

BOARD MEETING DATE: February 7, 2025

AGENDA NO. 17

REPORT: Stationary Source Committee

SYNOPSIS: The Stationary Source Committee held a hybrid meeting on Friday, January 24, 2025. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Larry McCallon,
Committee Chair
Stationary Source Committee

JA:cr

Committee Members

Present: Mayor Pro Tem Larry McCallon, Committee Chair
Supervisor Holly J. Mitchell, Committee Vice Chair
Chair Vanessa Delgado
Vice Chair Michael A. Cacciotti
Supervisor Curt Hagman
Board Member Veronica Padilla-Campos

Call to Order

Committee Chair McCallon called the meeting to order at 10:30 a.m.

For additional information on the Stationary Source Committee Meeting, please refer to the [Webcast](#).

Roll Call

INFORMATIONAL ITEMS:

1. Update on Rule 1180 - Fenceline and Community Air

Heather Farr, Planning and Rules Manager/Planning, Rule Development and Implementation, provided an update on the exempted facilities for Rule 1180. For additional details please refer to the [Webcast](#) beginning at 3:05.

Committee Vice Chair Mitchell inquired about a Notice of Violation for the Tesoro Logistics Carson Terminal. Ms. Farr responded that the Notice of Violation was for a missing source test. For additional details please refer to the [Webcast](#) beginning at 8:51.

Moses Huerta, community member, asked how frequently the samples are taken for the fenceline monitoring systems. Ms. Farr responded the fenceline monitors mentioned in the presentation continuously measure pollutants reporting exceedances every 15 minutes. For additional details please refer to the [Webcast](#) beginning at 10:14.

WRITTEN REPORTS:

2. Monthly Permitting Enhancement Program (PEP) Update

Committee Chair McCallon suggested adding to the report a comparison to previous months or quarters to better visualize progress. Jason Aspell, Deputy Executive Officer/Engineering and Permitting, agreed to include that in future reports.

Vice Chair Cacciotti, noted that many pending permits are awaiting facility construction or completion. Mr. Aspell confirmed that permits to construct have been issued, and delays often stem from supply chain issues or multi-year project timelines. Vice Chair Cacciotti acknowledged efforts to reduce the backlog but raised concerns about slow progress and asked if hiring additional staff could help. Executive Officer Wayne Nastri responded South Coast AQMD has an overall 12.9% vacancy rate, which is below the budgeted vacancy rate. He noted that Engineering vacancies are a priority and remain lower than the overall rate.

Chair Delgado suggested considering temporary staff by rehiring recently retired staff to help manage the backlog, potentially as part of the annual budget.

Supervisor Hagman suggested exploring ways South Coast AQMD can support regional cleanup efforts, similar to state and local actions to reduce regulatory barriers and recommended visiting this topic in the future. Mr. Nastri commented following the fires, an Executive Order was issued to extend emergency generator use and staff is evaluating other measures to support recovery efforts. For additional details please refer to the [Webcast](#) beginning at 11:43.

David Rothbart, Clean Water SoCal, thanked the Board for working on permit streamlining, but noted that bottlenecks at higher approval levels may be slowing the process. He recommended reviewing both new and existing rules to simplify the process and help reduce the backlog. For additional details please refer to the [Webcast](#) beginning at 26:13.

3. Status Report on Reg. XIII – New Source Review

The report was acknowledged by the committee.

4. 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

The report was acknowledged by the committee.

5. Notice of Violation Penalty Summary

Vice Chair Cacciotti asked for clarification on rule violations at gas stations, specifically whether they relate to issues with gasoline dispensing into vehicles or fuel transfer from large trucks. Terrence Mann, Deputy Executive Officer/Compliance and Enforcement, explained that Rule 461 covers gasoline vapor recovery and related issues, with violations often involving defective equipment like torn hoses, improper installations or recordkeeping errors. Staff recommended calling 1-800-CUT-SMOG to report a problem added that operators are required to have South Coast AQMD contact information on a sticker located on the gasoline dispenser. For additional details please refer to the [Webcast](#) beginning at 22:17.

OTHER MATTERS:

6. Other Business

7. Public Comment Period

The following commentors made comments on the themes listed below:

Dori Chandler, Coalition for Clean Air

Fernando Gaytan, Earthjustice

Jed Holtzman, RMI

Pete Marsh, Long Beach Community Member

Adrian Martinez, Earthjustice

- Support for Proposed Amended Rules 1111 and 1121
- Proposed rules will achieve significant NOx reductions
- Proposed Rules needed to meet state and federal air quality standards
- Financial assistance to ensure affordability for low-income residents is needed; and
- Adoption of proposed rules will accelerate innovation, expand supply, reduce costs, and make zero-emission technologies more affordable.

For additional details please refer to the [Webcast](#) beginning at 28:20.

The following commentors made comments on the themes listed below:

Deborah Cam, Orange County Community Member

Jessica Martinez, Alta Loma School District Board of Trustee

Myra, Community Member

Nick Wilson, Community Member

- Adopting proposed rules will increase living costs, strain electrical systems and financially burden older buildings;
- Expressed concern for a lack of transparency and outreach efforts and Proposed Rule should be delayed until more outreach is conducted;
- Clear, accessible data and evidence to support the proposed changes is needed;
- Expressed concern for financial impacts to school districts and residents.

For additional details please refer to the [Webcast](#) beginning at 33:33.

Committee Chair McCallon requested an update on staff's public outreach for Proposed Amended Rules 1111 and 1121. Mr. Nastri responded noting staff's extensive outreach efforts, including distributing flyers, engaging with councils of governments, homeowners, and associations, and using social media to raise awareness about Proposed Amended Rules 1111 and 1121. Mr. Nastri encouraged stakeholders to access information online and assured that staff is actively evaluating input, addressing cost concerns, and considering incentive funding. For additional details please refer to the [Webcast](#) beginning at 55:53.

Committee Chair McCallon asked if updated cost estimates for the rule are currently available on the website. Mr. Nastri responded that staff is working on revising cost information, updating the flyer for the public with a QR code linking to the website for the most updated data. Mr. Nastri clarified that Proposed Amended Rules 1111 and 1121 do not impact school districts. For additional details please refer to the [Webcast](#) beginning at 58:12.

Vice Chair Cacciotti requested staff to provide a rough installation cost range for contractors in the South Coast Air Basin. For additional details please refer to the [Webcast](#) beginning at 1:00:15.

Supervisor Hagman asked that staff provide at a future meeting, cost estimates for replacing systems over 20 years, comparing the total cost for single-family and multi-unit homes with anticipated grants, California and other areas, and costs for new builds and older homes. Mr. Nastri emphasized that heat pumps are outselling gas furnaces nationally. For additional details please refer to the [Webcast](#) beginning at 1:01:43.

8. Next Meeting Date

The next Stationary Source Committee meeting is scheduled for Friday, February 21, 2025.

Adjournment

The meeting was adjourned at 11:31 a.m.

Attachments

1. Attendance Record
2. Monthly Permitting Enhancement Program (PEP) Update
3. Status Report on Reg. XIII – New Source Review
4. 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
5. Notice of Violation Penalty Summary

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Stationary Source Committee
January 24, 2025
ATTENDANCE ROSTER

Councilmember Cacciotti	South Coast AQMD Board Member
Senator Vanessa Delgado (Ret)	South Coast AQMD Board Member
Supervisor Curt Hagman	South Coast AQMD Board Member
Mayor Pro Tem Larry McCallon	South Coast AQMD Board Member
Supervisor Holly J. Mitchell	South Coast AQMD Board Member
Board Member Veronica Padilla-Campos	South Coast AQMD Board Member
Loraine Lundquist	Board Consultant (Mitchell)
Debra Mendelsohn	Board Consultant (McCallon)
Maria Savella Aria	Inland Empire community member
Deborah Cam	Orange County community member
Dori Chandler	Coalition for Clean Air
Fernando Gaytan	Earthjustice
Jed Holtzman	RMI
Moses Huerta	Community Member
Pete Marsh	Community Member
Adrian Martinez	Earthjustice
Jessica Martinez	Alta Loma School District Board of Trustee
Nick Wilson	Community Member
Myra	Community Member
Jason Aspell	South Coast AQMD staff
Cesar Ayala	South Coast AQMD staff
Barbara Baird	South Coast AQMD staff
Cindy Bustillos	South Coast AQMD staff
Roula El Hajal	South Coast AQMD staff
Heather Farr	South Coast AQMD staff
Scott Gallegos	South Coast AQMD staff
De Groeneveld	South Coast AQMD staff
Sheri Hanizavareh	South Coast AQMD staff
Aaron Katzenstein	South Coast AQMD staff
Michael Krause	South Coast AQMD staff
Howard Lee	South Coast AQMD staff
Jason Low	South Coast AQMD staff
Terrence Mann	South Coast AQMD staff
Ron Moskowitz	South Coast AQMD staff
Ghislain Muberwa	South Coast AQMD staff
Susan Nakamura	South Coast AQMD staff
Wayne Nastri	South Coast AQMD staff
Sarah Rees	South Coast AQMD staff
Alberto Silva	South Coast AQMD staff

Lisa TanakaSouth Coast AQMD staff
Brian TomasovicSouth Coast AQMD staff
Mei Wang South Coast AQMD staff
Jillian WongSouth Coast AQMD staff

Monthly Permitting Enhancement Program (PEP) Update
South Coast AQMD
Stationary Source Committee – January 24, 2025

Background

At the February 2, 2024 Board meeting, the Board directed staff to provide monthly updates to the Stationary Source Committee to report progress made under the Permitting Enhancement Program (PEP). The Chair's PEP initiative was developed to enhance the permitting program and improve permitting inventory and timelines. This report provides a summary of the pending permit application inventory, monthly production, and other PEP related activities.

