

10/10/2008 ----- EBTP IMS- PROJECT RECORD -----

PROJECT#: 402836 STATUS: P  
RECEIVED: 03/27/2008 PROJTYPE: BUSE

DISP CODE: C ✓  
ISSUED DT:  
SUP-DISP DATE: 11/3

STAFF ASSIGNED TO PROJECT:  
HUDDLESON, TODD

AIR DERC\_102310026-402836\_  
USE\_20081103\_Use\_D2331

PROJECT TRANSACTIONS

COMPANY DATA

COMPANY NAME: QUALA SYSTEMS, INC.  
CUSTOMER REGISTRY ID: CN600286827

PORTFOLIO DATA

NUMBER: P3042 NAME: QUALA SYSTEMS - HOUSTON FACILITY - RN102310026

SITE DATA

ACCOUNT:  
REG ENTITY ID: RN102310026  
SITE NAME: QUALA SYSTEMS - HOUSTON FACILITY  
COUNTY: HARRIS NEAREST CITY: HOUSTON  
LOCATION: 1710 CENTRAL STREET, HOUSTON, TX

CONTACT DATA

NAME: RONALD PARROTT TITLE: REGIONAL VP  
STREET: 2126 AUTUMN COVE CITY/STATE, ZIP: LEAGUE CITY, TX , 77573-0  
PHONE: 281-330-6230 ext 0  
FAX: 813-569-1576 ext 0

TRANSACTION DATA

TRANSACTION TYPE: DERC\_USE  
DATE ENTERED: 2008-04-23 00:00:00.0 DELETED DATE: EFFECTIVE YEAR:  
CONTAMINATE: NOX TONS: 0.10 DOLLARS: 0  
ALLOWANCE0 CERTIFICATE NO: D2331 COUNTY : HARRIS

TRANSACTION DATA

TRANSACTION TYPE: DERC\_RET  
DATE ENTERED: 2008-04-23 00:00:00.0 DELETED DATE: EFFECTIVE YEAR:  
CONTAMINATE: NOX TONS: 0.80 DOLLARS: 0  
ALLOWANCE CERTIFICATE NO: D2332 COUNTY : HARRIS

TRACKING ACTIVITES

TR - ENGINEER RECEIVE PROJECT : 04/23/2008 TR - PROJ TECH COMPLETE : 10/09/2008 TR - SUP/MANGR APP/RVW RQSTD : 10/10/2008  
FA - PROJECT ISSUED : TR - DATE SUP/MNGR REQ ADDL TR :

## DISCRETE EMISSION CREDITS/EMISSION CREDIT USE TECHNICAL REVIEW

Project No.:	402836	Customer Reference No.:	CN600286827
Project Type:	BUSE	Regulated Entity No.:	RN102310026
Company:	Quala Systems	Facility Name:	Quala Systems – Houston Facility
City:	Houston	County:	Harris
Project Reviewer:	Todd Huddleson	Portfolio Name:	Quala Systems - RN102310026

### Project Overview

Quala Systems has submitted a Form DEC-3, “Notice of Use of Discrete Emission Credits”, dated March 27, 2008. Quala Systems will use DERCs to help meet the requirements of 30 TAC §117.2010(c)(1)(A) on a gas fired boiler with an ESAD of 0.036 lb-NO<sub>x</sub>/MMBtu. They will use 0.1 ton for boiler FIN BLR-1 from certificate D-2086 which set aside 0.9 ton of NO<sub>x</sub> as a result of an Intent to Use (Project No. 401237). The remainder will be sent back as another certificate.

### Discrete Emission Credit / Emission Reduction Credit Use

Quala Systems is subject to the ESADs listed in 30 TAC §117.2010(c)(1)(A). The company will use discrete emission credits for the difference between the NO<sub>x</sub> emission rate defined in 30 TAC §117.2010(c)(1)(A) and the current NO<sub>x</sub> emission rate of the facility. Their expected emission rate comes from a stack test conducted on November 3, 2005. The use period is from January 1, 2007 through December 31, 2007. BLR-1 is not regulated under Quala’s air permit number 48929, but is exempt by Standard Exemption 7.

