

Opportunity is provided for the members of the public to address the Board on items of interest to the public, which are within the jurisdiction of the Board. A member of the public wanting to comment upon an agenda item that is not a Public Hearing item should submit their name and identify the item to the Clerk of the Board.
Placer County Air Pollution Control District is committed to ensuring that persons with disabilities are provided the resources to participate fully in its public meetings. If you require disability-related modifications or accommodations, please contact the Clerk of the Board. All requests must be in writing and must be received by the Clerk five business days prior to the scheduled meeting for which you are requesting accommodation. Requests received after such time will be accommodated only if time permits.

District Office Telephone – (530) 745-2330

AGENDA SYNOPSIS

February 11, 2010

8. Approve Budget Revision #10-01 for budgeted revenue and expenditure for the FY2009-10 Mitigation Fund and DMV Fund: (Consent/Action)

Approve and sign the Budget Revision #10-01 thereby increasing the budgeted expenditure and revenue of Air Quality Mitigation Funds and DMV Funds for Clean Air Grants in FY2009-10. This year there is a sum of $1,024,751 available for Glean Air Grants. The sources of the funds are$152,275 from the Mitigation fund and $872,476 from the DMV Fund.

9. Rule Amendment Rule 502: New Source Review (Public Hearing /Action)

Conduct a Public Hearing regarding Rule 502: New Source Review and approve Resolution #10-01 thereby rescinding the existing rule and adopting the amended New Rule 502. The District has been operating under a New Source Review for many years, but the Rule was never submitted to the EPA or to CARB as part of the SIP. Once this proposed rule is adopted it will be submitted as part of the SIP which will make it federally enforceable.

10. Regulatory Measures for 2010

Per Health and Safety Code section 40923, a list of regulatory measures being considered for adoption by PCAPCD must be published each January. A list of the proposed regulatory measures is provided.

Placer County
AIR POLLUTION CONTROL DISTRICT

3091 County Center Drive, Suite 240, Auburn, CA 95603 • (530) 745-2330 • ax(530)745-2373
www.placer.ca.gov/apcd Thomas J. Christofk, Air Pollution Control Officer

MEMORANDUM

TO: Board of Directors, Placer County Air Pollution Control District

FROM: Jane Bailey, Administrative Services Manager

AGENDA DATE: February 11, 2010

SUBJECT: Budget Revision #10-01 for budgeted revenue and expenditures for the FY2009-10 DMV and Mitigation Funds. (Consent/Action)

Action Requested:

Approve and sign the Budget Revision #10-01 (Attachment #1) thereby increasing the budgeted expenditure and revenue of the Air Quality Mitigation Fund and the DMV Fund for Clean Air Grants (CAGs) in FY2009-10.

Background:

The Board approved Resolution #09-09, (Attachment #2) thereby approving the expenditure of DMV Motor Vehicle Registration Funds and Air Quality Mitigation Funds for Clean Air Grants at the August 20, 2009, Board Meeting in concert with the District's FY2009-10 Budget. The Fiscal Year 2009-10 budget had a provision for $800,000 to be expended for CAGs in calendar year 2010. The Mitigation Funds, however, were not budgeted due to the unpredictable nature of the Mitigation Fund revenue and there were no revenues from past fiscal years available for CAGs in FY 2009-10. The total amount of funding available for Clean Air Grants, at the time of budget approval, was $800,000.

Discussion:

The budget adoption for FY2009-10 did not include the mitigation revenues received and made available since the August 20, 2009 Board Meeting. Additional mitigation funds were received after the budget was approved that could be available for Clean Air Grants. Those available mitigation funds now total $35,920. Also, there were several CAGs funded from the Mitigation Fund in past fiscal year that could not be completed. These funds were disencumbered and totaled $116,355. This will bring the total available for CAGs from the Mitigation Funds to $152,275 in FY2009-10 (Attachment #3). There was also a Clean Air Grant from the DMV Fund that was awarded in FY 2006-07 that could not meet the co-funding requirement. On mutual consent the funds were disencumbered -- $72,476 is now available in the DMV Fund.

This amount plus the $800,000 approved in the FY2009-10 Budget totals $872,476 available for the CAG program in 2010. This means that the total funds available for the 2010 CAG program from the Mitigation Fund ($152,275) and DMV Fund ($872,476) will be $1,024,751. By approving and signing the Budget Revision #10-01, the District will comply with the Government Code sections 29000 through 29144 stating the necessity of Board approval of Budget Revisions for expending appropriations.

Fiscal Impact:

The Budget Revision #10-01 will increase both the budgeted revenue for the Mitigation Fund and DMV Fund as well as the budgeted expenditure for each fund for approved Clean Air Grants in the amount of $224,751. There will be no change to the ending budgeted fund balances.

Recommendation:

Staff recommends that the District Board approve the Budget Revision #10-01 thereby increasing the revenue and expenditure of the DMV Fund and the Mitigation Fund's Budget for FY2009-10 in the amount of $224,751.

Attachment(s): **#1:** Budget Revision #10-01
#2: Resolution #09-09 for adopted Budget FY2009-10
#3: CAG Funding Available Table for FY2009-10

ATTACHMENT #1

SUBJECT:

Budget Revision #10-01
Clean Air Grant Funding Increase

PLACER COUNTY

BUDGET REVISION

PAS DOCUMENT NO.

Dept No.	Doc Type	Total $ Amount	Total Lines
73	BR	$ 449,502.00	4

☐ Cash Transfer Required

☐ Reserve Cancellation Required

☐ Establish Reserve Required

☐ Auditor-Controller

☐ County Executive

☐ District Board

ESTIMATED REVENUE ADJUSTMENT

Dept No.	T Code	Rev	OCA	PCA	OBJ L-3	Proj. No.	G/L Sub GL	AMOUNT
73	006		000040	45100	6783	Mitigation Reve		$152,275.00
73	006		000050	35100	7383	DMV Revenue		$ 72,476.00
					TOTAL			224,751.00

APPROPRIATION ADJUSTMENT

Dept No.	T Code	Rev	OCA	PCA	Obj L-3	Proj. No.	G/L Sub GL	AMOUNT
73	014		000040	45100	2456	Grants		$152,275.00
73	014		000050	35100	2856	CAGs		72,476.00
					TOTAL			224,751.00

REASON FOR REVISION: To increase the budgeted revenue and expenditure of the Mitigation Fund and the DMV Fund for Fiscal Year 2009-10. to match actual revenue received or disencumbered in FY2009-10

Distribution:
All copies to Auditor
Rev 9/14/98

District APCO

APCD District Board Chairman

Auditor-Controller

Date: 2/11/2010

Page: 1

Budget Revision #10-01

ATTACHMENT #2

SUBJECT:

Resolution #09-09 for Adopted Budget FY 2009-10

BEFORE THE BOARD OF DIRECTORS

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT

STATE OF CALIFORNIA

RESOLUTION NO: 09-09

In the matter of: Adoption of the Placer County Air Pollution Control District's Fiscal Year 2009-10 Final Budget.

The following **RESOLUTION** was duly passed by the Board of Directors, Placer County Air Pollution Control District, at a regular meeting held **August 20, 2009,** by the following vote:

Ayes: Holmes, M. Absent Ucovich _____ Weygandt ✓ ~~Holmes,~~ Montgomery, J. ✓ Barkle ✓
Nakata Absent Hill ✓ Uhler ✓ Allard Absent

Noes: Holmes, M._____ Ucovich ✓ Weygandt_____ Holmes, J. _____ Barkle _____
Nakata_____ Hill_____ Uhler_____ Allard _____

Abstain: Holmes, M._____ Ucovich _____ Weygandt_____ Holmes, J. _____ Barkle _____
Nakata_____ Hill_____ Uhler_____ Allard _____

Signed and approved by me after its passage.

_____ Chairperson

Attest:

Margie Kolter Clerk of said Board

WHEREAS, on June 11, 2009 the District held a Public Hearing for the exclusive purpose of reviewing its budget and providing the public with an opportunity to comment upon the proposed District budget, as required by Health and Safety Code Section 40131 (a)(3); and

WHEREAS, The District made available to the public at least 30 days prior to the June 11, 2009, public hearing, a summary of the proposed budget, as required by Health and Safety Code Section 40131(a)(1); and

WHEREAS, The District provided public notice and direct mailings to persons subject to District fees in the preceding year at least 30 days in advance of the scheduled public hearing on June 11, 2009, as required by Health and Safety Code Section 40131(a)(2); and

WHEREAS, on August 20, 2009, the District Board held an appropriately noticed public hearing for the purpose of considering and adopting the District budget for Fiscal Year 2009-10; and

WHEREAS, consideration of the final proposed budget has been made before a public hearing

IT IS THEREFORE RESOLVED that the Placer County Air Pollution Control District's Board of Directors hereby adopts the proposed budget as the final budget of the Placer County Air Pollution Control District for Fiscal Year 2009-10, as shown in Enclosure #1 of the Staff Memorandum on the Fiscal Year 2009-10 Budget.

ATTACHMENT #3

SUBJECT:

CAG Funding Available Table for FY 2009-10

Clean Air Grant Funding Available Actual for Fiscal Year 2009-10 12/31/2009			encumber				Mitigation West Recipient	Mitigation East Recipient	West Roseville Mou	Total from Mitigation Fund
Mitigation Plans:	**Beg. Bal 7/1/09**	**Revenue**	**(unencumber)**	**Admin Exp.**	**Proj. Exp.**	**Ending Balance**				
Siller Ranch PH2 - (Martis Valley)	6,801		120,804		750	126,855.40		116,355.40		
Colfax (woodstove replacement revenue)	8,686					8,686.10				
Sunset 65 Business Park	3,420					3,420.00	3,420.00			
West Roseville MOU	69,260				22,500	46,760.35			32,500.00	
Interest from Litigation Revenue	8,546	60,000		3,000.00	53,250	12,296.00				
Total	**96,714**	**60,000**	**120,804**	**3,000**	**76,500.00**	**198,017.85**	3,420.00	116,355.40	32,500.00	-
amounts in red are restricted to use							Mitigation Funds Available for CAGs			152,275.40

Clean Air Grant Funding Available Actual for Fiscal Year 2009-10 12/31/2009	CURRENT FY09-10 AB2766	CURRENT FY09-10 AB923
DMV Funds:	**400,000.00**	**400,000.00**
disencumbered from FY2006-07 CAG	36,238.00	36,238.00
Total DMV Funds Available……..	436,238.00	436,238.00

Total Clean Air Grant Funding Available for FY2009-10:	
Mitigation Fund:	152,275.40
DMV Fund:	872,476.00
Total Clean Air Grant Funding Available for FY2009-10……	1,024,751.40
Previously Budgeted	800,000.00
BR#10-01……	224,751.40

Placer County
AIR POLLUTION CONTROL DISTRICT

3091 County Center Drive, Suite 240, Auburn, CA 95603 • (530) 745-2330 • Fax (530) 745-2373
www.placer.ca.gov/apcd Thomas J. Christofk, Air Pollution Control Officer

MEMORANDUM

TO: Board of Directors, Placer County Air Pollution Control District

FROM: Don Duffy, Associate Air Quality Engineer

AGENDA DATE: February 11, 2010

SUBJECT: Adoption of Amended Rule 502: New Source Review (Action/Public Hearing)

Action Requested:

1) Conduct a Public Hearing regarding the proposed adoption of amended Rule 502: New Source Review

2) Approve and adopt all Findings and Recommendations found in Attachment #2, and approve Resolution #10-01 (Attachment #1), thereby repealing the text of the current Rule 502: New Source Review, in its entirety and adopting in its place the text of the amended Rule 502.

Background:

Congress established the New Source Review (NSR) permitting program as part of the 1977 Clean Air Act Amendments. NSR is a preconstruction permitting program that serves two important purposes.

- First, it ensures that air quality is not significantly degraded from the addition of new and modified stationary sources of air emissions. In areas with unhealthy air, such as Placer County, NSR assures that new emissions do not slow progress toward cleaner air.

- Second, the NSR program assures people that any new or modified industrial source in their neighborhoods will be as clean as possible, and that advances in pollution control occur concurrently with industrial expansion.

NSR uses two main tools to achieve its purposes in limiting air emissions from new or modified stationary sources; offsets and Best Available Control Technology (BACT).

- Offsetting is a technique for allowing increases in air emissions at a specific stationary source by that source buying and surrendering emission reductions from another location. This vehicle is called Emission Reduction Credits (ERCs). Offsetting allows

industrial growth without increasing overall regional emissions.

- BACT is required for each new or modified emissions unit that emits air pollutants greater than a fairly low specified level. BACT is the most stringent emission limitation or control technique that is technologically feasible, achieved in practice, and cost effective. BACT assures that increases in emissions from new or modified sources are held to the lowest possible level by using the most recent control technologies.

The U. S. Environmental Protection Agency (EPA) is tasked by Congress to implement and enforce the Clean Air Act. Over the years since NSR was instituted, EPA has built up and continuously revised its definitions of terms and policies on how air districts should implement NSR. The main tool for EPA implementing NSR is through their approval of air district rules. This is accomplished through their approval to include the district rule in the State Implementation Plan (SIP). Once a rule is in the SIP, it becomes federally enforceable.

Placer County Air Pollution Control District's (District) NSR program was established in its current form in September 1993, although versions of the NSR provisions have been in place since the late 1970s. The purpose of the proposed amendment of the District's Rule is to update it to current EPA and California Air Resources Board (ARB) standards to achieve a SIP approved NSR rule. Rule 502: New Source Review, is being replaced with a re-written rule in order to obtain EPA and ARB approval for incorporation into the SIP, to update definitions and provisions to comply with EPA's NSR Reform, and to provide separate (from major sources) review provisions for non-major sources and sources in attainment areas that are more consistent with practice in nearby air districts.

This rule establishes procedures for the review of new and modified stationary air pollution sources and provides mechanisms, including emission offsets, by which authorities to construct for such sources may be granted without interfering with the attainment or maintenance of ambient air quality standards. Existing Rule 502 is being repealed in its entirety and being replaced with the proposed rule.

The proposed amended rule updates definitions and provisions to comply with EPA's NSR Reform regulations. Additional significant changes from the current rule include:

- Add PM2.5 as a non-attainment pollutant
- Increase the CO offset threshold to 99 tons/year (from 15 tons/year)
- Increase the SOx offset threshold to 27.5 tons/year (from 25 tons/year)
- Provide separate requirements for major sources and non-major sources
- Remove offset requirements for the Lake Tahoe Air Basin

Placer County is in the unusual circumstance among air districts in that it consists of three separate air basins; Sacramento Valley, Mountain Counties, and Lake Tahoe. Each air basin has its own attainment status. Sacramento Valley is non-attainment for ozone and PM10, Mountain Counties is non-attainment for ozone, and Lake Tahoe is in attainment of all air quality

standards.

The existing Rule 502 reviews all sources using the same criteria, whether major or minor source in all air basins. The criteria treat all sources as major sources in the non-attainment area. Federal and state law allows more lenient treatment of minor sources and sources in attainment areas. The proposed Rule 502 takes advantage of more lenient rules for non-major sources in both non-attainment areas and attainment areas.

The District's portion of the Sacramento Valley Air Basin has recently been declared by EPA as non-attainment for PM2.5. This rule amendment adds PM2.5 as a NSR regulated pollutant and non-attainment pollutant.

Discussion:

The current version of Rule 502 was last amended on December 9, 2004. District Staff have been performing new source review to this version of the rule since that time. This 2004 amendment has not been submitted to EPA or ARB for incorporation in the State Implementation Plan (SIP) due to pre-existing issues with the rule. In fact, no prior version of Rule 502 is currently before EPA or ARB for approval, or has ever been approved for incorporation into the SIP. A previous NSR rule, Rule 508: New Source Review, adopted June 19, 1979 was partially approved as a revision to the SIP. Rule 508 and other permitting rules of the time were updated and consolidated, becoming the new NSR rule and associated permitting and Emission Reduction Credit rules in 1993. Staff will be seeking the Board's approval of other permitting rules in the future, once the new Rule 502 is approved.

