



South Coast
 Air Quality Management District
 21865 Copley Drive, Diamond Bar, CA 91765
 (909) 396-2000, www.aqmd.gov

STATIONARY SOURCE COMMITTEE MEETING

Committee Members

Mayor Ben J. Benoit, Chair
 Supervisor Sheila Kuehl, Vice Chair
 Senator Vanessa Delgado (Ret.)
 Board Member Veronica Padilla-Campos
 Vice Mayor Rex Richardson
 Supervisor Janice Rutherford

February 18, 2022 ♦ 10:30 a.m.

Pursuant to Assembly Bill 361 the South Coast AQMD Stationary Source Committee meeting will only be conducted via video conferencing and by telephone. Please follow the instructions below to join the meeting remotely.

ELECTRONIC PARTICIPATION INFORMATION (Instructions provided at bottom of the agenda)

Join Zoom Webinar Meeting - from PC or Laptop

<https://scaqmd.zoom.us/j/94141492308>

Zoom Webinar ID: 941 4149 2308 (applies to all)

Teleconference Dial In

+1 669 900 6833

One tap mobile

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Audience will be able to provide public comment through telephone or Zoom connection during public comment periods.

PUBLIC COMMENT WILL STILL BE TAKEN

AGENDA

Members of the public may address this body concerning any agenda item before or during consideration of that item (Gov't. Code Section 54954.3(a)). If you wish to speak, raise your hand on Zoom or press Star 9 if participating by telephone. All agendas for regular meetings are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes total for all items on the agenda.

CALL TO ORDER

ROLL CALL

INFORMATIONAL ITEMS (Items 1 through 4)

- 1. Summary of Proposed Amended Rule 1147 - NO_x Reductions from Miscellaneous Sources (10 mins.)** Michael Krause
Assistant Deputy
Executive Officer
(No Motion Required)
Staff will provide a summary of Proposed Amended Rule 1147 that updates NO_x and CO emissions limits to reflect BARCT for wide variety of combustion equipment at non-RECLAIM, RECLAIM, and former RECLAIM facilities. PAR 1147 also includes new provisions for periodic source testing, and revises monitoring, reporting, and recordkeeping requirements.
(Written Material Attached)
- 2. Summary of Proposed Rule 1147.2 - NO_x Reductions from Metal Melting and Heating Furnaces (10 mins.)** Michael Morris
Planning and Rules
Manager
(No Motion Required)
Staff will provide a summary of Proposed Rule 1147.2 that establishes NO_x and CO emission limits to reflect BARCT for metal melting, metal heat treating, and metal heating and forging furnaces at non-RECLAIM, RECLAIM, and former RECLAIM facilities. PR 1147.2 also includes provisions for periodic source testing, monitoring, reporting, and recordkeeping.
(Written Material Attached)
- 3. Update on Implementation of Rule 415 - Odors from Rendering Facilities (20 mins.)** Terrence Mann
Deputy Executive
Officer
(No Motion Required)
Staff will provide an update on the implementation of Rule 415 and the status of ongoing facility installations of permanent total enclosures for raw material receiving areas, raw material grinding and cooking operations, and wastewater treatment operations. Staff will also discuss complaints, recent odor investigations and enforcement actions.
(Written Material Attached)
- 4. Annual RECLAIM Audit Report for 2020 Compliance Year (10 mins.)** Jason Aspell
Deputy Executive
Officer
(No Motion Required)
The annual report on the NO_x and SO_x RECLAIM program is prepared in accordance with Rule 2015 - Backstop Provisions. The report assesses emission reductions, availability of RECLAIM Trading Credits (RTCs) and their average annual prices, job impacts, compliance issues, and other measures of performance for the twenty-seventh year of this program. Recent trends in trading future year RTCs are analyzed and presented in this report. A list of facilities that did not reconcile their emissions for the 2020 Compliance Year is also included in the report.
(Written Material Attached)

WRITTEN REPORTS (Items 5 through 6)

- 5. Monthly Update of Staff's Work with U.S. EPA and CARB on New Source Review Issues for the Transition of RECLAIM Facilities to a Command-and-Control Regulatory Program** Michael Krause
(No Motion Required)
This is a monthly update on staff's work with U.S. EPA and CARB regarding New Source Review issues related to the RECLAIM transition.
(Written Material Attached)
- 6. Notice of Violation Penalty Summary** Bayron Gilchrist
(No Motion Required) General Counsel
This report provides the total penalties settled in January 2022 which includes Civil, Supplemental Environmental Projects, Mutual Settlement Assessment Penalty Program, Hearing Board and Miscellaneous.
(Written Material Attached)

OTHER MATTERS

- 7. Other Business**
Any member of the Committee, or its staff, on his or her own initiative or in response to questions posed by the public, may ask a question for clarification, may make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter, or may take action to direct staff to place a matter of business on a future agenda. (Gov't. Code Section 54954.2)
- 8. Public Comment Period**
At the end of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Committee's authority that is not on the agenda. Speakers may be limited to three (3) minutes each.
- 9. Next Meeting Date:** Friday, March 18, 2022 at 10:30 a.m.

ADJOURNMENT

Americans with Disabilities Act and Language Accessibility

Disability and language-related accommodations can be requested to allow participation in the Stationary Source Committee meeting. The agenda will be made available, upon request, in appropriate alternative formats to assist persons with a disability (Gov't Code Section 54954.2(a)). In addition, other documents may be requested in alternative formats and languages. Any disability or language related accommodation must be requested as soon as practicable. Requests will be accommodated unless providing the accommodation would result in a fundamental alteration or undue burden to the South Coast AQMD. Please contact Catherine Rodriguez at (909) 396-2735 from 7:00 a.m. to 5:30 p.m., Tuesday through Friday, or send the request to crodriguez@aqmd.gov.

Document Availability

All documents (i) constituting non-exempt public records, (ii) relating to an item on an agenda for a regular meeting, and (iii) having been distributed to at least a majority of the Committee after the agenda is posted, are available by contacting Catherine Rodriguez at (909) 396-2735, or send the request to crodriguez@aqmd.gov.

INSTRUCTIONS FOR ELECTRONIC PARTICIPATION

Instructions for Participating in a Virtual Meeting as an Attendee

As an attendee, you will have the opportunity to virtually raise your hand and provide public comment.

Before joining the call, please silence your other communication devices such as your cell or desk phone. This will prevent any feedback or interruptions during the meeting.