Summary

Pending Permit Application Inventory

The permitting process consists of a constant stream of incoming applications and outgoing application issuances, rejections, and denials. The remainder of the applications are considered the pending application inventory. The inventory consists of applications that are being prescreened prior to being accepted, workable applications, and non-workable applications. Non-workable means that staff are unable to proceed with processing an application because it is awaiting actions to address various regulatory requirements or deficiencies. As an example, after staff issues a Permit to Construct to a facility, staff must wait for the facility to construct and test the equipment prior to issuing a final Permit to Operate. Once a final Permit to Operate is issued, the permit application is removed from the pending application inventory. Other examples include facilities that may be in violation of rules and cannot be permitted until a facility achieves compliance, staff awaiting additional information from facilities, or facilities that have not completed the CEQA process for their project. During the life of an application, it may switch several times between being workable and non-workable as actions are taken by facilities and staff. Attachment 1 contains more detailed descriptions of the categories of non-workable permit applications. Figure 1 below provides a monthly snapshot of the pending application inventory.

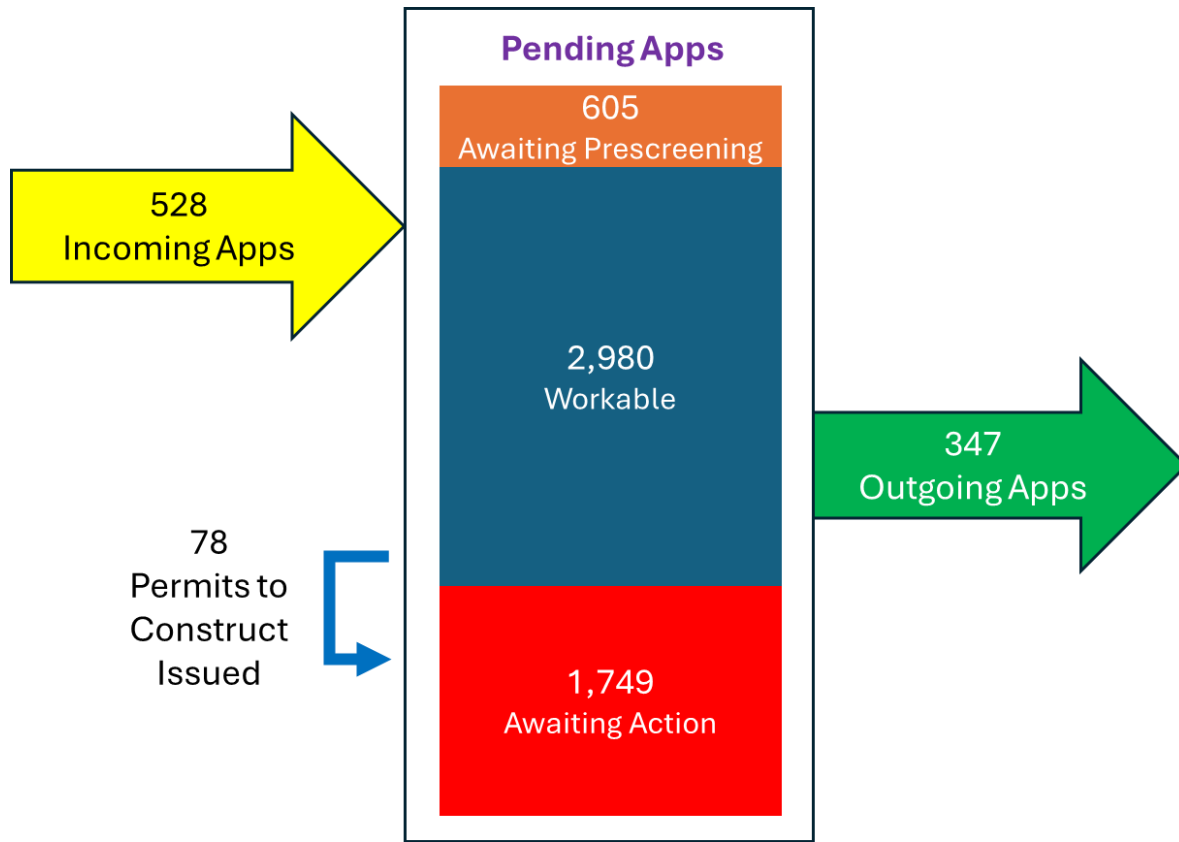


Figure 1: Application Processing Workflow – December 2024

Table 1 below lists the categories included in Awaiting Action (Non-Workable) for the last month. Please note that Table 1 provides a snapshot of data and applications may change status several times before final action. Multiple categories may apply to a single application.

Table 1: Awaiting Action (Non-Workable) Applications Summary

Awaiting Action (Non-Workable) Categories	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024
Additional Information from Facility	219	265	286	294	288	314
CEQA Completion	31	32	34	34	34	34
Completion of Construction	935	983	1,015	1,034	1,078	1,107
Facility Compliance Resolution	36	36	37	36	37	30
Facility Draft Permit Review	59	74	43	56	51	35
Fee Payment Resolution	4	4	6	5	6	6
Other Agency Review	36	45	37	36	46	42
Other Facility Action	10	10	21	21	21	20
Other South Coast AQMD Review	0	0	0	0	0	0
Public Notice Completion	29	23	24	25	20	15
Source Test Completion	142	137	169	169	154	156

Please see Attachment 1 for more information on these categories.

In December, staff continued to complete applications at a rate higher than the targeted month to month average, raising the overall annual average. Not reflected in Figure 1 are an additional 83 permits issued through the online permitting system which did not impact the permit application inventory. Staff has automated the permitting process for certain equipment allowing staff to focus their efforts on other permit applications. These 83 permit completions are reflected in Figure 2 below.

Since outgoing applications (green arrow) were less than incoming applications (yellow arrow) this month, the pending application inventory increased slightly. The lower outgoing application number for December is the historical norm due to holidays. In response, production numbers after December are typically higher. The annual average production has increased over 13% as compared to this time last year. In addition, since May, the inventory of Workable applications has decreased from 3,088 to 2,980.

The inventory of Awaiting Action applications has recently increased. Most of the Awaiting Action applications have a Completion of Construction status. From March to December, staff issued many Permits to Construct, thereby increasing the Completion of Construction status from 770 to 1,107, including 78 Permits to Construct issued in December. Staff must wait for construction of the equipment to be completed prior to moving forward on these applications.

The rate of incoming applications is unpredictable and is dependent on business demands and the economic climate, as well as South Coast AQMD rule requirements. Maintaining the average production rate of outgoing applications greater than average rate of incoming applications is key to reducing the pending application inventory until a manageable working inventory is established. As stated above, the spike in incoming applications occurred in June as expected, and this typically results in a swell in the inventory as time is needed to address the surge of permit applications.

Maintaining a low vacancy rate with trained and experienced permitting staff is the biggest factor in maintaining high production and reducing the pending application inventory. In addition, data and analysis showed that addressing vacancies at the Senior and Supervising AQ Engineers was vital since these positions are the review and approval stages of the permitting process.

Production

Prior to staff retirements, permit production levels in 2020 were typically above 500 completions per month. Prior to PEP implementation, high vacancy rates resulted in decreased permit completions. Lower production rates nearing 400 completions per month occurred as the vacancy rate peaked. As the vacancy rate has been reduced and staff have been trained, production has increased. Figure 2 below shows a rolling 12-month average of application completions and the monthly production for the last six months. Recently, increased monthly production levels (orange circles) are raising the rolling 12-month production averages (black line) in the chart below as compared to the period before PEP. The rolling 12-month average includes the monthly totals from the last year to visualize the trend over time, as production in individual months often fluctuates (in addition to fluctuations in incoming application

submittals). The current rolling 12-month average production rate remained at 505 completions per month. A higher rolling 12-month average will indicate sustained higher production levels. These higher production levels will begin to reduce the pending application inventory and improve permit processing times. A new fiscal year (FY) goal was set to increase production by 500 completions as compared to 2023. This equates to a soft target of 489 completions per month. The red line in Figure 2 shows this new fiscal year goal.

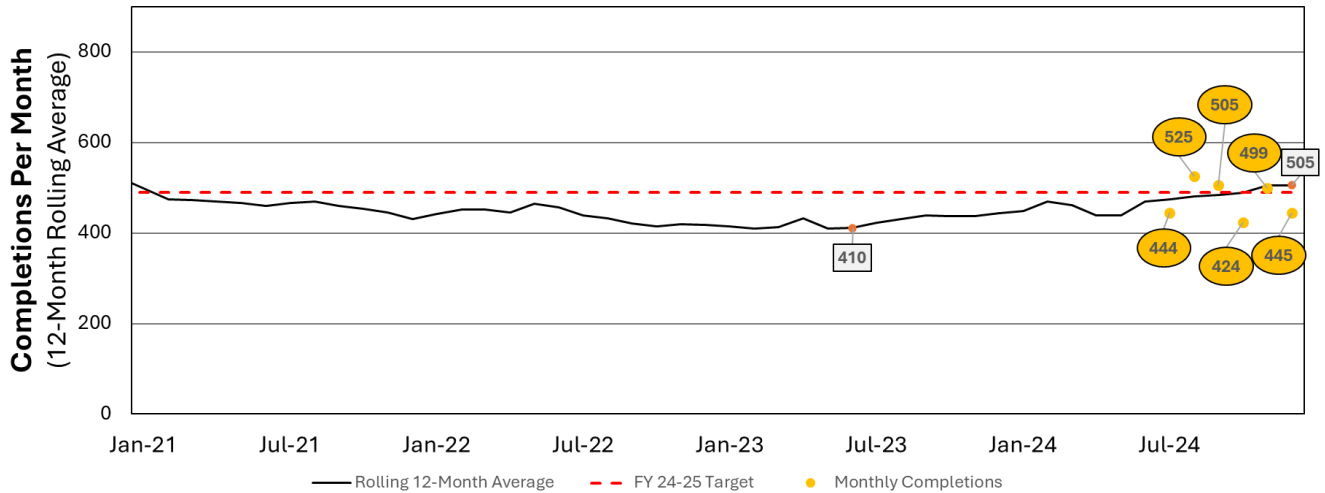


Figure 2: Application Completions - Rolling 12-Month Average and Recent Six Months

Production began to increase in the second half of 2023 as substantial promotions and hiring occurred. New engineering staff are currently being trained and production is expected to increase over the coming months and years as they become more experienced in their duties and can process more complex projects.

