

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Final Environmental Assessment

Proposed New and Amended Rules, Regulation XX – Regional Clean Air Incentives Market (RECLAIM)
Proposed Rule 1631 – Pilot Credit Generation Program for Marine Vessels
Proposed Rule 1632 – Pilot Credit Generation Program for Hotelling Operations
Proposed Rule 1633 – Pilot Credit Generation Program for Truck/Trailer Refrigeration Units
Proposed Rule 2507 – Pilot Credit Generation Program for Agricultural Pumps.

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PREFACE

This document constitutes the Final Environmental Assessment (EA) for Proposed New and Amended Rules, Regulation XX, – Regional Clean Air Incentives Market (RECLAIM); Proposed Rule (PR) 1631 – Pilot Credit Generation Program for Marine Vessels; PR 1632 – Pilot Credit Generation Program for Hotelling Operations; PR 1633 – Pilot Credit Generation Program for Truck/Trailer Refrigeration Units; and PR 2507 – Pilot Credit Generation Program for Agricultural Pumps. Comments received during the 30-day review period for the Draft EA are included in Appendix H. No comments were received which change any of the conclusions reached in the Draft document.

To ease in identification, modifications to the document are included in underline, and text removed from the document is indicated by ~~strike through~~. None of the modifications alter any conclusions reached in the Draft EA, nor provide new information of substantial importance relative to the Draft document.

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CHAPTER 1 - EXECUTIVE SUMMARY

Introduction

Legislative Authority

California Environmental Quality Act

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Executive Summary

INTRODUCTION

The South Coast Air Quality Management District (SCAQMD) is proposing amendments to Regulation XX - Regional Clean Air Incentives Market (RECLAIM), and four voluntary mobile or area source oxides of nitrogen (NOx) credit generating rules. The proposed project seeks help ensure compliance with emission allocations contemplated during initial RECLAIM program design while reducing impacts of California's electricity crisis on the RECLAIM trading credit (RTC) market and facilitating assurance of reliable statewide electricity supply. The proposed project is intended to lower and stabilize RTC prices by increasing supply, reducing demand, and increasing trading information and accuracy, while protecting public health. The proposed project analyzed in this environmental assessment includes amendments to several existing Regulation XX rules, three new Regulation XX rules, and four new NOx credit generation rules.

An Initial Study, prepared pursuant to the California Environmental Quality Act (CEQA), identified "air quality", "energy", and "hazards" as environmental areas that may be adversely affected by the proposed project. Five comment letters were received on the Initial Study, one of which recommended analyzing public service impacts. Analyses of the issues raised in those letters, including public services, are included in Chapter 4 of this document. Specific responses to the comments are included in Appendix C.

This Draft Environmental Assessment (EA) comprehensively analyzes the potentially significant environmental impacts of the proposal, identifies mitigation measures where feasible and applicable, presents a range of project alternatives and their relative merits, and includes all other topics as required by CEQA. The analysis concludes that the proposed project may result in significant adverse air quality and hazard impacts. Three comment letters were received on the Draft EA. Responses to those comments are included in Appendix H.

LEGISLATIVE AUTHORITY

The California Legislature created the SCAQMD in 1977¹ as the agency responsible for developing and enforcing air pollution control rules and regulations in the South Coast Air Basin (Basin) and portions of the Salton Sea Air Basin and Mojave Desert Air Basin. By statute, the SCAQMD is required to adopt an air quality management plan (AQMP) demonstrating compliance with all federal and state ambient air quality standards for the district². Furthermore, the SCAQMD must adopt rules and regulations that carry out the AQMP³. The 1997 AQMP concluded that major reductions in emissions of volatile organic compounds (VOCs) and NOx are necessary to attain the air quality standards for ozone and particulate matter (PM10).

CALIFORNIA ENVIRONMENTAL QUALITY ACT

The proposed amendments to SCAQMD Regulation XX and proposed NOx credit generation rules are collectively a "project" as defined by CEQA (California Public Resources Code §§21000 et seq.). The SCAQMD is the Lead Agency for the project and has prepared the

¹ The Lewis-Presley Air Quality Management Act, 1976 Cal. Stats., ch 324 (codified at Health & Safety Code, §§40400-40540).

² Health & Safety Code, §40460 (a).

³ Health & Safety Code, §40440 (a).

appropriate environmental analysis pursuant to its certified regulatory program (SCAQMD Rule 110). California Public Resources Code §21080.5 allows public agencies with regulatory programs to prepare a plan or other written document in lieu of an environmental impact report once the Secretary of the Resources Agency has certified the regulatory program. The Secretary of the Resources Agency certified the SCAQMD's regulatory program on March 1, 1989.

