

Oregon Department of Environmental Quality

Notice of Proposed Rulemaking

Update Oregon's air quality rules to address federal regulations

Overview

Short summary

DEQ proposes rules to adopt new and amended federal air quality regulations. This includes adopting:

- New federal standards for boilers and process heaters, stationary internal combustion engines, nitric acid plants, and crude oil and natural gas production, transmission and distribution
- Newly amended federal standards
- Rules to implement new federal emission guidelines for commercial and industrial solid waste incineration units; and adopting the federal plan for hospital, medical, and infectious waste incinerators

Brief history

The federal Clean Air Act requires the U.S. Environmental Protection Agency to establish National Emission Standards for Hazardous Air Pollutants, known as NESHAPs, for both major and area sources of hazardous air pollutants. EPA finished establishing major source standards in 2004. EPA began establishing area source standards in 2006 and concluded in 2011. EPA may adopt additional NESHAPs in the future for new source categories or source categories it may have missed.

This proposed rulemaking is the final phase for Oregon's adoption of area source standards. The first four phases concluded in December 2008, December 2009, February 2011 and March 2013.

The Clean Air Act also requires EPA to develop New Source Performance Standards for categories of sources that cause or significantly contribute to air pollution that may endanger public health or welfare. Such regulations apply to each new source within a category without regard to source location or existing air quality. When EPA establishes New Source Performance Standards for a category of sources, it may also establish emission guidelines for existing sources in the same category. States must develop rules and a state plan to implement Emission Guidelines or request delegation of the federal plan. State plans, called Section 111(d) plans, are subject to EPA review and approval.

EPA performs a residual risk analysis for major source NESHAPs and periodic technology reviews for New Source Performance Standards and NESHAPs. These reviews are ongoing and in some cases result in EPA updating the standards. EPA also revises NESHAPs to address errors, implementation issues and lawsuits.

Regulated parties

This rulemaking regulates facilities subject to new and modified NESHAPs and New Source Performance Standards outlined below.

Outline

DEQ proposes rules to:

- 1. Adopt new rules to incorporate the following federal changes by reference:
 - New federal area source NESHAP for commercial, industrial and institutional boilers, but only for sources required to have a Title V permit or an Air Contaminant Discharge Permit
 - b. New federal major and area source NESHAP for stationary internal combustion engines, but only for sources required to have a Title V permit or an Air Contaminant Discharge Permit
 - c. New federal major source NESHAP for commercial, industrial and institutional boilers and process heaters
 - d. New federal New Source Performance Standards for:
 - Stationary internal combustion engines, but only for sources required to have a Title V permit or an Air Contaminant Discharge Permit and excluding the requirements for engine manufacturers
 - Nitric acid plants
 - Crude oil and natural gas production, transmission and distribution
 - e. Federal plan for hospital, medical and infectious waste incinerators
- 2. Adopt a new rule to implement new federal emission guidelines for commercial and industrial solid waste incineration units
- 3. Update existing rules to incorporate the following federal changes by reference:
 - a. Amended federal area source NESHAP for chemical manufacturing
 - b. Amended federal major source NESHAP for:
 - Electric utility steam generating units
 - Petroleum refineries
 - The pulp and paper industry
 - Natural gas transmission and storage facilities
 - c. Amended federal major and area source NESHAP for:
 - Chromium electroplating and anodizing
 - Portland cement manufacturing
 - Oil and natural gas production

- d. Amended federal New Source Performance Standards for:
 - Electric steam generating units
 - Hospital, medical, and infectious waste incinerators
 - Nitric acid plants
 - Commercial and industrial solid waste incineration units
 - Portland cement plants
 - Petroleum refineries
 - Onshore natural gas processing plants

Statement of need

What need is DEQ trying to address?

