

Agenda Date: March 16, 2006  
Agenda Placement: Regular  
Estimated Time: 10 minutes  
Continued Item: No

## **Board Agenda Item**

**TO:** Air Pollution Control District Board of Directors

**FROM:** Terry Dressler, Air Pollution Control Officer

**CONTACT:** Ron Tan, Planning and Technology Supervisor (961-8812)

**SUBJECT:** Memorandum of Understanding (MOU) establishing a CEQA Air Quality Mitigation Program for the Supplemental Guadalupe Oil Field Project and a Grant Agreement for replacing two Guadalupe Union School District school buses

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### **RECOMMENDATION:**

1. Execute the attached MOU establishing a Guadalupe Oil Field Air Quality Mitigation Program and authorize SBCAPCD to identify emission reduction projects in northern Santa Barbara County.
2. Execute a Grant Agreement with Guadalupe Union School District in the amount of \$254,520 to replace two 1981 model year, diesel powered school buses.

### **SUMMARY:**

The Supplemental Environmental Impact Report for the on-going remediation efforts at the Guadalupe Oil Field in San Luis Obispo County identified significant and unavoidable adverse air quality impacts in both San Luis Obispo and Santa Barbara Counties. These impacts will result from diesel exhaust emissions from trucks hauling the affected material from the oil field to the City of Santa Maria's landfill. To mitigate these air quality impacts a Memorandum of Understanding (MOU) between the San Luis Obispo County Air Pollution Control District (SLOAPCD), Santa Barbara County Air Pollution Control District (SBCAPCD) and Unocal provides an instrument whereby Unocal can provide necessary off-site air quality mitigation funding for emission reduction projects in the impacted communities. The attached Grant Agreement is the first step in mitigating these emissions and will replace two old, diesel powered school buses for the Guadalupe Union School District with new low-emissions school buses.

### **DISCUSSION:**

On and off-site air quality impacts from the remediation and abandonment of Unocal's former Guadalupe oil field were originally addressed in the March 1998 Environmental Impact Report (EIR) for the site and in a November 16, 1998 MOU between the SLOAPCD and Unocal. The remediation of this site is necessary to prevent the discharge of oil and oil-related substances into the environment. The originally selected remediation plan was to excavate the affected material and then treat and dispose of it on-site. In the first quarter of 2001, it became apparent that treated affected material would not be acceptable for on-site disposal and remediation operations were halted until another remediation plan could be developed.

In June 2005, the Supplemental EIR defined the proposed new remediation plan as off-site hauling of the affected material to the City of Santa Maria's landfill for use as daily cover and defined additional on and off-site air quality mitigation that are necessary to bring the project impacts to a level of insignificance. This remediation option was defined as having the least air quality impact of all disposal options identified in the SEIR and thus was supported by the SLOAPCD. One air quality mitigation measure defined in the SEIR (Mitigation Measure AQ-2.3) is the use of off-site mitigation funds to provide emission reduction projects in the impacted communities. The purpose of the new MOU is to provide an instrument whereby Unocal can provide necessary off-site air quality mitigation for the off-site hauling operation as required by Mitigation Measure AQ-2.3 in the SEIR.

To obtain the required off-site air quality mitigation in southern San Luis Obispo (SLO) and northern Santa Barbara (SB) Counties, the MOU states that SLOAPCD, SBCAPCD and Unocal agree that Unocal will fund a Guadalupe Oil Field Air Quality Mitigation Program. Unocal will fund the Program at a rate of \$13,600 per ton of nitrogen oxide emissions associated with the hauling process described in the June 2005 SEIR. This program will provide funds for emission reduction projects in the impacted region. Since the trucking emissions are expected to be evenly divided between SLO and SB Counties, the total mitigation funds will be split evenly between the two counties and the Air Districts will independently manage their portion of emission reduction funds. The San Luis Obispo Board of Supervisors approved the attached MOU at their January 25, 2006 meeting.

The attached Grant Agreement is the first step in mitigating emissions in northern Santa Barbara County. The proposed project would replace two 1981 model year, diesel powered school buses with new, low-emission school buses for the Guadalupe Union School District. The proposed replacement project is in accordance with the guidelines of the California Air Resources Board's Lower Emission School Bus program. In addition, funding has been included as part of the total grant amount for the transition from regular on-road diesel fuel to Ultra Low Sulfur Diesel (ULSD) fuel (maximum Sulfur content of 15 ppm) until the use of ULSD is required by law. ULSD will be required to be used in all on-road and off-road applications by state law beginning on September 1, 2006. According to the ARB, switching to ULSD would reduce Sulfur Dioxide and PM emissions from diesel engines and equipment by 88% and 4%, respectively. Since the Guadalupe school buses are maintained and fueled at the Santa Maria Joint Unified School District facility, funding will be available to help all of the buses for both school districts switch to the ULSD.

**FISCAL IMPACTS:**

The total amount of emissions requiring mitigation is in the process of being quantified and the final mitigation amount will then be calculated using a rate of \$13,600 per ton of nitrogen oxide emissions. The SBCAPCD portion of the Unocal provided mitigation funds will be deposited into a trust account managed by the SBCAPCD. These mitigation monies will be used solely to fund and implement projects in northern Santa Barbara County with up to 15% of the total funds allowed to be used to cover SBCAPCD costs to administer the Program. The initial mitigation payment is expected before July 1, 2006 and the remaining funds are expected to be paid by July 1, 2007.

#### SPECIAL INSTRUCTIONS:

Clerk of the Board, please return one copy of the fully executed MOU and Grant Agreement to the contact named above.

#### ATTACHMENTS:

1. MOU CEQA Air quality mitigation program as required by the Guadalupe Oil Field Remediation and abandonment project's supplemental environmental impact report.
2. Grant Agreement with Guadalupe Union School District.