



W. James Wagoner
Air Pollution Control Officer

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ANGELA THOMPSON, CHAIR
Vice Mayor, Biggs

ALAN WHITE, VICE CHAIR
Mayor, Paradise

BILL CONNELLY
Supervisor, District #1

LARRY WAHL
Supervisor, District #2

MAUREEN KIRK
Supervisor, District #3

STEVE LAMBERT
Supervisor, District #4

KIM YAMAGUCHI
Supervisor, District #5

SCOTT GRUENDL
Councilmember, Chico

JERRY ANN FICHTER
Mayor, Gridley

CHERI BUNKER
Councilmember, Oroville

Minutes of the Butte County Air Quality Management District Governing Board of Directors Meeting of October 27, 2011

Members Present

Angela Thompson
Alan White
Bill Connelly
Larry Wahl
Maureen Kirk
Scott Gruendl
Jerry Ann Fichter
Cheri Bunker

Vice Mayor, City of Biggs
Mayor, Town of Paradise
Butte County Supervisor
Butte County Supervisor
Butte County Supervisor
Councilmember, City of Chico
Mayor, City of Gridley
Councilmember, City of Oroville

Staff Present

W. James Wagoner
Robyn Sousa
David Lusk
Cora Collins
Greg Einhorn
Air Pollution Control Officer
Clerk of the Board
Senior AQ Engineer
Admin. Assistant
District Legal Counsel

Members Absent

Steve Lambert
Kim Yamaguchi

Butte County Supervisor
Butte County Supervisor

Others Present

David Sigler
Steve Schoonover
Linda Furr
Benjamin Scarfe
Josh Cook
Steven Seidenglanz
Element Markets
Chico Enterprise Record
League of Women Voters
Wild Goose
Resident of Chico Ca.
Hwy 70 Industrial Park

Agenda Item 3.1

1. Call to Order

Chair Thompson called the meeting to order at 10:07 a.m. at the Chico City Council Chambers, 421 Main Street, Chico, California.

2. Additions and Deletions to the Consent Agenda

There were no additions or deletions to the consent agenda.

3. Consent Agenda

- 3.1 By Consent, approve Minutes of the September 22, 2011 Meeting of the Board of Directors.
- 3.2 By Consent, accept and file, Activity Report of Butte County Air Quality Management District.
- 3.3 By Consent, accept and file, Financial Status Report for Fiscal Year 2011-2012.
- 3.4 By Consent, accept and file, report on Calendar of Events.
- 3.5 By Consent, approve reappointment of District Hearing Board Members.

Action Requested: Approve Consent Agenda Items 3.1 through 3.5.

There were no public comments.

Motion: Approve Consent Agenda Items 3.1 through 3.5.

AYES: Vice Mayor Thompson, Mayor White, Supervisor Wahl, Supervisor Kirk, Councilmember Gruendl, Mayor Fichter (motion), Councilmember Bunker (second)
NOES: None
ABSTAIN: None
ABSENT: Supervisor Connelly, Supervisor Lambert, Supervisor Yamaguchi

Motion Carries.

4. Items Removed from the Consent Agenda for Board Consideration and Action.

There were no items removed from the consent agenda.

Regular Agenda

5. Report on Wild Goose Gas Storage Facility Expansion Project.

Supervisor Connelly arrived and joined the Board at 10:10 a.m.

David Lusk updated the Board on the status of the Wild Goose Gas Storage Facility Expansion Project. Wild Goose originally applied for Authority to Construct permits for the Plant 4 expansion project in April. The applications had been reviewed and draft permits proposed pending surrender of offsets to mitigate NOx emission increases from the expansion. Wild Goose had not secured credits for the project expansion. At the September Board meeting, Element Markets submitted a request to transfer credits from Sutter County for this project. The item was continued.

Subsequent to the September Board meeting, Wild Goose Storage has submitted applications to reduce Plant 1 operating parameters to mitigate NOx emissions and allow the Plant 4 permits to be issued. Wild Goose also submitted a letter to the District stating they wish to apply for permits to re-instate the original operating parameters upon securing credits. No applications are currently pending for the Wild Goose facility.

