

**REGULATION 2
PERMITS
RULE 2
NEW SOURCE REVIEW**

DRAFT PROPOSED REVISIONS – SPRING 2017

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REGULATION 2
PERMITS
RULE 2
NEW SOURCE REVIEW

(Adopted December 19, 2012)

2-2-100 GENERAL

2-2-101 Description: This Rule applies to all new and modified sources that are subject to the requirements of Section 2-1-301 and/or 2-1-302. The purpose of this Rule is to implement the New Source Review provisions of the federal and California Clean Air Acts (including the federal non-attainment New Source Review, Prevention of Significant Deterioration, and Minor New Source Review provisions) and the no-net-increase requirements of the California Health and Safety Code, among other requirements.

2-2-102 Exemption, Emissions From Operation of Abatement Devices And Techniques: The BACT requirements of Section 2-2-301 shall not apply to emissions of secondary pollutants that are the direct result of the use of an abatement device or emission reduction technique implemented to comply with the BACT or BARCT requirements for control of another pollutant. However, the APCO shall require the use of Reasonably Available Control Technology (RACT) for control of emissions of such pollutants.

2-2-103 Incorporation by Reference of Federal PSD Provisions: Where federal PSD provisions in 40 C.F.R. Section 52.21 are incorporated by reference in this Rule, all associated procedures, definitions, and other regulatory provisions in the Code of Federal Regulations applicable for implementing such provisions are also incorporated by reference and shall be followed and applied by the APCO in implementing such provisions, including but not limited to all of the implementing definitions set forth in 40 C.F.R. Section 52.21(b), which include the definitions in Sections 52.21(b)(13) (baseline concentration), 52.21(b)(14) (major source baseline date), 52.21(b)(15) (baseline area), 52.21(b)(18) (secondary emissions), and 52.21(b)(50) (subject to regulation). Where such regulatory provisions are incorporated by reference, the incorporation is to the version of that regulatory provision in effect upon December 19, 2012.

2-2-200 DEFINITIONS

2-2-201 Adjustment to Emission Reductions for Federal Purposes: An adjustment made, for purposes of the equivalence demonstration in 2-2-412, to an emission reduction due to changes in federal requirements between issuance of a banking certificate and its use. The adjustment is made as if the source providing the offsets were in operation, at the original baseline levels, on the date of credit use.

2-2-202 Best Available Control Technology (BACT): An emission limitation, control device, or control technique applied at a source that is the most stringent of:
202.1 The most effective emission control device or technique that has been successfully utilized for the type of equipment comprising such a source; or

- 202.2 The most stringent emission limitation achieved by an emission control device or technique for the type of equipment comprising such a source; or
- 202.3 The most effective control device or technique or most stringent emission limitation that the APCO has determined to be technologically feasible for a source, taking into consideration cost-effectiveness, any ancillary health and environmental impacts, and energy requirements; or
- 202.4 The most effective emission control limitation for the type of equipment comprising such a source that is contained in an approved implementation plan of any state, unless the applicant demonstrates to the satisfaction of the APCO that such limitation is not achievable.

Under no circumstances shall BACT be less stringent than any emission control required by any applicable provision of federal, state or District laws, rules or regulations.

2-2-203 Best Available Retrofit Control Technology (BARCT): An emission limitation that has been adopted or proposed to be adopted as part of the current Clean Air Plan approved by the District pursuant to the California Clean Air Act of 1988 as implementing the maximum degree of emissions reduction achievable by a class or category of source, taking into account environmental, energy and economic impacts.

2-2-204 California Coastal Waters: The area bounded by (i) the coast of the State of California and (ii) the line established by starting at the point on the California coast at the California-Oregon border, and proceeding:

- thence to 40.0°N, 125.5°W;
- thence to 39.0°N, 125.5°W;
- thence to 38.0°N, 124.0°W;
- thence to 37.0°N, 123.5°W;
- thence to 36.0°N, 122.5°W;
- thence to 35.0°N, 121.5°W;
- thence to 34.0°N, 120.5°W;
- thence to 33.0°N, 119.5°W;
- thence to 32.5°N, 118.5°W;

and thence to an ending point on the California coast at the California-Mexico border.

2-2-205 Class I Area: Point Reyes National Seashore and any other area designated as a Class I Area under Part C of the Clean Air Act. All other areas in the District are Class II Areas.

2-2-206 Contemporaneous: Occurring (i) within a five year period of time immediately prior to the date of a complete application for an authority to construct or permit to operate for a source; or (ii) on or after the date of a complete application for an authority to construct or permit to operate but prior to initial operation of the source (or for a source that is a replacement unit, as defined in 40 C.F.R. Section 51.165(a)(1)(xxi), that will replace an existing source in whole or in part, with respect to emission reduction credits being generated by the shutdown of the existing source being replaced, 90 days after initial operation of the replacement unit).

2-2-207 Creditable: For purposes of determining the net emissions increase associated with a new or modified source (or group of sources) under Section 2-2-220, an emission increase or decrease is creditable if it has not been relied on by a permitting agency in issuing a PSD permit, including a federal PSD permit or an authority to construct applying the PSD provisions of Sections 2-2-304 through 2-2-307, which permit is still in effect at the time of initial operation of the source(s).

- 2-2-208 Cumulative Increase:** The increase in the potential to emit a pollutant authorized by an authority to construct or permit to operate measured against prior actual or potential emissions, less any contemporaneous onsite emission reduction credits credited to the authority to construct or permit to operate, calculated in accordance with the procedures set forth in Section 2-2-607.
- 2-2-209 Cumulative Increase Baseline Date:** April 5, 1991, for all pollutants except PM_{2.5}; and August 31, 2016, for PM_{2.5}.
- 2-2-210 District BACT Pollutant:** Precursor organic compounds (POC), non-precursor organic compounds (NPOC), oxides of nitrogen (NO_x), sulfur dioxide (SO₂), PM₁₀, PM_{2.5}, and carbon monoxide (CO).
- 2-2-211 Emission Reduction Credit:** Emission reductions associated with a physical change, change in method of operation, change in throughput or production, or other similar change at a source that are in excess of the reductions required by applicable regulatory requirements, and that are real, permanent, quantifiable, and enforceable, as calculated in accordance with Section 2-2-605.
- 2-2-212 Federal Land Manager:** With respect to any lands in the United States, the Secretary of the department with authority over such lands, or a subordinate acting under the authority of such Secretary.
- 2-2-213 ~~Fully Offset Source:~~** ~~A source with an emission cap or emission rate contained in a permit condition for which the permit applicant provided offsets and/or contemporaneous on-site emission reduction credits for the entire amount of the emission cap or emission rate. A source for which the District provided offsets from the Small Facility Banking Account is not a fully offset source (except where the District has been fully reimbursed for any offsets from the Small Facility Banking Account).~~~~[Deleted _____ 2017]~~
- 2-2-214 Greenhouse Gases (GHGs):** The air pollutant that is defined in 40 C.F.R. Section 86.1818-12(a), which is a single air pollutant made up of a combination of the following six constituents: carbon dioxide, nitrous oxide, methane, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. GHG emissions shall be measured ~~(i) based on total mass for purposes of determining whether a facility exceeds the 100/250 ton major PSD facility thresholds under Section 2-2-224.1; and (ii)~~ as CO₂ equivalent emissions (CO₂e) according to the methodology set forth in 40 C.F.R. Section 52.21(b)(49)(ii) for determining whether the emissions constitute a PSD pollutant as defined in Section 2-2-223, are a regulated NSR pollutants as defined in 40 C.F.R. Section 52.21(b)(50), or constitute significant emissions as defined in Section 2-2-227.1.
- 2-2-215 Hazardous Air Pollutant (HAP):** Any pollutant that is listed pursuant to Section 112(b) of the federal Clean Air Act.
- 2-2-216 Indian Governing Body:** The governing body of any tribe, band, or group of Indians subject to the jurisdiction of the United States and recognized by the United States as possessing power of self-government.
- 2-2-217 Major Facility:** For purposes of the New Source Review requirements of Regulation 2, Rule 2, a major facility is a facility that has the potential to emit 100 tons per year or more of POC, NO_x, SO₂, PM₁₀, PM_{2.5}, and/or CO. Fugitive emissions shall be included in calculating the facility's potential to emit under this Section ~~if and only if the facility is in one of the 28 categories listed in Section 169(1) of the Clean Air Act as provided in Section 2-2-611.~~ A physical change at a facility that does not otherwise qualify as a major facility is a new major facility if the change would constitute a major facility by itself.

