RULE 205 COMMUNITY BANK AND PRIORITY RESERVE BANK
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100 **GENERAL**

101 **PURPOSE:** The Community Bank and the Priority Reserve Bank are established within the emission reduction Register pursuant to Rule 204, EMISSION REDUCTION CREDITS. The Priority Reserve Bank is established for the purpose of providing loans of emission reduction credits for use as offsets for new or modified stationary sources that are essential public services, or use or reuse of a military base. The Priority Reserve Bank also may be used for the purpose of providing loans of emission reduction credits to comply with rules specified in Section 102.4, a conformity determination pursuant to Rule 104, GENERAL CONFORMITY or mitigation under the California Environmental Quality Act (CEQA). The Community Bank is established for the purpose of providing loans of emission reduction credits to comply with specified prohibitory rules, New Source Review, a conformity determination pursuant to Rule 104, GENERAL CONFORMITY or for use as mitigation under either CEQA or a functionally equivalent program pursuant to Public Resources Code Section 21080.5.

102 **APPLICABLE REQUIREMENTS:**

102.1 Disbursement of emission reduction credit loans from the Essential Public Services Account shall be available, to the extent allowed pursuant to Section 305, to publicly owned or non-profit essential public services. Disbursement of emission reduction credit loans shall not be provided for on-site power generation or for emissions units not necessary to provide or maintain public health and safety.

102.2 Disbursement of emission reduction credit loans from the Essential Public Services Account for nitrogen oxide credits shall not be provided for those emissions resulting from a landfill gas control or processing system which are in excess of those emissions which would have resulted from a landfill gas control or processing system with a nitrogen oxide emission rate of 0.06 lb/mmBTU.

102.3 Disbursement of emission reduction credit loans from the Military Base Account shall be available, to the extent allowed pursuant to Section 305, for use or reuse at a military base.

102.4 Disbursement of emission reduction credit loans from the Community Bank or Priority Reserve Bank can be used for compliance with the following prohibitory rules:

a. Rule 411, NO_X FROM BOILERS, PROCESS HEATERS AND STEAM GENERATORS,
b. Rule 450, GRAPHIC ARTS OPERATIONS
c. Rule 451, SURFACE COATING OF MISCELLANEOUS METAL PARTS AND PRODUCTS,
d. Rule 452, CAN COATING,
e. Rule 454, DEGREASING OPERATIONS
f. Rule 456, AEROSPACE ASSEMBLY AND COMPONENT COATING OPERATIONS,
g. Rule 459, AUTOMOTIVE, MOBILE EQUIPMENT, AND ASSOCIATED PARTS AND COMPONENT COATING OPERATIONS,
h. Rule 460, ADHESIVES AND SEALANTS,
i. Rule 463, WOOD PRODUCTS COATINGS,
j. Rule 464, ORGANIC CHEMICAL MANUFACTURING OPERATIONS, Section 305 and Section 306, for wastewater liquid transfer,
k. Rule 465, POLYESTER RESIN OPERATIONS, or
l. Rule 466, SOLVENT CLEANING.

102.5 Disbursement of emission reduction credit loans from the Community Bank or Priority Reserve Bank shall not be used for the following:

a. Compliance with Best Available Control Technology requirements pursuant to Rule 202, NEW SOURCE REVIEW;
b. Compliance with National Emission Standards for Hazardous Air Pollutants for Source Categories as described in 40 CFR Part 63;
c. Compliance with National Emissions Standard for Hazardous Air Pollutants as described in 40 CFR Part 61;
d. Compliance with Standards of Performance for New Stationary Sources as described in 40 CFR Part 60;

e. Compliance with toxic air contaminant regulations as described in Health and Safety Code Section 39665 et seq.
f. To avoid penalties or enforcement actions by obtaining credits after the fact of noncompliance;
g. For netting out of NSR or PSD requirements pursuant to Rule 202, NEW SOURCE REVIEW and Rule 203, PREVENTION OF SIGNIFICANT DETERIORATION; or
h. To meet requirements for motor vehicle emissions standards, reformulated gasoline, clean fueled fleets, employer trip reduction programs, or vehicle inspection and maintenance programs as described in Title II of the Clean Air Act and Division 26, Part 5 of the Health and Safety Code.