Engineering & Permitting (E&P) Vacancy Rate

The current E&P vacancy rate was maintained at 10.2%, due to the hiring of a Senior Office Assistant into E&P. The minimum target vacancy rate for PEP is 10%. When PEP was first announced, the E&P vacancy rate was greater than 20%. Hiring of new engineers is targeted for the first quarter of 2025 and the recruitment is in process.

Key Activities

- Staff is currently focused on completing required reports for the permitting program for federal New Source Review Equivalency and RECLAIM, in addition to regular permitting duties. Key activities related to PEP are planned for January 2025.
- E&P implemented a minor reorganization to better align staff resources with workloads.

Upcoming Meetings:

- Staff will present a PEP update to the Board in first quarter of 2025.
- Staff will conduct either a PSTF or a Permitting Working Group meeting in March 2025
- Staff is targeting to conduct at least six public meetings regarding permitting in Fiscal Year 2024-2025. Staff has reached 75% of this target.

Attachment 1

Explanation of Non-Workable Application Statuses

Workable applications are those applications where staff have the required information to process the permit application.

Non-workable applications are those applications where the application process has been paused while staff are awaiting the resolution of one or more related tasks or where the permit cannot be issued.

Description of Non-Workable/Awaiting Action Terms

Additional Information from Facility

During permit processing staff may need additional information from a facility that was not included in the original permit application package or a change of scope of the proposed project. Additional information may include items regarding materials used in the equipment (such as toxics), equipment information, or other items to perform emission calculations or determine compliance for the proposal in the application.

CEQA Completion

Prior to issuing permits, CEQA requirements are required to be evaluated and completed. South Coast AQMD can either be the Lead Agency that certifies or approves the CEQA document or the Responsible Agency that consults with the Lead Agency (typically a land use agency) on the CEQA document.

Completion of Construction

After a Permit to Construct is issued, the permit application file remains in the pending application inventory. Staff must wait for the facility to complete construction prior to completing other compliance determination steps before the permitting process can continue. Typically, a Permit to Construct is valid for one year, but it may be extended for various reasons if the facility demonstrates they are making increments of progress. For some large projects, construction may take years while the permit application remains in the pending application inventory.

Facility Compliance Resolution

Prior to issuing permits the affected facility must demonstrate compliance with all rules and regulations [Rule 1303(b)(4)]. Prior to the issuance of a Permit to Construct, all major stationary sources that are owned or operated by, controlled by, or under common control in the State of California are subject to emission limitations must demonstrate that they are in compliance or on a schedule for compliance with all applicable emission limitations and standards under the Clean Air Act. [Rule 1303(b)(2)(5)].

Facility Draft Permit Review

If a facility requests to review their draft permit, staff provides the facility a review period prior to proceeding with issuance. During the review period, staff do not perform any additional evaluation until feedback from the facility is received. Some projects include several permits or large facility permit documents which may take a substantial time to review.

Fee Payment Resolution

Prior to issuing permits, all fees must be remitted, including any outstanding fees from associated facility activities including, but not limited to, annual operating and emission fees, modeling or source testing fees, and permit reinstatement fees.

Other Agency Review

The Title V permitting program requires a 45-day review of proposed permitting actions by U.S. EPA prior to many permitting actions. During the review period, staff are unable to proceed with permit issuance. If U.S. EPA has comments or requests additional information, the review stage may add weeks or months to the process before staff can proceed with the project.

For Electricity Generating Facilities (Power Plants), CEC may provide a review of proposed permits prior to issuance.

Other Facility Action

Prior to issuing a permit, a facility may need to take action to address deficiencies or take steps to meet regulatory requirements. This may include acquiring Emission Reduction Credits after staff notifies a facility the project requires emissions to be offset, performing an analysis for Best Available Control Technology requirements, or conducting air dispersion modeling.

Other South Coast AQMD Review

Prior to proceeding with a permit evaluation, permit engineering staff may require assistance and support from other South Coast AQMD departments. For example, IM support for electronic processing due to unique or long-term project considerations or to complete concurrent review of separate phases or integrated processes for multi-phase projects is routinely needed.

Public Notice Completion

There are several South Coast AQMD requirements that may require public noticing and a public participation process prior to permit issuance. Rule 212 and Regulation XXX both detail public noticing thresholds and requirements which include equipment located near schools, high-emitting equipment, equipment above certain health risk thresholds, or significant projects or permit renewals in the Title V program. The public notice period is typically 30 days, and staff are required to respond to all public comments in writing prior to proceeding with the permitting process. Other delays in the public notice process may include delays in distribution of the notice by the facility, incomplete distribution which may require restarting the 30-day period, or requests for extension from the public.

Source Test Completion

Many rules require source testing prior to permit issuance. Source testing is the measurement of actual emissions from a source that may be used to determine compliance with emission limits, or measurements of toxic emissions may be used to perform a health risk assessment. Lab analysis of an air sample is often required as part of the process. The testing is performed by third party contractors who prepare a source test protocol to detail the testing program, and a source test report with the results of the testing and equipment operation. Both the protocol and report need to be reviewed and approved by South Coast AQMD staff.

BOARD MEETING DATE: February 7, 2025

AGENDA NO.

REPORT: Status Report on Regulation XIII – New Source Review

SYNOPSIS: This report presents the state and federal Preliminary Determination of Equivalency for January 2023 through December 2023. The report provides information regarding the status of Regulation XIII – New Source Review in meeting state and federal NSR requirements and shows that South Coast AQMD’s NSR program is in preliminary compliance with applicable state and federal requirements from January 2023 through December 2023.

COMMITTEE: Stationary Source, January 24, 2025, Reviewed

RECOMMENDED ACTION:
Receive and file.

Wayne Nastri
Executive Officer

JA:JW:DO:ST:JL

Background

South Coast AQMD originally adopted its NSR program in 1976. U.S. EPA approved South Coast AQMD’s NSR program into the SIP initially on January 21, 1981 (46FR5965) and again on December 4, 1996 (61FR64291). Rule 1315 was adopted and re-adopted on September 8, 2006, and August 3, 2007, respectively. South Coast AQMD’s NSR rules and regulations are designed to ensure that emission increases from new and modified sources do not interfere with efforts to attain and maintain the state and federal ambient air quality standards, while economic growth in the South Coast region is not unnecessarily impeded. Regulation XIII - New Source Review, regulates and accounts for all emission changes (both increases and decreases) from the permitting of new, modified, and relocated stationary sources within the South Coast AQMD’s jurisdiction, excluding NOx and SOx emissions from sources that are subject

to Regulation XX – Regional Clean Air Incentives Market (RECLAIM).^a

Rule 1315 – Federal New Source Review Tracking System was adopted by the Board on February 4, 2011, to maintain South Coast AQMD’s ability to issue permits to major sources that require offsets but obtain offset credits from South Coast AQMD’s Priority Reserve under Rule 1309.1 – Priority Reserve, and/or that are exempt from offsets under South Coast AQMD Rule 1304 – Exemptions. Since these sources are not exempt from offsets under the federal Clean Air Act, South Coast AQMD provides offsets from South Coast AQMD’s internal account balances, which have been generated primarily from orphan shutdowns (*i.e.*, emissions reductions from sources that have shut down, but the owner or operator did not apply for emission reduction credits). The purpose of this Determination of Equivalency is to show that there are sufficient offsets in the internal account balances to cover sources that used these offsets for the year in question and the offset needs projected for the following two years.

Rule 1315 requires that, commencing with calendar year 2010, and for each calendar year thereafter, the Executive Officer prepare a Preliminary Determination of Equivalency (PDE) and Final Determination of Equivalency (FDE). The accounting covers NSR activities for twelve-month periods. The calendar year 2023 PDE and FDE are required to be reported to the South Coast AQMD Board at the February and September 2025 Board meetings, respectively. Rule 1315 also requires the Executive Officer to aggregate and track offsets debited from and deposited to South Coast AQMD’s internal offset accounts for specified periods between October 1, 1990, and December 31, 2005, and each calendar year from 2006 through 2030 for the purpose of making periodic determinations of compliance.

Findings

The PDE from this Status Report on Regulation XIII – New Source Review, covering the calendar year 2023 reporting period, demonstrates compliance with state and federal NSR requirements by establishing aggregate equivalence with state and federal offset requirements for sources that were not exempt from state and federal offset requirements, but were either exempt from offsets or obtained their offsets from South Coast AQMD pursuant to Regulation XIII.

