



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105-3901

RECEIVED

AUG 30 1999

San Joaquin Valley Unified
Air Pollution Control District



August 26, 1999

Mark Boese
Deputy Air Pollution Control Officer
San Joaquin Valley Unified
Air Pollution Control District
1990 E. Gettysburg Avenue
Fresno, California 93726-0244

Dear Mr. *Boese*:

I am pleased to send you two original copies of the EPA-District NSR Offset Tracking System Agreement. Please sign both originals, which I have already signed, and return one. We appreciate the District's efforts to develop this offset tracking system, and we intend to approve the District's NSR rule based on this offset tracking system.

If you have any questions about this agreement, please call me or have your staff contact Matt Haber, Chief of the Permits Office, at (415) 744-1254.

Sincerely,

David P. Howekamp
Director
Air Division

Enclosures

cc: Seyed Sadredin



NSR Offset Tracking System

This document establishes procedures for maintaining and updating an emission tracking system for the purpose of demonstrating the adequacy of San Joaquin Valley Unified Air Pollution Control District ("District") Rule 2201 (New and Modified Stationary Source Review). This paper documents agreements between the staff from Region IX of the United States Environmental Protection Agency ("EPA") and the District.

Scope:

The definitions, calculation methodologies, and other terms outlined in this document are only used in conjunction with preparation and maintenance of this tracking system. All calculations and determinations made as a part of the permit review process for determining compliance with District rules and regulation must conform with the provisions outlined in those rules and are not subject to the stipulations contained in this document.

Parameters:

The following parameters will be tracked by the District:

- 1) Emission Reduction Credits (ERCs) provided for each permitting action as required by District rules and regulations and appropriate District offset ratios.
- 2) Previously banked ERCs that are permanently retired from use within the District.
- 3) For each banking action, the District's 10% Air Quality Improvement Deduction.
- 4) Any reduction in actual emissions, resulting from a permitting action, that are not banked or used as offsets.
- 5) The increase in emissions from new major sources and Title I modifications that would be subject to offset requirements under federal NSR regulations. For Fully Offset sources, the increase in emissions and subsequently the quantity of offsets required will be based on Potential-to-Potential (PE-PE) calculations. All other sources shall be based on Actual-to-Potential (AE-PE) calculations. (Note: The calculations procedures used in determining federal NSR requirements will be subject to any changes adopted by EPA under federal "NSR Reform" regulations.)

Demonstration:

The following guidelines and principles will be adhered to in demonstrating the adequacy of District Rule 2201:

- 1) For each reporting period, District Rule 2201 will be judged to be adequate, if the quantity of creditable emission reductions provided under District Rule 2201 equal or exceed those that otherwise would be required under federal non-attainment NSR regulations.
- 2) For the purpose of this tracking system, creditable emission reductions are those that are surplus to any applicable federally enforceable requirements at the time of use.
- 3) For the purpose of this tracking system, creditable emission reductions include any reduction in actual emissions that result from the application of Best Available Control Technology (BACT) to a source that would not trigger BACT under federal NSR regulations.
- 4) For the purpose of this tracking system, creditable emission reductions include the surplus portion of any ERCs that are retired from use within the District.
- 5) Creditable emission reductions that are in excess of those required to meet the federal NSR requirements can be carried forward indefinitely from one reporting period to another, provided that they remain surplus in the new reporting period.

Reporting:

- 1) The District shall provide annual reports to the EPA including the data listed in this agreement and an analysis of that data indicating the adequacy of District Rule 2201.
- 2) The annual report shall include analysis of the most recent reporting period.
 - a. For the first year, the reporting period shall consist of the tracking data for the first twelve, consecutive calendar months.
 - If that analysis does not show equivalency, the reporting period shall be expanded to include projects from the previous two years if necessary to show equivalence.
 - Should such additional analysis be required, it will be conducted as though the projects were evaluated under the proposed NSR rule requirements.
 - b. For the second year, the reporting period shall consist of the tracking data for the first twenty-four, consecutive calendar months and any surplus credits which have been carried forward.
 - If that analysis does not show equivalency, the reporting period shall be expanded to include projects from the year prior to this two year period.
 - Should such additional analysis be required, it will be conducted as though the projects were evaluated under the proposed NSR rule requirements.
 - c. For the third and subsequent years, the reporting period shall consist of the tracking data for the last three, consecutive years. This tracking data may include any surplus credits since the beginning of the tracking system which are beyond those needed to show equivalency and have been carried forward.
- 3) The tracking system shall be implemented no later than 90 calendar days after final approval of the rule by the EPA.

Corrective Action:

Should the tracking system reveal that the equivalent emission reductions are not achieved under District Rule 2201 during any reporting period, then the District staff shall initiate rule amendment procedures to correct and address rule deficiencies.

Mark Boese

Mark Boese, Deputy APCO
SJVUAPCD

Date: 8/30/99

David Howekamp

David Howekamp, Director
Air Division
U.S. EPA Region IX

Date: 8/26/99