Please note: During the meeting, all participants will be placed on Mute by the host. You will not be able to mute or unmute your lines manually.

After each agenda item, the Chairman will announce public comment.

A countdown timer will be displayed on the screen for each public comment.

If interpretation is needed, more time will be allotted.

Once you raise your hand to provide public comment, your name will be added to the speaker list. Your name will be called when it is your turn to comment. The host will then unmute your line.

Directions for Video ZOOM on a DESKTOP/LAPTOP:

- If you would like to make a public comment, please click on the “**Raise Hand**” button on the bottom of the screen.
This will signal to the host that you would like to provide a public comment and you will be added to the list.

Directions for Video Zoom on a SMARTPHONE:

- If you would like to make a public comment, please click on the “**Raise Hand**” button on the bottom of your screen.
- This will signal to the host that you would like to provide a public comment and you will be added to the list.

Directions for TELEPHONE line only:

- If you would like to make public comment, please **dial *9** on your keypad to signal that you would like to comment.

PROPOSED AMENDED RULE 1147

NO_x REDUCTIONS FROM MISCELLANEOUS SOURCES

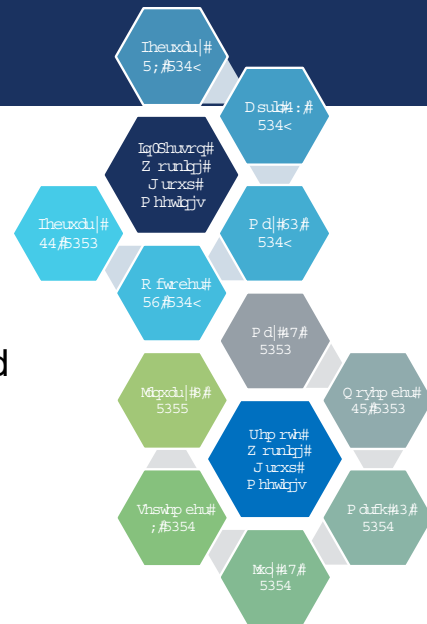
STATIONARY SOURCE COMMITTEE
FEBRUARY 18, 2022

Background

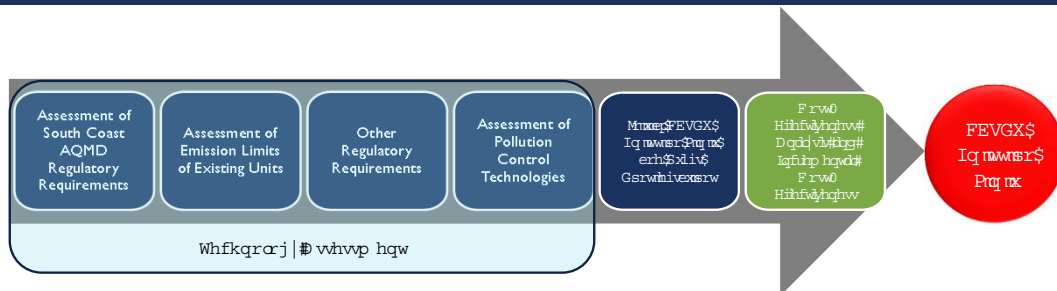
- ❑ Rule 1147 adopted in December 2008 establishing NO_x limits for miscellaneous sources at non-RECLAIM facilities
 - Affects ~ 5,300 units located at ~ 3,000 facilities mostly in the manufacturing and services sector
- ❑ Proposed Amended Rule 1147 (PAR 1147) is needed for the RECLAIM transition and establishes BARCT requirements consistent with AB 617
- ❑ PAR 1147 will:
 - Expand the applicability to include 85 RECLAIM facilities
 - Update NO_x and CO emission limits based a BARCT analysis
 - Include new monitoring and recordkeeping requirements

Public Process

- Eleven Working Group meetings
 - Five in-person meetings (pre-COVID)
 - Six virtual meetings
- Meetings with stakeholders, vendors, and equipment manufacturers
- Public workshop on January 27, 2022



BARCT Assessment



- BARCT emission limits represent “*the maximum degree of reductions achievable, taking into account environment, energy, and economic impacts for this class/category of sources*”
- For PAR 1147, BARCT assessment was conducted for all existing and newly identified equipment categories

Proposed Interim NOx Emission Limits

- ❑ Interim limits **until required to meet proposed NOx emission limits**
 - RECLAIM facilities to maintain existing emission levels upon exiting RECLAIM
- ❑ Non-RECLAIM unit limits based on existing Rule 1147 requirements
- ❑ Former RECLAIM unit limits based on default of 102 ppm

Category	Prior to Meeting Proposed NOx Limits
	NOx Emission Limit (@ 3% O ₂ , dry)
Non-RECLAIM Facilities	Existing Rule 1147 Emission Limits
Former RECLAIM Facilities	102 ppm

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Proposed Compliance Schedule

- ❑ Separate compliance schedules depending on whether the applicable unit is meeting the current Rule 1147 limit
 - If *not* meeting current limit, required to submit application to meet proposed limit when burner reaches 12 years of age or July 1, 2023, whichever is later
 - If meeting current limit, required to submit application to meet proposed limit when burner reaches 32 years of age or January 1, 2023, whichever is later
- ❑ Units must meet proposed limits upon burner replacement
- ❑ Staggered implementation schedule for facilities with multiple units
- ❑ Rule implementation is consistent with AB 617 by assigning the highest priority to units that have not been modified for the greatest period of time

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Summary of Proposed Emission Limits

Equipment Category	Operating Temperature	Current NOx Limit	Proposed NOx Limit
Oven, Dehydrator, Dryer, Heater, Kiln, Calciner, Cooker, Roaster, Furnace, or Heated Storage Tank	<1,200°F	30 ppm	20 ppmv
	≥1,200°F	60 ppm	30 ppmv
Tunnel Kilns	<1,200°F	30 ppm	30 ppmv
	≥1,200°F	60 ppm	60 ppmv
Afterburner, Degassing Unit, Remediation Unit, Thermal Oxidizer, Catalytic Oxidizer or Vapor Incinerator	All	60 ppm	20 ppmv
Evaporator, Fryer, Heated Process Tank, and Parts Washer	All	60 ppm	60 ppmv
Burn-off Furnace, Burnout Oven, Incinerator, Crematory with or without Integrated Afterburner	All	60 ppm	30 ppmv
Tenter Frame, Fabric or Carpet Dryer	All	30 ppm	20 ppmv
Rotary Dryers	All	30 ppm	30 ppmv