A current concern with districts amending new source review rules is potential conflict with SB 288, the "Protect California Air Act of 2003", an anti-backsliding law. SB 288 addresses the potential for air districts to relax NSR rules to comply with EPA NSR Reform regulations. SB 288 establishes a district baseline of December 30, 2002 as the NSR level from which regulations may not be relaxed in subsequent amendments. This baseline is defined as "district rules that the district has adopted as of December 30, 2002; that the ARB submitted to the EPA for inclusion in the SIP; and that have been approved, or are pending approval by the EPA". This baseline does not apply to Placer APCD in that our NSR rule in place in 2002 had not been submitted to the EPA for inclusion in the SIP and had never been approved, and is not pending approval. This circumstance allows the District to make changes in the NSR rule that would be considered backsliding by SB 288 in other districts. The proposed rule is also not a relaxation of our previous Rule 508: New Source Review, adopted on June 19, 1979 that has been partially included in the SIP.

Adding PM2.5 as a NSR regulated pollutant in the rule activates requirements for Best Available Control Technology (BACT), offsets, and major source and major modification thresholds for that pollutant at new and modified stationary sources.

Fiscal Impact:

Cost of Compliance: The amendment of Rule 502 will have fiscal impacts on permit applicants as compared with business under the current rule. Several amended requirements of the rule will result in cost reductions, while one new requirement could result in a cost increase to the applicants.

The addition of PM2.5 as a new federal NSR regulated pollutant will require that applicants provide offsets for PM2.5 for projects with emissions increases if the facility emissions of PM2.5 are over 15 tons per year. Currently, applicants supply offsets of PM10 at 15 tons/year. Evaluating the cost increase is somewhat complicated in that PM2.5 is a major constituent of PM10. For combustion sources, PM10 is approximately 90% PM2.5. In some cases, depending on the PM2.5 content of PM10 ERCs used for offsets, a greater quantity of offsets may be required than previously if only PM10 offsets were required. In the District, the need for PM10 credits has been minimal over the past five years. Only two applicants have supplied PM10 credits.

Increasing the CO and SOx offset thresholds results in a potential cost savings for applicants with projects that trigger these thresholds by needing to supply fewer credits. No projects in the last five years have needed to supply CO or SOx credits.

The rule amendment adjusts offset ratios to be consistent with the NSR rules of nearby districts. The main change reduces the ratio for distances between 15 and 50 miles from 2:1 to 1.5:1. This results in the applicant being required to supply 25% fewer ERCs in this situation.

The proposed amendment removes offset requirements from the Lake Tahoe Basin. Should a project be proposed in the Basin that would require offsets, this would be an enabling change. There have never been any ERCs generated in the Basin, so a project that required offsets would not be able to supply them. Permit activity in the Lake Tahoe Basin has mostly been the types of projects that are exempt from offsets like emergency engines or projects below the offset threshold like gasoline dispensing facilities.

On the whole, Staff believes that in bringing the threshold requirements in-line with those of other Sacramento ozone non-attainment area districts compliance is made easier for Placer County businesses and levels the “playing-field”, while not “backsliding” from any previous commitments.

Public Outreach:

The public affected by the rule amendment includes all new and modified stationary sources, residents and businesses near new and modified sources, and environmental organizations. The following events were conducted to notify the affected public and obtain public input on the proposed rules:

- Public notices of scheduled workshop and public hearing published in The Auburn

Journal, and The Press Tribune in the period of January 9 and January 10, 2010

- Direct mailer to a mailing list including all permitted sources, neighboring air districts and environmental organizations on approximately November 9, 2009
- Public notice and draft Rule 502 emailed to all major and synthetic sources on about January 9, 2010
- Public notice, proposed Rule 502, and a background document posted on District website on approximately January 10, 2010
- Public workshop conducted at the Auburn Justice Center on November 24, 2009
- A second public workshop conducted at the Auburn Justice Center on January 26, 2010
- Public hearing conducted at the regular District Board of Directors meeting on February 11, 2010

Public Comment:

District Staff have worked closely with EPA and ARB during development of the amended Rule 502 to ensure that once adopted, the rule will receive approval into the SIP (see Attachment #3, Staff Report, Rule 502: New Source Review). The proposed rule was posted on the District website and presented in the workshop in January and has received no public comments as of the writing of this board memo.

Recommendation:

The purpose of the Board Hearing is to consider public testimony regarding the proposed amended rule and to consider whether the amended rule should be adopted.

Staff recommends and requests that the Board:

(1) Approve and adopt all Findings and Recommendations found in Attachment #2, and

(2) Adopt Resolution #10-01, Attachment #1, thereby repealing the text of current Rule 502 in its entirety and in its place adopting the text of amended Rule 502, as shown in Exhibit I

Attachment(s) **#1**: Resolution #10-01, Adoption of Rule 502: New Source Review, and Exhibit I Proposed Rule 502 amended version
#2: Analysis and Findings
#3: Staff Report Rule 502: New Source Review

ATTACHMENT #1

SUBJECT:

Resolution #10-01

BEFORE THE BOARD OF DIRECTORS

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT

STATE OF CALIFORNIA

RESOLUTION NO.: 10-01

In the matter of: Approval of a Resolution to adopt the Placer County Air Pollution Control District's amended Rule 502, New Source Review as shown in Exhibit I.

The following **RESOLUTION** was duly passed by the Board of Directors, Placer County Air Pollution Control District, at a regular meeting held **February 11, 2010** by the following vote:

Ayes: Holmes, M._____ Ucovich _____ Weygandt_____ Holmes, J. _____ Barkle _____
Nakata_____ Hill_____ Montgomery _____ Allard _____

Noes: Holmes, M._____ Ucovich _____ Weygandt_____ Holmes, J. _____ Barkle _____
Nakata_____ Hill_____ Montgomery _____ Allard _____

Abstain: Holmes, M._____ Ucovich _____ Weygandt_____ Holmes, J. _____ Barkle _____
Nakata_____ Hill_____ Montgomery _____ Allard _____

Signed and approved by me after its passage.

_____Chairperson

Attest:

_____Clerk of said Board

Whereas, Section 40001 of the Health and Safety Code of the State of California authorizes the Placer County Air Pollution Control District, to adopt and enforce Rules and Regulations to achieve and maintain ambient air quality standards within the District; and

Whereas, Section 40702 of the Health and Safety Code of the State of California requires a district to adopt rules and regulations and do such acts as may be necessary or proper to execute the powers and duties granted; and

Whereas, the Sacramento Valley Air Basin portion of Placer County Air Pollution Control District (PCAPCD) have been designated as non-attainment of National Air Quality Standards for PM2.5 pursuant to the Federal Clean Air Act Amendments of 1990; and

Whereas, the PCAPCD Board had determined that a need exists to amend Rule 502, New Source Review in order to be approved into the State Implementation Plan

Whereas, these proceedings were held in a public hearing and were properly noticed pursuant to Section 40725 of the Health and Safety Code of the State of California; with any evidence having been received concerning the proposed adoption of this Resolution and this Board having duly considered such evidence; and

NOW, THEREFORE BE IT RESOLVED, that this Board rescinds the existing Rule 502 in its entirety and approves and adopts amended Rule 502, New Source Review, as shown in Exhibit I.

BE IT RESOLVED AND ORDERED that the Air Pollution Control Officer is hereby authorized and directed to submit this adopted rule, in the form as required by the California Air Resources Board, on behalf of the Placer County Air Pollution Control District, and to perform such acts as are necessary to carry out the purpose of this resolution.

BE IT FURTHER RESOLVED AND ORDERED that the Air Pollution Control Officer is hereby authorized and directed to submit this adopted rule for approval as a revision of the State Implementation Plan (SIP).

EXHIBIT I

Rule 502 New Source Review

RULE 502 NEW SOURCE REVIEW

Adopted 11-12-74
(Amended 05-24-77, 06-19-79, 09-21-93, 11-03-94, 08-09-01, 12-09-04, rescinded and re-adopted 2-11-10)

CONTENTS

100 GENERAL

101 PURPOSE
102 APPLICABILITY
103 PUBLIC NOTIFICATION REQUIREMENTS

200 DEFINITIONS

201 ACTUAL EMISSIONS
202 ACTUAL EMISSIONS REDUCTIONS (AER)
203 ACTUAL INTERRUPTIONS OF ELECTRICAL POWER
204 ALLOWABLE EMISSIONS
205 AMBIENT AIR QUALITY STANDARDS
206 BASELINE ACTUAL EMISSIONS (BAE)
207 BEST AVAILABLE CONTROL TECHNOLOGY (BACT)
208 CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)
209 CARGO CARRIERS
210 CONSTRUCTION
211 CONTIGUOUS PROPERTY
212 COST-EFFECTIVE
213 EMERGENCY ENGINES
214 EMERGENCY USE
215 EMISSION DECREASE
216 EMISSION REDUCTION CREDITS (ERCs)
217 EMISSIONS LIMITATION
218 EMISSIONS UNIT
219 FUGITIVE EMISSIONS
220 FUNCTIONALLY EQUIVALENT EMSSION UNIT
221 HALOGENATED HYDROCARBONS
222 HAZARDOUS AIR POLLUTANT (HAP)
223 HISTORIC ACTUAL EMISSIONS (HAE)
224 IDENTICAL EMISSION UNIT
225 LAKE TAHOE AIR BASIN
226 MAJOR STATIONARY SOURCE – SACRAMENTO AIR BASIN
227 MAJOR STATIONARY SOURCE – MOUNTAIN COUNTIES AIR BASIN
228 MAJOR MODIFICATION
229 MODIFICATION
230 MOUNTAIN COUNTIES AIR BASIN
231 NONATTAINMENT POLLUTANT
232 NSR REGULATED POLLUTANT
233 PM2.5
234 PM10
235 PORTABLE EQUIPMENT
236 POTENTIAL TO EMIT (PTE)
237 PRECURSOR
238 PREVENTION OF SIGNIFICANT DETERIORATION (PSD)
239 PRIORITY RESERVE BANK
240 PROPOSED EMISSIONS
241 QUARTERLY
242 QUARTERLY EMISSION LIMITATION

243 REACTIVE ORGANIC COMPOUND
244 RECONSTRUCTED SOURCE
245 REDUCED SULFUR COMPOUNDS
246 REPLACEMENT EQUIPMENT
247 SACRAMENTO VALLEY AIR BASIN
248 SIGNIFICANT
249 SIGNIFICANT EMISSIONS INCREASE
250 STATIONARY SOURCE (SOURCE OR FACILITY)
251 STATIONARY SOURCE PTE
252 SURPLUS
253 TEMPORARY SOURCE
254 TOTAL REDUCED SULFUR COMPOUNDS

300 STANDARDS

301 EMISSION AND OFFSET CALCULATIONS
302 REQUIREMENT TO APPLY BEST AVAILABLE CONTROL TECHNOLOGY
303 OFFSET REQUIREMENTS
304 MAJOR SOURCE ADMINISTRATIVE REQUIREMENTS
305 GENERAL PROVISIONS

400 APPLICATION PROCESSING

401 REQUIREMENT TO SUBMIT APPLICATION
402 COMPLETE APPLICATION REQUIREMENT
403 PRELIMINARY DECISION
404 TIMING FOR FINAL ACTION
405 AUTHORITY TO CONSTRUCT AND PERMIT TO OPERATE CONTENT
406 PUBLICATION AND PUBLIC COMMENT
407 PUBLIC INSPECTION
408 DENIAL, FAILURE TO MEET STANDARDS
409 DENIAL, FAILURE TO MEET CEQA
410 ISSUANCE, PERMIT TO OPERATE

500 ADDITIONAL PROVISIONS FOR POWER PLANTS

600 MONITORING AND RECORDS

601 RECORDKEEPING

100 GENERAL

101 PURPOSE: The purpose of this rule is to provide for the review of new and modified stationary air pollution sources and to provide mechanisms, including emission offsets, by which authorities to construct for such sources may be granted without interfering with the attainment or maintenance of ambient air quality standards.

102 APPLICABILITY: This rule shall apply to all new stationary sources and emissions units and all modifications to existing stationary sources and emissions units that, after construction, emit or may emit any NSR regulated pollutant within the District.

This rule shall not apply to prescribed burning of forest, agriculture or range land; open burning in accordance with District Regulation 3, OPEN BURNING; road construction, or any non-point source common to timber harvesting or agricultural practices.

The regulations in effect at the time any application for an Authority to Construct for a new or modified source is deemed complete shall apply to that source except when a new federal requirement not yet incorporated into this Rule applies to the new or modified source.

103 PUBLIC NOTIFICATION REQUIREMENTS: If the project is for a new or modified stationary source or emissions unit for which offsets are required pursuant to Section 303.1, the public notice requirements shall apply.

200 DEFINITIONS: The following definitions apply for all terms used in this Rule. If a term is not defined below, then the definitions provided in Rule 102, DEFINITIONS, and Rule 504, EMISSIONS REDUCTION CREDITS, apply in that hierarchical order.

201 ACTUAL EMISSIONS: Emissions having occurred from a source, based on source test and actual fuel consumption or process data, or monitoring data. If source test or monitoring data is not available, other appropriate, APCO-approved, emission factors may be used. Fugitive emissions associated with the emissions unit shall be included in the actual emissions of the emissions unit.

202 ACTUAL EMISSIONS REDUCTIONS (AER): The decrease of actual emissions, compared to Baseline Actual Emissions, from an emissions unit. AER shall be real, enforceable, quantifiable, surplus, and permanent.

203 ACTUAL INTERRUPTIONS OF ELECTRICAL POWER: When electrical service is interrupted by an unforeseeable event.

204 ALLOWABLE EMISSIONS: The emissions rate of a stationary source calculated using the maximum rated capacity of the source (unless the source is subject to federally enforceable limits which restrict the operating rate, hours of operation, or both) and the most stringent of the following:

204.1 Any applicable standards set forth in these regulations and 40 CFR Part 60, 61, or 63;

204.2 Any applicable emission limitation in the State Implementation Plan (SIP), including those with a future compliance date; or

204.3 The emissions rate specified as a federally enforceable permit condition, including those with a future compliance date.

205 AMBIENT AIR QUALITY STANDARDS: There are both State and federal ambient air quality standards. For the purpose of submittal to the U.S. Environmental Protection Agency for inclusion in the California State Implementation Plan all references in this rule to Ambient Air Quality Standards shall be interpreted as National Ambient Air Quality Standards.

206 BASELINE ACTUAL EMISSIONS (BAE):

206.1 "Baseline Actual Emissions" are the actual emissions for the existing emissions unit averaged over the consecutive two (2) year period immediately preceding the date of the application. If the last two years are unrepresentative of normal source operations as determined by the APCO, then any other 2 consecutive year period during the last five years which the APCO determines represents normal source operations may be used.

206.2 If, at any time during the 2 year period, actual emissions exceeded allowable emission levels, then actual emissions shall be reduced to reflect emission levels that would have occurred if the unit were in compliance with all applicable limitations and rules.

206.3 Where an emissions unit has been in operation for less than 2 years, a shorter averaging period of at least 12 months may be used, provided that the averaging period is representative of the full operational history of the emissions unit. If less than 12 months has passed since the date of issuance of the Permit to Operate then Actual Emissions shall be used as the Baseline Actual Emissions.

207 BEST AVAILABLE CONTROL TECHNOLOGY (BACT): The most stringent emission limitation or control technique of the following:

207.1 Achieved in practice for such category and class of source; or

207.2 Contained in any SIP approved by the EPA for such category and class of source. A specific limitation or control technique shall not apply if the owner of the proposed emissions unit demonstrates to the satisfaction of the APCO that such a limitation or control technique is not presently achievable; or

207.3 Contained in an applicable federal New Source Performance Standard; or

207.4 Any other emission limitation or control technique, including process and equipment changes of basic or control equipment, found by the APCO to be cost effective and technologically feasible for such class or category of sources.

