

**SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT**

For Agenda of **March 25, 2004**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Norm Covell
Air Pollution Control Officer

Subject: Request by the California Office of State Publishing for Emission Reduction Credits from the Community Bank

Recommendation Approve the attached resolution transferring 4,105 pounds per quarter of reactive organic compound (ROC) credits to the California Office of State Publishing from the Community Bank.

Executive Summary Rule 205, Community Bank and Priority Reserve Bank, requires that requests for emission reduction credits (ERCs) from the Community Bank Account be brought before the Board unless the amount is 900 pounds per quarter or less and the term of the loan is 5 years or less. Staff has received a request from the California Office of State Publishing for 4,105 lb/quarter of ROC emission reduction credits for a 3-year term. This request requires Board approval. The credit loan will be used to satisfy emission offset requirements pursuant to Rule 202, New Source Review.

Background The California Office of State Publishing (OSP) has requested an Authority to Construct (A/C No. 17519) for an existing Heidelberg Harris eight-color, heatset web printing press. A previous loan of emission reduction credits from the Community Bank was issued for this press in April 1999, and that loan, together with the associated Permit to Operate, will expire in April 2004.

Potential ROC emissions of 4,105 pounds per quarter are fully offset pursuant to Rule 202, New Source Review. OSP has requested a 3-year loan of ROC credits from the Community Bank to provide offsets to replace the expiring loan. A new loan of 4,105 lb/quarter will be required using the offset ratio of 1 to 1 for this non-major source.

Community Bank Approval Process Rule 205, Section 310 states that the District Board of Directors must approve all loan applications to the Community Bank that are not exempted prior to disbursement. Staff will present the qualifying applications to the Board at the meeting just prior to the beginning of the quarter for which the loans are requested. The Board shall consider the extent to which cleaner innovative technologies have been used to minimize credit needs and may conditionally grant loans to protect the health of the bank or to promote cleaner, innovative technology. The Board may deny any application if it determines that the denial is in the best interest of the Sacramento Federal Ozone Nonattainment Area.

Use of Clean Technology

ROC emissions are controlled by venting the press emissions to a catalytic incinerator with a 95% destruction efficiency. Typically, these devices meet destruction efficiencies from 90% to 95%.

Rule 205, Section 310.5 allows the Board the authority to place conditions on loan approvals in order to protect the health of the bank or promote clean technology. The catalytic incinerator is a highly effective control for the press and staff recommends that no additional conditions be placed on this loan approval.

Loan Applications Under Consideration

In addition to the aforementioned request, which requires Board approval, there are two additional requests for credits from the Community Bank. These additional requests are for small, short-term loans that are exempt from the requirement of Board approval.

OSP has two other loans of ROC credits from the Community Bank that will expire in April 2004 and need to be replaced. OSP has requested one loan of ROC credits in the amount of 95 lb/quarter for a 2-year term, and another for 600 lb/quarter of ROC credits for a 3-year term, to replace the expiring loans. Both loans will provide offsets for existing printing presses. The Air Pollution Control Officer intends to approve these requests.

The total amount of ROC credits requested for all three loans is 4,800 pounds per quarter.

Health of the Bank

The current ROC balances in the three accounts are:

Account Balances (lb/quarter)			
Pollutant	Military Base	Essential Public Services	Community Bank
ROC	104,143.1	11,478.6	127,623.0

If all three requests for withdrawals are approved, there will be 122,823 lb/quarter of ROC left in the Community Bank Account and a total of 238,444.7 lb/quarter of ROC in all three accounts.

Priority Determination

Rule 205, Section 311, Community Bank Prioritization, states that if loan requests exceed the quarterly funding cap, all loan applications in the funding cycle shall be prioritized. The total amount of ROC credits requested for the three loans is 4,800 lb/quarter from the Community Bank, which does not exceed the funding cap.

Conclusion

Staff recommends that the Board approve a loan of 4,105 lb/quarter of ROC credits from the Community Bank to the California Office of State Publishing for a 3-year term with no special conditions. The loan fee is estimated to be \$20,400, plus an annual administrative fee.

Respectfully submitted,

Norm Covell
Air Pollution Control Officer

Attachment: Resolution

RESOLUTION NO. AQM _____
BOARD OF DIRECTORS
OF THE SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT

WHEREAS, the Board of Directors of the Sacramento Metropolitan Air Quality Management District adopted Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK; and

WHEREAS, pursuant to Rule 205, Section 202, the Community Bank Account is a depository of certified emission reduction credits which may be loaned for compliance with rules and regulations or for offset requirements of Rule 202, NEW SOURCE REVIEW; and

WHEREAS, there are no ROC emission reduction credits in the possession of the California Office of State Publishing at this time; and

WHEREAS, Rule 205, COMMUNITY BANK AND PRIORITY RESERVE BANK, Section 310 requires that loan applications to the Community Bank Account for amounts greater than 900 pounds per quarter or longer than 5 years must be approved by the District Board of Directors prior to disbursement.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Sacramento Metropolitan Air Quality Management District authorizes and directs the transfer of the following ROC emission reduction credits from the Community Bank Account to the California Office of State Publishing for use with Sacramento Metropolitan Air Quality Management District permit number 17519 for a term of three years:

Community Bank Account Transfer to California Office of State Publishing (Pounds per Calendar Quarter)					
Pollutant	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total lb/yr
ROC	4,105	4,105	4,105	4,105	16,420

BE IT ORDERED that the transfer be effective April 1, 2004.

RESOLUTION NO. AQM _____
BOARD OF DIRECTORS
OF THE SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT

ON A MOTION by Director _____, seconded by Director _____,
the foregoing resolution was passed and adopted by the Board of Directors of the
Sacramento Metropolitan Air Quality Management District, State of California, this 25th day of
March 2004, by the following vote, to wit:

AYES: Directors

NOES: Directors

ABSENT: Directors

Chairperson of the Board
Sacramento Metropolitan Air
Quality Management District
State of California

(SEAL)

ATTEST: _____
Clerk of the Board
Sacramento Metropolitan Air Quality Management District