

**BEFORE THE HEARING BOARD OF THE
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

In the Matter of)	Case No. 6244-2
)	Facility ID 196103
SHADOW WOLF ENERGY, LLC)	
)	
Order Granting a Regular Variance)	
)	
Section 42350 of the California)	
Health and Safety Code)	
_____)	

[PROPOSED] FINDINGS AND DECISION OF THE HEARING BOARD

This petition for a regular variance was heard on the Hearing Board’s Consent Calendar on **January 25, 2024**, in accordance with the provisions of California Health and Safety Code Section 40826 and District Rule 510. The following members of the Hearing Board were present: Cynthia Verdugo-Peralta, Chair; Robert Pearman, Vice Chair; Mohan Balagopalan; Micah Ali; and Dr. Jerry P. Abraham.

Petitioner, Shadow Wolf Energy, LLC (hereinafter “Shadow Wolf” or “Petitioner”), represented by Zachary Ohnstad, Cogen Supervisor, did not appear. Respondent, Executive Officer, represented by Stacey Pruitt, Senior Deputy District Counsel, did not appear.

The parties filed with the Hearing Board the Joint Stipulation to Place Matter on Consent Calendar, the Declaration of Zachary Ohnstad, and the [Proposed] Findings and Decision of the Hearing Board. Upon stipulation by both parties, the evidence and testimony from the interim variance hearing held on December 28, 2023, was

incorporated by reference. The public was given the opportunity to testify. Evidence was received, and the case submitted. The Hearing Board finds and decides as follows:

Nature of Business and Location of Facility

Petitioner operates a co-generation facility as part of a crude oil production facility located at 25121 N. Sierra Highway, in Santa Clarita, California (the “Facility”), which provides electricity and steam to the production field intermittently and provides electrical power to the grid when demanded.

Equipment and Permit to Construct/Operate

The equipment that is the subject of this petition consists of Turbine No. 1 (Device D1) operated pursuant to Permit to Operate No. 196103 (the “Equipment”). The Equipment is used to provide electricity and steam.

SUMMARY

Petitioner is in violation of District Rules 203(b), 1134(d)(3), 2004(f)(1), and 3002(c)(1), because it failed to demonstrate compliance with Rule 1134(d)(3) on and after January 1, 2024, and will be in violation until compliance achieved by upgrading the catalyst and performing a source test on the unit. The Hearing Board granted Petitioner an interim variance from the requirements to demonstrate compliance with the rule on December 28, 2023.

FINDINGS OF FACT AND CONCLUSIONS

Following are the facts and conclusions supporting the findings set forth in Health and Safety Code Section 42352 necessary to grant the variance. The Executive Officer did not oppose the granting of the regular variance.

- a. The petitioner for a variance is, or will be, in violation of Section 41701 or of any rule, regulation, or order of the District.**

1. Petitioner is in violation of District Rules 203(b), 1134(d)(3), 2004(f)(1), and 3002(c)(1), because it failed to demonstrate compliance with Rule 1134(d)(3) on and after January 1, 2024.

b(1). Non-compliance with District Rule(s) is due to conditions beyond the reasonable control of the petitioner.

1. In March 2023, Petitioner was notified that a NO_x catalyst necessary to meet Rule 1134 requirements was behind by approximately nine months due to supply chain delays. Petitioner submitted a purchase order to the catalyst manufacturer; however, this purchase order was obstructed due to management conflict that had to be resolved through court actions. In August 2023, court resolution occurred, and the Petitioner was able to issue the purchase order for the needed catalyst. On November 30, 2023, Petitioner was notified by South Coast AQMD staff that a reduction in ammonia slip would also be required in addition to the reduction in NO_x. This reduction in ammonia slip required a change in the type of catalyst needed. Petitioner immediately ordered the necessary catalyst, which is estimated to be delivered and installed in March 2024. Non-compliance is beyond the reasonable control of Petitioner because catalyst delivery was delayed due to supply chain issues and Petitioner had to wait until a court resolution with the management conflict was finalized to purchase the catalyst.

b(2). Requiring compliance would result in either (1) an arbitrary or unreasonable taking of property, or (2) the practical closing and elimination of a lawful business.

1. Requiring compliance would have created a situation where the petitioner would need to shut down the operation of the unit until the catalyst were received and installed in the unit. This would result in a lengthy loss of the turbine and the inability for the operator to meet utility electricity contract demands, resulting in the unreasonable taking of property or the practical closing of a lawful business. Additionally, this taking

would cause hardship on the utility provider as they would not be able to meet electricity demand on the grid.

c. The closing or taking would be without a corresponding benefit in reducing air contaminants.