208 CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA): The California Environmental Quality Act, Public Resources Code, Section 21000, et seq.

209 CARGO CARRIERS: Cargo carriers are trains dedicated to a specific source.

210 CONSTRUCTION: Means any physical change or change in the method of operation (including fabrication, erection, installation, demolition, or modification of an emissions unit) which would result in a change in actual emissions.

211 CONTIGUOUS PROPERTY: Two or more parcels of land with a common point or boundary or separated solely by a public roadway or other public right-of-way.

212 COST-EFFECTIVE: A cost per unit of emissions reduction which is lower than or equivalent to the maximum unit costs of the same emissions reduction through the use of

Best Available Control Technology, calculated in current year dollars, in accordance with methodology and criteria specified in guidelines developed by the District.

213 EMERGENCY ENGINES: A stationary engine that meets the criteria specified below:

213.1 It is installed for the primary purpose of providing electrical power or mechanical work for emergency use and is not the source of primary power at the facility; and

213.2 It is operated to provide electrical power or mechanical work during any emergency use; and

213.3 It is operated no more than 100 hours per year for maintenance and testing, emissions testing or initial start-up testing. Diesel engines may be further limited by the California Air Resources Board's Airborne Toxic Control Measure for Stationary Compression Engines in Section 93115.6(a)).

214 EMERGENCY USE: The providing of electrical power or mechanical work during any of the following events.

214.1 The failure or loss of all or part of normal electrical power service or normal natural gas supply to the facility, or the failure of a facility's internal power distribution system:

214.1.1 Which is caused by any reason other than the adherence to a contractual obligation the owner or operator has with a third party or any other party; and

214.1.2 Which is demonstrated by the owner or operator, to the APCO's satisfaction, to have been beyond the reasonable control of the owner or operator.

214.2 The pumping of water or sewage to prevent or mitigate a flood or sewage overflow.

214.3 The pumping of water for fire suppression or protection.

214.4 The powering of ALSF-1 or ALSF-2 airport runway lights under category II or III weather conditions.

214.5 The pumping of water to maintain pressure in the water distribution system for the following reasons:

214.5.1 A pipe break that substantially reduces water pressure; or

214.5.2 High demand on the water supply system due to high use of water for fire suppression; or

214.5.3 The breakdown of electric-powered pumping equipment at sewage treatment facilities or water delivery facilities.

214.6 The emergency operation of ski lifts during an actual interruption of normal electrical power service to the facility.

215 EMISSION DECREASE: Any modification that would result in an emission decrease of actual emissions

216 EMISSION REDUCTION CREDITS (ERC): Reductions of actual emissions from emission units that are certified by an air district in accordance with that district's rules and are issued by the air district in the form of ERC certificates.

217 EMISSIONS LIMITATION: One or more practically enforceable permit conditions specific to an emissions unit that restricts its maximum emissions, at or below the emissions associated with the maximum design capacity; and that is contained in the latest Authority to Construct or enforceable by the latest Permit to Operate for the emission unit.

Emissions limitations should be stated in a manner consistent with testing procedures. They may be expressed as an enforceable design, operational, or equipment standard.

218 EMISSIONS UNIT: An identifiable operation or piece of process equipment such as an article, machine, or other contrivance which controls, emits, may emit, or results in the emissions of any air pollutant directly or as fugitive emissions.

219 FUGITIVE EMISSIONS: Those emissions that could not reasonably pass through a stack, chimney, vent, or other functionally equivalent opening.

220 FUNCTIONALLY EQUIVALENT EMISSION UNIT: An emission unit that serves the identical function as the unit being replaced. The maximum rating and the potential to emit any pollutant shall not be greater from the functionally equivalent emission unit than the replaced unit. The emission increase from any such replacement shall not result in a major modification.

221 HALOGENATED HYDROCARBONS: For the purposes of this rule, halogenated hydrocarbons are the following:

221.1 1,1,1-trichloroethane
221.2 methylene chloride
221.3 2,2-dichloro-1,1,1-trifluoroethane (HCFC-123)
221.4 2-chloro-1,1,1,2-tetrafluoroethane (HCFC-124)
221.5 trichlorofluoromethane (CFC-11)
221.6 dichlorodifluoromethane (CFC-12)
221.7 1,1,1-trichloro-2,2,2-trifluoroethane (CFC-113)
221.8 1-chloro-1,1-difluoro-2-chloro-2,2-difluoroethane (CFC-114)
221.9 chloropentafluoroethane (CFC-115)
221.10 pentafluoroethane (HFC-125)
221.11 1,1,2,2-tetrafluoroethane (HFC-134)
221.12 tetrafluoroethane (HFC-134a)
221.13 1,1-dichloro-1-fluoroethane (HCFC-141b)
221.14 1-chloro-1,1-difluoroethane (HCFC-142b)
221.15 1,1,1-trifluoroethane (HFC-143a)
221.16 chlorodifluoromethane (HCFC-22)
221.17 trifluoromethane (HFC-23)
221.18 1,1-difluoroethane (HFC-152a)
221.19 The following four classes of perfluorocarbon compounds:

a. Cyclic, branched, or linear, completely fluorinated alkanes.
b. Cyclic, branched, or linear, completely fluorinated ethers, with no unsaturations.
c. Cyclic, branched, or linear, completely fluorinated tertiary amines with no unsaturations.
d. Sulfur-containing perfluorocarbons with no unsaturations and with sulfur bonds only to carbon and fluorine.
e. Perfluorocarbon compounds will be assumed to be absent from a product or process unless a manufacturer or facility operator

identifies the specific individual compounds (from the broad classes of perfluorocarbon compounds) and the amounts present in the product or process and provides a validated test method which can be used to quantify the specific compounds.

222 HAZARDOUS AIR POLLUTANT (HAP): Any air pollutant listed pursuant to Section 112(b) of the Federal Clean Air Act as amended in 1990 (42 U.S.C. Section 7401 et seq.).

223 HISTORIC ACTUAL EMISSIONS (HAE): Historic Actual Emissions shall be calculated for each pollutant.

223.1 For a new emissions unit Historic Actual Emissions are equal to zero.

223.2 For an existing emissions unit, Historic Actual Emissions equals either, in hierarchical order;

223.2.1 The practically enforceable potential to emit (PTE) limit contained in the most recent Authority to Construct or Permit to Operate, if actual emissions are at least 80% of the permitted PTE limit, or

223.2.2 The practically enforceable PTE limit contained in the most recent Authority to Construct or Permit to Operate, if the emission unit was fully offset for any emission increases incurred since September 21, 1993, within the 5 year period prior to the date of application for the current project, or

223.2.3 The Baseline Actual Emissions.

224 IDENTICAL EMISSION UNIT: A replacement emissions unit which is the same as the original unit in all respects except for serial number.

225 LAKE TAHOE AIR BASIN: Established pursuant to Section 39606 of the Health & Safety Code of the State of California and as described in Title 17, California Code of Regulations, Section 60113 (b), the basin includes that portion of Placer County within the drainage area naturally tributary to Lake Tahoe including said Lake, plus that area in the vicinity of the head of the Truckee River described as follows: commencing at the point common to the aforementioned drainage area crest line and the line common to Townships 15 North and 16 North, Mount Diablo Base and Meridian (M.D.B. & M.), and following that line in a westerly direction to the northwest corner of Section 3, Township 15 North, Range 16 East, (M.D.B. & M.), thence south along the west line of Sections 3 and 10, Township 15 North, Range 16 East, M.D.B. & M., to the intersection with the drainage crest line, thence following the said drainage area boundary in a southwesterly, then northeasterly direction to and along the Lake Tahoe Dam, thence following the said drainage area crest line in a northeasterly, then northwesterly direction to the point of beginning. This Air Basin is delineated on an official map on file at the California Air Resources Board Headquarters Office.

226 MAJOR STATIONARY SOURCE – SACRAMENTO AIR BASIN: A stationary source which emits or has the potential to emit: 25 tons per year (tpy) or more of nitrogen oxides or reactive organic compounds, or 100 tpy or more of sulfur oxides, or PM2.5. In addition, any physical change occurring at a stationary source not otherwise qualifying as a major stationary source, which would constitute a major stationary source by itself, makes the source a major stationary source.

227 MAJOR STATIONARY SOURCE – MOUNTAIN COUNTIES AIR BASIN: A stationary source which emits or has the potential to emit 25 tons per year (tpy) or more of nitrogen

oxides or reactive organic compounds. In addition, any physical change occurring at a stationary source not otherwise qualifying as a major stationary source, which would constitute a major stationary source by itself, makes the source a major stationary source.

228 **MAJOR MODIFICATION:** A modification to a major stationary source in the Sacramento or Mountain Counties Air Basins which results in a significant emissions increase of the pollutant for which the source is classified as a major stationary source. For nitrogen oxides and reactive organic compounds, the increase shall be aggregated with all other increases and decreases in potential to emit over the period of the four consecutive years before the application for modification, plus the calendar year of the most recent application.

229 **MODIFICATION:** Any physical change, change in method of operation (including change in fuel characteristics), addition to, or any change in hours of operation, or change in production rate of, which:

229.1 For an emissions unit: would necessitate a change in permit conditions, permit equipment description, or emissions limitation.

229.2 For a stationary source: is a modification of any emissions unit, or addition of any new emissions unit.

229.3 Unless previously limited by a permit condition and that permit condition must be changed, the following shall not be considered a modification:

229.3.1 A change in ownership.

229.3.2 Routine maintenance and repair, or an identical replacement.

229.3.3 The addition of a continuous emission monitoring system.

229.3.4 The replacement of air pollution control equipment with new control equipment if the actual emissions of the new equipment are less than or equal to those from the original piece of equipment and the replacement is not a major modification under the United States Environmental Protection Agency (EPA) regulations promulgated pursuant to Title I of the Federal Clean Air Act, including 40 CFR Part 51.

229.3.5 Use of an alternative fuel or raw material by reason of an order under Sections 2(a) and (b) of the Energy Supply and Environmental Coordination Act of 1974 (or any superseding legislation), or by reason of a natural gas curtailment plan pursuant to the Federal Power Act.

229.3.6 Use of an alternative fuel by reason of an order or rule under Section 125 of the Act.

229.4 A reconstructed stationary source or emissions unit shall be treated as a new stationary source or emissions unit, not as a modification.

230 **MOUNTAIN COUNTIES AIR BASIN:** Established pursuant to Section 39606 of the Health & Safety Code of the State of California and as described in Title 17, California Code of Regulations, Section 60111 (I), the Mountain Counties Air Basin includes all of Placer County except that portion included in the Lake Tahoe Air Basin, defined by 17 CCR 60113(b), and that portion included in the Sacramento Valley Air Basin, defined by 17 CCR 60106(k).

231 **NONATTAINMENT POLLUTANT:** Any pollutant as well as any precursors of such pollutants which have been designated "nonattainment" by the U.S. Environmental Protection Agency as codified in 40 CFR 81.305, or which has been designated nonattainment by the California Air Resources Board pursuant to Section 39607 of the Health and Safety Code for specific air basins in Placer County.

232 **NSR REGULATED POLLUTANT:** A pollutant for which an Ambient Air Quality Standard has been established by the EPA or by the California Air Resources Board (ARB), and the precursors to such pollutants, including, but not limited to, reactive organic compounds (ROC), nitrogen oxides (NOx), sulfur oxides (SOx), PM10, PM2.5, carbon monoxide (CO) and lead.

233 **PM2.5:** Particulate matter with an aerodynamic diameter smaller than or equal to a nominal 2.5 microns.

234 **PM10:** Particulate matter with an aerodynamic diameter smaller than or equal to a nominal 10 microns.

235 **PORTABLE EQUIPMENT:** Equipment that is periodically relocated and is not operated more than a total of 180 days at any one location in the District within any continuous twelve (12) month period.

236 **POTENTIAL TO EMIT (PTE):** The maximum physical and operational design capacity to emit an air pollutant. Any limitation on the physical or operational design capacity, including emission control devices and restrictions on hours of operation, or on the type, or amount of material combusted, stored, or processed, may be considered as part of the design only if the limitation, or the effect it would have on emissions, is incorporated into the Authority to Construct as a federally enforceable permit condition. Fugitive emissions associated with the emissions unit or stationary source shall be included in the potential to emit of the emissions unit or stationary source.

237 **PRECURSOR:** A pollutant that, when emitted into the atmosphere, may undergo either a chemical or physical change which then produces another pollutant for which an Ambient Air Quality Standard has been adopted, or whose presence in the atmosphere will contribute to the violation of one or more Ambient Air Quality Standards. The following precursor-secondary air contaminant relationships shall be used for the purposes of this rule:

Precursor		Secondary Air Contaminant
Reactive Organic Compound		a. Photochemical oxidants (Ozone) b. Organic fraction of PM10
Nitrogen Oxides		a. Nitrogen dioxide b. Nitrate fraction of PM10 c. Nitrate fraction of PM2.5 d. Photochemical oxidants (Ozone)
Sulfur Oxides		a. Sulfur dioxide b. Sulfates c. Sulfate fraction of PM10 d. Sulfate fraction of PM2.5

238 **PREVENTION OF SIGNIFICANT DETERIORATION (PSD):** A federal permitting program for new and modified major stationary sources of air pollution for pollutants that do not exceed National Ambient Air Quality Standards.

239 **PRIORITY RESERVE BANK:** A depository for preserving emission reduction credits pursuant to Rule 505, PRIORITY RESERVE.

240 **PROPOSED EMISSIONS:** Emissions based on the potential to emit for the new or modified emissions unit which will be incorporated into the permit as legally and practically enforceable permit conditions.

241 **QUARTERLY:** Calendar quarters beginning January 1, April 1, July 1, and October 1.

242 **QUARTERLY EMISSION LIMITATION:** One or a combination of permit conditions specific to an emissions unit that restricts its maximum emissions, in pounds per quarter, at or below the emissions associated with the maximum design capacity. A quarterly emissions limitation must be:

242.1 Contained in the latest Authority to Construct or enforceable by the latest Permit to Operate for the emissions unit, and

242.2 Enforceable on a quarterly basis.

243 **REACTIVE ORGANIC COMPOUND:** For the purposes of this rule, reactive organic compound (ROC) has the same definition as volatile organic compound (VOC) in Rule 102, DEFINITIONS.

244 **RECONSTRUCTED SOURCE:** Any stationary source or emissions unit undergoing physical modification where the fixed capital cost of the new components exceeds 50 percent of the fixed capital cost of a comparable entirely new stationary source or emissions unit. Fixed capital cost means that capital needed to provide all the depreciable components. A reconstructed source shall be treated as a new stationary source or emissions unit.

245 **REDUCED SULFUR COMPOUNDS:** The sulfur compounds hydrogen sulfide, carbon disulfide and carbonyl sulfide.

246 **REPLACEMENT EMISSION UNIT**: An emissions unit for which all the criteria listed below are met. No creditable emission reductions shall be generated from shutting down the existing emissions unit that is replaced unless:

246.1 The emissions unit is a reconstructed unit within the meaning of 40 CFR 60.15(b)(1), or the emissions unit completely takes the place of an existing emissions unit, or

246.2 The emissions unit is an identical emission unit or a functionally equivalent emission unit, or

246.3 The replacement does not alter the basic design parameters of the process unit, and

246.4 The replaced emissions unit is permanently removed from the stationary source, otherwise permanently disabled, or permanently barred from operation by a permit that is enforceable as a practical matter. If the replaced emissions unit is brought back into operation, it shall constitute a new emissions unit.