102.6 Disbursement of emission reduction credit loans from the Community Bank shall not be used for essential public services, or use or reuse of a military base.

[Note: Rule 460 has not been yet approved by the United States Environmental Protection Agency into the State Implementation Plan (SIP). Approval of Rule 205 into the SIP does not constitute automatic SIP approval of Rule 460.]

103 **SEVERABILITY**: If a court of competent jurisdiction issues an order that any provision of this rule is invalid, it is the intent of the Board of Directors of the District that other provisions of this rule remain in full force and affect, to the extent allowed by law.

110 **EXEMPTION – SMALL, SHORT-TERM LOANS**: The requirements of Sections 310.1 through 310.5 shall not apply to loan requests less than or equal to 900 pounds per quarter per stationary source with a term equal to five years or less. These loans may be approved by the Air Pollution Control Officer.

200 **DEFINITIONS:** Unless otherwise defined below, the terms used in this rule are defined in Rule 202, NEW SOURCE REVIEW, and Rule 204, EMISSION REDUCTION CREDITS.

201 **ADJUSTMENT**: Adjustment for purposes of this rule includes the emission reductions resulting from the conversion of emission reductions to emission reduction credits, pursuant to Rule 204, EMISSION REDUCTION CREDITS.

202 **BORROWER:** Any person who has been granted a loan of emission reduction credits pursuant to this rule.

203 **COMMUNITY BANK:** A depository of certified emission reduction credits available to public and private entities for compliance with Rules and Regulations specified in Section 102.4, or offset requirements in Rule 202, NEW SOURCE REVIEW, for use for a conformity determination pursuant to Rule 104, GENERAL CONFORMITY or for use as mitigation under the California Environmental Quality Act or a functionally equivalent program through the loan of emission reduction credits.

204 **ENVIRONMENTAL CLEANUP OPERATION:** Operation to remove environmental contaminants from soil or groundwater which has been mandated by the Regional Water Quality Control Board, the Department of Toxic Substances Control, the U.S. Environmental Protection Agency or any other local, state or federal law, rule or regulation.

205 **ESSENTIAL PUBLIC SERVICES ACCOUNT:** A depository of certified emission reduction credits for loan to applicable essential public services for use as offsets pursuant to Rule 202, NEW SOURCE REVIEW, for use for a conformity determination pursuant to Rule 104, GENERAL CONFORMITY, for use as mitigation under the California Environmental Quality Act or a functionally equivalent program, or for use for compliance with rules specified in Section 102.4. Except as excluded in Section 102.1 and 102.2, the following sources shall be considered essential public services.

205.1 Sewage treatment operations which are publicly owned and operated consistent with the approved General Plan.
205.2 Prison, jail, correctional facility.

205.3 Police or fire fighting facility.
205.4 School or hospital.
205.5 Solid waste management systems, including landfill gas control or processing systems.
205.6 Water delivery operations.
205.7 Environmental cleanup operations.

206 **LOCAL REUSE AUTHORITY:** The local community entity established by state or local government as the entity responsible for creating the redevelopment plan for a military base and for directing implementation of the plan.

207 **MAJOR STATIONARY SOURCE:** See definition under Rule 202, NEW SOURCE REVIEW.

208 **MILITARY BASE:** Any United States military facility within the District including those closed or downsized pursuant to federal law.

209 **MILITARY BASE ACCOUNT:** A depository of certified emission reduction credits for loan to applicable sources for use as an offset pursuant to Rule 202, NEW SOURCE REVIEW, for use for a conformity determination pursuant to Rule 104, GENERAL CONFORMITY, for use as mitigation under the California Environmental Quality Act or a functionally equivalent program, or for use for compliance with rules specified in Section 102.4.

210 **POWER PLANT:** An electric power generation unit using natural gas or renewable fuels, including ancillary equipment, comprised of one or a combination of turbines, boilers, furnaces, engines or other fuel burning equipment, the simultaneous operation of which is required for the production of useful electric power for normal operations.

