

MEMORANDUM

TO: Dan Olson, Air Quality Administrator

FROM: Lee Gribovicz, Regional Impacts/E.I. Coordinator

SUBJECT: WRAP Initiative Oversight Committee: Phoenix Meeting

DATE: March 25, 2002

On March 20-21, 2002 I attended the WRAP IOC meeting in Phoenix, Arizona. Appendix I contains a copy of the agenda for this March 20-21st session.

Summary

The IOC heard a presentation on the Mobile Source Forum's proposal for defining "significance" regarding Mobile Source Tailpipe and Road Dust emissions. The MSF has proposed a definition based on the Federal Land Manager's AQRV Work Group (FLAG) report, with the basic tenant that if a source category has a major impact on visibility (>10%), then each individual element will be examined in close detail (> 0.4% = significant), but if the category itself has relatively minor impact on visibility (<10%), then each individual element can have a greater tolerance (> 5% = significant). There is not yet complete consensus within the MSF on definition, and the forum will meet April 15th to try to iron out the differences. If agreement is not reached, the question will come back to the IOC for final determination.

Regarding Multi-Pollutant Legislation, current knowledge of the Bush Administration Clear Skies Initiative (CSI) was reviewed, and it was noted that any such national utilities legislation has significant potential to affect the WRAP RH market trading program. The EPA is promising that they will incorporate the WRAP milestones into the final CSI, but there are a lot of questions regarding just how this will be accomplished. There was general agreement that the WRAP must assure that any trading between western & eastern utilities doesn't result in all of the emission reductions occurring in the east.

Utah presented their concerns regarding the integrity of WRAP Annex package under the CSI, and pointed out that the WRAP trading proposal includes both utilities & other non-utility sources. They also wanted to insure that any national legislation includes western GCVTC non-transport region states (WA, MT, ND & SD), locks in expected western reduction of SO₂, NO_x & Hg, requires BACT on all new units, considers new source impacts on both NAAQS & AQRV's, provides incentives to upgrade existing sources, ensures that "real" emission reductions occur in the west, and provides for State authority to address local concerns.

The MTF presented status reports on the issues of Annex Status/Approval, "Greater Reasonable Progress" modeling demonstration, Critical Mass, Allocations, RA BART/Impairment Attribution, Model Rule/MOU finalization, monitoring protocols and NO_x & PM. The Forum had just heard a presentation regarding Critical Mass and it was concluded that in general, when a state/tribe pulls out of the trading program, their costs go up significantly.

Thus there is always a benefit for a state to participate no matter who else is included in the WRAP trading program.

Regarding Interstate Agreements, Dan Olson informed the IOC that the CAA may require Congressional approval for documents such as the Model Rule & MOU, in order to make these agreements legally enforceable. This issue must be reviewed further to determine the full repercussions of this provision.

The IOC heard a presentation on the Economic Forum's Workplan to provide WRAP forums with support regarding economic analyses. There was debate as to whether this Economic Support should be provided by a General Purpose Contractor (specific report), or by some type of Employee Contract (more general support capability). The WRAP will issue an RFP and review proposals focusing on a contractor with "flexibility" to implement various planning elements of the project.

Regarding Clean Air Corridors, the CAC Workgroup noted a 1995 report from BBC Research & Consulting report that excluded Salt Lake, eastern Idaho & the Washington Tri-Cities from the CAC boundary. There was tentative agreement that the WRAP should accept this alternate BBC boundary, but the CAC Workgroup must first evaluate what difference in emissions results from this revision.

The Pollution Prevention Forum gave a presentation on the economics and impacts of Renewable Energy/Energy Efficiency (RE/EE) programs in the WRAP. The P2 contractors are modeling these RE/EE options, with results to be completed the week of March 25th. Some conclusions were that there are barriers renewable use and financial incentives are needed to support RE/EE. The GCVTC 10/20 goal will be met when gas costs reach approximately \$4.50/MCF, and the region's electricity needs are reduced about 8% when meeting these goals. Coal will continue to be a major energy source in the immediate future. Because of the existence of the Annex milestones there will be minimal SO₂ reductions from P2 through 2018, but NO_x benefits can be realized, along with significant emission reductions of CO₂.

