

Appendix C

San Joaquin Valley Air Pollution Control District Rule 9610 – State Implementation Plan Credit for Emission Reductions Generated Through Incentive Programs – Adopted June 20, 2013

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RULE 9610 STATE IMPLEMENTATION PLAN CREDIT FOR EMISSION
REDUCTIONS GENERATED THROUGH INCENTIVE PROGRAMS
(Adopted June 20, 2013)

1.0 Purpose

The purpose of this rule is to provide an administrative mechanism for the District to receive credit towards State Implementation Plan requirements for emission reductions achieved in the San Joaquin Valley Air Basin through incentive programs administered by the District, NRCS, or ARB.

2.0 Definitions

- 2.1 APCO: the Air Pollution Control Officer of the San Joaquin Valley Unified Air Pollution Control District, or any person authorized to act on behalf of the APCO.
- 2.2 ARB: the California state Air Resources Board as established by California Health and Safety Code Section 39510, or any person authorized to act on its behalf.
- 2.3 Carl Moyer Program: the Carl Moyer Memorial Air Quality Standards Attainment Program; a State of California funded incentive program as defined by California Health and Safety Code Sections 44275- 44299.2.
- 2.4 Case-by-Case Determination: alternative procedures approved by ARB for specific projects, as authorized under the Carl Moyer Program Guidelines.
- 2.5 Contract: a legally binding agreement signed by the District, NRCS, or ARB and the Grantee to fund an incentive project for the purpose of reducing emissions. Contracts shall include provisions for ensuring that the emissions reductions occur, including, but not limited to, actions that the Grantee must take to achieve the emission reductions for the project, project specific deadlines, inspection and monitoring requirements, and non-performance remedies.
- 2.6 Cost Effectiveness: the amount of incentive funding expended per ton of emissions reduced, as defined by the applicable incentive program guidelines.
- 2.7 District: the San Joaquin Valley Unified Air Pollution Control District.
- 2.8 Enforceable: for purposes of this rule, emission reductions are enforceable if the incentive program includes provisions for ensuring the following:
 - 2.8.1 The emission reductions are independently and practicably verifiable through inspections, monitoring, and/or other mechanisms;

- 2.8.2 Incentive program violations are defined through legally binding contracts, including identifying the party or parties responsible for ensuring that emission reductions are achieved;
 - 2.8.3 Grantees are obligated to provide all records needed to demonstrate that emission reductions are achieved; and
 - 2.8.4 The public has access to all emissions-related information for reductions claimed in the annual demonstration report, as outlined in Section 4.0.
- 2.9 EPA: the United States Environmental Protection Agency.
 - 2.10 EQIP: Environmental Quality Incentives Program; a voluntary program administered by the NRCS that provides financial and technical assistance to agricultural producers to plan and implement conservation practices that address natural resource concerns, including the improvement of combustion systems from stationary agricultural irrigation pump engines and mobile agricultural equipment.
 - 2.11 Funding Source: a source of funding used to implement incentive programs, including, but not limited to, federal, state, and local sources. Examples of funding sources include Carl Moyer Program funds and Proposition 1B - Goods Movement Emission Reduction Program funds.
 - 2.12 Grantee: a person, business, association, public agency, or other entity that enters into a contract with the District, NRCS, or ARB to reduce emissions under an incentive program.
 - 2.13 Implementation Date: for the purposes of this rule, the date which new or replacement equipment, vehicles, or practices funded through incentive programs are put into service.
 - 2.14 Incentive Program: a program that reduces emissions by promoting the adoption of lower emitting equipment, vehicles, or practices through the distribution of financial incentives to a Grantee.
 - 2.15 Incentive Program Guidelines: administrative procedures, quantification methodologies, eligibility criteria, cost effectiveness criteria, reporting practices, and/or other procedures and methodologies used to implement incentive programs, as identified in Section 3.0.
 - 2.16 Inspection: for purposes of this rule, a physical inspection by the APCO of the equipment, vehicle, or practice under contract as part of an incentive project.

