

VENTURA COUNTY AIR POLLUTION CONTROL DISTRICT  
ADVISORY COMMITTEE MEETING  
February 24, 2015  
MINUTES

Chair Sara Head convened the meeting at approximately 7:33 p.m.

I. Director's Report

Mike Villegas, Air Pollution Control Officer, began by announcing Michael Kuhn decided not to renew his appointment to the Advisory Committee. Mr. Kuhn had been a member of the Advisory Committee for over 36 years. Supervisor Foy's office asked him if he wanted to be reappointed and he declined.

The Board will honor Mr. Kuhn at the April 14<sup>th</sup> meeting (the meeting starts at 1:30 PM). Mr. Villegas recounted early meetings that ran after midnight when staff would bring two or three rules to the Committee at a time. Ms. Head noted Mr. Kuhn was chair of the committee for much of that time. Mr. Villegas commented that Mr. Kuhn did excellent work for the District over his time on the Committee, serving for numerous County Supervisors representing the 4<sup>th</sup> District. There was general discussion and agreement that Mr. Kuhn's efforts were a major contribution and the Committee and District were grateful.

Mr. Villegas went on to summarize briefings he provided for the Board on three emerging air quality issues. The USEPA is proposing a new ozone standard which will be more stringent. It is currently 75 parts per billion (ppb) over eight hours. They proposed a range of 65-70 ppb. If they choose 70, Ventura County should make it given current trends. If they choose 65 ppb, it will be a challenge to achieve attainment.

Mr. Villegas noted the USEPA did not propose a range down to 60 ppb, which the Clean Air Scientific Advisory Committee (CASAC) recommended. USEPA scientists determined there was too much uncertainty in the science on health impacts at the 60-ppb level. He believes attaining a standard at 60 ppb would be very difficult for Ventura County.

The other news on the air quality standards is the USEPA finalized the implementation rule for the existing standard. Staff can now get going on our air quality management plan to achieve the current standard. There was much concern recently due to discussions of changing the base year. Much work had already been done based on the proposed rule, however, and USEPA did not change the base year in the final rule.

Mr. Chuck Thomas, Rules, Planning and Incentives Manager with the District, noted that the standard associated with this implementation rule was adopted in 2008. Mr. Villegas stated the new standard is already about to be finalized, and is under court order to be finalized by October 1, 2015.

Mr. Villegas stated he also updated the Board on personal air quality monitors, and offered to present that information to the Committee if they wanted at a future meeting.

The final recent issue is the air toxics program. The California Office of Environmental Health Hazard Assessment (OEHHA), as required by the Children's Health Protection Act, examined health impacts of air toxics on children. OEHHA looked at impacts in the ranges of the third trimester, 0 to 2 years of age, and 2 through 16 years of age. The results indicated calculated cancer risks from air toxics are 2.7 to 3 times higher than the current model predicts for children with no change in emissions. So the cancer risk from a gasoline dispensing facility related to benzene or 1, 3 butadiene could go up by a factor of three.

Mr. Villegas stated he would provide a study session on this issue for the Committee. It may not impact our rules, but it will likely impact operations in our air toxics program. It could make it more difficult to permit some sites. The good news is, larger gasoline stations are generally on large parcels, which keeps the first home a little further away. For example at Costco, since it is a big box store, the first home is pretty far from the gasoline dispensing facility.

Committee Member Joan Burns asked for clarification on how this will not impact District rules, but could make it harder to issue permits. Mr. Villegas responded that we use the state air toxics control measures as a basis for our air toxics program. Other than possibly gasoline stations, where the District has its own rules, the Committee will not see new or revised rules related to this change since the District implements the state program.

The most consistent number for significant health risk in the 35 air districts in California is 10 in a million. That is the bright line between significant and non-significant impacts. If you have a facility that causes 11 in a million, we will have problems issuing that permit. The problem sources will be gasoline dispensing and possibly hospital emergency generators. Since hospitals tend to be located in residential neighborhoods, the engine houses can be right next to someone's backyard.