211 **PRIORITY RESERVE BANK:** A depository of certified emission reduction credits in the Essential Public Services Account and the Military Base Account for loan to applicable sources for use as offsets pursuant to Rule 202, NEW SOURCE REVIEW, for use for a conformity determination pursuant to Rule 104, GENERAL CONFORMITY, for use as mitigation under the California Environmental Quality Act or a functionally equivalent program, or for use for compliance with Rules and Regulations specified in Section 102.4.

212 **REUSE:** The creation and/or support of new and existing businesses, works, jobs, or revenue-generating activities at a military base.

213 **SMALL BUSINESS:** A business entity that is independently owned and operated, does not have more than the equivalent of ten full-time employees and does not have more than $2 million in annual gross receipts.

214 **STATIONARY SOURCE:** See definition under Rule 202, NEW SOURCE REVIEW.

215 **SURPLUS EMISSION REDUCTION CREDITS:** Emission reductions in excess of any emissions reductions which are:
215.1 required or encumbered by any laws, rules, regulations, agreements, or orders, and unless such law by its terms states that the emission reduction shall be considered surplus, or
215.2 attributed to a control measure noticed for workshop in the District, or proposed or contained in a State Implementation Plan, or
215.3 proposed or contained as mid-term measures in the District Air Quality Attainment Plan for attaining the annual reductions required by the California Clean Air Act.

300 STANDARDS

301 **CRITERIA:** The Community Bank and Priority Reserve Bank shall be supported by actual emission reductions which are certified pursuant to Rule 204, EMISSION REDUCTION CREDITS.

302 **ESSENTIAL PUBLIC SERVICES ACCOUNT:** Support for the Essential Public Services Account shall include, but not be limited to:

302.1 The adjustment of all emission reductions as provided in Rule 204, EMISSION REDUCTION CREDITS and Rule 206, MOBILE AND TRANSPORTATION SOURCE EMISSION REDUCTION CREDITS except for the adjustment of emission reductions from a military bases or from emission reductions realized pursuant to Section 318.

302.2 Shutdowns or modifications of stationary sources or emission units not claimed for emission reduction credits by the facility within the specified timeframes as provided in Rule 204, EMISSION REDUCTION CREDITS, except for shutdowns from a military base.

302.3 In addition, unused emission reduction credits from a previous calendar quarter may be transferred from the Military Base Account to the Essential Public Services Account if the Board of Directors of the District, with the recommendation of the Air Pollution Control Officer, determines there is a need by sources described in Section 205.

303 **MILITARY BASE ACCOUNT:** Support for the Military Base Account shall include, but not be limited to:

303.1 The adjustment of emission reductions from a military base as provided in Rule 204, EMISSION REDUCTION CREDITS and Rule 206, MOBILE AND TRANSPORTATION SOURCE EMISSION REDUCTION CREDITS.

303.2 Shutdowns of emission units not claimed for emission reduction credits by a military base within the specified timeframes as provided in Rule 204, EMISSION REDUCTION CREDITS, except for sixty percent of the reactive organic compound and nitrogen oxides emission reduction credits from the shutdown of B-52 Bomber aircraft flight operations at Mather Air Force Base.

303.3 In addition, unused emission reduction credits from a previous calendar quarter, may be transferred from the Essential Public Services Account to the Military Base Account if the Board of Directors of the District, with the recommendation of the Air Pollution Control Officer, determines there is a need for the purposes described in Section 212.

304 **COMMUNITY BANK:** Support for the Community Bank shall include, but not be limited to:

304.1 Initially, sixty percent of the reactive organic compound and nitrogen oxides emission reductions realized by the shutdown of B-52 Bomber aircraft flight operations at Mather Air Force Base.

304.2 Emission reduction credits realized through activities initiated by disbursement of bank proceeds to innovative emission reduction programs selected by the District Board of Directors pursuant to Section 318. These emission reductions shall be certified pursuant to Rule 204, EMISSION REDUCTION CREDITS.

305 **ALLOCATION**:

305.1 **PRIORITY RESERVE BANK:** Emission reduction credits shall be made available on the first Wednesday of each calendar quarter. The amount available for loan funding from the Priority Reserve Bank shall never exceed the emission reduction credits in the Essential Public Services Account and the Military Base Account.

