

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

(Adopted September 8, 2006)(Re-Adopted August 3, 2007)
(Repealed January 8, 2010)(Adopted February 4, 2011)

RULE 1315. FEDERAL NEW SOURCE REVIEW TRACKING SYSTEM

(a) Purpose

The purpose of this rule is to:

- (1) Maintain the District's ability to continue through December 31, 2030 to issue permits to major sources that obtain offset credits from the Priority Reserve under Rule 1309.1 and/or that are exempt from offsets under Rule 1304;
- (2) Memorialize in rule form the procedures to be followed by the Executive Officer for:
 - (A) Establishing the District's NSR program equivalency with federal NSR offset requirements for such major sources; and
 - (B) Demonstrating that sufficient emission reductions, including previously-untracked emission reductions, existed beyond regulatory requirements under federal law to be used as offset credits to establish that the District's NSR program is equivalent with federal NSR offset requirements for major sources that are exempt from offsets under Rule 1304 or obtain offset credits from the Priority Reserve under Rule 1309.1.

(b) Definitions

- (1) **COMMUNITY BANK** means the Community Bank as established by Rule 1309.1 – Community Bank, as adopted June 28, 1990 and by Rule 1309.1 – Community Bank And Priority Reserve, as amended May 3, 1991, and became unavailable to applications deemed complete after the December 7, 1995 amendments to Rule 1309.1 – Priority Reserve, which eliminated the Community Bank.
- (2) **NET EMISSION INCREASE** means the aggregate increase in potential to emit from permitted major and minor stationary sources of a nonattainment air contaminant subject to tracking pursuant to paragraph (c)(2) of this rule that are offset from the Priority Reserve or exempt from offsets pursuant to Rule 1304 minus the aggregate emissions reductions of

the same nonattainment air contaminant tracked pursuant to paragraph (c)(3) of this rule over the same time period.

- (3) OFFSET RATIO means the ratio of the quantity of offset credits provided (in pounds per day) to the increase in potential emissions (in pounds per day) requiring offsets.
 - (4) ORPHAN REDUCTION means any reduction in actual emissions from a permitted source within the District resulting from a physical change to the source and/or a change to the method of operation of the source provided the change is reflected in a revised permit for the source and provided such reduction is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan and does not result in issuance of an ERC.
 - (5) ORPHAN SHUTDOWN means any reduction in actual emissions from a permitted source within the District resulting from removal of the source from service and inactivation of the permit without subsequent reinstatement of such permit provided such reduction is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan and does not result in issuance of an ERC.
 - (6) PRIORITY RESERVE means the Priority Reserve as established by the June 28, 1990 adoption of Rule 1309.1 – Community Bank and as amended by the May 3, 1991 amendments to Rule 1309.1 – Community Bank and Priority Reserve and by the December 7, 1995 and subsequent amendments to Rule 1309.1 – Priority Reserve.
 - (7) SHORTFALL means a negative net balance in any of the District offset accounts described in paragraph (c)(1) of this rule as demonstrated through an FDE prepared pursuant to paragraph (d)(3) of this rule or projected pursuant to subdivision (e) of this rule.
- (c) Offset Accounts for Federal NSR Equivalency
- (1) District Offset Accounts for Federal Nonattainment Air Contaminants
The Executive Officer shall maintain a separate District offset account for each federal nonattainment air contaminant excluding PM_{2.5}. The District offset accounts were established as of October 1, 1990 with valid emission reductions that had occurred prior to that date, as reflected in various facilities' negative NSR account balances and that were

aggregated as the initial account balances listed in Table A for each nonattainment air contaminant. Any portions of the initial account balances identified in Table A remaining in the District offset accounts at the end of calendar year 2005 were removed from the District offset accounts as an environmental benefit by the Executive Officer and are not used for purposes of demonstrating equivalency between federal NSR offset requirements and the District’s NSR program. Additional District offset accounts are to be established by the Executive Officer in the event that additional federal nonattainment air contaminants other than PM2.5 or their precursors become subject to federal nonattainment NSR offset requirements, unless by rule the District establishes that Rule 1304 and Rule 1309.1 do not apply to such contaminants or their precursors. If the United States Environmental Protection Agency (EPA) re-designates the District’s attainment status from nonattainment to attainment for a specific air contaminant the Executive Officer may discontinue tracking and reporting the associated District offset account for that air contaminant provided there is a showing in the maintenance plan that the continued use of emissions offsets for that air contaminant is not necessary to maintain attainment for that air contaminant. The District’s NSR program shall be considered equivalent to federal nonattainment NSR offset requirements for a nonattainment air contaminant so long as the procedures specified in this rule are followed and the balance in the District offset account for that air contaminant remains positive.

