

Proposed Amendments to NOx RECLAIM

Working Group Meeting

Facility Shutdowns

August 9, 2016

December 4, 2015 Governing Board Motion

- Did not include the facility and equipment shutdown rule language, i.e., subdivision (i)
- Return to the NOx RECLAIM Working Group to:
 - Conduct further discussion and analysis;
 - Include the proposal's potential implications on the entire NOx RECLAIM Program; and
 - Consider possible alternatives that would allow a closer alignment of the treatment of shutdown credits in the RECLAIM and command-and-control programs, short of full forfeiture
- Following this process, bring staff's original proposal or some other alternative back to the Governing Board for consideration

Primary Objectives of the Proposal

- Avoid use of facility shutdown RTCs to delay installation of BARCT at other RECLAIM facilities
- Achieve a closer alignment of the treatment of shutdown credits under RECLAIM and emission reduction credits (ERCs) under command-and-control rules
- Further ensure that the RECLAIM program will result in equivalent or greater reductions in emissions compared to BARCT regulations as required by State law
- Provide fair treatment of facilities with equipment not operating for an extended time period but not permanently shutdown

3

Comment Letters Received

- WSPA (March 14, 2016)
- Regulatory Flexibility Group (May 24, 2016)
- AES (June 14, 2016)
- Tesoro (June 29, 2016)

4

Key Industry Comments

- RECLAIM is working
- Buying and selling RTCs is a fundamental component of a market-based program
- They should be able to sell credits from shutdown equipment without restriction
- Any shutdown provisions should be limited to the entire facility not to individual equipment

5

Key Industry Comments (cont.)

- Focus on “use” of the shutdown RTCs not “generation”
- Restrict use of shutdown RTCs at an existing facility that is not already at BARCT
- Treat multiple facilities under common control as a single facility

6

Current Staff Draft Proposed Rule Language (released 7/22/16)

7

Applicability

- Applicable to facilities in RECLAIM that permanently shutdown as demonstrated by:
 - Surrendering District operating permits for the entire facility; or
 - Being deemed shutdown as determined the Executive Officer (See next slide)
- Requirements shall not apply to facilities without an initial allocation

8

Executive Officer Determination of a Facility Shutdown

- The Executive Officer will deem a facility as shutdown by verifying non-operational status when reported emissions drop more than 90%
 - Based on annual RECLAIM reports (APEPs) from previous 2 compliance years
- Other Executive Officer considerations include:
 - Cyclical operations in conjunction with facility equipment
 - Delay in the availability of parts used to repair equipment – some or all of equipment/processes temporarily shutdown
 - Equipment that must be placed in a reserve status until operations are recommissioned requiring reinstatement of this equipment
 - Emission reductions due to add-on NOx emission controls

9

Executive Officer Determination of a Facility Shutdown (*Continued*)

- Facilities can request “planned non-operational” status of no longer than 5 years from the date of shutdown, upon meeting certain specific criteria
 - All RTCs would become non-tradable
- Provide fair treatment of facilities with operations out of service, but not permanently shutdown

Calculating RTC Adjustment From Facility Shutdowns

- If a facility shuts down, the allocations for each future compliance year shall be reduced by the difference between:
 - The average of the actual NO_x emissions from the highest 2 of the past 5 compliance years of operation, and
 - The NO_x emissions that would have occurred in those same 2 years if BARCT was applied
- Any Rule 1304 offsets provided by SCAQMD that remain as part of the adjusted initial allocation will also be subtracted from this amount

11

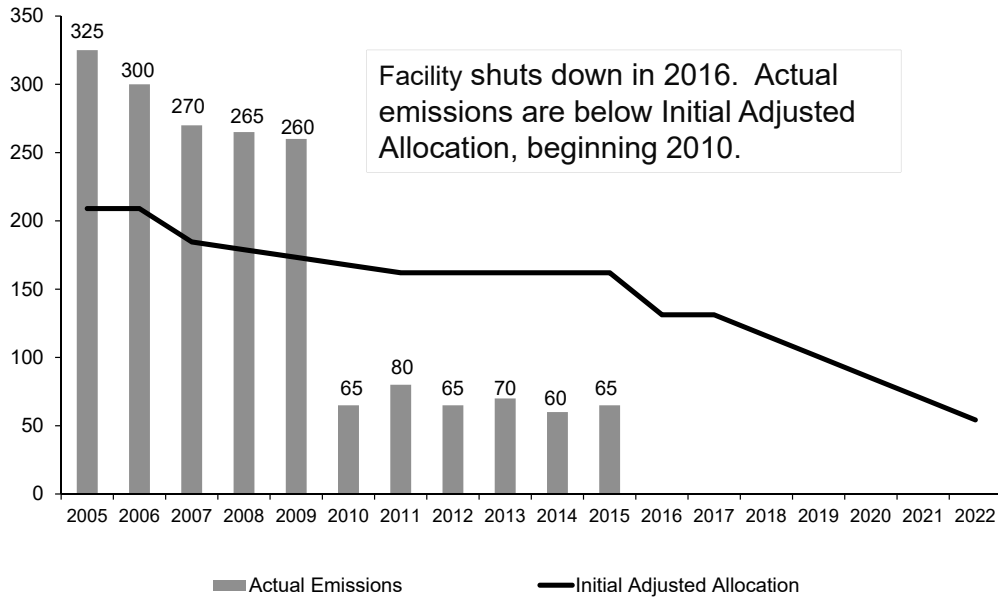
Calculating RTC Adjustment From Facility Shutdowns (*Continued*)

