

JUL 17 2013

Greg Gillard
Anderson Clayton Corp - Los Banos
205 E. River Park Circle
Fresno, CA 93720

Re: Notice of Preliminary Decision – Emission Reduction Credits
Facility Number: N-1422
Project Number: N-1122316

Dear Mr. Gillard:

Enclosed for your review and comment is the District's analysis of Anderson Clayton Corp - Los Banos's application for Emission Reduction Credits (ERCs) resulting from the shutdown of a cotton gin, at 18998 Cotton Gin Road in Los Banos. The quantity of ERCs proposed for banking is 197 metric tons CO₂e/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

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

**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 Corp - Los Banos for the shutdown of a cotton gin, at 18998 Cotton Gin Road in Los Banos. The quantity of ERCs proposed for banking is 197 metric tons CO₂e/yr.

The analysis of the regulatory basis for this proposed action, Project #N-1122316, is available for public inspection at 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 August 22, 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 Corp – Los Banos

Date: July 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 #: N-1122316

Received: July 16, 2012

Deemed Complete: April 1, 2013

ERC #: N-1110-24

I. Summary

The primary business of this facility is cotton ginning. Anderson Clayton Corporation- Los Banos has surrendered the Permit to Operate (PTO) for their cotton gin (N-1422-1-3) following the permanent shutdown on April 4, 2005 after the 2004 ginning season. The facility had submitted an application to bank the emission reduction credits (ERCs) for the actual emission reductions (AER) of the criteria pollutants on 4/5/05 (ERC Project N-1051103).

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 projects 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
N-1110-24	CO ₂ e	197 metric tons/year

II. Applicable Rules

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

III. Location of Reduction

The equipment was located at 18998 W. Cotton Gin Road in Los Banos.

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

N-1422-1-3: COTTON GIN WITH 3 LUMMUS 700 GIN STANDS, 6 LUMMUS HOT AIR CLEANERS, 6 LUMMUS LINT CLEANERS (1ST, 2ND & 3RD STAGE), 5-3 MMBTU/HR PROPANE FIRED BURNERS, MOTE SYSTEM, BATTERY CONDENSER, AND A TRASH SYSTEM

V. Calculations

A. Assumptions and Emission Factors

Assumptions

- Units of GHG AER is Metric Tons of CO₂e 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 CO₂e emission factor from the combustion of propane includes GHG emissions of CO₂, CH₄ and N₂O, 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 CO₂ equivalent emission factors for CO₂, CH₄, and N₂O:

Emission Factors			
Pollutant	EF kg/MMBtu	GWP	EF CO ₂ e kg/MMBtu
CO ₂	63.02	1	63.02
CH ₄	0.001	21	0.21
N ₂ 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 2000 and 2001. 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 2000 and 2001.

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.

Baseline Fuel Usage
Annual Fuel Use (Gallons)
34,353

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.

CO ₂ e HAE						
2000-01	0.005725	metric tons/gallon x	34,353	gallon/yr =	197	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.

$$\begin{aligned} \text{ERCs eligible for banking} &= 197 \text{ metric ton/year} - 0 \text{ ton/year} \\ &= 197 \text{ metric ton/year} \end{aligned}$$

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 4/4/05. 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 18998 W. Cotton Gin Road in Los Banos, 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.

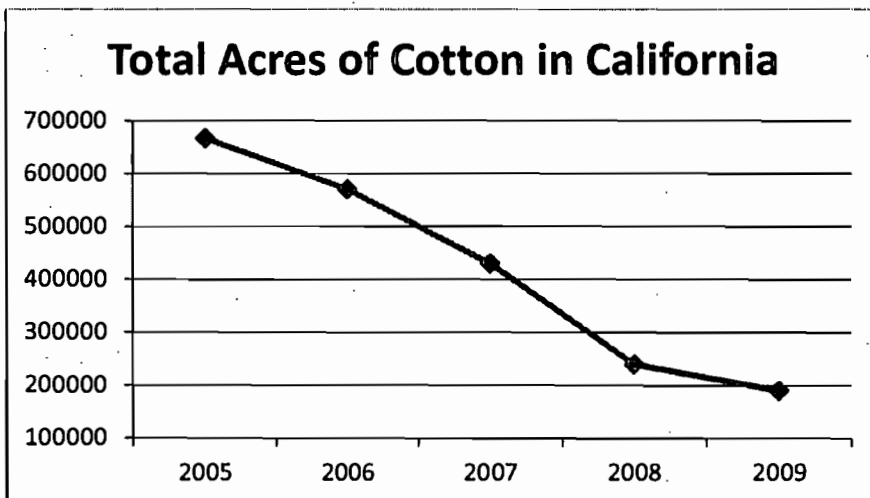
Please note that while Rule 2301 allows facilities to receive ERCs for GHG emission reductions, the District does not have any requirements on the use of GHG ERCs. However, it is anticipated that the likely uses of such GHG ERCs would be their future retirement as GHG mitigation in the CEQA process.

