

To: John Vasquez, Chair  
and Members of the Board of Directors

From: Mat Ehrhardt, P.E., Executive Director/APCO



Date: June 10, 2020

**Subject: Approve Resolution No. 20-01, Inter-District Transfer of Emission Reduction Credits from Tehama County Air Pollution Control District**

Recommended Action

- A. Approve the transfer of 32.94 tons of emission reduction credits (ERCs) for oxides of nitrogen (NOx) originally derived from Louisiana Pacific, located in the Tehama County Air Pollution Control District (TCAPCD), to Recology Hay Road (Recology) located in the Yolo-Solano Air Quality Management District (YSAQMD).
- B. Authorize the Chair to sign Resolution No. 20-02 approving the transfer.

Reason for Recommended Action

Prior to the District approving Authority to Construct (ATC) C-19-87, Recology must identify the source of the ERCs required by the application. Recology has attempted to purchase the necessary ERCs from certificate holders located within the YSAQMD but has been unsuccessful in identifying offsets within the District. As provided for by District rules and Health & Safety Code (H&SC), Recology has entered into an agreement to obtain the required ERCs from a source located in the Tehama County Air Pollution Control District (TCAPCD) which is also within the Sacramento Valley Air Basin. Pursuant to H&SC 40709.6(d), this inter-district transfer of ERCs must be approved by a resolution adopted by the Governing Board in each district.

Background

Recology operates a municipal solid waste landfill near Vacaville, within the YSAQMD, and operated under PTO P-85-06(a7). This landfill is currently permitted to receive 2,400 tons of municipal solid waste per day, 876,000 tons of municipal solid waste per year, and is permitted to operate a single flare to combust excess landfill gas produced by the landfill. On July 10, 2019, Recology submitted an Authority to Construct (ATC) application to increase the size of the blower pulling gas generated by the landfill and to install a second flare. Installation of a second flare will result in additional combustion of landfill gas which subsequently results in increased emissions and the need for NOx offsets. Per Section 409.3 of District Rule 3.4, Recology must supply evidence of a sufficient number of offsets to meet the offset obligation prior to the District approving the ATC. Approval of the use of offsets received from outside the District is considered part of the process to identify offsets.

Recology has attempted to secure sufficient ERCs from within the District but has been unsuccessful in finding a willing seller with sufficient NOx ERCs available at an agreeable price. This led Recology to propose using ERCs that originated outside the YSAQMD. District staff indicated use of such ERCs would be approvable provided the ERCs originated within the Sacramento Valley Air Basin as required by District Rule 3.4, Section 303.1.

On March 18, 2020, Recology's ERC broker submitted documentation for offsets proposed to be used to satisfy the NOx offset obligation to the District. These ERCs were originally banked in 1996 due to the shutdown of a wood-fired boiler at the Louisiana Pacific sawmill in Tehama County. In 2001, the ERCs were re-evaluated and a portion of the ERCs sold to another party. In accordance with Rule 3.4, Section 303.2, and CH&SC 40709.6(c)(1), District staff have reviewed the evaluation of the ERC banking application conducted by TCAPCD. District staff determined that the TCAPCD evaluation for the NOx ERCs meet the definition of "Actual Emissions Reductions" per Section 201 of District Rule 3.5 (and met the requirements of TCAPCD's rules as well), under the condition that all NOx ERCs issued by TCAPCD for the shutdown of the Louisiana Pacific wood-fired boiler are transferred to YSAQMD and subsequently surrendered, regardless of the current owner.

Based on the methodology used to bank the ERCs, YSAQMD is proposing to use a 4.1 to 1 offset ratio.. Section 303.1(a) of Rule 3.4 requires that ERCs used for non-major modification which were generated at a distance greater than or equal to 50 miles from the source are to be offset at a ratio of "greater than 1.5 to 1.0." Therefore, an offset ratio of 4.1 to 1 satisfies the District offset ratio requirement. Using the 4.1 to 1 offset ratio, the NOx offset obligation from the proposed project from Recology is reduced by 7.79 tons NOx.

The total NOx offset obligation of ATC C-19-87 is 9.86 tons. Recology proposes to offset the remainder of the obligation with offsets which originated from within the District (and which do not require Board approval for use).

#### Impacts

Prior to approving the transfer request, the District is required to consider the impacts on air quality, public health, and the local economy. The emission reductions being used to offset the emission increases from the project occurred in the same air basin as source is located, so the substantial and permanent reduction in the NOx emissions inventory is expected to have a net benefit to air quality in the Sacramento Valley. The net reduction in NOx emissions is expected to result in a reduction in public health impacts because NOx is a precursor to summertime ozone. Finally, the approval of the use of the ERCs will allow the approval of ATC C-19-87 with associated benefits to the local economy and accompanying benefit to the waste-disposal service provided to Solano County by Recology.