1. The Board determined that the significant harm to petitioner would outweigh the benefit to air quality if the emissions associated with the variance request were eliminated as a result of denying the variance. Excess emissions are minimized by the Petitioner only operating the unit as required by contract. Excess emissions shall be calculated, recorded, and reported with fees paid consistent with Rule 303.

d. The petitioner for the variance has given consideration to curtailing operations of the source in lieu of obtaining a variance.

1. Curtailment or shutdown of Turbine No. 1 would not bring Petitioner into compliance because the deadline for demonstrating compliance with Rule 1134 has passed and the Equipment is under contract to provide electricity upon demand from the utility and is unable to curtail operations.

e. During the period the variance is in effect, the petitioner will reduce excess emissions to the maximum extent feasible.

1. During the period of the variance, Petitioner will reduce excess emissions to the maximum extent feasible. Turbine No. 1 will only operate for 240 hours or less per month. The catalyst upgrade and source test will be performed when the Equipment is brought back online consistent with the conditions set forth in the Variance.

f. During the period the variance is in effect, the petitioner will monitor or otherwise quantify emission levels from the source, if requested to do so by the District, and report these emission levels to the District pursuant to a schedule established by the District.

1. Petitioner will operate the Continuous Emissions Monitoring System (CEMS) to continuously monitor the exhaust from the Turbine and record all required parameters pursuant to Rule 2012, Appendix A, Chapter 2 for the duration of the

Variance period. Petitioner will maintain a monthly usage log for Turbine No. 1, including hours of operation, start and end time, and quantity of fuel usage by date. Petitioner will provide these records to AQMD staff monthly as set forth in the conditions of the Variance.

ORDER

THEREFORE, good cause appearing, the Hearing Board orders as follows:

- A. Petitioner is granted a regular variance from District Rules 203(b), 1134(d)(3), 2004(f)(1), and 3002(c)(1), for Turbine No. 1 (D1) operating pursuant to Permit to Operate No. 196103 for the period commencing January 18, 2024, and continuing through September 1, 2024, the final compliance date.
- B. The variance granted herein is subject to the following conditions:
1. Petitioner shall, within thirty days of issuance of this order, submit a source test protocol to the South Coast AQMD for approval to determine Rule 1134 compliance for the Turbine subject to this Order.
 2. Petitioner shall retrofit Turbine 1, Device ID D1 within thirty (30) days of receipt of the new catalyst for selective catalytic reduction (SCR) Device ID C2.
 3. Within thirty (30) days of completing the retrofit, Petitioner shall conduct a source test pursuant to the requirements of the approved source test protocol to demonstrate Rule 1134 compliance.
 4. Petitioner shall not operate the Turbine more than 240 hours per month.
 5. Petitioner shall notify South Coast AQMD by calling 1-800-CUT-SMOG and by sending an email to Air Quality Inspector II Adam Tavasolian at atavasolian@aqmd.gov at least 24 hours prior to the source test/ammonia slip test.

6. Within sixty (60) days of completing the source test, Petitioner shall submit a copy of the source test results to the South Coast AQMD by email to Senior Engineer Emily Chau at echau@aqmd.gov and Air Quality Inspector II Adam Tavasolian at atavasolian@aqmd.gov.
7. Petitioner shall operate the Continuous Emissions Monitoring System (CEMS) to continuously monitor the exhaust from the Turbine and record all required parameters (e.g., NO_x concentration, oxygen content, and fuel flow) pursuant to Rule 2012, Appendix A, Chapter 2 for the duration of the variance period.
8. Petitioner shall maintain a monthly usage log for Turbine 1, Device ID D1 and send log records to South Coast AQMD by email to Senior Engineer Emily Chau at echau@aqmd.gov and Air Quality Inspector II Adam Tavasolian at atavasolian@aqmd.gov by the first Tuesday of each month starting January 2024. The log shall contain at minimum:
 - a. Date and total hours of operation, including start and end time, for Turbine identified by Device ID No. D1;
 - b. Date and total quantity of fuel usage for Turbine identified by Device ID No. D1.
9. Petitioner shall request expedited review and processing of all Source Test Protocols and the Source Test Reports associated with this Variance by submitting the Expedited Evaluation Request Form 222-XST.
10. Petitioner shall calculate and pay excess emission fees to the Clerk of the Board no later than February 29, 2024 for January excess emissions, and subsequently no later than the 30th of each month for the previous month, or the Variance will be invalidated pursuant to Rule 303(k).

11. Petitioner shall notify the Clerk of the Board in writing at clerkofboard@aqmd.gov when final compliance has been achieved.

BOARD MEMBER: _____

DATED: _____