2-2-218 Major Modification*: A new source as defined in Section 2-1-232, or a modified source as defined in Section 2-1-234, or any combination of such new and modified sources at a facility that are part of a single common project, that (i) are or will be located at an existing major facility and (ii) will cause an increase in emissions of a pollutant for which the facility is a major facility, calculated according to Section 2-2-604, of the following amounts or more:

POC:	40 tons per year
NOx:	40 tons per year
SO ₂ :	40 tons per year
PM ₁₀ :	15 tons per year
PM _{2.5} :	10 tons per year
CO:	100 tons per year

**Note that the term "Major Modification" is not used in Regulation 2, Rule 2 for purposes of applying the Rule's PSD requirements. The term "PSD Project" is used instead to define new facilities and modifications to existing facilities that are subject to the Rule's PSD requirements. See Section 2-2-224.*

2-2-219 Net Air Quality Benefit: A net improvement of air quality as determined by the APCO resulting from emission reduction credits impacting the same general area affected by the new or modified source and which will be consistent with reasonable further progress towards the attainment of the applicable air quality standard.

2-2-220 Net Emissions Increase: For purposes of applying the PSD provisions and NAAQS Protection requirements of this Rule, a net emissions increase from a new source or modified source (or group of such sources) is the sum of the new emissions from the new source(s) and/or the increase in emissions from the modified source(s), plus any other creditable contemporaneous emissions increases at the facility calculated according to Section 2-2-604, less any other creditable contemporaneous emissions decreases at the facility calculated according to Section 2-2-604.

2-2-221 Offsets: Offsets are any of the following:

- 221.1 banked emission reduction credits approved in accordance with District Regulation 2, Rule 4; or
- 221.2 banked emission reduction credits from adjacent Districts if the applicant demonstrates that the requirements of Clean Air Act Section 173(c)(1) (42 U.S.C. Section 7503(c)(1)) and Health and Safety Code Section 40709.6 have been met or do not apply;

that are provided to compensate for cumulative increases in emissions pursuant to Section 2-2-302 or 2-2-303.

2-2-222 Pollutant-Specific Basis: A term used to describe a regulatory requirement governing multiple pollutants. If a regulatory requirement applies on a pollutant-specific basis, the requirement applies only for the individual pollutant(s) for which a source or facility meets the relevant applicability criteria, and does not apply for pollutant(s) for which the source or facility does not meet the relevant applicability criteria.

2-2-223 PSD Pollutant: Any Regulated NSR Pollutant as defined in EPA's PSD Regulations at 40 C.F.R. Section 52.21(b)(50), except pollutants for which the San Francisco Bay Area has been designated as non-attainment of a California or National Ambient Air Quality Standard. If a pollutant is subject to both federal and California ambient air quality standards, the pollutant shall be treated as a PSD Pollutant for (and only for) the ambient air quality standard(s) for which the San Francisco Bay Area has not been designated as non-attainment.

- 2-2-224 PSD Project:** A new source as defined in Section 2-1-232, or a modified source as defined in Section 2-1-234, or a combination of such new or modified sources that are part of a single common project, that meets all of the following criteria:
- 224.1 **Major PSD Facility:** The source(s) are or will be located at a facility that has the potential to emit 100 tons or more per year of any ~~PSD pollutant~~Regulated NSR Pollutant as defined in 40 C.F.R. Section 52.21(b)(50)* (including fugitive emissions) if it is in one of the 28 categories listed in Section 169(1) of the Clean Air Act, or 250 tons or more of any Regulated NSR Pollutant as defined in 40 C.F.R. Section 52.21(b)(50)~~PSD Pollutant*~~ (with fugitive emissions included only as specified in Section 2-2-611~~not including fugitive emissions~~) if it is not in a listed category; and
- 224.2 **Significant Increase in Emissions of PSD Pollutant:** -The new emissions from the new source(s) and/or the increase in emissions from the modified source(s) calculated according to Section 2-2-604 constitute significant emissions of any PSD pollutant as defined in Section 2-2-227.1; and
- 224.3 **Significant Net Increase in Emissions of PSD Pollutant:** The net emissions increase associated with the new or modified source(s), as defined in Section 2-2-220, constitute significant emissions of any PSD pollutant as defined in Section 2-2-227.1.

Any physical change or change in method of operation that takes place at a facility that does not meet the Major PSD Facility criteria specified in subsection 224.1, but which change would constitute a Major PSD Facility under the criteria in subsection 224.1 by itself, is a PSD Project.

**Note that GHG emissions are not included for purposes of applying the 100/250 ton-per-year major PSD facility threshold in Section 2-2-224.1. GHGs are not a Regulated NSR Pollutant under 40 C.F.R. § 52.21(b)(50), ~~and therefore not a PSD Pollutant under Section 2-2-223~~; unless they are emitted from a facility that exceeds the 100/250 ton-per-year major PSD threshold for some other pollutant besides GHGs. Thus, for a facility to satisfy the major PSD facility test in Section 2-2-224.1, it must have emissions of some other Regulated NSR Pollutant besides GHGs that exceed the 100/250 ton-per-year threshold. For such facilities, GHG emissions are Regulated NSR Pollutants if there is (i) an emissions increase of a Regulated NSR Pollutant other than GHGs, and (ii) an increase in emissions of GHGs of 75,000 tons per year CO₂e or more. See Section 2-2-223; see also 40 C.F.R. § 52.21(b)(50)(iv) and 40 C.F.R. § 52.21(b)(49)(iv)(b).*

- 2-2-225 Reasonably Available Control Technology (RACT):** For sources that are to continue operating, RACT is the lowest emission limit that can be achieved by the specific source by the application of control technology taking into account technological feasibility and cost-effectiveness, and the specific design features or extent of necessary modifications to the source. For sources which are or will be shut-down, RACT is the lowest emission limit that can be achieved by the application of control technology to similar, but not necessarily identical categories of sources, taking into account technological feasibility and cost-effectiveness of the application of the control technology to the category of sources only and not to the shut-down source.
- 2-2-226 Related Sources:** Two or more sources where the operation of one is dependent upon, supports or affects the operation of the other(s).
- 2-2-227 Significant:** The term “significant” has the following meanings when used in the following contexts:
- 227.1 For determining whether an increase in emissions of a PSD pollutant is “significant” for purposes of the PSD provisions of this Rule, the increase is significant:

- 1.1 if it exceeds the values specified in the following table, or for a PSD pollutant that is not listed in the following table, if it is greater than zero; or
- 1.2 if it is from a source that is or would be located within 10 kilometers of a Class I area, and it would have an impact in such Class I area equal to or greater than 1 µg/m³ (24-hour average).
- 227.2 For determining whether an increase in emissions is “significant” for purposes of the NAAQS Protection Requirement in Section 2-2-308 and the public notice requirement in Section 2-2-404, the increase is significant if it exceeds the values specified in the following table.