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Summary of Proposed Emission Limits

Equipment Category	Operating Temperature	Current NOx Limit	Proposed NOx Limit
Other Unit and Process Temperature	<1,200°F	30 ppm	30 ppmv
	≥1,200°F	60 ppm	60 ppmv
Chillers	All	30 ppm	20 ppmv
Micro-Turbines (All Other)	All	N/A	9 ppmv
Micro-Turbines (In-Use Distillate Fuel)	All	40 ppm	77 ppmv (w/fuel usage limit)
Auto-Claves	All	30 ppm	30 ppmv
All Liquid Fuel-Fired Units	<1,200°F	40 ppm	40 ppmv
	≥1,200°F	60 ppm	60 ppmv

All equipment subject to CO emission limit of 1,000 ppmv

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Monitoring and Reporting

Source Testing

- Frequency based on equipment size
- Provisions to establish periodic source testing schedule
- Provisions to delay source test for non-operational unit until resumed

Existing Continuous Emissions Monitoring System (CEMS) or Equivalent

- Compliance with rule limits based on rolling 24-hour average

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Emission Reductions and Cost-Effectiveness

Emission Reductions

- 1.59 tons NO_x per day (tpd) by full implementation

Cost-Effectiveness

- \$5,000 to \$49,000 per ton of NO_x reduced
- Some categories identified to meet NO_x limit so no additional cost to comply

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Key Issues

Stakeholder Comments:

1. Potential shortage of burners for all facilities to comply with lower limits
2. Some facilities operate equipment that emit more than one pound per day but less than 30 pounds per month.

Responses:

1. The extended compliance schedule would allow for gradual replacement after useful life and would not impose heavy demand on available burner supply
2. Low use provision for PAR 1147 has been updated to provide flexibility for facilities to demonstrate less than one pound per day or 30 pounds per month

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Next Steps

- ❑ Continue to work with stakeholders on remaining issues
- ❑ Set Hearing – March 4, 2022
- ❑ Public Hearing – April 1, 2022

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Proposed Rule (PR) 1147.2

NOx Reductions from Metal Melting and Heating Furnaces

Stationary Source Committee
February 18, 2022

Background and Purpose

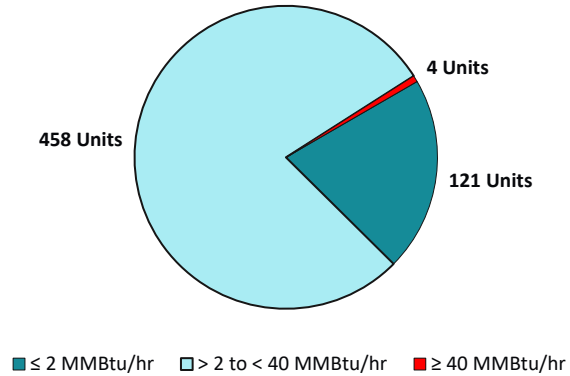
- Serves as a landing rule for RECLAIM transition and establishes BARCT requirements consistent with AB 617
- Includes furnace categories previously regulated by Rule 1147 – NOx Reductions from Miscellaneous Sources
- Nine Working Group Meetings and 17 in-person site visits



Industries Regulated by PR 1147.2

- PR 1147.2 will cover permitted metal melting, metal heat treating, and metal heating and forging furnaces
- 583 pieces of equipment located at 85 facilities
 - 65 non-RECLAIM facilities with 315 units
 - 20 RECLAIM facilities with 268 units

**Unit Breakdown
(583 Total Units)**



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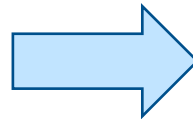
Implementation Schedule

All units will eventually meet Rule 1147.2 NOx limits

Initial Interim Limits to Maintain Current Emission Levels (Effective Upon Rule Adoption)

Non-RECLAIM
60 ppm
(current Rule 1147 limit)

RECLAIM or Former RECLAIM
102 ppm
(RECLAIM default emission factor)



Two Implementation Schedules to Meet Rule Limits (Effective upon meeting burner age criteria)

Default Schedule
12 years of burner age

Extended Schedule
32 years of burner age
(only available to units that can meet the alternative concentration limits)

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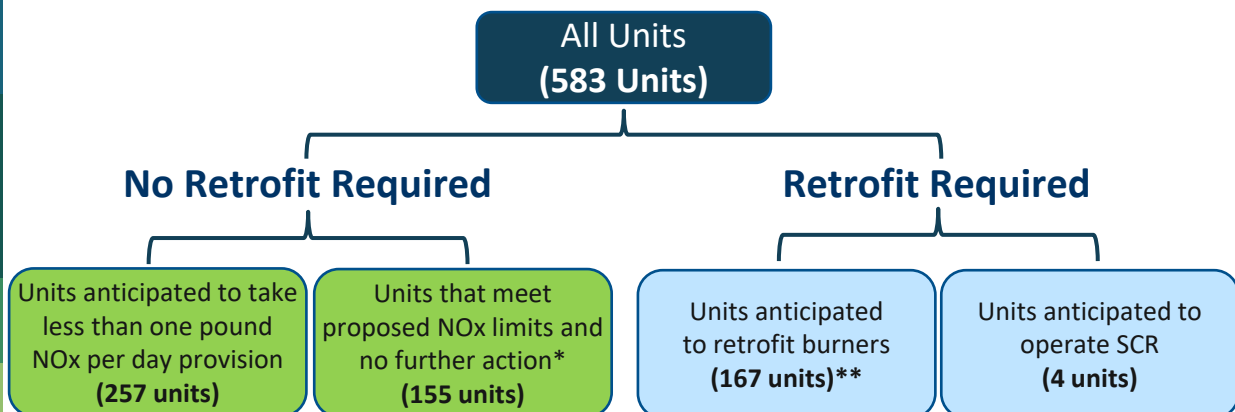
Proposed Requirements

- Conducted BARCT analysis to establish NOx and CO limits
 - BARCT assessment and cost-effectiveness incorporated data from variety of sources including source test results and vendor quotes
- Staggered implementation schedule for facilities with multiple units
- Periodic monitoring required for all equipment emitting one pound or more of NOx per day
 - Source testing required for all units < 40 MMBtu/hr every three or five years
 - NOx CEMS required for all units ≥ 40 MMBtu/hr
- Exemption for furnaces that emit less than one pound NOx per day