305.2 **COMMUNITY BANK:** Credits shall be allocated as follows:

a. There will be an initial total of 300 tons per year of reactive organic compound and 45.6 tons per year of nitrogen oxides credit available for loan funding in the Community Bank upon adoption of this rule. The credit shall be allocated as follows:

1. Initially, a total of 150 tons per year of reactive organic compound and 45.6 tons per year of nitrogen oxides credits shall be available for withdrawal. The reactive organic compound credits shall be allocated on a quarterly basis as 37,500 pounds per quarter through September 1998. The nitrogen oxides credits shall be allocated on a quarterly basis as 11,400 pounds per quarter through September 1998. Allocated emissions reduction credits

shall be made available on the first Wednesday of each calendar quarter. The District Board of Directors, with the recommendation of the Air Pollution Control Officer, may adjust the quarterly allocation to not exceed 150 tons per year of reactive organic compounds and 45.6 tons per year of nitrogen oxides through September 1998.

2. Beginning October 1998 through September 2002, the additional 150 tons per year of reactive organic compound emissions shall be allocated on a quarterly basis as 18,750 pounds per quarter. Allocated emissions reduction credits shall be made available on the first Wednesday of each calendar quarter.

b. Emission reduction credits shall be made available on the first Wednesday of each calendar quarter.

306 **TRANSFER BETWEEN BANKS:** Unused emission reduction credits from a previous calendar quarter may be transferred between the Priority Reserve Bank and the Community Bank if the District Board of Directors, with the recommendation of the Air Pollution Control Officer, determines there is a need by sources requesting loans of emission credits from the Priority Reserve Bank or the Community Bank.

307 **DISBURSEMENT:** A loan of emission reduction credits from the Priority Reserve Bank or the Community Bank shall be granted with the issuance of a final action on an Authority to Construct or the issuance of a Permit to Operate subsequent to a Change of Ownership application, or upon the issuance of a preliminary determination of compliance, as described in the California Energy Commission's power plant provisions pursuant to Rule 201, GENERAL PERMIT REQUIREMENTS and/or Rule 202, NEW SOURCE REVIEW or Rule 107, ALTERNATIVE COMPLIANCE, or for use for a conformity determination pursuant to Rule 104, GENERAL CONFORMITY or, for use as a mitigation measure under CEQA, with the issuance of a final environmental document, and upon payment of a fee and the loan rate pursuant to Section 312 and 404.

307.1 The total amount of emission reduction credits from all loans from the Military Base Account and the Community Bank Account shall be limited to a maximum of 50 tons per year of nitrogen oxides and 110 tons per year of reactive organic compounds per stationary source, including active past loans to that source. No more than one quarter of the total annual limit may be loaned to the source in any quarter, or apportioned equally on a less frequent basis, if credits are required to be provided on a less frequent basis pursuant to Rule 202, NEW SOURCE REVIEW. No limit shall be placed on the amount of carbon monoxide, particulate matter, or sulfur oxides that can be loaned.

307.2 Legal Title to the emission reduction credits borrowed from the Priority Reserve Bank or the Community Bank remains with the District. A certificate of ownership will not be issued for emission reductions loaned from the Priority Reserve Bank or the Community Bank.

307.3 A borrower of emission reductions from the Priority Reserve Bank or the Community Bank will be issued an emission reduction credits Register account number and the borrowed emission reduction credits will be credited to that account.

307.4 Upon issuance of a final action on an Authority to Construct or the issuance of a Permit to Operate subsequent to a Change of Ownership application, the emission reduction credits in the borrower's account will be credited to the permit, except as provided in Sections 309 and 310.

307.5 The District will enter the permit number, the date, and the amount of emission reductions credited from the borrower's account on the Authority to Construct and/or Permit to Operate and in the borrower's account history.

307.6 Disbursement of emission reduction credits from source shutdowns and curtailments shall be in accordance with the most current United States Environmental Protection Agency Emissions Trading Policy.

307.7 The Authority to Construct or Permit to Operate shall include a condition stating that the borrowed emission reduction credits are valid only if the stationary source operates in a manner consistent with both the requirements of the rule and the facts

presented to the Board of Directors in considering requests as specified in Sections 309 and 310.

