

Ventura County Air Pollution Control District  
Annual Equivalency Demonstration Program

Rule 26.11, “New Source Review – ERC Evaluation at Time of Use”

Annual Report  
April 1, 2018

Prepared by:

Kerby E. Zozula, Manager  
Engineering Division

## **Annual Equivalency Demonstration Program Report April 1, 2018**

### **Introduction**

Section C.5 of District Rule 26.11, “New Source Review – ERC Evaluation at Time of Use”, requires the Ventura County Air Pollution Control District (District) to provide an annual report on its annual equivalency demonstration program to the U. S. Environmental Protection Agency (EPA). The purpose of the annual equivalency demonstration program is to demonstrate that, as a whole, the District new source review rule requirements for emission offsetting are equivalent to the EPA new source review rule requirements.

The District new source review rules require any facility that emits more than five (5) tons per year of reactive organic compounds (ROC) or nitrogen oxides (NO<sub>x</sub>) to provide emission offsets for any ROC or NO<sub>x</sub> emission increase. The District rules allow banking of emission reduction credits (ERCs), which can then be used as future emission offsets. The District rules require that the emission reductions used to create ERCs be surplus to all requirements at the time they are *banked*.

EPA new source review rules require any facility that would increase emissions more than twenty-five (25) tons per year of ROC or NO<sub>x</sub> to provide emission offsets for the emission increase. EPA policy requires, however, that emission reductions used to offset the emission increase be surplus to all requirements at the time they are *used*.

Under the equivalency demonstration program, all ROC and NO<sub>x</sub> ERCs provided to the District are examined to determine what portion of the original emission reduction is surplus at the time of use. On an annual basis, the total amount that is surplus is compared to the total amount of ROC and NO<sub>x</sub> emission offsets required by new major sources and major modifications to sources. If the annual equivalency demonstration program report shows a positive balance, no action is required. If the annual equivalency demonstration program report shows a program deficiency, the District will require that emission offsets for major new sources and major modifications be surplus at the time of use until an annual report shows that the program deficiency is resolved.

This report is the most current annual report on the equivalency demonstration program. The report covers all ERCs provided for Authorities to Construct issued, and all ERCs surrendered, in Calendar Year 2017. The report indicates the status of these transactions as of January 1, 2018.

### **Emission Reductions Required by the Clean Air Act**

District Rule 26.11 requires staff to determine, for each emission reduction credit used or surrendered, the amount of that emission reduction that is surplus to any emission reductions required by the federal Clean Air Act. In a Memorandum of Understanding dated February 11, 2003, EPA and the District agreed that the following list of emission reductions are required by the federal Clean Air Act and, therefore, are not surplus emission reductions.

- A. Any emission reduction required by a stand-alone federal requirement or regulation, including, but not limited to, Acid Rain, New Source Performance Standard, Reasonably Available Control Technology, and Maximum Achievable Control Technology, whether or not the requirements are part of the State Implementation Plan (SIP) or a local attainment plan.
- B. Any emission reduction relied upon by a permitting authority for attainment purposes, or contained in an approved attainment plan, including emission reductions relied upon for Reasonable Further Progress calculations. Reference 40 CFR 51.165(a)(3)(ii)(G).
- C. Any emission reduction whose original emission is not included in the District's emission inventory. Reference 40 CFR 51.165(a)(3)(ii)(C)(1).
- D. Any emission reduction based on a source-specific or source category-specific SIP provision used to comply with CAA requirements.
- E. Any emission reduction required by a condition of a permit issued to comply with CAA new source review requirements. Any emission reduction required by a permit condition placed on a permit solely: 1) to make the reduction federally enforceable to meet federal creditability criteria for use of the reduction as an offset for new source review purposes, or 2) to assure compliance with a state or local requirement that is not federally enforceable shall not be included in this class. Reference 40 CFR 51.165(a)(3)(ii)(G).
- F. Any emission reduction based on a source-specific emission limitation resulting from an Environmental Protection Agency enforcement case.