TABLE A
Initial District Offset Account Balances

Air Contaminant	Initial Account Balance (tons per day)
Volatile Organic Compounds (VOC)	38.46
Nitrogen Oxides (NOx)	23.92
Sulfur Oxides (SOx)	8.04
Carbon Monoxide (CO)	8.45
Particulate Matter (PM10)	2.67

- (2) Tracking of Offset Account Debits for Federal NSR Equivalency
- The Executive Officer shall track the amount of emissions and debit from the District offset accounts for the following types of offset allocations or exemptions provided from the District offset accounts for sources located at major polluting facilities and that are not exempt from the offset requirements of federal nonattainment NSR:
- (A) Emission offsets from the Priority Reserve or Community Bank pursuant to Rule 1309.1; and
 - (B) Exemptions from the offset requirements of Rule 1303 – Requirements pursuant to Rule 1304 – Exemptions.
- The applicable offset ratios for offsets tracked by the Executive Officer pursuant to this paragraph is 1.2-to-1.0 for extreme nonattainment air contaminants and their precursors and is 1.0-to-1.0 for all other nonattainment air contaminants.
- (3) Tracking of Offset Account Credits for Federal NSR Equivalency
- (A) The Executive Officer shall track and verify the amount of the following types of emission reductions that have occurred since October 1, 1990 to the District offset accounts:
 - (i) Orphan shutdowns;
 - (ii) Orphan reductions;
 - (iii) ERCs provided as emission offsets for sources located at minor facilities;
 - (iv) The difference between the quantity of ERCs provided for a source located at a major polluting facility at a 1.2-to-1.0 offset ratio pursuant to Rule 1303(b)(2)(A) and the quantity of ERCs required to offset the emission increases at a ratio of 1.0-to-1.0 for all non-attainment air contaminants except extreme nonattainment air contaminants and their precursors.
 - (v) The amount of emission reductions associated with a facility's NSR balance, Community Bank and Priority Reserve allocations, and offset exemptions that is subtracted from the emission reductions quantified pursuant to Rule 1306(c) as part of the Executive Officer's evaluation of an ERC banking application; and

- (vi) The difference between the actual daily emission reductions calculated pursuant to Rule 1306(c) with and without the BACT adjustment required in Rule 1306(c)(2) as part of the Executive Officer's evaluation of an ERC banking application. This clause applies only in cases where the Executive Officer demonstrates and EPA concurs that the subtracted amount is not otherwise required by rule, regulation, law, approved Air Quality Management Plan Control Measure, or the State Implementation Plan. This clause is not applicable to emission reductions that occur in the Riverside County portion of the Salton Sea Air Basin (SSAB) or the non-Palo Verde, Riverside County portion of the Mojave Desert Air Basin (MDAB).
 - (B) The Executive Officer shall quantify and deposit emission reductions that are tracked pursuant to subparagraph (c)(3)(A) of this rule into the District offset accounts according to the following procedures:
 - (i) From orphan sources tracked pursuant to clauses (c)(3)(A)(i) or (c)(3)(A)(ii) of this rule at eighty percent of the total or change in the source's NSR permitted emission levels, respectively; and
 - (ii) From ERCs tracked pursuant to clauses (c)(3)(A)(iii), (c)(3)(A)(iv), (c)(3)(A)(v), and (c)(3)(A)(vi) of this rule in the amounts specified pursuant to those clauses.
 - (C) The Executive Officer may choose not to track all potential sources of credits in any reporting period if the Executive Officer determines that sufficient credits remain in the District offset accounts to demonstrate equivalency in each reporting period.
- (4) Surplus at the Time of Use
- All credits deposited into the District offset accounts pursuant to clauses (c)(3)(A)(i), (c)(3)(A)(ii), and (c)(3)(A)(vi) of this rule shall be discounted by the Executive Officer to ensure that they remain surplus at the time of use. Such discounting shall be performed annually and shall be based on the percentage reduction in overall permitted emissions projected to be achieved as a result of implementation of control requirements that

became effective during the previous calendar year for each specific nonattainment air contaminant within the District.