CEQA requires that the potential adverse environmental impacts of proposed projects be evaluated and that methods to reduce or avoid identified significant adverse environmental impacts of these projects be implemented if feasible. The purpose of the CEQA process is to inform the SCAQMD's Governing Board, public agencies, and interested parties of potential adverse environmental impacts that could result from implementing the proposed project and to identify feasible mitigation measures when an impact is significant. Accordingly, this Draft EA comprehensively analyzes the potentially significant environmental impacts of the proposed project, identifies mitigation measures where feasible and applicable, presents a range of project alternatives and their relative merits, and includes all other topics as required by CEQA.

Notice of Preparation and Initial Study

The SCAQMD as Lead Agency for the project, prepared a Notice of Preparation and Initial Study (NOP/IS) which includes an Environmental Checklist. The Environmental Checklist provides a standard evaluation tool to identify a project's adverse environmental impacts. The Initial Study is also intended to provide information about the proposed project to other public agencies and interested parties prior to the release of the Draft EA.

The NOP/IS (included herein as Appendix B) were distributed to responsible agencies and interested parties for a 30-day review and comment period ending March 5, 2001. The NOP/IS identified potential adverse impacts for the following environmental topic areas: air quality, energy resources, and hazards. The SCAQMD received five comment letters during the public comment period for the NOP/IS. The SCAQMD's responses to comments submitted on the NOP/IS are presented in Appendix C of this Draft EA.

INTENDED USES OF THIS DOCUMENT

In general, a CEQA document is an informational document that informs a public agency's decision-makers and the public generally of potentially significant environmental effects of a project, identifies possible ways to avoid or minimize the significant effects, and describes reasonable alternatives to the project (CEQA Guidelines §15121). A public agency's decision-makers must consider the information in a CEQA document prior to making a decision on the project. Accordingly, this Draft EA is intended to: (a) provide the SCAQMD Governing Board and the public with information on the environmental effects of the proposed project; and, (b) be used as a tool by the SCAQMD Governing Board to facilitate decision making on the proposed project.

Additionally, CEQA Guidelines §15124(d)(1) require a public agency to identify the following specific types of intended uses:

1. A list of the agencies that are expected to use the EA in their decision-making;

2. A list of permits and other approvals required to implement the project; and
3. A list of related environmental review and consultation requirements required by federal, state, or local laws, regulations, or policies.

To the extent that local public agencies, such as cities, county planning commissions, etc., are responsible for making land use and planning decisions related to projects undertaken as a result of the proposed amendments to the RECLAIM program or the proposed NO_x credit generating rules, they could possibly rely on this EA during their decision-making process. Similarly, public agencies approving projects at facilities complying with the proposed amendments to the RECLAIM program or the proposed NO_x credit generating rules may rely on this EA.

EXECUTIVE SUMMARY

CEQA Guidelines §15123 requires an EIR to include a brief summary of the proposed actions and their consequences⁴. In addition, areas of controversy including issues raised by the public must also be included in the executive summary. This Draft EA consists of the following chapters: Chapter 1 – Legislative Authority and Executive Summary; Chapter 2 – Project Description; Chapter 3 – Existing Setting, Chapter 4 – Potential Environmental Impacts and Mitigation Measures; Chapter 5 – Project Alternatives; and various appendices. The following subsections briefly summarize the contents of each chapter.

Summary of Chapter 1 – Executive Summary

Chapter 1 includes a discussion of the legislative authority that allows the SCAQMD to amend and adopt air pollution control rules, identifies general CEQA requirements and the intended uses of this CEQA document, and summarizes the remaining four chapters that comprise this Draft EA.

Summary of Chapter 2 – Project Description

Chapter 2 includes the project location and a summary of the proposed amendments. For the complete textual language of proposed amended and new rules, the reader is referred to Appendix A of this Draft EA. Text proposed to be deleted from existing rules is shown in strikethrough, while text proposed to be added is shown in underline.

Summary of Chapter 3 - Existing Setting

Pursuant to the CEQA Guidelines §15125, Chapter 3 includes descriptions of those environmental areas that could be adversely affected as a result of the implementation of the proposed amendments as they exist at the time the NOP/IS were released for public review. Thus, the subsections of Chapter 3 describe the existing setting for air quality, electricity and natural gas resources, and hazards/hazardous materials.

The air quality subsection describes the existing RECLAIM market and measured levels of criteria pollutant concentrations throughout the district in 1999. The electricity subsection

⁴ Although the SCAQMD has an approved Certified Regulatory Program, it follows the CEQA recommended EIR structure when preparing its EAs.

presents an overview of California's electric system, its current constraints, and current and forecasted electricity consumption for the state. A similar subsection is included on natural gas. The subsection on hazards describes types of hazards, materials of concern, and the regulatory background for preventing and responding to upset conditions.