- 2.17 NRCS: the United States Department of Agriculture Natural Resources Conservation Service.
- 2.18 Permanent: for purposes of this rule, emission reductions are permanent if actions are taken to physically destroy or permanently disable existing or baseline equipment or vehicles, or to permanently amend practices to ensure the reduction of emissions for the duration of the project life.
- 2.19 Project: for purposes of this rule, actions taken to reduce emissions through incentive programs, as contracted between the Grantee and the District, NRCS, or ARB using incentive program guidelines at the time of contracting. Such actions include, but are not limited to, replacements, retrofits, new purchases, new practices, and repower.
- 2.20 Project Life: for purposes of this rule, the period of time over which an incentive program project achieves SIP-creditable emission reductions. Project life shall not exceed the useful life of equipment, vehicles, or practices funded through incentive programs, and may vary across incentive programs and project types.
- 2.21 Project Type: for purposes of the annual demonstration report required by this rule, the project type is identified as the type of equipment, vehicle, or practice, and the action taken.
- 2.22 Proposition 1B: the Goods Movement Emission Reduction Program; a State of California funded incentive program as codified in California Health and Safety Code Section 39625 et seq.
- 2.23 Quantifiable: for purposes of this rule, emission reductions are quantifiable if they can be reliably determined through the use of well-established, publicly available emission factors and calculation methodologies.
- 2.24 SIP: the State Implementation Plan; a plan which provides for implementation, maintenance, and enforcement of National Ambient Air Quality Standards promulgated by EPA.
- 2.25 SIP-Creditable Emission Reduction: for purposes of this rule, reductions of emissions achieved through incentive programs that are Surplus, Quantifiable, Enforceable, and Permanent, as those terms are defined in this rule.
- 2.26 SIP Shortfall: for purposes of this rule, an instance when a commitment made pursuant to Section 7.0 in an adopted SIP to achieve a certain amount of SIP-creditable emission reductions is not achieved.

- 2.27 Surplus: for purposes of this rule, emission reductions are surplus when they are not otherwise required by any federal, state, or local regulation, or other legal mandate, and are in excess of the baseline emission inventories underlying a SIP attainment demonstration.
- 2.28 Valley: the San Joaquin Valley Air Basin including Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the San Joaquin Valley Air Basin portion of Kern County.

3.0 Incentive Program Guidelines

- 3.1 The District shall quantify emission reductions under this rule in accordance with the following specific incentive program guidelines that provide for SIP-creditable emission reductions:

- 3.1.1 ARB Carl Moyer Program Guidelines for incentive projects funded by either the Carl Moyer Program or non Carl Moyer funding sources, for the following project types:

- 3.1.1.1 On-Road Heavy-Duty Vehicle

- 3.1.1.1.1 New Vehicle Purchase (Chapter 1, approved 11/17/2005; Chapter 3, approved 2008; or Chapter 4, approved 4/28/2011);

- 3.1.1.1.2 Repower (Chapter 1, approved 11/17/2005; Chapter 3, approved 2008; or Chapter 4, approved 4/28/2011); or

- 3.1.1.1.3 Retrofit (Chapter 1, approved 11/17/2005; Chapter 3, approved 2008; or Chapter 4, approved 4/28/2011).

- 3.1.1.2 On-Road Heavy-Duty Vehicles Fleet Modernization/Replacement (Chapter 2, approved 11/17/2005; Chapter 4, approved 3/27/2008; or Chapter 5, approved 4/28/2011).

- 3.1.1.3 Off-Road Compression-Ignition Equipment

- 3.1.1.3.1 Repower (Chapter 5, approved 11/17/2005; Chapter 5, approved 3/27/2008; or Chapter 7, approved 4/28/2011);

- 3.1.1.3.2 Replacement (Chapter 4, approved 3/27/2008; or Chapter 9, approved 4/28/2011); or
- 3.1.1.3.3 Retrofit (Chapter 5, approved 11/17/2005; Chapter 5, approved 3/27/2008; or Chapter 7, approved 4/28/2011).
- 3.1.1.4 Portable and Stationary Agricultural Sources
 - 3.1.1.4.1 Repower (Chapter 10, approved 11/17/2005; Chapter 10, approved 3/27/2008; or Chapter 10, approved 4/28/2011);
 - 3.1.1.4.2 New purchase of electric motor (Chapter 10, approved 11/17/2005; Chapter 10, approved 3/27/2008; or Chapter 10, approved 4/28/2011); or
 - 3.1.1.4.3 Retrofit (Chapter 10, approved 11/17/2005; Chapter 10, approved 3/27/2008; or Chapter 10, approved 4/28/2011).
- 3.1.2 NRCS Conservation Practice Standard 372 - Combustion System Improvement (approved September 2010); Conservation Practice Standard 723 - Combustion System Air Emission Management (approved May 2009); NRCS General Manual, Title 450, Part 401 - Conservation Practice Standards (approved October 18, 2009); NRCS General Manual, Title 450, Part 407 - Documentation, Certification, and Spot Checking (approved October 17, 2009); Conservation Practice Standard 372 Specification (approved September 2010); NRCS Interim Conservation Practice Standard 723 - Combustion System Air Emission management (approved May 2009); NRCS Combustion System Improvement 372 Operation and Maintenance; and associated NRCS Program Combustion System Improvement of Mobile Engines Guidelines (December 2011; updated May 2012) for incentive projects funded by EQIP funds.
- 3.1.3 ARB Proposition 1B Goods Movement Emission Reduction Program Guidelines for Heavy-Duty Diesel Trucks repower, replacement, PM retrofit, or PM + NOx retrofit incentive projects funded by Proposition 1B funds or non-Proposition 1B funds. Applicable ARB Proposition 1B Goods Movement Emission Reduction Program Guidelines are the 2013 Proposition 1B: Goods Movement Emission Reduction Program Guidelines (Appendix A, approved 01/25/2013); the 2010 Proposition