Oregon does not have rules to implement the following federal standards and emission guidelines:

- a. Toxics of concern. EPA identified boilers and process heaters and stationary internal combustion engines as emitters of one or more hazardous air pollutants, including polycyclic aromatic hydrocarbon, a toxic of concern in Oregon that can cause red blood cell damage, leading to anemia, suppressed immune system and developmental and reproductive effects. EPA developed standards to regulate the amount of hazardous air pollutants these activities can produce to better protect public health.
- b. Sources that may endanger public health and welfare. EPA also identified stationary internal combustion engines, commercial and industrial solid waste incineration units, nitric acid plants, and crude oil and natural gas production, transmission and distribution as sources that cause or significantly contribute to air pollution and may endanger public health or welfare. EPA developed standards to regulate the amount of emissions these activities can produce to better protect public health.
- c. Federal emission guidelines. EPA established emission guidelines for commercial and industrial solid waste incineration units. States are required to develop rules and state plans to implement federal emission guidelines.
- d. Revised federal standards. EPA revised several standards since EQC's previous adoption of federal standards. Not adopting the most recent version of federal standards impacts Oregon businesses, because they may be subject to two different standards, the revised federal standards and the outdated state standards. Not adopting the most recent version of the federal standards also impacts the public and the environment, because DEQ cannot enforce federal standards not yet adopted by EQC.
- e. Implement recordkeeping requirements. In a previous rulemaking, EQC repealed rules that implement the federal emission guidelines for hospital, medical and infectious waste incinerators because analysis indicated there were no affected facilities in Oregon. Recent analysis indicates one facility in Oregon is required to keep records to avoid being an

affected source under the federal emission guidelines. EPA informed DEQ it must adopt rules and submit a state plan to implement these recordkeeping requirements or take delegation of the federal plan.

How would the proposed rule address the need?

The proposed rules would update Oregon rules to reflect new and amended federal standards, adopt standards to implement the federal emission guidelines for commercial and industrial solid waste incineration units and adopt the federal plan for hospital, medical and infectious waste incinerators. This would advance DEQ's work to protect Oregonians from toxic pollutants by updating state rules to be consistent with federal rules.

- a. Toxics of concern. DEQ proposes adopting the new federal standards for boilers and process heaters and stationary internal combustion engines into Oregon rules by reference, but only for sources required to have a Title V permit or an Air Contaminant Discharge Permit. For those source not required to have a DEQ permit, EPA would retain responsibility for enforcement, but DEQ would still assist with implementation by providing technical assistance through our small business assistance program.
- b. Sources that may endanger public health and welfare. DEQ proposes adopting the new federal standards for commercial and industrial solid waste incineration units, nitric acid plants, and crude oil and natural gas production, transmission and distribution, by reference. This would give DEQ the authority to include the new federal requirements into Air Contaminant Discharge Permits.

DEQ also proposes adopting the new federal standards for stationary internal combustion engines into Oregon rules by reference, but only for sources required to have a Title V permit or an Air Contaminant Discharge Permit. For those source not required to have a DEQ permit, EPA would retain responsibility for enforcement, but DEQ would still assist with implementation by providing technical assistance through our small business assistance program.

- c. Federal emission guidelines. DEQ proposes adopting rules to implement the emission guidelines for commercial and industrial solid waste incineration units.
- d. Revised federal standards. DEQ proposes adopting revised federal standards by reference.
- e. Implement recordkeeping requirements. DEQ proposes adopting the federal plan for hospital, medical and infectious waste incineration units by reference.

How will DEQ know the need has been addressed?

Upon EQC adoption, DEQ would submit the rules to EPA to update Oregon's New Source Performance Standard and NESHAP delegation and request delegation of the federal plan for hospital, medical and infectious waste incinerators. DEQ would also submit a plan to EPA to implement the federal emission guidelines for commercial and industrial solid waste incineration units.

DEQ will know the goals of this rulemaking have been addressed when EPA reviews and approves the delegation request and plan to implement the emission guidelines for commercial and industrial solid waste incineration units.

Request for other options

During the public comment period, DEQ requests public comment on whether to consider other options for achieving the rule's substantive goals while reducing negative economic impact of the rules on business.