The Fire Emission Joint Forum reported on several initiatives including: Agricultural Alternatives to burning, Prescribed Fire Assessment, Enhanced Smoke Management Programs, Annual Emission Goals and Emission Reduction Techniques.

Finally the WRAP Workplan development and timing was discussed. The WRAP expects to receive about \$4MM of the EPA's budgeted \$10MM for the 2002 grant, but the WRAP won't be awarded those funds until a workplan is finalized, with spending to occur in 2003. A schedule was laid out for the Planning Team, with review of long term plans to be made during the summer, and evaluation of a detailed one year plan to be completed in the Fall 2002. The complete schedule detail is included at the end of this memo.

Session Details

★ Announcements ★

Andy Ginsberg announced that he will be stepping down, and Rick Sprott will take over the Co-Chair slot for the IOC. Also, other Oregon leaders will be vacating positions, with Pat Hanrahan will stepping down as the Co-Chair of the Modeling Forum, and John Kowalczyk resigning the Mobile Source Forum Co-Chair position in July. Andy noted that this was simply a budget cut issue, with Oregon having shortfalls and cutting back attendance at regional meetings. He emphasized that Oregon will continue participation in the WRAP through E-Mail and other phone conferences.

Pat Cummins announced that the WRAP has hired Tom Moore as the staff Technical Coordinator (beginning April 1st), and has offered the staff Policy Position to Lee Alder of NESCAUM. Also he noted that the WRAP Board Meeting will be pushed back from June, and the week of July 22nd was selected as a substitute, with the location still in Denver.

Coincident with the Board Meeting delay, the Technical Conference has been pushed back from late May, and now will be held July 9-10th in Denver. One of the major WRAP concerns is the §309 Decision Process, and a critical issue for states is the "Better than BART" determination on "other" Class I areas. Because the states' decisions must be completed in June to allow adequate time for §309 legislative action, this revised July date is too late to meet those states' requirements. The "Better than BART" modeling will be completed by the first of May, and therefore the Market Trading Forum will sponsor a "workshop" May 21-22nd to roll out the results of this Annex modeling for WRAP review.

Also it was announced that the WGA will have a second "Enlibra Conference" regarding environmental policy of the west, April 25-26th in Salt Lake City.

★ Significance Determination: Mobile Source Tailpipe/Road Dust Emissions ★

John Kowalczyk noted that the RHR requires significance determinations for Mobile Source Tailpipe and for Road Dust emissions. If Mobile Source Emissions are significant, then a Mobile Source Budget must be prepared at the lowest projected level of the planning period (through 2018). If Road Dust is significant, then control strategies must be included in the SIP.

The Mobile Source Forum has proposed a definition of "significance" that used the Federal Land Manager's AQRV Work Group (FLAG) report as its basis. The basic tenant of the definition is that if the category has a major impact on visibility (>10%), then we have to look at each individual element in close detail (> 0.4% = significant), but if the category itself has relatively minor impact on visibility (<10%), then each individual element is not scrutinized to the same extent (> 5% = significant). More detail of the specifics of the significance proposal for mobile source tailpipe/road dust emissions are contained in a February 7, 2002 MSF document, with additional exploration of

interpretation issues discussed in a March 8th, 2002 memo (IOC page of the WRAP website).

The original concept was to take a percentage of human impact (smaller number), but we are now proposing to take a percentage of natural background instead. This is a less stringent interpretation because the human impact is likely to be lower than the natural background, thus the percentage would result in a higher allowable absolute impact number.

John indicated that the WRAP modelers first would determine the total cumulative impact of the two sources separately (tailpipe & dust), to see whether the effect from either emission source on the WRAP region was greater or less than the 10% threshold. Then the individual source "elements" would be evaluated to determine their contribution in accordance with the second tier standard (0.4% or 5%) depending on the cumulative impact of the source category.

There is a question regarding how you break down "elements" of the two categories. The current proposal is that an entire state is the element for Road Dust, while major urban areas would be one element of Mobile Source emissions, and the balance of the rural areas of a state represent another element for Mobile Sources.