1B: Goods Movement Emission Reduction Program Guidelines (Appendix A, approved 03/25/2010); and the 2008 Proposition 1B: Goods Movement Emission Reduction Program Guidelines (Appendices A or B, approved 02/28/2008).

3.2 Subject to sections 3.2.1 and 3.2.2 below, the District may quantify emission reductions under this rule in accordance with incentive program guidelines not specifically identified in Section 3.1, provided the District submits to EPA, pursuant to Section 7.0, a demonstration that each such guideline provides for SIP-creditable emission reductions. Incentive program guidelines subject to these procedures may include ARB Carl Moyer Program Guidelines, NRCS Combustion System Improvement Conservation Practice Standard 372 and associated NRCS Program Combustion System Improvement of Mobile Engines Guidelines, and ARB Proposition 1B Goods Movement Emission Reduction Program Guidelines.

3.2.1 Incentive program guidelines developed by the District to reduce emissions from mobile sources shall be developed in consultation with ARB.

3.2.2 Notwithstanding Sections 3.1 or Section 3.2, no case-by-case determination may be used to quantify emission reductions under this rule unless such determination is reviewed through a public process and submitted to EPA in accordance with Section 7.0.

3.3 The District shall develop and maintain a Manual of Procedures that includes all incentive program guidelines used to achieve SIP-creditable emission reductions from incentive programs, pursuant to Section 3.0. The Manual of Procedures shall:

3.3.1 Be made publically available on the District's website and maintained on an ongoing basis as incentive program guidelines are adopted; and

3.3.2 Include a description of how the incentive program guidelines ensure that incentive program emission reductions are SIP-creditable.

4.0 Annual Demonstration Report

The APCO shall annually prepare a report that demonstrates the quantity of SIP-creditable emission reductions. This report shall include the following elements, and shall be prepared and submitted to ARB and EPA through a public process in accordance with Section 5.0.

4.1 Description of incentive program guidelines used by the District, NRCS, or ARB to implement the incentive programs generating claimed SIP-creditable emission reductions, a description of how the guidelines ensure that the claimed emission

reductions are SIP-creditable, and a list of any guidelines that are being used for the first time under this rule.

- 4.2 SIP-creditable emission reductions generated through incentive programs, as implemented in the preceding year(s), summarized by pollutant, years that the emission reductions are occurring (project life), cost effectiveness, funding amount, incentive program guideline, and project type.
- 4.3 Adjustments to SIP-creditable emission reductions claimed in prior annual demonstration reports shall be reported in the annual demonstration report the year that the adjustments are made with a discussion explaining the cause for the adjustments. Adjustments to emission reductions claimed in prior annual demonstration reports may be the result of, but are not limited to, updated project information received during the course of project implementation or the adoption of new local, state, or federal requirements that might affect the surplus nature of emission reductions achieved by incentive programs.
- 4.4 Identification of SIP commitment(s) identified in District adopted SIP(s) (by year, pollutant, and magnitude), which the District has satisfied, in whole or in part, through SIP-creditable emission reductions. Such commitments include, but are not limited to, emission reduction commitments adopted to meet Clean Air Act requirements concerning the demonstration of attainment, Reasonable Further Progress, Rate of Progress, contingency measures, and long-term measures as defined by the federal Clean Air Act Section 182(e)(5) ("black box" reductions). The District shall identify and quantify SIP commitment shortfalls, if any, and remedies for addressing said shortfalls.
- 4.5 Project Information