Pollutant	Significant Emissions Rate	
	kg/yr	(ton/yr)
Carbon monoxide	90,500	(100)
Nitrogen oxides	36,200	(40)
Sulfur dioxide	36,200	(40)
Total particulate matter	22,680	(25)
PM ₁₀	13,575	(15)
PM _{2.5} *	9050	(10)
VOC*	36,200	(40)
GHGs**	67,875,000**	(75,000**)
Lead	530	(0.6)
Fluorides	2720	(3)
Sulfuric Acid Mist	6350	(7)
Hydrogen Sulfide	9050	(10)
Total Reduced Sulfur	9050	(10)
Reduced Sulfur Compounds	9050	(10)
Municipal waste combustor organics	3.2 x 10 ⁻³	(3.5 x 10 ⁻⁶)
Municipal waste combustor metals	13,575	(15)
Municipal waste combustor acid gases	36,200	(40)
Municipal solid waste landfill emissions	45,250	(50)

**Pollutants for which the Bay Area is designated as non-attainment of a NAAQS are not subject to the PSD requirements in Sections 2-2-304 through 2-2-307 by operation of 40 C.F.R. Section 52.21(i)(2). PM_{2.5} and VOC (as an ozone precursor) are therefore not subject to these PSD requirements as long as the Bay Area remains non-attainment for any PM_{2.5} or ozone NAAQS, respectively.*

***Per Section 2-2-214, emissions of GHGs are measured as CO₂e for purposes of determining whether an emissions increase exceeds this significance threshold. Per Section 2-2-223 and 40 C.F.R. Sections 52.21(b)(50)(iv) and 52.21(b)(49)(iv)&(v), increases in GHG emissions of less than 75,000 tons per year CO₂e are excluded from the definition of PSD pollutant and are not subject to the PSD requirements of Regulation 2, Rule 2.*

2-2-300 STANDARDS

2-2-301 Best Available Control Technology Requirement: An authority to construct and/or permit to operate for a new or modified source shall require BACT, as defined in Section 2-2-202, to control emissions of each District BACT pollutant for which (i) s under the following conditions:

~~301.1 New Source: An authority to construct and/or permit to operate for a new source shall require BACT to control emissions of a District BACT pollutant if the source will have the potential to emit that pollutant in an amount of 10.0 or more pounds on anyper day as defined in Regulation 2-1-217; and (ii) there will be an increase in the source's daily or annual potential to emit, as defined in Regulation 2-1-217, as a result of the new source or modification.~~

~~301.2 Modified Source: An authority to construct and/or permit to operate for a modified source shall require BACT to control emissions of each District BACT pollutant for which the source is "modified" as defined in Section 2-1-234 for which:~~

~~2.1 the source, after the modification, will have the potential to emit that pollutant in an amount of 10.0 or more pounds on any day as defined in Regulation 2-1-217; and~~

~~2.2 the modification will result in an increase in emissions of that pollutant above baseline levels calculated pursuant to Section 2-2-604.~~

The BACT requirements in this Section shall apply on a pollutant-specific basis.

2-2-302 Offset Requirements, Precursor Organic Compounds and Nitrogen Oxides: Before the APCO may issue an authority to construct or permit to operate for a new or modified source at any facility that will have the potential to emit more than 10 tons per year of NO_x or POC after the new or modified source is constructed (including emissions from cargo carriers per Section 2-2-610), offsets must be provided according to the following requirements:

302.1 If the facility will have the potential to emit more than 10 tons per year but less than 35 tons per year of NO_x or POC after the new or modified source is constructed, offsets must be provided at a 1:1 ratio for any un-offset cumulative increase in emissions at the facility and any related sources since the baseline date determined in accordance with Section 2-2-608.

1.1 The APCO shall provide any required offsets from the Small Facility Banking Account in the District's Emissions Bank in accordance with Section 2-4-414, unless the Small Facility Banking Account is exhausted or the applicant (or any entity controlling, controlled by, or under common control with the applicant) owns or controls offsets.

1.2 If the Small Facility Banking Account is exhausted, or if the applicant owns or controls offsets, the applicant shall provide any required offsets.

1.3 A permit limit for which offsets have been provided from the Small Facility Banking account may not be higher than the source's maximum physical/design capacity to emit air pollutants, and may not be higher than is reasonably necessary to satisfy the applicant's operational requirements (including sufficient flexibility to allow for future changes in operational requirements).

302.2 If the facility will have the potential to emit 35 tons per year or more of NO_x or POC after the new or modified source is constructed, the applicant shall:

- 2.1 Reimburse the Small Facility Banking Account for any cumulative increase for which offsets were previously provided from the Small Facility Banking Account; and
 - 2.2 Provide federally-enforceable offsets at a 1.15:1 ratio for any un-offset cumulative increase in emissions at the facility and any related sources since the baseline date determined in accordance with Section 2-2-608.
- 302.3 An applicant may reimburse the Small Facility Banking Account under subsection 302.2.1 by reducing the cumulative increase associated with the permitting action(s) for which the District provided the Small Facility Banking Account credits. To do so, the applicant must request a lower emissions limit in a permit for which the Small Facility Banking Account credits were provided. Upon approval by the APCO, the amount by which the applicant must reimburse the Small Facility Banking Account shall be reduced by the difference between the old permit limit and the new permit limit.
- 302.4 The offset requirements in this Section shall be applied on a pollutant-specific basis.

2-2-303 Offset Requirements, PM_{2.5}, PM₁₀ and Sulfur Dioxide: Before the APCO may issue an authority to construct or permit to operate for a new or modified source at a facility that will have the potential to emit 100 tons per year or more of PM_{2.5}, PM₁₀ or sulfur dioxide after the new or modified source is constructed (including emissions from cargo carriers per Section 2-2-610), the applicant shall provide offsets according to the following requirements:

- 303.1 If the un-offset cumulative increase in emissions of PM_{2.5}, PM₁₀ or sulfur dioxide at the facility and any related sources since the baseline date determined in accordance with Section 2-2-608 exceeds 1 ton per year, the applicant shall provide offsets at a 1:1 ratio for the un-offset cumulative increase since the baseline date.
- 303.2 NO_x and/or sulfur dioxide offsets may be provided in place of PM₁₀ offsets required under subsection 303.1 at offset ratios determined by the APCO to result in a net air quality benefit. Any approval of the use of NO_x and/or sulfur dioxide offsets under this subsection shall be based on an analysis specific to the individual facility for which the determination is made, which shall include adequate modeling; and any such approval shall be granted only after public notice and an opportunity for public comment and with EPA concurrence.
- 303.3 Any NO_x and/or sulfur dioxide offsets provided in place of PM₁₀ offsets must be provided in addition to any NO_x and/or sulfur dioxide offsets required independently as a result of the source's NO_x and/or sulfur dioxide emissions.
- 303.4 The offset requirements in this Section shall be applied on a pollutant-specific basis.

