

DEPARTMENT OF ENVIRONMENTAL QUALITY  
Chapter 340  
Proposed Rulemaking  
STATEMENT OF NEED AND FISCAL AND ECONOMIC IMPACT

**New Source Review, Particulate Matter and Greenhouse Gas Permitting Requirements and Other Permitting Rule Updates**

The Oregon Department of Environmental Quality (DEQ) is proposing rules that would update New Source Review/Prevention of Significant Deterioration (NSR/PSD) for fine particles and greenhouse gases and make other permitting rule updates.

This form accompanies a Notice of Proposed Rulemaking

<b>Title of Proposed Rulemaking</b>	New Source Review, Particulate Matter and Greenhouse Gas Permitting Requirements and Other Permitting Rule Updates
<b>Statutory Authority or other Legal Authority</b>	ORS 468.020, 468A.025
<b>Statutes Implemented</b>	468.065, 468A.040, 468A.055, 468A.310
<b>Need for the Rule(s)</b>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration:</u> The proposed NSR/PSD rules for PM<sub>2.5</sub> are needed to implement this program once EPA repeals the PM<sub>10</sub> surrogate policy. The rules would replace a temporary rule that was adopted on August 19, 2010 and expires on February 28, 2011. The temporary rule will be replaced upon adoption of the final rule.</p> <p><u>Greenhouse Gas Prevention of Significant Deterioration and Title V permitting:</u> The proposed rules for GHGs are needed in response to regulations promulgated by EPA that require states to update their PSD and Title V programs to include GHGs. If DEQ does not adopt these rules, Oregon will lose federal approval to implement the programs and could face sanctions. Adoption of these rules will ensure that sources comply with federal GHG permitting requirements and that DEQ will retain approval to implement the PSD and Title V programs.</p> <p><u>Small Scale Local Energy Projects:</u> The proposed rule change for small scale local energy projects is needed to align Oregon's administrative rules with Oregon's statute (ORS 468A.04).</p> <p><u>Permitting Rule Update:</u> The proposed rules are needed because EPA has made revisions to the federal acid rain program rules. Oregon's rules are now out of date.</p>
<b>Documents Relied Upon for Rulemaking</b>	<p>Federal Register / Vol. 75, No. 28 6827/ Thursday, February 11, 2010/ Implementation of the New Source Review (NSR) Program for Particulate Matter Less Than 2.5 Micrometers (PM<sub>2.5</sub>); Notice of Proposed Rulemaking To Repeal Grandfathering Provision and End the PM<sub>10</sub> Surrogate Policy <a href="http://www.gpo.gov/fdsys/pkg/FR-2010-02-11/pdf/2010-2983.pdf">http://www.gpo.gov/fdsys/pkg/FR-2010-02-11/pdf/2010-2983.pdf</a></p> <p>Federal Register / Docket ID No. EPA-HQ-OAR-2006-0605 / Prevention of Significant Deterioration (PSD) for Particulate Matter Less Than 2.5 Micrometers (PM<sub>2.5</sub>) – Increments, Significant Impact Levels (SILs) and Significant Monitoring Concentration/Final Rule (SMC) <a href="http://www.epa.gov/nsr/documents/20100929finalrule.pdf">http://www.epa.gov/nsr/documents/20100929finalrule.pdf</a></p> <p>Interim Implementation for the New Source Review Requirements for PM<sub>2.5</sub> (John S. Seitz, EPA, October 23, 1997) <a href="http://www.epa.gov/ttn/nsr/gen/pm25.html">http://www.epa.gov/ttn/nsr/gen/pm25.html</a></p> <p>Federal Register / Vol. 75, No. 28 / Thursday, June 3, 2010 / Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule; Final Rule <a href="http://www.gpo.gov/fdsys/pkg/FR-2010-06-03/pdf/2010-11974.pdf">http://www.gpo.gov/fdsys/pkg/FR-2010-06-03/pdf/2010-11974.pdf</a></p> <p>Federal Register / Vol. 75, No. 170 / Thursday, September 2, 2010 /Action To Ensure Authority To Issue Permits Under the Prevention of Significant Deterioration Program to Sources of</p>



Greenhouse Gas Emissions: Federal Implementation Plan <http://www.gpo.gov/fdsys/pkg/FR-2010-09-02/pdf/2010-21706.pdf>

Federal Register/Vol. 75, No. 170/Thursday, September 2, 2010/ Action To Ensure Authority To Issue Permits Under the Prevention of Significant Deterioration Program to Sources of Greenhouse Gas Emissions: Finding of Substantial Inadequacy and SIP Call <http://www.gpo.gov/fdsys/pkg/FR-2010-09-02/pdf/2010-21701.pdf>