Quala Systems purchased 7.0 tons of NO<sub>x</sub> DERCs from Abitibi-Consolidated Corporation on June 12, 2006 as a precaution to use the DERCs for the BLR-1. The original certificate D-1013, owned by Abitibi-Consolidated Corporation was cancelled after the transfer of 7.0 tons of NO<sub>x</sub> DERCs to Quala Systems Clute certificate D-2086 on June 12, 2006. ( see project #301565). An Intent to Use (Project #401237) has set aside 0.9 ton from D-2086 for use period January 1, 2007 through December 31, 2007. The remaining tons (6.1) are available for use on certificate D-2179.

The DERCs to be used are from certificate D-2086, owned by Quala Systems, and valued at 7.0 tons of NO<sub>x</sub>. This certificate was generated from original certificate D-1013. The quantity of DERCs needed for the Quala Systems use (0.1 ton, D-2331) is less than the value of the amount set aside (0.9 ton), therefore the remaining DERCs will be transferred to a new certificate. Certificate D-2332 will be issued to Quala Systems with a value of 0.8 ton NO<sub>x</sub> as the remainder for future use.

Certificate(s) to be used ..... D-2331  
 Pollutant ..... Nitrogen Oxides  
 Amount ..... 0.1 ton  
 Regulation ..... 30 TAC § 117.2010(c)(1)(A)  
 Use period/Use Date ..... 01/01/07 – 12/31/07

# DISCRETE EMISSION CREDITS/EMISSION CREDIT USE TECHNICAL REVIEW

Regulated Entity Number: RN102310026

Page 2

## Credit Use Calculation Methods

Quala Systems submitted an actual level of activity from 1/1-12/31 of 3,356.8 MMBtu for boiler FIN BLR-1. An actual emission rate of 0.071 lbs/MMBtu, based on previous emissions data, was given for this facility. The total emissions over the ESAD rate of 0.036 lbs/MMBtu comes to 0.059 ton. An environmental contribution of 0.006 ton is added to the total for a total of 0.065 ton of DERCs. According to 30 TAC §101.376(e)(2)(A):

DERCs Used =  $ALA \times (AER - RER) \div 2000 \text{ lb/ton} + 10\% \text{ environmental contribution.}$

Where:

ALA = actual level of activity

AER = actual emission rate per unit activity

RER = regulatory emission rate per unit activity

DERCs Used

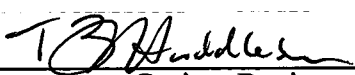
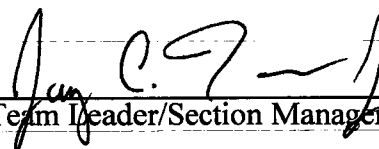
BLR-1

$(3,356.8 \text{ MMBtu/yr} \times 0.071 \text{ lb/MMBtu}) - (3,356.8 \text{ MMBtu/yr} - 0.036 \text{ lb/MMBtu}) \div 2000 \text{ lb/ton} = 0.059 \text{ ton.}$

$0.059 \text{ ton} + 10\% \text{ environmental contribution (0.006)} = 0.065 \text{ ton rounded to } 0.07 \text{ ton.}$

## Conclusion:

Quala Systems has submitted all required documentation for DERC use to be in compliance with 30 TAC §117.2010(c)(1)(A). A total of 0.1 ton of NOx credits (D-2331) will be retired from the certificate D-2086 and that certificate will be cancelled. The remainder of 0.8 ton will be sent back as a new certificate, D-2332.

	10/10/08		11/3/08
Project Reviewer	Date	Team Leader/Section Manager/Backup	Date

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Form DEC-3 (Page 1)  
Notice of Use of Discrete Emission Credits  
(Title 30 Texas Administrative Code § 101.370 - § 101.379)