There were no public comments

The Board took no action on this item.

6. Continued from September 22, 2011 meeting: Consider request to transfer Emission Reduction Credits (ERCs) from Feather River Air Quality Management District to Butte County Air Quality Management District for the Wild Goose Expansion Project.

David Lusk presented the following to the Board regarding Item 6 that had been continued from the September 22, 2011 Board meeting. Element Markets has requested to transfer 10.4 tons of NOx emission reduction credits into the District. Your Board approved an ERC Transfer Policy which incorporates the findings required in HSC Section 40709.6 (d) in 2004 to guide in the evaluation of such request. The Feather River Governing Board approved to transfer ERCs out of their district on October 3rd.

HSC 40709(d) requires your Board to consider the impact on air quality, public health, and the regional economy. Elements Markets has considered these factors and staff concur with the evaluation. The proposed credits have been evaluated and approved by the Feather River District in accordance with Rule 10-2 and been determined to be real, quantifiable, surplus, permanent, and enforceable and meet the criteria for banking.

The ERC policy provides guidance on the reserve balances of credits in the District and this transaction will increase the reserves of NOx.

Staff's recommendation is to approve the transfer request after considering the findings as noted in the proposed resolution and to authorize the APCO to execute a Memorandum of Understanding with the Feather River district relating to this transfer request.

Chair Thompson opened the floor for comments from the public.

Benjamin Scarfe on behalf of Wild Goose appeared and supported staff recommendations.

Mayor White asked Mr. Scarfe if there had been discussion since the last board meeting between Wild Goose and owner of the available credits within the County. Mr. Scarfe stated that he was not in a position to answer Mayor White's question.

Supervisor Connelly stated he felt that the Board gave distinct direction to staff and perhaps direction had not been followed. Supervisor Connelly stated that he would like to continue this item to the next regularly scheduled meeting to allow time to sort through it.

Josh Cook handed out a document to the Board entitled "Local Active Thriving Air Credit Marketplace". Mr. Cook discussed how he felt the Board could foster a local active thriving credit marketplace. He believed the message to

everyone was "clean up your project" take those credits and put them in the bank. Allowing credits to be moved around, local people will never make the investment to clean up.

Councilmember Gruendle asked Mr. Cook if the market should be more than just local? Mr. Cook replied, yes, you would be interested in a market that goes both ways. Maybe Chico can clean up and sell credits to other areas. Cap and trade creates opportunities.

There was discussion regarding the fair market value of the credits and the difficulty finding similar type of credits sold in the area.

Mr. David Sigler with Element Markets explained to the Board that Element Markets is based in Texas; however, does have offices across the country, including California. He noted that Wild Goose decreased the size of the project but had plans to expand to the original levels. He believed that Wild Goose has been in communication with the owners of the credits available in the County for well over a year and they have not been very responsive.

Jim Wagoner clarified to the Board that the direction to staff was to continue the item to the October Board meeting as reflected in the minutes. Board members discussed allowing time for additional communication between the parties involved but staff was not to mediate the negotiations.

ACTION REQUESTED:

- 1. Approve request after considering findings required by Health and Safety Code Section 40709.6(d).**
- 2. Authorize the Air Pollution Control Officer to execute the Memorandum of Understanding (MOU) with Feather River Air Quality Management District relating to this transfer request.**

Motion: I move to continue this item to the December 8, 2011 meeting.

AYES: Vice Mayor Thompson, Mayor White, Supervisor Connelly (motion), Supervisor Wahl, Councilmember Gruendl, Mayor Fichter, Councilmember Bunker (second)

NOES: Supervisor Kirk

ABSTAIN: None

ABSENT: Supervisor Lambert, Supervisor Yamaguchi

Motion Carries.