2-2-304 PSD BACT Requirement: An authority to construct for a ~~PSD Project~~project in either of the categories listed in subsections 304.1 and 304.2 (or both) shall require federal PSD Best Available Control Technology as defined in Section 169(3) of the federal Clean Air Act ("federal PSD BACT") for ~~each PSD pollutant for which the net increase in emissions from the PSD Project will be significant as defined in Section 2-2-227.4~~the pollutants specified in subsections 304.1 and 304.2. If federal PSD BACT is required for a pollutant under this Section, the authority to construct shall require federal PSD BACT for each new or modified source for which there will be an

increase in emissions of that pollutant by any amount, calculated in accordance with Section 2-2-604. The APCO shall impose federal PSD BACT in an authority to construct subject to this Section according to and in satisfaction of all of the requirements applicable to federal PSD BACT under 40 C.F.R. Section 52.21(j), including any applicable exemptions from that Section's requirements under 40 C.F.R. Section 52.21(i).

304.1 PSD Projects: An authority to construct for a PSD Project shall require federal PSD BACT for each PSD pollutant for which the net increase in emissions from the PSD project will be significant as defined in Section 2-2-227.1.

304.2 Projects With GHG Emissions Increases Over 25,000 tpy CO₂e: An authority to construct for any project that will result in an increase in GHG emissions of 25,000 tons per year or more CO₂e, calculated in accordance with Section 2-2-604, shall require federal PSD BACT for GHGs.

2-2-305

PSD Source Impact Analysis Requirement: The APCO shall not issue an authority to construct for a PSD Project unless the APCO determines, for each PSD pollutant for which the net increase in emissions from the PSD Project will be significant as defined in Section 2-2-227.1, that the net increase in emissions from the PSD Project will not cause or contribute to a violation of (i) any applicable ambient air quality standard for such pollutant or (ii) any applicable PSD increment for such pollutant, as set forth in 40 C.F.R. Section 52.21(c). The APCO shall make such determination in accordance with the following procedures:

305.1 Pre-application Air Quality Analysis: The applicant shall prepare and submit an analysis of ambient air quality in the area that the PSD Project would affect for each PSD pollutant for which the net increase in emissions allowed by the authority to construct will be significant. The applicant's analysis shall be prepared according to and shall satisfy all of the requirements applicable to air quality analyses for federal PSD permitting under 40 C.F.R. Section 52.21(m)(1), including any applicable exemptions from that Section's requirements under 40 C.F.R. Section 52.21(i).

305.2 PSD Source Impact Analysis: The applicant shall demonstrate, for each PSD pollutant for which the net increase in emissions allowed by the authority to construct will be significant, that the net increase in emissions of such pollutant will not cause or contribute to a violation of (i) any applicable California or National Ambient Air Quality Standard for such pollutant or (ii) any applicable PSD increment for such pollutant, as set forth in 40 C.F.R. Section 52.21(c). The applicant's analysis and demonstration shall be prepared according to and shall satisfy all of the requirements applicable to PSD source impact analyses for federal PSD permitting under 40 C.F.R. Section 52.21(k), including any applicable exemptions from that Section's requirements under 40 C.F.R. Section 52.21(i).

305.3 Air Quality Models: All estimates of ambient concentrations required under this Section shall be based on applicable air quality models, databases, and other requirements specified in Appendix W of Part 51 of Title 40 of the Code of Federal Regulations (Guideline on Air Quality Models). Where an air quality model specified in Appendix W is inappropriate, the model may be modified or another model substituted upon written approval by EPA and written approval by the APCO after public notice and opportunity for public comment under the procedures set forth in Section 2-2-404. Where

modeling is conducted solely to evaluate compliance with a California air quality standard, any APCO-approved model may be used.

- 305.4 **APCO Determination:** The APCO shall determine, based on the applicant's submissions and any other relevant information, whether any net emissions increases of PSD pollutants that the authority to construct will authorize in significant amounts would cause or contribute to a violation of (i) any applicable California or National Ambient Air Quality Standard for such pollutant or (ii) any applicable PSD increment for such pollutant, as set forth in 40 C.F.R. Section 52.21(c), for any PSD pollutant. In making this determination, the APCO shall use the same procedures and be subject to the same requirements as are applicable to the Administrator for issuing federal PSD permitting under 40 C.F.R. Section 52.21(k), including any applicable exemptions that Section's requirements under 40 C.F.R. Section 52.21(i).

2-2-306 PSD Additional Impacts Analysis Requirements: Before issuing an authority to construct for a PSD Project, the APCO shall conduct the following additional impact analyses:

- 306.1 **Visibility, Soils & Vegetation Impact Analysis:** The applicant shall prepare and submit an analysis of the impairment to visibility, soils and vegetation that would occur as a result of the PSD Project and any commercial, residential, industrial, and other growth associated with the PSD Project. The applicant's analysis shall be prepared according to and shall satisfy all of the requirements applicable to air quality analyses for federal PSD permitting under 40 C.F.R. Section 52.21(o)(1), including any applicable exemptions that Section's requirements under 40 C.F.R. Section 52.21(i). The analysis need not address impacts on vegetation having no significant commercial or recreational value.
- 306.2 **Associated Growth Analysis:** The applicant shall prepare and submit an analysis of the air quality impact projected for the area as a result of general commercial, residential, industrial, and other growth associated with the PSD Project. The applicant's analysis shall be prepared according to and shall satisfy all of the requirements applicable to air quality analyses for federal PSD permitting under 40 C.F.R. Section 52.21(o)(2), including any applicable exemptions that Section's requirements under 40 C.F.R. Section 52.21(i).
- 306.3 **APCO Review:** The APCO shall review the applicant's additional impact analyses to ensure that they are complete and accurately reflect the circumstances associated with the PSD Project.

2-2-307 Consideration of Class I Area Impacts: If, within 30 days after receiving notice under Section 2-2-404 of a preliminary decision to issue an authority to construct for (i) a new major facility or a major modification of a major facility for NO_x, VOC, SO₂ or PM_{2.5} or (ii) a PSD Project, the Federal Land Manager with responsibility for administering any Class I Area provides the APCO with a demonstration that emissions from the project would have an adverse impact on the air quality-related values of the Class I Area (including visibility), the APCO shall promptly review and consider such demonstration. If the APCO concurs with such demonstration, or if the APCO concludes based on an independent review of the analysis submitted under Section 401.4 that the project will have such adverse impact, the APCO shall, after consultation with the Federal Land Manager and the applicant, deny the application for an authority to construct. If the APCO finds that such demonstration does not

establish to the APCO's satisfaction that the project would have such adverse impact, the APCO shall explain its decision (or give notice of where such explanation can be obtained) in any subsequent notice of a public hearing held under Section 2-2-404.7.

2-2-308 NAAQS Protection Requirement: The APCO shall not issue an authority to construct for a new or modified source that will result in a significant net increase in emissions of any pollutant for which a National Ambient Air Quality Standard has been established unless the APCO determines, based upon a demonstration submitted by the applicant, that such increase will not cause or contribute to an exceedance of any National Ambient Air Quality Standard for that pollutant. Such demonstration shall be made using the procedures for PSD Air Quality Impact Analyses set forth in subsections 2-2-305.1 through 2-2-305.4. Such demonstration shall not be required for ozone. A PSD Air Quality Impact Analysis and determination for a new or modified source that satisfies the requirements of Section 2-2-305 shall satisfy the requirements of this Section for all pollutants included in such analysis.