Reported project information shall include the following information for incentive projects achieving SIP-creditable emission reductions, as applicable:

- 4.5.1 Unique project identification number, as established by the District, NRCS, or ARB;
- 4.5.2 Project location;
- 4.5.3 Project type;
- 4.5.4 Project life;
- 4.5.5 Implementation date of project;
- 4.5.6 Funding amount provided by District, NRCS, or ARB;

- 4.5.7 Incentive program guideline(s) used to implement the project, including revision date;
 - 4.5.8 Quantified emission reductions per year, and aggregated over the project life, by pollutant; and
 - 4.5.9 Description of both the baseline and the new equipment, vehicles, or practices, including the following for each, as applicable:
 - 4.5.9.1 Make and model of equipment or vehicle;
 - 4.5.9.2 Equipment or vehicle rating or horsepower;
 - 4.5.9.3 Model year; and
 - 4.5.9.4 Historical and projected annual usage.
 - 4.5.10 Additional project details, as necessary to demonstrate the SIP-creditable emission reductions claimed in the annual demonstration report.
- 4.6 Project Monitoring and Enforcement
- The annual demonstration report shall include a summary of monitoring and enforcement activities conducted during the reporting period for incentive projects for which SIP-creditable emission reductions are being claimed, as follows:
- 4.6.1 Identification of project audits, usage reports, inspections, and other project monitoring activities; and
 - 4.6.2 List of actions taken to enforce emission reductions associated with contract requirements, including the following:
 - 4.6.2.1 Identification of projects that do not satisfy contractual requirements; and
 - 4.6.2.2 Identification of enforcement actions and remedies, including penalties, additional contractual requirements, or other actions.
- 4.7 Incentive Program Evaluation
- The District shall perform a retrospective assessment of the performance of its incentive program to evaluate overall incentive program performance and develop recommendations for future enhancements to incentive program implementation.

This assessment shall include a summary of the public process to receive comments on the draft report, as required by Section 5.0.

5.0 Annual Demonstration Report Process

- 5.1 The APCO shall submit the annual demonstration report and information described in Section 4.0 to ARB and EPA no later than August 31 of each year.
- 5.2 The APCO shall release the draft annual demonstration report to the public and present it to the District Governing Board prior to submittal to ARB and EPA for concurrence.
- 5.3 Previously submitted annual demonstration reports shall be made available on the District's website.

6.0 Recordkeeping Requirements

- 6.1 All documents created and/or used in implementing the requirements of Section 4.0 shall be kept and maintained as required by the applicable incentive program guidelines. Consistent with the California Public Records Act and other related requirements, such records shall be made available for public review. Information regarding the process for the public review of such records shall be included in the annual demonstration report.
- 6.2 Records related to implementation of the NRCS Program Combustion System Improvement of Mobile Engines incentive program are prohibited from mandatory disclosure, pursuant to the Federal Food Security Act of 1985 (7 U.S.C. § 608d(2)).

7.0 Use of Projected Incentive Program Reductions in SIPs

Where the District intends to rely on projections of SIP-creditable emission reductions under this rule to satisfy a federal Clean Air Act SIP requirement (e.g., attainment, Reasonable Further Progress, Rate of Progress, contingency measures, or long-term measures as defined by the federal Clean Air Act Section 182(e)(5) ("black box" reductions)), the District shall identify specific amounts of SIP-creditable emission reductions for a particular year or years in the relevant SIP. Each SIP submission in which the District relies on such projections shall contain a demonstration that the applicable incentive program guideline(s) continues to provide for SIP-creditable emission reductions and shall contain an enforceable commitment that:

- 7.1 Identifies incentive program guidelines, as specified in Section 3.0, used to generate projected SIP-creditable emission reductions;

- 7.2 Identifies emission reductions not to exceed the amount projected to be achieved through the use of secured or reasonably anticipated incentive program funding and the estimated availability of emission reductions projects and willing participants, based on historical participation and estimates of remaining equipment;
- 7.3 Is specifically adopted by the District as a part of the SIP and accounted for in the annual demonstration report as SIP-creditable emission reductions are achieved through provisions of this rule; and
- 7.4 States that if either the District or EPA finds that there is a SIP shortfall for a particular year, the District will adopt and submit to EPA, by specified dates, substitute rules and measures that will achieve equivalent emission reductions as expeditiously as practicable and no later than any applicable implementation deadline in the Clean Air Act or EPA's implementing regulations.