247 **SACRAMENTO VALLEY AIR BASIN:** Established pursuant to Section 39606 of the Health & Safety Code of the State of California and as described in Title 17, California Code of Regulations, Section 60106(k), the basin includes that portion of Placer County which lies west of Range 9 east, Mount Diablo Base and Meridian (M.D.B. & M.).

248 **SIGNIFICANT:** In reference to an emissions increase or the potential of a source to emit any of the following pollutants, a rate of emissions that would equal or exceed any of the following rates:

248.1 Carbon monoxide: 100 tpy;

248.2 Nitrogen oxides: 40 tpy;

248.3 Sulfur dioxide: 40 tpy;

248.4 Ozone: 40 tpy of VOCs or 40 tpy of nitrogen oxides;

248.5 PM10: 15 tpy

248.6 PM2.5: 10 tpy of direct PM2.5 emissions or 40 tpy of sulfur dioxide emissions or 40 tpy of nitrogen oxide emissions

248.7 Lead: 0.6 tpy.

249 SIGNIFICANT EMISSIONS INCREASE: For a regulated NSR pollutant, an increase in emissions that is significant for that pollutant.

250 STATIONARY SOURCE (SOURCE OR FACILITY): Any building, structure, facility, or emissions unit that emits or may emit any NSR regulated pollutant directly or as fugitive emissions.

250.1 Building, structure, facility, or emissions unit includes all pollutant emitting activities which:

250.1.1 belong to the same industrial grouping, and;

250.1.2 are located on one property or on two or more contiguous properties, and;

250.1.3 are under the same or common ownership, operation, or control or which are owned or operated by entities which are under common control.

250.2 Pollutant emitting activities shall be considered as part of the same industrial grouping if:

250.2.1 they belong to the same two digit standard industrial classification code under the system described in the 1987 Standard Industrial Classification Manual, or;

250.2.2 they are part of a common production process. (Common production process includes industrial processes, manufacturing processes and any connected processes involving a common material.)

250.3 The emissions of cargo carriers associated with the stationary source shall be considered emissions from the stationary source to the extent that emission reductions from these cargo carriers are proposed as offsets.

251 STATIONARY SOURCE PTE: The sum of the PTE for each emission unit which has been issued a Permit of Operate, Authority to Construct or for which an application has been submitted. Any fugitive emissions from such emission units shall be included in this calculation.

252 SURPLUS: The amount of emission reductions that are, at the time of generation of an Emissions Reduction Credit (ERC), not otherwise required by federal, state, or local law, not required by any legal settlement or consent decree, and not relied upon to meet any requirement related to the California State Implementation Plan (SIP). However, emission reductions required by a state statute that provides that the subject emission reductions shall be considered surplus may be considered surplus for purposes of this Rule if those reductions meet all other applicable requirements.

Examples of federal, state, and local laws, and of SIP-related requirements, include, but are not limited to, the following:

252.1 The federally-approved California SIP;

252.2 Other adopted state air quality laws and regulations not in the SIP, including but not limited to, any requirement, regulation, or measure that: (1) the District or the state has included on a legally-required and publicly-available list of measures that are scheduled for adoption by the District or the State in the future; or (2) is the subject of a public notice distributed by the District or the State regarding an intent to adopt such revision;

252.3 Any other source- or source-category specific regulatory or permitting requirement, including, but not limited to, Reasonable Available Control Technology (RACT), New Source Performance Standards (NSPS), National Emission Standards for Hazardous Air Pollutants (NESHAP), Best Available Control Measures (BACM), Best Available Control Technology (BACT), and the Lowest Achievable Emission Rate (LAER); and

252.4 Any regulation or supporting documentation that is required by the federal Clean Air Act but is not contained or referenced in 40 C.F.R. Part 52, including but not limited to: assumptions used in attainment and maintenance demonstrations (including Reasonable Further Progress demonstrations and milestone demonstrations), including any proposed control measure identified as potentially contributing to an enforceable near-term emissions reduction commitment; assumptions used in conformity demonstrations; and assumptions used in emissions inventories.

253 TEMPORARY SOURCE: Temporary emission sources such as pilot plants, and portable facilities which will be terminated or located outside the District after less than a cumulative total of 90 days of operation in any 12 continuous months.

254 TOTAL REDUCED SULFUR COMPOUNDS: The sulfur compounds hydrogen sulfide, methyl mercaptan, dimethyl sulfide and dimethyl disulfide.

300 STANDARDS

301 EMISSION AND OFFSET CALCULATIONS: The following provisions shall be used to calculate emission increases and decreases from all new and modified emissions units located at a stationary source.

301.1 BACT – Emissions Increase: The emissions increase for each emissions unit related to the project for the purposes of determining BACT applicability shall be calculated as the proposed emissions minus the Baseline Actual Emissions. Calculations shall be performed separately for each emissions unit for each calendar quarter.

301.2 Offsets - Emissions Increase or Decrease: The emissions increase or decrease for each emissions unit related to the project for the purposes of determining Offset applicability shall be calculated as the proposed emissions, minus the Historic Actual Emissions. Emission increases or decreases shall be calculated for each emission unit and the project as a whole.

301.3 Project Emissions: If a project consists of more than one emission unit, the total emissions from all emissions units shall be summed for each pollutant to determine the emissions increase for the project. The project includes the entire scope of the preconstruction application for a new or modified stationary source.

301.4 Calculation Periods: The emissions increase or decrease for a project shall be calculated on a daily, quarterly and annual basis for each pollutant.

301.5 Potential To Emit - Stationary Sources: The potential to emit of a new or modified stationary source shall be calculated as the sum of the potential to emit, including fugitive emissions, for all emissions units, based on emission limitations established by current Permits to Operate, Authorities to Construct where permits to operate have not been issued, and the pending application.

301.6 Quantity of Offsets Required For New Major Sources or Major Modifications: If offsets are required pursuant to Section 303.2, the quantity of offsets to be provided shall be determined by calculating the emission increase for the project and applying the appropriate offset ratio based on pollutant and location as specified in Section 303.3. The calculations shall be performed separately for each pollutant and each emissions unit for each calendar quarter.

301.7 Quantity of General (State) Offsets Required: If offsets are required pursuant to Section 303.1, the quantity of offsets to be provided shall be determined as follows:

301.7.1 If offsets have already been provided by a stationary source for a particular pollutant, then multiply the emission increase calculated for the project by the appropriate offset ratio based on pollutant and location as specified in Section 303.3, or

301.7.2 If no offsets have been provided previously by a stationary source for a particular pollutant, then subtract the offset threshold specified in Section 303.1 for that pollutant from the stationary source PTE and multiply the value by the appropriate offset ratio based on pollutant and location as specified in Section 303.3.

301.8 Quantity of Offsets Required For A Modification That Makes An Existing Source A Major Stationary Source: When the proposed modification will make an existing minor source a new major source, offsets required shall be calculated as the sum of proposed PTE for all emissions units installed after September 21, 1993 based on current permits to operate and Authority to Constructs where permits to operate have not been issued, plus the pending application, minus offsets supplied since September 21, 1993. Calculations shall be performed separately for each pollutant and each emissions unit for each calendar quarter. The offset ratios of Section 303.3 shall be applied to determine the ERCs required.

302 REQUIREMENT TO APPLY BEST AVAILABLE CONTROL TECHNOLOGY: An applicant shall apply Best Available Control Technology (BACT) to a new emissions unit or modification of an existing emissions unit, except cargo carriers, if the change would result in an increase in quarterly emissions of a NSR regulated pollutant from the new or

modified emissions unit and if the PTE of the new or modified emissions unit equals or exceeds the levels specified below.

Pollutant	lb/day
Reactive organic compounds	10
Nitrogen oxides	10
Sulfur oxides	80
PM10	80
PM2.5	80
Carbon monoxide	550
Lead	3.3
Vinyl chloride	5.5
Sulfuric acid mist	38
Hydrogen sulfide	55
Total reduced sulfur compounds	55
Reduced sulfur compounds	55

303 OFFSET REQUIREMENTS

303.1 General Requirement to Provide Offsets: An applicant whose facility is located in the Sacramento Valley Air Basin or the Mountain Counties Air Basin shall provide offsets for a NSR regulated pollutant if the potential to emit of a new or modified source exceeds either of the threshold quantities listed below:

Pollutant	Pounds per quarter	Tons per year
Reactive organic compounds	5,000	10
Nitrogen oxides	5,000	10
Sulfur oxides	13,750	27.5
PM10	7,500	15
PM2.5	7,500	15
Carbon monoxide	49,500	99

303.2 Major Source or Major Modification Requirement to Provide Offsets**:** An applicant whose facility is located in the Sacramento Valley Air Basin or the Mountain Counties Air Basin, and whose project emissions will result in a new major source or major modification, shall provide offsets for each NSR regulated pollutant that constitutes a major source or major modification.

303.3 Location of Offsets and Offset Ratios**:** The applicable offset ratio shall be determined based on the location of the new or modified stationary source required to provide offsets and the distance to the location of the emission offsets, as indicated in the following table.

		Offset Ratio		Offset Ratio
Location of Offset		NOx and ROC		Other Pollutants
Same Source		1.0 to 1.0		1.0 to 1.0
Within 15-Mile radius and within the same air basin		1.3 to 1.0		1.2 to 1.0
Greater than 15-Miles but within 50-Mile radius within the same air basin		1.5 to 1.0		1.5 to 1.0
Greater than 50-Mile radius and within the same air basin		Greater than 1.5 to 1.0		Greater than 1.5 to 1.0

303.3.1 The APCO may impose, based on the air quality analysis, a higher offset ratio such that the new or modified stationary source will not prevent or interfere with the attainment or maintenance of any ambient air quality standard.

303.3.2 Applicants providing offsets obtained pursuant to Rule 505, PRIORITY RESERVE, shall be subject to an offset ratio of 1.2 to 1.0 for all pollutants, except NOx and VOC, at all distances. The offset ratio for NOx and VOC offsets obtained pursuant to Rule 505, PRIORITY RESERVE, shall be subject to an offset ratio of 1.3 to 1.0 at all distances.

303.4 General Offset Provisions

303.4.1 All offsets shall be real, surplus, enforceable, quantifiable and permanent.

303.4.2 All offsets provided for major sources and major modifications shall be surplus at the time ERCs are surrendered to the District.

303.4.3 All offsets shall be surrendered to the District prior to the initial startup of the new or modified source, and the offsets shall be maintained throughout the operation of the new or modified source which is the beneficiary of the offsets.

303.4.4 Offsets can only come from air basins with the same or worse air quality designations than that of the stationary source requiring the offsets.

303.4.5 In no case shall halogenated hydrocarbons, exempt compounds or any other compound excluded from the definition of reactive organic compounds, be used as offsets for reactive organic compounds.

303.4.6 For sources which have provided full offsets of total suspended particulate (TSP), the PM10 emissions from an existing stationary source shall be recalculated from the TSP emission increases and decreases which have occurred since December 31, 1976, using PM10 emission factors. When PM10 emission factors do not exist, it shall be assumed that 50% of the TSP is PM10.

303.5 Timing of Quarterly Emission Offsets: Sufficient offsets shall be provided, from the same calendar quarter as the proposed emission increase, with the following exceptions:

303.5.1 Emission reductions of reactive organic compounds or nitrogen oxides during the quarters starting April 1 or July 1 may be used to offset emission increases of the same pollutants during any calendar quarter.

303.5.2 Emission reductions of carbon monoxide during the quarters starting January 1 or October 1 may be used to offset emission increases of carbon monoxide during any calendar quarter.

303.5.3 Emission reductions of PM10 or PM2.5 during the quarters starting January 1 or October 1 may be used to offset emission increases of PM10 or PM2.5 during any calendar quarter.

303.5.4 Emission reductions of sulfur oxides during any quarter may be used to offset emission increases of sulfur oxides during any calendar quarter.

303.6 Interpollutant Offsets

303.6.1 The APCO may approve interpollutant offsets for precursor pollutants on a case by case basis, provided that the applicant demonstrates, through the use of an air quality model, that the emission increases from the new or modified source will not cause or contribute to a violation of an ambient air quality standard.

303.6.2 Interpollutant offsets between PM10 and PM10 precursors are allowed only if PM10 precursors contribute significantly to the PM10 levels that exceed the PM10 ambient standards.

303.6.3 PM10 emissions shall not be allowed to offset nitrogen oxides or reactive organic compound emissions in ozone nonattainment areas, nor be allowed to offset sulfur oxide emissions in sulfate nonattainment areas.

303.6.4 The interpollutant offset ratios for PM2.5 shall be: NOx to PM2.5 - 100:1 and SOx to PM2.5 – 40:1.

303.6.5 EPA and ARB must concur with all proposed interpollutant offsets ratios prior to use.

303.7 Intra-District Offsets

303.7.1 ERCs generated in another district may be used to offset emission increases in Placer County.

303.7.2 If the ERC generating source and the source with the proposed emissions increase are not in the same air basin, both of the following requirements must be met:

a. The ERC generating source must be located in an upwind district that is classified, pursuant to Health and Safety Code Section 40910 et seq., as being in the same or a worse nonattainment status than the downwind district where the stationary source with the proposed emission increases will be located.

b. The stationary source at which the emission increases are to be offset must be located in a downwind district that is overwhelmingly impacted, as determined pursuant to Health and Safety Code Section 39610, by emissions transported from the upwind district where the ERC generating source is located.

303.7.3 Any offset credited to a stationary source in one district using offsets obtained from reductions at a stationary source in another district shall be approved by a resolution adopted by the governing boards of both the upwind and downwind districts, after taking into consideration the impact of the offset on air quality, public health, and the regional economy. The District's governing board may delegate to the APCO the Board's authority to approve the offsets credited.

303.7.4 For ERCs generated in another district, the District may adjust the value of such credits to reflect any District requirements that would have applied if the credits had been generated within the District.

303.8 Emission Reductions, Shutdowns, and Curtailments: Actual emission reductions from an internal shutdown or curtailment of a permitted emission unit may be credited for the purposes of providing internal offsets provided:

303.8.1 The crediting of emission reductions from source shutdowns and curtailments comply with the current U.S. Environmental Protection Agency emissions trading policy and applicable federal regulations; and

303.8.2 Emissions reductions are ensured by practically enforceable emission limitations contained in the Permit to Operate, or the permanent surrender or cancellation of the Permit to Operate; and

303.8.3 If the shutdown emission unit is being replaced with a new or modified emission unit, the APCO may allow a maximum of 90 days as a shakedown period for simultaneous operation of the existing and the new or modified emission unit.

303.9 Exemptions From Offset Requirements

303.9.1 Offsets shall not be required for temporary sources or portable equipment, if the emissions from such units do not constitute a major source or major modification to a major source.

303.9.2 Offsets shall not be required for an emergency engine which is used exclusively for testing, maintenance and emergency use, if the emissions from the emergency engine, excluding emergency use, do not exceed the offset limit by itself.

303.9.3 Offsets shall not be required for increases in carbon monoxide emissions if the applicant, using an Air Quality Model approved by the APCO, demonstrates that the increase in ambient concentration does not exceed 500 micrograms per cubic meter, 8 hour average, at or beyond the property line of the stationary source.

303.9.4 The requirement to provide offsets shall not apply to the following:

a. Relocation of emissions units solely within only one air basin within the District, and the relocation does not result in any increase in potential to emit.

b. Replacement emissions units, provided the replacement does not constitute a major source or major modification.

c. Modifications necessary to comply with any regulations contained in Regulation 2 – PROHIBITIONS, or in the SIP, unless the modification will result in a major modification. This provision does not apply to changes in production rate, hours of operation, or any other change or modification not required for compliance with Regulation 2 or the SIP.

d. If requested by the APCO, the applicant shall demonstrate through the use of an air quality model that the emission

increases from the new or modified source will not cause or contribute to a violation of an ambient air quality standard.

