

PROPOSED AMENDMENTS TO RULE 2001 AND RULE 2002

REGULATION XX (RECLAIM)
PUBLIC WORKSHOP
AUGUST 9, 2018

Overview of PARs 2001 & 2002

- PAR 2001
 - Introduces an opt-out provision for facilities that meet the criteria to exit RECLAIM
 - Criteria and procedures are established
- PAR 2002
 - Revises the criteria for facilities to be eligible to exit RECLAIM (original criteria adopted in January 5, 2018 amendments)
 - Introduces an option for facilities to remain in RECLAIM upon receiving an initial determination notification for potential exit
 - Introduces new temporary provision for exiting RECLAIM facilities regarding NSR offsets ²

January 5, 2018 Amendments

- Initiated the process to transition facilities out of RECLAIM

PAR 2001

Prohibited any facilities from entering RECLAIM

PAR 2002

Established notification procedures for facilities that were identified as ready to exit RECLAIM

Established criteria for facilities to be identified as eligible to exit

Addressed RTC holdings for exited facilities

3

Background (continued)

- Staff initially identified 37 RECLAIM facilities for potential exit, based on Rule 2002 criteria
- Some facilities did not receive an Initial Determination Notification as part of this initial group
 - Others have shut down equipment and no longer operate RECLAIM sources

4

PAR 2001

Establishes eligibility criteria for facilities to opt-out of RECLAIM

Establishes procedures for facilities to opt-out of RECLAIM

5

PAR 2001 – Opt-Out

- Facilities may request to opt-out of RECLAIM provided that they meet certain criteria
- A facility is not eligible to opt-out if it operates:
 - NOx emitting equipment that is explicitly categorized in a non-RECLAIM command-and-control NOx rule that exempts RECLAIM facilities; and/or
 - Non-combustion NOx emitting equipment that is not explicitly listed in any non-RECLAIM rule

In other words...

Facilities cannot exit unless all facility equipment is subject to a command-and-control rule that establishes BARCT emissions limits, BARCT implementation schedules, and MRR requirements for the transition to command-and-control

6

PAR 2001 Opt-Out Procedures

- If the facility meets the criteria, it may submit a request to the Executive Officer
- Facility is required to submit with the request:
 - A listing of all permitted and unpermitted NO_x RECLAIM equipment, including applicable control equipment; and
 - Permitted NO_x emission levels, and if not available, manufacturer guaranteed NO_x emission levels for the equipment
- If approved, facility would receive an initial determination notification and be subject to provisions in Rule 2002 for exiting

7

PAR 2002

Revises eligibility criteria for facilities to be identified as ready to exit

Establishes an option for facilities to remain in RECLAIM if issued an initial determination notification

Adds provision for exiting facilities regarding NSR offsets

Removes provision requiring reporting of infinite year block NO_x RTC (IYB) prices

8

Revised Eligibility Criteria to Exit

Old Criteria

Facility has emissions from Rule 219 equipment, unless the equipment would be subject to a command-and-control rule that it cannot reasonably comply with, equipment with various location permits, or unpermitted equipment

Facility's NOx RECLAIM equipment meets current command-and-control BARCT rules

Revised Criteria

Facility does not have NOx emitting equipment that is subject to a non-RECLAIM rule that regulates NOx emissions and exempts such NOx emitting equipment

Facility does not have non-combustion NOx equipment that has no applicable non-RECLAIM rule that pertains to such NOx emissions

What Changed?

- Facilities do not need to be at BARCT to exit
- However, all facility equipment must be subject to a non-RECLAIM NOx emissions limiting rule (Facilities will be subject to these rules when rules are amended and no longer exempt RECLAIM facilities)
- If there is no non-RECLAIM rule applicable to a piece of equipment, the facility may not exit

Revised Eligibility Criteria Applicability

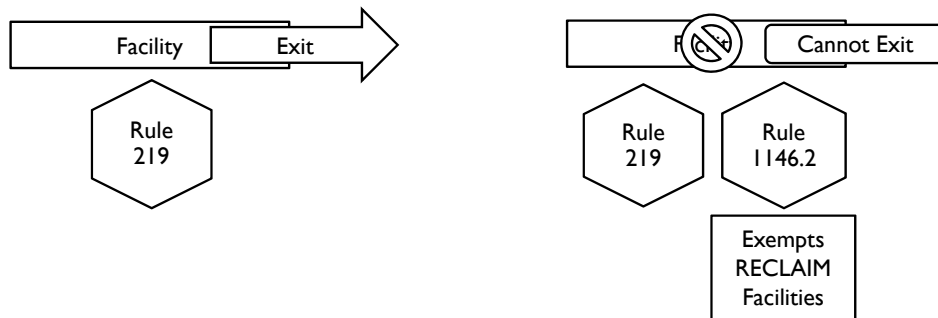
- All facilities in RECLAIM, including the 37 facilities that have received initial determination notifications, cannot exit unless they meet the revised criteria
 - Even if facilities have already received an initial determination notification
- As command-and-control rules are adopted/amended, more groups of facilities would meet the criteria to exit
 - Even if equipment is currently not complying with a future BARCT limit, it would be subject to that applicable rule's implementation schedule

