



**JUN 11 2013**

Greg Gillard  
Anderson Clayton Corporation, Butte  
205 E. River Park Circle, Suite 310  
Fresno, CA 93720

**Re: Notice of Preliminary Decision – Emission Reduction Credits**  
**Facility Number: C-1380**  
**Project Number: C-1122268**

Dear Mr. Gillard:

Enclosed for your review and comment is the District's analysis of Anderson Clayton Corporation, Butte's application for Emission Reduction Credits (ERCs) resulting from the shutdown of a cotton gin, at 26865 S. Butte Avenue, in Five Points. The quantity of ERCs proposed for banking is 241 metric tons CO<sub>2</sub>e/yr.

The notice of preliminary decision for this project will be published approximately three days from the date of this letter. After addressing all comments made during the 30-day public notice comment period, the District intends to issue the ERCs. Please submit your written comments on this project within the 30-day public comment period, as specified in the enclosed public notice.

Thank you for your cooperation in this matter. If you have any questions regarding this matter, please contact Mr. Steve Roeder of Permit Services at (661) 392- 5615.

Sincerely,



David Warner  
Director of Permit Services

DW:SR/bw

Enclosures

cc: Mike Tollstrup, CARB (w/enclosure) via email  
cc: Gerardo C. Rios, EPA (w/enclosure) via email

**Seyed Sadredin**  
Executive Director/Air Pollution Control Officer

**Northern Region**  
4800 Enterprise Way  
Modesto, CA 95356-8718  
Tel: (209) 557-6400 FAX: (209) 557-6475

**Central Region (Main Office)**  
1990 E. Gettysburg Avenue  
Fresno, CA 93726-0244  
Tel: (559) 230-6000 FAX: (559) 230-6061

**Southern Region**  
34946 Flyover Court  
Bakersfield, CA 93308-9725  
Tel: 661-392-5500 FAX: 661-392-5585

Fresno Bee

Newspaper notice for publication in Fresno Bee and for posting on valleyair.org

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**NOTICE OF PRELIMINARY DECISION  
FOR THE PROPOSED ISSUANCE OF  
EMISSION REDUCTION CREDITS**

NOTICE IS HEREBY GIVEN that the San Joaquin Valley Unified Air Pollution Control District solicits public comment on the proposed issuance of Emission Reduction Credits to Anderson Clayton Corporation, Butte for the shutdown of a cotton gin, at 26865 S. Butte Avenue, in Five Points. The quantity of ERCs proposed for banking is 241 metric tons CO<sub>2</sub>e/yr.

The analysis of the regulatory basis for this proposed action, Project #C-1122268, is available for public inspection at [http://www.valleyair.org/notices/public\\_notices\\_idx.htm](http://www.valleyair.org/notices/public_notices_idx.htm) and at any District office. For additional information, please contact the District at (661) 392-5500. Written comments on this project must be submitted by July 15, 2013 to **DAVID WARNER, DIRECTOR OF PERMIT SERVICES, SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT, 34946 FLYOVER COURT, BAKERSFIELD, CA 93308.**

**San Joaquin Valley Air Pollution Control District**  
**ERC Application Review - Greenhouse Gases**  
**Cotton Gin Shutdown**

Facility Name: Anderson Clayton Corporation, Butte

Date: June 5, 2013

Mailing Address: 205 E. River Park Circle, Suite 310  
Fresno, CA 93720

Engineer: Steve Roeder  
Lead Engineer: Leonard Scandura

Contact Person: Greg Gillard

Telephone: (559) 447-1390

Project #: C-1122268

Received: July 16, 2012

Deemed Complete: April 1, 2013

ERC #: C-1222-24

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## **I. Summary**

The primary business of this facility is cotton ginning. Anderson Clayton Corporation- Butte has surrendered the Permit to Operate (PTO) for their cotton gin (C-1380-1) following the permanent shutdown as of 6/28/05. The facility had submitted an application to bank the emission reduction credits (ERCs) for the actual emission reductions (AER) of the criteria pollutants on 7/6/05 (ERC Project C-1053015).

Subsequently, the facility has submitted this application to bank the Greenhouse Gas (GHG) AER that also resulted for the shutdown of their gin. See the surrendered (PTO) in Appendix A.

### Selection of Geographical Boundary for Determining Permanence of the GHG Emission Reduction

Rule 2301 contains several eligibility criteria for emission reduction credit banking, including that the emission reduction must be permanent. When determining the geographical boundary in which the emission reduction is determined to be permanent, the applicant may consider how the GHG ERC may likely be used.

