

## List of Acronyms

AER:	Actual Emission Reductions
APR:	Application Review policy
AQID:	Air Quality Improvement Deduction
ATC:	Authority to Construct
BACT:	Best Available Control Technology
CARB:	California Air Resources Board
CFR:	Code of Federal Regulations
CO:	Carbon Monoxide
DOQ:	District Offsets Quantity
EPA:	Environmental Protection Agency
ERC:	Emission reduction credits
FMM:	Federal Major Modification
FOQ:	Federal Offsets Quantity
GHG:	Greenhouse Gas
NMS:	New Major Source
NSR:	New Source Review
NOx:	Nitrogen Oxide
PM10:	Particulate Matter (10 micron or less)
PM2.5:	Particulate Matter (2.5 micron or less)
SOx:	Sulfur Oxide
USERS:	Unbanked Shutdown Emission Reductions
VOC:	Volatile Organic Compounds

## Proposed Draft Amendments to District Rule 2201

3.1 Actual Emissions: emissions having occurred from a source, based on source test or monitoring data, actual fuel consumption, and process data. If source test or monitoring data is not available, other appropriate, APCO-approved, emission factors may be used. For Federal Offset Quantity calculations, the emissions shall be representative of normal source operation and for any emission unit that has not begun normal operations, actual emissions shall equal the pre-project potential to emit of the unit.

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3.9 BARCT Rule: a District rule which includes an air emission limit that applies to existing sources and is the maximum degree of reduction achievable, taking into account environmental, energy and economic impacts by each class or category of source.

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3.20 Federal Baseline Emissions (FBE): for a given pollutant, shall be equal to the sum of:

3.20.1 The pre-project Potential to Emit for:

3.20.1.1 Any Highly-Utilized Emissions Unit, or

3.20.1.2 Any Fully-Offset Emissions Unit.

3.20.2 The Historical Actual Emissions (HAE) for emissions units not specified in Section 3.20.1.

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3.21 Federal Offset Quantity (FOQ): The quantity of ERCs or internal emission reductions required to satisfy offset requirements as determined in accordance with section 4.8.4.

3.22 Federal Major Modification: same as “Major Modification” as defined in 40 CFR 51.165 and part D of Title I of the CAA and for the purposes of this definition, all terms used in the definition are as defined in 40 CFR 51.165. SB 288 Major Modifications are not federal major modifications if they meet the criteria of one of the following exclusions:

~~3.2218.1.3~~ 1.3 If the project is determined not to be a federal major modification pursuant to the provisions of 40 CFR 51.165 (a)(2)(ii)(B), but there is a reasonable possibility as described in 40 CFR 51.165 (a)(6)(vi) that the project may result

in a significant emissions increase, the owner or operator shall comply with all of the provisions of 40 CFR 51.165 (a)(6) and (a)(7).

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3.250 Fully Offset Emissions Unit: an emissions unit for which offsets have been provided for the unit's full potential to emit, determined on a pollutant-by-pollutant basis, subject to the following additional stipulations:

3.25.1 For Federal Offset Quantity calculations, the offsets shall have been provided within the 5 year period prior to the submission date of the Complete Application and shall have been surplus at time-of-use; or

3.25.2 Ffor District Offset Quantity calculations, an emissions unit for which

~~3.20.1 Offsets have been provided for the unit's full potential to emit: or~~

3.250.2.1 Offsets have been provided for the entire stationary source's potential to emit in excess of the offset trigger level; or

3.250.2.23 Offsets have previously been provided for the stationary source's NSR balance as calculated pursuant to the NSR rule in effect at the time of the offset action, and the emissions unit was installed after the County baseline date as indicated below:

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3.294 Internal Emission Reductions: emission reductions which have occurred or will occur at the same major stationary source where the proposed emissions increase will occur.

3.30 Major Source: for each pollutant, a Stationary Source with post-project emissions or a post-project Stationary Source Potential to Emit (SSPE2), equal to or exceeding one or more of the following threshold values.

3.3024.1 For determining major source status, fugitives shall only be included for calculating the air pollutant post-project emissions or SSPE2 if the source is included in the list of source categories identified in ~~the major source definition in~~ 40 CFR ~~Part 70.251.165(a)(4)~~, or when determining if a stationary source is a major air toxics source as defined in Rule 2520.