(5) Tracking Sequence

The tracking elements described in paragraphs (c)(2) through (c)(4) of this rule shall be carried out separately for each District Offset Account in the following sequence for each reporting period as defined in paragraph (d)(1) of this rule:

- (A) Apply the surplus at the time of use discount described in paragraph (c)(4) of this rule to the offsets tracked pursuant to subparagraph (c)(3)(A) of this rule remaining in the District Offset Account, if any;
- (B) Subtract as much of the aggregate District Offset Account debits tracked and quantified pursuant to paragraph (c)(2) of this rule from the unused Table A initial balance remaining in the corresponding District Offset Account, if any, as possible without resulting in a negative District Offset Account balance;
- (C) Subtract the aggregate District Offset Account debits tracked and quantified pursuant to paragraph (c)(2) of this rule remaining after conducting the subtraction specified in subparagraph (c)(5)(A) of this rule, if any, from the corresponding District Offset Account balance; and
- (D) Add the emission reductions tracked pursuant to subparagraph (c)(3)(A) of this rule for the current reporting period to the corresponding District Offset Account Balance.

The PDE for each reporting period through the 2005 reporting period shall follow the tracking sequence identified in subparagraphs (c)(5)(A), (c)(5)(B), and (c)(5)(C) and the PDE for each reporting period commencing with the 2006 reporting period shall follow the tracking sequence identified in subparagraphs (c)(5)(A) and (c)(5)(C). The FDE for each reporting period shall be completed by adding the results of subparagraph (c)(5)(A) tracking to the PDE results for the same reporting period.

(6) Federal Offset Criteria

Offset account credits used to offset debits pursuant to Rule 1304 or Rule 1309.1, as specified in paragraph (c)(2), are real as specified in subparagraphs (c)(3)(A) and (c)(3)(B), surplus as specified in paragraphs

(b)(4), (b)(5), and (c)(4), permanent as specified in paragraphs (b)(4) and (b)(5) and subparagraph (c)(3)(A), quantifiable as specified in paragraphs (c)(1), (c)(3), (c)(4), and (c)(5), and enforceable as specified in paragraphs (b)(4), (b)(5), and (c)(3).

(d) Federal NSR Equivalency Determination Reports

(1) Reporting Periods

The Executive Officer shall aggregate and track offsets debited from and offsets deposited to the District offset accounts into the following reporting periods for purposes of making periodic determinations of equivalency:

(A) October 1, 1990 through July 31, 1995;

(B) Each of the consecutive twelve-month periods commencing with August 1995 through July 1996 and concluding with August 2003 through July 2004;

(C) August 2004 through December 2005;

(D) Each calendar year from 2006 through 2009; and

(E) Each calendar year from 2010 through 2030.

(2) Preliminary Determinations of Equivalency

Commencing with the calendar year 2010 reporting period, and for each reporting period thereafter, the Executive Officer shall, no later than twelve months after the completion of the reporting period, complete a Preliminary Determination of Equivalency (PDE) with federal nonattainment NSR offset requirements. The Executive Officer shall report the PDE to the District's Governing Board and EPA no later than the second regularly-scheduled monthly Governing Board meeting after the completion deadline for the PDE. The PDE is a conservative assessment of the District offset account balances without accounting for orphan and other credits that become available during the subject reporting period. Each PDE shall include the debit accounting elements identified in paragraph (c)(2) of this rule and the running balances in the District offset accounts at the beginning and at the end of the subject reporting period.

(3) Final Determinations of Equivalency

Commencing with the calendar year 2010 reporting period, and for each reporting period thereafter, the Executive Officer shall complete a Final

Determination of Equivalency (FDE) with federal nonattainment NSR offset requirements for each District Offset Account. The FDE for each account shall be completed no later than eighteen months after the completion of the subject reporting period. The Executive Officer shall report the FDE to the District's Governing Board and EPA no later than the second regularly-scheduled monthly Governing Board meeting after the completion deadline for the FDE for any account(s) for which the PDE did not demonstrate equivalence. Each FDE shall include both the debit and the credit accounting elements identified in paragraphs (c)(2) and (c)(3) of this rule, respectively, and the running balances in the District offset accounts at the beginning and at the end of the subject reporting period. The Executive Officer shall report the FDE for any account(s) for which the PDE did demonstrate equivalence no later than the reporting deadline for the subsequent reporting period's PDE specified in paragraph (d)(2) of this rule.

(4) Early FDE Subsuming PDE

In lieu of preparing both a PDE and an FDE for a single reporting period, the Executive Officer may opt to include the PDE in the FDE for the same reporting period. Such FDEs are subject to the same completion and reporting deadlines as are the PDEs that they subsume.