^a While the RECLAIM program is different than command and control rules for NO_x and SO_x and provides greater regulatory flexibility to businesses, its NSR requirements, as specified in Rule 2005, are designed to comply with the governing principles of NSR contained in the federal Clean Air Act (CAA) and the California State Health and Safety Code. When it was developed, the RECLAIM program applied to facilities with annual emissions greater than four tons per year of NO_x or SO_x.

- **2023 Federal Offset Accounts PDE** - The federal offset account PDE for calendar year 2023 is summarized in Table 1. For calendar year 2023, South Coast AQMD’s NSR program have adequate offsets available to mitigate all applicable emission increases. The program is at least preliminarily equivalent to the federal requirements on an aggregate basis. This conclusion results from the preliminary ending federal offset account balances for the calendar year reporting period remaining positive for all pollutants.

Table 1
Federal Offset Accounts PDE for January 2023 through December 2023

Description	VOC	NO _x	SO _x	PM ₁₀
2022 Actual Ending Balance ^b (tons/day)	120.63	24.49	5.56	18.33
2023 Starting Balance ^c (tons/day)	120.63	24.32	5.56	18.33
2023 Actual Total Debit ^d (tons/day)	-0.27	-0.22	0	-0.16
2023 Actual Total Credits ^e (tons/day)	0.00	0.00	0.00	0.00
2023 Preliminary Ending Balance ^f (tons/day)	120.36	24.10	5.56	18.17

- **2024-2025 Projections of South Coast AQMD’s Federal Offset Account Balances-** Projections of South Coast AQMD’s federal offset account balances for January 2024 through December 2024 and January 2025 through December 2025, as specified and required pursuant to Rule 1315(e) is summarized in Table 2. South Coast AQMD’s projected federal offset account balances for 2024 and 2025 are projected to remain positive. This means that the sum of the estimated withdrawals from and deposits to South Coast AQMD’s offset accounts during 2024 and 2025 are projected to remain positive and, therefore, demonstrates that South Coast AQMD’s NSR program is equivalent to federal NSR requirements.

^b Previously reported in Table 1 of the 2022 FDE dated September 6, 2024.

^c Represents the “2022 Actual Ending Balance” reduced by any surplus adjustments to BARCT-level control.

^d Debits are shown as negative.

^e PDE does not account for any credits for calendar year 2023. Credits will be included in the 2023 FDE.

^f Represents the “2023 Starting Balance” reduced by “2023 Actual Total Debit.”

Table 2
Projections of South Coast AQMD’s Federal Offset Account Balances for January 2024 through December 2024, and January 2025 through December 2025

Description	VOC	NO _x	SO _x	PM10
2023 Preliminary Ending Balance ^g (tons/day)	120.36	24.10	5.56	18.17
2024 Sum of Projected Debits/Credits ^h (tons/day)	2.54	0.31	0.27	0.48
2024 Projected Ending Balance ⁱ (tons/day)	122.90	24.41	5.83	18.65
2025 Sum of Projected Debits/Credits ^b (tons/day)	2.54	0.31	0.27	0.48
2025 Projected Ending Balance ^j (tons/day)	125.44	24.72	6.10	19.13

- **2023 State Offset Accounts PDE** - The state offset accounts for calendar year 2023 are summarized in Table 3. For calendar year 2023, South Coast AQMD’s NSR program is at least preliminarily equivalent to the state requirements on an aggregate basis. This conclusion results from the preliminary ending state offset account balances for the calendar year reporting period remaining positive for all pollutants.

Table 3
State Offset Accounts PDE for January 2023 through December 2023

Description	VOC	NO _x	SO _x	PM10
2023 Actual Starting Balance ^k (tons/day)	91.38	35.62	10.10	24.09
2023 Sum of Actual Debits/Credits ^l (tons/day)	-1.08	-0.32	-0.04	-0.13
2023 Actual Ending Balance ^m (tons/day)	90.30	35.30	10.06	23.96

^g “2023 Preliminary Ending Balance” is as shown in Table 1.

^h Projections are based upon the average of the total annual debits and the average of the total annual credits for the five reporting periods most recently included in a PDE or an FDE, pursuant to Rule 1315(e).

ⁱ “2024 Projected Ending Balance” equals the “2023 Preliminary Ending Balance” plus the “2024 Sum of Projected Debits/Credits.”

^j “2025 Projected Ending Balance” equals the “2024 Projected Ending Balance” plus the “2025 Sum of Projected Debits/Credits.”

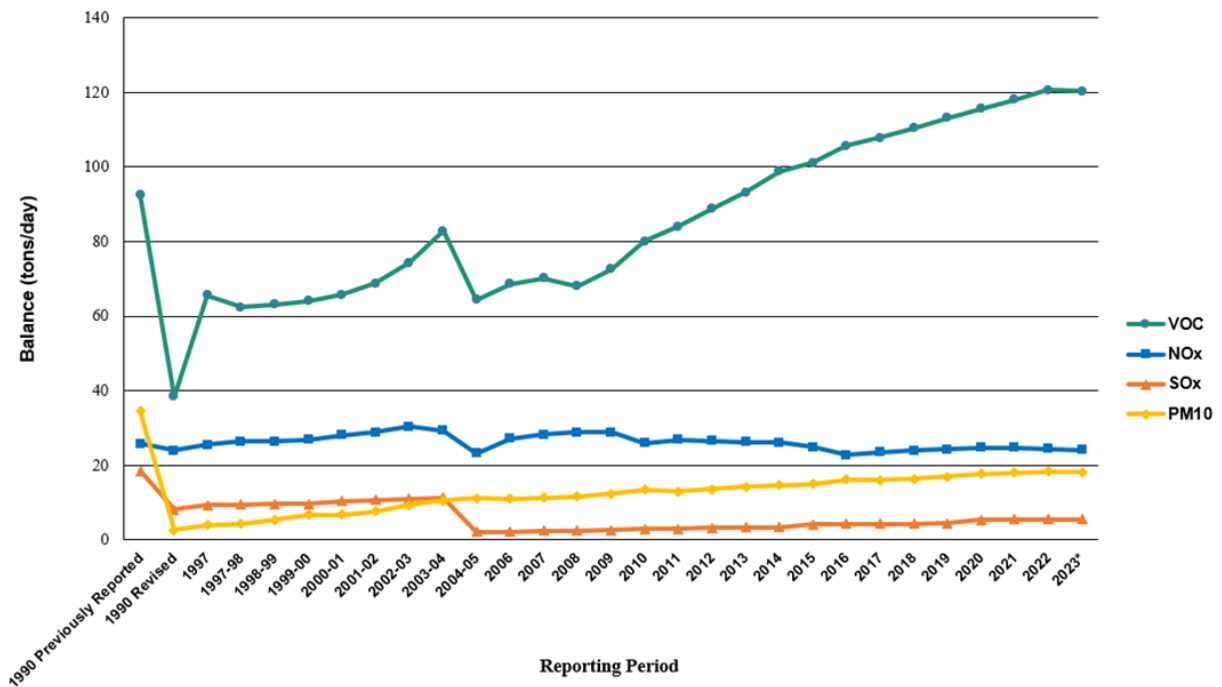
^k “2023 Actual Starting Balance” was previously reported (“2022 Actual Ending Balance”) in Table 5 of the 2022 FDE dated September 6, 2024.

^l PDE does not account for any credits for calendar year 2023. Credits will be included in the 2023 FDE.

^m “2023 Actual Ending Balance” equals the “2023 Actual Starting Balance” plus the “2023 Sum of Actual Debits/Credits.”

- Determination of Equivalency with Federal Offset Requirements** - Figure 1 illustrates South Coast AQMD's federal offset account balances for calendar years 1990 and after. The calendar year 2023 balances are based on preliminary determinations. This graph illustrates the historical trends of offset account balances over the course of the program, demonstrating a consistent pattern of equivalency. The decline in Federal Account balances reflects the removal of pre-1990 balances in two phases: the initial removal of balances prior to 1990, followed by the complete removal of remaining pre-1990 balances in 2005.

Figure 1
South Coast AQMD Federal Offset Account Balances
for Calendar Year 1990 - 2023



*Preliminary determination

Attachments

- A. Status Report on Regulation XIII – New Source Review
- B. Detailed Listings of Actual Debit and Sum of Preliminary Debits and Credits

ATTACHMENT A

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Status Report on Regulation XIII – New Source Review

February 2025

Deputy Executive Officer
Engineering and Permitting
Jason Aspell

Assistant Deputy Executive Officer
Engineering and Permitting
Jillian Wong, Ph. D.