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PR 1147.2 Impacts



* Some equipment may need to update NOx limits on permit

** 51 of 167 units are anticipated to qualify for multiple unit implementation schedule

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Cost-Effectiveness by Equipment Category

Equipment Category	Control Technology	NOx BARCT Limit (ppm @ 3% O2)	Cost-Effectiveness (\$/ton)
Metal Melting	Low NOx Burner	40	\$26,000
Metal Heat Treating: Low Temp	Low NOx Burner	40	\$20,900
Metal Heat Treating: High Temp	Low NOx Burner	50	\$19,800
Metal Heating/Forging: Low Temp	Low NOx Burner	40	\$22,500
Metal Heating/Forging: High Temp	Low NOx Burner	50	\$7,900
Units with Radiant-Tube Burners	Low NOx Burner	50	\$25,600
Units ≥ 40 MMBtu/hr	Selective Catalytic Reduction	15	\$8,200

Overall Rule Cost-effectiveness
\$11,900 per ton of NOx reduced

NOx Emission Reductions
0.50 tons per day

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Next Steps

Addressed concerns through rule development process; staff is not aware of any remaining key issues

Set Hearing

March 4, 2022

Public Hearing

April 1, 2022

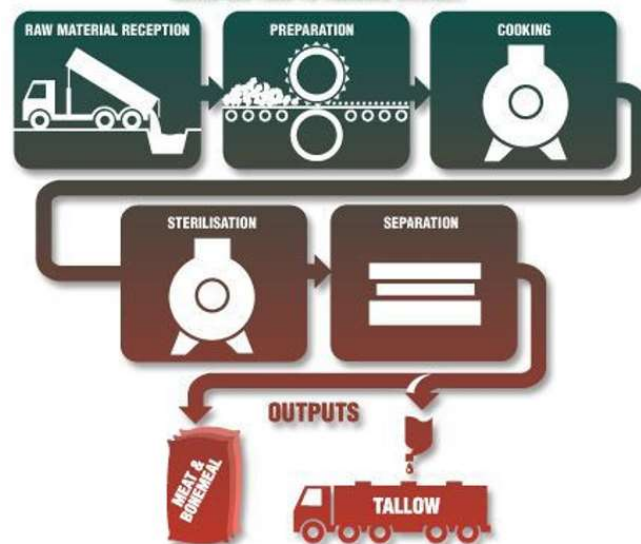
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Update on Implementation of Rule 415 – Odors from Rendering Facilities

Stationary Source Committee
February 18, 2022

What Is Rendering?

- Animal parts are cooked at high temperatures
- Converted to tallow, meat, and bonemeal
- Products used for making animal feeds, soaps, cosmetics, fertilizers, and biofuels



Overview: Agency-Wide Approach

South Coast AQMD Rules and Other Air Quality Regulations

Permitting Program

Compliance & Enforcement

Civil Penalties and Adversarial Proceedings

Coordination with Agency Partners

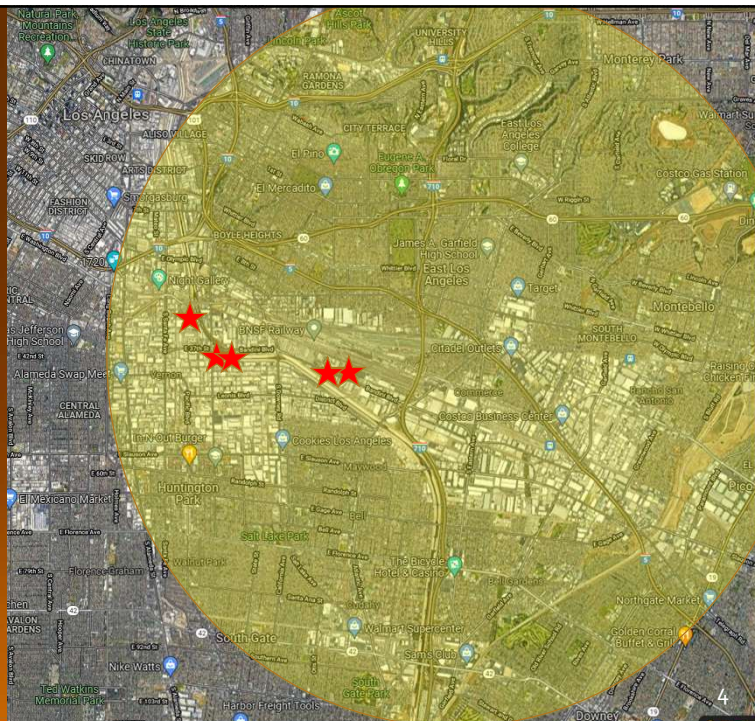
Community Engagement

Potential Request for Legislative Action

3

Challenges to Verifying Odors

- Close proximity of rendering plants (i.e., all within 2 miles of each another)
- Rendering odors can be fleeting due to changing conditions at facilities or shifting wind patterns
- Odors can travel many miles and cover a wide geographical area
- Resource Limitations



Rules Governing Rendering Odors

Rule 402 – Public Nuisance

- Adopted in 1976
- Substantively identical to California Health & Safety Code Section 41700
- Rule and statute require that odors affect “any considerable number of persons or ... the public”
- Inspectors must verify odors in person with complainants and then trace odors to source

Rule 415 – Odors from Rendering Facilities

- Adopted November 2017
- Additional level of protection for the community, focusing on processes at the rendering plants
- Best Management Practices (BMPs) for Odors
- Installation of enclosures, or closed systems, for rendering processes
- Implementation scheduled to be completed in November 2022

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Best Management Practices

- BMPs required by Rule 415
- Most BMPs required to be instituted within 90 days of rule adoption
- Examples of BMPs include:
 - Covering all incoming trucks;
 - Washing containers, vehicles, and receiving areas;
 - Regular cleaning of floor drains;
 - Repairing or repaving broken asphalt or concrete areas; and
 - Limiting the holding time for incoming raw materials

Enclosures/Closed Systems



*Physically enclosing rendering operations is the most effective measure to control odors