304 MAJOR SOURCE ADMINISTRATIVE REQUIREMENTS: The following administrative requirements shall apply to any new major source or major modification regulated by the rule. Power plants over 50 megawatts shall be subject to the additional requirements of Section 500.

304.1 Alternative Siting: The applicant shall prepare an analysis functionally equivalent to the requirements of Division 13 of the Public Resources Code (California Environmental Quality Act-CEQA). The District will not issue an Authority to Construct unless the APCO has concluded, based on the information included in the Alternative Siting Analysis that the benefits of the proposed source significantly outweigh the environmental and social cost imposed as a result of its location, construction, or modification.

304.2 Certification of Compliance: The owner or operator of the proposed new or modified source has certified that all existing major stationary sources owned or operated by such person (or by any entity controlling, controlled by, or under common control with such person) in California which are subject to emission limitations are in compliance, or on an expeditious schedule for compliance, with all applicable emission limitations and standards.

304.3 Potential Visibility Impacts: The APCO shall consult with the Federal Land Manager on a proposed major stationary source or major modification that may impact visibility in any Class 1 Area, in accordance with 40 CFR 51.307.

305 GENERAL PROVISIONS

305.1 Air Quality Models: All estimates of ambient concentrations required pursuant to this rule shall be based on applicable air quality models, databases, and other requirements specified in 40 CFR Part 51, Appendix W ("Guideline on Air Quality Models"). Where an air quality model specified in 40 CFR Part 51, Appendix W ("Guideline on Air Quality Models") is inappropriate, the model may be modified or another model substituted. Such a modification or substitution of a model may be made on a case-by-case basis or, where appropriate, on a generic basis. Written approval from the United States Environmental Protection Agency (EPA) must be obtained for any modification or substitution. In addition, use of a modified or substituted model must be subject to notice and opportunity for public comment.

305.2 Ambient Air Quality Standards: In no case shall emissions from the new or modified stationary source prevent or interfere with the attainment or maintenance of any applicable ambient air quality standard. The Air Pollution Control Officer (APCO) may require the use of an air quality model to estimate the effects of a new or modified stationary source. The analysis shall estimate the effects of the new or modified stationary source, and verify that the new or modified stationary source will not prevent or interfere with the attainment or maintenance of any ambient air quality standard. In making this determination the APCO shall take into account the mitigation of emissions through offsets pursuant to this rule and the impacts of transported pollutants on downwind pollutant concentrations. The APCO may impose, based on an air quality analysis, offset ratios greater than the requirements of Section 303.2.

400 APPLICATION PROCESSING

401 REQUIREMENT TO SUBMIT APPLICATION: Any person building, erecting, altering or replacing any article, machine, equipment or other contrivance, the use of which may cause, eliminate, reduce, or control the issuance of air contaminants, shall first obtain authorization for such construction from the APCO as specified in this rule. Exemptions from this requirement are listed in Rule 501, GENERAL PERMIT REQUIREMENTS. The application shall be submitted on forms supplied by the District.

402 COMPLETE APPLICATION REQUIREMENT: The APCO shall determine whether an application is complete no later than 30 days after receipt of the application, or after such longer time period that the applicant and the APCO have agreed to in writing.

If the APCO determines that the application is not complete, the applicant shall be notified in writing of the decision specifying the information required. Upon receipt of any re submittal of the application, a new 30-day period to determine completeness shall begin. Completeness of an application or a re-submitted application shall be evaluated on the basis of the information requirements set forth in District regulations as they exist on the date on which the application or re-submitted application was received, or when the CEQA-related information which satisfies the requirements of the District's CEQA Guidelines has been received, whichever is later.

The APCO may, during the processing of the application, request an applicant to clarify, amplify, correct, or otherwise supplement the information submitted in the application.

403 PRELIMINARY DECISION: Following acceptance of an application as complete, the APCO shall perform the evaluations required to determine compliance with all applicable District rules and regulations and make a preliminary written decision as to whether an Authority to Construct should be approved, conditionally approved, or denied.

The decision shall be based on the Section 300 standards in force on the date the application is deemed complete, except when a new federal requirement not yet incorporated into this Rule applies to the new or modified source.

When the District is the CEQA Lead Agency for a project, the APCO shall not issue a preliminary decision until the draft Environmental Impact Report or Negative Declaration is available for public review. The decision shall be supported by a succinct written analysis. For projects requiring offsets, the APCO shall transmit its preliminary written decision and analysis to the California Air Resources Board and the U.S. Environmental Protection Agency for a 45 day review period.

404 TIMING FOR FINAL ACTION

404.1 The APCO shall not take final action for any project for which an Environmental Impact Report (EIR) or a Negative Declaration is being prepared until a final EIR for that project has been certified or a Negative Declaration for that project has been approved, and the APCO has considered the information in that final EIR or Negative Declaration.

The APCO shall take final action on the application within whichever of the following periods of time is longer:

404.1.1 Within 180 days after the certification of the final EIR or approval of the Negative Declaration, or

404.1.2 Within 180 days of the date on which the application was determined complete by the APCO.

404.2 Except as provided in Section 103, the APCO shall provide written notice of the final action to the applicant, any commenters, the U.S. Environmental Protection Agency, and the California Air Resources Board.

405 AUTHORITY TO CONSTRUCT AND PERMIT TO OPERATE CONTENT: Each Authority to Construct and/or Permit to Operate issued by the APCO shall include the following minimum terms and conditions:

405.1 A provision stating that the emission unit shall be operated in a manner consistent with the application used to determine compliance with this rule.

405.2 The following emissions limitations shall be included, if applicable:

405.2.1 BACT emission limitations if required by Section 302. Such condition(s) shall be expressed in a manner consistent with testing procedures, such as ppmv NOx, g/liter VOC, or lbs/hr.

405.2.2 A quarterly emissions limitation for each offset pollutant, if offsets are required pursuant to Section 303.

405.2.3 An emission limitation (daily, monthly, or quarterly) shall be contained in the Authority to Construct and Permit to Operate for all NSR pollutants for which offsets are not being provided pursuant to Section 303, or when required to be consistent with ambient air quality standards.

405.3 Design, Operational, or Equipment Standards: If the APCO determines that technological or economic limitations on the application of measurement methodology to a particular class of sources would make the imposition of a numerical emission standard infeasible, the APCO may instead prescribe a design, operational, or equipment standard. In such cases, the District shall make its best estimate as to the emission rate that will be achieved and shall specify that rate in required submissions to the U.S. Environmental Protection Agency. Any Authority to Construct or permit issued without an enforceable numerical emission standard must contain enforceable conditions which assure that the design characteristics or equipment will be properly maintained, or that the operational conditions will be properly performed, so as to continuously achieve the assumed degree of control.

406 PUBLICATION AND PUBLIC COMMENT: If a proposed project is required to provide offsets pursuant to Section 303, within ten calendar days following a preliminary decision, the APCO shall publish in at least one newspaper of general circulation in the District a notice stating the preliminary decision of the APCO, noting how the pertinent information can be obtained, and inviting written public comment for a 30-day period following the date of publication.

407 PUBLIC INSPECTION: Except as provided in Section 103, the APCO shall make available for public inspection at the District's office the information submitted by the applicant and the APCO's analysis no later than the date the notice of the preliminary decision is published. Information submitted which contains trade secrets shall be handled in accordance with Section 6254.7 of the California Government Code and relevant sections of the California Administrative Code. Further, all such information shall be transmitted no later than the date of publication to the California Air Resources Board and the U.S. Environmental Protection Agency regional office, and to any party which requests such information.

408 **DENIAL, FAILURE TO MEET STANDARDS:** The APCO shall deny any Authority to Construct or Permit to Operate if the APCO finds that the subject of the application would not comply with the standards set forth in District, state, or federal rules or regulations.

409 **DENIAL, FAILURE TO MEET CEQA:** The APCO shall deny any Authority to Construct or Permit to Operate if the APCO finds that the subject of the application would not comply with the standards set forth in CEQA.

410 **ISSUANCE, PERMIT TO OPERATE:** The APCO shall issue a Permit to Operate an emissions unit subject to the requirements of this rule after determining that all conditions specified in the Authority to Construct have been complied with or will be complied with by the dates specified on the Authority to Construct. Such applicable conditions shall be contained in the Permit to Operate. Where a new or modified stationary source is, in whole or in part, a replacement for an existing stationary source on the same property, the APCO may allow a maximum of 90 days as a shakedown period for simultaneous operation of the existing stationary source and the new source or replacement.

500 **ADDITIONAL PROVISIONS FOR POWER PLANTS:** This Section shall apply to power plants with maximum ratings equal to, or in excess of 50 megawatts proposed to be constructed in the District and for which a Notice of Intention (NOI) or Application for Certification (AFC) has been accepted by the California Energy Commission.

501 Within 14 days of receipt of a Notice of Intention, the APCO shall notify the California Air Resources Board and the California Energy Commission of the District's intent to participate in the Notice of Intention proceeding. If the District chooses to participate in the Notice of Intention proceeding, the APCO shall prepare and submit a report to the California Air Resources Board and the California Energy Commission prior to the conclusion of the non-adjudicatory hearing specified in Section 25509.5 of the California Public Resources Code. That report shall include, at a minimum:

501.1 A preliminary specific definition of Best Available Control Technology for the proposed facility;

501.2 A preliminary discussion of whether there is substantial likelihood that the requirements of this rule and all other District regulations can be satisfied by the proposed facility;

501.3 A preliminary list of conditions which the proposed facility must meet in order to comply with this rule or any other applicable District regulation.

The preliminary determinations contained in the report shall be as specific as possible within the constraints of the information contained in the Notice of Intention.

502 Upon receipt of an Application for Certification for a power plant, the APCO shall conduct a determination of compliance review. This determination shall consist of a review identical to that which would be performed if an application for an Authority to Construct had been received for the power plant. If the information contained in the Application for Certification does not meet the requirements of this rule, the APCO shall, within 20 calendar days of receipt of the Application for Certification, so inform the California Energy Commission, and the Application for Certification shall be considered incomplete and returned to the applicant for re-submittal.

503 The APCO shall consider the Application for Certification to be equivalent to an application for a permit to construct during the determination of compliance review, and shall apply all provisions of this rule which apply to applications for an Authority to Construct.

504 The APCO may request from the applicant any information necessary for the completion of the determination of compliance review. If the APCO is unable to obtain the information, the APCO may petition the presiding Commissioner of the California Energy Commission for an order directing the applicant to supply such information.

505 Within 180 days of accepting an Application for Certification as complete, the APCO shall make a preliminary decision on:

505.1 Whether the proposed power plant meets the requirements of this rule and all other applicable District regulations, and;

505.2 In the event of compliance, what permit conditions will be required including the specific Best Available Control Technology requirements and a description of required mitigation measures.

The preliminary written decision of this Section shall be treated as a preliminary decision under Section 403 of this Rule, and shall be finalized by the APCO only after being subject to the public notice and comment requirements of Sections 406 and 407. The APCO shall not issue a determination of compliance for the power plant unless all requirements of this rule are met.

506 Within 240 days of the filing date, the APCO shall issue and submit to the California Energy Commission a determination of compliance or, if such a determination cannot be issued, shall so inform the California Energy Commission. A determination of compliance shall confer the same rights and privileges as an Authority to Construct only when and if the California Energy Commission approves the Application for Certification, and the California Energy Commission certificate includes all requirements of the conditions contained within the determination of compliance.

507 Any applicant receiving a certificate from the California Energy Commission pursuant to this Section and in compliance with all conditions of the certificate shall be issued a Permit to Operate by the APCO.

600 MONITORING AND RECORDS

601 **RECORDKEEPING:** The following records shall be maintained for two years. Records shall be provided to the APCO upon request.

601.1 Emergency Engines: Records of hours of operation for maintenance purposes and for actual interruptions of electrical power. Such records shall include the date and hours of operation, as well as the reason for operation.

601.2 Portable and Temporary Equipment: Records of operating location(s) and corresponding dates of operation.

ATTACHMENT #2

SUBJECT:

Analysis and Findings Required for Rule Adoption

ANALYSIS AND FINDINGS REQUIRED FOR RULE ADOPTION

The following Analysis and the subsequent Findings are intended to address the requirements set forth in the Health and Safety Code relating to adoption of a new District Rule, as well as other State statutes referenced herein.

1. Cost-Effectiveness of a Control Measure

California Health & Safety Code (H&S) Section 40703 requires a District to consider and make public "the cost-effectiveness of a control measure". A primary provision of NSR is BACT. While BACT levels are not being altered in this rule amendment, each application of BACT requires that it be determined to be cost-effective.

The second main provision of NSR is the requirement for offsets. Most offset provisions of this rule modification reduce cost to sources by increasing offset limits and reducing offset ratios. However, the addition of PM2.5 as a NSR regulated pollutant will potentially increase the cost of compliance to certain projects that require PM2.5 offsets. Since the addition of PM2.5 is mandated by the federal Clean Air Act, cost-effectiveness is not an issue for this rule amendment.

2. Socioeconomic Impact

H&S Section 40728, in relevant part, requires the Board to consider the socioeconomic impact of any new rule if air quality or emission limits are significantly affected. However, Districts with a population of less than 500,000 persons are exempted from the socioeconomic analysis. In 2008, the population of Placer County was approximately 333,000 persons.

3. California Environmental Quality Act (CEQA)

Proposed amended Rule 502 is not an activity that may cause a direct or reasonably foreseeable indirect physical effect in the environment therefore not considered a "project", as defined by Section 21065 of the California Public Resource Code and Section 15378(b)(4)&(5) of the CEQA guidelines. A CEQA analysis is therefore not necessary.

The amendments to Rule 502 are primarily changes to bring the current rule into compliance with the federal and state Clean Air Acts. The most significant modification is to add PM2.5 as a regulated pollutant. This could result in some reduction in PM2.5 emissions by requiring BACT for new and modified sources.

4. Findings

H&S Code Section 40727 requires the PCAPCD, before adopting, amending, or repealing a rule or regulation, to "make findings of necessity, authority, clarity, consistency, non-duplication, and reference. These proposed findings are as follows:

ANALYSIS AND FINDINGS REQUIRED FOR RULE ADOPTION

A. Necessity – The amendment of Rule 502 is necessary in order to obtain federal and state recognition the District's New Source Review rule in the SIP.

B. Authority – California Health and Safety Code, Sections 40000, 40001, 40701, 40702, and 40716 are provisions of law that provide the District with the authority to adopt this amended Rule.

C. Clarity – There is no indication, at this time, that the proposed Rule is written in such a manner that persons affected by the Rule cannot easily understand them.

D. Consistency – The regulation is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.

E. Non-duplication – The regulation does not impose the same requirements as an existing state or federal regulation.

ATTACHMENT #3

SUBJECT:

Staff Report Rule 502: New Source Review

Placer County

Air Pollution Control District

STAFF REPORT

RULE 502

NEW SOURCE REVIEW

PROPOSED AMENDMENTS

February 11, 2010

PROPOSED AMENDMENT OF RULE 502, NEW SOURCE REVIEW STAFF REPORT

Executive Summary

Placer County Air Pollution Control District's (District) New Source Review (NSR) program was established in its current form in September 1993 to ensure that construction and operation of new and modified stationary sources does not interfere with progress towards attainment of the National and State Ambient Air Quality Standards. Because portions of the District have been designated as nonattainment for failure to meet the federal 8-hour ground-level ozone standard, the United States Environmental Protection Agency (EPA) requires the District to implement measures to reduce sources of ozone and its precursors. The District makes its commitment to reduce pollution through the State Implementation Plan (SIP). The SIP is federally enforceable through EPA and the Federal Clean Air Act. A New Source Review, or Preconstruction Review, is required as part of the SIP. The purpose of the proposed amendment of the District's New Source Review Rule is to achieve a SIP approved NSR rule.