Please note that while Rule 2301 allows facilities to receive ERCs for GHG emission reductions, the District does not have any requirements on the use of GHG ERCs. However, it is anticipated that the likely uses of such GHG ERCs would be their future retirement as GHG mitigation in the California Environmental Quality Act (CEQA) process.

Pursuant to CEQA, lead agencies must consider the environmental impact of GHG emissions from a project and may require that such GHG emissions be mitigated. In evaluating various mitigation techniques, including the retirement of GHG ERCs, the lead agency must determine if the proposed mitigation technique adequately mitigates the project's GHG emission increase.

When a lead agency determines if the retirement of a particular GHG ERC provides adequate GHG mitigation for a project, the lead agency may choose to consider the location where the GHG ERC was generated and the geographical boundary used to determine the permanence of the emission reduction. In making this determination, the lead agency may conclude that the retirement of a particular GHG ERC would provide adequate mitigation for projects within that same geographical boundary. Again, that determination will be made by the lead agency for any particular project.

For this application, the facility has selected California as the geographical boundary for which the emission reduction is permanent. Information has been provided to validate this geographical boundary selection. Using this geographical boundary, it was determined that the GHG emission reduction is permanent within California.

The following AER qualify for ERC banking.

GHG ERCs		
ERC Certificate	Pollutant	Amount
C-1222-24	CO <sub>2</sub> e	241 metric tons/year

## II. Applicable Rules

Rule 2301 Emission Reduction Credit Banking (1/19/12)

## III. Location of Reduction

The equipment was located at 26865 S. Butte Avenue, in Five Points, CA.

## IV. Method of Generating Reductions

The emission reductions were generated by the shutdown of a permitted cotton ginning operation. The GHG were emitted from the cotton drying equipment which was fired on propane gas.

## Equipment Description

C-1380-1-4: COTTON GIN WITH THREE LUMMUS 158/700 SAW GIN STANDS, SIX LUMMUS 86 LINT CLEANERS, MOTE CLEANER AND BATTERY CONDENSER

## V. Calculations

### A. Assumptions and Emission Factors

#### Assumptions

- Units of GHG AER is Metric Tons of CO<sub>2</sub>e per year, rounded to the nearest metric ton
- 1,000 kg = 1 metric ton
- Propane hhv = 90,500 Btu/gal = 0.0905 MMBtu/gal (AP42 section 1.5)
- The final CO<sub>2</sub>e emission factor from the combustion of propane includes GHG emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O, where the total emission factor includes the summation of each of the compounds multiplied by their Global Warming Potential (GWP)

#### Emission Factors (EF)

- Emission factors, global warming potential, and CO<sub>2</sub> equivalent emission factors for CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O:

Emission Factors			
Pollutant	EF kg/MMBtu	GWP	EF CO <sub>2</sub> e kg/MMBtu
CO <sub>2</sub>	63.02	1	63.02
CH <sub>4</sub>	0.001	21	0.21
N <sub>2</sub> O	0.0001	310	0.031
Total			63.26

$$\begin{aligned}
 \text{Converting to CO}_2\text{e kg/gal} &= 63.26 \text{ kg/MMBtu} * 0.0905 \text{ MMBtu/gal} \\
 &= 5.725 \text{ kg/gal} \\
 &= 0.005725 \text{ metric ton/gal}
 \end{aligned}$$

### B. Baseline Period Determination

Pursuant to Rule 2301, Section 3.6, the Baseline Period is the same as defined in Rule 2201, which is:

*The two consecutive years of operation immediately prior to the submission date of the complete application; or at least two consecutive years within the five years immediately prior to the submission date of the complete application if determined by the APCO as more representative of normal source operation.*

The original ERC Banking Project specified the baseline period as the operating years 2002-2003. Since the District has already established this as the correct baseline period for the criteria pollutant emission reductions that have already been evaluated and issued, the same baseline period is used for this evaluation.

Therefore the Baseline Period is the operating years of 2002 and 2003.

**C. Baseline Data**

The baseline propane is taken from the annual fuel-use records that have been supplied by the applicant, as evaluated in the original ERC project, and is posted in the following table.

<b>Baseline Fuel Usage</b>
Annual Fuel Use (Gallons)
42,042

**D. Historical Actual Emissions (HAE)**

The HAE from the fuel use is determined by multiplying the annual fuel-use by the emission factor presented above.

<b>CO<sub>2</sub>e HAE</b>						
2003	0.005725	metric tons/gallon x	42,042	gallon/yr =	241	metric tons/yr

**E. Post Project Potential to Emit (PE2)**

As discussed above, the subject equipment has been permanently shut down and its PTO was surrendered. Therefore the PE2 is 0.