Pursuant to Rule 26.11.B.1, the evaluation is not required for any emission reduction credits provided by the applicant as temporary emission reduction credits pursuant to Rule 26.4.F.4.

### **Emission Reduction Credits Based on Projects Occurring Prior to 1990**

Paragraph C in the above list states that any emission reduction whose original emission is not included in the District's emission inventory is not considered surplus. The District's portion of the State Implementation Plan is based on a 1990 inventory of actual emissions. Thus, any actual emissions from emission reduction projects that occurred prior to 1990 are not explicitly in the District's baseline emission inventory.

In its portion of the SIP, the District created a projected emission inventory using the baseline emission inventory and a set of growth factors and control factors. No specific line item was included for emissions growth due to the use of ERCs that derived from emission reduction projects occurring prior to 1990. It could be argued that the use of these ERCs is implicitly included as some portion of the set of growth factors. However, the overall growth in emissions from stationary sources resulting simply from applying the growth factors to the baseline stationary source inventory is negative. That is, applying the growth factors alone results in an overall emissions decrease.

Thus, the District staff concludes that it cannot be reasonably argued that the original emissions from any emission reduction project that occurred prior to 1990 are included in the District's emission inventory. As a result, no ERCs that derived from emission reduction projects that occurred prior to 1990 are considered to represent emission reductions that are surplus at the time of use.

### **Permit Applications For Which Emission Offsets Were Provided**

District Rule 26.11 requires that District staff evaluate each ROC and NO<sub>x</sub> emission reduction credit that is provided by an applicant pursuant to the emission offset provisions of District Rule 26.2.B to determine how much of the credit is surplus as of the date the Authority to Construct was issued.

Table 1 lists all Authorities to Construct, issued in calendar year 2017, for which permit applicants were required to provide emission offsets pursuant to District Rule 26.2.B. Table 1 identifies the permit applications, both Authorities to Construct and associated Permits to Operate. Each permit application is identified by its five digit facility number and associated three digit application number. The dates are the dates the permits were issued. If the application number and issuance dates are the same for the Authority to Construct and the Permit to Operate, it indicates that the District issued one document that served as both permits, that is, a combined Authority to Construct and Permit to Operate.

The ERC Certificates used to provide emission offsets are identified by a four-digit number as the Authority to Construct ERC and the Permit to Operate ERC.

Frequently, a portion of an ERC Certificate is sold. The District then updates the transaction records for the original ERC Certificate and issues a new ERC Certificate for the portion sold, with a new ERC number. The surplus analysis discussed below requires an examination of the original emission reduction that was the basis for the emission offset provided by the permit applicant. In order to facilitate that analysis, Table 1 lists the original ERC Certificate number following each Authority to Construct ERC number and Permit to Operate ERC number.

If an emission reduction credit is both generated and used as part of the same project, the District refers to the credit as an internal emission reduction credit. On some occasions in the past, no ERC Certificate number was assigned to an internal emission reduction credit. Table 1 does not include any such transactions for 2017. In most cases today, a unique ERC number is used for cases where an emission reduction credit is both generated and used as part of the same project.

Finally, Table 1 lists the total amount of ROC and NO<sub>x</sub> emission offsets in tons per year provided to the District from each ERC Certificate or internal emission reduction credit.

Table 1 lists information for both Authorities to Construct and associated Permits to Operate because, in some cases, the information could be different. If the Permit to Operate information differs from the Authority to Construct information, the memorandum of understanding requires that the differences be discussed in the annual report.

None of the applications referenced in Table 1 were applications for major new sources or major modifications of either ROC or NOx that were subject to EPA new source review rules.