Table 3-3, Major Source Emission Thresholds

POLLUTANT	THRESHOLD (POUNDS PER YEAR)
VOC	20,000
NO <sub>x</sub>	20,000
CO	200,000
PM <sub>2.5</sub>	140,000
PM <sub>10</sub>	140,000
SO <sub>x</sub>	140,000

3. ~~3024.2~~ For the purpose of determining major source status, the SSPE2 shall not include the quantity of emission reduction credits (ERC) which have been banked since September 19, 1991 for Actual Emissions Reductions that have occurred at the source, and which have not been used on-site. This ERC quantity includes all ERC held as certificates and all emission reduction credits that have been sold or transferred.

3.30.3 For the purpose of determining major source status, the SSPE2 shall not include the quantity of emissions resulting directly from a nonroad engine as defined in Section 216 of Part A of the CAA as it exists on the date of adoption of this rule.

3.3226 New Major Source:

3.32.1 A new stationary source with an increase in emissions greater than the major source emission threshold on a pollutant-by-pollutant basis, or

3.32.2 An existing non-major source with a project emissions increase in which the project by itself would result in a net emissions increase exceeding the major source emission threshold on a pollutant-by-pollutant basis.

3.3529 PM<sub>10</sub>: particulate matter with an aerodynamic diameter smaller than or equal to a nominal ten microns, as defined in District Rule 1020, Definitions, including gaseous emissions which condense to form particulate matter at ambient temperatures.

3.3627 Potential to Emit: the maximum capacity of an emissions unit to emit a pollutant under its physical and operational design. Any physical or operational limitation on the capacity of the source to emit a pollutant, including pollution control equipment and restrictions in hours of operation or on the type or amount of material combusted, stored, or processed, shall be treated as part of its design only if the limitation or the effect it would have on emissions is incorporated into the applicable permit as an enforceable permit condition. Secondary source emissions do not count in determining the potential to emit of a stationary source.

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3.44 Secondary Source Emissions: emissions which would occur as a result of the construction or operation of a new major source or federal major modification, but do not come from the new major source or federal major modification itself.

3.44.1 Secondary source emissions must be specific, well defined, quantifiable, and impact the same general area as the stationary source or modification which causes the secondary source emissions.

3.44.2 Secondary source emissions include emissions from any offsite support facility which would not be constructed or increase its emissions except as a result of the construction or operation of the new major source or federal major modification.

3.44.3 Secondary source emissions do not include any emissions which come directly from a mobile source, such as emissions from the tailpipe of a motor vehicle, from a train, or from a vessel.

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3.49 Volatile Organic Compound (VOC): as defined in District Rule 1020, Definitions, except only VOC emission reductions that meet the definition of *Volatile organic compounds (VOC)* as defined in 40 CFR 51.100(s) shall be eligible for netting, banking or use as an offset for the purposes of this rule.

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4.5 District Emission Offset Requirements:

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4.6 District Emission Offset Exemptions: District emission offsets shall not be required for the following:

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4.6.10 NOx emissions, if the project is a federal major modification or new major source for NOx emissions.

4.6.11 VOC emissions, if the project is a federal major modification or new major source for VOC emissions.

4.7 District Emission Offset Quantity (DOQ) Calculations:

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4.8 Federal Emission Offsets

4.8.1 Offset Requirements for NOx and VOC:

4.8.1.1 The emission increases for a new major source or a federal major modification shall be offset with internal emission reductions or emission reduction credits (ERCs) that are surplus (as defined in section 3.2.2) at time of issuance of the Authority to Construct.

4.8.1.2 ERCs from one or more sources may be used, alone or in combination with internal emission reductions, in order to satisfy offset requirements.

4.8.1.3 Emissions reductions achieved by shutting down an existing emissions unit or curtailing production or operating hours may only be credited for offsets if such reductions are surplus, permanent, quantifiable, and federally enforceable; and

4.8.1.4 The shutdown or curtailment occurred after the last day of the base year for the attainment plan for the specific pollutant; or

4.8.1.5 The projected emissions inventory used to develop the attainment plan explicitly includes the emissions from such previously shutdown or curtailed emissions units. However, in no event may credit be given for shutdowns that occurred before August 7, 1977.