The Final issue to discuss today is the proposed power plant in Oxnard. It is called the Puente Power Project and has been proposed by NRG. The existing Mandalay unit, with about 500 MW, will be replaced with a unit in the range of 262 MW. It will be a single turbine, combined cycle, natural gas fired. We are going to the Board on March 10<sup>th</sup> with an indemnification agreement with NRG. The agreement will indemnify the District from lawsuits related to issuing that permit.

Power plants are permitted by the California Energy Commission (CEC). The District has a two-step permitting process – Authority to Construct and Permit to Operate. The CEC considers our Authority to Construct a “preliminary determination of compliance” and the Permit to Operate a “final determination of compliance”. Our Permit to Operate will become part of the CEC license. We expect a lot of opposition from people in the City of Oxnard and Mr. Villegas

discussed our lack of indemnification rule with NRG. NRG agreed to indemnify the District for this project.

Permitting turbines is pretty straight forward. They are extremely clean and the control technology is well defined. They just permitted a unit in the San Joaquin District and one down at Carlsbad. So the best available control technology determination will be very straight forward as well. The air permit will be fairly simple. The modeling will be complicated, but there is no doubt we will issue the permit because the facility will be able to comply.

A Committee Member asked about considerations due to taking Mandalay out of service. Mr. Villegas stated they will get credit for the emissions reductions associated with removing Mandalay. For both air quality and visual impact considerations the new turbine will be a major improvement. But some folks in Oxnard are not seeing it that way.

Committee Member Keith Moore noted since the turbine will be combined cycle, the exhaust will be around 400 degrees. That waste heat can be used to create fresh water. Since we are in a drought situation we need to find new sources of water. An estimated 35,000 acre feet of water can be generated from that waste heat. It is not a big number, but it is significant for Oxnard and it will be high quality, pure fresh water. So not only will this be a power source but it could also be a water source which could be a big detail for public opinion.

Mr. Villegas stated another benefit is the cooling water issue. The reason Mandalay and Ormond Beach plants must shut down by 2020 is the once through cooling water regulation. This prevents entrainment of sea life. But the cooling water for Mandalay is pulled from the Edison Canal, and that circulation helps the canal and harbor. Without the circulation the harbor could become a stagnant pond.

Committee Member Steven Wolfson asked about the estimated life span of the new facility. Mr. Villegas said he did not know, but there was consensus that most power plants are permitted and expect to operate for at least 30 years.

Mr. Villegas stated what NRG is proposing fits in with a renewable energy strategy. Looking at wind and solar, you have cloudy days and calm days so you need power infrastructure that can ramp up quickly. So instead of a boiler that takes up to 48 hours to be able to generate full load, a turbine can come up in a matter of hours. The proposal will also include taking down Ormond Beach generating station. The City of Oxnard will have a smaller plant at Mandalay and Ormond will be removed completely. The stack at the proposed turbine will be much shorter than the current Mandalay plant.

There was general discussion of the benefits of siting the plant with existing fuel and transmission infrastructure. The big issue is the public's opposition to building on the beach – they want new power plants somewhere they will not see them. There was a question about noise, and a general discussion of the noise reduction processes and equipment. It was noted that

the location on the beach is ideal for a turbine since the cool, dense air is needed for proper operation.

That concludes the Director's Report.

II. Call to Order

Chair Sara Head called the meeting to order at approximately 7:47 p.m.

III. Roll Call

Present

Joan Burns

Robert Cole

Raymond Garcia

Sara Head

Martin Hernandez

Randy Johnson

Kim Lim

Paul Meehan

Keith Moore

Richard Nick

Steven Wolfson

Absent

Thomas Lucas (excused)

Alice Sterling (excused)

Hugh McTernan (excused)

Staff

Mike Villegas

Chuck Thomas

Tyler Harris

Public

None

IV. Minutes

Committee Member Raymond Garcia made a motion to approve the minutes as drafted and commented that they are very detailed. Ms. Burns seconded the motion. Minutes were approved as drafted with unanimous vote.

