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Mr. Tracy Goss
Planning and Rules Manager
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

Submitted via email: tgoss@aqmd.gov

Subject: Comments on the Draft RECLAIM Shutdown Provisions

Dear Mr. Goss:

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide comments on the South Coast Air Quality Management District's (SCAQMD) Draft Oxides of Nitrogen (NO_x) REgional CLean Air Incentives Market (RECLAIM) Facility Shutdown Provisions of Rule 2002 - Allocations for NO_x and Oxides of Sulfur (SO_x). SoCalGas has several facilities that are part of the RECLAIM program.

Proposed Amended Rule (PAR) 2002(i)(6)

We appreciate that the proposed amendments acknowledge common ownership and allow for the transfer of RECLAIM Trading Credits (RTCs) between commonly owned facilities. The proposal is based on the North American Industry Classification System (NAICS) designation which uses up to 6-digits. The SoCalGas facilities fall under the Standard Industrial Classification (SIC) system major group 49: Electric, Gas, And Sanitary Services; and span several 4-digit SIC codes. Therefore, the 6-digit NAICS designation is too specific and would unnecessarily disqualify some of the SoCalGas facilities. The SIC system major group designations of 2-digits would be more appropriate.

PAR 2002(i)(6) currently states: "The requirements specified in this subdivision shall not apply to facility shutdowns where the RTCs are transferred to another facility under common ownership that conducts the same functions at another facility with the same 6-digit North American Industry Classification System (NAICS) designation."

We request that PAR 2002(i)(6) be revised to provide for a broader definition of common ownership. Specifically, we suggest the following language: “The requirements specified in this subdivision shall not apply to facility shutdowns where the RTCs are transferred to another facility under common ownership that conducts the same functions at another facility with the same ~~6-digit North American Industry Classification System (NAICS)~~ 2-digit Standard Industrial Classification (SIC) designation.”

Proposed Amended Rule (PAR) 2002(i)(7)

The current proposal focuses on full facility shutdowns rather than the partial facility and equipment shutdowns considered in the December 2015 proposal. In light of these language improvements, we offer further refinements related to the criteria for determining a facility shutdown. Specifically, SoCalGas is in the process of constructing the Aliso Canyon Turbine Replacement (ACTR) project at the Aliso Canyon Storage Field. The scope of the ACTR project is to replace existing compression capabilities comprised of three natural gas fired turbine driven compressors with three new electric-driven compressors.

Since the Aliso Canyon facility as a whole may experience a reduction in NOx emissions on the order of 90% once the ACTR project is completely implemented, we are focusing these comments on the criteria for what constitutes a shutdown facility. The intent of the comments is to avoid the unintended consequences of deterring facility actions to reduce NOx emissions.

PAR 2002(i)(7) currently states: “In addition to self-reported facility shutdowns, the Executive Officer will determine a NOx RECLAIM facility to have shut down if the facility has been non-operational for a period of two consecutive years or longer, based on APEP reports. A facility is deemed to be non-operational if NOx emissions in any compliance year are less than 10 percent of the maximum annual NOx emissions in the previous 2 compliance years, excluding:

- (A) Cyclical operations in conjunction with facility equipment;
- (B) Delay in the availability of parts used to repair the shutdown equipment;
- (C) Equipment that must be placed in a reserve status until remaining operations at the facility are recommissioned requiring the reinstatement of this equipment; or
- (D) Emission reductions due to implementation of add-on NOx emission controls.”

We request that PAR 2002(i)(7)(D) be revised to include electric equipment that has been installed to replace fuel-burning equipment in whole or in part, in other words electrification that results in a reduction in NOx emissions. Specifically, we suggest the following language: “(D) Emission reductions due to implementation of ~~add-on~~ NOx emission reduction projects ~~controls~~ including, but not limited to near zero and zero emissions technology.”

Effectiveness Date

To avoid potential confusion on past RTC trades, we feel that the date on which the Shutdown Provisions would freeze allocations subject to discounting should be the same date as the Board approval date of PAR 2002 (i.e., October 2016).

We would welcome the opportunity to meet with you and your colleagues to discuss these comments further.

Respectively submitted,



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Air Quality Team Leader

cc: Mr. Gary Quinn, SCAQMD, Planning, Rule Development and Area Sources
Dr. Phillip Fine, SCAQMD, Deputy Executive Officer
Mr. Noel Muyco, SoCalGas, Environmental Affairs Program Manager
Mr. Phil Baker, SoCalGas, Director of Storage
Mr. Tim Bomberger, SoCalGas, Aliso Storage Operations Manager