#### Budget Impacts

Budget impacts are expected to be minimal. Recology is being required to cover the costs associated with the analysis and preparation of Board documents for the ERC transfer.

#### Other Agency Involvement

In accordance with CH&SC 40709.6(d), a resolution approving the ERC transfer must be adopted by both the YSAQMD and TCAPCD Governing Boards before the transfer can proceed. District approval of the attached resolution satisfies the requirement that Recology identify the source of the offsets prior to District approval of ATC C-19-87. Prior to the transfer of the ERCs, the TCAPCD Governing Board will adopt a resolution approving the transfer. This must happen prior to implementation of the ATC into a Permit to Operate.

Attachments: Resolution No. 20-20-

**RESOLUTION NO. 20-01**

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT  
BOARD OF DIRECTORS**

**RESOLUTION APPROVING AN INTER-DISTRICT TRANSFER OF EMISSION REDUCTION CREDITS**

**WHEREAS**, the Yolo-Solano Air Quality Management District (YSAQMD) is a unified air pollution control district created pursuant to Health and Safety Code section 40150; and

**WHEREAS**, Recology Hay Road (Recology) applied for approval of a transfer of 32.94 tons of Oxides of Nitrogen (NO<sub>x</sub>) Emission Reduction Credits (ERC) from Louisiana Pacific in the Tehama County Air Pollution Control District (TCAPCD), ERC certificates 01-008 and 01-005 for use within the YSAQMD to offset 7.79 tons of NO<sub>x</sub> emissions; and

**WHEREAS**, the details of the request for transfer are contained in the application submitted by Recology and incorporated herein by reference, for use in relation to the modification of the landfill as authorized by Authority to Construct C-19-87 ("Project"); and

**WHEREAS**, Health and Safety Code sections 40709 through 40714.5 provide for transfers of emission reduction credits; and

**WHEREAS**, these sections provide for three types of transfers: intra-district transfers (the transfer of credits within an air district), inter-district transfers (the transfer of credits between air districts), and inter-basin transfers (the transfer of credits between air basins); and

**WHEREAS**, the transfer request made by Recology for ERC transfer from TCAPCD to YSAQMD is classified as an inter-district transfer; and

**WHEREAS**, Health and Safety Code (H&SC) §40709.6(d) provides that air districts must make findings prior to authorizing an inter-district transfer; and

**WHEREAS**, any offset credited pursuant to an inter-district transfer shall be approved by a resolution adopted by the governing board of the upwind district and the governing board of the downwind district, after taking into consideration the impact of the offset on air quality, public health and the regional economy; and

**WHEREAS**, H&SC 40709.6(d) allows the governing board of any district to delegate the authority to approve offsets pursuant to §40709.6(a) to its Air Pollution Control Officer (APCO) of the district; and

**WHEREAS**, the Governing Board of the YSAQMD has not delegated its approval authority under H&SC §40709.6(d) to its APCO for transfers exceeding 10 tons; and

**WHEREAS**, the proposed transfer of the NO<sub>x</sub> ERCs is scheduled for future consideration by the TCAPCD Governing Board as required by Health and Safety Code (H&SC) §40709.6(d) ; and

**WHEREAS**, the Project will meet all applicable federal, state, and local air quality statutes, rules, and regulations; and

**WHEREAS**, the Project will cause a net decrease in NOx emissions in the Sacramento Valley Air Basin; and

**WHEREAS**, the transfer of ERCs and their use as offsets by the Project will have a positive impact on the regional economy by allowing the development of the Project, which represents an investment in the regional economy and provides a service to Solano County and the region.

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors of the Yolo-Solano Air Quality Management District hereby finds, authorizes, directs, and declares as follows:

- 1) The Board of Directors of the YSAQMD has considered the application submitted by Recology concerning an inter-district transfer of emission reduction credits and hereby finds that the transfer will not have a negative impact on air quality, public health, or the regional economy pursuant to Health and Safety Code section 40709.6.
- 2) The Board authorizes the APCO to approve the transfer of 32.94 tons of NOx offsets issued to Louisiana Pacific for the shutdown of a wood-fired boiler in Red Bluff to YSAQMD for use to offset 7.79 tons of NOx emissions for the modification pending authorization by C-19-87.
- 3) The APCO is authorized to enter into any necessary agreements with Recology regarding the transfer, as set forth above.

**PASSED AND ADOPTED** by the Board of Directors of the Yolo-Solano Air Quality Management District this June 10, 2020, by the following vote:

Ayes:

Noes:

Absent:

Abstain:

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John Vasquez, Chair - Board of Directors  
Yolo-Solano Air Quality Management District

Attest:

Approved as to Form:

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Denise Almaguer, Board Clerk

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Hope P. Welton, District Counsel