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 projects 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 CO₂e) 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
N-1110-24	CO ₂ e	197 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: N-1422-1-3

EXPIRATION DATE: 09/30/2006

EQUIPMENT DESCRIPTION:

COTTON GIN WITH 3 LUMMUS 700 GIN STANDS, 6 LUMMUS HOT AIR CLEANERS, 6 LUMMUS LINT CLEANERS (1ST, 2ND & 3RD STAGE), 5-3 MMBTU/HR PROPANE FIRED BURNERS, MOTE SYSTEM, BATTERY CONDENSER, AND A TRASH SYSTEM

PERMIT UNIT REQUIREMENTS

1. No air contaminant shall be released into the atmosphere which causes a public nuisance. [District Rule 4102]
2. 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]
3. Particulate matter emissions shall not exceed 0.1 grains/dscf in concentration. [District Rule 4201]
4. Material removed from dust collector(s) shall be disposed of in a manner preventing entrainment into the atmosphere. [District Rule 2201]
5. All equipment shall be constructed, maintained and operated according to the specifications and plans contained in the permit application except as otherwise specified herein. [District Rule 2201]
6. Ginning rate shall not exceed 514.3 tons of baled cotton per day (683 bales per day, corrected to 500 pound bales), nor 72,001.9 tons of baled cotton per year (95,620 bales per year, corrected to 500 pound bales). [District Rule 2201]
7. The PM10 emissions shall not exceed 4.96 pounds per ton of baled cotton (1.24 pounds per bale, corrected to 500 pound bales) [District Rule 2201]
8. The combined PM10 emission concentration shall not exceed 1.03 pounds per ton of baled cotton from the lint cleaner cyclones and battery condenser cyclones (0.257 pounds per bale, corrected to 500-pound bales). This performance based limit is to enforce the reductions granted by Emission Reduction Credit Certificate N-144-4. [District Rule 2201]
9. Daily records of the number and weight of bales produced shall be kept on site at all times. [District Rule 2201]
10. A cumulative record of the number and weight of bales produced on a calendar year basis shall be kept, and shall be updated at least weekly. The record shall be kept on site at all times. [District Rule 2201]
11. All records shall be retained for a minimum of 2 years, and shall be made available for District inspection upon request. [District Rule 1070]
12. The unloading system shall consist of two wagon suction units and shall be controlled by two 1D-3D cyclones. [District Rule 2201]
13. The #1 precleaning system shall be served by four 1D-3D Cyclones. [District Rule 2201]
14. The #2 precleaning system shall be served by four 1D-3D cyclones. [District Rule 2201]
15. The #3 Precleaning system shall be served by four 1D-3D cyclones. [District Rule 2201]
16. The Main Trash (Stockpile) system shall be served by one 1D-3D cyclone. [District Rule 2201]
17. The overflow system shall be served by one 1D-3D cyclone. [District Rule 2201]
18. The #1 lint cleaning system shall be served by two 1D-3D cyclones. [District Rule 2201]
19. The #2 lint cleaning system shall be served by two 1D-3D cyclones. [District Rule 2201]

PERMIT UNIT REQUIREMENTS CONTINUE ON NEXT PAGE

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

20. The #3 lint cleaning system shall be served by two 1D-3D cyclones. [District Rule 2201]
21. The battery condenser shall be served by three 1D-3D cyclones. [District Rule 2201]
22. The lint cleaner trash system shall be served by two 1D-3D cyclones. [District Rule 2201]
23. The motes transfer system shall be served by two 1D-3D cyclones. [District Rule 2201]
24. The motes cleaning system shall be served by one 1D-3D cyclone. [District Rule 2201]
25. The NOx emission concentration shall not exceed 14 pounds per thousand gallons of propane usage. [District Rule 2201]
26. The CO emission concentration shall not exceed 1.9 pounds per thousand gallons of propane usage. [District Rule 2201]

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

Northern Regional Office • 4800 Enterprise Way • Modesto, CA 95356-8718

Emission Reduction Credit Certificate

N-1910-24

DRAFT

ISSUED TO: ANDERSON CLAYTON CORP.
ISSUED DATE: <DRAFT>
LOCATION OF REDUCTION: 18998 W. COTTON GIN RD.
LOS BANOS, CA 93635

For CO2E Reduction In The Amount Of:

197 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

David Warner, Director of Permit Services