

**SACRAMENTO METROPOLITAN
AIR QUALITY MANAGEMENT DISTRICT**

For Agenda of: March 25, 2004

To: Members, Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Norm Covell
Air Pollution Control Officer

Subject: SIP Update Status Report

Recommendation Authorize the Board Chair to sign a letter to the Director, Office of Transportation and Air Quality, U.S. Environmental Protection Agency (USEPA) endorsing the 8-hour Rate of Progress concept in the proposed amendments to the transportation conformity regulation.

Background The regional air districts have been working for the past 18 months to develop a new State Implementation Plan (SIP) that would allow an updated conformity finding to be made for the region. Staff has been periodically updating your Board on this effort at previous meetings. The region will be facing a potential conformity lapse as early as the fall of 2004, which would affect certain transportation projects in our region. One of the goals for the development of the SIP was to minimize the length of a lapse, with the other goal being to prevent a *bump-up* in the region's air quality designation to *extreme non-attainment*. A graphic titled Sacramento Region's Road to Attainment was provided to your Board in October 2003, and an updated version is being provided in Attachment 1.

Model results Preliminary projections of future ozone readings from photochemical models were provided in January 2004 by the Air Resources Board from one episode. This information and other air quality data suggest that emissions reduction targets are higher than the targets set in the 1994 SIP. Preliminary estimates are that an additional reduction of 29 tons per day (tpd) of Volatile Organic Compounds (VOC) and 37 tpd of nitrogen oxides (NOx) may be needed to reach attainment by November 2005. The technical review of these modeling results by the scientific community is not complete. However, to place this in context, this is comparable to the total emissions

reductions that were achieved since implementation of the 1994 Attainment Plan.

Options

Sufficient new control measures cannot be implemented in time to meet the emission reduction targets. Options still available to the region to minimize an impact of a conformity lapse, which are depicted on the updated roadmap to attainment graphic, include:

Rate of Progress - Focus on a newly proposed option called an 8-hour Rate-of-Progress (ROP) plan. The Clean Air Act requires a separate demonstration of a minimum rate of progress towards attainment before attainment plans are ready. Pursuit of this option became more viable in late 2003 when the ARB provided comments to USEPA on the proposed amendments to the pending federal transportation conformity regulation to address the 8-hour ozone and fine particulate matter (PM_{2.5}) standards. ARB requested that USEPA, in their final 8-hour conformity rules due in April 2004, allow regions to replace existing 1-hour conformity budgets with 8-hour ROP budgets even prior to the proposed revocation of existing 1-hour conformity budgets (and standards) in April 2005. Attachment 2 is a copy of the ARB letter for reference.

If the USEPA approves this process in their April 2004 conformity rules, the region could:

- Demonstrate the necessary ROP towards the 8-hour standard.
- Include additional measures toward the attainment of the 8-hour ozone standard.
- If accepted, gain a new conformity budget in the early 2005 timeframe, which would minimize any conformity lapse for the region.

The ROP must demonstrate that the region will achieve an 18% reduction in VOC from 2002-2008. NO_x reductions can be substituted for VOC reductions, and the expected ROP submission deadline is 2006.

Revocation - Wait to see if the 1-hour standard is revoked by EPA and replaced with the 8-hour standard. This option may result in a regional conformity lapse. EPA regulations that include a revocation of the 1-hour standard have been delayed several months, but EPA sources indicate that these regulations are due to be finalized in April 2004. If EPA revokes the standards and existing 1-hour conformity budgets, effective May 2005, no plan update would be required until the ROP plan is due in 2006 and the 8-hour attainment demonstration plan is due in 2007.

Failure to attain plan - If the 1-hour standard is not revoked, wait to see if the region fails to attain, and then submit a plan in early 2006. The plan must demonstrate attainment not later than 2010 without a bump-up to extreme status. This option would extend the time-line for any regional conformity lapse because a new conformity budget could not be provided until a new plan is adopted and the budgets found adequate by EPA.

Bump-up to extreme - Bumping up to the "extreme" designation would give the region until 2010 to meet the 1-hour standard. The model shows that the region will attain the 1-hour standard by that time. This option is contrary to one of the regional goals described above, and carries with it significant penalties to industry in the form of higher operating costs (increased fees, offset ratios, and lower emission "thresholds"), with little or no benefit in emissions reductions, even though the region's emission reduction shortfall is attributable to mobile sources.

Timing

Two of the options, revocation and rate of progress (ROP), will not be available to the region until EPA finalizes: (1) the 8-hour Ozone Implementation Rule, revoking the 1-hour standard; and (2) the Conformity rule, allowing ROP budgets to replace existing budgets. Therefore, staff recommends making the decision about the plan option until the EPA rules are finalized, which are expected to occur in April 2004 at the earliest.

The delay in EPA rulemaking that has already occurred may cause the final plan adoption to occur after October 2004. SACOG staff is working with transportation project proponents to avoid a conformity lapse in October 2004. A conformity lapse could then occur in July 2005, if the conformity budgets are not revoked by EPA rules. SACOG staff has reported that a conformity lapse of less than one year would not affect the region's ability to deliver transportation projects. Staff will continue to report to your Board, community members, and affected businesses regarding the status of EPA rulemaking and our progress in developing a SIP update and the potential implications from each of the options available to the region.

Financial report

The total regional estimate for contractor support in development of updated 1-hour SIP was \$1.6 million spread over three fiscal cycles. This effort has been funded by the air districts in the Sacramento region and SACOG. A spreadsheet showing how those funds are being expended is included in your package as Attachment 4. Since our last fiscal report, October 2003, staff has received the following SIP funding:

Placer County APCD - \$166,108
Yolo-Solano AQMD - \$125,824
SACOG - \$23,244

An MOU for the remaining Yolo/Solano contribution for this fiscal year (\$35,972) is currently being prepared.

A good percentage of the work accomplished on the 1-hour plan update can be applied to both the 8-hour ROP and ultimately, the 8-hour SIP. Therefore, endorsing a ROP option will not amount in increased costs.

Conclusion Staff recommends that the Board authorize the Chair to sign a letter to the Director, Office of Transportation and Air Quality, U.S. Environmental Protection Agency endorsing the 8-hour Rate of Progress concept in the proposed amendments to the transportation conformity regulation. Similar letters have been sent by Placer County Air Pollution Control District, Yolo-Solano Air Quality Management District, El Dorado Air Pollution Control District, and SACOG. A copy of this letter is included as Attachment 3.

Respectfully submitted;

Norm Covell
Air Pollution Control Officer

Attachments:

1. Road to Attainment chart
2. Air Resources Board letter dated December 22, 2003 to USEPA
3. Chair, Sacramento Metropolitan AQMD letter dated March 25, 2004 to USEPA
4. SIP Funding Matrix