

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

INTRA AGENCY MEMORANDUM

TO: File

FROM: Mary E. Major
Environmental Program Manager

SUBJECT: Meeting Minutes, August 24, 2005- Regulatory Ad Hoc Advisory Group
Concerning Clean Air Interstate Rule (Rev. E05)

DATE: August 26, 2005

INTRODUCTION

At 1:00 p.m., August 24, 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 facilitator explained the purpose of the group: to assist the Department of Environmental Quality (DEQ) in the development of a proposed regulation for the control of the interstate transport of emissions within the Commonwealth and to have the proposed regulation to the State Air Pollution Control Board (Board) by its December 2005 meeting. This timeframe is necessary to achieve the deadline established by the U. S. Environmental Protection Agency (EPA) for a State Implementation Plan (SIP) submittal required in the fall of 2006.

The group identified the following list of issues to be considered as part of the regulation development process. However, the list does not necessarily reflect a consensus among the entire group that each and every item on the list needs to be addressed.

Goals/Purpose of Rule

- Demonstrated SIP credit for use of renewable energy/conservation/efficiency if NOx allowances are retired
- CAIR not to be used for SIP attainment demonstration
- Nonattainment demonstrations should not be based solely upon EGU sector
- Keep CAIR discussions separate from Clean Air Mercury Rule (CAMR)

Cost/ Benefits of Regulating

- Measurable health/environmental benefits for Virginia
 - Reduction of nitrogen deposition into Virginia waters and Chesapeake Bay watershed
- Timeframe for implementation needs to be moved forward
- Deviations from EPA model rule need to be modeled to demonstrate specific benefits and associated costs.
- Only support EPA model rule; any changes cost prohibitive
- Implications of deviating from EPA model rule; SIP approvability
- Develop a flexible regulatory structure to accommodate possible future emission reductions.

Allocations

- The EPA model rule only regulates electric generating units (EGUs).
- Implications of regulating non-EGUs?
- Problems for sources not previously included in NOx SIP Call
- Based on energy output not past heat input
- Future allocations as far in future as possible for planning purposes
- Accuracy of current emissions inventory; need to add new sources
- Annual and seasonal NOx budgets

Environmental Implications of Trading

- Geographical extent of allowed trading will strongly affect human health and ecological benefits realized in Virginia
- Impact on visibility, regional haze and BART
- Demonstration of local improvements/concern about hot-spots

Market Forces

- Encourage markets for all forms of power generation
- Set-a-side for environmental/renewable and energy efficiency
- Set-a-side for new sources at no cost
- Auction of allowances to improve air quality

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 Goal and purpose of regulation
 - Regulatory adoption process/need to expedite adoption of regulation

- Discuss other ways to achieve reductions other than EGUs
 - Inclusion of non-EGUs

DEQ baseline data and source inventory information
Heat input/output data

TEMPLATES\PROPOSED\AH08
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Attachments