Rules affected, authorities, supporting documents

Lead division Program or activity

Air Quality Program Operations section

Chapter 340 action

]	Recommendation	Division	Rule	Title
	amend	230	0010	Purpose
;	amend	230	0020	Applicability
;	amend	230	0030	Definitions
;	amend	238	0040	Definitions
;	amend	238	0060	Federal Regulations Adopted by Reference
;	amend	238	0090	Delegation
;	amend	244	0020	Delegation of Authority
;	amend	244	0030	Definitions
;	amend	244	0220	Federal Regulations Adopted by Reference
;	adopt	230	0415	Adoption of Federal Plan by Reference
;	adopt	230	0500	Emission Standards for Commercial and Industrial Solid
				Waste Incineration Units

Statutory authority

ORS 468.020, 468A.025, 468A.035, 468A.040, 468A.050 and 468A.310

Other authority

Statute implemented

ORS 468.020, 468A.025, 468A.035, 468A.040, 468A.050 and 468A.310

Documents relied on for rulemaking ORS 183.335(2)(b)(C)

Document title	Document location	
Code of Federal Regulations	http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR	
Federal Register	http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR	
Oregon Administrative Rules	http://www.deq.state.or.us/regulations/rules.htm	
Oregon Revised Statutes	http://www.deq.state.or.us/regulations/statutes.htm	

Also see list at the end of this document of new and amended NESHAPs and NSPSs proposed for EQC adoption, which includes links to the Federal Register

Fees

This rule proposal does not involve fees.

Fiscal and Economic Impact

EPA evaluates the impacts of new federal standards when promulgated and lists them in the regulation's preamble. The fiscal and economic impacts of the new federal standards included in this rulemaking have already occurred; however, DEQ anticipates there would be fiscal and economic impacts resulting from Oregon adopting new federal standards, because the adoption would trigger a requirement that affected businesses obtain a permit and pay permit fees.

To mitigate the impact of permitting on businesses affected by this rulemaking, some of which could be small businesses, a separate rulemaking will propose to exempt some businesses from permitting and add other businesses to the list of business categories eligible to obtain a lower cost simple or general permit instead of a standard permit.

The list of proposed new and amended National Emission Standards for Hazardous Air Pollutants and New Source Performance Standards includes links to the federal rules and EPA's evaluation of fiscal and economic impacts in their preambles. The list is available at the bottom of this document or online at http://www.oregon.gov/deq/RulesandRegulations/Pages/2013/aqfedregs.aspx.

Statement of Cost of Compliance

Impacts on public

<u>Indirect impact</u>: The proposed rules could affect the public indirectly if large and small businesses change the price of goods and services to offset any increased or decreased costs from obtaining a permit and paying permit fees.

Direct impact: The proposed rules would not affect the public directly.

Impact on other government entities other than DEQ

<u>Direct impact</u>: DEQ expects direct fiscal and economic impacts on local governments that operate facilities subject to federal emission standards would be the same as those estimated for small businesses.

<u>Indirect impact</u>: The proposed rules could have an indirect impact on local governments if large and small businesses change the price of goods and services to offset any increased or decreased costs from obtaining a permit or paying permit fees.

There would be an indirect impact on Oregon cities and counties when affected businesses that are required to have a permit request a Land Use Compatibility Statement. Local governments process those Land Use Compatibility Statements. Some cities and counties charge a fee to complete the Land Use Compatibility Statement and may have sufficient revenue to cover the added workload. Cities that do not charge a fee, or do not charge sufficient fees to cover their costs, may have new workload without adequate revenue. DEQ does not have available information to estimate these fiscal impacts.

Impact on DEQ ORS 183.335

<u>Direct impact</u>: Implementing the federal rules requires DEQ to provide technical assistance, amend permits, perform inspections and issue formal enforcement actions against violators. Revenue from permit fees would fund this work using existing staff.

<u>Indirect impact</u>: DEQ expects the indirect cost impacts on DEQ to be the same as those estimated for small businesses as discussed below.

Impact on large businesses (all businesses that are not small businesses below)

DEQ expects any fiscal and economic impacts on large businesses to be the same as those estimated for small businesses as discussed below.

Impact on small businesses (those with 50 or fewer employees) ORS 183.336

<u>Indirect impact</u>: The proposed rules could have an indirect impact on small businesses if other businesses change the price of goods and services to offset any increased or decreased costs from obtaining a permit or paying a permit fee.

