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BEFORE THE GOVERNING BOARD OF THE
SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT

IN THE MATTER OF:
ADOPTING COMMITMENTS TO
ENHANCE SIP CREDITABILITY OF
INCENTIVE-BASED EMISSION
REDUCTIONS

) RESOLUTION NO. 07-04-11b
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)

WHEREAS, the San Joaquin Valley Unified Air Pollution Control District (District) is a duly constituted unified district, as provided in California Health and Safety Code (CH&SC) Sections 40150 to 40161; and

WHEREAS, the District has conducted an active and effective regulatory program that has successfully reduced Valleywide air pollution by more than 50 percent since 1990; and

WHEREAS, said emission reduction programs have effectively improved air quality in the San Joaquin Valley Air Basin (SJVAB) for particulate matter less than 10 microns in diameter (PM10) and for 1-hr ozone; and

WHEREAS, the District's *2007 Ozone Plan* identifies substantial new emission reductions that are needed to attain the more stringent ambient air quality standards for 8-hr ozone [and also for particulate matter less than 2.5 microns in diameter (PM2.5)] implemented by the United States Environmental Protection Agency (EPA); and

WHEREAS, the District's *2007 Ozone Plan* shows that regulatory programs alone will not provide the emission reductions needed to meet federal Clean Air Act requirements for the federal 8-hr ozone and PM2.5 standards; and

WHEREAS, to meet these more stringent requirements, the District will need emission reductions from sources outside of its regulatory authority and from sources that may lack the financial wherewithal to implement technology with reduced air pollutant emissions; and

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1 **WHEREAS**, incentive programs allow the District to achieve emission reductions
2 from these types of sources; and

3 **WHEREAS**, the District's past experience demonstrates that substantial
4 reductions in actual emissions can be cost-effectively achieved through incentive-
5 based programs; and

6 **WHEREAS**, current EPA guidance requires that all incentive-based reductions be
7 surplus to those obtained from regulations, quantifiable, enforceable, and permanent
8 for the life of the project; and

9 **WHEREAS**, the District's *2007 Ozone Plan* identifies the potential for substantial
10 future emission reductions from incentive-based programs using funds from known
11 funding sources such as the Carl Moyer Program, the Department of Motor Vehicles
12 registration surcharge fees, the Indirect Source Review fees, and development
13 agreements, as well as from future state and federal funding sources not yet
14 identified; and

15 **WHEREAS**, the use of new and varied funding sources for incentive-based
16 emission reductions may require modifications to the District's incentive program
17 implementation to ensure that EPA can give credit to the reductions as meeting SIP
18 commitments for emission reductions; and

19 **WHEREAS**, continued success and reliance on incentive-based programs in
20 current and future plans (e.g., the 2008 PM2.5 Plan) require formal EPA recognition
21 that the resulting reductions are creditable towards emission reduction commitments
22 in SIPs; and

23 **WHEREAS**, an appropriate public comment period on the *Commitments to*
24 *Enhance SIP Creditability of Incentive-Based Emission Reductions* was held; and

25 **WHEREAS**, a public hearing for the adoption of the *Commitments* was duly
26 noticed and held on "adoption date";

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1 **NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

2 1. The District will take all actions necessary to ensure that reductions from
3 District-operated incentive programs meet EPA criteria (surplus, quantifiable,
4 enforceable and permanent for life of project) and requirements for SIP creditability for
5 all incentive-based emission reductions used by the District to meet federal Clean Air
6 Act requirements. The specific commitments that the District will meet for incentive-
7 based reductions used to meet federal Clean Air Act requirements are as follows.

8 2. The District will implement incentive projects through legally enforceable
9 contracts between the District and the grantee. These contracts will describe the
10 actions that the grantee must take to achieve the emission reductions calculated for
11 the project. The District will seek enforcement of the terms of the contracts against
12 non-compliant sources to obtain the agreed-upon reductions or will submit additional
13 SIP-creditable reductions where the grantee's compliance is impractical.

14 3. The District will ensure that all emission reductions calculated for incentive
15 projects will be done using established protocols or using protocols developed in a
16 transparent public process. In particular, the District will

17 a. Use the Carl Moyer Program Guidelines to calculate creditable
18 emission reductions for use in SIPs for incentive projects funded by the
19 Carl Moyer Program Incentive Funds; and

20 b. At its discretion, use the Carl Moyer Program Guidelines to
21 calculate creditable emission reductions for incentive projects funded by
22 other than Carl Moyer Program Incentive Funds; and

23 c. Use non-Carl Moyer protocols for other funding sources, provided
24 such protocols are developed in an open public process that includes
25 issuance of a draft protocol, holding at least one workshop on the draft
26 protocol, revising the protocol as needed based on public comment, and
27 adopting the protocol at a duly-noticed public hearing of the District
28 Governing Board. The District will address any EPA objections to board-

1 adopted protocols provided that EPA submits written objections to the
2 District Air Pollution Control Officer within 30 days of receipt of the
3 board-adopted protocol or another mutually agreed upon timeline. In
4 objecting to board-adopted protocols, EPA must describe the basis for
5 the objection and offer possible remedies. The District will update any
6 board-adopted protocols on a regular basis to take into account new SIP
7 provisions, new emission standards and new emission factors in order to
8 ensure surplus reductions and to improve the accuracy of the quantified
9 reductions.