4.8.2 Offset Exemptions:

4.8.2.1 The offset requirements of Section 4.8.1 shall not be applicable to a modification of an existing source if such modification is solely for the purpose of compliance with the requirements of District, State or Federal air pollution control laws, regulations, or orders, as approved by the APCO.

### 4.8.3 Timing:

4.8.3.1 Internal emission reductions used to satisfy an offset requirement must be federally enforceable prior to the issuance of the Authority to Construct, which relies on the emission reductions.

4.8.3.2 Except as provided by paragraph 4.8.3.3, the decrease in actual emissions used to generate ERCs or internal emission reductions must occur no later than the commencement of operation of the new or modified major stationary source.

4.8.3.3 Where the new emissions unit is a replacement for an emissions unit that is being shut down in order to provide the necessary offsets, the APCO may allow up to 90 days for shakedown or commissioning of the new emissions unit before the existing emissions unit is required to cease operation.

### 4.8.4 Federal Offset Quantity (FOQ) shall be determined on pollutant-by-pollutant basis in accordance with the following:

4.8.4.1 The unit of measure for offsets, ERCs, and internal emission reductions shall be pounds per year. All calculations and transactions shall use emission rate values rounded to the nearest pound.

4.8.4.2 The quantity of ERCs or internal emission reductions required shall be calculated as the product of the amount of increased emissions, as determined in accordance with Section 4.8.4.3, and the offset ratio, as determined in accordance with Section 4.9.

4.8.4.3 The amount of increased emissions shall be determined as follows:

4.8.4.3.1 When the offset requirement is triggered by the construction of a new major source that is also a new stationary source, the amount of increased emissions shall be the sum of the potential to emit of all emissions units in the project.

4.8.4.3.2 When the offset requirement is triggered by a federal major modification of an existing major stationary source, the amount of increased emissions shall be the sum of the differences between the post-project potential to emit and the federal baseline emissions, as defined in Section 3.20, for each emissions unit.

4.8.4.3.3 When the offset requirement is triggered by the modification of an existing stationary source such that it is also a new

major source, as defined in 3.32.2, the amount of increased emissions shall be the sum of the post-project potential to emit of all emissions units in the project.

4.98 Distance Offset Ratio: For offset calculations, the distance offset ratio shall be as shown below:

4.98.1 For NO<sub>x</sub> and VOC offsets for new major sources and federal major modifications, the ratio for internal emission reductions provided shall be 1.3; otherwise, the distance offset ratio shall be 1.5;

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4.143 Additional Offset Requirements: Offsets obtained subject to this rule shall comply with the following provisions:

4.143.1 Major Source shutdowns or permanent curtailments in production or operating hours of a Major Source may not be used as offsets for emissions from a Major Source, a Federal Major Modification, or an SB 288 Major Modification, unless the ERC, or the emissions from which the ERC are derived, has been included in an EPA-approved attainment plan.

4.143.2 Offsets from another district may be used only if the source of the offsets is within 50 miles of the proposed emissions increases and the APCO has reviewed the permit conditions issued by the district in which the proposed offsets are obtained and certifies that such offsets meet the requirements of this rule and CH&SC Section 40709.6.

4.143.3 Interpollutant offsets:

4.143.3.1 Except for ozone precursors for projects for new major sources and federal major modifications, Interpollutant offsets may be approved by the APCO on a case-by-case basis, provided that the applicant demonstrates to the satisfaction of the APCO, that the emission increases from the new or modified source will not cause or contribute to a violation of an Ambient Air Quality Standard. In such cases, the APCO shall, based on an air quality analysis, impose offset ratios equal to or greater than the requirements of this rule.

4.143.3.1.1 In no case shall exempt compounds or the other compounds excluded from the definition of VOC be used as offsets for VOC.