**Table 1 - 2017 Permit Applications For Which Emission Offsets Provided**

Authority to Construct Date	Facility Number	AC App Number	A to C ERC	Original ERC	A to C ROC	A to C NOx	Permit to Operate Date	PO App Number	P to O ERC	Original ERC	P to O ROC	P to O NOx
1/4/2017	08062	161	1030	1030	2.29	0.00	1/4/2017	161	1030	1030	2.29	0.00
4/27/2017	00990	381	1135	1135	0.01	0.00	4/27/2017	381	1135	1135	0.01	0.00
5/18/2017	00066	500	1240	1005	0.80	0.00	9/7/2017	501	1240	1005	0.80	0.00
6/8/2017	00008	970	1021	1021	2.38	0.00	8/15/2017	971	1021	1021	2.38	0.00
8/1/2017	00066	520	1240	1005	0.80	0.00	2/9/2018	521	1240	1005	0.41	0.00
8/22/2017	08132	131	1236	1236	0.16	1.43	8/22/2017	131	1236	1236	0.16	1.43
8/30/2017	06399	191	1194	1047	1.99	0.00	8/30/2017	191	1194	1047	1.99	0.00
9/27/2017	00984	540	1021	1021	0.05	0.00	2/26/2018	541	1021	1021	0.05	0.00
10/11/2017	00054	411	1226	1104	0.03	0.00	10/11/2017	411	1226	1104	0.03	0.00
12/13/2017	00066	540	1240	1005	0.80	0.00	2/9/2018	541	1240	1005	0.40	0.00

Note: All ROC and NOx numbers are in units of tons per year.

### Surrendered Emission Reduction Credit Certificates

District Rule 26.11 requires that District staff evaluate each ROC and NOx emission reduction credit that is permanently surrendered by the registered owner, without being used pursuant to Rule 26.2.B, to determine how much of the credit is surplus as of the date the emission reduction credit is surrendered.

During calendar year 2017, there were no ERC transactions based on the surrender of a portion of an ERC Certificate.

### Analysis of Provided and Surrendered Emission Reduction Credits

As discussed above, District staff has concluded that emission reductions that derived from projects that occurred prior to 1990 cannot currently be considered surplus to all requirements of the federal Clean Air Act. District staff, therefore, reviewed the District files for all original ERC Certificates listed in Table 1 to determine which certificates were issued for emission reductions that occurred prior to 1990.

Table 2 lists the Authority to Construct applications from Table 1 that provided emission offsets from projects that occurred prior to 1990. Only Authority to Construct information from Table 1 was used since the amount of ERCs provided do not contribute to the surplus ERC balance as shown in Table 4. None of the ROC or NOx provided to the District through these Table 2 transactions are surplus to all requirements of the federal Clean Air Act.

**Table 2 - 2017 Applications Using Offsets Derived From Pre-1990 Projects**

Authority to Construct Date	Facility Number	AC App Number	A to C ERC	Original ERC	A to C ROC	A to C NOx
1/4/2017	08062	161	1030	1030	2.29	0.00
5/18/2017	00066	500	1240	1005	0.80	0.00
6/8/2017	00008	970	1021	1021	2.38	0.00
8/1/2017	00066	520	1240	1005	0.80	0.00
8/30/2017	06399	191	1194	1047	1.99	0.00
9/27/2017	00984	540	1021	1021	0.05	0.00
12/13/2017	00066	540	1240	1005	0.80	0.00
Total					9.11	0.00

Note: All ROC and NOx numbers are in units of tons per year.

Table 3 lists the Authority to Construct applications from Table 1 that provided emission offsets from projects that occurred in 1990 or later. For each of these transactions, District staff analyzed the original ERC Certificate on a case-by-case basis as required by District Rule 26.11.B and Section III.C of the memorandum of understanding. The analysis process is discussed in more detail below.

Based on the analysis, District staff calculated a ratio of the currently surplus emission reductions to the emission reductions originally granted (ER1/ER2) for ROC and an ER1/ER2 ratio for NOx for each original ERC Certificate. Table 3 contains these ratios and a calculation of the portion of each emission reduction credit provided to the District that is currently surplus using the calculation procedure in District Rule 26.11.B.4.