2-2-309 Compliance Certification: The APCO shall not issue an authority to construct for a new major facility or a major modification of an existing major facility unless the applicant provides a list, certified under penalty of perjury, of all major facilities within the state of California owned or operated by the applicant or by any entity controlling, controlled by, or under common control with the applicant and demonstrates by certifying under penalty of perjury that they are either in compliance, or on a schedule of compliance, with all applicable state and federal emission limitations and standards. The APCO may request the applicant to provide any technical information used by the applicant to certify compliance.

2-2-310 Denial, Failure to Meet Permit Conditions: The APCO shall deny a permit to operate for a source if, after providing written notification to the applicant and an opportunity to remedy any violation, the source is operating in violation of any condition specified in the authority to construct, or if any other source used to provide emission reduction credits for the source that is owned or operated by the applicant is operating in violation of any permit condition limiting emissions such that the required emission reduction credits are not actually being provided.

2-2-400 ADMINISTRATIVE REQUIREMENTS

2-2-401 Application: An application for an authority to construct under this Rule shall conform to the requirements of District Regulation 2-1-402, and shall include the following:

401.1 A detailed description of the proposed new source(s) or modification(s) for which the authority to construct is sought, including at a minimum (i) a description of the nature, location, design capacity, and typical operating schedule of the source(s) or modification(s), including specifications and drawings showing its design and plant layout, and (ii) a detailed schedule for construction of the source(s) or modification(s).

401.2 All information necessary for the APCO to determine whether the application satisfies the requirements of this Rule, including but not limited to (i) a demonstration of how the application satisfies applicable BACT standards under Sections 2-2-301 and 2-2-304, and (ii) the PSD analyses and demonstrations required under Sections 2-2-305 and 2-2-306, if applicable.

401.3 CEQA-related information required under Section 2-1-426; and for a new major facility, and for a modification to a major facility that will increase emissions by more than 100 tons per year of carbon monoxide, 40 tons per

year of precursor organic compounds, nitrogen oxides, or sulfur dioxide, or 10 tons per year of PM_{2.5}, an analysis of alternative sites, sizes, production processes, and environmental control techniques for such proposed source that demonstrates that benefits of the proposed source significantly outweigh the environmental and social costs imposed as a result of its location, construction or modification.

401.4 If the application is for (i) a new major facility or a major modification of major facility for NO_x, VOC, SO₂ or PM_{2.5} or (ii) a PSD Project, and the project may have an impact on air quality related values (including visibility) within any Class I area(s)~~will be located in or within 100 km of a Class I area~~, the application shall include an analysis of potential impacts to air quality related values (including visibility) in such Class I area(s) for review and consideration by the Federal Land Manager of such Class I area(s). The determination of whether a project may have an impact on air quality related values (including visibility) within a Class I Area shall be made according to the guidelines adopted by the Federal Land Managers' Air Quality Related Values Work Group in its Phase I Report—Revised (2010), Natural Resource Report NPS/NRCC/NRR—2010/232.

401.5 Any other information requested by the APCO.

2-2-402 Notice to EPA and Federal Land Manager of Receipt of Permit Applications: When the APCO receives a complete application for an Authority to Construct for a PSD Project, the APCO shall transmit a copy of the complete application to EPA Region IX. If the APCO receives a complete application for ~~(i) a new major facility or a major modification of a major facility for NO_x, VOC, SO₂ or PM_{2.5} or (ii) a PSD Project, and the project is located within 100 km of any Class I Area(s)~~a project that requires an analysis of any Class I area impacts under Section 2-2-401.4, the APCO shall transmit a copy of the complete application to the Federal Land Manager(s) with responsibility for ~~any such~~the Class I Area(s) involved within 30 days of receipt and at least 60 days prior to holding any public hearing on such application, and shall include the applicant's analysis of the anticipated impacts on air quality related values (including visibility) ~~visibility~~ in such Class I area(s). In addition, the APCO shall also notify such Federal Land Manager(s) if the APCO receives any advance notification of any such application.

2-2-403 Authority to Construct, Preliminary Decision: If an application for an Authority to Construct is subject to the public notice and comment requirements of Section 2-2-404, the APCO shall make a preliminary decision as to whether an authority to construct shall be approved, or denied. The APCO shall make such preliminary decision within 90 days following the acceptance of the application as complete, provided that any fees required in accordance with Regulation 3 are paid; or within a longer time period if necessary to complete any PSD impact analyses required under Sections 2-2-305 and 2-2-306, if necessary to complete any CEQA analyses if the District is the CEQA Lead Agency, or if consented to by the applicant.

2-2-404 Publication of Notice and Opportunity for Public Comment: If the application is for (i) a new major facility or a major modification of an existing major facility, (ii) any new facility, or a modification of any existing facility, that will involve an increase in emissions of CO, NO_x, SO₂, PM₁₀, PM_{2.5}, VOC, or lead, calculated in accordance with Section 2-2-604, in an amount that is significant as defined in Section 2-2-227.2, or (iii) a PSD Project, the APCO shall provide notice of the preliminary decision made under Section 2-2-403 according to the following procedures:

- 404.1 The APCO shall publish a notice stating the preliminary decision of the APCO and inviting written public comment on it. The notice shall state the location of the information available pursuant to Section 2-2-405, the procedures and deadlines for submitting written public comments, and the opportunity for requesting a public hearing pursuant to subsection 404.7.
- 404.2 If the application is for a PSD Project, the notice shall also state the degree of PSD increment consumed if a PSD increment consumption analysis has been conducted.
- 404.3 The APCO shall publish the notice prominently on the District's internet website in a manner that will provide the public with routine and ready access; and if the application is for a new major facility or a major modification of an existing major facility, or for a PSD Project, the APCO shall also publish the notice prominently in at least one newspaper of general circulation within the District.
- 404.4. The APCO shall transmit a copy of the notice to ARB; EPA Region IX; adjacent air districts; the chief executive(s) of the city and county where the facility is located; the California State Lands Commission; any Indian Governing Body whose lands may be affected by the new or modified source(s) that is the subject of the notice; any person who requests such specific notification in writing; and, if the application is for a project that requires an analysis of any Class I area impacts under Section 2-2-401.4~~is for a PSD Project located within 100 km of any Class I Area(s)~~, the Federal Land Manager(s) with responsibility for ~~any such~~the Class I Area(s) involved.
- 404.5 If the District is the CEQA Lead Agency with respect to the application, the APCO shall also ensure that the applicable CEQA notice and comment requirements are followed with respect to any CEQA document.
- 404.6 The APCO shall provide a period of at least 30 days following publication of the notice required under this Section for members of the public to submit written comments, and may extend the public comment period for good cause.
- 404.7 The APCO may elect to hold a public meeting to receive written and verbal comments from the public during the public comment period if the APCO finds that a public meeting is warranted and would substantially enhance public participation in the decision-making process. If the APCO elects to hold a public meeting, the APCO shall provide at least 30 days public notice of such meeting in the same manner as is required for the notice of preliminary decision, and the public comment period under Section 2-2-404.6 shall be extended, at a minimum, until the end of the public meeting.

