

January 11, 2006

Stephen L. Johnson
U.S. Environmental Protection Agency
EPA Docket Center, EPA West (Air Docket)
Mail Code 6102T
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460
Attention: Docket #OAR 2003-0053

Re: *Rule to Reduce Interstate Transport of Fine Particulate Matter and Ozone (Clean Air Interstate Rule) - Reconsideration*

Dear Administrator Johnson:

The Northeast States for Coordinated Air Use Management (NESCAUM) offer the following comments on the U.S. Environmental Protection Agency's (EPA's) proposal, published on December 2, 2005 in the Federal Register (70 FR 72268-72282), entitled *Rule to Reduce Interstate Transport of Fine Particulate Matter and Ozone (Clean Air Interstate Rule): Reconsideration*. NESCAUM is the regional association of air pollution control agencies representing Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

1. Sulfur dioxide (SO₂) allocation methodology in the Clean Air Interstate Rule (CAIR) model trading rules: EPA has asked for comment on analyses conducted of its SO₂ allocation methodology. EPA has relied on the use of Title IV (Acid Rain Program) SO₂ allowances for the CAIR model trading program. As stated in previous comments, we do not support EPA's choice to use the Acid Rain Program as the vehicle to implement CAIR. Notwithstanding, EPA should establish, and explicitly allow States to establish, higher retirement ratios than those promulgated for SO₂ and NO_x in order for additional reductions to occur and to help States meet their attainment and transport obligations as required under section 110(a) of the Clean Air Act.

2. Fuel adjustment factors used to set State nitrogen oxides (NO_x) budgets: EPA has chosen to adjust heat input data for allocations based on factors that reflect the inherently higher emissions rate of coal-fired plants. EPA's adjustment factors favor the sources with the highest emitting fuel and disregard the economic impact of having fewer allowances allocated to States where electricity costs are already higher, in some part, due to a higher percentage of cleaner natural gas facilities. We disagree with this approach as it effectively results in allowance subsidies for the biggest polluters. States that have already benefited from lower electricity prices because of the lack of controls on coal-fired units are now rewarded with additional allowances, and States that have more energy efficient facilities are penalized because the allocation to States is based on heat input. While gas-fired plant owners have been paying for cleaner fuel, under EPA's chosen approach, they may be penalized with the additional cost of purchasing allowances in order to comply with CAIR. Such costs would be passed on to ratepayers in the form of higher electric rates. Furthermore, EPA's use of fuel adjustment factors would not only discourage investment in new cleaner natural gas electric generating units, but also discourage investment in new cleaner coal-fired electric generating units such as Integrated Gasification Combined Cycle (IGCC) technology. In addition, EPA's approach locks States with a lower percentage of coal-fired

generation into a lower budget that may not accurately account for future emissions under different conditions (e.g., increasing natural gas prices). EPA should revert to the fuel-neutral budget calculation methodology it proposed for CAIR (69 FR 4566) so that cleaner, more efficient sources are not at a disadvantage in the budget-setting process.

3. Fine particulate matter (PM_{2.5}) modeling for Minnesota and including Florida in the CAIR region for ozone: EPA has asked for comment on the inclusion of Florida in the CAIR region for ozone and on revised modeling inputs for Minnesota. NESCAUM is not commenting on those specific issues. However, EPA must include States in the CAIR program for which analyses demonstrate that they contribute to non-attainment under section 110(a)(2)(d) of the Clean Air Act. Should EPA choose to remove any jurisdiction from the CAIR program, EPA must reduce the total NO_x and SO₂ CAIR budgets by amounts equal to that jurisdiction's NO_x and SO₂ budgets, respectively.

The NESCAUM States cannot attain the eight-hour ozone and PM_{2.5} National Ambient Air Quality Standards without substantial reductions in direct and transported emissions of NO_x and SO₂ across the Eastern U.S. We urge EPA to ensure that the CAIR program maximizes reductions of transported NO_x and SO₂ to the extent feasible.

If you or your staff have any questions regarding the issues raised in this letter, please contact Leah Weiss at the NESCAUM office at 617-259-2000.

Sincerely,



Arthur N. Marin
Executive Director

cc: NESCAUM Directors
Carla Oldham, U.S. EPA
Chitra Kumar, U.S. EPA
Sonja Rodman, U.S. EPA