Senior Engineering Manager
Engineering and Permitting
David Ono

AUTHORS: Jhoann Catherine Lopez, Senior Air Quality Engineer
Chwen-Jy Chang, Air Quality Engineer II
Ernan Nava, Air Quality Engineer II
German Bravo-Villaseñor, Air Quality Engineer I

CONTRIBUTORS: Sang-Mi Lee, Planning & Rules Manager
Rose Rau, Staff Specialist

REVIEWED BY: Susan Tsai, Supervising Air Quality Engineer
Karin Manwaring, Senior Deputy District Counsel
Barbara Baird, Chief Deputy Counsel

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GOVERNING BOARD**

Chair: VANESSA DELGADO
Senator (Ret.)
Senate Rules Committee Appointee

Vice Chair: MICHAEL A. CACCIOTTI
Councilmember, South Pasadena
Cities of Los Angeles County/Eastern Region

MEMBERS:

CURT HAGMAN
Supervisor, Fourth District
County of San Bernardino

GIDEON KRACOV
Governor's Appointee

PATRICIA LOCK DAWSON
Mayor, Riverside
Cities of Riverside County Representative

LARRY MCCALLON
Mayor Pro Tem, Highland
Cities of San Bernardino County

HOLLY J. MITCHELL
Supervisor, Second District
County of Los Angeles

VERONICA PADILLA-CAMPOS
Speaker of the Assembly Appointee

V. MANUEL PEREZ
Supervisor, Fourth District
County of Riverside

NITHYA RAMAN
Councilmember, Fourth District
City of Los Angeles Representative

CARLOS RODRIGUEZ
Mayor Pro Tem, Yorba Linda
Cities of Orange County

VACANT
Vacant
Cities of Los Angeles County/Western Region

DONALD P. WAGNER
Supervisor, Third District
County of Orange

EXECUTIVE OFFICER:

WAYNE NASTRI

TABLE OF CONTENTS

SECTION	PAGE
<i>SUMMARY</i>	<i>1</i>
<i>Background</i>	<i>4</i>
<i>Federal Law</i>	<i>4</i>
<i>State Law</i>	<i>5</i>
<i>Overview of Analysis Methodology</i>	<i>5</i>
<i>South Coast AQMD's Offset Accounts</i>	<i>6</i>
<i>Debit Accounting</i>	<i>6</i>
<i>Credit Accounting</i>	<i>7</i>
<i>Determination of Equivalency with Federal Offset Requirements</i>	<i>7</i>
<i>Conclusions</i>	<i>8</i>

SUMMARY

South Coast AQMD's NSR rules and regulations are designed to ensure that emission increases from new and modified sources do not interfere with efforts to attain and maintain the state and federal ambient air quality standards, while economic growth in the South Coast region is not unnecessarily impeded. Regulation XIII - New Source Review, regulates and accounts for all emission changes (both increases and decreases) from the permitting of new, modified, and relocated stationary sources within the South Coast AQMD's jurisdiction, excluding NO_x and SO_x emissions from sources that are subject to Regulation XX – Regional Clean Air Incentives Market (RECLAIM).¹

Rule 1315 – Federal New Source Review Tracking System was adopted by the Board on February 4, 2011, to maintain South Coast AQMD's ability to issue permits to major sources that require offsets but obtain offset credits from South Coast AQMD's Priority Reserve under Rule 1309.1 – Priority Reserve, and/or that are exempt from offsets under South Coast AQMD Rule 1304 – Exemptions. Since these sources are not exempt from offsets under the federal Clean Air Act, South Coast AQMD provides offsets from South Coast AQMD's internal account balances, which have been generated primarily from orphan shutdowns (*i.e.*, emissions reductions from sources that have shut down, but the owner or operator did not apply for emission reduction credits). The purpose of this Determination of Equivalency is to show that there are sufficient offsets in the internal account balances to cover sources that used these offsets for the year in question and the offset needs projected for the following two years.

Rule 1315 requires that, commencing with calendar year 2010, and for each calendar year thereafter, the Executive Officer prepare a Preliminary Determination of Equivalency (PDE) and Final Determination of Equivalency (FDE). The accounting covers NSR activities for twelve-month periods. The calendar year 2023 PDE and FDE are required to be reported to the South Coast AQMD Board no later than the February and September 2025 Board meetings, respectively. Rule 1315 also requires the Executive Officer to aggregate and track offsets debited from and deposited to South Coast AQMD's internal offset accounts for specified periods between October 1, 1990, and December 31, 2005, and each calendar year from 2006 through 2030 for the purpose of making periodic determinations of compliance. The last annual report submitted to the Board on September 6, 2024, presented the FDE for calendar year 2022 and demonstrated that South Coast AQMD's NSR program met the state and federal offset requirements for calendar year 2022.

This report, which presents the PDE covering the calendar year 2023 reporting period, demonstrates compliance with state and federal NSR requirements by establishing aggregate equivalence with state and federal offset requirements for sources that were not

¹ While the RECLAIM program is different than command and control rules for NO_x and SO_x, and provides greater regulatory flexibility to businesses, its NSR requirements, as specified in Rule 2005, are designed to comply with the governing principles of NSR contained in the federal Clean Air Act (CAA) and the California State Health and Safety Code. When it was developed, the RECLAIM program applied to facilities with annual emission greater than four tons per year of NO_x or SO_x.

Status Report on Regulation XIII – New Source Review

exempt from state and federal offset requirements, but were either exempt from offsets or obtained their offsets from South Coast AQMD pursuant to Regulation XIII.

The federal offset account PDE for calendar year 2023 is summarized in Table 1. Projections of South Coast AQMD’s federal offset account balances for January 2024 through December 2024 and January 2025 through December 2025, as specified and required pursuant to Rule 1315(e), are presented in Table 2. These tables demonstrate that there were, and project that there will be, adequate offsets available to mitigate all applicable emission increases during these reporting periods. The state offset accounts for calendar year 2023 are summarized in Table 3. This report demonstrates that, for calendar years 2023 through 2025, South Coast AQMD’s NSR program continues and is projected to meet state and federal offset requirements and is equivalent² to those requirements on an aggregate basis. The South Coast Air Basin and Coachella Valley were designated as being in attainment with the federal and state CO standards, and therefore South Coast AQMD does not report CO accumulated credits and account balances in this equivalency determination. U.S. EPA designated the South Coast Air Basin as being in attainment with the federal PM10 standard effective July 26, 2013. However, the Coachella Valley has not attained the PM10 National Ambient Air Quality Standards (NAAQS), therefore, South Coast AQMD will continue to track and report PM10 (in the South Coast Air Basin) accumulated credits and account balances for informational purposes only.³

Table 1
Federal Offset Accounts PDE for January 2023 through December 2023

DESCRIPTION	VOC	NOX	SOX	PM10
2022 Actual Ending Balance^a (tons/day)	120.63	24.49	5.56	18.33
2023 Discount of Credits for Surplus Adjustment ^b (tons/day)	0.00	-0.17	0.00	0.00
2023 Starting Balance (tons/day)	120.63	24.32	5.56	18.33
2023 Actual Total Debit ^c (lbs./day)	-536	-440	0	-312
2023 Actual Total Debits^c (tons/day)	-0.27	-0.22	0	-0.16
2023 Actual Total Credits ^d (lbs./day)	0.00	0.00	0.00	0.00
2023 Actual Total Credits^d (tons/day)	0.00	0.00	0.00	0.00
2023 Preliminary Ending Balance^e (tons/day)	120.36	24.10	5.56	18.17

^a Previously reported in Table 1 of the 2022 FDE dated September 6, 2024.

^b This adjustment is surplus at the time of use discount, which is also discussed in Rule 1315(c)(4).

^c For an explanation of the sources of debits, please refer to the Debit Accounting section of this report as well as Rule 1315(c) and the February 4, 2011, Rule 1315 staff report. Debits are shown as negative.

^d PDE does not account for any credits for calendar year 2023. Credits will be included in the 2023 FDE.

^e Represents the “2022 Actual Ending Balance” reduced by any surplus adjustments and the sum of actual debits.

² South Coast AQMD’s NSR program is deemed to be equivalent to state and federal offset requirements. South Coast AQMD’s ending offset account balances remained positive, indicating there were adequate offsets during this reporting period.

³ Rule 1315 does not distinguish accumulated credits and account balances between designated areas.

Status Report on Regulation XIII – New Source Review

Table 2
Projections of South Coast AQMD’s Federal Offset Account Balances for January 2024 through December 2024, and January 2025 through December 2025

DESCRIPTION	VOC	NOX	SOX	PM10
2023 Preliminary Ending Balance^a (tons/day)	120.36	24.10	5.56	18.17
2024 Total Projected Debits ^b (lbs./day)	-340	-460	0	-60
2024 Total Projected Credits ^b (lbs./day)	5,420	1,080	540	1,020
2024 Sum of Projected Debits/Credits^b (lbs./day)	5,080	620	540	960
2024 Sum of Projected Debits/Credits^b (tons/day)	2.54	0.31	0.27	0.48
2024 Projected Ending Balance^c (tons/day)	122.90	24.41	5.83	18.65
2025 Total Projected Debits ^b (lbs./day)	-340	-460	0	-60
2025 Total Projected Credits ^b (lbs./day)	5,420	1,080	540	1,020
2025 Sum of Projected Debits/Credits^b (lbs./day)	5,080	620	540	960
2025 Sum of Projected Debits/Credits^b (tons/day)	2.54	0.31	0.27	0.48
2025 Projected Ending Balance^d (tons/day)	125.44	24.72	6.10	19.13

^a “2023 Preliminary Ending Balance” is as shown in Table 1.

^b Projections are based upon the average of the total annual debits and the average of the total annual credits for the five reporting periods most recently included in a PDE or an FDE, pursuant to Rule 1315(e). For an explanation of the sources of debits and credits please refer to the Debit Accounting and Credit Accounting sections of this report as well as Rule 1315(c) and the February 4, 2011, Rule 1315 staff report. Debits are shown as negative and credits as positive, while the sum of debits/credits are shown as negative or positive, as appropriate.

^c “2024 Projected Ending Balance” equals the “2023 Projected Ending Balance” plus the “2024 Sum of Projected Debits/Credits.”

^d “2025 Projected Ending Balance” equals the “2024 Projected Ending Balance” plus the “2025 Sum of Projected Debits/Credits.”