Table 3 shows the total amount of ROC and NOx credits provided to the District and the total amount of ROC and NOx credits that are considered surplus.

**Table 3 - 2017 Applications Using Emission Offsets Derived From 1990 or Later Projects**

Authority to Construct Date	Facility Number	AC App Number	A to C ERC	Original ERC	A to C ROC	ER1/ER2 ROC	Surplus ROC	A to C NOx	ER1/ER2 NOx	Surplus NOx
4/27/2017	00990	381	1135	1135	0.01	1.33	0.01	0.00	0.00	0.00
8/22/2017	08132	131	1236	1236	0.16	1.00	0.16	1.43	1.00	1.43
10/11/2017	00054	411	1226	1104	0.03	1.11	0.03	0.00	0.00	0.00
Total					0.20		0.20	1.43		1.43

Note: All ROC and NOx numbers are in units of tons per year.

### Analyses of Original ERC Certificates

District staff conducted an analysis of each original ERC Certificate on a case-by-case basis as required by District Rule 26.11.B and Section III.C of the memorandum of understanding. The

analyses are included in Appendix A of this report. Each analysis includes the ERC Certificate number, the date the Certificate was originally issued, and a brief description of the project that resulted in an emission reduction.

Each analysis includes an Emission Reduction Calculation Summary Table that contains the size of the original real, quantifiable, permanent and enforceable emission reduction; the size of the real, quantifiable, permanent and enforceable emission reduction corrected for any concerns noted during this re-analysis; the amount of the emission reduction that is currently surplus (i.e., ER1 as defined in District Rule 26.11.B.2); and the amount of the District emission reduction credit granted for the emission reduction taking into account any discounting done by the District and not required by EPA emissions banking rules (i.e., ER2 as defined in District Rule 26.11.B.3).

Each analysis includes a discussion of why the emission reduction is considered real and quantifiable. The District generally defines a real emission reduction as one based on actual emissions. The District defines a quantifiable emission reduction as one for which you can establish a reliable basis for calculating the reduction. Generally, District staff considers an emission reduction real and quantifiable if the emission reduction is calculated using emission factors derived from a source test on the equipment and two years of actual throughput data.

In some cases, it is considered acceptable to substitute standard emission factors for emission factors derived from a source test if source testing is difficult. In two cases, it is standard practice to substitute permitted emissions for actual emissions. The first case is if the permitted emissions for the equipment were originally offset with emission reduction credits (District Rule 26.6.E.4). The second case is if the permitted emissions are less than the calculated actual emissions.

Each analysis includes a discussion of why the emission reduction is considered permanent and enforceable. Generally, District staff considers an emission reduction permanent and enforceable if the equipment involved requires a Permit to Operate in the District and the Permit to Operate has either been surrendered or had conditions added to enforce the emission reduction.

Each analysis includes a discussion of the current calculation procedures that District staff would use to calculate a real, quantifiable, permanent and enforceable emission reduction from the project that generated the emission reduction credit if different than the calculation procedures originally used. Generally, District calculation methods have not changed significantly in the last several years.

Each analysis includes a discussion of what portion of the emission reduction would be considered surplus under the definition of surplus in the memorandum of understanding. Generally, the current District prohibitory rule applicable to the equipment governs what portion of the emission reduction would be considered surplus.

Each analysis includes a discussion of what portion of the emission reduction was granted as an emission reduction credit by the District after applying the discounts required at the time the

credit was granted by District Rule 26.4.C (or equivalent rules prior to October 22, 1991) and any discounts required after the credit was granted by District Rule 26.4.D.1 or District Rule 26.4.D.2 (or equivalent rules prior to October 22, 1991).

### **Corrections to Prior Year Balances**

The memorandum of understanding requires the District to determine if any Permit to Operate information for permits issued during the report year differs from the Authority to Construct information used in prior year reports. The annual report is required to include a discussion of any correction to prior year balances of ROC and NOx caused by any differences identified.