Thus if the modelers find the impact of mobile source tailpipe emissions is >10% significant when removing the entire category from the WRAP model, then the impact from each urban area (ie/ Phoenix, Denver, Salt Lake, Los Angeles, etc.) would have to be less than 0.4%. Otherwise, the impact from each urban area could be up to 5% without being considered significant. Regarding road dust, the same cumulative total impact would be determined, and if it showed >10% significant, then each state impact would have to be less than 0.4% impact. For cumulative WRAP region road dust impact under 10%, the state impact significance level would be set at the 5% level.

There are problem's with interpretation of some questions such as: whether significance is applicable only to the original 16 Colorado Plateau Class I Areas, and whether the significance criteria should be applied to the Base year, as well as the 2018 Future Projections. Some MSF debate revolves around the problem of PSD Cumulative impact, where participants don't believe this involves other states, therefore Mobile/Road Dust cumulative impact should not. Also some believe 0.4% is too stringent for Road Dust, considering modeling uncertainties.

The MSF will have an April 15th meeting to try to reach consensus, and if agreement is not possible, the question will come back to the IOC for final determination. Mike George noted that the decision should be relayed to the modelers in June, in order to stay on the schedule of the modeling workplan.

Dan Olson, wanted to assure that this is a significance definition solely for the RHR, and does not imply that the FLAG report somehow becomes some sort of mandatory requirement.

The IOC felt that the general approach of separate significance tests for mobile tailpipe and road dust was acceptable. Regarding the question of whether the mobile significance should be determined in the present (1996) as well as the future (2018), debaters cited the fact that the intent of the GCVTC recommendation was to incorporate all planned future controls (ie/ Tier 2, diesel fuel sulfur, etc). It is clear that you're more likely be likely to exceed the significance criteria in the current year. This date the IOC reached consensus on a proposal that the WRAP would determine significance both in the current & future. If significance is shown in 2018, you would have to construct a mobile source budget (for those areas that have a problem), but if impact is significant only in the current year, then you would only have to track mobile source emissions for improvement. The "current year" was set as 2003, and it was decided that '96 emission numbers must be projected forward to obtain this new inventory.

There was a question as to whether an "urban area" is represented by the county boundary encompassing the city, or whether the boundary is better defined as a non-attainment area. It was decided that the county line is the most appropriate characterization of the boundary.

Regarding road dust, since VMT will grow without the benefit of some "technological" fix as occurs with automobile tailpipe emissions, it is suspected that 2018 road dust emissions will be higher than current levels. Therefore model runs will be completed for 2018, only. Regarding the significance thresholds, the test would be based on the current dust emission factors. If a cumulative 10% impact is demonstrated, then we would conduct some refined analysis that would likely incorporate an improved methodology of calculating emissions and some procedure for targeting the specific areas where the problem exists.

★ Multi-Pollutant Legislation ★

The Bush Administration Clear Skies Initiative (CSI) has significant potential to affect the WRAP RH market trading program. The EPA (Lydia Wegman) is promising that they will incorporate the WRAP milestones into the final CSI, but there are a lot of questions regarding just how this will be accomplished. Therefore, the intent of the discussions this date was to define how the WRAP will act to orchestrate the incorporation of the Annex program, if the CSI eventually moves forward.

Pat Cummins had requested WRAP stakeholders to submit questions regarding the CSI, and this date the problems were discussed. Regarding SO₂, the question is how to incorporate the transport region milestones into any national trading program. The thought was expressed that you must assure that if there is trading between western & eastern utilities, that all of the emission reductions don't occur in the east.

Utah presented a list of concerns (Appendix II) that included the following elements:

- integrity of the entire Annex package must be maintained (includes tribal set aside, allocation methodology, etc., & not just western milestones)
- no CSI disincentives for western utilities to trade with non-utilities
- include the GCVTC non-transport region states in the west (WA, MT, ND & SD)
- Western regional SO₂, NO_x & Hg caps that lock in expected reductions
- require BACT on all new units
- continue to evaluate major new sources impact for both NAAQS & AQRV's
- incentives to upgrade existing sources
- ensure that real tons are reduced in the west
- retain State authority for more stringent plans addressing local concerns

The IOC tried to establish some WRAP policies for SO₂ including:

- ✓ the Annex is the national policy for the west
- ✓ expand the program to the other 11/13 states (AK & NV out)
- ✓ any western state/tribe can opt into the Annex w/o SIP

Regarding NO_x, the CSI proposes a cap of 538K TPY in 2008 for the 14½ states in the west (WRAP + NE & TX). This would reduce NO_x about 28% from the current level of 750K tons. The proposal includes no east-west trading and works out to about 0.28 lb/MM Btu for coal. The IOC doesn't have a consensus on NO_x, but the WRAP needs to retain the ability to address BART.