V. Committee Comment

Committee Member Keith Moore stated he was at an environmental conference in San Diego last week. Ms. Head noted she was there as well. To provide a quick summary, they discussed the status of upcoming legislation and regulations. There were big discussions about global warming and the CO2 regulations, and some sentiment that they might not go anywhere. There were

presentations on HCl, mercury, SO<sub>2</sub>, NO<sub>x</sub>, all of the regulations on the books and those coming down throughout the country. There was significant focus on the ozone standard. Barry Wallenstein gave a presentation and afterwards Mr. Moore asked him about emissions credits from traffic light synchronization. Mr. Wallenstein's response was that there is some funding available to promote synchronization but there are no programs to issue credits. Mr. Moore asked if District staff had any additional information.

Mr. Villegas stated that we have a staff member that works regularly with the Transportation District. They have funding from the Congestion Mitigation and Air Quality Improvement (CMAQ) program. Some of those funds have been used by the cities for signal synchronization. Mr. Moore followed up with a question/suggestion about providing offset credits if someone were to purchase and install such lights, could they get usable emission reduction credits? He said this is a measureable and important benefit to air quality, especially when we are so close to attainment.

#### VI. Public Comment

There was no public comment. No members of the public attended the meeting.

#### VII. Election of Officers

Chair Head requested nominations for the offices of Chair and Vice Chair. A Committee Member asked Ms. Head if she would continue as Chair. She said she was willing to do so. Mr. Moore nominated her for the position of Chair and Ms. Burns seconded the nomination. Ms. Head was elected unanimously to the office of Chair. She noted that last year or the year before she was not at the meeting when she was elected Chair.

Committee Member Paul Meehan volunteered to be Vice Chair. Chair Head called for a vote and Mr. Meehan was elected unanimously to the office of Vice Chair.

#### IX. New Business

Mr. Tyler Harris, Air Quality Engineer with the District, gave a presentation on the proposed revisions to Rule 42, Permit Fees. State law authorizes local air districts to impose fees to support their operations. In addition, the legislature often includes a clause in legislation affecting air districts stating they are denied reimbursement for costs associated with the mandate because they can impose fees and fund their own operations.

Permit fees currently cover 38.5% of district revenue. The district receives no property tax or County general fund revenue. For the fiscal year 2014-2015, District budgeted operating revenue is \$7.4 million and expenses are \$7.7 million. This leaves the District with a structural deficit of \$300,000. We expect federal grants to decrease in the coming years, leading to greater structural

deficits. The revenue and expenses discussed do not include pass-through grants such as the Carl Moyer Program funding.

Mr. Wolfson asked about the Department of Motor Vehicle fee revenue and the last time it changed. Mr. Harris responded that the fee was recently reauthorized, but it did not change.

Mr. Meehan asked for additional information on the reasons we expect the federal grant funding to decrease. Mr. Villegas stated that although the federal budget is improving, we have a new congress that is unhappy with the USEPA and our funding comes through USEPA. USEPA upper management has already told local and state grant recipients that fiscal year 2015 funding should remain flat, but they expect to get the budget axe in fiscal year 2016. Mr. Villegas plans to meet with the congressional delegations representing Ventura County, to discuss this issue.

Mr. Villegas will explain that although Congress may not be happy with USEPA, our District has a great working relationship with the local regulated community. Cutting the state and local budgets while tightening the standard gives the local agencies more work to do with fewer resources. Some republicans may support pass-through grant funding to the states, but cutting funding for internal USEPA activities.

Mr. Meehan asked if staff knows what the new percentage of federal grant funding is likely to be. Mr. Villegas said he does not know what congress will do so there is no way to know the future grant funding. Ms. Burns stated that the cuts are not a performance indicator but across the board cuts and Mr. Villegas agreed.

Mr. Moore stated that the standards are getting tighter and new regulations are coming all of the time so the District's workload is not going down. The permit fees are needed to make up the difference. Mr. Villegas agreed and noted USEPA is supposed to review the standards every five years. Mr. Moore followed up with a question about an expense budget to compare to the revenue slide.

