

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF ENVIRONMENTAL QUALITY
AIR DIVISION**

INTRA AGENCY MEMORANDUM

TO: File

FROM: Mary E. Major
Environmental Program Manager

SUBJECT: Meeting Minutes, –October 12, 2005- Regulatory Ad Hoc Advisory Group
Concerning Clean Air Mercury Rule (Rev. F05)

DATE: October 21, 2005

INTRODUCTION

At 9:30 a.m., October 12, 2005, a meeting of the ad hoc advisory group concerning the Clean Air Mercury Rule (CAMR) was held in the Seventh Floor Conference Room, Department of Environmental Quality, 629 East Main Street, Richmond, Virginia. A record of meeting attendees is included as Attachment A.

SUMMARY OF DISCUSSION

The facilitator opened the meeting by explaining that the purpose of the meeting was to explore how trading might be undertaken if it were permissible under Virginia law. All discussion as to whether the state could or could not trade was suspended to explore a possible trading program. In addition the facilitator reminded the group that any position papers members want to develop on issues the group was unable to achieve consensus on must be forwarded to the DEQ by Friday, November 4, 2005.

Discussion concerning trading.

No consensus was achieved.

Point was raised that any trading program needed to dovetail with the EPA program to ensure maximum flexibility for trading allowances.

It was pointed out that sources could be required to make reductions and still be able to trade. Concerns about a trading program focused on the following:

- Hot spots with respect to fish advisories, and
- Local control issue for the health of the population near the source.

Mercury is such a toxic substance that some control/reduction is necessary.

Possible options:

Have a “floor” or minimum reduction that all units would be required to meet. If the source contributed to a hot spot (contaminated waterway/ fish advisory) then each unit would need to meet the 90% control efficiency or 3mg/megawatt-hour standard. Otherwise the source could trade any credits beyond the “floor” control.

Sources would only be allowed to trade with sources outside of Virginia.

Allocations provided in the EPA model rule must be reduced and need to be based on Virginia data.

Date for compliance needs to be sooner. If following dates in EPA model rule then sources should be prevented from banking in the early years of the program to ensure reductions are maintained.

Non-EGU sources need to be included from mercury reductions; based on TRI 2003 data, non-EGUs are the 2nd and 3rd highest emitters of mercury in the state.

Adopt a state cap for mercury: adopt the EPA model rule but prohibit the use of credits for instate control and let sources sell credits out of state.

Dominion anticipates that it will achieve more significant reductions than the EPA budget for both phase one and phase two of the EPA program. However, trading must play a role for those additional reductions to occur (market incentive) otherwise that total amount of reductions will be less if forced to do a unit by unit control.

AEP operates two sources in Virginia; Glen Lyn facility, 335 MW and Clinch River facility, 705 MW. These sources directly provide approx 200 jobs. Some reductions for AEP system are coming from large West Virginia facilities: Mitchell (1600MW), Mountaineer (1300MW) and Amos (2900MW). These facilities will install controls to meet phase one of CAIR by 2010. They need to be able to trade for compliance purposes for the smaller facilities located in Virginia. If unit specific controls are required, it may not be cost effective to control the smaller Virginia facilities. They support the EPA trading program.

Public recognizes that the electricity costs will increase but the health risks will decrease and that is worth the cost. Only the sources that demonstrate that they are not contributing to the hot spots should be allowed to trade. The investment of money into the control equipment would secure the jobs for the facilities to ensure that they keep operating.

TEMPLATES\PROPOSED\AH08
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Attachments