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February 11, 2013

Zhenlei Wang
California Air Resources Board
Stationary Source Division, Emissions Assessment Branch
Control Strategies Section, Commercial Harbor Craft
P.O.Box 2815
Sacramento, California 95812-2815

RE: Notice of 30-Day Public Comment Period Hornblower Cruises and Events Alternative Control of Emissions (ACE) Plan

Dear Zhenlei Wang,

The Bay Area Air Quality Management District (Air District) is submitting this letter to raise concerns regarding the ACE Plan submitted by Hornblower Cruises and Events (Hornblower).

As part of this plan, Hornblower is proposing to utilize emissions reduced by the vessel *California Hornblower* to meet the requirements for a compliance extension for its other vessels under the California Air Resources Board's (CARB) Commercial Harbor Craft regulation. However, in 2009, the Air District provided \$560,256 in Carl Moyer Program (CMP) funding to Hornblower for the repower of two main engines and two auxiliary engines on the *California Hornblower*. Under the requirements of the CMP and the Air District's grant agreement with Hornblower emissions reduced by these engines cannot be used for compliance with regulations. Section III (20) of the grant agreement addresses the emission reductions from this project.

Section III (20) "Emission Reductions: The Air District retains the exclusive right to claim any emission reduction credits under state or federal law that might result from emissions reduced by the Project implemented pursuant to this Agreement. The emissions reduced by the Project may not be used by Grantee to comply with any local, state, or federal air pollution regulation or law, or used to fulfill Grantee's obligations arising out of any order, settlement contract, memorandum of understanding, or other binding legal document."

One of the core principles of the CMP is to fund emission reductions that are surplus to regulation and mandates. As part of the repower project for the *California Hornblower*, the Air District provided funding based on the emission reductions that would result from the operation of the vessel between the completion of the repower project and the compliance deadline of the baseline engines that were replaced as part of the project. Section III (23) of the Grant Agreement for this project requires the project to maintain compliance with the CMP guidelines.

Section III (23) "Compliance with Carl Moyer Program Guidelines: The Grantee agrees to implement the Project in accordance with all requirements of the applicable CARB Carl Moyer Program Guidelines. Any questions or disputes the Parties may have regarding the implementation of this Agreement shall be resolved in accordance with the applicable CARB Guidelines."

The CARB CMP guidelines prohibit emission reductions from funded projects from being used to offset any emission reduction obligation, or to generate credits or compliance extensions. Approval of this plan would violate the terms of the CMP Grant Agreement for the grant-funded project and the requirements of the CARB CMP guidelines.

Thank you for the opportunity to provide input on this proposed plan. Please contact me at (415) 749-5041 or dbreen@baaqmd.gov if you would like to discuss any of our comments in greater detail.

Sincerely,

A handwritten signature in black ink, appearing to be "Damian Breen", enclosed within a large, hand-drawn oval.

Damian Breen
Director, Strategic Incentives Division