Mr. Villegas gave a summary of how he prepares the expense budget. We must be conservative when preparing the budget. We assume every position is filled. However, when someone retires it often takes months or even a year to fill the position, resulting in significant savings to the budget. For the past several years, we have gone back to the Board at the end of the year with a net savings. The District is in very good financial shape, but we have been warned that the federal grant will be reduced in federal fiscal year 2016, so we are getting ready for that.

A Committee Member asked if the District retains a reserve. Mr. Villegas stated the District has a large reserve. The Board wants us to keep about \$4 million in reserve and right now we have \$12 million. However, we are currently in the process of purchasing a built-to suit building in Camarillo. This will reduce our annual costs for rent and we will be more centrally located in the county. Without the building, we would expect to burn through most of the fund balance and have a pile of rent receipts. If we have a building, the District owns a building and the land, a tangible asset rather than rent receipts.

Mr. Meehan asked if the Advisory Committee meetings would then be held in Camarillo. Mr. Villegas responded that they would, so bicycling to the meeting will be more difficult for Ventura residents.

A Committee Member asked if the asset will be helpful with funding. Mr. Villegas responded that it would not, but it does reduce operating costs. He surveyed other districts that own buildings and they have saved quite a bit of money by paying building maintenance rather than rent. In addition, we are building a one-story building. This avoids elevator maintenance and insurance, which would be required by the Americans with Disabilities Act if we bought a two-story building.

A Committee Member asked if the District had considered purchasing an existing building. Mr. Villegas stated we looked everywhere and worked with multiple commercial realtors but were unable to find a suitable building at an affordable price.

Mr. Villegas is reporting to the Board on the building status in closed session on April 14<sup>th</sup> (closed session due to price negotiations). The developer quoted a price, but the City of Camarillo requires a development fee associated with the Springville bridge/exit and widening of Ventura Blvd. This is similar to Oxnard, where new development pays for infrastructure to support it. That share of the cost is what we are negotiating now. We expect to complete a sale agreement this year and it will take about 18 months to build.

Mr. Harris continued with the presentation, discussing the programs supported by the permit fees: permitting, source testing, compliance inspections, rule development, planning and overhead. Permit fees are only part of the revenue that supports these operations. Also, the monitoring program is not supported by permit fees.

Salaries and benefits amount to about  $\frac{3}{4}$  of the District operating budget expenses. Staff levels have been reduced, but we expect to maintain staffing at 50 positions. We project salaries and benefits will increase at a rate of 2% annually to account for inflation. While we currently have 49 full time positions on the books, management is considering adding a position due to changes in air toxics laws that were discussed earlier.

The proposed revisions to Rule 42 include an increase in the permit renewal fees of 2.5% effective July 1, 2015. The minimum annual renewal fee for most sources will increase by \$14 to \$565 per year. This will increase the District's operating revenue by approximately \$55,000 per year. The California Consumer Price Index has increased by the same 2.5% since the last time fees were adjusted in April 2013. That is data from April 2013 through October 2014, which is the last month with available data. Approximately  $\frac{2}{3}$  of sources pay the minimum fee, which is proposed to increase to \$565, so the real increase for the vast majority of sources is only \$14 per year. Since the structural deficit is \$300,000, this increase only covers a portion of the deficit.

Mr. Harris showed tables of the current and proposed fee rates (available in the staff report). The fee rates increase \$2 for ROC, NO<sub>x</sub>, PM and "Other Pollutants" (not specified here) and \$1 for SO<sub>x</sub>. No increase is proposed for carbon monoxide. A Committee Member asked why the fee

rates are so much lower for CO and SO<sub>x</sub>. Mr. Villegas responded that the District is in attainment for those pollutants.

Mr. Harris noted that the permit renewal fees are based on permitted emissions, not actual emissions. The total permit renewal fee is calculated as the sum of all of the fees calculated for each individual pollutant, but there are also minimum fee rates (see staff report). Whatever permitted pollutant has the highest annual permitted emissions (not including carbon monoxide) is used to determine the minimum annual fee.