<b>I. Company Identifying Information</b>			
A. Company Name: Quala Systems, Inc.			
Mailing Address: 1710 Central Street			
City: Houston	State: Texas	Zip Code: 77017-1912	
Telephone: 713-928-2270		Fax: 713-928-9942	
B. TCEQ Customer Number (CN): CN600286827			
C. Site Name: Quala Systems (Central Street)			
Street Address: (if no street address, give driving directions to site) 701 Highway 227 S			
Nearest City: Houston	Zip Code: 77017-1912	County: Harris	
D. TCEQ Regulated Entity Number (RN): RN102310026			
E. TCEQ Account Number: (if applicable)			
F. Primary SIC: (7699)		Air Permit Number: 48929	
<b>II. Technical Contact Identifying Information</b>			
A. Technical Contact Name: (X) Mr. ___ Mrs. ___ Ms. ___ Dr.) Ronald Parrott			
Technical Contact Title: Regional VP			
Mailing Address: 2126 Autumn Cove			
City: League City	State: Texas	Zip Code: 77573	
Telephone: 281-330-6230	Fax: 813-569-1576	E-mail: rparrott@qualitydistribution.com	
<b>III. Mass Emission Cap and Trade Program (MECT)</b>			
Is the DERC use for compliance with 30 TAC Chapter 101, Subchapter H, Division 3? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Year DERC Generated: _____ Year of use: _____ Ratio of DERC to Allowance: _____ to _____			
<i>Note: If DERC use is to comply with MECT then go to Section IX</i>			
<b>IV. Use Period</b>			
Use Start Date: 01/01/07		Use End Date: 12/31/07	
<b>V. State and Federal Requirements</b>			
Applicable State and Federal requirements that the DERCs were used for compliance:			
30 TAC 117.2010(c)(1)(A)			
<b>VI. Most Stringent Emission Rate</b>			
Describe basis for most stringent allowable emission rate: <input type="checkbox"/> Permit _____ <input checked="" type="checkbox"/> RACT 0.036 lb/ <input type="checkbox"/> Other: _____			
Notes: MMBtu			



**Form DEC-3 (Page 2)**  
**Notice of Use of Discrete Emission Credits**  
**(Title 30 Texas Administrative Code § 101.370 - § 101.379)**

VII. Tons of Deres Used									
Emission Point No.	FIN	Air Contam- inant	Calculation of DERCs						
			Actual Activity (units)	Actual Emission Rate (units)	Actual Total Emissions (tons)	Regulated Activity (units)	Regulated Emission Rate (units)	Regulated Total Emissions (tons)	DERCs Used (tons)
BLR-1	BLR-1	NOx	3,356.80 MMBtu/yr	0.071 lb/MMBtu	0.119	3,356.80 MMBtu/yr	0.036 lb/Btu	0.060	0.059
								<b>Total:</b>	0.183

TCEQ 10393 (Revised 2/07) DEC-3 Form Notice of Use of Discrete Emission Credits. This form is for use by sources subject to air quality permit requirements and may be revised periodically.

0.119  
~~- 0.060~~  
 0.059  
 + 10% 0.065  
 0.065

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 MAR 27 2008  
 AIR QUALITY  
 DIVISION

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Form DEC-3 (Page 3)  
Notice of Use of Discrete Emission Credits  
(Title 30 Texas Administrative Code § 101.370 - § 101.379)

**VIII. Protocol**

Protocol used to calculate DERC:  
*Note: Attach the actual calculations that were used to determine the amounts of DERCs needed to this form*

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**IX. Total DERCs Used (round up to the nearest tenth of a ton)**

Tons of DERCs required (from Sect. VI.)	CO: _____	NO <sub>x</sub> : 0.059	PM <sub>10</sub> : _____	SO <sub>2</sub> : _____	VOC: _____
Offset Ratio (if required)	CO: _____	NO <sub>x</sub> : N/A	PM <sub>10</sub> : _____	SO <sub>2</sub> : _____	VOC: _____
Environmental Contribution (+ 10%)	CO: _____	NO <sub>x</sub> : 0.006	PM <sub>10</sub> : _____	SO <sub>2</sub> : _____	VOC: _____
<b>Total DERCs Used</b>	CO: _____	NO <sub>x</sub> : 0.065	PM <sub>10</sub> : _____	SO <sub>2</sub> : _____	VOC: _____

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**X. DERC Information**

Name of the DERC Generator: N/A  
 DERC Generator Regulated Entity Number: N/A  
 Certificate number of the DERCs used: (Currently held by Quala Systems, Inc.)

