

**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of **August 24, 2006**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene, Air Pollution Control Officer
Sacramento Metropolitan Air Quality Management District

Subject: 1. Amendments to Rule 201, GENERAL PERMIT REQUIREMENTS
2. New Rule 215, AGRICULTURAL PERMIT REQUIREMENTS AND NEW AGRICULTURAL PERMIT REVIEW.

Recommendations

1. Determine that the amendments to Rule 201 and new Rule 215 are exempt from the California Environmental Quality Act (CEQA);
 2. Approve the attached resolution adopting the amendments to Rule 201; and
 3. Approve the attached resolution adopting new Rule 215.
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Executive Summary

In 2003, state law was changed, in part to comply with the federal Clean Air Act, to require air districts to remove their exemptions from permitting requirements for certain agricultural operations. The amendments to Rule 201 and proposed new Rule 215 are being proposed to comply with this state law. These changes, if approved, will avoid potential federal sanctions that would withhold federal transportation funding for noncompliance with the federal Clean Air Act.

Proposed amendments to Rule 201, GENERAL PERMIT REQUIREMENTS, will delete the exemption for large agricultural operations that emit more than 50 tons/year of ozone precursors (or specified levels of other pollutants), referred to as major sources or major modifications. Sources that are subject to this rule will be permitted in the same manner as other under the federal Clean Air Act. At this time, we do not have any agricultural sources that will be subject to this rule. In addition, the amendments update references to test methods in the rule.

State law also requires permits for agricultural facilities and confined animal facilities, as defined by the California Air Resources Board (CARB), that emit more than 25 tons per year of ozone precursors. In addition, it authorizes permits for smaller agricultural sources and confined animal facilities, as defined by CARB, if the District makes certain findings. In an effort to streamline that permitting process, particularly for operations not subject to the federal Clean Air Act, staff proposes a separate rule, Rule 215, AGRICULTURAL PERMIT REQUIREMENTS AND NEW AGRICULTURAL PERMIT REVIEW, which will require permits for:

1. Agricultural sources that emit more than 25 tons/year of ozone precursors (or specified levels of other pollutants),
2. Large confined animal feeding operations that involve more than 1,000 milking cows or 100,000 turkeys (or other specified animal head count thresholds); and
3. Agricultural sources seeking a low fuel usage exemption under District Rule 411

governing boilers and large water heaters.
We currently have one large emission source and three confined animal feeding operations that will be subject to Rule 215.

Proposed Rule 215 will require that operators use the best available control technology when they install or modify equipment that emits more than ten pounds per day of ozone precursors (or specified levels of other pollutants) and there is a quarterly increase in emissions. The rule will also require that regulated operators provide emission reduction credits if the District has adopted a specific emission reduction crediting rule for the emission source and that rule has been approved by the Environmental Protection Agency. Sources will be required to pay permit fees established by Rule 310, considered separately on today's agenda.

Attachments

The table below identifies the attachments to this memo.

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Board Resolution – Rule 215	B	10
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Background

In the past, state law exempted agricultural operations from air quality permit requirements. Because this exemption conflicted with federal law California faced sanctions and stood to lose billions of dollars in federal transportation funding. In addition, in some parts of the state – including the Sacramento Federal Ozone Nonattainment Area – agricultural activities contribute to air quality problems. Poor air quality harms public health – causing and/or exacerbating asthma, respiratory illness, heart and lung disease, and early mortality. In September 2003, California Senate Bill 700 (SB 700) was signed into law, amending the Health and Safety Code, in particular Section 42301.16, to include regulatory requirements for agriculture.

In the District, the majority of agricultural stationary sources are farming operations that grow crops. The primary emissions from this type of operation are from the use of diesel-fired engines driving irrigation pumps. There are also some small dairies, chicken and turkey farms in the area. Agricultural stationary sources may also operate equipment similar to traditional stationary sources – such as, gasoline, propane or natural gas-fired engines, gasoline or diesel storage tanks, boilers, and painting and degreasing operations. The emissions from all of these types of agricultural operations contribute to the overall emissions created by an agricultural stationary source.

