



November 23, 2010

BY EMAIL (AQFeb2011Rules@deq.state.or.us)
AND
FACSIMILE (503-229-5675)

Ms. Jill Inahara
Oregon DEQ, Air Quality Division
811 SW Sixth Avenue
Portland, OR 97204

Re: Comments on Proposed PM2.5 and Greenhouse Gas Rules

Dear Ms. Inahara:

Roseburg Forest Products (RFP) is a vertically integrated wood products manufacturing company with plants in Dillard, Riddle and Coquille, Oregon. RFP also has manufacturing facilities in California, Montana and throughout the southeast. Nationally, the company employs over 4,000 people. Products generated include dimensional lumber, panel products, engineered wood products and green power (generated from wood residuals resulting from our operations).

RFP is greatly concerned about how the Oregon Department of Environmental Quality (DEQ or Department) implements PM2.5 and greenhouse gas (GHG) regulation in Oregon. Although RFP has the capability of shifting production to other parts of the country, the company was founded in Oregon and we wish to be able to continue to manufacture in this state. Therefore, it is critical that our Oregon operations remain competitive. It is this focus on Oregon remaining competitive while being protective of our natural resources that underlies our comments.

RFP is particularly concerned regarding how DEQ establishes baseline emissions for PM2.5 and GHGs. The foundation of major and minor new source review in Oregon is the baseline emission rate and the related netting basis. As a company with Oregon facilities that both predate and postdate the 1977/78 baseline period established for the existing regulated air pollutants, we have a unique perspective on the Department's proposal. In the proposal, the Department outlined three possible alternative to establish PM2.5 baseline and four possible alternatives to establishing GHG baseline.

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Ms. Jill Inahara
November 23, 2010
Page 2

RFP strongly encourages DEQ to adopt a modified Option 1 for establishing baseline for PM2.5. Option 1 is described, for PM2.5, as taking the proportionate share of the PM10 netting basis or, if (and only if) there is no PM10 netting basis, taking actual emissions during the baseline period. We believe that this approach is much better than Options 2 or 3 for establishing the PM2.5 baseline. However, we do not believe that facilities should only be limited to setting baseline equal to actual emissions during the baseline period to those situations where the facility has no PM10 netting basis. Three of RFP's Oregon facilities have PM10 netting basis, but one facility, because it was built after 1978, does not. For the three facilities that were built prior to 1978, there is the possibility of having PSELS in excess of the netting basis based on the use of existing capacity. It would not make sense to unilaterally curtail the PM2.5 baseline to match the PM10 netting basis where a source has relied on existing capacity. Where PM2.5 has only become a regulated air pollutant in 2010, and will not be regulated in Oregon under a permanent rule until 2011, we believe that it is appropriate to allow sources the flexibility to either take a proportional approach to setting the PM2.5 baseline or to take the actual emissions during the baseline period. We believe that this approach of allowing the source to decide which of these two methods to use in establishing the PM2.5 baseline emission rate is practical, consistent with the law and protective of the environment. Therefore, we urge DEQ to revise the proposed OAR 340-200-0020(13)(c)(B) to read "Is the PM2.5 fraction of the netting basis in effect on March 1, 2011 or the actual PM2.5 emissions during the baseline period." Once the baseline is frozen, the source will be locked into the chosen approach and the Department and the source will have certainty as to baseline value.

Similarly, RFP believes that the Department should adopt Option 1 for GHGs, but allow sources the flexibility to choose between a proportional approach and actual emissions during the baseline period. This optionality allows the source to make an informed decision based on how the plant has been operated during the time period between when the netting basis was established for other combustion pollutants and when GHGs became regulated under the Oregon program. This optionality is critical because in some situations the difference between the netting basis and the conventional combustion pollutant PSEL might be under the significant emission rate. However, the proportionate level of greenhouse gases equating to the difference between the netting basis and the PSEL could force a source into GHG PSD. We do not believe that allowing the source to make a one-time election as to whether to utilize actual emissions or to calculate baseline proportionate to combustion emissions will undermine the stringency of the Oregon program. Under the federal program a source can choose a different baseline period for different pollutants and there need not be any relationship or proportionality maintained. Similarly, under the federal program a source can choose different baseline periods even for the same pollutant each time that it evaluates a different project. By allowing the source to choose

Ms. Jill Inahara
November 23, 2010
Page 3

between the approach to baseline and then lock that number in as part of the baseline freeze, the Oregon program will be at least as stringent, if not more so, than the federal program.

RFP wishes to voice its opposition to DEQ's proposed Option 4 whereby it would adopt the federal PSD regulations for greenhouse gases. While RFP recognizes that there is the significant likelihood that it would face less regulation of GHGs under the federal program because of the absence of any requirement under the federal program to aggregate emissions increases between separate projects, we also recognize how confusing it would be to try and rely on one program for GHGs and another regulatory program for all other pollutants. RFP has facilities in many states where the federal PSD program applies. The federal program is far more complex and much less transparent to source, agency and public alike. We prefer the clarity of having an established PSEL and knowing that so long as emissions are retained below that bright line limit, PSD is not an issue. Therefore, we support the Department applying the Oregon PSD program to all regulated air pollutants, including GHGs.

RFP also strongly encourages the Department to include a provision that CO2 emissions from biomass combustion are not considered GHGs. RFP recognizes that EPA has not reached a final conclusion as to the regulatory status of biomass derived CO2. However, by including such a provision in the Oregon rules and staying that provision until EPA issues its determination in 2011, Oregon sends a powerful message to EPA while also ensuring that as soon as EPA acts, the Oregon program will be revised. As Governor Kulongoski has repeatedly stated, biomass is key to Oregon's economic future as well as to reducing greenhouse gas emissions. RFP avoids the use of substantial amounts of fossil fuel annually through the combustion of renewable biomass. DEQ should adopt rules that ensure that as soon as possible, the regulations will reflect the preference for the burning of renewable biomass as opposed to non-renewable fossil fuel. Our suggested approach ensures that minimal future agency resources are needed to transition the regulations to recognizing the carbon neutral status of biomass. This approach also avoids the regulatory delays that could cause projects to move elsewhere rather than wait for an end to the uncertainty posed by Oregon's regulatory status.

We also request that the Department not include fugitive GHG emissions as part of Oregon's PSD program unless the source is in one of the designated source categories. The extent of fugitive GHG emissions is not fully understood at this time and so we do not believe that there is any basis for including fugitives in major source determinations unless federal law requires Oregon to do so. By including fugitive GHG emissions for all sources, DEQ is going far beyond what the federal law requires. We request that Oregon sources not be put at a disadvantage as compared to sources in other states and that DEQ not regulate fugitive GHG emissions from sources outside the designated source categories.

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Ms. Jill Inahara
November 23, 2010
Page 4

We thank you for this opportunity to comment on the proposed rules and hope that the Department recommends adoption of regulations that preserve the Oregon new source review approach while also not disadvantaging Oregon sources as compared to those in other states.

Sincerely,



Lisa Becherer
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