

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

INTRA AGENCY MEMORANDUM

TO: File

FROM: Mary E. Major
Environmental Program Manager

SUBJECT: Meeting Minutes, September 7, 2005- Regulatory Ad Hoc Advisory Group
Concerning Clean Air Interstate Rule (Rev. E05)

DATE: September 12, 2005

INTRODUCTION

At 1:00 p.m., September 7, 2005, a meeting of the ad hoc advisory group concerning the Clean Air Interstate Rule (CAIR) 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 an Attachment.

SUMMARY OF DISCUSSION

The meeting opened with a quick overview of the regulatory adoption process that explained the need for the short timeframe to meet the federal State Implementation Plan submittal deadline. Information was also presented concerning the DEQ inventory information for EGUs. The group will review the data presented and submit any needed correction to DEQ by the next meeting.

Item 1. The group discussed the issue of whether non-EGUs should be included in the rulemaking. The group reached consensus on the following:

Nothing should be included into the rulemaking that will jeopardize the approvability of the CAIR regulation by EPA.

Any units not covered by the Virginia existing NO_x SIP Call regulation (VAC 5-Chapter 140) should not be included in the CAIR Rule. Any emission reductions from those sources should be undertaken as a separate rulemaking and not part of CAIR.

Non-EGUs subject to 9 VAC 5 Chapter 140 should be included in the CAIR NO_x Seasonal Rule and their NO_x SIP Call allowance allocations should be carried with them into the CAIR rule.

Item 2. Applicability: The EPA website lists all units subject to CAIR

- DEQ inventory data needs to reflect only units that are greater than 25 MW
- Ensure that capacity identified is for unit only; not the total facility
- Need to clarify whether the information is net or gross;
 - Gross is the appropriate number
 - Gross needs to be submitted to DEQ

Item 3. Allocations based on Heat input vs. Heat output:

Electrical power goes for three purposes:

- Sent to grid
- Provides steam
- Operates control equipment

Need to develop a conversion equivalency for thermal energy to electrical energy to better represent co-generation industry.

- Output-based allocation rewards most efficient sources

Need to discuss the set aside issue for renewable and energy efficiency.

- How much of a set aside is needed?

- Any allocations not utilized from the set aside should be redistributed

EPA model rule does address a hybrid approach:

- Existing units; heat-input-based allocation

- New unit; output-based allocation

Item 4. Timeframe for implementation

- Move compliance date from 2015 to 2012 for NO_x

- Move SO₂ compliance date to 2010

- Health implications for earlier compliance date

- Benefits for nonattainment areas

One member may be willing to discuss possible trade-off of compliance date for renewable allocation set aside

If timetable moved, could pose problems for trading program administered by EPA

A tighter timeframe could mean an economic disadvantage for Virginia rate-payers as the adjoining states (West Virginia and N. Carolina) will probably adopt the EPA model rule with longer timeframes for compliance.

INFORMATION TO BE DISCUSSED AT THE NEXT MEETING

The group did not specifically prioritize all topics and issues listed during the meeting. However, the group did agree that additional research and discussion was necessary on a number of issues, as follows.

Discuss the issue of allocations for renewable sources of energy and energy efficiency

Discuss the issue of allocations for new sources

Discuss the timeframes within the CAIR rule

Review DEQ baseline data and source inventory information

Discuss allocation methodology: Heat input/output data

Discuss geographical trading

Discuss the role of auctions

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Attachments