★ MTF Status Report ★

The MTF delivered status reports on the issues of Annex Status/Approval, "Greater Reasonable Progress" modeling demonstration, Critical Mass, Allocations, RA BART/Impairment Attribution, Model Rule/MOU finalization, monitoring protocols and NO_x & PM. Details are contained in my March 22, 2002 notes from the March 18-19th MTF meeting.

Regarding Interstate Agreements, Dan Olson noted that the CAA may require Congressional approval for proposed documents such as the Model Rule & MOU, in order to make the agreements legally enforceable. There was some discussion as to whether your state could take action against another state that failed to properly regulate a source that affects your visibility, however no conclusions were reached. This issue must be reviewed further.

Regarding Critical Mass, discussion focused on the fact that participation is more of a "sliding scale" of benefit, rather than an "on/off" switch on the viability of a market trading program. It appears that in general, when a state/tribe pulls out of the trading program, their "Production Expenditure" cost goes up significantly. Thus it is always a benefit for a state to participate in this program.

★ Economic Analysis Workplan ★

Fred Roach announced that Jeff Blend of Montana will join the Economics Forum with a PhD in Environmental Economics. The forum has a February 27th, 2002 draft Statement of Work (Appendix III) for providing support economic analysis to the WRAP forums. The proposed tasks & activities include:

- establishing a common framework for future WRAP economic analyses
- identify analysis economic analysis requirements for the WRAP
- technical economic product review (such as the MTF Critical Mass report)
- produce tailored summaries of the economic factors for SIP's/TIP's (ie/ health, recreational & intrinsic benefits [quality of life, environment] & costs of regulation)

The implementation method for this Economic Support could be hired WGA staff, but more probably the project would be implemented by a contract retainer for expert services. The Economic Analysis budget is \$190K. We might put some of that (\$50K??) for retainer, and the balance for specific contracts. The budget appears to be sufficient for full time staff, but Pat Cummins was skeptical about hiring another staff person on top of the two positions (technical & policy) WRAP just filled.

The debate boiled down to a concept of a General Purpose Contractor (specific report) vs. some type of Employee Contract (more general support capability). The conclusion was that the WRAP should issue an RFP to try to find a smaller contractor with "flexibility" to implement the planning element of the project.

★ Clean Air Corridors ★

Rick Sprott distributed a March 14th draft of a paper for the CAC Workgroup (Appendix IV). This paper is a start for evaluating the impacts and requirements for CAC's. Utah wants this to be a "common sense" policy decision, and Rick still has trouble with the Wasatch Front/Salt Lake City urban area being included as a clean air source.

Lee Gribovicz pointed out that although we are focusing on Salt Lake, there are other urban areas in the proposed CAC such as Boise, Flagstaff, and the Washington Tri-Cities. It was also pointed out that even sources outside the CAC must be managed so that there isn't a "significant" impact on the Grand Canyon clean days. Pat Cummins pointed out that emissions are going down, and there was a lot of debate suggesting that the entire WRAP is the clean air source for the Grand Canyon.

There was a 1995 report from BBC Research & Consulting report that excluded Salt Lake, eastern Idaho & the Washington Tri-Cities from the Grand Canyon Clean Air Corridor. A rough map was drafted to compare the BBC boundaries against those proposed by the TOC (attached under Appendix V). This date there was a tentative agreement that the WRAP should accept this alternate BBC boundary, but the CAC Workgroup will evaluate what the difference in emissions comes to when the boundary is revised from the Pitchford map. Bruce Polkowsky will coordinate with John Vimont to assess the work.

★ P2 Forum Report ★

Jeff Burks gave a presentation on the Pollution Prevention plan for the WRAP. Outputs from the IPM model are used as inputs for REMI model to assess the

economics of Renewable Energy/Energy Efficiency (RE/EE) programs. Their contractors (Tellus & ICF) are making a final run of the RE/EE impacts, due the week of March 25th (ICF is aware that these results must be promptly handed over to Pechan for producing the 2018 P2 alternative emission inventory). The energy efficiency recommendations are broken down into residential, commercial and industrial measures such as energy efficient lighting, appliances, and high efficient motors. Renewables include wind power, solar and biomass alternatives. The impact of recommendations affect energy costs, energy savings, emissions reductions & economics.