- The reduction in RTCs shall not exceed the facility's adjusted initial allocation
- Any allocated RTCs that have been sold prior to the shutdown reduction shall be purchased and retired to fulfill the entire reduction requirement
- Requirements shall not apply to facilities that shutdown and transfer RTCs to another facility under common ownership that conducts the same function based on NAICS

12

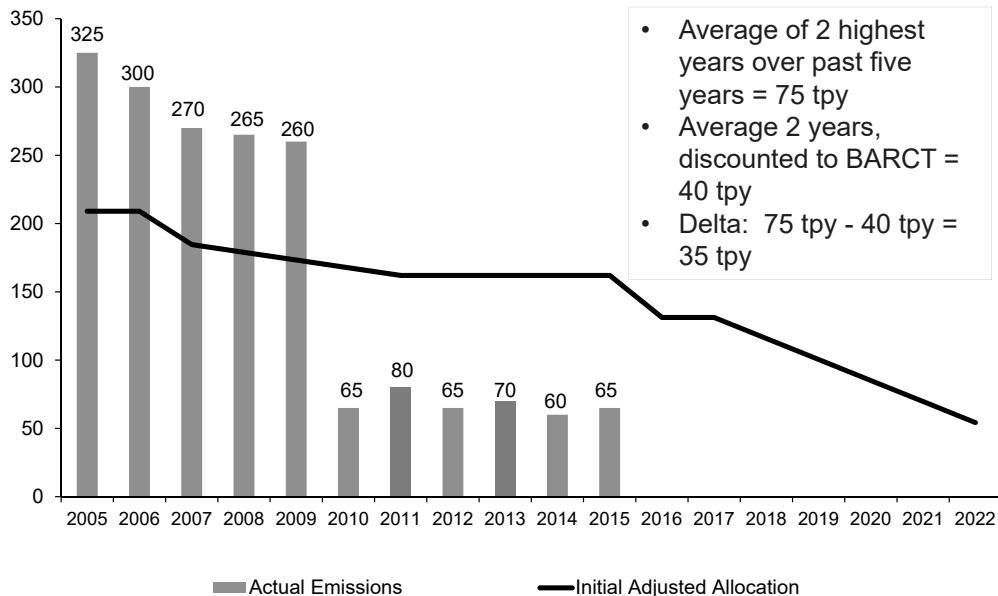
Sample Calculation #1

(RTC Reduction Less Than Adjusted Initial Allocation)