The total fee is calculated using the permitted emissions for all pollutants. The resulting fee is compared to the minimum fee listed for the individual pollutant with the highest permitted tons per year emissions. The facility must pay the higher of the two. Again, 2/3 of the facilities will pay the minimum fee, proposed to increase \$14. Mr. Harris showed an example calculation.

Mr. Moore asked why there are a pounds per hour and a tons per year fee. Mr. Harris explained that the fees are structured this way to account for the overall amount of emissions from a facility (tons per year) but also to account for the impact a facility can have on attainment of an hourly standard. Since ozone in particular is an hourly (or 8-hour) standard, we charge fees based on the amount of a precursor pollutant the facility can emit per hour because that affects ozone concentrations during a high ozone event.

Mr. Moore asked if emission credits affected this calculation. Mr. Villegas stated the credits are owned by facilities but they do not figure into this calculation. Companies own most of the available credits, except for a few owned by the District which we are working to make available. For example, oil companies are significant credit owners and Edison owns lots of credits because they convinced many farmers to go to electric pumps back in the 1980s and 1990s and they received a significant amount of emission reduction credits.

Mr. Moore asked if the shutdown of Mandalay would generate credits. Mr. Villegas said it will, but USEPA regulations say you must use the permitted emission rate for the increase from a new facility, but for shutting down an existing facility you only get credits for actual emissions. The existing Mandalay plant runs very rarely because it is an expensive plant to operate. So it doesn't get called to feed the grid very often by the state. We are not sure if Mandalay's existing actual emissions will be enough to completely offset the permitted emissions of the new plant. So they may have to purchase supplemental credits.

Mr. Moore asked about the value of NO<sub>x</sub> credits. Mr. Villegas stated NO<sub>x</sub> and ROC, the precursors to ozone, are currently running between \$40,000 and \$70,000 per ton. As an example, ROC was the last significant trade for the new Food 4 Less gas station at Vineyard and Esplanade Drive. They are tearing down the old store and building a new store with a very large gasoline dispensing facility. They paid about \$70,000 per ton. Every year the District must report the emission reduction credit sale prices to the state. Credits are much more expensive in the South Coast District. Ms. Head stated she believes particulate matter goes for \$100,000 per pound.

There was discussion of the price of credits and the business opportunities in emission reduction credits. Mr. Moore again mentioned the traffic light synchronization issue since reductions can be measured at each light that is upgraded.

Mr. Harris summarized the presentation and asked for questions. Mr. Villegas noted the District held a public workshop and had one person in attendance representing the City of Ventura Water. They were looking at emissions from their wastewater operations and wanted to understand the impact on their fees, but they had no objection.

Ms. Head stated she is surprised there is no public attendance because in her 22 years on the committee the fee rules have been the most contentious. The fact that no one is here says something about the opinion of the regulated community. Committee Member Kim Lim stated it is very reasonable to have a small increase such as this.

Mr. Villegas stated we have kept our costs down. When he took over we had 64 staff and now we have 49 and are budgeting at 50 in case we need to add another staffer to deal with air toxics. We are going to try an internal shifting of staff first to see if we can stay at 49. Industry knows we run a tight ship.

Mr. Wolfson stated he went back and looked up the information about the rate increase two years ago. The District went from \$9.8 million surplus then to \$12.4 million now. You went from \$4 million for a building and now you are looking at about \$7 million. Six months' worth of reserve is \$4 million, so you have \$1.4 over that even with the building cost. So the question is, how much is enough?

Mr. Villegas stated he has said to the Board, they want six months' reserve and that is \$4 million. Board members respond saying they would rather have it higher than that. By the time we pay for the building, which will be over \$6 million, and then pay for the move, we will use \$7 million of the reserve. Our office furniture is out of production and we will buy all new cubicles, etc.

