

Texas Commission on Environmental Quality Interoffice Memorandum

To: Commissioners **Date:** April 23, 2025
Thru: Laurie Gharis, Chief Clerk
Kelly Keel, Executive Director
From: Richard C. Chism, Director *ACC*
Office of Air
Subject: Commission Approval for Proposed Rulemaking
Chapter 101, General Air Quality Rules
Section 185 Fee for the 2008 Eight-Hour Ozone Standard
Rule Project No. 2023-131-101-AI

The attached proposal preamble of Section 185 Fee for the 2008 Eight-Hour Ozone Standard has been revised to remove the Commissioner's Pre-filing header. Original back-up materials for this rule project were filed on April 22, 2025.

Attachments:
Proposal Preamble for Chapter 101

The Texas Commission on Environmental Quality (TCEQ, agency, or commission) proposes new §§101.700 - 101.718

The proposed new sections will be submitted to the U.S. Environmental Protection Agency (EPA) as revisions to the state implementation plan (SIP).

Background and Summary of the Factual Basis for the Proposed Rules

Federal Clean Air Act (FCAA), §182(d)(3) and (e) and §185 (Section 185, generally) require the SIP to include a rule that implements a penalty fee (Section 185 fee, Failure to Attain Fee, fee) for major stationary sources (major sources) of volatile organic compounds (VOC) located in an ozone nonattainment area classified as severe or extreme if that area fails to attain the ozone National Ambient Air Quality Standard (NAAQS or standard) by the applicable attainment date. FCAA, §182(f) states that requirements "for major stationary sources of volatile organic compounds shall also apply to major stationary sources (as defined in §7602 of this title and subsections (c), (d), and (e) of this section) of oxides of nitrogen (NO_x)." This FCAA requirement extends the Section 185 fee assessment to major stationary sources of NO_x emissions. The SIP must also include procedures for the assessment and collection of the penalty fee. If the state does not impose and collect the fee, then FCAA, §185(d) requires that EPA impose and collect the fee with interest, and the revenue is not returned to the state.

For the 2008 eight-hour ozone standard of 0.75 parts per million, on October 7, 2022, EPA published a final notice that reclassified the Dallas-Fort Worth (DFW) and Houston-Galveston-Brazoria (HGB) 2008 eight-hour ozone nonattainment areas from serious to severe effective November 7, 2022 (87 *Federal Register* (FR) 60926). The DFW severe nonattainment area consists of 10 counties: Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise. The HGB severe nonattainment area consists of eight counties: Brazoria,

Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller. The DFW and HGB severe nonattainment areas are required to attain the 2008 eight-hour ozone standard by July 20, 2027. If a severe or extreme ozone nonattainment area does not attain by the attainment date, the area will be subject to the penalty fee requirements upon EPA issuing a finding of failure to attain for the area. For fee assessment purposes, the 2027 calendar year from January 1, 2027, through December 31, 2027, is anticipated to be the baseline year for these severe nonattainment areas since it is the year that contains the attainment date. The penalty fee is required to be paid until EPA redesignates the area as attainment for the 2008 eight-hour ozone standard or EPA takes action that results in termination of the fee.

As stated in FCAA, §182(d)(3) and (e) and §185, the required penalty is \$5,000 per ton, as adjusted for inflation by the consumer price index (CPI), of VOC and/or NO_x emissions emitted in excess of 80% of a major stationary source's baseline amount. A baseline amount would be determined for each pollutant, VOC and/or NO_x, for which the source meets the major source applicability requirements. A source that is major for VOC emissions would be subject to the fee on VOC emissions; a source that is major for NO_x emissions would be subject to the fee on NO_x emissions; and a source that is major for both VOC and NO_x emissions would be subject to the fee on both VOC and NO_x emissions.

The major stationary source's fixed baseline amount is proposed to be calculated as the lower of the baseline emissions or total annual authorized emissions during the baseline year; the baseline amount must be adjusted downward to account for unauthorized emissions and/or emissions limitations in effect as of December 31 of the baseline year or timeframe used to determine the baseline amount. The major stationary source's baseline emissions are defined as the annual routine emissions reported to the TCEQ point source emissions inventory (emissions inventory) according to 30 TAC §101.10, excluding emissions not authorized by permit or rule,

such as emissions from emissions events and scheduled or unscheduled maintenance, startup, and shutdown (MSS) activities. The major stationary source's authorized emissions include emissions allowed under any EPA or TCEQ-enforceable measure or document, such as rules, regulations, permits, orders of the commission, and/or court orders.

The proposed rule allows for a baseline amount determination with flexibilities such as aggregating pollutants (VOC and NO_x emissions) and aggregating sites under common ownership and control into a single baseline. The proposed rule also allows for baseline amount determinations when a period other than the baseline year may be required, such as new major stationary sources that began operating after the baseline year or major stationary sources with emissions that are irregular, cyclic, or vary significantly from year to year. Under specific circumstances, as proposed, major stationary sources may request adjustments to the fixed baseline amount. The estimated maximum Section 185 fee without baseline amount flexibilities and alternative revenue for both the HGB and DFW severe ozone nonattainment areas would be over \$200 million per year.