[Note: EPA has determined that, based on Section 403(f) of the Federal Clean Air Act, the emission reduction credits borrowed from the Priority Reserve Bank or the Community Bank do not constitute property rights.]

308 **ESSENTIAL PUBLIC SERVICES ACCOUNT PRIORITIZATION:** Priority shall be given to applications to the Essential Public Services Account with the earliest date an application for an Authority to Construct is deemed complete. The Board of Directors of the District may determine that a specific project shall be given priority for access to the Essential Public Services Account based on public health or safety, regardless of the application submittal date.

309 **MILITARY BASE ACCOUNT APPROVAL PROCESS:** A loan of emission reduction credits from the Military Base Account must be approved by the District Board of Directors. Only those loans associated with a final action as described in Section 307 will be eligible for loans from the Military Base Account. Only the local reuse authority for a closing military base within the District, or any other person proposing a reuse at a military base, or a federal government entity operating a military base within the District may apply for use of credits from the Military Base Account. Disbursement of the loans will be on the first Wednesday of the calendar quarter pursuant to the following:

309.1 Priority shall be given to applications to the Military Base Account as determined by the Board of Directors of the District, with the recommendation of the Air Pollution Control Officer. Staff will present all of the qualifying applications to the Board at the meeting just prior to the beginning of the quarter for which loans are requested.

309.2 The Board shall consider the extent to which cleaner innovative technologies have been used to minimize the credits needed, among other factors.

309.3 The Board may deny any application if it determines that the denial is in the best interest of the Sacramento Federal 1-hour Nonattainment Area.

309.4 If the Board does not take action on one or more of the requests presented by Staff prior to the quarter for which loans are to be approved or disapproved, then the pending requests will be heard at the next scheduled Board meeting. The loans will be effective on the first day of the calendar quarter that the Board action takes place.

309.5 The Board of Directors may conditionally grant loans to protect the health of the bank or to promote cleaner, innovative technology.

310 **COMMUNITY BANK ACCOUNT APPROVAL PROCESS:** Only those loan applications associated with a final action as described in Section 307 will be eligible for loans from the Community Bank Account. To qualify for disbursement, the final action document must be issued by the first Wednesday of the month prior to the quarter for which the loans are to be approved or disapproved. Disbursement of the loans will be on the first Wednesday of the calendar quarter pursuant to the following:

310.1 All loan applications to the Community Bank Account must be approved by the District Board of Directors prior to disbursement. Staff will present all of the qualifying applications to the Board at the meeting just prior to the beginning of the quarter for which loans are requested.

310.2 The Board shall consider the extent to which cleaner innovative technologies have been used to minimize the credits needed, among other factors.

310.3 The Board may deny any application if it determines that the denial is in the best interest of the Sacramento Federal 1-hour Ozone Nonattainment Area.

310.4 If the Board does not take action on one of more of the requests presented by Staff prior to the quarter for which loans are to be approved or disapproved, then the pending requests will be heard at the next scheduled Board meeting. The loans will be effective on the first day of the calendar quarter that the Board action takes place.

310.5 The Board of Directors may conditionally grant loans to protect the health of the bank or to promote cleaner, innovative technology.

311 **COMMUNITY BANK LOAN PRIORITIZATION:** Should the total of loan requests exceed the quarterly funding cap, all loan applications in the funding cycle shall be prioritized according to the prioritization scheme outlined below.

311.1 **FIRST PRIORITY LOAN RANK:** Applications for loans to meet requirements of prohibitory rules identified in section 102.1 shall be placed in the first priority ranking for funding. Applications within the first priority ranking shall be further prioritized as follows:

a. **SMALL BUSINESS:** Applications submitted by small business entities shall be funded first.

b. **SMALL LOANS:** Applications in the first priority ranking shall be further prioritized according to total emission credits requested, ranked from smaller amounts to larger amounts.

