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PETE WILSON, Governor

STATE OF CALIFORNIA

AIR RESOURCES BOARD2020 L STREET
P.O. BOX 2015
SACRAMENTO, CA 95812

November 3, 1995

Mr. David L. Crow
Executive Director
San Joaquin Valley Unified
Air Pollution Control District
1999 Tuolumne Street, Suite 200
Fresno, California 93721

Dear Mr. Crow:

Please find enclosed a copy of the joint Air Resources Board/
United States Environmental Protection Agency (U.S. EPA)/San Joaquin
Valley Unified Air Pollution Control District (District) findings
regarding the evaluation of emission reduction credits issued by the
District. I understand these findings have been reviewed by the
District and the U.S. EPA, Region IX, and represent a consensus of all
three agencies.

If you have any questions, please contact Mr. Peter D. Venturini,
Chief, Stationary Source Division, at (916) 445-0650.

Sincerely,


James D. Boyd
Executive Officer

Enclosure

cc: Mr. Dave Howekamp
U.S. Environmental Protection Agency
Region IX

Mr. Peter D. Venturini, Chief
Stationary Source Division

**EVALUATION OF EMISSION REDUCTION CREDITS ISSUED BY
THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT**
Joint Review Conducted by the
Air Resources Board, United States Environmental Protection Agency,
and San Joaquin Valley Unified Air Pollution Control District

In July 1994, a joint effort was initiated by the Air Resources Board (ARB), United States Environmental Protection Agency (U.S. EPA), and San Joaquin Valley Unified Air Pollution Control District (District) to review and evaluate individual emission reduction credits (ERCs) issued by the District. Specifically, individual ERCs issued by the District were evaluated for compliance with existing District rules and policies. The agreed-upon scope of this evaluation was limited to reviewing individual ERCs to identify those that may have been issued inconsistently with prior county air pollution control districts and District rules and policies. A review of the underlying District rules and policies was not conducted because such analysis was beyond the agreed-upon scope of this evaluation.

This evaluation arose out of expressed concerns by the ARB and U.S. EPA regarding the issuance of ERCs by the District. Additional concerns arose out of discussions between the agencies and industry representatives regarding U.S. EPA's policy on the adjustment of ERCs for Reasonable Available Control Technology (RACT). From these discussions it was agreed that the ARB, U.S. EPA, and District would evaluate ERCs that had been issued. The evaluation would focus on whether or not ERCs issued were consistent with rules and policies. It was further agreed that if any problems were found with individual ERCs, they would be resolved.

As a result of this joint evaluation, it was found that, overall, the District had issued ERCs in conformance with its rules and policies. Problems were found with only two ERCs, which the District is resolving with the ERC holders.

BACKGROUND

- o A total of 228 ERCs had been noticed in the District as of June 1, 1994. These projects represent a total of 9,774 tons per year (27 tons per day) of volatile organic compounds (VOC) and 7,706 tons per year (21 tons per day) of oxides of nitrogen (NOx).
- o During the course of this evaluation, a total of 110 ERCs (65 Southern Region, 17 Central Region, 28 Northern Region) were reviewed. These 110 ERCs represented approximately 66% of the total VOC and 97% of the total NOx reductions banked in the District.
- o Each individual ERC was reviewed for compliance with District rules and formal policies.
- o Upon completion of the review, the ARB, U.S. EPA, and District staff met to discuss findings. Consensus was reached on the findings as follows:

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FINDINGS

- o Overall, it was found that the District had issued ERCs in conformance with its rules and policies.
- o Overall, the banking program developed and implemented by the District has improved the quality and consistency of ERC evaluations performed.
- o Prior to and during the early transition period of the District, engineering evaluations varied in completeness and quality. However, significant improvements in this area have been made by the District.
- o Differences were found between the three regions in the tracking and updating of information. During the course of the review, District staff were in the process of developing a computerized tracking system to be used by all three regions. The ARB and U.S. EPA believe that implementation of a district-wide tracking system is critical to the credibility of the District's banking system. The District has indicated development and implementation of this automated system has been completed. The District has also provided all permitting staff with a complete policy manual and has instituted a mechanism to update these manuals.
- o Of the 110 ERCs reviewed, two were found to be issued inconsistent with District rules and formal policies. The concerns identified included a failure to show proposed emission reductions were surplus and using permitted instead of actual emissions to determine bankable reductions. These two ERCs represent a total of approximately two percent of the total quantity of VOC reductions banked in the District.
- o The District will contact the two affected ERC holders to discuss errors made in the issuance of those credits, and will reissue those credits based on a new evaluation consistent with District rules and policies.

10/12/95