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Rendering Facilities

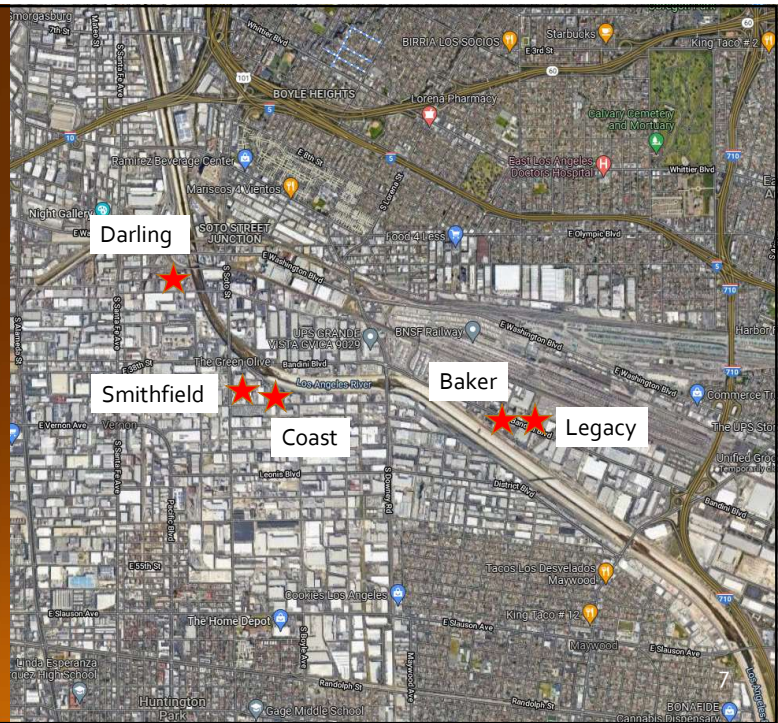
Baker Commodities Inc. ("Baker")

Coast Packing Co. ("Coast")

Darling Ingredients Inc. ("Darling")

Legacy By-Products LLC
("Legacy," formerly D&D Disposal Inc.
dba West Coast Rendering)

Smithfield Packaged Meats Corp.
("Smithfield," formerly Clougherty
Packing LLC dba Farmer John)



Deadlines for Enclosures

Dates by which all enclosures must be installed, including:

- (1) raw material receiving area;
- (2) raw material grinding and cooking operations; and
- (3) wastewater treatment operations

Baker

- 3/9/2022 (Main Plant)
- 4/22/2022 (Backup Plant)

Darling

- 8/7/2021 – Completed

Legacy

- 9/30/2022 – Under Stipulated Order for Abatement

Smithfield

- 11/24/2022

Coast

- Exempt from rule requirements due to low material throughput

South Coast AQMD Field Operations

- Unannounced on-site inspections
- Daily odor surveillance operations
- Response to all public complaints, including after-hours standby program
- Coordination with Los Angeles County Department of Public Health and City of Vernon
- Outreach to Los Angeles Unified School District and local schools
- Issuance of Notices of Violation (NOVs) and Notices to Comply (NCs)

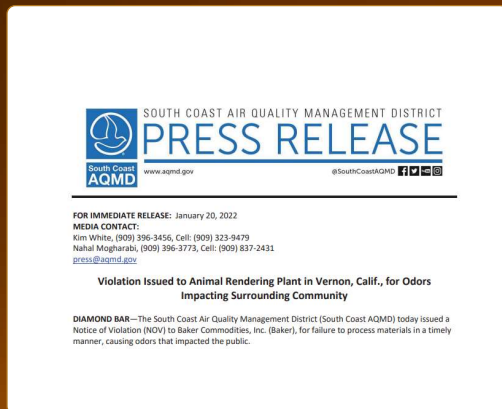
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Examples of Recent Enforcement Actions

- **January 2020** – Rule 402/Public Nuisance NOV to Smithfield
- **June 2021** – Rule 415 NOV to Baker for failure to process raw material within 4 hours
- **October 2021** – Rule 415 NOV to Baker for failure to process raw material within 4 hours
- **January 2022** – Rule 415 NOV to Baker for failure to process raw material within 4 hours

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January 2022 Odor Event



- Over 60 complaints received in January
- Inspectors deployed, but unable to verify Public Nuisance on any one day
- On January 20, NOV issued to Baker for violation of Rule 415 for failure to process raw material within rule limits

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Penalties and Further Enforcement

- Facilities are subject to civil penalties
- Settlement negotiations seek to end noncompliance and deter future violations
- Facilities may be required to implement additional mitigation measures to reduce odors
- For ongoing noncompliance, an Order for Abatement may be sought before the South Coast AQMD Hearing Board
- If no settlement is reached, a lawsuit may be filed in Superior Court



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Statutory Limitations to Enforcement

- Civil penalties are prescribed in the California Health & Safety Code
- Statutory factors for determining penalty amounts, such as frequency of past violations and actions taken by company to mitigate violation
- Strict liability penalty authority generally limited to \$10,000 per day per violation
- Does not adequately address or deter largescale public nuisance events, repeated violations, and impacts to Environmental Justice (EJ) communities
- Potential Legislative Solutions:
 - Raise civil penalty thresholds for strict liability offenses
 - Increased penalties for all violations of air quality rules
 - Penalty enhancements for repeat violators

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Next Steps

- Continue daily field operations and take enforcement action, with resulting civil penalties and administrative remedies
- Complete implementation of Rule 415
- Evaluation of permits and rendering operations
- Following full implementation of Rule 415, assess potential need for additional rulemaking
- Evaluate whether to seek statutory changes before the California Legislature

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Public Complaints

- 1-800-CUT-SMOG (1-800-288-7664) or online at www.aqmd.gov/complaints
- Live operator during business hours (Monday-Friday) or to our standby system after hours
- We respond to anonymous complaints
- Complainant information is kept confidential
- Working together with the community is **VITAL** for successful enforcement!

HOW TO REPORT AN AIR QUALITY COMPLAINT

Call 1-800-CUT-SMOG (1-800-288-7664)

There are 3 ways to file:

- Visit www.AQMD.gov/Complaints
- Download the South Coast AQMD app and select "1-800-CUT-SMOG"

Please have ready:

- Date and time of the air quality event
- Type of air quality event (odors, dust, asbestos, smoke, etc.)
- Odor description (gas, chemical, rotten eggs or other familiar odor)
- Address or location of suspected source

@SouthCoastAQMD

CÓMO PRESENTAR UNA QUEJA SOBRE LA CALIDAD DEL AIRE

Llame al 1-800-CUT-SMOG (1-800-288-7664)

Hay tres formas de presentar la queja:

- Visite www.AQMD.gov/Complaints
- Descargue la aplicación de South Coast AQMD y seleccione "1-800-CUT-SMOG"

Por favor, tenga listo:

- Fecha y hora del incidente de calidad del aire
- Tipo de incidente relacionado con la calidad del aire (olores, polvo, asbestos, humo, etc)
- Descripción del olor (gas, producto químico, huevos podridos u otro olor familiar)
- Dirección o ubicación de la fuente presunta

@SouthCoastAQMD

More Information

- South Coast AQMD website → Community Investigations
- Includes implementation deadlines and enforcement actions
- <http://www.aqmd.gov/home/news-events/community-investigations/rendering-plants>

South Coast AQMD

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Rendering Plants in Vernon

Rendering Plants in Vernon
Community Investigations

Información en español

To receive notifications related to Rendering Plants, please fill out the form at www.aqmd.gov/sign-up.