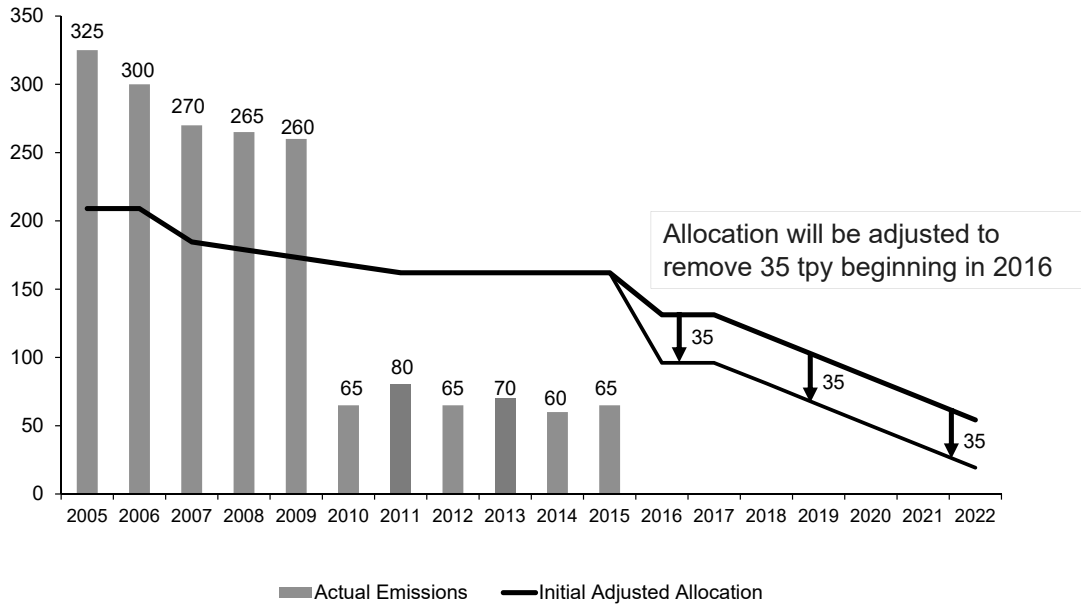
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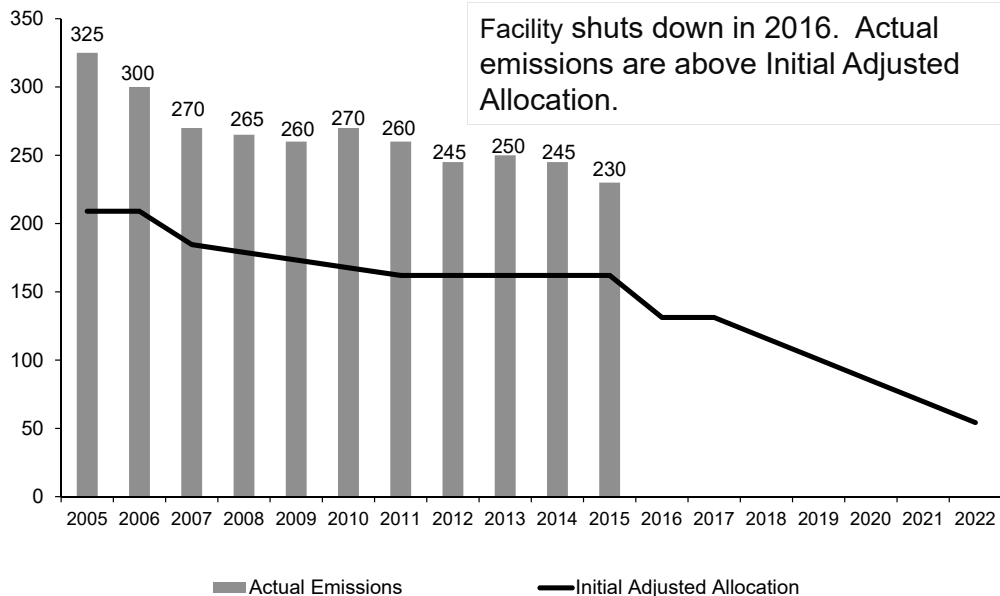
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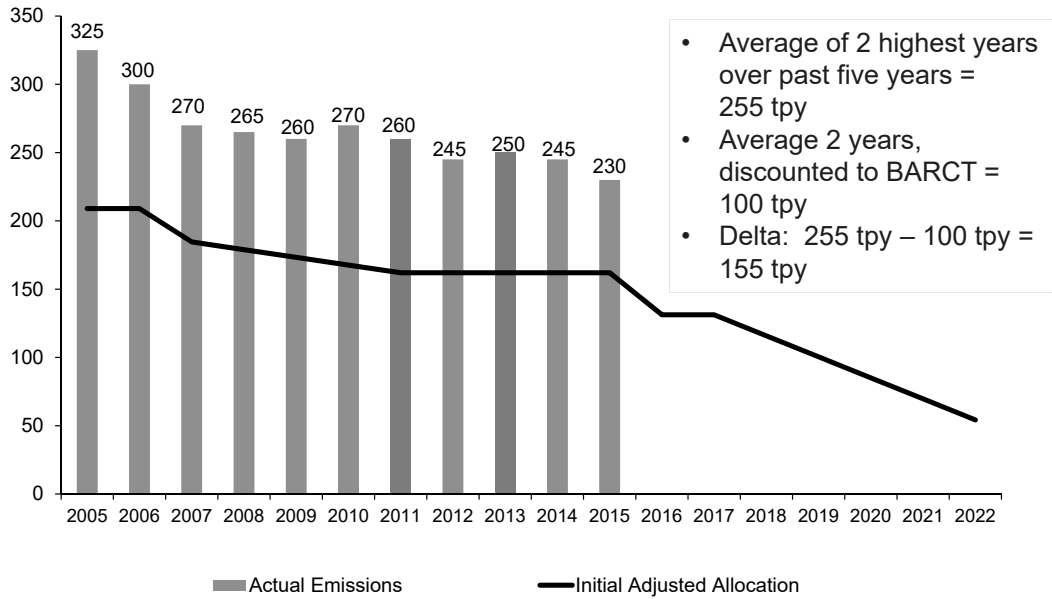
Sample Calculation #2

