



California Council for Environmental and Economic Balance

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March 13, 2024

Mr. Michael Krause, Assistant DEO
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

Dear Mr. Krause:

Subject: Comments on Proposed Amended Rule 1146.2 – Emissions of Oxides from Large Water Heaters and Small Boilers and Process Heaters

The California Council for Environmental and Economic Balance (CCEEB) is a coalition of business, labor and public policy leaders that work together in pursuit of balanced and effective policy solutions. Many CCEEB member organizations operate large facilities in the South Coast Air Quality Management District (SCAQMD or “District”) and, as such, we are closely following the development of PAR 1146.2.

While CCEEB recognizes the need to transition to zero emission (ZE) and low-NOx technologies where feasible, we also recognize these strategies are far more complex and costly to implement than other strategies developed by the District. Additionally, CCEEB recognizes that some of these concerns have been previously communicated to the District, and in reiterating these concerns, CCEEB intends to highlight the importance and potential impacts of these rulemaking decisions. CCEEB wishes to focus its comments on three areas of the proposal:

1. Concern with the Availability of Sufficient Energy to Implement this Proposal

While CCEEB supported the adoption of the 2022 AQMP, we raised the concern to staff and the Board that initiatives to electrify large sectors could strain the grid. The 1146.2 rule, as proposed, is a prime example of the concern we raised in our comments to the SCAQMD where we stated:

“Mandates to deploy ZE technologies must be closely aligned and coordinated with development of energy infrastructure and maintaining system reliability. This is particularly important for the state’s electrical grid, which must respond to several

equally important but overlapping mandates, such as the shift to 100% renewable and carbon-free electricity generating resources and a “hardening” of the system to prevent and protect against catastrophic wildfires.”

CCEEB encourages the District to work with state agencies, the utilities and all stakeholders to ensure that the proposal takes into consideration, and adjusts where necessary, its potential impact on the grid. Facilities that need to upgrade power have to take into account demands from switching all types of equipment to electric at relatively the same time. Thus, some publicly-owned utility providers may have even greater difficulty providing facilities with enough electricity in time to meet the demands of 1146.2 and other proposed zero-emission rules.

2. Cost-Effectiveness Does Not Take Into Account the Degree of Work Necessary to Make these Transitions

SoCalGas, a CCEEB member, articulated this point to the District quite well in its March 8 comment letter.

“The South Coast AQMD’s cost-effectiveness analysis has focused on single pieces of equipment at a single facility. It has not evaluated the cost associated with retrofits at larger commercial and/or industrial facilities that have multiple affected pieces of equipment, many of which are located in multiple buildings/structures on the site. The South Coast AQMD has also not included cost for cutting concrete and/or asphalt and trenching to distribute new on-site electrical power distribution to these pieces of equipment and/or buildings, which will be the costliest aspect of conversion.”

This concern has been echoed by many CCEEB members. Again, in our comments to the 2022 AQMP, CCEEB stated:

“Given the range of costs associated with ZE technology and the significant degree of uncertainty, the District will need to work closely with stakeholders and other partners in developing a reliable way to assess a fair scope of costs. An added challenge is the robustness of low-NOx controls, which lowers the marginal benefit of ZE strategies. How the District will apply its cost-effectiveness thresholds will be important. Similarly, staff assessments of technological feasibility will be more complicated than ever before. In its work, the District can serve as an important model for other jurisdictions.”

3. Implementation Periods Need to be Extended

Many CCEEB members are in the RECLAIM program and, as such, CCEEB has a particular concern with PAR 1146.2 (d)(9). As we understand the proposal, the current language requires Type 1 and Type 2 boilers that do not meet specific NOx limits to be removed from service within one year of rule adoption. Many of our organizations have multiple units that would fall into this category and CCEEB does not believe it is feasible to make this

changeover in such a tight window. Further, the proposal is not clear as to why RECLAIM facilities are called out with this short compliance deadline. CCEEB requests compliance dates contained in Table 3 for existing equipment to be utilized for these units.

For facilities with multiple units, we appreciate staff's addition of the Alternate Compliance Option. Even with this option, the time to plan, obtain additional power, and install for these larger facilities will likely result in some facilities being unable to achieve compliance within the 3-year phased option as described in section (i)(2)(B). CCEEB requests the District to consider a 5-year phased-in approach (20% of units per year) for facilities with more than 20 units.

Given the significance of our comments above and the fact that several of our members are working closely to provide more accurate information on cost-effectiveness, we sincerely request a one-month delay in moving this proposal forward to the Board for an April Set Hearing and a May Public Hearing.

CCEEB recognizes the importance of this proposal and, along with our members, commits to work with you to find solutions to these concerns. Thank you for considering our comments.

Sincerely,

A handwritten signature in blue ink that reads "Bill Quinn". The signature is written in a cursive, flowing style.

William J. Quinn
CCEEB Consultant

cc: Tim Carmichael, CCEEB President
Allegra Curiel, CCEEB
Members, CCEEB's South Coast Air Project