

**RULE 3.6 PRIORITY RESERVE**

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**GENERAL**

101 **PURPOSE:** The Priority Reserve is established for the purpose of providing loans of emission reduction credits for use as offsets for new or modified stationary sources.

102 **APPLICABLE REQUIREMENTS:** Disbursement of emission reduction loans from the Priority Reserve shall be available, to the extent allowed pursuant to Sections 303 and 305, to publicly owned or non-profit essential public services, provided the applicant has secured all potential offsets available by modifying emission units at the same stationary source. Disbursement of emission reduction loans shall not be provided for on-site power generation. Disbursement shall not be provided for emissions units not necessary to provide or maintain public health and safety.

200

**DEFINITIONS:** Unless otherwise defined below, the terms used in this rule are defined in Rule 3.4, NEW SOURCE REVIEW, and Rule 3.5, EMISSIONS REDUCTION CREDITS.

201 **CLEANUP OPERATION:** Operation to remove environmental contaminants from soil or water.

202 **ESSENTIAL PUBLIC SERVICES:** Except as provided in Section 102, the following sources shall be considered essential public services:

202.1 Sewage treatment operations which are publicly owned and operated consistent with approved General Plans;

202.2 Prison, jail, correctional facility;

202.3 Police or fire fighting facility;

202.4 School or hospital;

202.5 Landfill gas control or processing systems;

202.6 Water delivery operations which are publicly owned and operated consistent with approved General Plans; and

202.7 Cleanup operations mandated by Regional Water Quality Control Board, California Department of Health Services, Environmental Protection Agency or any other state or federal law, rule or regulation.

203 **PRIORITY RESERVE:** A depository of emission reduction credits for applicable essential public services for use as offsets pursuant to Rule 3.4, NEW SOURCE REVIEW.

204 **QUARTERLY:** Calendar quarter beginning in January, April, July, and October.

### 300 STANDARDS

301 **CRITERIA:** The Priority Reserve shall be supported with actual emission reductions which are certified pursuant to Rule 3.5, EMISSION REDUCTION CREDITS.

302 **PRIORITY RESERVE:** Support of funding for the Priority Reserve shall include, but not be limited to:

302.1 The adjustment on all emission reductions in accordance with Rule 3.5, EMISSION REDUCTION CREDITS; and

302.2 Shutdowns or modifications of stationary sources or emission units not claimed for emission credits by the facility within 180 days of the surrender of the permit as provided in Rule 3.5, EMISSION REDUCTION CREDITS.

303 **ALLOCATION:** On or before December 31st of each year, the Air Pollution Control Officer shall determine the amount of emission reductions available for withdrawal from the Priority Reserve for the upcoming year. Quarterly allocations of each affected pollutant shall be established by the Air Pollution Control Officer.

Additional emission reductions not included in the yearly determination may be added, if the Air Pollution Control Officer determines there is a need, to the previously established quarterly allocations. Allocated emissions reductions shall be made available on the first Wednesday of each calendar quarter. The amount available shall never exceed the emission reductions in the Priority Reserve.

- 304 **DISBURSEMENT:** A loan of emission reductions from the Priority Reserve shall be based upon issuance of a Final Action on an Authority to Construct, pursuant to Rule 3.4, NEW SOURCE REVIEW, and no later than 15 days following the end of the calendar quarter or other schedule deemed applicable by the Air Pollution Control Officer. Applications which do not receive credits may be held for one additional calendar quarter.
- 304.1 Legal title to the borrowed emission reductions from the Priority Reserve remains in the District. An ERC certificate of ownership will not be issued for emission reductions loaned from the Priority Reserve.
- 304.2 A borrower from the Priority Reserve will be issued an ERC Bank account number and the borrowed emission reductions will be credited to that account.
- 304.3 Upon application by the borrower for an authority to construct or permit to operate the emission reductions in the borrowers account will be credited to the permit.
- 304.4 The District will enter the permit number and the amount credited from the borrowers account to that permit on the permit and in the borrowers account history.
- 305 **PRIORITY RESERVE PRIORITIZATION:** Priority shall be given to applications to the Priority Reserve the earliest date an application is deemed complete. The Board of Directors of the District may determine that a specific project shall be given priority for access to the Priority Reserve based on public health or safety, regardless of the application submittal date.
- 306 **RESERVING PRIORITY RESERVE CREDITS:** Sources may, at the discretion of the Air Pollution Control Officer, reserve Priority Reserve credits for up to three years to allow multi-year projects to be planned. The sum of such credits shall amount to no more than 25 percent of each calendar quarter allocation for the Priority Reserve for those three years.
- 307 **UNUSED CREDITS:** During any calendar quarter for which there are fewer requests for emission credits than are available for the calendar quarter allocation, the unused credits shall be made available for use the following calendar quarter. Except as provided in Section 302, such

unused credits may be transferred from one emission bank to the other at the discretion of the Air Pollution Control Officer.

308 **TRANSFERS:** Priority Reserve credits shall not be banked or transferred from one person to another.

309 **RETURNS:** Emission credits shall be returned in full to the Priority Reserve under any of the following conditions:

309.1 Construction is not complete within one year of date of issuance of the ERC Certificate.

309.2 Voluntary surrender or revocation of Authority to Construct or Permit to Operate.

309.3 Emission reduction credits are issued to the stationary source pursuant to Rule 3.5, EMISSION REDUCTION CREDITS.

310 **MORATORIUM:** Except as provided in Section 309, a loan of emission reduction credits shall exist for the life of the emissions unit using such credits. If the District Board of Directors determines that additional emission reductions are necessary, a moratorium on loans or termination of existing loans may be imposed. Prior to terminating loans or issuing a moratorium, the Air Pollution Control Officer shall provide a notice of the date of the meeting of the District Board of Directors to consider such actions. The loans shall be reissued or the moratorium shall be lifted upon determination that additional emission reductions are not necessary by the District Board of Directors.

#### 400 ADMINISTRATIVE REQUIREMENTS

401 **CALCULATION PROCEDURES:** Funding of the Priority Reserve with emission reductions shall be quantified pursuant to calculation procedures specified in Rule 3.5, EMISSION REDUCTION CREDITS.

402 **EMISSION REDUCTION CREDITS:** Any stationary source which holds Emission Reduction Credits for the affected pollutant requested in this application or a requested in prior applications, must first use these to replenish credits previously obtained or for the pending application, prior to being allowed access to the Priority Reserve.

**500 MONITORING AND RECORDS**

**501 RECORDS**

501.1 Each stationary source shall maintain a cumulative total of emission credits obtained from the Priority Reserve.

501.2 The District shall maintain records of the source and amount of emission reductions obtained for deposit in the Priority Reserve, and transfers of these credits to applicants.