Summary of SB700 Permitting Requirements

Health and Safety Code Section 42301.16 establishes permitting requirements for individual agricultural stationary sources and, in addition, Section 40724.6 establishes permitting requirements specific to large confined animal facilities. Pursuant to Section 42301.16(b) the District is required to issue permits to agricultural stationary sources with actual emissions equal to or exceeding one-half of any applicable emissions threshold for a major stationary source. This threshold would be 25 tons per year for ozone precursors. Staff has identified one potential source whose actual emissions may exceed the trigger levels. The three large confined animal facilities have actual emissions less than 25 tons per year. In addition, pursuant to Section 42301.16(c), the District may require permits for agricultural sources with actual emissions less than one-half of any applicable emissions thresholds if specified findings are made.

Under the 1-hour ozone standard, the District was classified as a severe nonattainment area with a 25 ton per year threshold for NOx and ROG for major stationary sources. Under the 8-hour standard, the District is classified as a serious nonattainment area with 50 tons per year threshold for NOx and ROG for major stationary sources (a 25 ton per year threshold for permitting.) Both of these thresholds were in effect from June 15, 2004 until the 1-hour ozone standard was revoked on June 15, 2005. Proposed Rule 215 is a new rule that is being adopted when only the 8-hour classification is in place and it uses an emissions threshold for a major stationary source of 50 tons per year for ozone precursors. The proposed rule also includes language that would automatically change the permitting threshold if the nonattainment area was to choose to bump up in classification as part of the future 8-hour ozone attainment plan.

Under Health and Safety Code Section 42301.16(c) before requiring permits for boilers and large confined animal facilities that emit less than 25 tons per year of ozone precursors, the District must make the following findings:

- 1) The source is not subject to a permit requirement pursuant to Section 40724.6.
Boilers: Section 40724.6 applies specifically to large confined animal facilities. Boilers would not be subject to the requirements under Section 40724.6, but the three large confined animal facilities would be.
Large Confined Animal Facilities: Section 40724.6 authorizes a permit only if findings 2 and 3 below are made.
- 2) A permit is necessary to impose or enforce reductions of emission of air pollutants that the district show cause or contribute to a violation of a state or federal ambient air quality standard.
Boilers: NOx is a precursor to ozone and the district is nonattainment for ozone. Boilers, including boilers at agricultural sources, have been identified as a category that contributes NOx to the District's inventory. The permit program is the most expedient method for enforcing fuel limits established in Rule 411. The permits also help keep sources apprised of regulatory requirements.
Large Confined Animal Facilities: Large confined animal facilities emit VOC which is a precursor to ozone. The District is nonattainment with the

ozone standard. The permit program establishes a mechanism for enforcing the mitigation plan requirements of Rule 496, notifies the operator of the regulatory requirements, and gives the public the opportunity to give input into the permit requirements for these sources.

- 3) The requirement for a source or category of sources to obtain a permit would not impose a burden on those sources that is significantly more burdensome than permits required for other similar sources of air pollution.
Boilers and Large Confined Animal Facilities: The permit requirements are consistent with the requirements for other permitted sources.

Impact on Businesses

The amendments to Rule 201 will only affect large agricultural operations that emit more than 50 tons/year of ozone precursors (or specified levels of other pollutants), referred to as major sources. At this time, we do not have any agricultural sources that will be subject to this rule.

Proposed Rule 215 will only affect agricultural stationary sources with actual emissions that are greater than 25 tons/year of ROC and NO_x or 50 tons/year of SO_x, PM₁₀ or CO. It will also affect agricultural stationary sources that are subject to new Rule 496, LARGE CONFINED ANIMAL FACILITIES and boilers and process heaters that are subject to Rule 411, NO_x FROM BOILERS, PROCESS HEATERS AND STEAM GENERATORS and are applying for a low fuel usage exemption pursuant to that rule. The actual impact to agricultural businesses is unknown and will depend on the number of agricultural stationary sources with actual emissions over the trigger level that will modify their operations in the future. It is estimated that there could be approximately 4 sources affected: 1 source with estimated actual emissions greater than the rule applicability limits and 3 Large Confined Animal Facilities.