Table 3
State Offset Accounts PDE for January 2023 through December 2023

DESCRIPTION	VOC	NOx	SOx	PM10
2023 Actual Starting Balance^a (tons/day)	91.38	35.62	10.10	24.09
2023 Actual Total Debits ^b (lbs./day)	-2,151	-631	-73	-253
2023 Actual Total Credits ^c (lbs./day)	0.00	0.00	0.00	0.00
2023 Sum of Actual Debits/Credits^c (lbs./day)	-2,151	-631	-73	-253
2023 Sum of Actual Debits/Credits^c (tons/day)	-1.08	-0.32	-0.04	-0.13
2023 Actual Ending Balance^d (tons/day)	90.30	35.30	10.06	23.96

^a “2023 Actual Starting Balance” was previously reported (“2022 Actual Ending Balance”) in Table 5 of the 2022 FDE dated September 6, 2024.

^b For an explanation of the sources of debits and credits please refer to the Debit Accounting and Credit Accounting section of this report. Debits and shown as negative and credits as positive, while the sums of debits/credits are shown as positive or negative, as appropriate.

^c PDE does not account for any credits for calendar year 2023. Credits will be included in the 2023 FDE.

^d “2023 Actual Ending Balance” equals the “2023 Actual Starting Balance” plus the “2023 Sum of Actual Debits/Credits.”

BACKGROUND

South Coast AQMD originally adopted its NSR program in 1976. U.S. EPA approved South Coast AQMD's NSR program into the SIP initially on January 21, 1981 (46FR5965) and again on December 4, 1996 (61FR64291). U.S. EPA approved the May 3, 2002, Rule 1309.1 amendments into the SIP on June 19, 2006 (71FR35157). The original program has evolved into the current version of the Regulation XIII rules in response to state and federal legal requirements and the changing needs of the local environment and economy. Amendments to the NSR rules were adopted by the Board on December 6, 2002, to facilitate and provide additional options for credit generation and use. Rule 1315 was adopted and re-adopted on September 8, 2006, and August 3, 2007, respectively. Rule 1309.1 was amended and replaced on September 8, 2006, and August 3, 2007, respectively. On November 3, 2008, in response to a lawsuit filed by a group of environmental organizations, a California State Superior Court Judge in the County of Los Angeles invalidated the August 3, 2007, adopted Rule 1315 and amendments to Rule 1309.1, and prohibited South Coast AQMD from taking any action to implement Rule 1315 or the amendments to Rule 1309.1 until it had prepared a new environmental assessment under CEQA. On February 4, 2011, South Coast AQMD adopted a revised and enhanced version of Rule 1315, which included a new CEQA environmental assessment. U.S. EPA approved Rule 1315 into SIP in 2012 (77FR31200), and this approval was upheld by the U.S. Court of Appeals for the Ninth Circuit Court in 2015.

South Coast AQMD's computerized emission tracking system is used to demonstrate equivalence with state and federal offset requirements on an aggregate basis. Specific NSR requirements of federal law are presented below.

FEDERAL LAW

Federal NSR requirements vary with respect to the area's attainment status and classification. Based on the current classification for the 1997 8-hour ozone standard, the South Coast Air Basin and the Riverside County portion of the Salton Sea Air Basin (also known as the Coachella Valley) are both extreme nonattainment areas⁴ for federal ozone standards. The South Coast Air Basin is in extreme nonattainment for both the 2008 and 2015 ozone standards. The Coachella Valley is in extreme and severe nonattainment for the 2008 and 2015 8-hour ozone standards, respectively. South Coast AQMD requested a voluntary reclassification to extreme nonattainment for Coachella Valley for the 2015 ozone standard.⁵ As the NSR requirements are more stringent for a higher nonattainment classification and the more stringent requirements apply, both South Coast Air Basin and Coachella Valley must comply with the requirements for extreme nonattainment areas for ozone precursors (i.e., VOC and NO_x). During the 2023 equivalency period, both the South Coast Air Basin and the Coachella Valley complied with their respective requirements for ozone nonattainment and serious nonattainment for PM_{2.5} and its precursors (i.e., VOC,

⁴ In 2019, the SSAB (Coachella Valley) was redesignated to extreme nonattainment for the 1997 8-hour ozone standard.

⁵ South Coast AQMD requested to reclassify the Coachella Valley's nonattainment status from "severe" to "extreme" for the 2008 and 2015 8-hour ozone standards. The Board adopted a voluntary reclassification request for the 2008 ozone standard on November 4, 2022. The 2022 AQMP adopted by the Board on December 2, 2022, included a reclassification request for the 2015 8-hour ozone standard.

Status Report on Regulation XIII – New Source Review

NO_x and SO_x).⁶ Coachella Valley is in attainment for PM_{2.5} and CO. U.S. EPA designated the South Coast Air Basin in attainment with federal CO standards on June 11, 2007. Starting calendar year 2017, South Coast AQMD stopped reporting CO accumulated credits, debits, and account balances in the equivalency determination. Both South Coast Air Basin and Coachella Valley are considered in attainment for SO₂ and NO₂; however, SO_x and NO_x are precursors to pollutants for which both South Coast Air Basin and Coachella Valley are designated as in nonattainment.⁷ The non-Palo Verde, Riverside County portion of the Mojave Desert Air Basin under South Coast AQMD’s jurisdiction is unclassifiable. Federal law requires the use of Lowest Achievable Emission Rate (LAER) and offsets for emissions of nonattainment pollutants (or their precursors) for new, modified, and relocated stationary sources, when the source is considered a major stationary source⁸ for the nonattainment pollutants (or their precursors). This report demonstrates compliance with the federal NSR offsets requirements.

STATE LAW

State law requires the use of BACT for new and modified sources (Health and Safety Code Sections 40440(b)(1) and 40920.5) and “no net increase in emissions” from certain permitted new or modified sources based on their potential to emit and the nonattainment classification of the area in which they are located. This report demonstrates South Coast AQMD’s compliance with the “no net emission increase” requirements of state law for the 2023 period by demonstrating compliance with the requirements for extreme ozone nonattainment areas for ozone precursors and with the requirements for serious nonattainment areas for PM₁₀ and precursors to PM₁₀. The South Coast Air Basin was designated as being in attainment with the state CO standards effective June 11, 2007.

OVERVIEW OF ANALYSIS METHODOLOGY

The two most important elements of state and federal nonattainment NSR requirements are BACT/LAER and emission offsetting. As set forth in South Coast AQMD’s BACT Guidelines, South Coast AQMD’s BACT requirements are at least as stringent as federal LAER for major sources and state BACT requirements for all sources. The NSR emission offset requirements that South Coast AQMD implements through its permitting process

⁶ As of July 26, 2013, South Coast Air Basin was redesignated as attainment for the federal 24-hour PM₁₀ standard, and U.S. EPA approved a PM₁₀ maintenance plan. South Coast AQMD will continue to track and report PM₁₀ accumulated credits and account balances for informational purposes only in the South Coast Air Basin and for equivalency in the Coachella Valley.

⁷ SO_x is a precursor to PM₁₀ and NO_x is a precursor to both PM₁₀ and ozone.

⁸ The major stationary source thresholds for South Coast Air Basin, Coachella Valley, and non-Palo Verde, Riverside County portion of the Mojave Desert Air Basin, based on their attainment status during the calendar year 2023 reporting periods are summarized below:

Pollutant	South Coast Air Basin	Coachella Valley	Non-Palo Verde, Riverside County Portion of Mojave Desert Air Basin
VOC	10 tons/year	10 tons/year	100 tons/year
NO _x	10 tons/year	10 tons/year	100 tons/year
SO _x	70 tons/year	70 tons/year	100 tons/year
PM ₁₀	70 tons/year	70 tons/year	100 tons/year
CO	50 tons/year	100 tons/year	100 tons/year

ensure that sources provide emission reduction credits (ERCs) to offset their emission increases in compliance with state and federal requirements. As a result, these sources each comply with state and federal offset requirements by providing ERCs. However, certain sources are exempt from South Coast AQMD's offset requirements pursuant to Rule 1304 or qualify for offsets from South Coast AQMD's Community Bank (applications received between October 1, 1990, and February 1, 1996, only) or Priority Reserve, both pursuant to Rule 1309.1. Providing offset exemptions and the Priority Reserve (as well as the previously administered Community Bank) are important to the NSR program and the local economy. Therefore, South Coast AQMD has assumed the responsibility of providing the necessary offsets for exempt sources, the Priority Reserve, and the Community Bank.

This report examines withdrawals from South Coast AQMD emission offset accounts during calendar year 2023 and demonstrates programmatic equivalence on an aggregate basis with state and federal emission offset requirements for the sources exempt from providing offsets and the sources that receive offsets from the Priority Reserve or the Community Bank.

SOUTH COAST AQMD'S OFFSET ACCOUNTS

For the purposes of this report, federal debit and credit accounting for South Coast AQMD offset accounts was conducted pursuant to the same procedures previously agreed to by U.S. EPA and as delineated in Rule 1315 and described in the staff report dated January 7, 2011. Each of the pollutants subject to offset requirements has a separate federal offset account. State debit and credit accounting for South Coast AQMD offset accounts was similarly conducted, with the difference that state offset requirements apply to all increases of VOC or NO_x from equipment subject to South Coast AQMD's permitting program and to increases of SO_x and PM₁₀ from facilities that emit 15 or more tons per year. South Coast AQMD's NSR program is considered to provide equivalent or greater offsets of emissions as required by state and federal requirements for each subject pollutant provided the balance of offsets in South Coast AQMD's state and federal offset account for each pollutant remains positive, indicating that there were adequate offsets available.

