

**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 Lane Regional Air Protection Agency (LRAPA) is proposing rules that would update New Source Review/Prevention of Significant Deterioration (NSR/PSD) for fine particles and greenhouse gases, update standards for particulate matter, 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>	Title 14 of LRAPA Rules and Regulations, 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> This proposed rulemaking would adopt NSR/PSD rules for fine particles (PM<sub>2.5</sub> or particulate matter less than 2.5 microns in diameter) adopted by a temporary rule on August 23, 2010 and expires on February 28, 2011. The temporary rule will be replaced upon adoption of the final rule.</p> <p><u>Greenhouse Gas (GHG) /Prevention of Significant Deterioration:</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 LRAPA does not adopt these rules, LRAPA will lose federal approval to implement these programs and could face sanctions. Adoption of these rules will ensure that sources comply with federal GHG permitting requirements and that LRAPA will retain approval to implement the PSD and Title V programs.</p> <p><u>Small Scale Renewable Energy Sources:</u> The proposed rule change for small scale local energy projects is needed to align LRAPA's rules with Oregon's statute (ORS 468A.04).</p> <p><u>Permitting Rule Updates:</u> The permitting rule updates would align rules with federal standards, correct typographical errors and create permitting and/or registration requirements for many sources subject to new Area Source National Emission Standards for Hazardous Air Pollutants (Area Source NESHAPs).</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 PM10 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 (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>

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: 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>

House Bill 2952 (2009): <http://www.leg.state.or.us/09reg/measpdf/hb2900.dir/hb2952.en.pdf>

**Requests for Other Options**

**Pursuant to ORS 183.335(2)(b)(G), LRAPA 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**

***For the remainder of the Statement of Need and Fiscal and Economic Impact, LRAPA is relying on the evaluation and estimations performed by DEQ for this same rulemaking. The exception is where LRAPA has provided a different analysis for the permitting rule updates as those changes are significantly different from DEQ's permitting rule updates.***

*The evaluation performed by DEQ provides a much wider scope on the impact to facilities. LRAPA permits approximately 220 total sources (including 20 Title V sources) and therefore these impacts estimated by DEQ are likely to proportionally affect approximately 20% of the source impacts statewide (220 = 20% of 1,256). There are minor differences in the DEQ and LRAPA rulemakings but LRAPA believes the most significant aspects are so similar that the evaluation performed by DEQ applies to Lane County on a proportional basis.*

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

	<p>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.</p> <p><u>Greenhouse Gas New Source Review/Prevention of Significant Deterioration:</u> 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.</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 that may benefit from the ability to obtain offsets from anywhere within a nonattainment area. This benefit results from House Bill 2952, and is unchanged by this rulemaking.</p> <p><u>Permitting Rule Updates:</u> LRAPA anticipates a negative fiscal and economic impact to about 80 new and existing sources subject to area source NESHAP permitting or registration.</p>
<p><b>Impacts on the General Public</b></p> <p><i>(Except for "Permitting Rule Updates", LRAPA is relying on the evaluation and estimations performed by DEQ for this nearly identical rulemaking.)</i></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 or to meet lower particulate matter standards. 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 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 greenhouse gas emissions will be reduced when large businesses are constructed or modified.</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> LRAPA anticipates a negative fiscal and economic impact to about 80 new and existing sources subject to area source NESHAP permitting or registration. LRAPA does not have the resources to evaluate whether this will result in negative impacts to the general public.</p>
<p><b>Impacts to Small Business</b> (50 or fewer employees – ORS183.310(10))</p> <p><i>(Except for "Permitting Rule Updates", LRAPA is relying on the evaluation and estimations performed by DEQ</i></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</p>

<p><b>for this nearly identical rulemaking.)</b></p>	<p>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> LRAPA anticipates a negative fiscal and economic impact to about 80 new and existing sources subject to area source NESHAP permitting or registration.</p>	
<p><b>Cost of Compliance on Small Business</b> (50 or fewer employees – ORS183.310(10))</p> <p><b>(Except for “Permitting Rule Updates”, LRAPA is relying on the evaluation and estimations performed by DEQ for this nearly identical rulemaking.)</b></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>Permitting Rule Updates: LRAPA anticipates a negative fiscal and economic impact to about 80 new and existing sources subject to area source NESHAP permitting or registration.</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 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.</p> <p>Permitting Rule Updates: Types of businesses affected by permitting and/or registration for sources subject to area source NESHAPs include: auto body refinishing, plating and polishing and metal fabrication facilities.</p>
	<p>c) Projected reporting, recordkeeping and other administrative activities required by small businesses for compliance with the proposed rule, including costs of professional services</p>	<p>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.</p> <p>Permitting Rule Updates: Additional costs for reporting, recordkeeping or other administrative activities are expected for approximately 80 small businesses if the amendments are adopted. Businesses may need to provide employee training and perform additional recordkeeping and monitoring to be compliant with the area source NESHAP requirements contained in the proposed permitting changes.</p>
	<p>d) The equipment, supplies, labor, and increased administration required by small businesses for compliance with the proposed rule</p>	<p>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.</p> <p>Permitting Rule Updates: Additional costs for equipment, supplies, labor or administration are expected if the amendments are adopted. Businesses may need to upgrade pollution control</p>

