

NOTICE OF AN IMPORTANT PUBLIC MEETING

Potential Failure of Annual Offset Equivalency Demonstration

February 12, 2016, at 10:00 AM

This notice is being sent to Emission Reduction Credit (ERC) holders, operators of major sources of air contaminants, and other parties who have expressed interest in the District's "Annual Offset Equivalency Demonstration" detailed in Section 7 of Rule 2201, the New and Modified Source Review Rule (view rule at <http://www.valleyair.org/rules/curnrules/r2201.pdf>). This system compares the District's emission offsetting requirements for new and modified sources with the federal requirements, to demonstrate equivalency between the two programs.

You are being invited to this important meeting because your ability to offset new major sources or federal major modifications, or your ability to sell existing ERCs to proponents of such projects, may be severely affected in the future if we are not able to demonstrate equivalency.

Based on the District's assessment of the required annual offset equivalency tracking report, we believe that the District may not be able to demonstrate equivalency with federal offsetting requirements for nitrogen oxide (NOx) emission increases for the 2015/16 reporting year. This possibility is important to holders of District-issued NOx ERCs, and to those who may wish to permit new major NOx sources or federal major modifications of existing major NOx sources in the future. You are urged to attend this meeting to discuss the following issues, and provide input regarding the difficult decisions facing the District and impacted businesses:

- The offset equivalency tracking system (history, purpose)
- Up-to-date assessment of likelihood of failure of equivalency demonstration
- The ramifications of failing the equivalency demonstration:
 - New major sources and federal major modifications may be required to use surplus-at-time-of-use credits
 - Potential impact on prices/availability of offsets for such projects
- Options to:
 - Avoid failing the equivalency demonstration
 - Minimize the impact of failing the equivalency demonstration

The meeting is scheduled for February 12, 2016, at 10:00 A.M., at the District's Fresno office, 1990 East Gettysburg Ave., Fresno, California. The meeting may also be attended via video teleconferencing at 34946 Flyover Court, Bakersfield, California, and at 4800 Enterprise Way, Modesto, California. For additional information about this meeting, please contact Errol Villegas at (559) 230-5806. Written comments on this issue may be submitted to Arnaud Marjollet at arnaud.marjollet@valleyair.org.