During calendar year 2017, there were no ROC transactions and no NOx transactions that had corrections from prior Authorities to Construct.

### **Conclusion**

Table 4 summarizes all emission reduction credits used or surrendered in the District in calendar year 2017. Table 4 shows that 9.31 tons per year of ROC credits and 1.43 tons per year of NOx credits were used or surrendered. Table 4 further shows that 0.20 tons per year of ROC credits and 1.43 tons per year of NOx credits were surplus at the time of use.

No permit applications for major new sources or major modifications were issued during the calendar year 2017. The Ventura County APCD did issue its Final Determination of Compliance (FDOC) for the Puente Power Project on October 13, 2016 (Authority to Construct No. 00013-370) which qualifies as a major modification for NOx. In addition, the Ventura County APCD issued a Preliminary Determination of Compliance (PDOC) for the Mission Rock Energy Center on October 13, 2017 (Authority to Construct No. 08308-100) which qualifies as a new major source of NOx. Pursuant to Section G of Rule 26.9, “New Source Review – Power Plants”: *A Determination of Compliance shall confer the same rights and privileges as an Authority to Construct only when and if the California Energy Commission approves the AFC, and the Commission certificate includes all conditions of the Determination of Compliance.* As the California Energy Commission has not yet approved or denied these projects, this report assumes that the Authorities to Construct for the Puente Power Project and Mission Rock Energy Center have not been issued and are not included in this report. Therefore, no emission reduction credits were required for major new sources or major modifications for this reporting year.

The annual equivalency demonstration program had a positive year-end balance of 64.76 tons per year of ROC and 38.38 tons per year of NOx at the end of calendar year 2016. There were no corrections to prior year balances as discussed above. The annual equivalency demonstration program, therefore, has a positive year-end balance of 64.96 tons per year of ROC and 39.81 tons per year of NOx at the end of calendar year 2017.

The District has, therefore, demonstrated that the District new source review rule requirements for emission offsetting are equivalent to the EPA new source review rule requirements for the reporting period. New major sources and major modifications shall be exempt from the

provision in Rule 26.2.B.2.d that all emission reduction credits provided be surplus at the time of use for both ROC and NOx until the submission of the next annual report.

**Table 4 - 2018 Annual Equivalency Demonstration Program Summary For 2017**

	Total ROC	Surplus ROC	Total NOx	Surplus NOx
Applications Using Pre-1990 Project ERCs	9.11	0.00	0.00	0.00
Applications Using 1990 or Later Project ERCs	0.20	0.20	1.43	1.43
Surrendered Pre-1990 Project ERCs	0.00	0.00	0.00	0.00
Surrendered 1990 or Later Project ERCs	0.00	0.00	0.00	0.00
Total Reductions for Calendar Year 2017	9.31	0.20	1.43	1.43
Total Surplus Reductions From Prior Years		64.76		38.38
Correction to Prior Year Balances		0.00		0.00
Total Surplus Reductions at End of 2017		64.96		39.81

Note: All ROC and NOx numbers are in tons per year

Ventura County Air Pollution Control District  
Annual Equivalency Demonstration Program

Appendix A  
Analyses of Original ERC Certificates

## ERC Certificate Analysis

ERC Certificate No. 1104

Issuance Date: February 27, 1996

### Project Description:

Replacement of five rich-burn natural gas engines at the Mel Blanc and Cal Pac Leases in the Sespe Field near Fillmore with electric motors. The five engines, ranging in size from 28 bhp to 60 bhp, were used to power oil well pumps.