(RTC Reduction Greater Than Adjusted Initial Allocation)



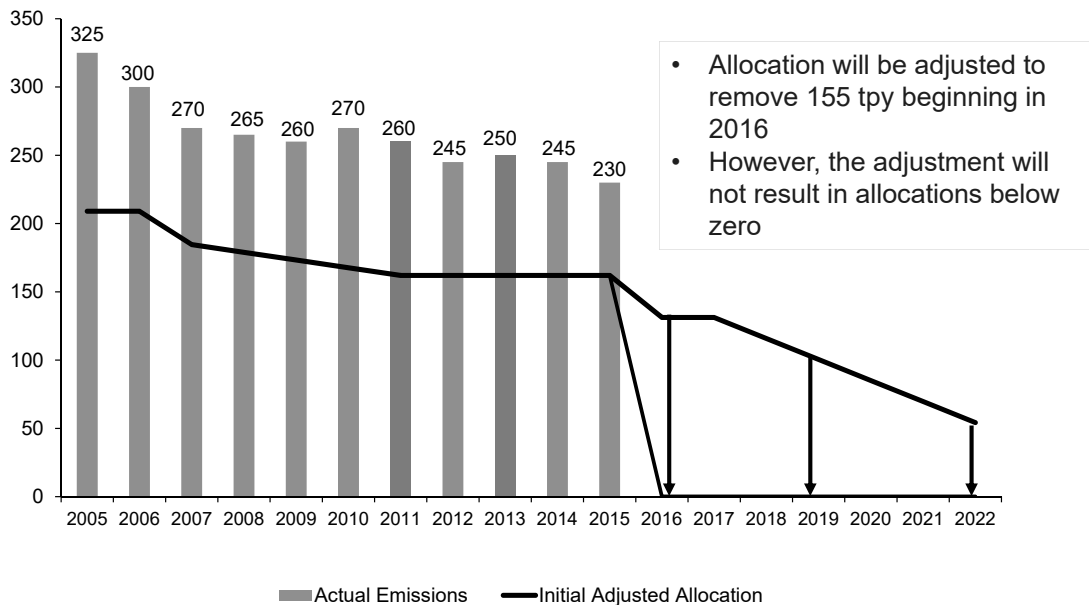
Sample Calculation #2

(RTC Reduction Greater Than Adjusted Initial Allocation)



Sample Calculation #2

(RTC Reduction Greater Than Adjusted Initial Allocation)



Stationary Source Committee Comments

- Request to estimate the quantity of RTCs to be left in the market under staff's proposal, compared to the proposed amendments of December 2015
 - Staff working on scenarios for all Table 7 and 8 facilities
- Consider other criteria for common ownership

19

Other Concepts Under Consideration

- Definition of Common Ownership/Control
 - By NAICS (# of digits)
 - Freeze the date of common ownership (i.e., September 22, 2015 RTC holding freeze date)
 - By other criteria
- If a facility is under common ownership/control and it shuts down
 - RTCs to be transferred to other facility would become non-tradable; or
 - RTCs would be only transferable to facilities at BARCT

20

CEQA

- An Addendum to the Dec. 2015 Final Program Environmental Assessment (PEA) will be prepared for the current shutdown RTC proposal:
 - Only non-substantial changes to Final PEA are necessary to reflect current proposal
 - No new or more severe project-specific or cumulatively significant effects would occur
- CEQA does not require circulation of Addendum
- Addendum to be included in Set Hearing Board Package available 30-days prior to Public Hearing

21

Next Steps

- Continue Working Group Meetings as needed
- Public Workshop – August 11, 2016
 - Seek additional input on common ownership/control and shutdown RTC restrictions
- Set Hearing – September 9, 2016
- Stationary Source Committee Meeting – September 16, 2016
- Public Hearing – October 7, 2016

22