Eligible Facilities

- Facilities that would be eligible to exit would have:
 - No NOx emitting equipment
 - NOx emissions from only Rule 219 equipment (excluding equipment subject to Rule 1146.2)
 - Equipment subject to a non-RECLAIM rule that does not exempt RECLAIM facilities or is not listed in Table 1 in Rule 2001 (i.e., Facilities with only Rule 1470 equipment)

11

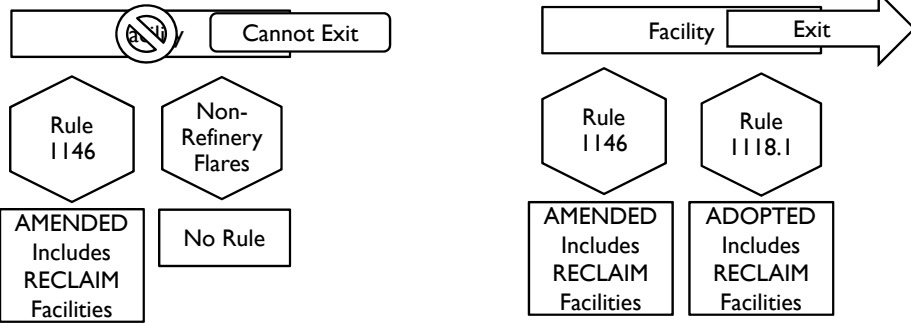
Examples



Facility has only Rule 219 equipment – facility may exit
 Facility has Rule 219 equipment and Rule 1146.2 equipment – facility may NOT exit

12

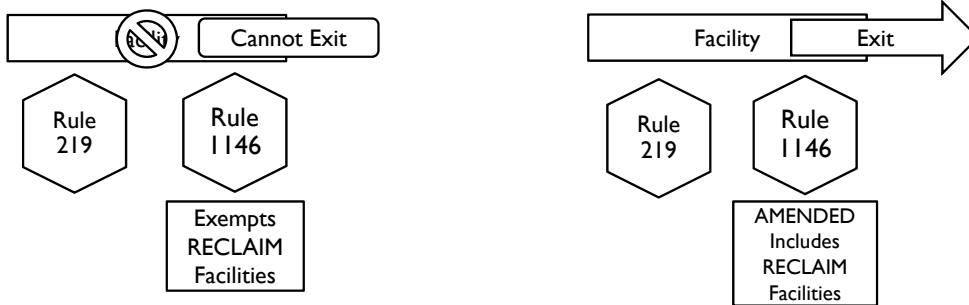
Examples



Facility has Rule 1146 equipment and equipment that would be subject to Proposed Rule 1118.1 – Non-Refinery Flares
 Facility may NOT exit until a Rule 1118.1 is adopted

13

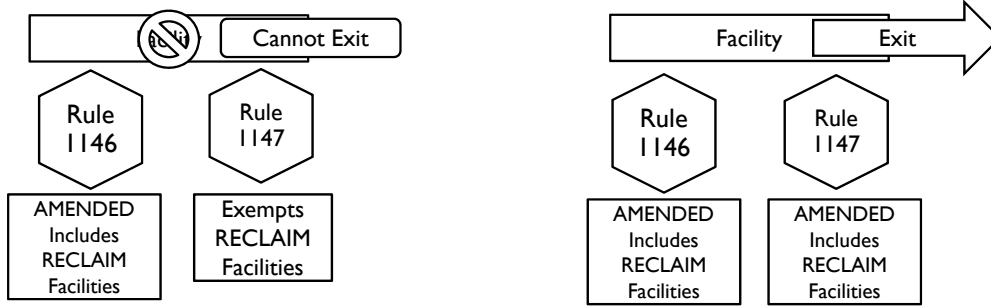
Examples



Facility has Rule 219 equipment and boilers that would be subject to Rule 1146, if the rule did not exempt RECLAIM facilities: If Rule 1146 has not been amended to include RECLAIM facilities, the facility may NOT exit
 Once Rule 1146 is amended to include RECLAIM facilities – the facility may exit