**Requests for Other Options**

Pursuant to ORS 183.335(2)(b)(G), DEQ requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

**Fiscal and Economic Impact, Statement of Cost Compliance**

**Overview**

The proposed rules could have a fiscal and economic impact on approximately 1,256 permitted sources in addition to future applicants:

Business Type	Business Size	Permit Type	Number
City/County Govt	Large	ACDP	42
City/County Govt	Large	Title V	2
State Government	Large	ACDP	22
State Government	Large	Title V	2
Federal Government	Large	ACDP	3
Federal Government	Large	Title V	1
Industrial Business	Large	ACDP	570
Industrial Business	Large	Title V	95
<b>Estimated Number of Large Businesses Potentially Impacted</b>			<b>737</b>

Business Type	Business Size	Permit Type	Number
Industrial Business	Small	ACDP	502
Industrial Business	Small	Title V	17
<b>Estimated Number of Small Businesses Potentially Impacted</b>			<b>519</b>

- 117 facilities in Oregon that are permitted under the Air Quality Division's Title V Permit Program
- 1139 industrial facilities in Oregon that are permitted under the Air Quality Division's Air Contaminant Discharge Permit (ACDP) program

PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration: DEQ anticipates that there will be a negative fiscal and economic impact on about 386 small and large businesses subject to existing permitting requirements. These businesses will be required to make an initial estimate of PM<sub>2.5</sub> emissions at the time of permit renewal or modification so DEQ can incorporate emission levels into permits. DEQ will develop guidance to help minimize the impact. Oregon's other 870 permitted sources are on simpler permits that do not require calculation of emissions. The fiscal and economic impact is primarily due to federal requirements, although a portion of the impact is caused by incorporating the federal requirements into Oregon's unique NSR/PSD program.

Greenhouse Gas Prevention of Significant Deterioration: DEQ anticipates that there will be a negative fiscal and economic impact on about 386 small and large businesses subject to existing permitting requirements. Businesses will be required to estimate GHG emissions for their permit renewals or modifications, using a process similar to their GHG reporting requirements. DEQ will develop guidance to help minimize the impact. The fiscal and economic impact is primarily due to federal requirements, although a portion of the impact is caused by incorporating the federal requirements into Oregon's unique PSD program.

Small Scale Renewable Energy Sources: DEQ anticipates that there will be a positive economic impact for one or more small scale renewable energy sources that may benefit from the ability to obtain offsets from anywhere within a nonattainment area. This benefit results



	<p>from House Bill 2952, and is unchanged by this rulemaking.</p> <p><u>Permitting Rule Updates:</u> DEQ anticipates that there will be no fiscal and economic impact as a result of the proposed rules.</p>	
<p><b>Impacts on the General Public</b></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> DEQ does not anticipate any direct fiscal or economic impacts from the proposed rules on the general public. However, indirect fiscal or economic impacts to the public may occur through increased prices for services or products as a result of costs associated with additional control or process equipment that may be required if a source triggers NSR/PSD. DEQ expects any such price increases to be small and lacks available information upon which it could accurately estimate potential increases.</p> <p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration:</u> EPA adopted standards for PM<sub>2.5</sub> based on their link to serious health problems ranging from increased symptoms, hospital admissions and emergency room visits to premature death for people with heart and lung disease. The proposed rules could create positive economic benefits and improvements in public health and welfare because the amount of PM<sub>2.5</sub> emissions allowed from new or expanding large businesses will be reduced.</p> <p><u>Greenhouse Gas Prevention of Significant Deterioration:</u> Global warming may create public health problems that can have negative economic impacts. The proposed rules could create positive economic benefits and improvements in public health and welfare because the amount of greenhouse gas emissions allowed from new or expanding large businesses will be reduced.</p> <p><u>Small Scale Renewable Energy Sources:</u> DEQ anticipates that there will be no fiscal and economic impact on the general public as a result of the proposed rules.</p> <p><u>Permitting Rule Updates:</u> DEQ anticipates that there will be no fiscal and economic impact on the general public as a result of the proposed rules.</p>	
<p><b>Impacts to Small Business</b> (50 or fewer employees – ORS183.310(10))</p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> DEQ anticipates that there will be a negative fiscal and economic impact on 269 small businesses because they will be required to make an initial estimate of PM<sub>2.5</sub> and GHG emissions at time of permit renewal or modification so DEQ can incorporate emission levels into permits. These businesses have the option of assuming that PM<sub>2.5</sub> emissions are the same as PM<sub>10</sub> emissions (already included in their permits), eliminating any additional costs for reporting, recordkeeping or other administrative activities. GHG emissions can be estimated using a process similar to their GHG reporting requirements.</p> <p>DEQ anticipates that there will be a negative fiscal and economic impact on new sources and existing sources if they make a modification to their facility that would trigger New Source Review or Prevention of Significant Deterioration. Additional costs could be incurred if the business had to add control equipment to meet control technology requirements. Sources are also required to perform computer modeling to ensure that the health standards are met and air quality in wilderness areas is not degraded. Most of the costs are the result of federal requirements and do not change as a result of adding PM<sub>2.5</sub> and GHGs to the list of regulated pollutants in Oregon. The application fee for this type of permit is \$42,000.</p> <p><u>Small Scale Renewable Energy Sources:</u> DEQ anticipates that there will be no fiscal and economic impact as a result of the proposed rules.</p> <p><u>Permitting Rule Updates:</u> DEQ anticipates that there will be no fiscal and economic impact as a result of the proposed rules.</p>	
<p><b>Cost of Compliance on Small Business</b> (50 or fewer employees – ORS183.310(10))</p>	<p>a) Estimated number of small businesses subject to the proposed rule</p>	<p>Currently 17 small businesses are required to hold Title V operating permits. Of the 1,139 industrial facilities holding Air Contaminant Discharge Permits, 502 of them are small businesses.</p>
	<p>b) Types of businesses and industries with small businesses subject to the proposed rule</p>	<p>There are several types of businesses and industries with small businesses that will be affected by the proposed rules. These may include asphalt manufacturing; ammonia manufacturing; chemical manufacturing; coffee roasting; commercial bakeries; commercial boilers; crematories; educational institutions; electric</p>