BACKGROUND
Rendering facilities process animal by-products collected from butcher shops, meat processing plants and supermarkets into usable materials for the manufacturing of soaps, cosmetics, oils and feed supplements. Examples of facilities that send animal remains include animal shelters and local government agencies. Remains are processed and exported for other uses such as fertilizer.

There are five rendering facilities in the City of Vernon:

- Baker Commodities Inc. ("Baker")
- Coast Packing Co. ("Coast")
- Darling Ingredients Inc. ("Darling")
- Legacy By-Products LLC ("Legacy," formerly D&D Disposal Inc. dba West Coast Rendering Co.)
- Smithfield Packaged Meats Corp ("Smithfield," formerly Clougherty Packing LLC dba Farmer John)

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Questions?



Annual RECLAIM Audit Report for 2020 Compliance Year

South Coast Air Quality Management District
Stationary Source Committee
February 18, 2022

1



RECLAIM

REgional CLean Air Incentives Market (RECLAIM) program:

- A cap and trade program adopted in October 1993
- Objective is to meet emission reduction requirements and enhance emission monitoring while providing additional flexibility to lower compliance costs
- Includes largest sources of NO_x and SO_x (greater than 4 tons/year)
- Specifies facility declining annual emissions caps
- Allows options to reduce emissions or buy RECLAIM Trading Credits (RTCs) to meet obligation to hold RTCs greater than or equal to actual emissions

Compliance Year (CompYr) 2020 is the 27th year of the program (started in 1994)

2



RECLAIM Annual Audit

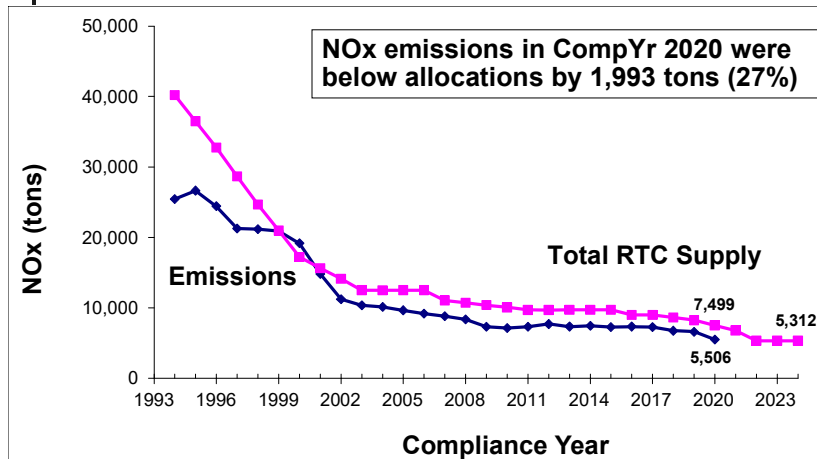
- RECLAIM (Rule 2015) requires an annual audit of the program
- Annual RECLAIM Audit Report for Compliance Year 2020
 - Cycle 1: Jan 1, 2020 – Dec 31, 2020
 - Cycle 2: Jul 1, 2020 – Jun 30, 2021
- RECLAIM had 240 facilities at the end of CompYr 2020 (246 at end of CompYr 2019)



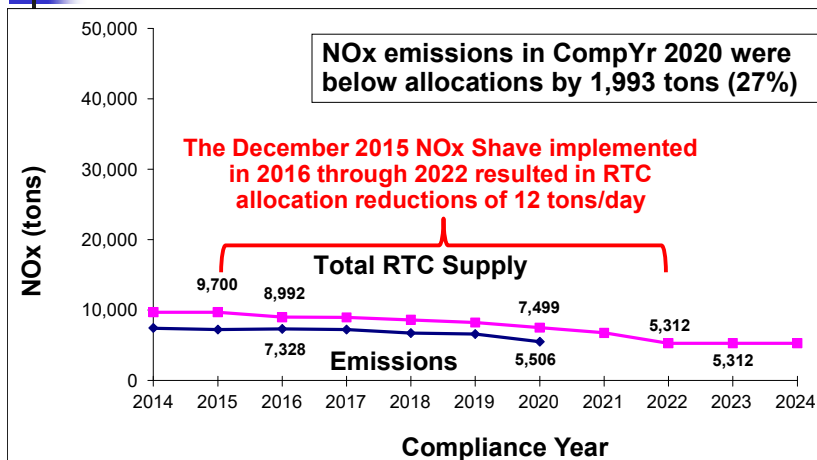
2020 Annual RECLAIM Audit Findings Compliance

- RECLAIM met overall NO_x and SO_x emissions goals:
 - NO_x emissions **27%** below allocations
 - SO_x emissions **35%** below allocations
- Allocation Shave
 - January 2005: NO_x Shave of 7.7 tons/day (tpd) implemented in 2007 - 2011
 - November 2010: SO_x Shave of 5.7 tpd implemented in 2013 – 2019
 - December 2015: Additional NO_x Shave of 12 tpd implemented in 2016 – 2022
 - Cumulative reduction of 6 tpd NO_x allocations from CompYr 2016 through CompYr 2020

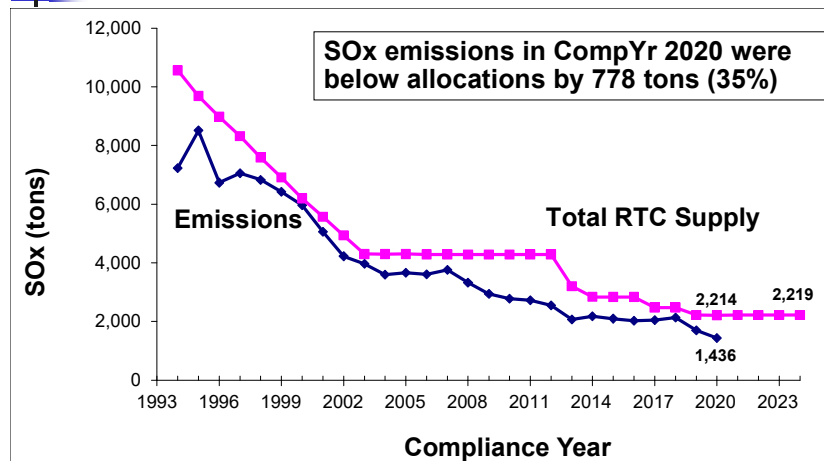
RECLAIM NOx Emissions vs. Allocations Trends