4.143.3.1.2 Interpollutant offsets between PM<sub>10</sub> and PM<sub>10</sub> precursors may be allowed.



- 4.143.3.1.3 PM10 emissions shall not be allowed to offset NOx or reactive organic compound emissions in ozone nonattainment areas, nor be allowed to offset SO2 emissions in sulfate nonattainment areas.
- 4.143.3.1.4 Interpollutant offsets between NOx and VOC may be allowed.
- 4.143.3.2 Interpollutant offsets between PM2.5 and PM2.5 precursors are allowed at specific ratios as established by US EPA, or as approved into the State Implementation Plan by the US EPA.
- 4.143.4 Actual Emissions Reductions (AER) used as offsets to satisfy the District emission offset requirements pursuant to Section 4.5 must have occurred during the same calendar quarter as the emissions increases being offset except as allowed pursuant to Sections 4.14.6 through 4.14.9.
- 4.143.5 AER used as offsets to satisfy the District emission offset requirements pursuant to Section 4.5 for a Seasonal Source must have occurred during the same time period as the proposed source will operate except as allowed pursuant to Sections 4.143.6 through 4.143.9.
- 4.143.6 AER used as offsets for a biomass-fired power facility may have occurred during any quarter.
- 4.143.7 AER for PM that occurred from October through March, inclusive, may be used to offset increases in PM during any period of the year.
- 4.143.8 AER for NOx and VOC that occurred from April through November may be used to offset increases in NOx and VOC during any period of the year.
- 4.143.9 AER for CO that occurred from November through February may be used to offset increases in CO during any period of the year.
- 4.143.10 AER used as offsets for new and modified Major Sources must be obtained from an area:
  - 4.143.10.1 That has a nonattainment classification that is equal to or higher than the area in which the new or modified Major Source is located, and
  - 4.143.10.2 Where emissions contribute to a violation of a national Ambient Air Quality Standard in the area in which the new or modified Major Source is located.

4.143.11 Offsets required as a condition of an Authority to Construct or a Permit to Operate shall commence not later than the date of initial operation of the new or modified emissions unit.

4.143.11.1 If the new or modified emissions unit is, in whole or in part, a replacement for an existing emissions unit at the same stationary source, the APCO may allow a maximum of 90 days as a start-up period for simultaneous operation of the existing emissions unit and the unit being replaced.

4.143.12 Nothing in this rule shall be construed as requiring ERC used as NSR offsets to be discounted at time of use, except for the additional offsets as required by Sections 4.8, 4.9, 4.143.3, and as described in Section 7.0.

4.154.1 Emissions from a new or modified Stationary Source shall not cause or make worse the violation of an Ambient Air Quality Standard. In making this determination, the APCO shall take into account the increases in minor and secondary source emissions as well as the mitigation of emissions through offsets obtained pursuant to this rule. Modeling used for the purposes of this rule shall be consistent with the requirements contained in the most recent edition of EPA's "Guideline on Air Quality Models" unless the APCO finds such model is inappropriate for use. After making such a finding, the APCO may designate an alternative model only after allowing for public comments and only with the concurrence of the ARB or the EPA. Credit shall not be given for stacks higher than that dictated by good engineering practice or by any other dispersion technique except as provided in 40 CFR 51.118(b), where the definitions of 40 CFR 51.100(hh) through (kk) are applicable.

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4.16.3 Impact to Visibility of a Class I Area:

4.16.3.1 The APCO shall provide written notice and conduct any necessary review and consultation with the Federal Land Manager (FLM) regarding any new major source or federal major modification that may impact visibility in any Mandatory Class I Federal Area, in accordance with the applicable requirements of 40 CFR 51.307.

4.16.3.2 The APCO may require monitoring of visibility in any Federal Class I Area, if determined by the FLM, near the proposed new major source or federal major modification for such purposes and by such means as the APCO deems necessary and appropriate.

4.16.3.3 The APCO may deny any Authority to Construct if the APCO finds, after consultation with the FLM, and the FLM determines that the

project would have an adverse impact on visibility, as defined in 40 CFR 52.21(b)(29).

4.16.4 Compliance with Other Applicable Provisions: The approval of a proposed new major source or federal major modification shall not relieve any owner or operator of the responsibility to comply fully with applicable provisions of the SIP and other local, state, and federal requirements.

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5.3 Final Action:

5.3.1 Within 180 days after acceptance of an application as complete, or within 180 days after the lead agency has approved the project under the California Environmental Quality Act, whichever occurs later, the APCO shall take final action on the application after considering all written comments.