Debit Accounting

Staff tracks all emission increases that are offset through the Priority Reserve or the Community Bank, as well as all increases that are exempt from offset requirements pursuant to Rule 1304 exemptions. These increases are debited from South Coast AQMD's federal offset accounts when they occur at major sources. For federal equivalency demonstrations, South Coast AQMD uses an offset ratio of 1.2-to-1.0 for extreme nonattainment pollutants (ozone and ozone precursors, i.e., VOC and NO_x) and uses 1.0-to-1.0 for all other nonattainment pollutants (non-ozone precursors, i.e., SO_x and PM₁₀) to offset any such increases. That is, 1.2 pounds are deducted from South Coast AQMD offset accounts for each pound of maximum allowable permitted potential to emit VOC or NO_x increase at a major source and 1.0 pound is deducted for each pound of maximum allowable permitted potential to emit SO_x or PM₁₀ at a major source. A more detailed description of federal debit accounting is provided in the Rule 1315 staff report dated January 7, 2011, and Rule 1315(c)(2).

To comply with U.S. EPA’s NSR Reform requirements applicable to extreme nonattainment areas for ozone, the South Coast AQMD tracks changes to facility-wide limits under Rule 1304 – Exemptions and debits any increases from the federal offset accounts accordingly.

State offset requirements are based on actual emissions rather than maximum allowable permitted potential to emit. South Coast AQMD methodology uses actual emissions as eighty percent of permitted potential to emit.⁹ Thus, 0.8 pounds is debited from South Coast AQMD’s state accounts for each pound of maximum allowable permitted emissions increase.

Credit Accounting

When emissions from a permitted source are permanently reduced (e.g., installation of control equipment, removal of the source) and the emission reduction is not required by rule or law and is not included in an AQMP control measure that has been assigned a target implementation date,¹⁰ the permit holder may apply for ERCs for the pollutants reduced. If the permit holder for the source generating the emission reduction had previously received offsets from South Coast AQMD or has a “positive NSR balance” (i.e., pre-1990 net emission increase), the quantity of South Coast AQMD offsets used or the amount of the positive NSR balance is subtracted from the reduction and “paid back” to South Coast AQMD’s accounts prior to issuance of an ERC pursuant to Rule 1306. In certain other cases, permit holders do not always submit applications to claim ERCs or do not qualify to obtain ERCs for their equipment shutdowns or other eligible emission reductions. These unclaimed reductions are referred to as “orphan shutdowns” and are deposited in South Coast AQMD’s offset accounts. ERCs provided as offsets by major sources in excess of the applicable federally required offset ratio and all ERCs provided as offsets by minor sources not subject to federal offset requirements are also deposited in South Coast AQMD’s federal offset accounts. A more detailed description of federal credit accounting is provided in Rule 1315(c)(3)(A) and its staff report dated January 7, 2011.

DETERMINATION OF EQUIVALENCY WITH FEDERAL OFFSET REQUIREMENTS

Figure 1 illustrates South Coast AQMD’s federal offset account balances for calendar years 1990 and after.¹¹ The calendar year 2023 balances are based on preliminary determinations.

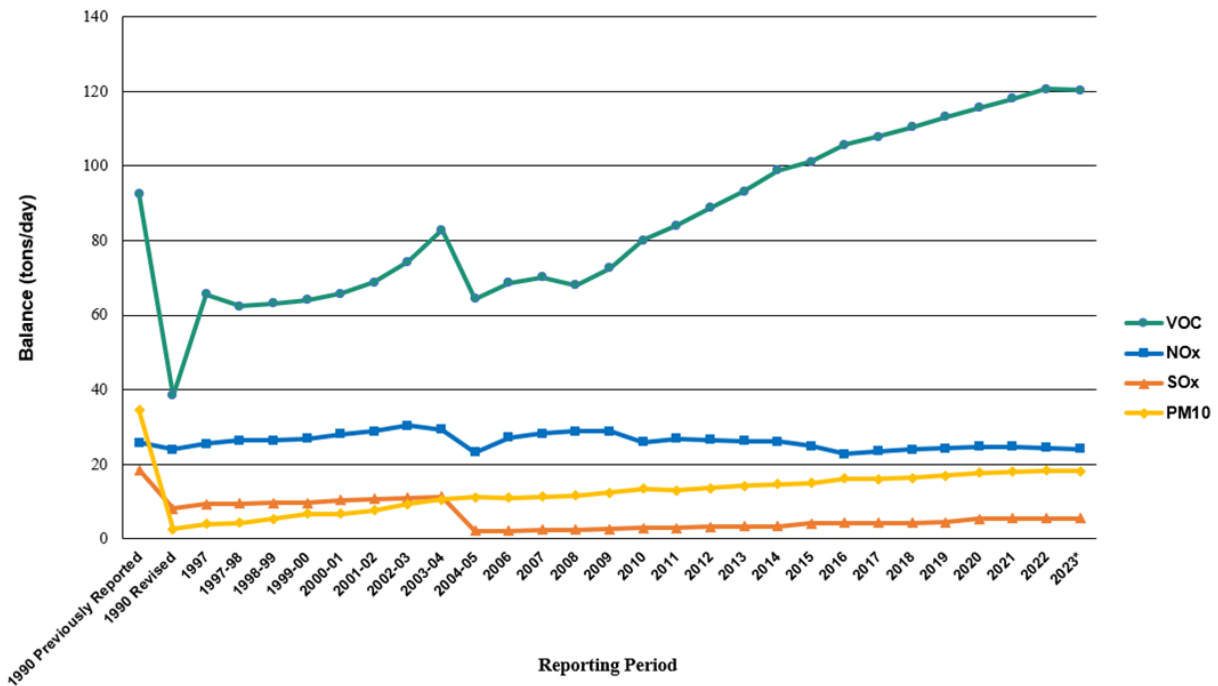
⁹ See Status Report on Regulation XIII – New Source Review dated April 2, 2004.

¹⁰ Refer to Rule 1309(b) for a complete explanation of eligibility requirements.

¹¹ The 1990 and 2005 drops in federal account balances are due to the initial removal of pre-1990 balance and the 2005 removal of the remaining pre-1990 balance.

Status Report on Regulation XIII – New Source Review

Figure 1. South Coast AQMD Federal Offset Account Balances from Calendar Year 1990-2023*



*Preliminary determination

The federal offset requirements PDE for calendar year 2023 and the projections for calendar years 2024 and 2025 are summarized in Tables 1 and 2, respectively. The detailed listing of actual final withdrawals, deposits and sum of withdrawals and deposits are shown in Tables A and B of Attachment B; the account balances shown in Tables A and B reflect the tracking sequence described under Rule 1315(c)(5).

CONCLUSIONS

The analysis presented in this report demonstrates the following:

- For calendar year 2023, South Coast AQMD’s NSR program provided equivalent offsets to those required by state and federal NSR requirements. The program is at least preliminarily equivalent to the state and federal requirements on an aggregate basis. This conclusion is based on the fact that the preliminary ending state and federal offset account balances for the calendar year reporting period, as shown in Tables 1 and 3, remained positive for all pollutants.
- South Coast AQMD’s projected federal offset account balances for 2024 and 2025 are projected to remain positive. This means that the sum of the estimated withdrawals from and deposits to South Coast AQMD’s offset accounts during 2024 and 2025 are projected to remain positive and, therefore, demonstrates that South Coast AQMD’s NSR program is equivalent to federal NSR requirements, as shown in Table 2.

ATTACHMENT B

Detailed Listings of Actual Debit and Sum of Debits and Credits

Table A
Total Actual Debits from South Coast AQMD's Federal Offset Accounts
(January 2023 through December 2023)

DISTRICT OFFSETS USED	VOC	NOx	SOx	PM10
Priority Reserve (lbs./day)	-98	-233	0	0
Community Bank (lbs./day)	0	0	0	0
Rule 1304 Exemptions (lbs./day)	-349	-134	0	-260
Sum Total of South Coast AQMD Offsets (lbs./day)	-447	-367	0	-260
1.2-to-1.0 Offset Ratio (lbs./day)	-89	-73	0	-52
Total Actual Debits to South Coast AQMD Account (lbs./day)	-536	-440	0	-312
Total Actual Debits to South Coast AQMD Account (tons/day)	-0.27	-0.22	0	-0.16

Table B
Sum of Preliminary Debits/Credits Activities in South Coast AQMD's
Federal Offset Accounts (January 2023 through December 2023) ¹

	VOC	NOx	SOx	PM10
Total Actual Debits (lbs./day)	-536	-440	0	-312
Total Actual Credits (lbs./day)	0	0	0	0
Sum of Actual Debits (-)/Credits (+) (lbs./day)	-536	-440	0	-312
Sum of Actual Debits (-)/Credits (+) (tons/day)	-0.27	-0.22	0	-0.16

¹ Debits are shown as negative and credits as positive, while their sum is shown as negative or positive, as appropriate. No credits are accounted for in the PDE analysis.

January 2025 Update on Work with U.S. EPA and California Air Resources Board 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. Key activities with U.S. EPA and CARB since the last report are summarized below.