- 7. Consider participation in U.S. EPA Pilot 105 Grant Program, including requesting federal Prevention of Significant Deterioration (PSD) permitting authority.**

Jim Wagoner presented the following information to the Board. This item is related to a grant opportunity offered by from the U.S. Environmental Protection Agency (EPA).

This money is available to Districts that do not currently receive these grants. This is one-time money for the current fiscal year administered through the California Air Pollution Control Officers Association (CAPCOA); the amount available to the District is \$60,451.

EPA has informed the District that a condition of receiving the funding is that the District must request delegation from EPA for the federal PSD permitting program, which applies to major sources of air pollution. There is currently just one facility in Butte County subject to the PSD permitting requirements, Pacific Oroville Power, Inc. (POPI). At the present time POPI must apply directly to EPA Region IX for any PSD permitting requirements. POPI has indicated support for the District assuming the PSD permitting program.

Board Members discussed concerns that the grant would not be sufficient for long-term funding of the program. Staff explained that the funding would primarily support rule making, training and initial implementation of the program. Staff would recommend a fee rule for cost recovery on permitting actions. Based EPA's input into the existing PSD permitting activity, staff estimates that staff time would be 20 hours per year or less.

There were no public comments.

ACTION REQUESTED:

- 1. Approve participation in the Pilot Grant Program including receipt of \$60,451 in unanticipated revenue.**
- 2. Direct staff to take actions necessary to request federal PSD permitting authority including developing a local PSD permit regulation.**

Motion: To approve in the Pilot Grant Program including receipt of \$60,451 in unanticipated revenue.

AYES: Vice Mayor Thompson, Mayor White, Supervisor Connelly (second), Supervisor Wahl, Supervisor Kirk, Councilmember Gruendl, Mayor Fichter, Councilmember Bunker (motion)
NOES: None
ABSTAIN: None
ABSENT: Supervisor Lambert, Supervisor Yamaguchi

Motion Carries.

Motion: To approve and direct staff to take actions necessary to request federal PSD permitting authority including developing a local PSD permit regulation.

AYES: Vice Mayor Thompson, Mayor White, Supervisor Connelly (motion), Supervisor Wahl, Supervisor Kirk, Councilmember Gruendl, Mayor Fichter, Councilmember Bunker (second)
NOES: None
ABSTAIN: None
ABSENT: Supervisor Lambert, Supervisor Yamaguchi

Motion Carries.

8. APCO Report.

The Air Pollution Control Officer Jim Wagoner wanted to highlight two letters the District had recently received from the Special District Risk Management Authority (SDRMA). SDRMA is the agency that administers the District's Workers' Compensation and General Liability policies. The letters recognized that the District had no insurance claims filed this past year. Mr. Wagoner stated that this kind of recognition shows that the District's safety program is working and paying off.

At the December meeting we have tentatively scheduled two rule amendments for your Boards consideration. Rule 430 *State New Source Review*, a permitting rule that needs clarification within the rule and Rule 505 *Title V Fees*, a rule for larger facility fee based on greenhouse gas emissions. This rule amendment would change the calculation for the greenhouse gases. The calculation at this time is such that the fees would be too high.

The "Check Before You Light" program will be starting November 1st. The District has been doing public outreach and advertising. The District has been working with the City of Chico so both agencies can better assist the public so they may receive accurate information.

The California Air Resources Board will hold a meeting October 20-21 in Sacramento. The meeting will include a hearing to consider final action to adopt the proposed cap-and-trade regulation under AB 32. A hearing will also be held to consider proposed amendments to the AB 32 Cost of Implementation Fee Regulation. There were no public comments

The Board took no action on this item.

9. Other Business.

Jim Wagoner introduced the District's new receptionist, Cora Collins.

There was no other business.

10. Public Comment Period.

There were no public comments.

11. ADJOURNMENT: 10:49 a.m.

W. James Wagoner, Air Pollution Control Officer

I hereby attest that this is a true and correct copy of the action taken by the Butte County Air Quality Management District Board of Directors on October 27, 2011.

ATTEST: _____
Robyn Sousa, Clerk of the Governing Board