		power generation; furniture manufacturing; food processing; hospitals; iron and steel; natural gas and oil production and processing; petroleum refining; pipe coaters; printers; sand, rock and gravel operations; seed and grain companies; synthetic resin manufacturing; and wood products manufacturing.
	c) Projected reporting, recordkeeping and other administrative activities required by small businesses for compliance with the proposed rule, including costs of professional services	Additional costs for reporting, recordkeeping or other administrative activities are expected for approximately 269 small businesses if the amendments are adopted. These small businesses will be required to make an initial estimate of PM <sub>2.5</sub> emissions. Businesses have the option of assuming that PM <sub>2.5</sub> emissions are the same as PM <sub>10</sub> emissions (already included in their permits), eliminating any additional costs for reporting, recordkeeping or other administrative activities.
	d) The equipment, supplies, labor, and increased administration required by small businesses for compliance with the proposed rule	Additional costs for equipment, supplies, labor or administration are expected if the amendments are adopted and if the small business triggers NSR/PSD through facility modification or new construction. It is unknown how many small businesses would be affected. Most of the costs are the result of federal requirements and do not change as a result of adding PM <sub>2.5</sub> and GHGs to the list of regulated pollutants. The application fee for this type of permit is \$42,000.
	e) A description of the manner in which DEQ involved small businesses in the development of this rulemaking	Small businesses are being informed by announcements on the DEQ website, through direct mailings and email lists, notices in the Secretary of State Bulletin, and ads in local papers. Comments are being requested during the Public Comment period and at Public Hearings held in November. DEQ staff will participate in the December Northwest Environmental Conference in Portland informing people about the rulemaking. Attendees at this conference include representatives from large and small businesses.
<p><b>Impacts on Large Business</b> (all businesses that are not "small businesses" under ORS183.310(10))</p>		<p>Currently 95 large businesses are required to hold federal Title V Operating Permits. There are also 570 large businesses that hold state Air Contaminant Discharge Permits.</p> <p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> DEQ anticipates that there will be a negative fiscal and economic impact on these sources because they will be required to make an initial estimate of PM<sub>2.5</sub> and GHG emissions at time of permit renewal or modification so DEQ can incorporate emission levels into permits. These businesses also have the option of assuming that PM<sub>2.5</sub> emissions are the same as PM<sub>10</sub> emissions (already included in their permits), eliminating any additional costs for reporting, recordkeeping or other administrative activities. GHG emissions can be estimated using a process similar to their GHG reporting requirements.</p> <p>DEQ anticipates that there will be a negative fiscal and economic impact on new sources and existing sources if they make a modification to their facility that would trigger New Source Review or Prevention of Significant Deterioration. Additional costs could be incurred if the business had to add control equipment to meet control technology requirements. Businesses are also required to perform computer modeling to ensure that the health standards are met and air quality in wilderness areas is not degraded. Most of the costs are the result of federal requirements and do not change as a result of adding PM<sub>2.5</sub> and GHGs to the list of regulated pollutants. The application fee for this type of permit is \$42,000.</p> <p><u>Small Scale Renewable Energy Sources:</u> DEQ anticipates that there will be a positive economic impact for one or more small scale renewable energy sources because offsets are not available for sources that are located in remote parts of the nonattainment area. Getting offsets elsewhere in the nonattainment area also benefits air quality since the offsets will come from near where the highest ambient concentrations are located.</p> <p><u>Permitting Rule Updates:</u> DEQ anticipates that there will be no fiscal and economic impact as a result of the proposed rules.</p>