2-2-405 Public Inspection: If an application for an Authority to Construct is subject to the public notice and comment requirements of Section 2-2-404, the APCO shall make available for public inspection, at District headquarters, the information submitted by the applicant, the APCO's preliminary decision to grant or deny the authority to construct including any proposed conditions and the reasons therefore, and any other relevant information on which the APCO's preliminary decision is based. Any such information shall also be transmitted, upon request, to ARB and EPA Region IX. In making information available for public inspection, the APCO shall consider any claims by the applicant regarding the confidentiality of trade secrets, as designated by the applicant prior to submission, in accordance with Section 6254.7 of the California Government Code.

- 2-2-406 Authority to Construct, Final Action:** If an application for an Authority to Construct is subject to the public notice and comment requirements of Section 2-2-404, the APCO shall consider all public comments received and shall take final action on the application: (i) within 60 days after the close of the public comment period, or within 30 days after final approval of a CEQA Negative Declaration or Environmental Impact Report for the project (if applicable), whichever is later; and (ii) if the application is for a PSD Project, no later than one year after receipt of the complete application (unless a longer period is necessary and is consented to by the applicant). At the time of such final action, the APCO shall:
- 406.1 Prepare and make publicly available a written response to any public comments received explaining how the APCO has considered such comments in making a final decision; and
 - 406.2 Provide written notice of the final decision to the applicant, ARB, EPA Region IX, any person who submitted comments during the public comment period or requested written notice of the final action, and, if the District is a Lead Agency under CEQA, in accordance with all applicable CEQA public notice and comment requirements.
- 2-2-407 Issuance, Permit to Operate:** Before issuing a permit to operate for a source subject to the requirements of this Rule, the APCO shall ensure that the following requirements have been met:
- 407.1 The APCO shall ensure that all conditions specified in the authority to construct have been and are being complied with, or in the case of conditions with a future compliance date, that such conditions are reasonably expected to be complied with by the applicable compliance date.
 - 407.2 If the permit is for a source for which the applicant complied with the offset provisions of Sections 2-2-302 or 2-2-303 with emission reduction credits generated after the application date:
 - 2.1 The APCO shall ensure that such emission reduction credits took effect or will take effect no later than initial operation of the source (or, for a source that is a replacement unit, as defined in 40 C.F.R. Section 51.165(a)(1)(xxi), that will replace an existing source in whole or in part, with respect to emission reduction credits being generated by the shutdown of the existing source being replaced, no later than 90 days after initial operation of the replacement unit); and
 - 2.2 The APCO shall ensure that such emission reduction credits shall be maintained throughout the operation of the source.
- 2-2-408 Permit to Operate, Final Action:** The APCO shall take final action to approve, approve with conditions, or disapprove a permit to operate a source subject to this Rule within 90 days after start-up of the new or modified source, unless such time period is extended with the written concurrence of the applicant.
- 2-2-409 Source Obligation, Relaxation of Enforceable Conditions:** At such time as the applicability of any requirement of this Rule would be triggered by an existing source or facility, solely by virtue of a relaxation of any enforceable limitation on the capacity of the source or facility to emit a pollutant, then the requirements of this Rule shall apply to the source or facility in the same way as they would apply to a new or modified source or facility otherwise subject to this Rule.
- 2-2-410 Permit Conditions:** The APCO may include any permit condition in an authority to construct or permit to operate that the APCO determines is necessary to ensure compliance with this Rule, including but not limited to conditions controlling the

operation of the source, of its abatement equipment, or of sources used to generate emission reduction credits to comply with Sections 2-2-302 or 2-2-303. Such conditions may have a future effective date and may be made conditional on the results of source tests, ground level monitors or public complaints.

2-2-411 Offset Refunds: The APCO may refund offsets provided for an authority to construct or permit to operate, and waive any associated banking fees, under the following circumstances:

411.1 Where an applicant has provided offsets in excess of those required for an authority to construct or permit to operate, the APCO shall upon request of the applicant refund the difference between the amount of offsets provided and the amount of offsets required, as long as such request is made within 2 years of issuance of the authority to construct or within 6 months of issuance of the permit to operate.

411.2 Whenever a source for which the owner or operator has provided offsets is not constructed (or is constructed but never operated), and the authority to construct ~~or permit to operate~~ for the source has expired or has been surrendered by the applicant, the APCO shall upon request of the applicant refund the offsets provided in connect with the authority to construct ~~or permit to operate~~, as long as such request is made within 2 years of issuance or renewal of the authority to construct.

2-2-412 Demonstration of NO_x ~~and~~ POC and PM_{2.5} Offset Program Equivalence: By March 1 of each year, the District shall submit to EPA a demonstration that NO_x ~~and~~ POC and PM_{2.5} offsets provided for all new and modified sources within the District, less adjustments to those offsets for federal purposes occurring between credit generation and use, exceed federal offset requirements for new major sources or major modifications at major stationary sources. Adjustment to emission reductions for federal purposes will be required if any of the following occur between the time the credit is generated and the time the credit is used:

412.1 BAAQMD adopts a relevant measure or rule that is required for purposes of federal attainment demonstration requirements.

412.2 A relevant rule or measure is approved into the State Implementation Plan applicable in the BAAQMD;

412.3 EPA promulgates a relevant final rulemaking for either a New Source Performance Standard or a Maximum Achievable Control Technology Standard.

The demonstration shall include:

412.4 Emission increases represented by all authorities to construct new major facilities and major modifications at major facilities issued during the three calendar years preceding the demonstration date;

412.5 A list of all emission reductions used to offset those emission increases;

412.6 The emission baselines that were used to calculate the emission reduction;

412.7 The source type, size and category that had generated the emission reduction credit;

412.8 All relevant rules that have been adopted or promulgated since the emission reduction had occurred.

412.9 Adjustments to emission reduction for federal purposes for all affected projects.

412.10 All of the above for as many non-major projects as are needed to demonstrate equivalence.

If the District has not submitted an analysis by March 1 that fails to makes the required demonstration for any pollutant, the District shall ~~provide sufficient offsets to make up the difference out of the Small Facility Banking Account. If the Small Facility Banking Account does not contain the necessary surplus emission reductions, the District shall obtain the necessary surplus emission reductions~~ adjust the offsets submitted for that pollutant in connection with any subsequent permitting of a new “major stationary source” as defined in 40 C.F.R. section 51.165(a)(1)(iv) or “major modification” as defined in 40 C.F.R. section 51.165(a)(1)(v) to the extent that any of the developments listed in subsections 412.1 through 412.3 have occurred between the time the offset credit was generated and the time the offset credit is used. The District shall not allow any offset credit in excess of this adjusted amount to be used for compliance with the offset requirements of Sections 2-2-302 and 2-2-303. The District shall continue to make this adjustment to offsets submitted in connection with the permitting of such major stationary sources and major modifications for all authorities to construct issued after March 1 until such time as the District makes the required demonstration of equivalence.

2-2-413 No Net Increase Status Report: The APCO shall publish, in conjunction with the triennial update of the Clean Air Plan (CAP), a report demonstrating that the District's permitting program complies with the no-net-increase requirements of Section 40919(b) of the Health and Safety Code. This report shall demonstrate that sufficient offsets have been provided, as required by Section 2-2-302, for all permits issued during the previous three year CAP period. This report shall be forwarded to the California Air Resources Board, Stationary Source Division, for approval.

2-2-414 BACT Workbook: The APCO shall publish and periodically update a BACT Workbook specifying the BACT requirements for commonly permitted sources. BACT will be determined for a source on a case-by-case basis, using the workbook as a guidance document, as the most effective control device or technique or most stringent emission limitation that meets the requirements of Section 2-2-202.