The only cost impact from the proposed rule on existing sources will be from the imposition of permit fees. For information on this cost impact see the Staff Report for Rule 310, PERMIT FEES – AGRICULTURAL SOURCE. Expansion of large existing sources and construction of large new sources will require application of BACT and may require offsets.

Applications for permits for existing agricultural sources will be due within six months of adoption of the rule (February 24, 2007.)

District Impacts

The proposed rule is estimated to result in 0.09 Full time Equivalent (FTE) for the initial agricultural permitting and 0.04 FTE for the ongoing inspection time. The costs of administering the agricultural permitting program will be partially recovered through proposed Rule 310, PERMIT FEES – AGRICULTURAL SOURCE. The remaining costs will be covered by state grants or other funding sources.

Emission Impacts

There are no quantifiable emission benefits from either Rule 201 or 215, because they do not establish new emission control requirements. However, the rules will provide the frame-work for the District to enforce regulations that achieve emission reductions, like Rule 496, LARGE CONFINED ANIMAL FACILITIES. The proposed rule requires sources to use the best available emission controls (BACT) and provide mitigating reduction credits when installing new equipment that can reduce emission increases and help maintain the District's progress towards attainment.

Environmental Review and Compliance

The proposed amendments to Rule 201 and adoption of Rule 215 are categorically exempt from CEQA review as an action by a regulatory agency for the protection of the environment (Section 15308 of the state CEQA Guidelines). The exceptions to categorical exemptions for sensitive locations, cumulative impact, significant effect, scenic resources, toxic sites and historical resources do not apply to the proposed amendments to Rule 201 and proposed adoption of Rule 215.

Public Comments & Outreach

Below is a summary of the public outreach undertaken by Staff to ensure that affected businesses are aware of the proposed amendments to Rule 210 and new Rule 215.

- Staff conducted a public workshop on July 6, 2006, which was held in a location more accessible for the agricultural community (Wilton) and in the evening to promote increased attendance. Staff published the notice of public workshop in the Sacramento Bee, and sent the notice to all identified confined animal facilities and other agricultural facilities.
- Staff visited each affected source to tour the facility and talk one-on-one with the owner/operator about the requirements of the rule and to take input on the proposal.
- A meeting was held before the public workshop with Supervisor Don Nottoli, Agricultural Commissioner Frank Carl, Charlotte Mitchell of the Sacramento County Farm Bureau, and Cynthia Cory of the California Farm Bureau to go over requirements of the rule and answer any questions.
- A notice for the public hearing was published in the Sacramento Bee on July 24, 2006. The notice was also mailed to attendees of the public workshop, all affected sources, other agricultural facilities, and persons who have requested rulemaking notices.

Staff received comments at the workshop. These comments, together with the Staff responses, are presented in Attachment C of the Staff Report (page 60 of this Board Package).

Board Memo
Rule 210, General Permit Requirements, and
Rule 215, Agricultural Permit Requirements and New Agricultural Permit Review
August 24, 2006, Page 6

Conclusion

The proposed amendments to Rule 201 and adoption of new Rule 215 will satisfy the requirements of state law (Health and Safety Code Section 42301.16) and federal law (40 CFR Part 51). Staff recommends that the Board approve the categorical exemption for these rules and approve the attached resolutions adopting amendments to Rule 201 and new Rule 215 as proposed.

Respectfully Submitted

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Sacramento Metropolitan
Air Quality Management District

Approved as to form:

Kathrine Pittard, District Counsel
Sacramento Metropolitan
Air Quality Management District

Attachments

Attachment A

Board Resolution

Rule 201

Attachment B

Board Resolution

Rule 215

Attachment C

Draft Rule 201

Attachment D

Draft Rule 215

Attachment E
Staff Report
Rules 201 and 215

Attachment F
Evidence of Public Notice