<u>Direct impact</u>: Small businesses might see increased or decreased costs due to the following proposed rules:

1. Adopt by reference new federal New Source Performance Standards and NESHAPs.

EPA evaluates the impacts of new federal standards when promulgated and lists them in the regulation's preamble. The fiscal and economic impacts of the new federal standards included in this rulemaking have already occurred. DEQ anticipates there would be additional fiscal and economic impacts from Oregon adopting new federal standards because the adoption would trigger a requirement that affected businesses obtain a permit and pay permit fees.

In a separate rulemaking, DEQ will propose rules that would mitigate the fiscal and economic impact of permitting on businesses affected by this rulemaking, some of which could be small businesses. This separate rulemaking will propose exempting some of these businesses from permitting and adding other businesses to the list of business categories eligible to obtain a simple or general permit instead of a standard permit. Simple permit fees range from \$2,304 to \$4,608 per year and general permit fees range from \$144 to \$2,246 per year. These are significantly less than standard permit fee of \$9,216 per year.

2. Adopt rules to implement new federal emission guidelines for commercial and industrial solid waste incineration units.

DEQ anticipates no additional fiscal and economic impacts from adopting standards equivalent to the federal emission guidelines for commercial and industrial solid waste incineration units. The fiscal and economic impacts occurred when EPA adopted the federal guidelines. EPA provides its evaluation of the fiscal and economic effects of their guidelines in the preambles to their regulations.

3. Adopt by reference the federal plan for hospital, medical and infectious waste incinerators.

DEQ anticipates no fiscal and economic impacts from adopting the federal plan for hospital, medical and infectious waste incinerators. The fiscal and economic impacts occurred when EPA adopted the plan. EPA provides its evaluation of the fiscal and economic effects of their rules in the preambles to their regulations.

4. Update the adoption by reference of previously adopted NESHAPs and NSPSs.

DEQ anticipates no fiscal and economic impacts from updating previously adopted federal standards because the fiscal and economic impacts occurred when EPA adopted the rule amendments. EPA evaluated the fiscal and economic effects of their rules and lists those effects in the preambles to their regulations.

a) Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule. Estimated number of small business subject to new federal standards and emission guidelines: boilers and process heaters (80), stationary internal combustion engines (70), commercial and industrial solid waste incineration units (5), nitric acid plants (0), and crude oil and natural gas production (0) and transmission and distribution (0)

Estimated number of small business subject to the amended federal standards: chemical manufacturing (2), electric utility steam generating units (0), chromium electroplating and anodizing (13), portland cement manufacturing (0), oil and natural gas production (0), pulp and paper industry (0), natural gas transmission and storage facilities (0), commercial and industrial solid waste incineration units (0), hospital, medical, and infectious waste incinerators (1), nitric acid plants (0), petroleum refineries (0), and onshore natural gas processing plants (0)

b) Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

Adoption of new and amended federal standards and rules to implement emission guidelines do not add any new reporting, recordkeeping and other administrative activities other than those already required by the federal standards and emission guidelines.

The requirement that businesses affected by the new federal standards for stationary internal combustion engines obtain a permit may increase the administrative activities or costs of professional services on small businesses. These activities include permit application preparation and any additional recordkeeping and reporting required in the permit to comply with other Oregon rules and regulations.

To mitigate administrative costs, a separate rulemaking will propose to exempt some businesses from permitting

c) Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

and add other businesses to the list of business categories eligible to obtain a lower cost simple or general permit instead of a standard permit.

Adoption of new and amended federal standards and rules to implement emission guidelines would not require small businesses to add any equipment, supplies, labor or administration because Oregon rules would adopt the federal standards by reference. Rules to implement emissions guidelines would be identical to implementing federal guidelines.

The requirement that businesses affected by the new federal standards stationary internal combustion engines obtain a permit may require small businesses to add equipment, supplies, labor or administration to comply with other Oregon related rules and regulations. These rules and regulations include requirements to minimize visible emissions, fugitive emissions, particulate matter fallout, nuisances, and odors. To comply with these requirements, affected businesses may be required to install equipment and receive training to control and monitor emissions.

To mitigate the burden on small businesses, a separate rulemaking will propose to exempt some businesses from permitting and add other businesses to the list of business categories eligible to obtain a simple or general permit instead of a standard permit.

d) Describe how DEQ involved small businesses in developing this proposed rule.