311.2 **SECOND PRIORITY LOAN RANK:** Applications for loans to meet offset requirements of Rule 202, NEW SOURCE REVIEW, shall be placed in the second priority ranking. Applications within the second priority ranking shall be further prioritized as follows:

a. **SMALL BUSINESS:** Applications submitted by small business entities shall be funded first.

b. **SMALL LOANS:** Applications in the second priority ranking shall be further prioritized according to total emission credits requested, ranked from smaller amounts to larger amounts.

311.3 **THIRD PRIORITY LOAN RANK:** Applications for loans to satisfy conformity pursuant to Rule 104, GENERAL CONFORMITY or CEQA mitigation requirements shall be placed in the third priority ranking. Applications in the third priority ranking shall be further prioritized according to total emission credits requested, ranked from smaller amounts to larger amounts.

312 **LOAN RATES**

312.1 **BASIC RATE:** The base loan rate shall be based on the size of the facility applying for loans. All sources applying for loans shall pay the determined base loan rate plus an administrative fee for processing the loan. The base rate for each type of source shall be established in March of each year and if there have been no representative offset transactions in a given year, then the rate shall be based on the most recent continuous two year period where there are representative offset transactions. Base loan rates are determined by the Board of Directors of the District with the recommendation of the Air Pollution Control Officer by selecting one of the following options:

a. **NON-MAJOR STATIONARY SOURCES:**

1. The base loan rate shall be the two-year weighted average market rate of credits sold for each pollutant within the Sacramento Federal Non-Attainment Area for Ozone, or
2. The base loan rate shall be the two-year weighted average market rate of credits sold for each pollutant within Sacramento County or used by a source located in Sacramento County, or
3. The base loan rate shall be equal to the highest priced credit transaction for each pollutant sold in the previous two years in the Sacramento Federal Non-Attainment Area for Ozone.

b. **MAJOR STATIONARY SOURCES:**

1. The base loan rate shall be the two-year weighted average market rate of credits sold for each pollutant within Sacramento County or used by a source located in Sacramento County, or
2. The base loan rate shall be equal to the highest priced credit transaction for each pollutant sold in the previous two years in the State of California, or
3. The base loan rate shall be equal to the total annual cost of credits from the California Air Resources Board emission reduction credit bank.

312.2 **BASIC RATE TERM:** The base rate term shall be for 30 years.

312.3 **SHORT TERM RATE:** Rates for loans with a term of 30 years or less shall be calculated as follows:

$$\frac{\text{Base Rate}}{30} \times \text{Loan Term}$$

313 **COMMUNITY BANK OR PRIORITY RESERVE BANK RENEWAL FEE:**

313.1 **ANNUAL RENEWAL FEE:** A borrower of emission reduction credits pursuant to this rule shall pay an annual renewal fee of $2,156.67 per active loan.

313.2 **CONSUMER PRICE INDEXING OF FEE:** The annual renewal fee specified in Section 313.1 may be adjusted on an annual basis. If the Air Pollution Control Officer anticipates the need for a change, the adjustment must initially be proposed as part of the annual budget process. The proposed rate change shall not be greater than the change in the annual California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code. The rate change must be noticed as part of the proposed and final budgets. If the Board of Directors approves a fee change with the final budget, the Air Pollution Control Officer may adjust the fee by up to the maximum rate approved by the Board.

314 **RESERVING ESSENTIAL PUBLIC SERVICES ACCOUNT CREDITS:** Sources may, if the Air Pollution Control Officer determines a need, reserve Essential Public Services Account credits for up to three years to allow multi-year projects to be planned. The sum of such credits shall amount to no more than 25 percent of each calendar quarter allocation for the Essential Public Services Account for those three years.

315 **TRANSFERS:** The loan of Priority Reserve Bank or the Community Bank credits shall not be transferable, whether by operation of law or otherwise, from one person to another, from one location to another, or from one emissions unit to another.