10 4. The District will continue to conduct onsite inspections and other monitoring of
11 incentive projects to enforce the incentive-based reductions. All incentive projects
12 described in (1) above will be field-inspected at least once every five years or at least
13 once during the project lifetime for projects with a lifetime of less than five years. In
14 addition, for any incentive project that did not submit its required annual report, the
15 District will field inspect said project within six months of the final due date of the
16 annual report.

17 5. The District will prepare and provide annual reports to EPA by March 31st of
18 each calendar year for the preceding calendar year after at least one public hearing
19 allowing for public review and input. At a minimum, the annual reports will describe
20 the amount of incentive-based funds spent, verify the amount of actual emission
21 reductions versus predicted emission reductions, discuss any quantification or surplus
22 issues that have arisen during the reporting period and how they were resolved,
23 summarize any key issues from field inspections and audits, and include or reference
24 publicly available electronic information or records for each grant issued.

25 6. If an annual report indicates a shortfall of emission reductions, the District will
26 revise any air quality plan(s) dependent on those reductions to meet requirements and
27 will submit an amended plan within 12 months of the date of hearing of the annual
28 report with changes necessary to assure compliance with all applicable federal Clean

1 Air Act requirements. These changes may include additional regulatory measures or
2 enhanced funding to generate the necessary reductions in the timeline necessary to
3 meet the applicable federal Clean Air Act requirements. The District will separately
4 track and report on any incentive-based reductions tied to transportation conformity
5 emissions budgets, and will work with local agencies to remedy specific shortfalls to
6 the emissions budgets if needed.

7 7. The District will use information from annual reports and field inspections to
8 track actual emissions reductions from incentive-based programs on a real-time basis,
9 and will provide quality-assured data on incentive-based emission reductions to the
10 public on a continuous basis via website posting. These data will also be summarized
11 in the annual reports. The District will develop and implement a new data collection
12 and management system for the real-time tracking and evaluation of emission
13 reductions from incentive-based programs.

14 8. The District Governing Board commits to provide adequate resources for
15 tracking and compliance of emissions reductions from incentives to ensure that
16 grantees fulfill contract requirements and that actual emissions reductions are
17 achieved and sustained.

18 9. The District Governing Board hereby finds, based on the evidence and
19 information presented at the hearing upon which its decision is based, that all notices
20 required to be given by law have been duly given, and that the District Governing
21 Board has allowed public testimony.

22 10. Adoption of these commitments is necessary to identify emission reductions for
23 meeting federal requirements for the PM2.5 and 8-hr ozone standards and to
24 therefore promote the health and welfare of the residents of the SJVAB.

25 11. The Executive Director/Air Pollution Control Officer is hereby directed to
26 forward a copy of this Resolution and Staff Report to the California Air Resources
27 Board (ARB).

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1 12. The District Governing Board requests that the ARB Executive Officer transmit
2 the Resolution and Staff Report, as adopted by the District Governing Board, to the
3 EPA.

4 13. District staff is hereby authorized to adjust operation of the District incentive
5 program, including the update of Board-adopted protocols, as warranted by new
6 information on emissions, and to make any minor typographical and technical changes
7 in the Resolution and Staff Report that are necessary to correct minor errors, clarify
8 wording, or to satisfy ARB and EPA technical requirements.

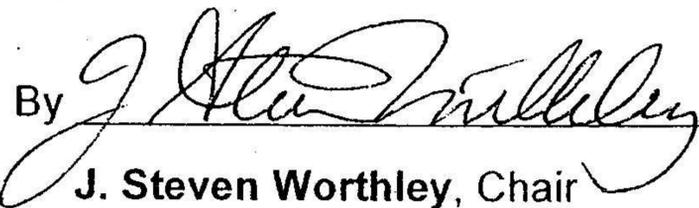
9 **THE FOREGOING** was passed and adopted by the following vote of the
10 Governing Board of the San Joaquin Valley Unified Air Pollution Control District this
11 "adoption date", to wit:

12 **AYES:** BARBA, CASE, DOMINICI, MCQUISTON, NELSON
13 O'BRIEN, VIERRA, ORNELLAS, WORTHLEY

14 **NOES:** BRAR, PEREA

15
16 **ABSENT:** NONE

17
18 SAN JOAQUIN VALLEY UNIFIED
19 AIR POLLUTION CONTROL DISTRICT

20
21 By 
22 **J. Steven Worthley, Chair**

23 Governing Board

24
25 ATTEST:

26 Clerk to the Governing Board

27 By 

28 Toni Taber