5.3.2 The APCO shall not take final action on a new major source or federal major modification if the EPA has determined that the applicable implementation plan is not being adequately implemented for the nonattainment area.

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10.0 All references and citations in this rule to the Title 40 of the Code of Federal Regulations (CFR) and the California Health & Safety Code (CH&SC) refer to the references as in effect on the date of adoption of this rule.

## Proposed Draft Amendments to District Rule 2301

1.2 For greenhouse gasses:

1.2.1 ~~Discontinue the banking of new greenhouse gas reductions as of (Rule 2301 amendment date). 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.~~

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3.3 Bankable Emission Reductions: emission reductions of affected pollutants and their precursors for which ambient air quality standards exist, ~~and greenhouse gases~~, which reductions meet the provisions of this rule. Such reductions may be deposited in the District's ERC Bank. Once banked and certified, the emission reductions become ERCs.

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3.13 Offset: the use of an ERC or other AER to mitigate emission increases of an affected pollutant from a new or modified source subject to the requirements of Rule 2201 (New and Modified Stationary Source Review Rule).

3.14 Unbanked Shutdown Emission Reductions (USER): AER (as defined in Rule 2201) from the shutdown (as defined in Section 3.14) of a permitted source that has not been banked as an ERC by the permittee or other entity that may have acquired the legal right in place of the permittee.

3.14.1 A USER may be claimed by the APCO:

3.14.1.1 At any time after the permittee has not filed a timely ERC banking application according the requirements of this rule, or

3.14.1.2 If a permittee cedes his/her claim on the AER to the APCO.

3.14.2 The date of shutdown as defined in Section 3.14.2 shall be used in the determination of baseline period (as defined in Rule 2201).

3.14.3 The APCO shall maintain all documentation related to the quantification of the AER from a USER for a period of at least five years beyond the last use or retirement of the USER.

3.14.4 The APCO may use or donate for use a USER as an offset.

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~~3.14.15 Shutdown: shall mean: either the earlier of the permanent cessation of emissions from an emitting unit or the surrender of that unit's operating permit. If, prior to the surrender of the operating permit, the APCO determines that:~~

3.15.1 For unpermitted sources, the date of the shutdown shall be the date of the last emissions from the emissions unit.

3.15.2 For permitted sources, the date of the shutdown shall be the date of the surrender of the operating permit; or, alternatively, the date of the shutdown shall be the date of last emissions if the APCO determines that:

~~3.1415.2.1 the unit has been removed or fallen into an inoperable and unmaintained condition such that startup would require an investment exceeding 50% of the current replacement cost; and~~

~~3.1415.2.2 the owner cannot demonstrate to the satisfaction of the APCO that the owner intended to operate again, then the APCO may cancel the permit and deem the source shutdown as of the date of last emissions. Evidence of an intent to operate again may include records of maintenance activities conducted on equipment, valid production contracts, orders, other agreements, or any economically based reasons which would require the operation of the emitting emissions unit, after initial cessation of emissions.~~

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4.4 The following affected pollutant emission reductions are not eligible as ERCs for banking:

4.4.2 Emission reductions occurring at a fossil fuel-fired power plant from operating at a reduced load as the result of the operation of a cogeneration facility.

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~~4.5 Greenhouse Gas Emission Reductions~~

~~The following criteria must be met in order to deem such reductions eligible for banking:~~