DEQ did not appoint an advisory committee for this rulemaking because the rulemaking would primarily adopt federal regulations by reference and rules identical to the federal emission guidelines. DEQ previously met with various groups representing small businesses to discuss DEQ's implementation strategy for the new area source NESHAPs.

Documents relied on for fiscal and economic impact

Document title	Document location	
Code of Federal Regulations	http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR	
Federal Register	http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR	

Advisory committee

DEQ did not appoint an advisory committee for this rulemaking because the rulemaking would primarily adopt federal regulations by reference and rules that are identical to the federal emission guidelines for commercial and industrial solid waste incineration units. However, DEQ did discuss outreach and implementation strategies for the boiler and stationary internal combustion engine requirements with Oregon's small business compliance advisory panel.

Housing cost

To comply with ORS 183.534, DEQ determined the proposed rules could have a negative impact on the cost of development of a 6,000 square-foot parcel and the construction of a 1,200 square-foot detached single-family dwelling on that parcel. This impact could occur if permit holders affected by new federal standards obtain a permit and pass the permitting fees for such development and construction through to the consumer. DEQ does not have available information to quantify how many permit holders would pass the permitting fees through to the consumer and any such estimate would be speculative.

Federal relationship

"It is the policy of this state that agencies shall seek to retain and promote the unique identity of Oregon by considering local conditions when an agency adopts policies and rules. However, since there are many federal laws and regulations that apply to activities that are also regulated by the state, it is also the policy of this state that agencies attempt to adopt rules that correspond with equivalent federal laws and rules..."

Relationship to federal requirements

The proposed rules would adopt the federal New Source Performance Standards and NESHAPs by reference, adopt standards that are equivalent to the federal emission guidelines for commercial and industrial solid waste incineration units and adopt the federal plan for hospital, medical, and infectious waste incinerators.

DEQ proposes that EQC adopt the federal standards for commercial, industrial and institutional boilers and stationary internal combustion engines by reference, but only for sources required to have a Title V permit or an Air Contaminant Discharge Permit and not adopt the requirements for stationary internal combustion engine manufacturers. Unpermitted sources and engine manufacturers would still have to comply with the federal requirements, which would be implemented by EPA on the federal level. DEQ proposes that EQC not adopt the requirements for engine manufacturers because EPA is in a better position to implement these requirements on the federal level than DEQ.

What alternatives did DEQ consider, if any?

DEQ considered:

- Not taking delegation for some or all federal standards. DEQ accepted this alternative, for sources subject to the federal standards for commercial, industrial and institutional boilers and stationary internal combustion engines not required to have a Title V permit or an Air Contaminant Discharge Permit. This approach was selected because the requirements in the federal rules for these sources are fairly simple, such as regular maintenance, so a technical assistance approach implemented by DEQ combined with the backstop of the federal requirement implemented by EPA can achieve a high degree of compliance in a cost effective way. DEQ rejected this alternative for sources required to have a permit because it is important to have all requirements applying to a source in the permit to ensure that the source is in compliance.
- Not adopting standards to implement the federal emission guidelines for commercial and industrial solid waste incineration units. DEQ rejected this alternative because it would reduce DEQ's ability to ensure compliance and provide assistance to Oregon sources.
- Implementing the federal requirements for manufacturers of stationary internal combustion engines. DEQ rejected this idea because many engine manufacturers are located out of state, making it difficult for DEQ to implement the requirements.
- Making state specific changes to some federal standards. DEQ rejected this alternative because the federal rules address Oregon's immediate concerns and consistency with the federal rules reduces cost and complexity for affected sources.

"It is the Commission's policy to coordinate the Department's programs, rules and actions that affect land use with local acknowledged plans to the fullest degree possible."

