

BOARD MEETING DATE: AUGUST 3, 2007

Staff is proposing to make the following modifications to the Rule language and Resolution of Proposed Amended Rule 1309.1 – Priority Reserve (Option 1 and Option 2) and Resolution of Proposed Re-adopted Rule 1315 – Federal New Source Review Tracking System. All changes to the July 13, 2007, Board Package are indicated as **bold/double underlined**.

RULE LANGUAGE OF PROPOSED AMENDED RULE 1309.1

(b)(4)(B)(i) and (b)(4)(B)(ii):

~~In case the September 8, 2006 version of this rule is determined to be invalid by a court of law, the July 13, 2007 version would be applicable;~~

(d)(14) The Executive Officer shall not authorize the release of any Priority Reserve credits for an In-District EGF, unless the EGF seeking Priority Reserve credits has obtained certification from CEC and entered into a long-term contract with the Southern California Edison Company, or the San Diego Gas and Electric Company, or the State of California to provide electricity in Southern California; and complied with all applicable provisions of this rule. However, a municipal-owned EGF need not enter into a long-term contract, provided such EGF is designed and constructed to not exceed its native demand load based upon future year projections to 2016 or earlier. A municipal-owned EGF obtaining Priority Reserve credits to exclusively serve its native load may not sell electricity to the state grid unless it is directed to do so under a direct order from Cal-ISO or under a state of emergency declared by the State of California or its agencies including Cal-ISO. Any EGF may petition the Governing Board at a public hearing to waive the requirement to enter into a long-term contract in order to access Priority Reserve credits. The Governing Board shall grant such a waiver if it finds that there is a need for additional power from non-renewable sources that is not being fulfilled by presently

available long-term contracts. Any such petition shall not delay any other EGF's access to Priority Reserve credits.

(d)(15) The Executive Officer shall annually prepare a report for the Governing Board on the status of the emission reduction projects funded by the mitigation fees from this rule.

(g)(1)(F) An In-District EGF located in the Salton Sea portion of the South Coast Air Quality Management District where a complete initial application for certification to the CEC or a complete application for a Permit to Construct was filed in calendar year 2005, 2006, or 2007 and which has entered into a binding power purchase agreement with Southern California Edison prior to (date of adoption):

<u>PM10</u>	<u>\$50,417</u>
<u>SOx</u>	<u>\$15,083</u>

RESOLUTION OF PROPOSED AMENDED RULE 1309.1

A Resolution of the Governing Board adopting the Statement of Findings, and Statement of Overriding Considerations, and Mitigation Monitoring Plan for proposed amended Rule 1309.1 – Priority Reserve.

WHEREAS, the Governing Board has determined that a need exists to amend Rule 1309.1 – Priority Reserve, to establish additional requirements and limitations for EGFs locating in communities in the AQMD that are disproportionately impacted by adverse air quality to have access to Priority Reserve credits and to replace or re-adopt provisions adopted September 8, 2006, to assure that a full CEQA analysis is provided for such provisions; and

~~**WHEREAS**, mitigation measures were identified and, thus a Mitigation Monitoring Program under Public Resources Code §21081.6 and CEQA Guidelines §15126.4 was required to be prepared; and~~

WHEREAS, it is necessary that the AQMD prepare a Statement of Findings and a Statement of Overriding Considerations pursuant to CEQA Guidelines §§15091 and 15093, respectively, regarding adverse environmental impacts that cannot be mitigated to insignificance; ~~and a Mitigation Monitoring Plan pursuant to Public Resources Code §21081.6, regarding the mitigation included in the Final PEA; and,~~

WHEREAS, the Governing Board voting on proposed amended Rule 1309.1 – Priority Reserve, has reviewed, and considered, and hereby approves the Final PEA, including responses to comments, the Statement of Findings, and the Statement of Overriding Considerations; ~~and the Mitigation Monitoring Plan; and~~

BE IT FURTHER RESOLVED, that the Governing Board does hereby adopt the Statement of Findings and Statement of Overriding Considerations pursuant to CEQA Guidelines §§15091 and 15093, respectively, ~~and a Mitigation Monitoring Plan pursuant to Public Resources Code §21081.6~~ regarding adverse environmental impacts that cannot be mitigated to

insignificance, and ~~CEQA Guidelines § 15126.4~~, as required by CEQA and which are included as Attachment 1 and incorporated herein by reference; and

