

**SACRAMENTO METROPOLITAN AIR QUALITY
MANAGEMENT DISTRICT**

For Agenda of **March 27, 2008**

To: Board of Directors
Sacramento Metropolitan Air Quality Management District

From: Larry Greene
Air Pollution Control Officer

Subject: Request by Aerojet for Emission Reduction Credits from the Community Bank

Recommendation

Approve the attached resolutions transferring a total of 280 pounds per quarter (lb/qtr) of reactive organic compounds (ROC) to Aerojet 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 approved by the Board when the term of the loan is greater than 5 years or the loan amount is greater than 900 pounds per quarter. Staff has received one loan request that meets this criterion.

Aerojet made a request for 280 lbs/quarter of ROC to renew their existing ERC loan (Loan Number C06-2-004) for an additional five years to offset emissions from an aerospace coating process. This is a second request for extension of this loan. The previous two loans totaled 7 years and this request extends the loan for an additional 5 years for a total life of 12 years.

Background

Aerojet currently has a permit (P/O 18840) for the coating and cleaning process of Atlas V solid rocket motors. This permit triggered ROC offsets originally in 2001 and Aerojet obtained a ROC loan from the Community Bank (Loan Number C01-1-001.) This loan was renewed in for two additional years. Aerojet has filed an Authority to Construct permit application (A/C No. 20652) to modify their Permit to Operate to extend the use of the ROC emission reduction credits for an additional five years. Aerojet does not currently own a ROC credit certificate. An offset ratio of 1.3:1 has been included in the 280 lbs/quarter request.

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. This request is for the March 27, 2008 Board hearing so that the emission credits are effective on April 1, 2008.

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 the Board determines that the denial is in the best interest of the Sacramento Federal Ozone Nonattainment Area.

Use of Clean Technology

ROC emissions from the paint spray booth are limited to a maximum emission of less than 10 pounds per day, which is less than the BACT requirement of 10 pounds per day. The solvent cleanup and mold release coatings used in this permit are below the Rule 456, Aerospace Assembly and Component Coating Operations emission limitations.

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 no additional conditions be placed on these loans.

Loan Applications Under Consideration

In addition to this Aerojet ROC request, there is one additional request submitted by G&K Services for 182 lbs/quarter (728 lbs/year) of NOx credits from the Community Bank for 5 years for use as alternative compliance with Rule 411, NOx from Boilers, Process Heaters, and Steam Generators. This additional request does not require Board approval.

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	53,590.5	552,105.8	513.7
NOx	76,085.5	101,588.4	23,009.9	100.3
PM10	9,465.7	16,813.6	940.3	13.6

If the request for withdrawal of ROC credits from the Community Bank is approved, since this is an extension of an existing loan, there will be 551,845.8 lbs/year of ROC left in the Community Bank account and a total of 1,027,109.3 lbs/year of ROC in all three accounts. Additionally, there will be 22,281.9 lbs/year of NOx left in the Community Bank Account and a total of 199,956.9 in all three accounts after the processing of the G&K Services loan request.

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 amount of ROC credits requested from the Community Bank for this loan is 1,120 lb/year of which does not exceed the funding cap.

Conclusion

Staff recommends that the Board approve the attached resolution transferring 280 lb/qtr (1,120 lb/year) of ROC credits from the Community Bank to Aerojet for a five-year term.

The loan fee for Aerojet is estimated to be \$2,604.56 plus an annual administrative fee for this loan.

Respectfully submitted,

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

Approved as to form:

Kathrine 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 Aerojet 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 may conditionally grant loans to protect the health of the bank; and

WHEREAS, pursuant to Rule 205, Section 310, the Board of Directors of the Sacramento Metropolitan Air Quality Management District considered the extent to which cleaner innovative technologies have been used to minimize the credits needed and imposes no additional conditions on this transfer.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Sacramento Metropolitan Air Quality Management District authorizes and directs the transfer the following ROC emission reduction credits from the Community Bank to Aerojet for use with Sacramento Metropolitan Air Quality Management District permit number 20652 for a term of five years:

Community Bank Transfer to Aerojet (Pounds per Calendar Quarter)					
Permit #	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total lb/yr
20384 – ROC	280	280	280	280	1,120

BE IT ORDERED that, pursuant to Rule 205, Section 310.4, the transfers be effective April 1, 2008.

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 27th day of March, 2008 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