**F. Emission Reductions Eligible for Banking**

The emission reductions eligible for banking are the difference between the historical actual emissions and the potential to emit after the project.

$$\begin{aligned} \text{ERCs eligible for banking} &= 241 \text{ metric ton/year} - 0 \text{ ton/year} \\ &= 241 \text{ metric ton/year} \end{aligned}$$

**VI. Compliance**

**Rule 2301 – Emission Reduction Credit Banking**

Regarding GHG, the purpose of this Rule is to:

- 1.2.1 Provide an administrative mechanism for sources to bank voluntary greenhouse gas emission reductions for later use.
- 1.2.2 Provide an administrative mechanism for sources to transfer banked greenhouse gas emission reductions to others for any use.
- 1.2.3 Define eligibility standards, quantitative procedures and administrative practices to ensure that banked greenhouse gas emission reductions are real, permanent, quantifiable, surplus, and enforceable.

**Section 4.5** specifies eligibility criteria for GHG emission reductions to qualify for banking. Below is a summary of each criteria and a description of how the emission reductions satisfy the criteria.

**Section 4.5.1** requires that the emission reduction must have occurred after 1/1/05.

The emission reductions occurred when the equipment was permanently shutdown on 6/28/05. As the emission reduction occurred after 1/1/05, this criteria has been satisfied.

**Section 4.5.2** requires that the emissions must have occurred in the District.

The emissions occurred at 26865 S. Butte Avenue, in Five Points, CA. Since this location is within the District, this criteria has been satisfied.

**Section 4.5.3** requires that the emission reductions must be real, surplus, permanent, quantifiable, and enforceable.

**Real:**

The GHG emission reductions were generated by the shutdown of a cotton gin. The real emissions were calculated from actual historic fuel-use data and recognized emission factors. The cotton gin has been removed. Therefore, the emission reductions are real.

**Surplus:**

The facility is not subject to the CARB cap and trade regulation, and the emission reductions occurred prior to 1/1/12. Therefore, the emission reductions satisfy the surplus requirement in Section 4.5.3.1.

There are no laws, rules, regulations, agreements, orders, or permits requiring any GHG emission reductions from cotton gins. Therefore, the emission reductions satisfy the surplus requirement in Section 4.5.3.2.

The emission reductions are not the result of an action taken by the permittee to comply with any requirement. The emission reductions are surplus and additional of all requirements. Therefore, the emission reductions satisfy the surplus requirement in section 4.5.3.4.

The Certificates will be identified according to Section 6.15.3 below.

**Permanent:**

The cotton gin has been shut down, removed, and the PTO has been surrendered.

When determining the geographical boundary in which the emission reduction is determined to be permanent the applicant may consider how the GHG ERC may likely be used.

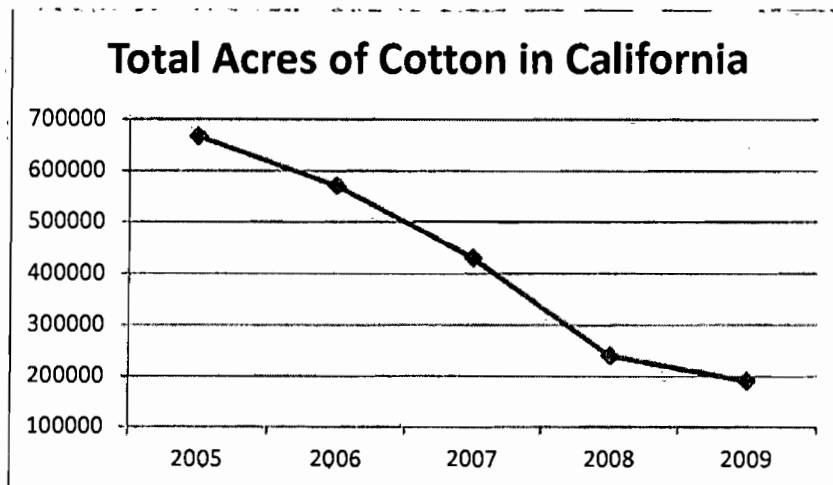
Please note that while Rule 2301 allows facilities to receive ERCs for GHG emission reductions, the District does not have any requirements on the use of GHG ERCs. However, it is anticipated that the likely uses of such GHG ERCs would be their future retirement as GHG mitigation in the CEQA process.

