

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

For Agenda of **January 26, 2006**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Air Pollution Control Officer

Subject: Request by DST Output for Emission Reduction Credits from the Community Bank for Interdistrict Use

Recommendation

Approve the attached resolution transferring 862 lb/quarter of reactive organic compounds (ROC) credits to DST Output 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 be brought before the Board when the term of the loan is greater than 5 years or the loan amount is greater than 900 lb/quarter. Staff has received a request from DST Output for a loan that will have a 15 year term. This request requires Board approval. The credit loan will be used to satisfy emission offset requirements pursuant to El Dorado County Air Quality Management District (EDCAQMD) Rule 523, New Source Review (NSR).

Background

DST Output has requested two loans for a total of 862 lbs/quarter of ROC emission reduction credits from the Community Bank for a term of 15 years. DST Output provides integrated print-and-electronic billing, customer care, and customer communications solutions to many of the country's largest financial services, communications, insurance, healthcare, and utilities companies. DST Output's West Operation Center is located in El Dorado Hills.

DST Output is installing high-speed continuous inkjet printers to support billing process services for its customers. DST is adding five new high-speed laser printers to their facility. DST will use a new print platform which is faster and wider, with a higher resolution, and uses aqueous-based ink heads rather than solvent-based.

DST Output exceeds the offset trigger level for ROC under El Dorado's Rule 523 for two of the laser printers, El Dorado A/C's 05-083 and 05-084 which were issued on December 5, 2005. The potential to emit from each of these printers, 205 pounds/quarter of ROC, is required to be offset. DST Output does not currently own any ROC credit certificates. The offset ratio that is being applied to this transfer, based on El Dorado's Rule 523, is 2.1:1. If the use of the Community Bank is approved, each printer will be required to surrender 431 pounds/quarter of ROC emission reduction credits.

Community Bank Approval Process

Rule 205, Section 310 states that the District Board of Directors must approve loan applications to the Community Bank prior to disbursement. If the Board does not take action prior to the quarter for which the loans are to be approved or disapproved, then the pending requests will be heard at the next scheduled Board meeting. Since the December Board hearing was cancelled, this loan request is going before the next scheduled meeting which is January 26, 2006 and the loan request, if approved, will be effective January 1, 2006.

In approving a loan request, the Board must 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

These two printing processes, at 2.2 pounds per day each, are less than the Best Available Control Technology (BACT) requirement of 10 pounds/day. Even though these printers do not trigger BACT, they utilize state-of-the-art inkjet technology and use low VOC inks and cleanup solvents, 0.06 pounds/gallon and 0.33 pounds/gallon respectively.

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. Staff recommends that the Board place an additional condition on the loan to ensure that DST Output continues to use low VOC inks and cleanup solvents that do not exceed 0.06 lbs/gallon and 0.33 pounds/gallon of VOC respectively.

Loan Applications Under Consideration

There are no other loan applications under consideration for this quarter.

Health of the Bank

The current ROC, NOx, and PM10 balances in the three accounts are:

Pollutant	Account Balances (pounds per year)			Total (tons per year)
	Military Base	Essential Public Services	Community Bank	
ROC	421,673.0	51,692.5	521,265.5	497.32
NOx	76,085.4	68,137.0	29,415.0	86.82
PM10	15,465.6	16,893.6	172.4	16.27

If the request for withdrawals is approved, there will be 517,817.5 lb/year of ROC left in the Community Bank Account and a total of 991,183 lb/year of ROC in all three accounts. The PM10 and NOx balances will remain.

Priority Determination

Rule 205, Section 311, Community Bank Loan Prioritization, states that if loan requests exceed the quarterly funding cap, all loan applications in the funding cycle shall be prioritized. The total amounts of credits requested for the two loans are 3,448 lbs/year of ROC from the Community Bank, which do not exceed the funding caps.

Interdistrict Approval

At the July 23, 1998 Board meeting, the Board delegated its authority granted under Health and Safety Code Section 40709.6 to the Air Pollution Control Officer allowing the Air Pollution Control Officer to review and approve interdistrict emission offsets when the request is less than the major source trigger levels, which this request is. If the Board approves the use of this loan by DST Output, then the Air Pollution Control Officer will review and approve the use of this emission reduction credit in accordance with the delegation.

Conclusion

Staff recommends that the Board approve a loan of 862 lb/quarter (3,448 lb/year) of ROC credits from the Community Bank to DST Output for a fifteen-year term with a condition that specifies that their VOC content for the inks and cleanup solvents shall not exceed 0.06 pounds/gallon and 0.33 pounds/gallon respectively. The loan fee is estimated to be \$14,171 plus an annual administrative fee.

Respectfully submitted,

Larry Greene
Air Pollution Control Officer
Sacramento Metropolitan
Air Quality Management District

Approved as to form:

Kathy Pittard
District Counsel
Sacramento Metropolitan
Air Quality Management District

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 101, the Community Bank is a depository of certified emission reduction credits which may be loaned for compliance with rules and regulations or for offset requirements of new source review; and

WHEREAS, there are no ROC emission reduction credits in the possession of DST Output at this time; and

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

WHEREAS, pursuant to Rule 205, Section 310, the Board of Directors of the Sacramento Metropolitan Air Quality Management District shall consider the extent to which cleaner innovative technologies have been used to minimize the credits needed; and

WHEREAS, pursuant to Rule 205, Section 310, the Board of Directors of the Sacramento Metropolitan Air Quality Management District may conditionally grant loans to protect the health of the bank or to promote cleaner, innovative technology; and

WHEREAS, DST Output is proposing to use low VOC inks and cleanup solvents with a VOC content of less than 0.06 pounds/gallon and 0.33 pounds/gallon respectively.

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 to DST Output for use with El Dorado County Air Quality Management District permit numbers 05-083 and 05-084 for a term of fifteen years:

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

ROC Community Bank Transfer to DST Output (Pounds per Calendar Quarter)					
Permit #	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total lb/yr
05-083	431	431	431	431	1,724
05-084	431	431	431	431	1,724

AND BE IT FURTHER RESOLVED THAT the loan of emission reductions to DST Output be conditioned that inks and cleanup solvents used on these printers shall not exceed 0.06 pounds VOC/gallon and 0.33 pounds VOC/gallon, respectively.

BE IT ORDERED that, pursuant to Rule 205, Section 310.4, the transfer be effective January 1, 2006.

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 26th day of January 2006, 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