On February 11, 2010, the Placer County Air Pollution Control (District) Board of Directors will consider the proposed amendment of Rule 502, NEW SOURCE REVIEW. Rule 502 is being replaced with a re-written rule in order to obtain EPA and ARB approval for incorporation into the SIP, to update definitions and provisions to comply with EPA's NSR Reform, and to provide separate (from major sources) review provisions for non-major sources and sources in attainment areas that are more consistent with practice in nearby air districts.

This rule establishes procedures for the review of new and modified stationary air pollution sources and provides mechanisms, including emission offsets, by which authorities to construct for such sources may be granted without interfering with the attainment or maintenance of ambient air quality standards. Existing Rule 502 is being repealed in its entirety and being replaced with the proposed rule.

The proposed amended rule updates definitions and provisions to comply with EPA's NSR (New Source Review) Reform regulations. Additional significant changes from the current rule include:

- Add PM2.5 as a non-attainment pollutant
- Increase the CO offset threshold to 99 tons/year
- Increase the SOx offset threshold to 27.5 tons/year
- Provide separate requirements for major sources and non-major sources
- Remove offset requirements for the Lake Tahoe Air Basin

Placer County is in the unusual circumstance among air districts in that it consists of three separate air basins; Sacramento Valley, Mountain Counties, and Lake Tahoe. Each air basin has its own attainment status. Sacramento Valley is non-attainment for ozone and PM10, Mountain Counties is non-attainment for ozone, and Lake Tahoe is in attainment of all air quality standards.

The existing Rule 502 reviews all sources using the same criteria, whether major or minor source in all air basins. The criteria treat all sources as major sources in the non-attainment area. Federal and state law allows more lenient treatment of minor sources and sources in attainment areas. The proposed Rule 502 takes advantage of more lenient rules for non-major sources in both non-attainment areas and attainment areas.

The District's portion of the Sacramento Valley Air Basin has recently been declared by EPA as non-attainment for PM2.5. This rule amendment adds PM2.5 as a NSR regulated pollutant and non-attainment pollutant.

Background

The current version of Rule 502 was last amended on December 9, 2004. District Staff has been performing new source review to this version of the rule since that time. This 2004 amendment has not been submitted to EPA or ARB for incorporation in the State Implementation Plan (SIP) due to pre-existing issues with the rule. In fact, no prior version of Rule 502 is currently before EPA or ARB for approval, or has ever been approved for incorporation into the SIP. A previous NSR rule, Rule 508, NEW SOURCE REVIEW, adopted June 19, 1979 was partially approved as a revision to the SIP. Rule 508 and other permitting rules of that time were updated and consolidated, becoming the new NSR rule in 1993.

A current concern with districts amending new source review rules is potential conflict with SB 288, the "Protect California Air Act of 2003", an anti-backsliding law. SB 288 addresses the potential for air districts to relax NSR rules to comply with USEPA NSR Reform regulations. SB 288 establishes a district baseline of December 30, 2002 as the NSR level from which regulations may not be relaxed in subsequent amendments. This baseline is defined as "district rules that the district has adopted as of December 30, 2002; that the ARB submitted to the EPA for inclusion in the SIP; and that have been approved, or are pending approval by the EPA". This baseline does not apply to Placer APCD in that our NSR rule in place in 2002 had not been submitted to the EPA for inclusion in the SIP and had never been approved, and is not pending approval. This will allow the District to make changes in the NSR rule that would be considered backsliding by SB 288 in other districts. The proposed rule is also not a relaxation of our previous Rule 508, NEW SOURCE REVIEW, adopted on June 19, 1979 that has been partially included in the SIP.

Adding PM2.5 as a NSR regulated pollutant in the rule activates requirements for Best Available Control Technology (BACT), offsets, and major source and major modification thresholds for that pollutant.

Discussion of Proposed Rule 502 Significant Changes

Discussed below are descriptions of the significant changes in Rule 502. In addition to these significant changes, there are numerous wording updates that do not significantly change the intent of the section.

Definitions

A number of definitions have been updated in either the term being defined or the definition of that term. EPA has changed terms or refined definitions over the years since Rule 502 was first drafted. Major changes resulted from what EPA refers to as NSR Reform. Guidance on definitions comes from Title 40, Part 51 – REQUIREMENTS FOR PREPARATION, ADOPTION, AND SUBMITTAL OF IMPLEMENTATION PLANS, Subpart I – Review of New Sources and Modifications.

Terms modified or added include:

Actual Emissions
Allowable Emissions
Best Available Control Technology
Emergency Use
Fugitive Emissions
Functionally Equivalent Emission Unit
Major Stationary Source – Sacramento Basin
Modification
Nonattainment Pollutant
PM2.5
Prevention of Significant Deterioration (PSD)
Quarterly Emissions Limitation
Significant
Stationary Source PTE
Actual Emissions Reductions (AER)
Baseline Actual Emissions
Emergency Engines
Emissions Limitation
Historic Actual Emissions
Identical Emission Unit
Major Source – Mountain Basin Major
Modification
NSR Regulated Pollutant
Precursor
Proposed Emissions
Replacement Emission Unit
Significant Emissions Increase
Surplus

Add PM2.5 as a NSR Regulated Pollutant

Incorporating PM2.5 as a NSR Regulated pollutant adds it to the BACT, offset, major source, and major modification requirements of the rule. The BACT threshold for PM2.5 is 80 pounds per day, the same as for PM10.

The offset threshold for PM2.5 is 7,500 pounds per quarter (15 tons per year). This is the same threshold as for PM10. The major source threshold for PM2.5 is the federal requirement of 100 tons/year.

There will be some difficulty in NSR evaluations for PM2.5 because there currently is very limited information on PM2.5 emission factors. EPA is working to update AP-42 (EPA guidance on emission factors) for various emissions sources to include emission factors for PM2.5. This is likely several years in the future. In the meantime, the District may assume that PM2.5 is the same as PM10, unless PM2.5 speciation data is available. This will be conservative and will be adequate as long as the

resulting emissions are below the various thresholds. For combustion sources, PM10 emissions are approximately 90% PM2.5. For dust type sources, the PM2.5 fraction is much smaller.

For NSR evaluations where a PM2.5 threshold is exceeded using the PM10 emission factors, the ARB's HARP (Hotspots Analysis and Reporting Program) contains estimated fractions of PM2.5 for particulate matter emissions for a large number of emission units.

BACT Thresholds

Best Available Control Technology (BACT) is the requirement for a new or modified emission source to apply the best emission control technology that has been demonstrated in practice and is cost effective in this application. A new or modified emission unit with an increase in emissions and total emissions over the threshold must apply BACT.

BACT thresholds remain unchanged with the exception of the addition of the 80 pounds per day PM2.5 requirement. While federal rules allow higher thresholds for attainment pollutants, the District will continue to maintain the current thresholds for all pollutants in all air basins of the District. The District feels that BACT is a primary tool for regulating air emissions and will apply this concept equally to all stationary sources in the District.

Carbon Monoxide Offset Threshold

The carbon monoxide offset threshold is 15 tons/year in the current rule. This is more stringent than the federal requirement of 100 tons/year or our neighboring air districts' at 99 or 100 tons/year. All air basins in Placer County are in attainment of federal and state air quality standards for carbon monoxide. The proposed rule amendment changes the offset threshold for carbon monoxide to 99 tons/year to be consistent with federal and neighboring air district rules. This reduces the need for offsets and modeling, and levels the playing field for District sources with those in other nearby districts.

Sulfur Oxides Offset Threshold

The current offset threshold for Sulfur Oxides (SOx) is 25 tons/year. This is more stringent than the federal requirement of 40 tons/year for SOx as a PM2.5 precursor for major modifications. Our neighboring air districts use a SOx offset threshold of 27.5 tons/year. The proposed amendment changes the District offset to 27.5 tons/year to be consistent with nearby districts and level the playing field with these districts.

Federal Requirement to Provide Offsets

A new section has been added to the amended rule that specifies when federal offsets are required. This federal threshold is equal to the major modification level for the various NSR regulated pollutants. The federal threshold is much higher than the state threshold for most pollutants. While a new or modified stationary source will still have to supply offsets at the lower state threshold, the quality of the Emission Reduction Credits (ERCs) used to satisfy the offset requirements is somewhat less. Federal quality ERCs are issued pursuant to provisions of SIP approved ERC rules while "state" ERCs have

been issued to provisions of ERC rules that may not meet federal standards.

For example, the state NOx offset level is 10 tons per year and the federal offset level is 25 tons per year. For a major source that proposes to make a modification with a NOx increase of 20 tons per year, the applicant could supply 20 tons of state ERCs and no federal ERCs.

Quantity of State Offsets Required

For non-major sources and non-major modifications, the quantity of offsets required has been changed. In the current rule, when an applicant first exceeds the offset threshold, he must supply offsets for the entire amount of the emissions increase since 1993. For example, if a non-major source has baseline actual emissions of 8 tons per year of NOx (offset threshold 10 tons per year) and proposes a modification that increases potential to emit to 11 tons per year, then he would have to offset the entire 11 tons.

Federal requirements for major sources and major modifications require the entire amount be offset. "State" rules allow offsetting only the amount over the threshold for non-major sources and non-major modifications. The current District rule is more stringent than federal and state requirements. With the proposed modification to Rule 502, the applicant would only have to offset the emissions over the offset threshold, or offset 1 ton of NOx. This change will make the District consistent with other nearby districts in the Federal Sacramento Non-attainment Area. This levels the playing field for our sources relative to those in Sacramento, Yolo, and Solano counties.

Offsets in the Lake Tahoe Air Basin

The current NSR rule treats all air basins in the District the same with respect to offset requirements. The proposed amendment deletes offset requirements for the Lake Tahoe Air Basin. The Basin is currently in attainment of federal and state requirements for all NSR regulated pollutants. For attainment areas, there are no states or federal requirements to supply offsets for non-major projects.

Major sources in attainment areas are governed by a separate EPA program called Prevention of Significant Deterioration (PSD). Currently, the District is not delegated authority to permit PSD sources, so these permits are issued by EPA. This may change in the near future with the District accepting this delegation.

The state has a lower (meaning less air pollutant allowed) air quality standard for ozone than does EPA. ARB is considering designating the Tahoe Basin as nonattainment for ozone. State nonattainment does not change our NSR rule, but does require that "progress" toward attainment be shown.

Doing away with offset requirements in the Tahoe Basin should not have an adverse effect on air quality. Historically, we have not had a project large enough to require offsets in the Tahoe Basin. To date, there have not been any Emission Reduction Credits (ERCs) generated in the Basin to be used for offsets, so a project needing offsets would not be possible to permit. However, there are other air quality regulations affecting the Tahoe Basin. The Tahoe Regional Planning Agency (TRPA) has air quality regulations specified in Chapter 91 of the TRPA Code of Ordinances. This regulation requires

BACT and offsets for new and modified sources. The BACT and offset thresholds in Chapter 91 are generally at lower emission levels than contained in Rule 502 for major sources and major modifications in non-attainment areas. The TRPA definition of offsets is essentially what we refer to as mitigation in the planning arena. Mitigations are real emission reductions; they just don't have to go through the rigorous evaluation and EPA review pursuant to SIP approved rules to achieve ERC status. This type of offsets would be possible to generate in the Tahoe Basin, thus enabling a project to be permitted by TRPA under the Chapter 91 rule.

Use of a potential future project in the Tahoe Basin will help illustrate the changes proposed in the District's NSR rule and the TRPA regulations. A biomass fueled electrical generating project that utilizes local forest clearing waste is being studied by Placer County. One option being considered for this project is to generate 3 MW using a gasification process. This system would emit 12 tons of NOx per year.

Under the District's existing NSR rule, offsets would be required for NOx because the emissions are over the 10 ton/year threshold. The project would need to provide offsets for the entire 12 tons of NOx. Currently, there are no NOx ERCs in the Tahoe Basin that could be used for these offsets. One idea that has been discussed is to generate ERCs from avoided open burning of forest clearing waste or the burning of the forest in a wildfire. This would require the District to promulgate an ERC rule which would specify how credits would meet the normal criteria for ERCs of being quantifiable, real, permanent, enforceable, and surplus. Recent experience of the District in promulgating ERC rules for rice straw burning and rail yard control equipment has been that it is a long and difficult process to get EPA and ARB agreement on the details; however both situations were ultimately resolved favorably. Preliminary discussions with EPA regarding open burning emissions reductions being used to offset biomass plant emissions in the Tahoe Basin have been encouraging.

With the proposed amendment of the NSR rule, offsets would not be required for this project. However, the TRPA Chapter 91 would require mitigation of the entire amount of NOx emissions. This mitigation could be the addition of controls on existing NOx emission sources or replacement of NOx sources with new, lower emitting equipment. Another potential source of mitigation would be avoided open burning of forest residue. In this case, rather than promulgating a District ERC rule, the reductions in NOx emissions could be defined by a protocol developed by the District.

Offsets for a Modification That Makes an Existing Source a Major Source

This is a new provision that strives to equalize the burden of offsets for major sources whether they become major all at once through the initial authority to construct, or were a minor source that made a modification that made them a major source. In the case of the applicant whose initial application makes them a major source, the entire amount of the potential to emit must be offset. In the case of a minor source who becomes a major through incremental modifications, this applicant would have supplied offsets only above the offset threshold under typical provisions of federally approved rules.

This new provision of the rule requires that the entire amount of the proposed new potential to emit be offset for a source whose modification makes it a new major source.

Location of Offsets and Offset Ratios

Offset ratios have been adjusted slightly to be consistent with nearby districts to level the playing field for our sources. NOx and ROC ratios for distances between 15 and 50 miles within the District have been reduced from 2:1 to 1.5:1. This will require 25% fewer ERCs to be supplied for this distance range.

Historical Emissions used for Emission Reduction Credits

When a source reduces emissions due to a shutdown of existing emission units or improved control technology, these reductions can be used to offset emission increases in other emission units in the plant, or can be sold to other businesses needing offsets. EPA has changed the rules to allow the historical emissions which are the baseline for emission reductions to be based on the 24 consecutive months prior to the application for the project. If this period in not typical of normal operation, then a typical operational period of 24 consecutive months may be selected within the past 10 years.

Current Rule 502 allows a two consecutive year typical normal operation to be selected in the past 5 years. The District will not change this provision in the amendment in order to be consistent with nearby districts. The District feels that to go back more than 5 years would not reflect typical operation.

Reorganized Rule Structure

The structure of the proposed amended rule has been changed.

- All exemptions from offsets have been moved to Section 303, Offset Requirements
- Offset calculations have been grouped in Section 301, Emission Offset Calculations
- All other offset requirements have been grouped in Section 303, Offset Requirements.
- Major source administrative requirements are relocated to Section 304.
- General administrative requirements have been relocated to Section 400, Permit Processing.

Fiscal Impact

The amendment of Rule 502 will have fiscal impacts on permit applicants as compared with business under the current rule. Several amended requirements of the rule will result in cost reductions, while one new requirement will result in a cost increase to the applicants.

The addition of PM2.5 as a new federal NSR regulated pollutant will require that applicants provide offsets for PM2.5 for projects with emissions increases if the facility emissions of PM2.5 are over 15 tons per year. Currently, applicants supply offsets of PM10 at 15 tons/year. Evaluating the cost increase is somewhat complicated in that PM2.5 is a major constituent of PM10. For combustion sources, PM10 is approximately 90% PM2.5.

For example, consider a non-major source that currently emits 15 tons per year of PM2.5 and proposes a facility modification that increases PM2.5 emissions due to combustion by one ton per year. The applicant would be required to supply one ton per year of PM2.5 offsets. Currently there

are no PM2.5 ERCs available because this is a new criteria pollutant. The applicant would have to supply a greater quantity of PM10 offsets for their PM2.5 content. For ERCs from a combustions source, the applicant would supply 1.1 ton of PM10 offsets. The recent price of PM10 ERCs is approximately $5,000 per ton. The cost for the applicant to supply the credits would be $5,500.

