

BEFORE THE ARKANSAS POLLUTION CONTROL AND ECOLOGY COMMISSION

IN THE MATTER OF AMENDMENTS TO )  
REGULATION NO. 19 REGULATIONS OF ) DOCKET NO. 06-012-R  
THE ARKANSAS PLAN OF IMPLEMENTATION )  
FOR AIR POLLUTION CONTROL )

STATEMENT OF BASIS AND PURPOSE FOR REGULATION NO. 19

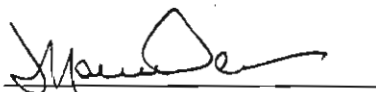
The Arkansas Department of Environmental Quality (ADEQ) proposes revisions to Regulation 19 by adding a new chapter to address the State's obligations as part of the Clean Air Interstate Rule (CAIR). CAIR will control the interstate transport of NO<sub>x</sub> and SO<sub>2</sub> emitted by fossil-fuel fired Electric Generating Units (EGUs) by creating an interstate cap and trade program.

EPA established trading budgets for each state, but has allowed each state to determine how to distribute the allowances in that state. CAIR will be implemented in two phases. For Arkansas EGUs, Phase I caps NO<sub>x</sub> emissions at 11,515 tons per ozone season starting in 2009, while Phase II will limit NO<sub>x</sub> emissions to 9,596 tons beginning in 2015. NO<sub>x</sub> emissions from EGUs are currently estimated at 19,000 tons per ozone season in Arkansas.

The proposed rule incorporates by reference the following aspects of the federal model CAIR: General Provisions, Designated Representative, Permits, Compliance Certification, Allowance Tracking System, Allowance Transfer, and Monitoring and Reporting. The proposed rule contains a methodology for allocations of these NO<sub>x</sub> allowances that we feel encourages EGUs to operate efficiently by basing allocations on their electric output. The proposed rule uses updated electrical output to determine distribution of the allowances.

Should ADEQ fail to have an approvable SIP submitted to EPA by March 30, 2007, EPA will make these allocations according to their model rule. Under EPA's rule, allocations would never change and would cause new facilities to achieve compliance by purchasing allocations from other sources. It would also continue to allocate allowances to facilities that were retired.

Another proposed revision to Regulation 19 addresses the Emission Inventory Certifying Statement Requirement under the Clean Air Act Section 182(a)(3)(B) for all areas designated nonattainment for the 8-hour ozone national ambient air quality standard (NAAQS) and classified marginal or higher under subpart 2, part D, title I of the Act. The emission inventory certifying statement will be added to Reg. 19.705 to comply with the above Act.



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