TCEQ proposes a program under FCAA, §172(e) with flexibility aspects not directly described in FCAA, §185, including but not limited to alternative revenue and baseline aggregation. Although EPA has not issued guidance to assist states with developing Section 185 fee programs under the 2008 eight-hour ozone standard, in its 2010 guidance (available at: <http://www.epa.gov/glo/pdfs/20100105185guidance.pdf>), multiple approvals of similar equivalent alternative programs in California and New York, and in a final rule published in the February 14, 2020, *Federal Register* (85 FR 8411) for the Section 185 Fee Program in the HGB nonattainment area under the one-hour ozone standard (HGB Failure to Attain Fee), EPA approved the use of equivalent programs to fulfill the FCAA, §185 fee requirement. Although the 2010 guidance was vacated by the D.C. Circuit Court of Appeals on procedural grounds,

EPA continued to utilize the principles outlined in the guidance as support for its approvals of equivalent alternative programs, *NRDC v. EPA*, 643 F.3d 311 (D.C. Cir. July 2011). Notably, the court did not prohibit alternative programs, instead stating that “neither the statute nor our case law obviously precludes that alternative.” In the absence of formal EPA guidance for Section 185 fee programs under the 2008 eight-hour ozone standard, this proposed rulemaking relied on the 2010 guidance to develop Texas’ fee program. In the HGB Failure to Attain Fee final approval, EPA approved fee programs funded to reduce VOC and NO_x emissions that are qualified programs, surplus to the one-hour ozone SIP, and designed to result in direct reductions or facilitate future reductions of VOC or NO_x emissions, which is consistent with the principles of the anti-backsliding principle of the FCAA §172(e). EPA’s 2010 guidance requires an equivalent alternative program to achieve the same emissions reductions, raise the same amount of revenue and establish a process by which penalty funds would be used to pay for emission reductions that would further improve ozone air quality, or a combination of emissions reductions or revenue collection.

EPA states in its 2010 guidance that it may allow alternative programs for which “the proceeds are spent to pay for emissions reductions of ozone-forming pollutants (NO_x and/or VOC) in the same geographic area subject to the §185 program.” EPA further states, “Under this concept, states could develop programs that shift the fee burden from the specific set of major stationary sources that are otherwise required to pay fees according to §185, to other non-major sources of emissions, including owners/operators of mobile sources.” From these statements and EPA’s final approval of the HGB Failure to Attain Fee, located in 30 Texas Administrative Code (TAC) 101 Subchapter B, EPA supports equivalent alternative options to a fee-based program provided the option is “no-less stringent” than a strict fee-based program and generally meets the stated criteria for the (now revoked) one-hour ozone standard. EPA approved other equivalent alternative programs pursuant to the 2010 guidance for the one-

hour ozone standard including San Joaquin Valley (77 FR 50021), South Coast Air Quality Management District, (77 FR 74372), and the New York portion of the New York-Northern New Jersey-Long Island nonattainment area (84 FR 12511). EPA's approvals of these Section 185 fee programs under the one-hour ozone standard included alternative fee revenue by assessing a fee on mobile sources. The revenue was used to offset the fee due from major stationary sources in the nonattainment areas. EPA's prior approvals were based on its current interpretation that FCAA, §172(e) allows equivalent alternative fee programs for revoked ozone standards. However, nothing in FCAA, §172(e) prohibits equivalent alternative fee programs for active ozone standards and therefore the commission proposes an equivalent alternative fee program in this rule.

The HGB Failure to Attain Fee Rule allowed revenue collected from the HGB one-hour ozone standard nonattainment area for qualified programs that directly reduced VOC or NO_x emissions to offset the FCAA, §185 fee. No actual revenue or funding was transferred to the program; the funds were calculated, recorded, and assessed to ensure a sufficient amount was collected to offset the required Section 185 fee amount. The same approach is used for this proposed rulemaking.

Although EPA has not issued guidance to assist states with developing Section 185 fee programs under the 2008 eight-hour ozone standard, EPA originally described certain basic principles concerning the applicability of the FCAA, §182(d)(3) and (e) and §185 fee for severe or extreme ozone nonattainment areas under the one-hour ozone standard. In a final rule published November 16, 2005, in the *Federal Register* (70 FR 69440) regarding the Maryland portion of the Washington, D.C. severe one-hour ozone nonattainment area, EPA noted in response to a comment that "Section 185 of the Act simply requires that the SIP contain a provision that major stationary sources within a severe or extreme nonattainment area pay a

fee to the state as a penalty for failure of that area to attain the ozone NAAQS by the area's attainment date. This penalty fee is based on the tons of volatile organic compound or nitrogen oxide emitted above a source-specific trigger level during the 'attainment year.' It [the fee] first comes due for emissions during the calendar year beginning after the attainment date and must be paid annually until the area is redesignated to attainment of the ozone NAAQS. Thus, if a severe area, with an attainment date of November 15, 2005, fails to attain by that date, the first penalty assessment will be assessed in calendar year 2006 for emissions that exceed 80% of the source's 2005 baseline emissions" (70 FR 69440, 69441). The same rationale was used to establish the anticipated baseline year of 2027 for the DFW and HGB severe nonattainment areas under the 2008 eight-hour ozone standard.