BE IT FURTHER RESOLVED, that the Governing Board does hereby direct that the AQMD set aside \$1,000,000 from the mitigation fees collected from EGFs seeking access to the Priority Reserve to conduct a comprehensive energy resource planning analysis for the next 20 years and identify avenues to maximize renewable energy production in the Basin, and issue a Request for Proposal to implement the ~~first phase of the study~~included as Attachment 2; and

BE IT FURTHER RESOLVED, that the Governing Board does hereby direct that the balance of the mitigation fees less the authorized administration cost recovery, collected from EGFs seeking access to the Priority Reserve be invested, to the extent possible, on emission mitigation programs including renewable and alternative energy projects in and around the communities most impacted by the proposed project and direct staff to submit a ~~plan proposed~~ guiding principles to implement those expenditures for Governing Board consideration by September 2007; and

BE IT FURTHER RESOLVED, that the Governing Board does hereby direct that the AQMD staff calendar a report at a regularly scheduled Board Meeting immediately after credits have been issued to an EGF; and

BE IT FURTHER RESOLVED, that the Governing Board does hereby direct that the AQMD staff establish a working group to provide input and guidance for design of future energy demand and supply analyses, and potential for and barriers to renewable energy use and to provide input to staff on the development of future proposed amendments to Rule 1309.1; that the working group shall hold their first meeting in August 2007, and that the working group, if they are willing to serve, shall include:

Mr. Bahram Fazeli – Communities for a Better Environment

Mr. Bob Lawhn – Reliant Energy

Mr. David Ashuckian – California Energy Commission

Mr. Donal O’Callaghan – City of Vernon

Mr. Gary L. DeShazo – California Independent System Operator

Mr. Henry Martinez – Los Angeles Department of Water and Power

Ms Jane Williams – California Communities Against Toxics

Mr. Jesse N. Marquez – Coalition for a Safe Environment

Mr. John White – Center for Energy Efficiency and Renewable Technologies

Ms Julie Way – AES

Mr. Mark Turner – Competitive Power Ventures

Mr. Michael Beck – City of Riverside

Mr. Michael J. Carroll – Latham & Watkins

Mr. Nader Mansour – Southern California Edison

Mr. Stephen J. Sciortino – City of Anaheim

Mr. Tim Grabel – Natural Resources Defense Council

Mr. Tim Hemig – NRG Energy

Mr. Tom McCabe – Edison Mission Energy

Representative – California Public Utilities Commission;

Mike Scheible - CARB

and that additional members may be added, as appropriate, at the discretion of the AQMD Administrative Committee; and

RESOLUTION OF PROPOSED RE-ADOPTED RULE 1315

A Resolution of the Governing Board adopting the ~~Statement of Findings, and Statement of Overriding Considerations, and Mitigation Monitoring Plan~~ for proposed re-adopted Rule 1315 –Federal New Source Tracking System.

~~**WHEREAS,** mitigation measures were identified and, thus a Mitigation Monitoring Program under Public Resources Code §21081.6 and CEQA Guidelines §15126.4 was required to be prepared; and~~

WHEREAS, it is necessary that the AQMD prepare a Statement of Findings and a Statement of Overriding Considerations pursuant to CEQA Guidelines §§15091 and 15093, respectively, regarding adverse environmental impacts that cannot be mitigated to insignificance; ~~and a Mitigation Monitoring Plan pursuant to Public Resources Code §21081.6, regarding the mitigation included in the Final PEA; and~~

WHEREAS, the Governing Board voting on proposed re-adopted Rule 1315 – Federal New Source Review Tracking System, has reviewed, and considered, and hereby approves the Final PEA, including responses to comments, the ~~Statement of Findings, and the Statement of Overriding Considerations, and Mitigation Monitoring Plan;~~ and

BE IT FURTHER RESOLVED, that the Governing Board does hereby adopt the ~~Statement of Findings and Statement of Overriding Considerations pursuant to CEQA Guidelines §§15091 and 15093, respectively, and a Mitigation Monitoring Plan pursuant to Public Resources Code §21081.6~~ regarding adverse environmental impacts that cannot be mitigated to insignificance, ~~and CEQA Guidelines § 15126.4,~~ as required by CEQA and which are included as Attachment 1 and incorporated herein by reference; and