RECLAIM NOx Emissions vs. Allocations Trends



RECLAIM SOx Emissions vs. Allocations Trends



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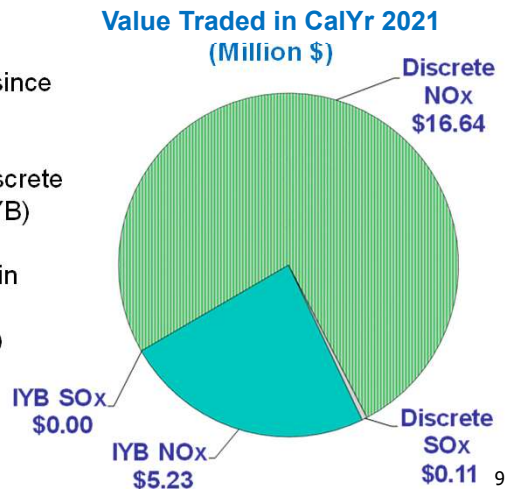
2020 Annual RECLAIM Audit Findings Compliance

- High rate of facility compliance with RECLAIM allocations:
 - NOx Facilities – **93%**
 - SOx Facilities – **100%**
- Facilities exceeding their allocations
 - NOx – 17 facilities exceeded by 16.3 tons (0.22% of total allocations)
 - SOx – there were no SOx facilities exceeding their allocations

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2020 Annual RECLAIM Audit Findings Credit Trading and Prices

- \$1.56 billion of RTCs traded since program inception
- RTCs are traded as either Discrete Year or Infinite-Year Block (IYB)
- \$22.0 million of RTCs traded in Calendar Year (CalYr) 2021 (\$18.19 million in CalYr 2020)



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2020 Annual RECLAIM Audit Findings Average Discrete-Year NOx RTC Prices



- Annual average prices in CalYr 2021:
 - Exceeded Rule 2015 threshold of \$15,000/ton
 - Did not exceed the Health and Safety Code threshold of \$49,737/ton*

* - Adjusted by August 2021 CPI 10



2020 Annual RECLAIM Audit Findings Exceeding Rule 2015 Backstop Threshold

- Rule 2015 – if RTC price exceeds \$15,000/ton:
 - Submit to CARB and USEPA assessments of the compliance and enforcement aspects of the RECLAIM program
 - Do so within six months of Executive Officer determination
- Assessments to include:
 - Deterrent effect of Rule 2004
 - Rates of compliance with applicable emission caps
 - Rates of compliance with monitoring, recordkeeping, and reporting requirements

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2020 Annual RECLAIM Audit Findings Exceeding Rule 2015 Backstop Threshold

- Assessments (cont.)
 - South Coast AQMD's ability to obtain appropriate penalties in cases of noncompliance
 - Whether the program provides appropriate incentives to comply
- Recommendation to the Board:
 - Deterrent effects of Rule 2004 be continued without change

OR

Amend Rule 2004, if the Board determines that revisions are appropriate

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2020 Annual RECLAIM Audit Findings Exceeding Rule 2002 3-month & 12-month Rolling Average Thresholds



- CompYr 2022 NOx RTCs exceeded Rule 2002 3-month and 12-month rolling average price thresholds
- CompYr 2022 NOx RTCs rolling average prices versus thresholds (\$/ton):
 - \$38,803 price vs. \$35,000 threshold - 3 mo. rolling average
 - \$33,085 price vs. \$22,500 threshold - 12 mo. rolling average
- Executive Officer to assess:
 - More rigorous control technology implementation
 - Emission reductions
 - Cost-effectiveness
 - Market analysis
 - Socioeconomic impacts

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2020 Annual RECLAIM Audit Findings Exceeding Rule 2002 3-month & 12-month Rolling Average Thresholds



- Notification made to Stationary Source Committee on January 21, 2022 that Executive Officer will:
 - Conduct an assessment of the RECLAIM Program
 - Report assessment results before July 1, 2022 to the Board
- Upon Board concurrence, the 4 tpd of Non-tradable/Non-usable NOx RTCs set aside as part of the remaining NOx shave for CompYr 2022 could be converted to Tradable/Usable NOx RTCs

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2020 Annual RECLAIM Audit Findings Average Discrete-Year SOx RTC Prices



- Annual average prices in CalYr 2021 below program review thresholds:

- \$15,000/ton [Rule 2015]
- \$35,811*/ton [Health and Safety Code] * - Adjusted by August 2021 CPI 15



2020 Annual RECLAIM Audit Findings Average IYB RTC Prices



- 2021 IYB RTC average prices remain below program review thresholds [Health and Safety Code]

- NOx = \$746,056/ton*
- SOx = \$537,160/ton*

* - Adjusted by August 2021 CPI 16

2020 Annual RECLAIM Audit Findings Investor Participation during CalYr 2021

- Investors are RTC holders who are not RECLAIM facility operators
- Investor participation remains active in CalYr 2021 trades.

RTC Type	Value		Volume	
	NOx	SOx	NOx	SOx
Discrete	56%	0%	62%	0%
IYB	31%	None Traded	39%	None Traded

- Investors' holdings at the end of CalYr 2021
 - 2.0% of IYB NOx RTCs (up from 1.3% in CalYr 2020)
 - 4.2% of IYB SOx RTCs (same as 4.2% in CalYr 2020)

2020 Annual RECLAIM Audit Findings RECLAIM Transition

- On January 5, 2018, the Board directed staff to initiate the transition of the RECLAIM program to a command-and-control regulatory structure:
 - Monthly working group meetings
 - Rule-specific working groups
 - As of January 2022, the Board amended and/or adopted 23 "Landing Rules" to implement BARCT



2020 Annual RECLAIM Audit Findings

- RECLAIM facilities overall employment loss of 4.04% (net loss of 3,687 jobs)
- Met federal NSR offset ratios
- No significant shift in seasonal emissions
- No evidence of increased health risk due to RECLAIM