Some conclusions include:

- there are barriers existing to renewable use
- financial incentives are needed to support RE/EE
- the 10/20 goal will be met under a "high gas" (appx. \$4.50/MCF) scenario
- the region's electricity needs are reduced about 8% in meeting the goals
- coal will continue to be a major energy source in the immediate future
- there will be minimal SO₂ reductions from P2 due to the existence of the Annex milestones (increased RE/EE allows delay in installation of other coal utilities controls)
- NO_x will provide the most significant emission offset
- emission reductions of CO₂ is a collateral benefit of the P2 program

★ Fire Forum Report ★

Pete Lahm presented the report on the FEJF activities. Regarding Agricultural Alternatives, they have a \$142K contract with ERG with a report on the website and comments due March 25th. The agricultural community in only a few states, has been reviewing this project, therefore Pete is interested in getting more help in critiquing the work.

Regarding Prescribed Fire Assessment, they have a \$100K contract with Entranco (John Core), with a report due in May '02. This project investigates how smoke and air quality effects are addressed in fire planning and operations.

Regarding Enhanced Smoke Management Programs, it is assumed that §309 states will require an ESMP. Pete noted that the RHR requires "a statewide inventory and emission tracking system" for fire emissions. Pete noted that the state must identify all anthropogenic sources of visibility impairment in its long term strategy, including area sources; which implies that we need a WRAP emission inventory for all fire sources.

According to the Task Team, a §309 ESMP must include all of these elements:

- actions to minimize emissions
- evaluation of smoke dispersion
- alternatives to fire
- public notification provisions
- air quality monitoring
- surveillance and enforcement
- program evaluation

Pete also described projects involving Annual Emission Goals and Emission Reduction Techniques (ERT's).

★ 2003-2005 Workplan Development/Timing ★

Pat Cummins noted that we have a February 26th draft of EPA's "RPO Fourth Year Policy, Organizational & Technical Guidance". EPA has budgeted \$10MM for next year and the WRAP expects to receive about \$4MM of that total. He noted that the EPA is prepared to issue the 2002 grant this month, but the WRAP won't be awarded those funds until a workplan is worked out. The WRAP would then spend those 2002 funds in 2003. Therefore Pat indicated that it is critical for the WRAP workplan to be completed at least by the end of the year.

The current schedule was laid out, and the schedule for the Planning Team was developed as follows:

MTF Meeting for Annex Modeling (Salt Lake)	May 21-22 nd
Air Manager's Committee Meeting (Salt Lake)	May 23 rd
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IOC Web Conference on P2 Report	June 1 st
TOC/Technical Co-Chairs Meeting review the 5 yr plan	Early June
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TOC Technical Workshop (Denver)	July 9-10 th
IOC Meeting Workplan Review/Board Meeting Preparation (Denver)	July 11 th
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WRAP Board Meeting (Denver)	July 22-23 rd
Planning Team Meeting (define Budget priorities for 1 yr plan)	July 24 th
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WRAP Board Meeting	Nov-Dec
Planning Team Meeting (review 3 year plan)	Jan '03
TOC/Tech Co-Chairs finalize 3 year plan	Mar '03

A P P E N D I X I

Initiative Oversight Committee Meeting Agenda

March 20-21, 2002, 2002 @ Phoenix

A P P E N D I X I I

IOC March 20-21, 2002 Phoenix Meeting

March 18, 2002 DRAFT: Utah Recommended Principles to the CSI

A P P E N D I X I I I

IOC March 20-21, 2002 Phoenix Meeting

February 27, 2002 DRAFT: Economic Forum Scope of Work

A P P E N D I X I V

IOC March 20-21, 2002 Phoenix Meeting

March 14, 2002 DRAFT: Clean Air Corridor Workgroup Evaluation Paper

A P P E N D I X V

IOC March 20-21, 2002 Phoenix Meeting

Alternative BBC Report Clean Air Corridor Boundary Map