

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

RULE 1309.1 -- PRIORITY RESERVE

*(Adopted June 28, 1990)(Amended May 3, 1991)(Amended December 7, 1995)
(Amended April 20, 2001)(Amended November 9, 2001)(Amended May 3, 2002)*

(a) Priority Reserve

A Priority Reserve is established to provide credits for specific priority sources. The funding of the Priority Reserve shall be made quarterly on March 31, June 30, September 30, and December 31 or other schedule deemed practicable by the Executive Officer or designee. The amount of this allocation shall not exceed the following amounts:

<u>Air Contaminant</u>	<u>Quarterly Allocation (lbs per day)</u>
Reactive Organic Gases (ROG)	500
Nitrogen Oxides (NOx)	250
Sulfur Dioxide (SOx)	60
Particulate Matter (PM10)	125
Carbon Monoxide (CO)	250

Notwithstanding the above, the Executive Officer shall transfer on a one-time basis by January 1, 2002, the following to the Priority Reserve for use exclusively by Electric Generating Facilities, and return any unused portion of this allocation as of December 31, 2003, to the District's NSR account.

Sulfur Dioxide (SOx)	750 lbs/day
Carbon Monoxide (CO)	6,000 lbs/day

The following priority sources will be qualified to draw from a pool of credits established every quarter.

(1) Innovative Technology

Is innovative equipment or a process which:

- (A) the applicant demonstrates will result in a significantly lower emission rate from the affected source than would have occurred with the use of BACT; and

(B) can be expected to serve as a model for emission reduction technology.

(2) Research Operations

Is an experimental research operation for which:

(A) the purpose of the operation is to permit investigation, experiment or research to advance the state of knowledge or the state-of-the-art; and

(B) a specific time limit is imposed by the Executive Officer or designee, in no case exceeding two years.

(3) Essential Public Service

Is used to provide essential public service, provided the applicant:

(A) has provided all required offsets available by modifying sources to Best Available Retrofit Control Technology (BARCT) levels at the same facility; or

(B) demonstrates to the satisfaction of the Executive Officer or designee that the applicant owns or operates no sources within the facility which could be modified to BARCT levels to provide offsets.

For equipment not subject to any Regulation XI rule, application(s) for modifications providing offsets to satisfy subparagraph (A) of this section shall accompany the application(s) for the new source(s). For purposes of this section only, BARCT, as defined in the California Health and Safety Code Section 40406, shall not exceed any applicable District BACT cost guidelines and shall be determined as of the date that the application is deemed complete.

(4) Electrical Generating Facility (EGF)

Is a facility that generates electricity for its own use and is less than 10 Megawatts (MW); or is a facility less than 50 MegaWatts (MW) that generates not less than 30% of its electricity to pump water to maintain the integrity of the surface elevation of a municipality or significant portion thereof; or is a facility that generates electricity for distribution in the state grid system (net generator); such facility having submitted a complete application for certification to the California Energy Commission or permit to construct application during calendar years 2000, 2001, 2002, or

2003 directly related to the production of electricity, and provided the facility:

- (A) meets BARCT for pollutants received from the Priority Reserve for all existing sources prior to the operation of the new source(s) or at a schedule approved by the Executive Officer and no later than 3 years following the issuance of a permit to construct the new source(s); and all sources under common ownership within the District are in compliance with all applicable District rules, variances, orders, and settlement agreements; and
- (B) pays a non-refundable mitigation fee of the following amounts for each pound per day of each pollutant obtained from the Priority Reserve:

PM-10	\$25,000
SO _x	\$8,900
CO	\$12,000 ; and

- (C) conducts a due diligence effort (limited to costs not to exceed the mitigation fee for that pollutant) approved by the Executive Officer or designee to secure available ERCs for requested Priority Reserve pollutants. Such efforts shall include securing available ERCs including those available through state emissions banks or creating ERCs through SIP approved credit generation programs as available; and
- (D) has the new source(s) fully and legally operational at the rated capacity within 3 years following issuance of a Permit to Construct or California Energy Commission certification, whichever is later, subject to an extension by the Executive Officer consistent with SCAQMD Rule 205; and
- (E) enters into long-term (at least one year) contract with the State of California to sell at least 50% of the portion of the power which it has generated using the Priority Reserve credits and provided the Executive Officer determines at the time of permitting, and based on consultation with State power agencies, that the state of California is entering into such long-term contracts and that a need for such contracts exists at the time of permitting, if the facility is a

net generator (this subsection does not apply to municipal utilities or joint power authorities).

- (5) The following provisions shall apply to the Priority Reserve:
- (A) Access to Priority Reserve Credits, except for those exclusively reserved for EGFs, shall be prioritized based on qualifying as an Essential Public Service or EGF and then, on the earliest date that an application is deemed complete.
 - (B) Each facility shall maintain a balance of total Priority Reserve Credits obtained.
 - (C) Essential Public Services may, at the discretion of the Executive Officer or designee, reserve Priority Reserve Offsets for up to three years to allow multiyear projects to be planned. The sum of such reservations shall amount to no more than 25 percent of the Priority Reserve allocation for those three years.
 - (D) The AQMD Governing Board may determine that a specific project shall be given priority for access to the priority reserve based on public health or safety regardless of date of application submitted.
 - (E) If a subject facility holds an Emission Reduction Credit (ERC), then that ERC must be used before access to the Priority Reserve is allowed.
 - (F) Allocations from the Priority Reserve shall not be banked or transferred.
 - (G) An aggregate total of 400 pounds per day for PM-10 shall be exclusively reserved for use by essential public services for calendar years 2001, 2002, and 2003.
 - (H) Offset credits obtained from the Priority Reserve by an EGF may not exceed the allowable emissions level of the newly permitted unit(s).
 - (I) The total amount of SO_x and CO credits that may be issued by the Executive Officer to EGFs from the Priority Reserve shall not exceed 750 lbs/day of SO_x and 6,000 lbs/day of CO.
 - (J) The Executive Officer shall monitor the PM-10 balance in the Priority Reserve and in the event the balance is less than 500 pounds per day the Executive Officer may transfer up to 1,500

pounds per day of PM-10 to the Priority Reserve. This transfer shall be done at a public meeting.

- (b) **Suspension of Health & Safety Code Section 42314.3**
Pursuant to subsection (i) of Section 42314.3 of the Health & Safety Code, the District Board hereby suspends the applicability of Section 42314.3, since it determines that this rule makes adequate offsets available at a reasonable price to EGFs.

- (c) **Additional Requirements for Net Generators Accessing Priority Reserve Credits**
Any net generator accessing Priority Reserve Credits shall comply with all terms and conditions in any Executive Officer order, whether expired or not, relating to the generator's access of Priority Reserve credits, whether such credits are used or not.