(e) Projections of District Offset Account Balances

Each PDE report and each FDE report the Executive Officer prepares and presents to the Governing Board and EPA shall also include projections of the District offset account balances at the end of each of the two subsequent reporting periods. The Executive Officer shall make the projections of the District offset account balances based upon the average of the total annual debits and the average of the total annual credits for the five reporting periods most recently included in a PDE or an FDE. Although these projections are to be reported with the results of the PDEs and FDEs, they are separate from the determinations of equivalency and do not constitute an element of the determinations of equivalency.

(f) Equivalency Backstop Provisions

(1) Funding of the Priority Reserve and Issuance of Permits

If the most recent District offset account balances determined by an FDE pursuant to paragraph (d)(3) of this rule demonstrate a shortfall for any air contaminant, the Executive Officer shall:

(A) Discontinue funding the Priority Reserve for any air contaminant that the most recent FDE has demonstrated does not have a positive balance in its District offset account no later than the completion deadline for the FDE specified in paragraph (d)(3) of this rule. The Executive Officer may resume funding the Priority Reserve upon completion of an FDE demonstrating that the shortfall no longer exists.

(B) Discontinue issuing permits to construct and permits to operate that are subject to paragraph (c)(2) Offset Account debits resulting in the further use of Rule 1304 exemptions or Priority Reserve offsets from Rule 1309.1 for the air contaminant that has a shortfall to sources that are major sources of that air contaminant commencing no later than the completion deadline for the FDE demonstrating the shortfall. Additionally, the Executive Officer shall place all major source applications that would otherwise qualify for an offset exemption pursuant to Rule 1304 or to access the Priority Reserve for the air contaminant that has a shortfall on hold until the results of an FDE demonstrating that the shortfall has been rectified have been reported to and approved by the Governing Board unless the applicant elects to provide sufficient ERCs to offset the emissions increase pursuant to Rule 1303(b)(2). The Executive Officer may resume issuance of such permits upon completion of an FDE demonstrating that the shortfall no longer exists.

(2) Report to the Governing Board: Rectification of a Shortfall

If an FDE demonstrates that a shortfall exists in any of the District offset accounts, or the most recent projected District offset balances calculated pursuant to subdivision (e) of this rule predict that such a shortfall will exist, the Executive Officer shall prepare a report to the Governing Board recommending appropriate action to rectify the shortfall. The Executive Officer shall present this report to the Governing Board no later than six

months after the paragraph (d)(2) or (d)(3) completion deadline for the PDE projecting or the FDE demonstrating or projecting the shortfall. The report shall either recommend implementing one or more of the following backstop provisions as needed to correct the shortfall or include an explanation of why it is not necessary to implement any of the following backstop provisions by making a demonstration that the District remains in compliance with federal nonattainment NSR offset requirements on an aggregate basis:

- (A) Provide additional credits to the District offset account(s) that have a shortfall within six months of the FDE that demonstrated the shortfall or the subdivision (e) projection that predicted it. The Executive Officer may obtain such credits by purchasing them, by funding emission reduction projects using quantification protocols approved by EPA, by applying BACT (federal LAER) in excess of federal requirements, or by other methods approved by EPA; and/or
- (B) Propose amendments to Rule 1304 and/or Rule 1309.1 to eliminate certain offset exemptions or to eliminate certain sources' eligibility to receive offsets from the Priority Reserve, respectively.

The report shall also include a proposed timeline for implementation of the actions it recommends.

(g) California Environmental Quality Act Backstop Provisions

(1) Net Emission Increases

(A) Emission Increases at Major and Minor Facilities

In addition to the tracking of offset account debits provided to sources at major polluting facilities pursuant to paragraph (c)(2) of this rule, the Executive Officer shall track all increases in potential to emit that occur at major and minor facilities pursuant to Rule 1304 or Rule 1309.1. Increases in potential to emit at minor facilities tracked pursuant to this paragraph shall not constitute debits from the District offset accounts.

(B) Calculation of Net Emission Increases

The Executive Officer shall calculate the cumulative net emission increase of each nonattainment air contaminant that is tracked pursuant to paragraphs (c)(2) and (c)(3) of this rule from [date of

adoption] through the end of the calendar year 2011 reporting period and through the end of each subsequent reporting period no later than the FDE completion deadline for each such reporting period specified in paragraph (d)(3) of this rule.