14

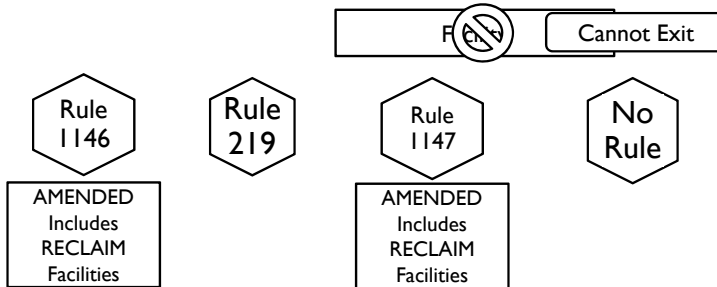
Examples



Facility has equipment that would be subject to Rule 1146 and 1147 if they did not exempt RECLAIM facilities: Rule 1146 has been amended to include RECLAIM facilities but Rule 1147 has not been amended yet; the facility may NOT exit. Once Rule 1147 is amended – the facility may exit

15

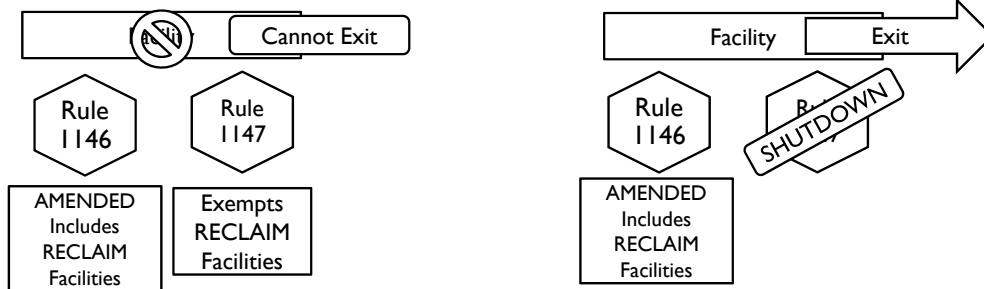
Examples



Facility has equipment that is subject to amended rules that do not exempt RECLAIM facilities and has a piece of equipment in which there is no rule to comply with (e.g., nitric acid tanks); the facility may NOT exit.

16

Examples



Facility has Rule 1146 equipment and Rule 1147 equipment: If Rule 1147 has not been amended to include RECLAIM facilities, but the facility shuts down their Rule 1147 equipment, the facility may exit

17

Option to Remain in RECLAIM

- Stakeholders expressed concerns about transitioning before Regulation XIII – New Source Review is amended
- PAR 2002 will allow facilities to remain in RECLAIM for a limited time while NSR issues are resolved
- Applies to facilities that receive an initial determination notification
 - Facility submits request to remain in RECLAIM, along with equipment information required in the initial determination notification
 - Executive Officer will notify the facility that it will remain in RECLAIM until a future date, but no later than December 31, 2023

18

Provisions for Remaining in RECLAIM

- Facilities that remain in RECLAIM:
 - Would be required to comply with all requirements of any applicable non-RECLAIM rule that does not exempt RECLAIM facilities
 - A facility will be subject to BARCT requirements of a non-RECLAIM command-and-control rule while remaining in RECLAIM
 - The facility will remain in RECLAIM until a subsequent notification is issued stating the date that the facility will exit
 - Upon subsequent notification, a facility will submit any updated NOx equipment information to the Executive Officer

19

Exiting Facilities

- PAR 2002 adds a new provision for exiting facilities to provide a temporary pathway for facilities to exit, despite unresolved NSR issues
- NSR Issues:
 - Permit moratorium - Rule 1315 contains cumulative net emissions increase thresholds
 - Potential impacts from exiting RECLAIM facilities were not analyzed for Rule 1315 CEQA thresholds
 - Will be the subject for future Regulation XIII amendments

20

Additional Provision for Exiting Facilities

- PAR 2002 would allow facilities that meet specified criteria to exit
- Exited facilities can use ERCs in open market once exited
- Added provision to prohibit use of internal bank
 - Concerns for potentially exceeding CEQA thresholds
 - Could possibly result in a permit moratorium

21

Reporting Infinite Year Block (IYB) Prices

- Rule 2002 contains a provision that requires the Executive Officer to report to the Governing Board if IYB prices fall below \$200,000
 - Adopted as part of the 2015 RECLAIM amendments
 - Prices fell below \$200,000 in September 2017
 - RECLAIM transition has resulted in a sharp decrease of IYB trading
- PAR 2002 would remove this reporting requirement

22

Rulemaking Schedule

- Written Comments Deadline
 - August 23, 2018
- 30-Day Documents
 - September 4, 2018
- Set Hearing
 - September 7, 2018
- Working Group Meeting
 - September 13, 2018
- Stationary Source Committee Meeting
 - September 21, 2018
- Public Hearing
 - October 5, 2018

23

Contacts

- Melissa Gamoning
Assistant Air Quality Specialist
(909) 396-3115
mgamoning@aqmd.gov
- Kevin Orellana
Program Supervisor
(909) 396-3492
korellana@aqmd.gov
- Gary Quinn, P.E.
Program Supervisor
(909) 396-3121
gquinn@aqmd.gov
- Tracy A. Goss, P.E.
Planning and Rules Manager
(909) 396-3106
tgoss@aqmd.gov

24