Mr. Moore stated the challenge, which the committee has discussed before, is that we are on a per ton or per pound basis. We have standards that are continuing to reduce emission rates. So you don't generate more money as facilities install improved technologies to reduce emissions. The permit value decreases, and the fee equation will have to be revisited because the result is always going down. As standards tighten up, the permit, per pound income is going down and the District has fixed or probably increased requirement for funds. The lowering income line will cross the rising expense line and make the situation difficult. We can almost predict when the lines will cross by drawing lines out from the curve.

Mr. Villegas responded that this is one of the things that makes our job tougher. When we are successful we tighten our budget. However, the expected decrease in permitted emissions isn't really occurring as much anymore. Also, new facilities move into the District. We are not seeing a real drop year to year. We actually saw an increase recently when the price of oil hit about \$100 per barrel because we were buried in oil and gas permit applications. People were drilling, but that changed now that oil went down to \$50 per barrel.

Even as we add controls, the population of the county increases. Growth is another factor that affects permitted emissions and therefore revenue.

Committee Member Randy Johnson asked about the impact of staff reductions over the last 20 years on the budget. Mr. Villegas responded that the cost of salaries and benefits has come down a bit, but it has been offset by rises in pension contributions and health care insurance costs. Ventura County retirement plan is pretty well funded at approximately 80% of its target. The County is asking all agencies – County employees, APCD and Regional Sanitation District – to increase contributions. So for each employee, the salary has gone up very little; it has barely kept up with inflation. But we are seeing a higher retirement contribution and health insurance contribution. So even though we reduced employees, the cost has stayed level. Mr. Johnson noted this agrees with earlier statements about costs meeting revenue and will likely need to be revisited in the future.

Mr. Meehan stated he is conflicted about this issue. He is hesitant to vote for a fee increase unless there is a strong rationale behind it. The justification here does not seem that strong. The District is above its target on its reserve. You are expecting a decrease in the federal grant but do not know if it is going to happen or how much. Some fees, for example the filing fee for a mailing address change of \$225, seem substantial. However, this is all offset by the fact that you held a workshop and only one person showed up – so no one is interested.

Mr. Villegas stated the District has control of 38% of our revenue – the permit fees. If our federal grant goes down a couple hundred thousand dollars (current grant is \$1.1 million), it is a pretty significant hit to us. We have the fund balance to ride it out, but it is like steering an air craft carrier – you have to adjust early. So that is what we are trying to do. We are trying to stay ahead of the curve so we don't get in trouble. Just before Mr. Villegas took over the District, they did a 15% increase, another 15% increase, and a 10% increase. They were making very large fee increases. When I took over, industry had had enough so we cut staff and balanced our budget that way.

I am now trying to stay ahead of the curve with minor adjustments so we don't get into those situations because it was awful. Ms. Head pointed out those big increases were necessary because the District had no fee increases for a number of years. The hearings for those big jumps were really contentious. The little adjustments to keep up seem to go over better. Ms. Burns agreed and thinks we have a good argument for staying ahead of the curve.

Mr. Lim stated he thinks it is a good idea to bring in the money if the District is adding another FTE. The added FTE will probably cost more than the \$100,000. Mr. Villegas stated with benefits that is correct.

Mr. Garcia made a motion to approve the proposed revisions to Rule 42, Permit Fees. He stated he doesn't think it is a large increase but it is probably necessary at this time. Committee Member Martin Hernandez seconded the motion.

The Chair asked if there was any further discussion, and hearing none called the question. Mr. Villegas called the roll and the motion passed with ten in favor and one opposed.

Mr. Villegas thanked the Committee and stated there would be a meeting next month regarding a focused rule change. There are a couple of homes right next to a very small oil field operation. We are proposing to change the rule so oil field tanks within 300 feet of a residence require vapor recovery. There was a brief discussion among the committee members and Mr. Villegas confirmed the date of the next meeting will be March 24, 2015.

X. Adjournment

Having no further business, the Chair adjourned the meeting at approximately 8:30 p.m.

Prepared by:

A handwritten signature in blue ink, appearing to read "Tyler Harris", with a horizontal line extending to the right.

Tyler Harris  
Air Pollution Control District Staff