Pursuant to CEQA, lead agencies must consider the environmental impact of GHG emissions from a project and may require that such GHG emissions be mitigated. In evaluating various mitigation techniques, including the retirement of GHG ERCs, the lead agency must determine if the proposed mitigation technique adequately mitigates the project's GHG emission increase.

When a lead agency determines if the retirement of a particular GHG ERC provides adequate GHG mitigation for a project, the lead agency may choose to consider the location where the GHG ERC was generated and the geographical boundary used to determine the permanence of the emission reduction. In making this determination, the lead agency may conclude that the retirement of a particular GHG ERC would provide adequate mitigation for projects within that same geographical boundary. Again, that determination will be made by the lead agency for a particular project.

This facility has selected California as the geographical boundary for which the emission reduction is permanent. Information has been provided below to validate this geographical boundary selection.

As shown in the following chart, the total cotton acreage has been on a decline since January of 2005. Acreage has declined from 667,000 acres in 2005 down to 190,065 acres in 2009. The decline in acreage forced the closure of several cotton gins in California.





Because there has been a decrease in the amount of cotton being grown in the state of California, the need to gin cotton in California has decreased accordingly.

Based on this information, the geographical boundary for which the emission reduction is permanent within California.

The ERC will include the following identifier:

"Shutdown of cotton gin verified as permanent within the State of California"

**Quantifiable:**

The actual emissions were calculated from historic fuel-use records and accepted emission factors. Therefore, the emission reductions are quantifiable and have been quantified.

**Enforceable:**

The cotton gin has been shut down and the PTO has been surrendered to the District. Operation of the equipment without a valid permit would subject the permittee to enforcement action. Therefore, the emission reductions are enforceable.

**Section 4.5.4** requires that GHG emission reductions be calculated as the difference between the historic annual average GHG emissions (as CO<sub>2</sub>e) and the PE2 after the reduction is complete. The historical GHG emissions must be calculated using the consecutive 24 month period immediately prior to the date the emission reductions occurred (the shutdown of the cotton gin), or another consecutive 24 month period in the 60 months prior to the date the emission reduction occurred if determined by the APCO as being more representative of normal operations.

The GHG emission reductions were calculated according to the baseline period identified above. Since this is a permanent shutdown of the cotton gin, with none of the load being shifted to any other gin in California, there is no post-project potential to emit GHG.

**Section 4.5.5.5** requires that GHG emission reductions proposed to be quantified using CARB-approved emission reduction project protocols shall be calculated in accordance with the applicable protocol.

Since the GHG emission reductions are not subject to an applicable CARB-approved emission reduction project protocol, this section is not applicable.

**Section 4.5.6** requires that ERCs shall be made enforceable through permit conditions or legally binding contract.

The cotton gin held a legal District operating permit. That permit has been surrendered to the District. Since the operation of the cotton gin would require a new Authority to Construct, as discussed above the emission reduction is enforceable.

**Section 5** identifies ERC Certificate application procedures.

**Section 5.5.2** requires, for emission reductions occurring prior to 1/19/12, applications for ERCs must be submitted by 7/19/12.

The ERC application was submitted on 7/16/12, therefore the application is timely.

**Section 6.15** specifies the registration requirements for GHG ERCs.

This emission reductions are surplus and additional of all requirements pursuant to Section 4.5.3.4. Therefore the ERC certificate shall include the following notation:

"This emission reduction is surplus and additional to all applicable regulatory requirements."

Compliance with Rule 2301 has been demonstrated and no adjustments are required under this Rule.

## VII. Recommendation

Issue the ERC Certificate in the amount posted in the table below and on the Draft ERC Certificate in Appendix B.

GHG ERCs		
ERC Certificate	Pollutant	Amount
C-1222-24	CO <sub>2</sub> e	241 metric tons/year