### Emission Reduction Calculation Summary:

	ROC	NOx
Emission Reduction – Original Calculation	4.33 tpy	3.00 tpy
Emission Reduction – Current Calculation	4.33 tpy	3.00 tpy
EPA Surplus Emission Reduction (ER1)	4.33 tpy	2.95 tpy
District Emission Reduction Credit (ER2)	3.90 tpy	2.66 tpy

### Analysis:

*Real and Quantifiable* – Pursuant to the emission reduction calculation method in Rule 26.6.E.1, the emission reduction for the five engines was originally calculated using source test data for the five engines and the actual hours of operation data for two years (1989 and 1990) prior to engine replacement. Only one of the engines was rated at 50 bhp or more. This engine was subject to Rule 74.9 that had a 50 ppm NOx emission limit and a 250 ppm ROC emission limit for rich-burn engines. This engine was not in compliance with either emission limit. For this engine, the emission reduction calculation for ROC and NOx was done assuming compliance with the Rule 74.9 emission limits rather than the ROC and NOx emission rates measured during the source test.

*Permanent and Enforceable* – Oil wells cannot be operated in the District without a Permit to Operate. The Permit to Operate that includes the Mel Blanc and Cal Pac Leases is conditioned to require that the five oil wells associated with these engines be free-flowing or operated on electric-motor driven artificial lift equipment. If any of the wells are shut down, another well at the facility is required to be operated in this manner. All new wells in the District are required to be free-flowing or operated on electric-motor driven artificial lift equipment pursuant to the new source review requirement to have BACT.

*Current Calculations* – The District currently uses the same calculation method for calculating emission reductions from natural gas engines that was originally used. The District would prefer to use actual fuel use data rather than actual hours of operation. For small engines, however, actual hours of operation would generally be accepted.

*EPA Surplus Emission Reduction* – Rule 74.9 currently has a 25 ppm NOx emission limit and a 250 ppm ROC emission limit for rich-burn engines. The one rich-burn engine with a horsepower

rating greater than 50 bhp would be required to achieve these emission limits. Its NO<sub>x</sub> contribution to the original calculation was 0.10 tpy of NO<sub>x</sub>. The calculated EPA surplus emission reduction has been reduced to 50% (25 ppm/50 ppm) of the originally calculated emission reduction for this engine. Since the ROC emission limit has not changed, the originally calculated ROC emission reduction does not need to be reduced.

*District Emission Reduction Credit* – Pursuant to Rule 26.4.C.2, the original emission reduction was discounted by 10%, to 2.70 tpy of NO<sub>x</sub>, when the ERC Certificate was issued. Moreover, at the time the emission reduction credit was originally issued, the District had a tactic that anticipated reducing the NO<sub>x</sub> emission limit for rich-burn engines to 25 ppm. The original emission reduction credit, therefore, contained a condition stating that the emission reduction credit would be reduced to 2.66 tpy of NO<sub>x</sub> after the effective date of a rule implementing the tactic. On July 18, 1997, the emission reduction credit was reduced pursuant to this condition.

## ERC Certificate Analysis

ERC Certificate No. 1135

Issuance Date: July 3, 1997

### Project Description:

Shutdown and removal of one (1) 1,000 barrel LACT crude oil storage tank and one (1) 500 barrel produced water tank at the Sespe Field Goodman Oil Lease, near Fillmore, owned at the time by Seneca Resources Corporation (VCAPCD Permit No. 00366).

### Emission Reduction Calculation Summary:

	ROC	NOx
Emission Reduction – Original Calculation	0.04 tpy	0.00 tpy
Emission Reduction – Current Calculation	0.04 tpy	0.00 tpy
EPA Surplus Emission Reduction (ER1)	0.04 tpy	0.00 tpy
District Emission Reduction Credit (ER2)	0.03 tpy	0.00 tpy

### Analysis:

*Real and Quantifiable* – Pursuant to the emission reduction calculation method in Rule 26.6.E.3, the emission reduction for the tanks was originally calculated using the VCAPCD oil tank emission factors (based on EPA “Tanks” computer program) to calculate ROC emission factors for standing (breathing) losses only.

*Permanent and Enforceable* – Crude oil storage tanks and produced water tanks of this size cannot be operated in the District without a Permit to Operate. The Permit to Operate for the two (2) tanks was surrendered when the emission reduction credit certificate was issued.