- RECLAIM/NSR Working Group meeting is not planned for January
- The RECLAIM/NSR Working Group will be reconvened when there is information to report

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
General Counsel's Office
Settlement Penalty Report (12/01/2024 - 12/31/2024)**

Total Penalties

Civil Settlement: \$158,760.00
Hearing Board Settlement: \$1,000.00
MSPAP Settlement: \$180,079.00

Total Cash Settlements: \$339,839.00

Total SEP Value: \$0.00

Fiscal Year through 12/31/2024 Cash Total: \$4,358,281.65

Fiscal Year through 12/31/2024 SEP Value Only Total: \$0.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
CIVIL						
154194	ARCO (#00117)	461	12/17/2024	CM	P80902	\$2,218.00
800016	BAKER COMMODITIES INC	415, 2004, 3002	12/18/2024	DH	P63824, P65291, P65293, P67318, P67319, P67321, P72855, P72866, P72871, P72872	\$25,800.00
190051	BRIDGE POINT LONG BEACH LLC	2004	12/10/2024	EC	P73511, P74630	\$4,500.00
121304	BUR FUEL COMPANY LLC	463	12/20/2024	KCM	SRV2024-00088	\$58,000.00
197417	CJ LOGISTICS AMERICA	2305	12/18/2024	JL	O15030, O15033, O15092	\$21,000.00
165309	E & B NATURAL RESOURCES MANAGEMENT CORP	203, 463, 1173	12/19/2024	KER	P69273, P73254, P73264	\$1,452.00
159179	GRACE KOREAN CHURCH AT NORWALK	203	12/03/2024	MR	P78713, P78715	\$500.00
198522	KB HOME	403	12/11/2024	EC	P73241, P73242	\$3,300.00
178866	KLOECKNER METALS CORPORATION	2305	12/18/2024	ND	O15159	\$2,500.00
113329	ONE HUNDRED TOWERS LLC	1146	12/06/2024	RM	P76504	\$35,000.00
174703	TESORO LOGISTICS CARSON PROD TERMINAL	3002	12/12/2024	KCM	P75674	\$1,590.00
1073	WESTLAKE ROYAL ROOFING LLC	1155	12/19/2024	MR	P79203	\$2,900.00
Total Civil Settlements: \$158,760.00						

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
HEARING BOARD						
146536	WALNUT CREEK ENERGY LLC	203, 2004, 3002	12/18/2024	KCM	6230-6	\$1,000.00
Total Hearing Board Settlements: \$1,000.00						
MSPAP						
84057	AGGREKO INC	13 CCR 2460	12/13/2024	CL	P79344	\$1,813.00
177953	APRO LLC DBA UNITED OIL (#157)	201	12/06/2024	VB	P80610	\$2,012.00
177852	APRO LLC DBA UNITED OIL (#34)	461, H&S 41960.2	12/06/2024	VB	P80925	\$1,508.00
194378	ARCHULETA CONSTRUCTION	1403	12/06/2024	VB	P63482	\$2,500.00
172095	ARCO AM/PM	461	12/13/2024	CM	P80967	\$3,027.00
171539	B & F WORLD INDUSTRIAL	461, H&S 41960	12/06/2024	VB	P75744	\$1,531.00
180902	BMB OIL INC	461, H&S 41960.2	12/06/2024	CM	P80928	\$1,349.00
180702	CAL CRYSTAL INC	461, H&S 41960.2	12/06/2024	VB	P78670	\$5,269.00
3185	CEMEX CONSTRUCTION MATERIALS PACIFIC	203, 403	12/13/2024	CL	P75909	\$4,836.00
177101	CHANDLER AGGREGATES INC	203	12/13/2024	CM	P79340	\$5,751.00
205031	CHAVEZ AUTOWORKS	203	12/13/2024	SW	P79342	\$908.00
169591	CIRCLE K STORES INC (#2709418)	461	12/13/2024	CL	P73143, P80563	\$3,627.00
169534	CIRCLE K STORES INC (#2709435)	461	12/13/2024	VB	P80957	\$1,513.00
169574	CIRCLE K STORES INC (#2709438)	461	12/13/2024	VB	P79058	\$1,171.00
169550	CIRCLE K STORES INC (#2709444)	461	12/13/2024	CL	P76194	\$1,009.00
118064	CIRCLE K STORES INC (#489)	461	12/13/2024	CL	P77652	\$510.00
61103	CIRCLE K STORES INC	461	12/13/2024	VB	P80960	\$1,059.00
102149	CIRCLE K STORES INC	461	12/13/2024	CL	P73138, P80561	\$1,813.00
169296	CIRCLE K STORES INC	461	12/13/2024	SW	P79098	\$1,209.00
202204	DC1	2305	12/06/2024	CL	O15152	\$13,000.00
201308	DESIGN BUILD LABS	1403, 40 CFR 61.145	12/13/2024	CL	P79184, P79185, P79186	\$3,812.00
196850	DMB DEVELOPMENT LLC	403	12/20/2024	CL	P76459	\$5,045.00
189114	DTLA OIL	201, 203, 461, H&S 41960.2	12/13/2024	CM	P70239, P80905	\$5,547.00
176654	FULLERTON MARRIOTT AT CA STATE UNIVERSITY	203	12/06/2024	CL	P75615	\$1,170.00
176632	FULLERTON MARRIOTT AT CSUF SKY HARBOR	222	12/06/2024	CL	P75616	\$971.00
28830	G & M OIL (#1)	201	12/13/2024	VB	P79380	\$2,118.00
178707	GAREY 1 STOP	461	12/13/2024	CM	P69882	\$2,875.00
201818	HYBRID APPAREL	2305	12/06/2024	CM	O15137	\$13,000.00
199166	IRVINE DISTRIBUTION CENTER	2305	12/20/2024	VB	O15196	\$13,000.00
183780	JACKS AUTO BODY & PAINT	203, 1151	12/13/2024	CM	P80105	\$2,143.00
15814	LA COUNTY ROAD DEPT - RD 556	461	12/06/2024	CL	P67748	\$1,381.00

Fac ID	Company Name	Rule Number	Settled Date	Init	Notice Nbrs	Total Settlement
154333	LBA REALTY FUND III	203	12/13/2024	CL	P79711	\$2,018.00
204563	LENNAR	403	12/06/2024	CM	P79336	\$2,018.00
11443	LETNER ROOFING CO	203, 461	12/13/2024	CL	P80270	\$5,766.00
140955	LYNWOOD ARCO	203, 461	12/06/2024	CL	P74817	\$847.00
199909	MURRIETA HEALTH & REHABILITATION CENTER	201, 203	12/06/2024	CL	P75430	\$3,684.00
202121	ONTARIO LZB DC	2305	12/20/2024	VB	O15189	\$5,000.00
163406	P.W. STEPHENS ENVIRONMENTAL INC	1403, 40 CFR 61.150	12/06/2024	CM	P76136, P76137, P76138	\$3,627.00
163406	P.W. STEPHENS ENVIRONMENTAL INC	1403	12/06/2024	CM	P80315	\$3,264.00
167029	PALMER BOSTON STREET PROPERTIES III	203, 1470	12/06/2024	CL	P75994	\$5,340.00
142851	PALMER BOSTON STREET PROPERTIES	203, 1470	12/06/2024	CL	P75993	\$5,615.00
191495	PHILBIN CONSTRUCTION COMPANY	403	12/13/2024	VB	P78913	\$6,003.00
11435	PQ LLC	2004	12/13/2024	CL	P78707	\$22,702.00
137664	ROBERTSONS READY MIX MURRIETA PLANT (#27)	1157	12/06/2024	CL	P75887	\$3,177.00
155053	THE CHADWICK	1401, 40 CFR 61.145	12/20/2024	CM	P78614	\$1,514.00
202895	VENTURI RESTORATION	1403, 40 CFR 61.145	12/06/2024	CM	P78628	\$3,027.00
Total MSPAP Settlements: \$180,079.00						

**SOUTH COAST AQMD'S RULES AND REGULATIONS INDEX
FOR DECEMBER 2024 PENALTY REPORT**

REGULATION II - PERMITS

- Rule 201 Permit to Construct
- Rule 203 Permit to Operate
- Rule 222 Filing Requirements for Specific Emission Sources Not Requiring a Written Permit Pursuant to Regulation II

REGULATION IV - PROHIBITIONS

- Rule 403 Fugitive Dust
- Rule 415 Odors from Rendering Facilities
- Rule 461 Gasoline Transfer and Dispensing
- Rule 463 Storage of Organic Liquids

REGULATION XI - SOURCE SPECIFIC STANDARDS

- Rule 1146 Emissions of Oxides of Nitrogen from Industrial, Institutional and Commercial Boilers, Steam Generators, and Process Heaters
- Rule 1151 Motor Vehicle and Mobile Equipment Non-Assembly Line Coating Operations
- Rule 1155 Particulate Matter Control Devices
- Rule 1157 PM10 Emission Reductions from Aggregate and Related Operations
- Rule 1173 Fugitive Emissions of Volatile Organic Compounds

REGULATION XIV - TOXICS

- Rule 1401 New Source Review of Toxic Air Contaminants
- Rule 1403 Asbestos Emissions from Demolition/Renovation Activities
- Rule 1470 Requirements for Stationary Diesel-Fueled Internal Combustion and Other Compression Ignition Engines

REGULATION XX - REGIONAL CLEAN AIR INCENTIVES MARKET (RECLAIM)

- Rule 2004 Requirements

REGULATION XXIII - FACILITY BASED MOBILE SOURCE MEASURES

- Rule 2305 Warehouse Indirect Source Rule – Warehouse Actions and Investments to Reduce Emissions (Waiver) Program

**SOUTH COAST AQMD'S RULES AND REGULATIONS INDEX
FOR DECEMBER 2024 PENALTY REPORT**

REGULATION XXX - TITLE V PERMITS

Rule 3002 Requirements

CODE OF FEDERAL REGULATIONS

40 CFR 61.145 Standards for Demolition and Renovation

40 CFR 61.150 Standard for Waste Disposal for Manufacturing, Fabricating, Demolition, Renovation, and Spraying Operations

CALIFORNIA HEALTH AND SAFETY CODE

41960 Certification of Gasoline Vapor Recovery System

41960.2 Gasoline Vapor Recovery

CALIFORNIA CODE OF REGULATIONS

13 CCR 2460 Portable Equipment Testing Requirements