2-2-500 MONITORING AND RECORDS

2-2-501 Post-Construction Monitoring: The APCO may require as a condition in an authority to construct that the owner or operator of a facility for which the authority to construct is issued must conduct such ambient air quality monitoring as the APCO determines is necessary to determine the effect that emissions from the facility may have, or are having, on air quality in the area.

2-2-600 MANUAL OF PROCEDURES

2-2-601 Ambient Air Quality Monitoring: Ambient air quality monitoring required pursuant to this Rule shall be conducted in accordance with the methods prescribed in the Manual of Procedures, Volume VI., and 40 C.F.R. Part 58, Appendix B.

2-2-602 Good Engineering Practice (GEP) Stack Height: Stack heights beyond what is consistent with good engineering practices shall not be allowed for purposes of air quality modeling undertaken as part of any air quality analysis prepared in connection with an application for an authority to construct as required by Sections 2-2-305 through 2-2-308. This requirement does not limit the actual height of a stack, as long as good engineering practice stack heights are used in any such modeling analyses. Good engineering practice stack height shall be determined according to 40 C.F.R.

Section 52.100(ii) and EPA's *Guideline for Determining Good Engineering Practice Stack Height*, EPA Publication No. EPA-450/4-80-023R (June 1985).

2-2-603 Baseline Emissions Calculation Procedures: The following methodology shall be used to determine a source's baseline emissions for purposes of calculating an emissions increase or decrease from a source under Sections 2-2-604.2, 2-2-605.24, and 2-2-606.3:

603.1 Determine Baseline Period Ending Date: The date on which the baseline period ends is determined as follows:

- 1.1 For determining the amount of an emissions increase from a new or modified source, the baseline period ends on the date on which the application for authority to construct/permit to operate the new or modified source is determined to be complete.
- 1.2 For determining the amount of a contemporaneous emissions increase under Section 2-2-220 for a physical change or change in the method of operation of a source that was not a modification of the source, the baseline period ends on the date the change was first implemented at the source.
- 1.3 For determining the amount of a contemporaneous onsite emission reduction credit or a contemporaneous emissions decrease under Section 2-2-220, the baseline period ends on the date on which the emission reduction becomes enforceable.
- 1.4 For determining the amount of an emission reduction credit for which a banking certificate is sought under Regulation 2, Rule 4, the baseline period ends the date on which the banking application is determined to be complete.

603.2 Determine Baseline Period: The baseline period is determined as follows:

- 2.1 For all pollutants other than greenhouse gases, the baseline period is the three-year period immediately preceding the baseline period ending date established under subsection 603.1.
- 2.2 For greenhouse gases, the baseline period is determined as follows:
 - 2.2.1 For a new source, the baseline period is a period with zero throughput and emissions. For such sources, baseline emissions and adjusted baseline emissions are zero for all purposes under Section 2-2-603.
 - 2.2.2 For an existing source that first operated less than 24 months before the date on which the application for authority to construct/permit to operate is determined to be complete, the baseline period is a period with maximum potential throughput and emissions. For such sources, baseline emissions and adjusted baseline emissions are the source's pre-existing potential to emit for all purposes under Section 2-2-603.
 - 2.2.3 For a modification to an existing electric utility steam generating unit as defined in 40 C.F.R. Section 51.166(b)(30) that has operated for 24 months or more prior to the date of application, the baseline period is any period of 24 consecutive months selected by the applicant within the 5-year period immediately preceding the baseline period ending date established under subsection 603.1, or other

such time period that the APCO determines is more representative of normal source operation. For evaluating emissions from multiple sources, the same 24-month baseline period shall be used for all sources.

2.2.4 For a modification to any existing source other than an electric utility steam generating unit as defined in 40 C.F.R. Section 51.166(b)(30) that has operated for 24 months or more prior to the date of application, the baseline period is any period of 24 consecutive months selected by the applicant within the 10-year period immediately preceding baseline period ending date established under subsection 603.1. For evaluating emissions from multiple sources, the same 24-month baseline period shall be used for all sources.

603.3 Determine Baseline Throughput: Baseline throughput is the lesser of: (i) the actual average annual throughput during the baseline period; or (ii) the average permitted annual throughput during the baseline period, if limited by permit condition. If the applicant does not have sufficient verifiable records of the source's operation to substantiate its throughput during any portion(s) of the baseline period, the applicant is not entitled to credit for throughput during any such portion(s). Throughput shall be based on the source's operational parameter that correlates most closely to the source's emissions.

603.4 Determine Baseline Emissions: Baseline emissions are the actual average annual emissions during the baseline period (excluding any emissions that exceed any regulatory or permit limits). If the applicant does not have sufficient verifiable records of the source's operation to substantiate the emission rate during any portion(s) of the baseline period, the applicant is not entitled to credit for emissions during any such portion(s).

603.5 Determine Baseline Emissions Rate: The baseline emission rate is the emission rate per unit of throughput during the baseline period, calculated by dividing the source's baseline emissions by its baseline throughput.

603.6 Determine Adjusted Baseline Emissions Rate: The adjusted baseline emission rate shall be determined by adjusting the baseline emission rate downward, if necessary, to reflect the most stringent of RACT, BARCT, and applicable federal and District rules and regulations in effect or contained in the most recently adopted Clean Air Plan; except that for purposes of determining whether a source or group of sources constitutes a PSD Project under Section 2-2-224, the adjusted baseline emission rate shall not be adjusted downward to a greater extent than required under the provisions of 40 C.F.R. Sections 51.166(b)(47)(i)(b) and 51.166(b)(47)(ii)(b) & (c).

603.7 Determine Adjusted Baseline Emissions: The adjusted baseline emissions is the adjusted baseline emissions rate multiplied by the baseline throughput (except where otherwise specified under sections 2-2-603.2.2.1 or 2-2-603.2.2.2).

2-2-604 Emission Increase/Decrease Calculation Procedures, New Sources and Changes at Existing Sources: The amount of any emissions increase (or decrease) associated with a new source, or with a physical change, change in the method of operation, change in throughput or production, or other similar change at an existing source, shall be calculated according to the following procedures:

- 604.1 New Source: The emissions increase associated with a new source is the source's potential to emit.
- 604.2 Change to Existing Source: The emissions increase (or decrease) associated with a physical change, change in the method of operation, change in throughput or production, or other similar change at an existing source (including a permanent shutdown of the source) shall be calculated as the difference between: (i) the source's potential to emit after the change; and (ii) the source's adjusted baseline emissions before the change, calculated in accordance with Section 2-2-603.