*Current Calculations* – The District currently uses the same calculation methods for calculating emission reductions from oilfield storage tank projects like this.

*EPA Surplus Emission Reduction* – The tanks were equipped with a vapor recovery system in compliance with 71.1, “Storage of Reactive Organic Compound Liquids”.

*District Emission Reduction Credit* – Pursuant to Rule 26.4.C.1, the original emission reduction was discounted by the greater of BACT or 20% when the ERC Certificate was issued. At the time the emission reduction credit was originally issued, BACT for the tanks was considered to be compliance with the vapor recovery requirements of Rule 71.1. Therefore, the emission reduction was discounted by 20%.

## ERC Certificate Analysis

ERC Certificate No. 1236

Issuance Date: April 29, 2014

### Project Description:

Decrease the permitted natural gas consumption limit for four (4) 30.3 MMBTU/Hr Saskatoon Boilers from 450.0 to 97.5 MMCF per year. The boilers are used to provide steam and heat for a number of large greenhouses that primarily grow tomatoes in a very controlled environment. The function of the boilers has been replaced with three (3) 6023 BHP G.E. Jenbacher natural gas-fired cogeneration engines that provide both heat and electrical power (CHP) for the greenhouse operations. The carbon dioxide (CO<sub>2</sub>) emissions from the engines are also piped into the greenhouses and act as “fertilizer” to promote tomato growth.

In terms of both ROC and NO<sub>x</sub> emissions, the new engines are much “cleaner” than the existing boilers. The combined permitting actions resulted in an emission reduction eligible for banking. The boilers are used to provide additional heat as required and act as a back-up to the new engines as necessary.

### Emission Reduction Calculation Summary:

	ROC	NO <sub>x</sub>
Emission Reduction – Original Calculation	1.28 tpy	8.84 tpy
Emission Reduction – Current Calculation	1.28 tpy	8.84 tpy
EPA Surplus Emission Reduction (ER1)	1.28 tpy	8.84 tpy
District Emission Reduction Credit (ER2)	1.28 tpy	8.84 tpy

### Analysis:

*Real and Quantifiable* – Pursuant to the emission reduction calculation method in Rule 26.6.E.2, the emission reduction for the boilers was originally calculated using the actual NO<sub>x</sub> emissions from source testing, AP-42 emission factors for ROC, and the actual fuel use data for the two year period of 2009 and 2010 (pursuant to Rule 26.6.C) prior to the application for an emission reduction credit.

*Permanent and Enforceable* – Boilers with a maximum heat input of one million BTU/hr or more cannot be operated in the District without a Permit to Operate. Although this facility is considered to be an agricultural operation, the cogeneration engines are not considered to be exempt agricultural units as they are not used “exclusively in agricultural operations” pursuant to the agricultural exemption of Rule 23.J.16. The engines generate electricity to sell to the local power grid (not agriculture). Prior to the engine project, the entire stationary source, including the boilers, was exempt from permit pursuant to Rule 23.J.16. However, the entire facility currently has a permit as required by APCD Rule 35, “Elective Emission Limits”. The boilers are included in the Rule 35 permit to confirm that the entire stationary source potential to emit is less than the Title V thresholds and also to enforce the Rule 23.J.16 exemption thresholds. This

Rule 35 permit has a condition that limits the boilers' natural gas consumption limit to 97.5 MMCF per year that was the basis for the emission reduction calculations.

*Current Calculations* – The District currently uses the same calculation methods for calculating emission reductions from Boiler projects like this.

*EPA Surplus Emission Reduction* – Rule 74.15 would currently require the Boilers greater than 5.00 MMBTU/Hr to achieve an emission limit of 40 ppm NOx. When the ERC Certificate was issued, the NOx emission reduction was calculated based on actual NOx emissions less than 40 ppm NOx.

*District Emission Reduction Credit* – Pursuant to Rule 26.4.C, emission reductions from exempt emissions units such as these agricultural boilers are not required to be discounted.