316 **RETURNS:** The emission reductions calculated pursuant to Section 403 of Rule 107, ALTERNATIVE COMPLIANCE or pursuant to Section 302 of Rule 202, NEW SOURCE REVIEW for the emissions units using emission reduction credits from the Community Bank or Priority Reserve Bank shall be returned to the Essential Public Services, Military Base Account or the Community Bank under any of the following conditions as long as at the time of return the original emission reduction credits can be determined to be surplus emission reduction credits:

316.1 Construction is not started within two years of date of granting of the loan.

316.2 Revocation or voluntary surrender of Authority to Construct or Permit to Operate.

316.3 Emission reduction credits are issued to the stationary source pursuant to Rule 204, EMISSION REDUCTION CREDITS.

317 **SUSPENSION:** Except as provided in Section 316, a loan of emission reduction credits shall exist for the life of the emissions unit using such credits or for the loan life, whichever is shorter.

317.1 If the total emission reduction credits available for loan for any specific pollutant from the Community Bank and Priority Reserve Bank reaches or falls below the following amounts then a suspension on all loans shall be imposed for the specific pollutant.

Pollutant	Total Amount of Emission Reduction Credit Available in Community Bank and Priority Reserve Bank Tons/year
Reactive organic compounds	41.0
Nitrogen oxides	40.0
Carbon monoxide	160.0

PM10	4.0
Sulfur oxides	2.0

As soon as possible but no later than 60 days from a suspension being imposed pursuant to Section 317.1, the Air Pollution Control Officer shall present the District Board of Directors with options on continuing or lifting the suspension. The Air Pollution Control Officer shall publish in at least one newspaper of general circulation in the District a notice of the date of the meeting of the District Board of Directors to consider what further action should be taken. The notice shall be published at least 30 days, when possible, but not less than 7 days prior to the meeting. The suspension shall remain in place until lifted or modified by the District Board of Directors.

317.2 Notwithstanding Section 317.1, if the District Board of Directors determines that additional emission reductions within the District are necessary, a suspension on loans may be imposed. Prior to the Board of Directors issuing a suspension, the Air Pollution Control Officer shall publish in at least one newspaper of general circulation in the District a notice of the date of the meeting of the District Board of Directors to consider such actions. The notice shall be published at least 30 days prior to the meeting. The suspension shall be lifted upon determination that additional emission reductions within the District are not necessary by the District Board of Directors.

317.3 Starting with the 1999 emission inventory and every three years after that the District shall prepare a summary of District control measures listed in the table in Section 317.5(a) included in the Sacramento Area Regional Ozone Attainment Plan.

317.4 The summary shall include the actual emission reductions realized for each control strategy and the total reactive organic compound emission reductions realized for the control measures. The summary shall be completed by July 1, 2000 and every three years thereafter.

317.5 A specific suspension shall be imposed on the loaning of the B-52 credits that went into initially funding the Community Bank, pursuant to Section 304.1, if the following condition occurs:

a. If the actual emission reductions realized is less than the total emission reductions in the following table:

ROG CONTROL MEASURE	SACRAMENTO OBLIGATION (TONS/DAY)		
	1999	2002	2005
Adhesives	0.7	0.8	0.9
Automotive Refinishing	1.3	1.6	2.0
Bakeries	-	-	-
Graphic Arts	-	-	-
Landfill Gas	1.0	1.0	1.0
SOCMI	1.5	1.6	1.7
Surface Prep and Cleanup	2.4	2.7	2.9
Wood Products	.3	.3	.3
Underground Storage Tanks	0.1	0.1	0.1
Fugitive Emissions	-	-	-
Aerospace Coatings	-	-	-
Can & Coil Coatings	-	-	-
Miscellaneous Metal Parts and Products Coatings	-	-	-
TCMs/Land Use	-	-	1
Plan Total	7.3	8.1	9.9

B-52's	0.6	0.8	0.8
Total	7.9	8.9	10.7

b. The suspension resulting from the condition in Section 317.5 will be lifted if and when the total emission reductions in the table Section 317.5(a) are shown to have occurred.

318 **COMMUNITY BANK REVENUE DISBURSEMENT:** Net proceeds from emission reduction credit loans from the Community Bank and Priority Reserve Bank shall only be used to fund innovative emission reduction programs. Emission reductions realized from programs so funded shall be deposited in the Community Bank.

318.1 **TARGET PROGRAMS:** By April of each year the District Board of Directors, with a recommendation from the Air Pollution Control Officer, based on the availability of proceeds from Community and Priority Reserve Bank revenues, shall identify preferred emission credit generating programs for funding.