ORS 197.180, OAR 660-030

Land-use considerations

To determine whether the proposed rules involve programs or actions that are considered a *land-use action*, DEQ considered:

Statewide planning goals for specific references. Section III, subsection 2 of the DEQ State Agency Coordination Program document identifies the following statewide goal relating to DEQ's authority:

Goal Title

- 5 Open Spaces, Scenic and Historic Areas, and Natural Resources
- 6 Air, Water and Land Resources Quality
- 11 Public Facilities and Services
- 16 Estuarial resources
- 19 Ocean Resources
- OAR 340-018-0030 for EQC rules on land-use coordination. Division 18 requires DEQ to determine whether proposed rules will significantly affect land use. If yes, how will DEQ:
 - o Comply with statewide land-use goals, and
 - o Ensure compatibility with acknowledged comprehensive plans, which DEQ most commonly achieves by requiring a Land Use Compatibility Statement.
- DEQ's mandate to protect public health and safety and the environment.
- Whether DEQ is the primary authority that is responsible for land-use programs or actions in the proposed rules.
- Present or future land uses identified in acknowledged comprehensive plans.

Determination

DEQ will implement the proposed standards for major source categories through DEQ's Title V Operating Permit program and the standards for non-major source categories through DEQ's Air Contaminant Discharge Program. These are existing programs that are considered land-use programs in the DEQ State Agency Coordination Program.

DEQ's statewide goal compliance and local plan compatibility procedures adequately cover the proposed rules. DEQ would implement these rules through the Air Contaminant Discharge Program and Title V permitting programs. Current rules require cities and counties to provide a Land Use Compatibility Statement before DEQ issues these permits or approves a Notice of Construction.

Stakeholder and public involvement

Advisory committee

DEQ did not appoint an advisory committee for this rulemaking because the rulemaking would primarily adopt federal regulations by reference and rules that are identical to the federal emission guidelines for commercial and industrial solid waste incineration units.

EQC prior involvement

DEQ shares general rulemaking information with EQC through the monthly Director's report and information items on the EQC agenda. DEQ did not present additional information specific to this proposed rule revision beyond the monthly report.

Public notice

The Dec. 1, 2013, *Oregon Bulletin* will publish the Notice of Proposed Rulemaking with Hearing for this proposed rulemaking. On Nov. 18, 2013, DEQ will:

- Post notice on DEQ's webpage http://www.oregon.gov/deq/RulesandRegulations/Pages/2013/aqfedregs.aspx
- E-mail notice to:
 - Approximately 5,750 interested parties through GovDelivery
 - Approximately 80 parties <u>affected by the new and amended federal air quality regulations.</u>
 - Key legislators required under ORS 183.335, including:
 - o Jules Bailey, Chair, House Energy and Environment Committee
 - o Alan Olsen, Co-Chair, Senate Environment and Natural Resources Committee
- Send notice to EPA
- Published notice in The Oregonian

Public hearings

DEQ plans to hold one public hearing in Portland. People unable to attend the Portland hearing in person may participate by telephone conference line set up at DEQ's Bend and Medford offices. The table below includes information about the public hearings.

Before taking public comment and according to <u>Oregon Administrative Rule 137-001-0030</u>, the staff presenter will summarize the content of the notice given under <u>Oregon Revised Statute</u> <u>183.335</u> and respond to any questions about the rulemaking.

DEQ will add the names, addresses and affiliations of all hearing attendees to the interested parties list for this rule if provided on a registration form or the attendee list. DEQ will consider all oral and written comments received at the hearings listed below before finalizing the proposed rules. All comments will be summarized and DEQ will respond to comments on the Oregon Environmental Quality Commission staff report.

	Hearing 1	Hearing 2	Hearing 3
Date	Dec. 18, 2013	Dec. 18, 2013	Dec. 18, 2013
Time	05:00 p.m.	05:00 p.m.	05:00 p.m.
Address line 1	811 SW 6th Ave	475 NE Bellevue Dr.	221 Stewart Ave.
Address line 2	Conference Room EQCA	Suite 110, Conference Room	Suite 201, Conference Room
City	Portland	Bend	Medford
Presiding officer	DEQ staff	DEQ staff	DEQ staff
Staff presenter	Gregg Dahmen, Air Quality	Gregg Dahmen, Air Quality	Gregg Dahmen, Air Quality

Close of public comment period

The comment period will close on Dec. 23, 2013, at 5 p.m.

State plan and delegation request

In accordance with 40 CFR 60.23(c), DEQ is also requesting public comment on the following documents:

- State plan to implement the federal Emission Guidelines for commercial and industrial solid waste incineration units; and
- Delegation request to implement the Federal Plan Requirements for hospital, medical, and infectious waste incinerators.