

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

For the agenda of: May 24, 2007

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Air Pollution Control Officer

Subject: Report on Gasoline Dispensing Facility (GDF) Program Changes and
Temporary Permit Fee Waiver

Recommendations

Receive report on GDF (Gasoline Dispensing Facility) inspection program changes; and

Authorize temporary permit fee waiver incentive

Background

Since the adoption of vapor recovery requirements by the California Air Resources Board (ARB) in 1974, many changes have been made in the equipment and maintenance requirements of GDFs. The requirements are enacted through executive orders issued by the ARB and are designed to certify that a 95% efficiency is achieved in recovering vapors from the transfer of fuel.

The transfer of fuel is categorized into two main areas as follows:

- Phase 1 vapor recovery - which pertains to the transfer of gasoline from a tank truck to the facility storage tank; and
- Phase 2 vapor recovery - which relates to the transfer of gasoline from the facility storage tank into a vehicle

The certifications are specific to equipment and equipment systems and are issued after extensive field testing by the ARB. Historically, visual checks of the system components were the primary determination of compliance. GDFs with torn nozzle bellows, hoses, or leaks were deemed to be non-compliant and were “tagged” out-of-order until repaired. GDFs with equipment that appeared to be in order were assumed to be compliant.

Over the past several years, technological advances in the vapor recovery systems resulted in systems that have more sophisticated leak control systems. These systems are

referred to as Enhanced Vapor Recovery (EVR). We now have the ability to analyze a GDF's pressure controls and equipment integrity.

Necessary EVR upgrades to the latest standards in Phase 1 vapor recovery were completed in April 2005 at all facilities in the District. The upgrade to Phase 2 systems is ongoing. In general, all GDFs are required to upgrade their systems to the latest certifications by April 20, 2009. These GDFs may also be required to install a self monitoring analyzer commonly referred to as In Station Diagnostics (ISD) required for larger GDFs.

GDF inspections are now focused on an analysis of system integrity and source tests for leaks at the underground tanks, pumps, and dispenser fittings, as well as vapor processing units. As such, the inspection has necessarily shifted from the nozzle to the analyzer read-out and the observation of source tests.

Currently, of the 396 GDFs permitted at the district, 28 (7%) have already been equipped with the required Phase 2 EVR systems. These are primarily new installations that are initially constructed to the latest standards. 181 retail GDFs will convert to ISD by September 1 of 2009 and the remaining 99 GDFs by September 1 of 2010. The conversion to Phase 2 EVR is extensive and costly but is required by state law.

Compliance Inspections

For several years now the District has contracted with the Sacramento County Weights and Measures Division to conduct the visual inspections of nozzles and tank fittings at GDFs. This consolidation of effort was an efficient way to reduce cost since the Weights and Measures inspectors already inspect the equipment. Their ability to conduct the visual inspections also benefited the GDF operator in that it eliminated one inspector from the process.

As the focus of the inspections shifts from the nozzle to the system analyzer and source tests, the inspection advantages of the consolidation are significantly diminished. Inspections will require additional training and time. Consequently, the District and Weights and Measures believe that it is no longer cost effective for Weights and Measures to conduct the inspections. The optimal inspection efficiency would occur at the same time as the observation of the required third-party source test which could take as long as the entire day. Weights and Measures staff does not have the expertise or time to support the new GDF inspection parameters. District staff has such expertise and will recover the cost of source test observations and related inspections through current fee authority. Staff estimates the source test fees will, on average, be under \$200.00 per test.

Staff recommends that the APCO exercise his option to discontinue the Weights and Measures contract.

Permit Fee Waiver

The required upgrades to Phase 2 EVR will be extensive and potentially costly to GDFs. Recent experience with Phase 1 upgrades prior to an April 1, 2005 deadline demonstrated that the state-wide requirements were problematic for those GDFs waiting until the final few months to commence installation. Because so many GDFs waited until the last few months before the deadline, problems obtaining construction permits, as well as contractors to install the equipment, occurred.

In an effort to avoid a similar compliance problem with the construction related to Phase 2 EVR, staff is recommending, as an incentive to early construction, a program be developed that includes the waiver of the permit fees provided that the application for the conversion is received and deemed complete at least 1 year before the deadline and the required Phase 2 EVR upgrades are completed and the GDF operating six months prior to the deadline.

Fiscal Impact

The permit fee waiver program will be funded by Portable tier 0 compliance agreement revenues in excess of those allocated in the proposed FY 07/08 budget. The fee waivers will be issued on a first come, first served basis up to the level of funding available. Therefore there is no net fiscal impact to the budget.

Respectfully submitted,

Larry Greene
Air Pollution Control Officer