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2020 Annual RECLAIM Audit Findings Summary and Recommendation

Summary:

- Programmatic compliance achieved (NO_x and SO_x emissions were 27% and 35% below allocations, respectively)
- Individual facility compliance rate remained high (93% & 100% for NO_x and SO_x, respectively (based on 100% of facilities audited))
- Annual average discrete-year NO_x prices for CompYr 2021 and 2022 RTC's traded in CalYr 2021 exceeded the \$15,000 per ton Rule 2015 backstop threshold
- RECLAIM met all other requirements

Recommendation:

Approve the Annual RECLAIM Audit Report for 2020 Compliance Year

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February 2022 Update on Work with U.S. EPA and CARB on New Source Review Issues for the RECLAIM Transition

At the October 5, 2018 Board meeting, the Board directed staff to provide the Stationary Source Committee with a monthly update of staff's work with U.S. EPA regarding resolving NSR issues for the transition of facilities from RECLAIM to a command-and-control regulatory structure. The table below summarizes key activities with U.S. EPA and CARB since the last report.

Item	Discussion
Video Conference with U.S. EPA and CARB – February 3, 2022	<ul style="list-style-type: none"> • Reviewed presentations for the February RECLAIM and Regulation XIII working group meetings
RECLAIM and Regulation XIII Working Group Meetings – February 10, 2022	<ul style="list-style-type: none"> • Provided updates on rulemakings for the RECLAIM transition • Reported NOx RTC threshold exceedances • Discussed Rule 2002 and Rule 2015 procedures to address NOx RTC prices • Discussed ensuring the availability of offsets post-RECLAIM • Presented concepts of Minor and Major Source Banks

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
General Counsel's Office**

Settlement Penalty Report (01/01/2022 - 01/31/2022)

Total Penalties

Civil Settlement: \$175,308.00
 MSPAP Settlement: \$12,750.00
 Hearing Board Settlement: \$10,000.00

Total Cash Settlements: \$198,058.00

Fiscal Year through 01/31/2022 Cash Total: \$2,466,592.35

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
Civil						
800088	3M COMPANY	1155, 2004, 3002(c)(1)	01/13/2022	DH	P66058, P66065, P66071	\$30,000.00
187522	ACE ROOFING SYSTEMS	1403, 40 CFR 61.145	01/20/2022	NS	P66710	\$25,000.00
73339	MID VALLEY ANODIZING	203	01/13/2022	DH	P66438	\$9,000.00
143050	OLD MASTERS	1113(C)(1)	01/13/2022	JL	P69061	\$15,808.00
7427	OWENS-BROCKWAY GLASS CONTAINER INC	2004, 2011(c)(3)(A), 2012(c)(3)(A), 3002(c)(1)	01/13/2022	BT	P66921, P66931, P66937	\$92,000.00
173108	SILVER CREEK INDUSTRIES, INC	3002	01/14/2022	VT	P69108	\$1,000.00
62617	WILLARD MARINE INC	3003, 3004	01/05/2022	VT	P68906	\$2,500.00
Total Civil Settlements: \$175,308.00						
Hearing Board						
104234	SCAQMD v. Mission Foods	202, 203(b), 1153.1, 1303	01/20/2022	KCM	5400-4	\$10,000.00
Total Hearing Board Settlements: \$10,000.00						

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
MSPAP						
176130	A AND B LONG BEACH INC	461(c)(3)(Q)	01/12/2022	GC	P67695	\$300.00
176237	ATLANTIC RETAIL, INC	461(c)(3)(Q)	01/12/2022	GC	P67696	\$300.00
189580	BROCO RANKIN	203(a)	01/12/2022	GC	P69363	\$800.00
180458	GRAND PETRO, INC.	203(b)	01/12/2022	GC	P69609	\$800.00
129728	NEW LIFE SERVICE CO. INC.	1151	01/12/2022	TCF	P65897	\$500.00
182054	R. J. AUTO BODY & DETAIL	109, 1151(e)(1), 1171(c)(1)	01/12/2022	TCF	P68616	\$2,400.00
175834	RICHARD MAINTENANCE	461	01/20/2022	TCF	P66387, P66391, P68137	\$1,400.00
190939	SHOLES, LUTILLER B TR	1403	01/12/2022	TCF	P69747	\$250.00
159348	TOP GUN PAINT AND BODY	1151, 1171	01/20/2022	TCF	P65394	\$2,000.00
165287	VICKERS CONSTRUCTION COMPANY	1403	01/12/2022	TCF	P69736	\$800.00
176325	WAYNE PERRY, INC	221, 1166	01/20/2022	TCF	P70408	\$3,200.00
Total MSPAP Settlements: \$12,750.00						

**SOUTH COAST AQMD'S RULES AND REGULATIONS INDEX
FOR JANUARY 2022 PENALTY REPORT**

REGULATION I - GENERAL PROVISIONS

Rule 109 Recordkeeping for Volatile Organic Compound Emissions

REGULATION II - PERMITS

Rule 202 Temporary Permit to Operate

Rule 203 Permit to Operate

Rule 221 Plans

REGULATION IV - PROHIBITIONS

Rule 461 Gasoline Transfer and Dispensing

REGULATION XI - SOURCE SPECIFIC STANDARDS

Rule 1113 Architectural Coatings

Rule 1151 Motor Vehicle and Mobile Equipment Non-Assembly Line Coating Operations

Rule 1153.1 Emissions of Oxides of Nitrogen from Commercial Food Ovens

Rule 1155 Particulate Matter Control Devices

Rule 1166 Volatile Organic Compound Emissions from Decontamination of Soil

Rule 1171 Solvent Cleaning Operations

REGULATION XIII - NEW SOURCE REVIEW

Rule 1303 Requirements

REGULATION XIV - TOXICS

Rule 1403 Asbestos Emissions from Demolition/Renovation Activities

REGULATION XX REGIONAL CLEAN AIR INCENTIVES MARKET (RECLAIM)

Rule 2004 Requirements

Rule 2011 Requirements for Monitoring, Reporting, and Recordkeeping for Oxides of Sulfur (SOx) Emissions

Rule 2012 Requirements for Monitoring, Reporting, and Recordkeeping for Oxides of Nitrogen (NOx) Emissions

REGULATION XXX - TITLE V PERMITS

Rule 3002 Requirements for Title V Permits

Rule 3003 Applications

Rule 3004 Permit Types and Content

CODE OF FEDERAL REGULATIONS

40 CFR 61.145 Standard for Demolition and Renovation