<p><b>Impacts on Local Government</b></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> Currently 44 county and local government agencies are subject to air permitting regulations. DEQ anticipates that there will be a negative fiscal and economic impact on these sources because they will be required to make an initial estimate of PM<sub>2.5</sub> and GHG emissions at time of permit renewal or modification so DEQ can incorporate emission levels into permits. These government agencies also have the option of assuming that PM<sub>2.5</sub> emissions are the same as PM<sub>10</sub> emissions (already included in their permits), eliminating any additional costs for reporting, recordkeeping or other administrative activities. GHG emissions can be estimated using a process similar to their GHG reporting requirements.</p> <p>DEQ anticipates that there will be a negative fiscal and economic impact on local government agencies if they build new sources and or modify existing sources that would trigger New Source Review or Prevention of Significant Deterioration. The costs would be similar to large businesses as mentioned above.</p> <p><u>Small Scale Renewable Energy Sources:</u> DEQ anticipates that there will be no fiscal and economic impact as a result of the proposed rules.</p> <p><u>Permitting Rule Updates:</u> DEQ anticipates that there will be no fiscal and economic impact as a result of the proposed rules.</p>
<p><b>Impacts on State Agencies other than DEQ</b></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> Currently there are 24 state and 4 federal government agencies subject to air permitting regulations. DEQ anticipates that there will be a negative fiscal and economic impact on these sources because they will be required to make an initial estimate of PM<sub>2.5</sub> and GHG emissions at time of permit renewal or modification so DEQ can incorporate emission levels into permits. State and federal government agencies have the same options available to them as mentioned above for local government agencies.</p> <p>State and federal government agencies would incur the same fiscal and economic impacts as local government agencies mentioned above.</p>
<p><b>Impacts on DEQ</b></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> Workload for DEQ will increase as a result of incorporating PM<sub>2.5</sub> and greenhouse gases into permits. If the PM<sub>2.5</sub> and GHG thresholds for the New Source Review/Prevention of Significant Deterioration program are not adopted, there would be a significant workload impact on DEQ. This includes an increase in costs associated with issuing NSR/PSD permits.</p> <p><u>Small Scale Renewable Energy Sources:</u> Workload for DEQ will increase as a result of permitting one or more small scale renewable energy sources that may be affected by the proposed rules.</p> <p><u>Permitting Rule Updates:</u> Workload for DEQ should not change as a result of the proposed rules.</p>
<p><b>Assumptions</b></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration and GHG PSD:</u> If the PM<sub>2.5</sub> and GHG thresholds for the New Source Review/Prevention of Significant Deterioration program are not adopted, an indeterminate number of sources would need to evaluate whether they are required to obtain a permit or a permit modification for PM<sub>2.5</sub> or GHG emissions. Several hundred of these permits may need to be issued or modified creating significant workload issues. The majority of these sources are small businesses, which may not have adequate resources to do additional reporting and monitoring.</p>
<p><b>Housing Costs</b></p>	<p>DEQ determined that the proposed rule changes may have a negative impact on the development of a 6,000 square foot parcel and the construction of a 1,200 square foot detached single family dwelling on that parcel if the costs for additional control or process equipment are passed through by sources providing products and services for such development and construction. The possible impact appears to be minimal. DEQ cannot quantify the impact at this time because the information available to it does not indicate whether the costs would be passed on to consumers and any such estimate would be speculative.</p>



<b>Administrative Rule Advisory Committee</b>	<p>Stakeholder meetings allowed input on the proposed rules and also comment on the August 19 temporary rules. DEQ sent an announcement of the meetings to all permitted facilities and people who expressed interest in air quality rulemakings. DEQ sent the announcement by postcards, email using Oregon's GovDelivery system, a free e-mail subscription service that provides subscribers with automatic notices of updates to the Oregon DEQ Web page on topics they select, and posted the announcement on the DEQ website. DEQ provided two weeks to comment on the fiscal and economic impact statement.</p> <p>DEQ did not use an Advisory Committee because of the technical nature and diversity of the rules proposed for change. Instead, DEQ held topical meetings to allow stakeholders to attend the meeting that discussed topics of interest to them.</p>
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