Summary of Chapter 4 – Potential Environmental Impacts and Mitigation Measures

The Initial Study identified and described those environmental topics where the proposed project could cause significant adverse environmental impacts (i.e., air quality, energy resources, and hazards). A comment received on the Initial Study identified public services as another environmental topic to analyze in the Draft EA. Analysis of these environmental topics revealed that potentially significant air quality impacts may result from construction activities and the proposed amendments to the administrative remedies for power-producing facilities that exceed their annual allocations. The relatively small increase in the use of natural gas and electricity associated with some of the NO_x credit rules is considered less than significant. It should also be noted that one of the objectives of the proposed project is to facilitate state and federal efforts to assure reliable statewide electricity supplies. Though site-specific analyses cannot be performed herein, it was concluded that the use of ammonia for NO_x control could result in significant adverse hazard impacts. Finally, the analysis of the proposed project's effect on public services revealed no significant adverse impacts.

CEQA requires EAs to address the potential for irreversible environmental changes and growth-inducing impacts. Analysis of the proposed project concluded that it would not result in irreversible environmental changes or the irretrievable commitment of resources, or include any provisions which substantially foster population growth or the construction of additional housing. CEQA also requires that EAs address the potential for inconsistencies with regional plans. Analysis of the proposed project concluded that it would not be inconsistent with various regional plans.

Summary of Chapter 5 – Project Alternatives

Chapter 5 provides a discussion of alternatives to the proposed project as required by CEQA Guidelines. The alternatives analyzed include measures for attaining the objectives of the proposed project and provide a means for evaluating the comparative merits of each alternative.

Table 1-1 provides a summary of the project alternatives analyzed in this Draft EA. The alternatives are identical to the proposed project except where noted. CEQA also requires the analysis of a "No Project Alternative". Table 1-2 compares the potential environmental impacts of the proposed alternatives relative to the proposed project.

Based upon the analysis in Chapter 5, the proposed project more effectively attains the project objectives, generating the fewest or less significant adverse environmental impacts.

**Table 1-1
Alternatives Description Summary**

PROPOSED PROJECT	ALTERNATIVE A	ALTERNATIVE B	ALTERNATIVE C	ALTERNATIVE D
Isolate all existing power plants \geq 50 MW; Limit trading	Isolate all existing power plants regardless of size ; No change from proposed project	No power plant isolation ; No trading restriction	No change from proposed project No change from proposed project	No change from proposed project No change from proposed project
Require compliance plan for power plants \geq 50 MW and facilities \geq 50 tons/year	Require compliance plan for all RECLAIM facilities	Require compliance plan for power plants \geq 50 MW only	No compliance plan except existing orders of abatement or settlement agreements	No change from proposed project
Mitigation fee for power plants - deduct excess emissions from RTC holdings - sunsets 2004	No change from proposed project	No change from proposed project	No deductions from future allocations	No change from proposed project
AQIP for specified facilities - AQIP funded prior to mitigation fee program - sunsets 2004	No change from proposed project	Any facility without access to mitigation fee program can access AQIP	No pre-funding of AQIP	No change from proposed project
NOx credit generating rules: PR 1631, PR 1632, PR 1633, and PR 2507	No change from proposed project	Extend the application date for MSERC projects by one year	No change from proposed project	No change from proposed project
One-time 2001 NOx allocation increase	Not allowed	Not allowed	Not allowed	Refineries only, up to 600 pounds

- Notes: 1) Table 1-1 references only key components of proposed project
2) Alternatives identical to proposed project except where noted
3) CEQA requires analysis of the "No Project" Alternative

**Table 1-2
Comparison of Alternatives**

Topic	Proposed Project	No Project Alternative	Alternative A	Alternative B	Alternative C	Alternative D
Air Quality						
Construction	Significant	Not significant	Significant > proposed project	Significant > proposed project	Significant < proposed project	Significant, equivalent to proposed project
Operational Emission Shortfall	Yes, Not Significant	Yes; > proposed project	Yes; < proposed project	Yes; < proposed project	Yes; > proposed project	Yes, equivalent to proposed project
Operational Delay in Reaching Program Endpoint	Yes, Significant	Yes, > the proposed project	Yes < the proposed project	Yes, equivalent to proposed project	Yes, > the proposed project	Yes, > the proposed project
Operational Localized	Not significant	Not significant < proposed project	Not significant	Not significant, > proposed project	Not significant, > proposed project	Not significant, equivalent to proposed project
Energy Impact	Not significant	Not significant < proposed project	Not significant equivalent to proposed project	Not significant > proposed project	Not significant equivalent to proposed project	Not significant equivalent to proposed project
Hazard Impacts	Significant	Not significant ¹	Significant > proposed project	Significant > proposed project	Significant < proposed project	Significant, equivalent to proposed project
Public Service Impacts	Not Significant	Not significant > proposed project	Not significant < proposed project	Not significant < proposed project	Not significant < proposed project	Not significant < proposed project

¹ In the context of the proposed project, hazard impacts of the No Project Alternative are considered to be insignificant. However, as part of the original 1993 CEQA analysis for the NOx RECLAIM Program, hazard impacts were concluded to be significant.
> equals greater than and < equals less than.