		<p>and process equipment to be compliant with the area source NESHAP requirements contained in the proposed permitting changes.</p> <p>e) A description of the manner in which DEQ involved small businesses in the development of this rulemaking</p> <p>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> <p>Permitting Rule Updates: In addition to announcements on the LRAPA website, through direct mailings and email lists, notices in the Secretary of State Bulletin, and ads in local papers, LRAPA participated on the small business advisory committee that provided suggestions on the DEQ version of these permitting changes for sources subject to area source NESHAPs. LRAPA held a stakeholder meeting in January 2010 for auto body sources to provide information. Additional stakeholder meetings are planned for December for sources subject to area source NESHAPs.</p>
<p><b>Impacts on Large Business</b> (all businesses that are not "small businesses" under ORS183.310(10))</p> <p><i>(Except for "Permitting Rule Updates", LRAPA is relying on the evaluation and estimations performed by DEQ for this nearly identical rulemaking.)</i></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. These permittees would be subject to the PM<sub>2.5</sub> and GHG portions of the proposed rules. Additionally, proposed new facilities that would be large sources of PM<sub>2.5</sub> and GHG pollution would also be subject to the rules, but DEQ lacks available information to project what new facilities may be proposed in the future.</p> <p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration, GHG PSD and GHG Title V:</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. The cost of these requirements varies by each business and DEQ lacks available information sufficient to accurately estimate these costs.</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. Additionally, NSR and PSD is a case-by-case analysis, and because the type of pollution controls and computer modeling varies for each case, DEQ lacks available information to accurately estimate those costs. However, DEQ acknowledges that the cost impact of NSR/PSD is typically significant. The application fee alone 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. Additionally LRAPA anticipates there will be no fiscal and</p>


<p><b>Impacts on Local Government</b></p> <p><i>(Except for "Permitting Rule Updates", LRAPA is relying on the evaluation and estimations performed by DEQ for this nearly identical rulemaking.)</i></p>	<p>economic impact as a result of LRAPA's permitting rule updates in the proposed rules.</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. Additionally LRAPA anticipates there will be no fiscal and economic impact as a result of LRAPA's permitting rule updates in the proposed rules.</p>
<p><b>Impacts on State Agencies other than DEQ</b></p> <p><i>(LRAPA is relying on the evaluation and estimations performed by DEQ for this same rulemaking)</i></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration, GHG PSD and GHG Title V:</u> Currently there are 24 state and 4 federal government agencies subject to air permitting regulations. These permittees would be subject to the PM<sub>2.5</sub> and GHG portions of the proposed rules. Additionally, proposed new facilities that would be large sources of PM<sub>2.5</sub> and GHG pollution would also be subject to the rules, but DEQ lacks available information to project what new facilities may be proposed in the future.</p> <p>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. The cost of these requirements varies by each permittee and DEQ lacks available information sufficient to accurately estimate these costs.</p> <p>DEQ anticipates that there will be a negative fiscal and economic impact on state agencies other than DEQ 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>State and federal government agencies would incur the same fiscal and economic impacts as local government agencies mentioned above.</p>
<p><b>Impacts on LRAPA</b></p> <p><i>(This section is specific to LRAPA)</i></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration, GHG PSD and GHG Title V:</u> Workload for LRAPA 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 LRAPA, because many more sources would become subject to NSR/PSD. This includes an increase in costs associated with issuing NSR/PSD permits.</p> <p><u>Small Scale Renewable Energy Sources:</u> Workload for LRAPA 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 LRAPA will increase as a result of the proposed rules.</p>
<p><b>Assumptions</b></p> <p><i>(LRAPA is relying on the evaluation and estimations performed by DEQ for</i></p>	<p><u>PM<sub>2.5</sub> New Source Review/Prevention of Significant Deterioration, GHG PSD and GHG Title V:</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 subject to NSR/PSD for PM<sub>2.5</sub> or GHG emissions. The reason for this is because without establishing a significant emission rate as proposed by this rule, any increase in emissions of PM<sub>2.5</sub> or GHGs by a source would trigger NSR/PSD. Several hundred of these permits may need to be issued</p>

<b><i>this same rulemaking</i></b>	or modified creating significant workload issues.
<b>Housing Costs</b>  <b><i>(LRAPA is relying on the evaluation and estimations performed by DEQ for this same rulemaking)</i></b>	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.
<b>Administrative Rule Advisory Committee</b>  <b><i>(This section is specific to LRAPA)</i></b>	Stakeholder meetings were held to allow people to provide input on the proposed rules and also comment on the August 23 temporary rules. LRAPA sent an announcement of the meetings to all permitted facilities and people who had expressed interest in air quality rulemakings. Announcement of the meetings was sent out in postcards to all permitted facilities, sent out in emails and posted on the LRAPA website. Stakeholders were also given two weeks to comment on the fiscal and economic impact statement.  An Advisory Committee was not used because of the technical nature and diversity of the rules proposed for change. Instead, held topical meetings and let stakeholders choose to attend the meeting that discussed topics of interest to them.

  
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10/15/2010  
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Approved by LRAPA Budget Office

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12/14/2010  
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