2-2-605 Emission Reduction Credit Calculation Procedures: The amount of emission reduction credits associated with a physical change, change in method of operation, change in throughput or production, or other similar change at a source shall be calculated according to the following procedures:

- 605.1 Eligibility for Credit: To qualify as emission reduction credits, the emission reductions associated with any such change: (i) must be enforceable through permit conditions; through relinquishment of the source's permit; through physical removal of the source such that reinstallation would require a new permit under Regulation 2; or in the case of source shutdown where no permit is required for the source being shut down, through an alternative legally-enforceable mechanism; and (ii) must be real, permanent, quantifiable, and in excess of any reductions required by applicable regulatory requirements. Emissions that were offset with credits from the Small Facility Banking Account cannot be used to generate emission reduction credits.
~~Non-Fully-Offset Source: For a source that is not fully offset as defined in Section 2-2-213, the amount of emission reduction credits is the difference between: (i) the source's adjusted baseline emissions before the change calculated pursuant to Section 2-2-603; and (ii) the source's potential to emit after the change.~~
- 605.2 Fully-Offset Source~~Calculating Amount of Credit: -~~The amount of emission reduction credit associated with such a change shall be calculated as the difference between: (i) the source's adjusted baseline emissions before the change calculated pursuant to Section 2-2-603; and (ii) the source's potential to emit after the change.~~For a source that is fully offset as defined in Section 2-2-213, the amount of emission reduction credits is the difference between: (i) the source's potential to emit before the change, adjusted downward, if necessary, to reflect the most stringent of RACT, BARCT, and applicable federal and District rules and regulations in effect or contained in the most recently adopted Clean Air Plan; and (ii) the source's potential to emit after the change.~~
~~To qualify as emission reduction credits, the emission reductions associated with any such change: (i) must be enforceable through permit conditions; through relinquishment of the source's permit; through physical removal of the source such that reinstallation would require a new permit under Regulation 2; or in the case of source shutdown where no permit is required for the source being shut down, through an alternative legally-enforceable mechanism; and (ii) must be real, permanent, quantifiable, and in excess of any reductions required by applicable regulatory requirements. Emissions that were offset with credits from the Small Facility Banking Account cannot be used to generate emission reduction credits.~~

2-2-606 Potential-to-Emit (PTE) Increase Calculation Procedures for Purposes of Determining Cumulative Increase: For purposes of calculating cumulative increase under Section 2-2-607, the increase in a source's potential to emit associated with an authority to construct and/or permit to operate for the source shall be calculated according to the following procedures:

- 606.1 New Source: For a new source, the increase in potential to emit is the source's full potential to emit.
- 606.2 Modified Source – Offsets Previously Provided: For a modified source, if offsets have previously been provided for the source's emissions, then the increase in potential to emit associated with the modification is the difference between:
 - 2.1 the source's potential to emit after the modification; and
 - 2.2 the source's potential to emit before the modification, adjusted downward, if necessary, to reflect the most stringent of RACT, BARCT, and applicable federal and District rules and regulations in effect or contained in the most recently adopted Clean Air Plan
- 606.3 Modified Source – Offsets Not Yet Provided: For a modified source, if offsets have not previously been provided for the source's emissions, then the increase in potential to emit associated with the modification is the difference between:
 - 3.1 the source's potential to emit after the modification; and
 - 3.2 the source's adjusted baseline emissions before the modification calculated in accordance with Section 2-2-603.

For purposes of calculating the cumulative increase associated with a source, the source's emissions shall include emissions from cargo carriers (other than motor vehicles) associated with the source as specified in Section 2-2-610.

2-2-607 Cumulative Increase Calculation Procedures: The cumulative increase in emissions associated with an authority to construct and/or permit to operate for a source shall be calculated as:

- 607.1 Project Emissions Increase: the increase in potential to emit associated with the authority to construct/permit to operate determined in accordance with Section 2-2-606; minus
- 607.2 Contemporaneous Onsite Emission Reduction Credits: any contemporaneous onsite emission reduction credits at the facility calculated in accordance with Section 2-2-605 that are credited to the authority to construct/permit to operate.

The cumulative increase associated with an authority to construct/permit to operate issued in the past shall be determined using the increase in potential to emit and contemporaneous onsite emissions reductions credits calculated at the time of issuance of the authority to construct/permit to operate. Emission reduction credits may not be double-counted (e.g., an emission reduction credit may not be applied to the cumulative increase calculation for more than one authority to construct/permit to operate).

2-2-608 Facility Un-Offset Cumulative Increase Calculation Procedures: For purposes of applying the emission offset provisions of Sections 2-2-302 and 2-2-303, a facility's un-offset cumulative increase in emissions since the baseline date shall be calculated using the following procedures:

- 608.1 Project Cumulative Increase: The cumulative increase from the project being permitted shall be determined in accordance with Section 2-2-607.

- 608.2 Prior Un-Offset Cumulative Increase: For each previous authority to construct/permit to operate issued for the facility, and for any related source as defined in Section 2-2-226, after the cumulative increase baseline date as specified in Section 2-2-209 (but excluding any authority to construct/permit to operate issued because a source lost its permit exemption per Section 2-1-424 and any authority to construct/permit to operate for a source that has been permanently removed from service), the un-offset cumulative increase shall be determined by:
- 2.1 Calculating the cumulative increase associated with each previous authority to construct/permit to operate issued for the facility, and for any related source as defined in Section 2-2-226, determined in accordance with Sections 2-2-607; and
 - 2.2 Subtracting any offsets provided in connection with the authority to construct/permit to operate (including any offsets provided from the District's Small Facility Banking Account).
- 608.3 Facility Un-Offset Cumulative Increase: The facility's un-offset cumulative increase shall be determined by adding (i) the project cumulative increase calculated according to Section 2-2-608.1 and (ii) the un-offset cumulative increase from each previous authority to construct/permit to operate issued for the facility, and for any related source as defined in Section 2-2-226, after the cumulative increase baseline date as specified in Section 2-2-209 (but excluding any authority to construct/permit to operate issued because a source lost its permit exemption per Section 2-1-424 and any authority to construct/permit to operate for a source that has been permanently removed from service) calculated according to Section 2-2-608.2. Offsets shall be provided for the facility's un-offset cumulative increase multiplied by the applicable offset ratio specified in Section 2-2-302 and 2-2-303.

2-2-609 Official Record of Cumulative Increases and Offsets: The APCO may establish and maintain a database or other accounting document to record the cumulative increase (including project cumulative increase and associated emission reduction credits) and offsets associated with each authority to construct/permit to operate issued for a facility. In calculating the un-offset cumulative increase associated with a previous authority to construct/permit to operate under Section 2-2-608.2, the APCO may rely on the data specified in such document as conclusive, unless the APCO has information that indicates that some other data is more accurate. Records of cumulative increase and offsets shall be updated as necessary to ensure that they are current and accurate.

2-2-610 Facility Emissions Calculation Procedures, Cargo Carriers: For purposes of applying the offset requirements of Sections 2-2-302 and 2-2-303, a facility's potential to emit and cumulative increase shall be calculated including emissions from cargo carriers (other than motor vehicles) associated with the sources at the facility. When applying these offset requirements, facilities that include cargo loading or unloading from cargo carriers other than motor vehicles shall include the cargo carriers as part of the source that receives or loads the cargo. Accordingly, all emissions from such cargo carriers while operating in the District, or within California Coastal Waters up to 11 nautical miles (12.66 statute miles) from the Golden Gate Bridge (and any additional areas of California Coastal Waters adjacent to the District if cargo carrier emissions in such areas would have a substantial impact on air quality within the District), shall be included as part of the source's emissions. Emissions from cargo

carriers shall not be included for purposes of applying any other provisions of this Regulation, including the BACT and PSD requirements.

2-2-611 Emission Calculation Procedures, Fugitive Emissions: Any fugitive emissions from a source shall be included in calculating the source's emissions for all purposes under this Rule; except that for purposes of determining whether a facility's emissions exceed the 100/250 ton per year thresholds in Section 2-2-217 (for a "Major Facility") and Section 2-2-224.1 (the first element in the definition of "PSD Project"), fugitive emissions shall be included only if the facility is in one of the 28 categories listed in Section 169(1) of the Clean Air Act or is in any other stationary source category that was being regulated under section 111 or 112 of the Clean Air Act as of August 7, 1980.