318.2 **REQUEST FOR PROPOSALS:** By June of each year, based on the availability of proceeds from Community and Priority Reserve Bank revenues, Staff shall prepare and publish a request for proposal(s) (RFP) to solicit for the development or continuation of innovative emission reduction programs. If the available proceeds from Community and Priority Reserve Bank revenues is less than $50,000, then the proceeds may be made available for use in the following year RFP cycle.

318.3 **RANKING PROPOSALS:** The selection criteria shall include, but not be limited to, cost, emission reduction potential, technical feasibility, and confidence. At the close of each RFP solicitation, Staff will evaluate all proposals received and reject proposals not meeting the minimum selection criteria.

318.4 **SELECTION OF PROGRAMS FOR FUNDING:** By October of each year, the Air Pollution Control Officer will recommend to the Board of Directors, based on the selection criteria identified in Section 318.3 above, a ranking of emission reduction programs selected for funding. The Board of Directors shall accept or reject the list *in toto*.

318.5 **EMERGENCY SELECTION OF PROGRAMS FOR FUNDING:** Notwithstanding Sections 318.1, 318.2, 318.3 and 318.4, the District Board of Directors, with a recommendation from the Air Pollution Control Officer, may designate net proceeds from emission reduction credit loans to emission reduction programs that meet the actual emission reduction criteria of Rule 204, EMISSION REDUCTION CREDITS.

318.6 **INCENTIVE PROGRAM:** In the event Community and Priority Reserve Bank revenues available for program funding exceeds the recommended list of emission reduction programs accepted by the Board of Directors, the unused funding may be used to fund mobile source incentive programs identified in the latest State Implementation Plan or may be made available for use in the following year RFP cycle.

400 **ADMINISTRATIVE REQUIREMENTS**

401 **CALCULATION PROCEDURES:** Emission reduction credits deposited in the Priority Reserve Bank or the Community Bank shall be quantified pursuant to calculation procedures specified in Rule 204, EMISSION REDUCTION CREDITS.

402 **EMISSION REDUCTION CREDITS:** Any stationary source which holds emission reduction credits for the affected pollutant requested in an application for Authority to Construct must first use those credits prior to being allowed access to the Essential Public Services, Military Base Account or the Community Bank.

403 **NOTIFICATION OF COMMUNITY BANK OR PRIORITY RESERVE BANK RENEWAL FEE:** On the renewal date of the loan, the borrower will be notified by mail of the fee due and payable, pursuant to Section 313, and the date the fee is due. If the fee is not paid by the specified due date, the fee shall be increased by one half the amount and the borrower shall be notified by mail of the increased fee. If the increased fee is not paid within 30 days after notice, the loan will be canceled and the borrower will be notified by mail. A canceled loan

may be reinstated by payment of the applicable fee plus fee increases. The stationary source may be out of compliance if the emissions loan is canceled and the stationary source continues to operate under the conditions of the emissions loan.

404 **NOTIFICATION OF INITIAL LOAN RATE FEE:** On the date the emission reduction credits are proposed to be disbursed from the Community Bank and Priority Reserve Bank, the loan requestor will be notified by mail of the loan fee due and payable, pursuant to Section 312, and the date the fee is due. If the loan fee is not paid within 30 days of the notification, the loan fee shall be increased by twenty-five percent and the loan requestor shall be notified by mail of the increased fee. If the increased fee is not paid within 30 days after notice, the loan request will be canceled and the loan requestor will be notified by mail. After a loan request has been canceled, the applicant will not be able to request a loan until the following funding cycle.

405 **LOAN INITIATION DATE:** Upon payment of the initial loan rate fee, the loan shall be effective the first day of that calendar quarter.

500 MONITORING AND RECORDS

501 RECORDKEEPING

501.1 Each stationary source shall maintain a cumulative total of emission credits on loan from the Priority Reserve Bank or the Community Bank.

501.2 The District shall maintain records of the source and amount of emission reductions obtained for deposit in the Priority Reserve Bank or the Community Bank, loans of these credits to applicants, and disbursements of Community Bank proceeds.

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