In the District, the need for PM10 credits has been minimal over the past five years. Only two applicants have supplied PM10 credits.

Changing the carbon monoxide (CO) offset threshold from 15 tons per year to 99 tons per year will yield a cost savings to applicants that propose projects that would trigger the 15 tons per year level. A provision of the NSR rule allows applicants to avoid supplying offsets for CO if by an air quality modeling analysis they can show that the increase in ambient concentration does not exceed 500 micrograms per cubic meter, 8 hour average, at or beyond the property line. To date, an applicant has never had to supply CO offsets due to the modeling provision. The District processes no more than one application per year that exceeds the CO offset level. The applicants generally contract the CO modeling analysis to a qualified expert at a cost of approximately $5,000. The burden of modeling will be eliminated for most projects as they will now be below the 99 ton threshold. This levels the playing field for District sources.

Amendment of the SOx offset threshold from 25 tons/year to 27.5 tons/year would yield a cost savings to an affected applicant. The applicant who was required to supply SOx offsets would supply 2.5 tons fewer under the amended rule. Recent costs of SOx offset have been in the range of $12,000 per ton, for a savings of $30.000. There have been no applicants that have been required to supply SOx offsets in the last ten years.

Offset ratios have been adjusted slightly to be consistent with nearby districts. The most significant change is NOx and ROC ratios for distances between 15 and 50 miles within the District have been reduced from 2:1 to 1.5:1. This results in a reduction in the quantity of ERCs an applicant must supply for a project which has an increase of NOx or ROC emissions over the offset threshold. For example, an applicant is over the offset threshold and proposes a project with a NOx increase of one ton per year. The applicant has purchased ERCs from a plant shutdown that was located from 15 to 50 miles from the applicant's facility. Under the current rule with an offset ratio of 2:1, the applicant would need to supply two times his one ton emissions increase, or two tons of NOx ERCs. Recent prices for NOx ERCs have been in the range of $25,000 per ton, so the applicant would spend $50,000 on NOx ERCs. Under the proposed NSR rule with an offset ratio of 1.5:1, the applicant would supply 1.5 tons of NOx ERCs at a cost of $37,500, for a savings of $12,500. The need for offsets in the District is minimal, with approximately one case every two years.

The proposed amendment removes offset requirements from the Lake Tahoe Basin. Should a project be proposed in the Basin that would require offsets, this would be an enabling change. There have never been any ERCs generated in the Basin, so a project that required offsets would not be able to supply them. Permit activity in the Lake Tahoe Basin has mostly been the types of projects that are exempt from offsets like emergency engines or projects below the offset threshold like gasoline dispensing facilities.

Analysis and Findings

The following Analysis and the subsequent Findings are intended to address the requirements set forth in the Health and Safety Code relating to adoption of a new or amended District Rule, as well as other State statutes referenced herein.

Cost-Effectiveness of a Control Measure

California Health & Safety Code (H&S) Section 40703 requires a District to consider and make public "the cost-effectiveness of a control measure". A primary provision of NSR is BACT. While BACT levels are not being altered in this rule amendment, each application of BACT requires that it be determined to be cost-effective.

The second main provision of NSR is the requirement for offsets. Most offset provisions of this rule modification reduce cost to sources by increasing offset limits and reducing offset ratios. However, the addition of PM2.5 as a NSR regulated pollutant will potentially increase the cost of compliance to certain projects that require PM2.5 offsets as described previously. Since the addition of PM2.5 is mandated by the federal Clean Air Act, cost-effectiveness is not an issue for this rule amendment.

Socioeconomic Impact

H&S Section 40728, in relevant part, requires the Board to consider the socioeconomic impact of any new rule if air quality or emission limits are significantly affected. However, Districts with a population of less than 500,000 persons are exempted from the socioeconomic analysis. In 2008, the population of Placer County was approximately 333,000 persons.

California Environmental Quality Act (CEQA)

Proposed amended Rule 502 is not an activity that may cause a direct or reasonably foreseeable indirect physical effect in the environment therefore not considered a "project", as defined by Section 21065 of the California Public Resource Code and Section 15378(b)(4)&(5) of the CEQA guidelines. A CEQA analysis is therefore not necessary.

The amendments to Rule 502 are primarily changes to bring the current rule into compliance with the federal and state Clean Air Acts. The most significant modification is to add PM2.5 as a regulated pollutant. This could result in some reduction in PM2.5 emissions by requiring BACT for new and modified sources.

Findings

A. **Necessity** – The amendment of Rule 502 is necessary in order to obtain federal and state recognition the District's New Source Review rule in the SIP.

B. **Authority** – California Health and Safety Code, Sections 40000, 40001, 40701, 40702, and 40716 are provisions of law that provide the District with the authority to adopt this amended Rule.

C. **Clarity** – There is no indication, at this time, that the proposed Rule is written in such a manner that persons affected by the Rule cannot easily understand them.

D. **Consistency** – The regulation is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.

E. **Non-duplication** – The regulation does not impose the same requirements as an existing state or federal regulation.

F. **Reference** – All statutes, court decisions, and other provisions of law used by PCAPCD in interpreting this regulation is incorporated into this analysis and this finding by reference.

Placer County
AIR POLLUTION CONTROL DISTRICT

3091 County Center Drive, Suite 240, Auburn, CA 95603 • (530) 745-2330 • Fax (530) 745-2373
www.placer.ca.gov/apcd Thomas J. Christofk, Air Pollution Control Officer

MEMORANDUM

TO: Board of Directors, Placer County Air Pollution Control District

FROM: Todd K. Nishikawa, Manager; Compliance & Enforcement

AGENDA DATE: February 11, 2010

SUBJECT: Publication of the Regulatory Measures List for 2010 (Information)

Action Requested:

None. This is an information item.

Background:

Health and Safety Code Section 40923, Publication of Regulatory Measures List, states:

"(a) Upon the state board's approval of a district's attainment plan, and each January thereafter, the district shall publish a list of regulatory measures scheduled or tentatively scheduled for consideration during the following year. The district shall not propose a regulatory measure for consideration during any year that is not contained in the district's most recently published list of proposed regulatory measures unless earlier consideration is necessary to satisfy federal requirements, to abate a substantial endangerment to public health or welfare, or to comply with Section 39666 or 40915.

(b) Subdivision (a) does not apply to any modification of existing rules that the district finds and determines is necessary to do either of the following:
(1) Preserve the original intent of the rules, as stated upon their adoption.
(2) Increase opportunities for alternative compliance"

The statute does not define what constitutes "publication", but the District has interpreted Code Section 40923 to mean that the list must be created and then made available to the public. For good measure the District publishes an announcement of the availability of the Regulatory Measures List in newspapers of general circulation in Placer County, and both announces and posts the availability of the List on the District's Internet webpage.

Discussion:

In accordance with Health and Safety Code Section 40923, a regulatory measure may not be considered for adoption during any year that it is not listed in the most recently published listing of proposed regulatory measures unless earlier consideration is required to satisfy federal requirements, to abate a substantial endangerment to public health or welfare, or comply with Section 39666 (i.e. required to implement State Air Toxic Control Measures) or 40915 (i.e. contingency measures contained in air quality plans).

This listing requirement does not apply to administrative rules that are not control measures, or to the modification of any existing rule that the District finds is necessary to preserve the original intent of the rule or to increase opportunities for alternative compliance methodology.

The District Staff have prepared a list of regulatory measures that may be considered for adoption in calendar year 2010 as new regulations, as well as the amendment of existing rules. The "Regulatory Measures List for 2010" is attached.

Fiscal Impacts:

There may be additional compliance costs for affected facilities and additional administrative costs to the District from the adoption of new and amended rules. These costs will be specifically addressed, to the extent they may be determined, in the staff reports accompanying each new or amended rule at the time they are proposed for workshop or adoption.

Public Outreach:

The District placed notices, in newspapers of general circulation (Auburn Journal Lincoln Messenger and Roseville Press-Tribune), advising the public that the Regulatory Measures List for the 2010 calendar year had been prepared and is available for public review. The Regulatory Measures List for 2010 may be reviewed at the District offices or at the District's Internet webpage. Although it does not appear that law requires a newspaper notice, the notices were published in the interest of advising the public. An announcement was also placed on the District's Web page.

Recommendation:

None. This is an information item.

Attachment (s) #1: Regulatory Measures List: List of Rules to Be Considered for Adoption in 2010.

ATTACHMENT #1

SUBJECT:

2010 Regulatory Measures List

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT

REGULATORY MEASURES LIST

- List of Rules to Be Considered for Adoption in 2010 –

January 2010

The listed rules or regulatory measures are being considered for adoption or amendment in the 2010 calendar year. If the rule or regulatory measure is not addressed in 2010, it may be considered for adoption or amendment in the 2011 calendar year or later.

In accordance with Health and Safety Code Section 40923, a regulatory measure may not be considered for adoption during any year that it is not listed in the most recent published list of proposed regulatory measures unless earlier consideration is required to satisfy federal requirements, to abate a substantial endangerment to public health or welfare, or comply with Section 39666 (i.e. required to implement State Air Toxic Control Measures) or 40915 (i.e. contingency measures contained in air quality plans). This listing requirement does not apply to administrative rules that are not control measures, or to the modification of any existing rule that the District finds is necessary to preserve the original intent of the rule or to increase opportunities for alternative compliance methodology.

Although not required, the list provided includes rules that need not be listed for Section 40923 purposes to the extent such rules have been identified.

For information and comparative purposes the regulatory measures that were actually adopted by the District in calendar years 2008 and 2009 are listed, as well, below:

Regulatory Measures That Were Adopted/Amended in 2008:

- Rule 411, Indemnification of District. Adopted February 14, 2008
- Rule 412, Agricultural Engine Registration, Amended August 14, 2008
- Rule 515, Stationary Rail Yard Control Emission Reduction Credits, Adopted October 9, 2008
- Rule 245, Surface Coating of Metal Parts and Products, Adopted December 11, 2008
- Rule 206, Incinerator Burning, Amended October 9, 2008
- Negative Declaration adopted 12/11/08 with regard to no sources in Placer County exceeding the threshold of Control of Volatile Organic Emissions from Flexible Package Printing (EPA-453/R, 06-003, 09/2006) to satisfy federal requirements.

Regulatory Measures That Were Adopted/Amended in 2009:

- Rule 516, Rice Straw Emission Reduction Credits, Adopted February 19, 2009
- Rule 214, Transfer of Gasoline into Vehicle Fuel Tanks, Amended April 9, 2009
- Rule 245, Surface Coating of Metal Parts and Products, Amended August 20, 2009
- Rule 233, Biomass Boilers, Amended December 10, 2009

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT

REGULATORY MEASURES LIST

- List of Rules to Be Considered for Adoption in 2010 –

Regulations Being Considered for Adoption in 2010:

Most likely to be adopted in 2010:

- Amendment of Rule 102, Definitions, to reflect new terms used in rules (added 2010).
- Amendment of Rule 501, General Permit Requirements, for submission as a revision of the State Implementation Plan (added 2009).
- Amendment of Rule 502, New Source Review, for submission as a revision of the State Implementation Plan (added 2009).
- Amendment of Rule 503, Emission Statement, to clarify and update the terminology with regard to the information to be reported (added 2010).
- Amendment of Rule 504, Emission Reduction Credits, to reflect new ERC rules and for submission as a revision of the State Implementation Plan (added 2009).
- Amendment to revise or rescind Rule 506, Biomass Emission Reduction Credits, to conform to the adoption of rule 516, Rice Straw Emission Reduction Credit, adopted in 2009 (added 2009).
- Amendment of Rule 218, Architectural Coatings; Rule 236, Wood Products Coating Operations; and Rule 238, Factory Coating of Flat Wood Paneling; are being considered. There is a conflict between the requirements that are applicable to coatings used in a shop environment and the requirements applicable for the same types of substrate in field coating application environments. The District wishes to level the field for shop coaters and field coaters. The amendment of Rule 218 is a SIP commitment for 2012 (added 2007)
- Amend Rule 232, Biomass Suspension Boilers, to address US EPA comments indicating that the Rule cannot be SIP approved as meeting Federal Reasonably Available Control Technology (RACT) requirements (added 2010).
- Amendment of Rule 234, Automotive Refinishing Operations, to revise applicator requirements and may include an update of requirements to meet a State Suggested Control Measure (SCM). In addition, the District wishes to clarify the recordkeeping and reporting required of coating distributors. Amendment of this rule is a SIP commitment for 2015 (added 2009).
- Adoption of a new Rule, in Regulation 6 – FEES, to implement Federal Clean Air Act - Section 185 fees penalizing Major Stationary Sources (i.e. large emission sources) for the failure of severe and extreme ozone non-attainment areas to reach attainment by the attainment date - as an incentive. The proposed Rule will provide alternative equivalent funding air quality programs that are no less stringent than that mandated by Section 185 fees that otherwise will be assessed by the State or by U.S. EPA. If not collected by the State or local district, and without an alternative equivalent program, the fees will be levied by the U.S. EPA without any commensurate benefit to the local air quality improvement programs of the areas where the fees are collected (added 2009).
- The modification of existing rules that the District finds is necessary to preserve the original intent of the rule to meet FCCAA requirements for the adoption of Reasonably Available Control Technology (RACT) and CCAA requirements for the adoption of Best Available Retrofit Control Technology (BARCT) and "every feasible measure", including updates of the following rules:
  - Rule 216, Organic Solvent Cleaning and Degreasing Operations (added 2009)
  - Rule 217, Cutback and Emulsified Asphalt Paving Materials (added 2009)
  - Rule 232, Biomass Suspension Boilers (added 2010)
  - Rule 235, Adhesives (added 2010)
  - Rule 239, Graphic Arts Operations (added 2010)

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT

REGULATORY MEASURES LIST

- List of Rules to Be Considered for Adoption in 2010 –

To be considered, but less likely to be adopted in 2010:

- Amendment of Regulation 3, Open Burning, Rule 301 through Rule 325, to update the rules to match current state law and to address U.S. EPA comments, and to re-organize and update the formatting of all of the Rules to make the requirements more easily understood (added 2010).
- Rescind Regulation 9, Rules 902 through 906. These rules are modeled after the State's adopted Airborne Toxic Control Measures (ATCMs). By law each ATCM becomes enforceable by the air district after six months, if an equivalent or more stringent rule is not locally adopted. Rescinding these rules will make it unnecessary to update the rules when the State makes changes to the ATCMs.
- Amendment of Rule 206, Incinerator Burning, and if necessary, Rule 222, Reduction of Animal Matter, to resolve conflicting requirements for human/animal cremation (added 2010).
- The adoption of Negative Declarations as required to satisfy federal requirements for findings that no sources exist in Placer County that exceed thresholds for specified source categories.
- Adopt a new rule for Asphalt Concrete Plants, requiring retrofit to low-NOx burners and flue gas recirculation to lower NOx emissions. Adoption of a new rule is a 2013 SIP commitment (added 2010).
- Adopt a new or amended rule for to set low NOx emission standards for new Large Water Heaters and Boilers between 75,000 BTU and 1,000,000 BTU. This range if heating values is currently not addressed by a District rule. Adoption of a new or revised rule is a SIP commitment for 2015 (added 2010).
- Amendment of Rule 601, Permit Fees, to make fee schedule changes that better reflect actual levels of effort and distributed program costs, while being relatively revenue neutral with respect to the total of permit fee revenue derived from stationary sources (added 2009). Fee rules are administrative and are not regulatory measures; however, the consideration of the fee rules is mentioned to be as complete as possible in the disclosure of planned rules and rule changes.
- Amendment of Rule 604, Source Test Observation and Report Evaluation, to allow fees to be assessed based on actual staff hours, if actual costs exceed the specified fee of $220 for a source test observation and report evaluation, and to add a CPI adjustment to the $220 fee. Fee rules are administrative and are not regulatory measures; however, the consideration of the fee rules is mentioned to be as complete as possible in the disclosure of planned rules and rule changes (added 2010).
- Amendment of Rule 610, Air Toxics "Hot Spots" Fees, to reflect current program requirements and annual fee payments to the State (added 2009). Fee rules are administrative and are not regulatory measures; however, the consideration of the fee rules is mentioned to be as complete as possible in the disclosure of planned rules and rule changes.
- Adoption of a new rule or new provisions for an existing rule defining the authority of the District to inspect permitted facilities; and to collect, record, and preserve evidence or information upon inspection (including documentation of compliance and non-compliance by the taking of photographs and video images); and to provide for requesting compliance information, is being considered. This is an administrative requirement. (added 2005)

PLACER COUNTY AIR POLLUTION CONTROL DISTRICT

REGULATORY MEASURES LIST

- List of Rules to Be Considered for Adoption in 2010 –

- Adoption of new fees for toxic new source reviews, area wide and indirect source reviews, naturally-occurring asbestos dust control plan reviews and fees to recover District costs for other reviews that are not necessarily "Permit Fees" may be considered, and rules separate from Rule 601, Permit Fees, may be considered. Fee rules are administrative and are not regulatory measures; however, the consideration of the fee rules is mentioned to be as complete as possible in the disclosure of planned rules and rule changes. (added 2005)
- The adoption of an Indirect Source Rule will be considered when fully developed and in the time frame consistent with the State Implementation Plan (SIP) commitment for attainment of the Federal 8 Hour Ozone Standard. This will be prior to 2014. This measure is intended to assist the region in meeting Federal Air Quality Standards and California Clean Air Act requirements to implement all feasible measures. The indirect source rule would seek emission reductions from land uses that attract or generate motor vehicle trips. These emissions may be reduced directly, through the on-site mitigation of emissions, or through off-site mitigation strategies achieved by collecting and utilizing air quality impact fees (added 2008).

