DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL
Bureau of Air Quality
Clean Air Interstate Rule (CAIR)/Clean Air Mercury Rule (CAMR)

Stakeholder Meeting Notes
November 4, 2005

Attendees:

See attached list.

Introductions and Opening Comments:

Staff reviewed the comments submitted by the stakeholders. The comments were grouped and discussed according to the area of flexibility in each rule.

Overview of the Clean Air Interstate Rule

The main areas of flexibility for CAIR are with respect to the allocation of the NOx ozone season and NOx annual budgets. A handout of the summary of stakeholder's comments, along with the Department's responses, was reviewed and discussed.

General Discussion of the Clean Air Interstate Rule

The following is a synopsis of the proceedings:

1. Timing of NOx Allocations: The Department proposed shortening the allocation period to a three-year cycle.

One commenter expressed concerns that this might not allow enough time for new construction (s.a. pollution controls) that might be needed. Another commenter favored a shorter allocation period, stating that the shorter period would be more responsive to fuels, demand, growth, etc. The commenter also stated that having a shorter allocation period is more critical to smaller sources because they have less flexibility.

Staff continues to solicit comments and suggestions on this area.

2. Calculating the NOx Allowance Allocation Baseline: The Department proposed updating the baseline heat input used to determine allocations every three years, with the highest single heat input during a three-year period to determine a source's allowances.

One commenter stated that averaging the heat inputs over a specific period might help out with the "bumps" along the road. Another commenter said that using only one heat input value might allow some sources to "game" the system by increasing production on different units during the three year period in an attempt to get more allowances. However, "gaming" would be minimized if all systems utilized this strategy. Overall, no facility expressed any real concerns for hardships that would result from this allocation schedule.

The Department still favors the proposed allocation schedule but welcomes any additional comments or concerns.

3. Fuel-neutral Allocation System: The Department presently supports the language in the model rule that adjusts a facility's allowances based on fuel type. However, the Department is still soliciting comments on this issue. The Department expressed concerns about the calculations and availability of the data needed

(heat input for each type of fuel utilized at a facility and for how long) to perform the fuel-adjusted allocations.

One commenter stated that the data is reported to the Department of Energy. All sources at the meeting agreed that they had the data and would make it available to the Department on a regular basis. Another commenter favored the fuel-neutral allocations, stating that the adjusted allocations do not take into account the units that have already invested resources to become more efficient. The Department is conducting a comparison to determine how much of a difference in allocations, if any, a fuel-neutral allocation system would be as compared to a fuel-adjusted system. Also, it was suggested that the ratios for each fuel type be adjusted to make them more equitable, such as 1.0 for coal and 0.6 for oil and gas.

The Department is requesting further comments on this issue. Also, it will continue the comparison study and hopes to have the study results available before the next stakeholder's meeting.

4. New and Existing Sources for Determining Baseline Heat Input: The Department supports a system based upon using heat input to determine allowance allocations for all sources, existing and new.

The stakeholders had no comments other than supporting the Department's proposal.

5. NOx New Source Set-Aside: The Department proposed a new source set-aside of three percent annually, starting in 2009.

Commenters generally agreed that a new source set-aside was needed. However, the amount of the set-aside was discussed. Several commenters referred to the NOx SIP Call set-aside as a comparison. Because of the proposed shorter allocation period, most agreed that a smaller set-aside was needed.

One commenter suggested that the regulation provide for flexibility to adjust the set-aside periodically.

The Department is requesting further comments on this issue.

6. Treatment of NOx SIP Call Non-EGUs: The Department proposed including non-EGUs in the CAIR NOx Budget Program. Allowances for the non-EGUs will be included in the NOx budget.

The stakeholders had no comments other than supporting the Department's proposal.

7. Opt-In for non-EGUs: The Department supports opt-in provisions and believes South Carolina should allow these provisions in their regulation.

The stakeholders had no comments on this issue.

Overview of the Clean Air Mercury Rule

Staff began with a discussion of the proposal to allocate 20 percent of the budget for 2010-2017 to a public health set-aside. In 2018 and thereafter, 10 percent of the budget would be allocated to the public health set-aside. The allowances in the public health set-aside would be permanently retired.

General Discussion of the Clean Air Mercury Rule

The following is a synopsis of the proceedings:

1. CAMR Public Health Set-Aside: Several commenters expressed concern that the set-aside would have a large impact on their facility. These commenters preferred that the Department not have a public health set-

aside and allocate all of the allowances in the State's budget to utilities.

A main concern for the group was the reliability of the available data. A discussion among the group addressed the source of the information regarding the 1999 emissions and the reliability of the information. Most of the stakeholders representing utilities agreed that more reliable data was needed to determine actual emissions, and that these data should be considered before establishing a permanent public health set-aside.

Another commenter stated that the public health set-aside was a good first start, but more needs to be done. This commenter also expressed concerns that extra allowances in the State could be sold to neighboring states, and the Hg emissions might find their way back to South Carolina.

Another commenter suggested allocating the set-aside allowances to facilities, but restricting them so that they cannot be traded or sold.

Comments for the Next Meeting are Due:

Stakeholders agreed to submit comments on the proposed regulations regarding CAIR and CAMR by the end of the day on **November 21, 2005**. Staff will review these comments and prepare for discussion during the next meeting.

Next Meeting:

The next meeting will be held on December 7, 2005 at 1:30 pm in 4380 Aycock Building (Sherer Room).

Those attending the November 4, 2005 meeting were:

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