(C) Reporting Net Emission Increases

The Executive Officer's report to the Governing Board of each FDE commencing with the FDE for the calendar year 2011 reporting period shall include the cumulative net emission increases from [date of adoption] through the end of the reporting period analyzed by the FDE calculated pursuant to paragraph (d)(3) of this rule. In cases where, pursuant to paragraph (d)(3) of this rule, the Executive Officer reports the credit accounting elements identified in paragraph (c)(3) of this rule with the PDE for the subsequent reporting period, the Executive Officer shall also report the cumulative net emission increase(s) for the same air contaminant(s) with the PDE for the subsequent reporting period. Although net emission increases are to be reported with the results of the FDEs, they are separate from the FDEs and do not constitute an element of the FDEs.

(2) Projections of Cumulative Net Emission Increases

Each PDE report and each FDE report the Executive Officer prepares and presents to the Governing Board and EPA commencing with the reports analyzing the 2011 reporting period shall also include projections of the cumulative net emission increases at the end of each of the two subsequent reporting periods. The Executive Officer shall make the projections of the cumulative net emission increases from both major sources and minor sources based upon the average of the aggregate increase in potential to emit of each nonattainment air contaminant subject to tracking pursuant to paragraph (c)(2) of this rule and the average of the aggregate emissions reductions of the same nonattainment air contaminant for the five reporting periods most recently included in a PDE or an FDE or each of the reporting periods commencing with the 2011 reporting period, whichever is fewer reporting periods. Although these projections are to be reported with the results of the PDEs and FDEs, they are separate from the determinations of equivalency and do not constitute an element of the determinations of equivalency.

(3) Issuance of Permits

If the cumulative net emission increase of a nonattainment air contaminant, as tracked pursuant to subparagraph (g)(1)(B) of this rule and reported with an FDE pursuant to subparagraph (g)(1)(C) of this rule, exceeds the paragraph (g)(4) threshold or is projected pursuant to paragraph (g)(2) of this rule to exceed the paragraph (g)(4) threshold for that air contaminant, the Executive Officer shall discontinue issuing permits to construct and permits to operate that rely on further use of Rule 1304 exemptions or Rule 1309.1 Priority Reserve offsets for that air contaminant to major and minor sources of that air contaminant. Such permit issuance shall cease no later than the paragraph (d)(2) PDE completion deadline or the paragraph (d)(3) FDE completion deadline applicable to the PDE or FDE with which the paragraph (g)(4) threshold exceedance or projected exceedance will be reported to the Governing Board. The Executive Officer shall not resume issuing such permits unless and until the corresponding cumulative net emission increase returns to a level at least ten percent below the threshold for the year in which permitting is to resume, as shown in Table B.

(4) Cumulative Net Emission Increase Thresholds

The cumulative net emission increase thresholds based upon the growth assumptions in the 2007 AQMP for [date of adoption] through December of 2011 and each subsequent year through 2030 are presented in Table B.

TABLE B
Cumulative Net Emission Increase Thresholds
(tons per day)

[date of adoption] through December of	VOC	NOx	SOx	PM10
2011	1.68	0.15	0.04	0.24
2012	2.80	0.25	0.06	0.40
2013	3.91	0.35	0.09	0.55
2014	5.03	0.45	0.11	0.71

[date of adoption] through December of	VOC	NOx	SOx	PM10
2015	6.30	0.53	0.14	0.90
2016	7.58	0.61	0.18	1.09
2017	8.85	0.68	0.21	1.29
2018	10.12	0.76	0.24	1.48
2019	11.39	0.84	0.27	1.67
2020	12.67	0.92	0.30	1.86
2021	13.94	1.00	0.33	2.05
2022	15.21	1.08	0.36	2.24
2023	16.48	1.15	0.39	2.43
2024	17.73	1.27	0.42	2.63
2025	18.98	1.39	0.45	2.83
2026	20.23	1.50	0.48	3.03
2027	21.49	1.62	0.51	3.23
2028	22.74	1.73	0.55	3.43
2029	23.99	1.85	0.58	3.63
2030	25.24	1.96	0.61	3.83

- (h) State Implementation Plan Submittals
The Executive Officer shall not submit paragraphs (b)(2) or subdivisions (g) and (h) of this rule to the California Air Resources Board or to EPA for inclusion in the California State Implementation Plan.
- (i) Sunset Date for Permit Issuance
This rule shall expire on January 1, 2031.