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Placer County
AIR POLLUTION CONTROL DISTRICT

3091 County Center Drive, Suite 240 Auburn, CA 95603 • (530) 745-2330 • Fax (530) 745-2373
www.placer.ca.gov/apcd Thomas J. Christofk, Air Pollution Control Officer

2010 Clean Air Grant General Update, including Budget, Outreach, and Marketing Efforts

The 2010 Clean Air Grant (CAG) program is now open and program solicitation has begun. The funds required to implement this program come from several different sources. The funding sources that will be used in the 2010 CAG program are the DMV Surcharge Funds (AB 2766 and AB 923), and the Air Quality Offsite Mitigation Fund. The total funds for the 2010 CAG program are $1,024,751. There is $872,476 budgeted for AB 2766 and AB 923 funds ($436,238 from each funding source), $35,920 budgeted as Mitigation West funds, and $116,355 budgeted as Mitigation East funds. AB 2766 funds can be used to upgrade on-road and off-road equipment, install alternative fuel infrastructures, expand transit services, and support public education/information projects related to air quality that meet the guidelines for AB 2766 funds. AB 923 funds can fund school bus replacement projects and Carl Moyer like projects. Mitigation funds can be used to fund the same types of projects as listed above, but with a little more flexibility, and are generally applied towards projects in the same air basin as where the funds were collected, hence the separation into East Side and West Side areas. As always, the goal of the program is to fund the most competitive and cost effective projects.

The marketing budget for the 2010 CAG program is $7,000. Below is a detailed list of marketing strategies performed in preparation for the CAG program. The bulk of marketing costs go towards the running of public notices and display ads.

- Public notices were placed in the Sacramento Bee, the Tahoe World, and six of the eight newspapers managed by Gold Country Media and were scheduled to run in the first week of January.

- Display ads ran in the above mentioned papers, during the weeks of 1/11/10, 1/25/10, and 2/8/10.

- Postcard and email notifications advertising the program and workshops were mailed out to over 200 groups, agencies, and individuals.

- Three workshops were conducted: The first two workshops took place on January 22 in Auburn (morning and evening workshop) and the third workshop was held in Truckee on January 27. Additional workshops will be scheduled if the need arises.

- The District's website was updated with all of the recent 2010 CAG information, including applications, program guidelines and information, and additional resources.

Applicants have six categories to choose from when filling out an application. They are:

1. Heavy Duty (>8500 pounds): On and Off-Road Mobile Vehicles/Equipment: Typical projects include re-powers, retrofits, and replacements.

2. Alternative Fuels Infrastructure or Low Emission Fuel Purchase: This may include the installation of a biodiesel/CNG fueling station or the purchase of an alternative fuel which would provide a reduction in NOx, DPM, and/or ROG.

3. New or Expanding Alternative Transit Service Program: This category applies to alternative transportation projects that support and encourage alternative modes of transportation, projects that establish new or existing programs, and to the maintenance, administration, and project costs that are needed to run such programs.

4. Public Education/Information.

5. Diesel Agriculture Pump Repowers: Convert a diesel pump to an electric pump.

6. Other Emission Reducing/Energy Conserving Projects: This program category encourages applications that do not fit in the above emission reduction categories. Innovative concepts, including energy conservation projects and the use of renewable resources should apply under this category. The PCAPCD will accept and evaluate applications under this category on a case by case basis.

The timeline laid out for both applicants and the District is as follows:

January 1, 2010	Applications are available by hard copy or on the District's website.
February 26, 2010 at 5:00 PM.	The deadline for submitting applications for the FY 2009-10 funding cycle. Postmarks and applications submitted via a facsimile will not be accepted.
April 8, 2010	PCAPCD Board of Directors reviews projects for funding.
Week of April 19, 2010	District Staff begins to mail Award Letters and Contracts to successful applicants.
May 16, 2010	Deadline for submittal of signed contracts to the District.

Information and Update on Federal Clean Air Act Section 185 Fees

February 11, 2010

Section 185 of the Federal Clean Air Act (FCAA), as amended in 1990, requires ozone nonattainment areas to develop and adopt, as a revision to the State Implementation plan (SIPs), a fee collection rule to be implemented in the event that an area fails to attain the ozone standard by the required attainment date.

The purpose of the Section 185 fee is to provide an ever-growing incentive to reduce ozone-forming pollutant emissions to levels that achieve the ozone standard.

Recently, U.S. EPA advised Placer, and the other Sacramento Federal Ozone Non-attainment Area districts (Sacramento Metropolitan AQMD, Yolo-Solano AQMD, Feather River AQMD, and El Dorado County APCD) that having failed to reach attainment with the 1-hour Ozone Standard by November 15, 2005, the districts are now required to adopt a Section 185 fee rule within 18 months of the notice or face sanctions for failure to do so (i.e. withholding of highway funds, bump-up to a higher offset ratio). In addition, if the districts continue to not adopt a rule, and fees, eventually the U.S. EPA will collect these fees. The U.S. EPA also sent similar notices to the South Coast AQMD, Antelope Valley AQMD, and San Joaquin Valley Unified APCD.

The Section 185 fee is assessed of Major Sources on ozone precursor emissions (i.e. NOx and ROG) for each year that the attainment with the ozone standard is not achieved. The reduction in NOx and ROG emissions that is required is the amount of actual emissions that have exceeded 80% of the Major Source's baseline year (i.e. 2005) emissions. The fee in 1990 was $5,000 per ton of emissions the fee is now approximately $8,755 per ton.

The District Staff has calculated the potential fees for Placer County's Major Sources as an estimated total through 2009 of $2,757,863.22 in fees, with the fees applicable to the year nonattainment, as follows:

Year	**Estimated Section 185 Fees**	**Emissions in Excess of 80% of Baseline Emissions TPY**	
		NOx	**ROG**
2009	$636,877	68*	5
2008	$619,128	68	5
2007	$694,620	76	8
2006	$807,239	95	6
Total	$2,757,864	330	24

Information and Update on Federal Clean Air Act Section 185 Fees

February 11, 2010

For Placer County Major Sources, the Section 185 fee obligation through 2009 is potential fee of:

Formica	$87,217.50
Rio Bravo	$787,504.62
SierraPine	$297,960.34
Sierra Pacific Industries	$1,585,180.77

**Formica ceased operation prior to 2007.

The District believes that the case can be made that attainment was achieved in 2009 if the District is allowed to exclude air quality exceedances caused by wildfires in 2008. Federal law allows adjustments, so such abnormal events do not cause a violation of air quality standards, and the District is pursuing approval of exceedances during the wildfire periods as "Exception Events". If the District is successful in demonstrating attainment for 2007, 2008, and 2009, the sole non-attainment year for which fees were not collected would be 2006, for a Section 185 fee of $807,238.57.

Recent guidance provided by U.S. EPA indicates that the District has four (4) alternatives in its adoption of a Section 185 rule - we can adopt one, several, or all of these alternatives.

1. Adopt a Fee Collection Rule: The District may adopt a rule that requires the collection of the fees by the District from Major Sources. U.S. EPA has indicated that it is required that fees be collected, retroactively if necessary, for each non-attainment year after the year (2005) that attainment was not achieved. The fees to be collected from the Major Source companies through the end of the 2009 calendar year are $2,757,863 and if the District makes an attainment demonstration for the 2007, 2008, and 2009, the fee will be $807,238.

2. Adopt a Fee-Equivalent Alternative Program: U.S. EPA has determined that Section 172(e) allows the adoption of an alternative program that is "no less stringent" and consists of comparing expected Section 185 fees that would otherwise be paid by Major Sources to fees or funds from the alternative fee-equivalent program. The alternative program would exempt or reduce the fee obligation on well-controlled Major Sources, and raise at least that much revenue for each applicable calendar year and establish a process where the revenues would be used to pay for emission reductions at less well-controlled sources as an incentive for those sources to further reduce emissions of ozone forming pollutants. These reductions could not be reductions that have already been accounted for in the applicable SIP. The fee-equivalent revenue could come from other non-major sources of emissions. There is no cost-effectiveness requirement associated with the expenditure of the fee-equivalent revenue, which means that as long as the expenditure achieved an emission reduction of ozone precursors and the reductions are not already accounted for in the SIP, the expenditure can reduce the amount that would otherwise be paid by the Major Sources on a dollar-for-dollar basis.

3. Adopt an Emissions-Equivalent Alternative Program: U.S. EPA has determined that Section 172(e) allows the adoption of an alternative program that is "no less stringent" and consists of comparing the

actual emissions of Major Sources that are in excess of 80% of the baseline year emissions to emissions reductions achieved through an emissions-equivalent alternative program. The alternative program would need to reduce the emissions of ozone precursors in each applicable calendar year in an amount that is equally beneficial in reducing ozone formation to the amount of emissions by which the fee emissions threshold is exceeded. The emission reductions could reduce all, or a portion of, fee obligations of Major Sources. The emission reductions of the alternative program could come from the same set of Major Sources that are subject to Section 185, or from a different set of sources, in whole or in part, as long as all reductions come from within the nonattainment area and are equally beneficial in reducing ozone formation. Emission reductions already required by the applicable SIP cannot be used as alternative emission reductions.

4. Adopt an Alternative Program Consisting of a Combination of Emission Reductions and Fees: A program that combines the features of the Fee-Equivalent Alternative Program and the Emissions-Equivalent Alternative Program could also be adopted.

Accordingly, the Section 185 fee regulation adopted by the District could include any or all of the preceding elements.

The alternatives recognize that Major Sources are often well-controlled and there is little that they can do to further reduce their emissions, and that the reductions should be sought from other emission sectors that are less well-controlled.

Unlike many, and perhaps most, of the air districts facing the Section 185 fee requirement, Placer may be in position to utilize the fee-equivalent or emission-equivalent alternative programs, or both. Placer is in the exceptional position in that the District may utilize the Clean Air Grants (CAG), that are funded through DMV fees and project mitigation fees, and typically exceeding 1 million dollars annually, as the dollar-for-dollar equivalent to the Section 185 fees, when the grant projects have achieved emission reductions in NOx or ROG, ozone precursors. These reductions have not been committed to in the SIP.

Similarly, because of the District's unique 2004 agreement with Union Pacific Rail Road to reduce emissions at the J.R. Davis Roseville Railyard, and the District's program to verify that reductions were in fact achieved, the emission reductions of NOx and ROG under this agreement can be used to reduce or eliminate the Section 185 fee obligation. The railyard emission reductions obtained through the agreement are not a SIP commitment.

Accordingly, the District intends to adopt a rule that provides for the Section 185 fee and the fee-equivalent and emissions-equivalent alternatives, with intention of seeking to utilize some combination of the fee-equivalent and emissions-equivalent alternatives to totally eliminate the obligations of Placer County Major Sources to pay the Section 185 fees.

Placer County
AIR POLLUTION CONTROL DISTRICT

3091 County Center Drive, Suite 240 Auburn, CA 95603 • (530) 745-2330 • Fax (530) 745-2373
www.placer.ca.gov/apcd Thomas J. Christofk, Air Pollution Control Officer

Federal 8-hour Ozone Standards Updates:

On July 18, 1997, the Environmental Protection Agency (EPA) promulgated a new 8-hour standard for ozone. Then EPA published the new designations and nonattainment classifications in June 2004. Sacramento region is designed as a "serious" nonattainment area with an attainment deadline of June 2013. Because the analysis showed that the Sacramento Region can't meet the 2013 deadline, in February 2008 the five air districts within the Sacramento Region submitted the request to EPA to reclassify the Sacramento nonattainment area from "serious" to "severe" and granted an extension to the attainment deadline from 2013 to 2019. In February 2009, your Board and the Boards of the other four air districts adopted an 8-hour Ozone SIP which was developed to demonstrate that the Sacramento Region will attend the 1997 federal ozone 8-hour standard in 2018. This ozone SIP was approved by ARB and then submitted to EPA for approval in April 2009.

On March 12, 2008, EPA strengthened the national ambient air quality standards (NAAQS) for the ozone 8-hour average. The revised 2008 ozone 8-hour average standard is 0.075ppm, which is 11 % lower than the 1997 standard (0.084ppm). ARB submitted the recommendations for boundaries of nonattainment areas for this revised standard to EPA on March 12, 2009. ARB recommended that the Sacramento Region retains the existing nonattainment area boundaries designed for 1997 ozone 8-hour standard. EPA has one year to complete designation analysis for the 2008 standards, which means they can be expected by March 2010. Areas that are designed as nonattainment will have three years to develop a SIP for meeting the revised 2008 standards. If the classification for the Sacramento Region remains severe, the Region would have 15 years after designation to meet the standards, which would translate into a deadline for attainment of 2025.

On January 6, 2010, EPA announced that they are reconsidering the ozone standards set in 2008. EPA is proposing to strengthen the 2008 ozone 8-hour standards from 0.075 ppm down to a level within the range of 0.060-0.070 ppm, and establish a seasonal "secondary" standard with the range of 7-15 ppm-hour to protect sensitive vegetation and ecosystems, including forests, parks, wildlife refuges and wilderness areas. According to the 2006-2008 air monitoring data, Placer County (including Lake Tahoe area) would be designated as nonattainment along with El Dorado, Nevada, Sacramento, Sutter, Yolo, and Yuba County. If the action of reconsideration results in EPA issuing different ozone standards in August 2010, the new ozone standards would replace the 2008 ozone standards. The deadline for ARB to submit the new nonattainment recommendations to EPA will be in January 2011. EPA will publish the final area designations in July 2011 and the new SIP should be due to EPA in December 2013. The following is the table showing the existing and proposed federal 8-hour ozone standards.

	8-hour ozone primary standard	% lower than 1997 standard
1997 standard	0.084 ppm	
2008 standard	0.075 ppm	11%
2010 standard	0.070 ~0.060 ppm	23%*

*Assuming 2010 standard is 0.065 ppm