## List of Appendixes

- A. Surrendered PTO
- B. Draft Emission Reduction Credit Certificate

Appendix A  
Surrendered PTO



# San Joaquin Valley Air Pollution Control District

**PERMIT UNIT:** C-1380-1-4

**EXPIRATION DATE:** 09/30/2008

**EQUIPMENT DESCRIPTION:**

COTTON GIN WITH THREE LUMMUS 158/700 SAW GIN STANDS, SIX LUMMUS 86 LINT CLEANERS, MOTE CLEANER AND BATTERY CONDENSER

## PERMIT UNIT REQUIREMENTS

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1. All equipment shall be maintained in good operating condition and shall be operated in a manner to minimize emissions of air contaminants into the atmosphere. [District Rule 2201]
2. Material removed from dust collector(s) shall be disposed of in a manner preventing entrainment into the atmosphere. [District Rule 2201]
3. The unloading system shall be served by six 36" 1D-3D cyclones. [District Rule 2201]
4. The #1A pre-cleaning system shall be served by two 44" 1D-3D cyclones. [District Rule 2201]
5. The #1B pre-cleaning system shall be served by two 44" 1D-3D cyclones. [District Rule 2201]
6. The #2A pre-cleaning system shall be served by two 44" 1D-3D cyclones. [District Rule 2201]
7. The #2B pre-cleaning system shall be served by two 44" 1D-3D cyclones. [District Rule 2201]
8. The main trash and lint cleaner trash systems shall be served by one 48" 1D-3D cyclone and two 34" 1D-3D cyclones. [District Rule 2201]
9. The overflow and wagon suction trash systems shall be served by two 38" 1D-3D cyclones. [District Rule 2201]
10. The lint cleaning system shall be served by six 60" 1D-3D cyclones. [District Rule 2201]
11. The battery condenser shall be served by three 64" 1D-3D cyclones. [District Rule 2201]
12. The gin stand feeder, gravity cleaner, stick machine, and mote trash system shall be served by two 38" 1D-3D cyclones. [District Rule 2201]
13. The notes system shall be served by two 54" 1D-3D cyclones. [District Rule 2201]
14. The mote cleaner system shall be served by one 30" 1D-3D cyclone. [District Rule 2201]
15. Daily ginning rate shall not exceed 150 tons of baled cotton per day (600 bales per day, based on 500-pound bales). [District Rule 2201]
16. Annual ginning rate shall not exceed 9,908 tons of baled cotton per year (39,631 bales/year, based on 500-pound bales). [District Rule 2201]
17. Emissions of PM10 shall not exceed 3.66 pounds per ton of baled cotton (0.916 pounds per bale, based on 500-pound bales). [District Rule 2201]
18. Combined PM10 emissions from the main trash and lint cleaner trash systems shall not exceed 0.115 pounds per bale, corrected to 500-pound bales. [District Rule 2201]
19. Combined PM10 emissions from the #1A and #2A pre-cleaning systems shall not exceed 0.108 pound per bale, corrected to 500-pound bales. [District Rule 2201]
20. PM10 emissions from the overflow and wagon suction trash system shall not exceed 0.089 pounds per bale, corrected to 500-pound bales. [District Rule 2201]

PERMIT UNIT REQUIREMENTS CONTINUE ON NEXT PAGE

These terms and conditions are part of the Facility-wide Permit to Operate.

21. PM10 emissions from the gin stand feeder, gravity cleaner, stick machine, and mote trash system shall not exceed 0.127 pounds per bale, corrected to 500-pound bales. [District Rule 2201]
22. Emissions from the propane-fired burners shall not exceed 0.1 lb-NOx/MMBtu nor 0.02 lb-CO/MMBtu. [District Rule 2201]
23. Particulate matter emissions shall not exceed 0.1 grains/dscf in concentration. [District Rule 4201]
24. No air contaminant shall be discharged into the atmosphere for a period or periods aggregating more than three minutes in any one hour which is as dark as, or darker than, Ringelmann 1 or 20% opacity. [District Rule 4101]
25. Permittee shall maintain daily records of the number and weight of bales produced and cumulative weekly records of the total number of bales produced. Records shall be retained for at least two years and shall be made available for District inspection upon request. [District Rule 1070]

These terms and conditions are part of the Facility-wide Permit to Operate.

Appendix B  
Draft ERC Certificate

San Joaquin Valley  
Air Pollution Control District

Central Regional Office • 1990 E. Gettysburg Ave. • Fresno, CA 93726

**Emission Reduction Credit Certificate**

**C-1222-24**  
**DRAFT**

ISSUED TO:           ANDERSON CLAYTON CORP/BUTTE  
ISSUED DATE:        <DRAFT>  
LOCATION OF           26865 S BUTTE  
REDUCTION:          FIVE POINTS, CA 93624

**For CO<sub>2</sub>e Reduction In The Amount Of:**

**241 metric tons / year**

Conditions Attached

**Method Of Reduction**

- Shutdown of Entire Stationary Source  
 Shutdown of Emissions Units  
 Other

**Shutdown of cotton gin verified as permanent within the State of California**

**Emission Reduction Qualification Criteria**

This emission reduction is surplus and additional to all applicable regulatory requirements.

Seyed Sadredin, Executive Director / APCO

**DRAFT**  
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David Warner, Director of Permit Services