- ~~4.5.1 The greenhouse gas emission reduction must have actually occurred on or after January 1, 2005, except as allowed in specific CARB approved GHG emission reduction project protocols.~~
- ~~4.5.2 The greenhouse gas emission reductions must have occurred within the San Joaquin Valley Unified Air Pollution Control District.~~
- ~~4.5.3 The greenhouse gas emission reductions are real, surplus, permanent, quantifiable, and enforceable, except as provided in Section 4.5.5.~~
- ~~4.5.3.1 Greenhouse gas emission reductions that occur at a facility subject to the CARB greenhouse gas cap and trade regulation on or after January 1, 2012 are not surplus.~~
- ~~4.5.3.2 Greenhouse gas emission reductions that occur as a result of law, rule, or regulation that required the greenhouse gas emission reduction are not surplus.~~
- ~~4.5.3.3 Greenhouse gas emission reductions that occur due to an action taken by a facility that is not the result of any greenhouse gas emission reduction requirement are surplus and additional of all greenhouse gas reduction requirements. Such emission reduction credit certificates shall be identified as specified in Section 6.15.2.~~
- ~~4.5.3.4 Greenhouse gas emission reductions that occur due to an action taken by a facility that is not the result of any requirement, including any requirement that is not intended to control greenhouse gases, are surplus and additional of all requirements. Such emission reduction credit certificates shall be identified as specified in Section 6.15.3.~~
- ~~4.5.4 Greenhouse gas emission reductions are calculated as the difference between the historic annual average greenhouse gas emissions (as CO<sub>2</sub>E) calculated using the consecutive 24 month period immediately prior to the date the emission reduction occurred, 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, and the potential greenhouse gas emissions (as CO<sub>2</sub>E) after the project is complete, except as provided in section 4.5.5.~~
- ~~4.5.5 Greenhouse gas emission reductions proposed to be quantified using CARB approved emission reduction project protocols shall be calculated in accordance with the applicable protocol.~~
- ~~4.5.6 Emission reduction credits shall be made enforceable through permit conditions. If the district, pursuant to state laws, is prohibited from permitting the emission unit, the source creating the greenhouse gas emission reduction shall execute a legal binding contract with the District which ensures that the emission reductions will be generated~~

~~in accordance with the provisions of this rule, and shall continue for the reasonably expected life of the proposed equipment, operation, or source.~~

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## 5.0 ERC Certificate Application Procedures

5.3 An application shall be filed for each emission reduction. The application may be for reductions in one or more affected pollutant ~~or greenhouse gas~~. The application shall contain sufficient information to allow for adequate evaluation of actual emission reductions from each emission unit.

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5.5 Except for reductions covered under Sections 4.1.2 ~~and 4.5.1~~, ERC Certificate applications for reductions shall be submitted ~~within no later than~~ 180 days after the emission reduction occurs. For AER resulting from the implementation of an Authority to Construct permit, the date of emission reduction is the date the District completes its verification that the Authority to Construct permit has been fully implemented and the associated emission reductions have occurred. For AER resulting from the cessation of operation of an emissions unit with a Permit to Operate, the date of emission reduction is the date of shutdown as defined in Section 3.15.

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~~5.5.2 For reductions covered under Section 4.5.1 that occurred prior to January 19, 2012 ERC Certificate applications shall be filed with the District by July 19, 2012. For reductions covered under Section 4.5.1 that occur on or after January 19, 2012 ERC Certificate applications shall be submitted within 180 days after the emission reduction occurs.~~

~~5.6 An entity that was previously issued an ERC for greenhouse gas emission reductions that was not quantified using a CARB approved emission reduction project protocol may subsequently submit an application to have the ERC re-issued pursuant a CARB approved emission reduction project protocol at such time that an applicable emission reduction project protocol is approved by CARB. Such an application must meet the requirements, including timeliness, of the CARB approved emission reduction project protocol.~~

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6.1.4 If the emission reductions were created as a result of the application of greater operating efficiencies or from the application of a more efficient control technology to a then non-permitted source, the AER shall be made enforceable by either (1) a Permit(s) to Operate has been obtained; or (2) a written contract between the owner or operator of such source and the ERC applicant has been

~~executed, which by its terms, shall be~~ enforceable by the APCO. The referenced permit or contract shall include specific quantifiable emission limits reflecting reduced emissions. If the emissions reductions were created as a result of the modification of a non-permitted emissions unit, the stationary source shall be prohibited from operating a new emissions unit in the same source category without first obtaining Authority to Construct and Permit to Operate.

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- 6.9 Except as provided in Section 6.7 of this rule, deposits are permanent until used by the depositor or any party to whom the ERC Certificate has been transferred. After issuance of the ERC Banking Certificate, subsequent changes in regulations to require the type of reduction which is banked shall not reduce or eliminate the deposit. The offset value of an ERC may be surplus-adjusted for time-of-use requirements according to District Rule 2201, New and Modified Stationary Source Review Rule.