



MEMO

TO: Dan Belik, Rule Development Manager, BAAQMD
FROM: Doug Svensson and Tony Daysog, ADE
DATE: March 17, 2011
RE: Proposed Amendments to Regulation 9, Rule 7: Socioeconomic Impacts

The Bay Area Air Quality Management District (“District”) seeks to amend Regulation 9, Rule 7 (“Nitrogen Oxides and Carbon Monoxide from Industrial, Institutional and Commercial Boilers, Steam Generators and Process Heaters”). In particular, with the proposed amendments, the District seeks to extend the emissions compliance date for some sources from January 1, 2011, and January 1, 2012 to January 1, 2013, when those sources must comply with Rule 9-7.

This memorandum reviews Rule 9-7, reasons for the proposed amendments, and cost impacts, if any, stemming from the proposed amendments regarding extending the emissions compliance deadline to January 1, 2013. This memorandum concludes that the proposed change in the emission compliance date will not result in any new socioeconomic impacts in addition to what was already analyzed by ADE in June, 2008.

BACKGROUND

In an effort to reduce the emissions of nitrogen oxides (NO_x) in the District by requiring use of existing and generally available low-NO_x technology in new, replacement and existing boilers, steam generators and process heaters (“heaters”), the BAAQMD Board of Directors on July 30, 2008 amended Rule 9-7 and adopted an Initial Study / Negative Declaration concerning the amendments pursuant to the California Environmental Quality Act (CEQA). The District staff report of March, 2011 describes in detail the initial amendments to Rule 9-7 adopted in July 2008, as well as factors leading up to the new amendments to Rule 9-7 proposed by the District (see BAAQMD, “BAAQMD Regulation 9, Rule 7: Nitrogen Oxides and Carbon Monoxide from Industrial, Institutional and Commercial Boilers, Steam Generators and Process Heaters, March 2011).

Rule 9-7 as amended in July 2008 included new requirements for small, previously unregulated boilers, those between 2 and 10 million BTU/hr heat input. A key element to Rule 9-7 amendments adopted in July 2008 had to do with an approach that partially shifted the burden of understanding and complying with Regulation 9-7 requirements from the operators to the manufacturers of those boilers. The July 2008 amendments also included a January 1, 2011 emission compliance date for boilers in the 2 to 5 million BTU/hr heat input



size range and a January 1, 2012 emission compliance date for boilers in the 5 to 10 million BTU/hr heat input size range. Because many of these small boilers were expected to be replaced rather than retrofitted to meet the emission limits, boiler manufacturers were required to certify that their boilers were in compliance with the new emission limits.

By the January 1, 2011 deadline, no heater manufacturer had certified any heater model for compliance with Regulation 9-7, so no heaters fired with natural gas or LPG that are rated >2 to <10 MM BTU/hr are lawfully available for sale in the District. To address this problem, the District is now proposing to extend the dates by which the boilers between 2 and 10 million BTU/hr heat input must comply with the emissions limits until January 1, 2013. Also, in order to facilitate certification, the District is proposing to expand the methods available for certification. Finally, the District is taking this opportunity to make a number of minor corrections and clarifications to the rule. These proposed changes do not significantly alter the conclusions drawn in the staff report to the 2008 amendments.

SOCIOECONOMIC IMPACT ANALYSIS

The extension of the compliances deadlines from January 1, 2011 and January 1, 2012 to January 1, 2013 does not result in any new cost above and beyond what was already reported and analyzed as part of the socioeconomic impact analysis (“SIA”) for the July, 2008 amendments to Rule 9-7, which concluded that impact stemming from that rule were less than significant. It is important to note that the SIA was conservative in nature as it was based on the total cost of heaters in compliance with Rule 9-7 as amended in July 2008, as opposed to the incremental difference between the total cost of new, compliant heaters and total cost of non-compliant heaters, which would have reduced impacts below the significance threshold even more.¹ As the proposed amendments under consideration now do not impose new costs above those already analyzed but in fact defer potential costs further into the future, this memo concludes that the proposed amendments do not result in any significant impacts on affected sources.

¹Rule 9-7 amendments adopted in July 2008 did not require affected sources to replace or retrofit their respective non-compliant heaters, steam generators and or process heaters until the useful life of their respective units had been fully exhausted, so, for purposes of the SIA, any new impacts stemming from purchasing units in compliance with Rule 9-7 as amended in 2008 would have been the difference between the cost of the compliant units and the cost of previous non-compliant units which needed to be replaced eventually anyway.