*Note: The certificate number is assigned by the TCEQ*

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**XI. Purchase Dates and Prices**

Date on which the DERCs were acquired or registered: N/A / \_\_\_\_ / \_\_\_\_  
 Price of the DERCs: \$ N/A per ton (Required)

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**XII. CERTIFICATION BY RESPONSIBLE OFFICIAL**

I, Ron Parrott, hereby certify, to the best of my knowledge and belief, that this application is correct and the use strategy claimed on this notice has met the requirements of all applicable state and federal rules and regulations. I further state that to the best of my knowledge and belief the information in this certification is not in any way in violation of 30 TAC, Subchapter H, Division 4, §101.370-101.379 or any applicable air quality rule or regulation of the Texas Commission on Environmental Quality and that intentionally or knowingly making or causing to be made false material statements or representations in this certification is a CRIMINAL OFFENSE subject to criminal penalties. I hereby also waive the Federal statute of limitations defense in regards to the generation and use of discrete emission credits. I hereby also waive the Federal statute of limitations defense in regards to the generation and use of discrete emission credits

Signature [Signature] Signature Date 3-24-08  
 Title Regional VP

Buddy Garcia, *Chairman*  
Larry R. Soward, *Commissioner*  
Bryan W. Shaw, Ph.D., *Commissioner*  
Mark R. Vickery, P.G., *Executive Director*



**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**  
*Protecting Texas by Reducing and Preventing Pollution*

October 17, 2008

Mr. Ronald Parrott  
Regional Vice President  
Quala Systems, Inc.  
1710 Central Avenue  
Houston, Texas 77015-6542

Re: Use of Discrete Emission Reduction Credits  
Quala Systems, Inc. - Houston Facility  
Houston, Harris County  
Regulated Entity Number: RN102310026  
Customer Reference Number: CN600286827

Dear Mr. Parrott:

This letter is in response to your Form DEC-3 (Notice of Use of Discrete Emission Credits), received on March 27, 2008, regarding the use of 0.1 ton of nitrogen oxides (NO<sub>x</sub>) discrete emission credits for the purpose of compliance with 30 Texas Administrative Code § 117.2010(c)(1)(A) (30 TAC § 117.2010(c)(1)(A)) for the period of January 1, 2007 through December 31, 2007.

Upon review of the use of these credits, we agree that the use of 0.1 ton of NO<sub>x</sub> discrete emission credits meets the requirements of 30 TAC § 117.2010(c)(1)(A). Enclosed is a copy of discrete emission reduction credit Certificate Number D-2332, issued to Quala Systems, Inc., for the remaining amount of 0.8 ton of NO<sub>x</sub> discrete emission credits. This certificate has been deposited in the Texas Commission on Environmental Quality (TCEQ) Discrete Emissions Credit Registry. This certificate may be transferred or sold to another owner for use per the requirements of 30 TAC §§ 101.370 through 101.379.

Thank you for your cooperation in this matter. If you have questions concerning this review or need further assistance regarding the banking program, please contact Mr. Todd Huddleson at (512) 239-1105, or write to the Texas Commission on Environmental Quality, Chief Engineer's Office, Air Quality Division (MC-206), P.O. Box 13087, Austin, Texas 78711-3087.

Mr. Ronald Parrott  
Page 2  
October 17, 2008

This action is taken under authority delegated by the Executive Director of the TCEQ.

Sincerely,



Susana M. Hildebrand, P.E., Director  
Air Quality Division  
Texas Commission on Environmental Quality

SMH/TH/tj

cc: Air Section Managers, Region 12 - Houston  
Mr. Budruddin (Bud) Karachiwala, Director, Harris County Public Health &  
Environmental Services, Pollution Control Department, Pasadena

Project Number: 402836

*The State of Texas*

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Certificate Number:

D-2332



Number of Credits:

0.8 ton NOx

*Discrete Emission Reduction Credit Certificate*

This certifies that  
***Quala Systems***  
***1710 Central Street***  
***Houston, Texas 77017-1912***

is the owner of 0.8 ton of nitrogen oxides (NOx) discrete emission reduction credits established under the laws of the State of Texas, transferable only on the books of the Texas Commission on Environmental Quality, by the holder hereof in person or by duly authorized Attorney, upon surrender of this certificate.

The owner of this certificate is entitled to utilize the discrete emission credits evidenced herein for all purpose authorized by the laws and regulations of the State of Texas and is subject to all limitations prescribed by the laws and regulations of the State of Texas.

Discrete Emission Reduction Generation Period: November 1, 1997 to October 31, 1998

Generator Regulated Entity No.: RN100209428

Generator Certificate: D-1013

County of Generation: Harris

October 17, 2008

Date

A handwritten signature in cursive script, appearing to read "Mark Wiley".

For the Commission