EPA further states that a "penalty fee that is based on emissions could have some incidental effect on emissions if sources decrease their emissions to reduce the amount of the per ton monetary penalty. However, the penalty fee does not ensure that any actual emissions reduction will ever occur since every source can pay a penalty rather than achieve actual emissions reductions. The provision's plain language evinces an intent to penalize emissions in excess of a threshold by way of a fee; it does not have as a stated purpose the goal of emissions reductions" (70 FR 69440, 69441 - 69442). Major stationary sources may elect to reduce their emissions to reduce the fee owed, or they may elect to pay the fee without reducing their emissions.

EPA also previously issued guidance (*Guidance on Establishing Baselines under Section 185 of the Clean Air Act (CAA) for Severe and Extreme Ozone Nonattainment Areas that Fail to Attain the 1-hour Ozone NAAQS by their Attainment*) on March 21, 2008 (available at www.epa.gov/ttn/caaa/t1/memoranda/20080321_harnett_emissions_baseline.pdf), regarding establishing emission baseline amounts. The March 21, 2008, guidance memo discussed

alternative methods for calculating the baseline amount, as permitted by FCAA, §185. EPA noted that in some cases, baseline amounts may not be representative of normal operating conditions because a source's emissions may be irregular, cyclic, or otherwise vary significantly from year to year. This concept would be applicable regardless of the fee program implemented or the ozone standard requiring the fee program.

EPA indicated in its guidance that relying on its regulations for Prevention of Significant Deterioration (PSD) of Air Quality, which are found in 40 Code of Federal Regulations (CFR) §52.21(b)(48), would be an acceptable alternative method for calculating the baseline amount. Under the PSD rules, sources may use emissions data from any period of 24 consecutive months within the previous ten years (a two-in-ten look back period) to calculate an average annual actual emissions rate. EPA determined the two-in-ten look back period to be reasonable because it allows sources to consider an average emissions rate for a full business cycle.

The PSD rules modify this concept for electrical utility steam generating units to 24 consecutive months within the previous five years (a two-in-five look back period) due to a shorter business cycle for those units. The commission agrees that use of the two-in-ten and two-in-five look-back periods is reasonable for sources for which emissions are irregular, cyclical, or otherwise vary significantly from year to year, and the commission proposes to provide this option in the same manner as provided for in the Texas New Source Review Program. Since the PSD guidance is specific to sources for which emissions are irregular, cyclical, or otherwise vary significantly from year to year, the averaging option would not be available for sources with steady-state operations.

A variability analysis on sites reporting to the TCEQ point source emissions inventory was performed to determine if VOC and NO_x emissions were variable over the twelve-year period

between 2011 (the base year for the 2008 ozone standard) through 2022 (the most recent complete point source emissions inventory at the time this analysis was performed) for the DFW and HGB severe nonattainment areas. Data for the DFW and HGB variability analysis were analyzed separately for VOC and NO_x emissions. Sites that reported mean 2011 through 2022 emissions greater than 20 tons per year in the TCEQ emissions inventory were included in this analysis.

A site's emissions were determined to be variable if the following formula was true, where x = VOC or NO_x emissions and σ = one standard deviation of the data set:

Figure 1: Formula for Emissions Variability Determination

$$\bar{x}_{lookback\ period} > \bar{x}_{2011-2022} + \sigma_{2011-2022}$$

Variability of reported NO_x and VOC emissions ranged from 3% to 128% in the HGB area and from 0.1% to 265% in the DFW area over the twelve years examined. Fifty-nine percent or 162 of the 274 NO_x and/or VOC emissions sources in the HGB area were variable as defined by the above formula. Forty-eight percent or 115 of the 238 NO_x and/or VOC emissions sources in the DFW area were variable as defined by the above formula.

The variability analysis shows that a high level of source-level emissions variability occurred between 2011 and 2022 in the DFW and HGB severe nonattainment areas; therefore, it is appropriate to use a 24-month period during the previous ten years (or five years if the source is an electric utility steam generating unit) to establish a baseline for the FCAA, §185 fee program.

Based on the analysis above, the commission proposes to use EPA's baseline guidance and EPA's long-standing PSD regulations for sources with emissions that are irregular, cyclic, or otherwise vary significantly to offer an option for these source types to establish a baseline amount. Since FCAA, §185 states that the baseline amounts may be adjusted for these types of sources if the EPA Administrator issues guidance, the commission has proposed these provisions based on these EPA guidance documents.

Like the HGB Failure to Attain Fee Rule, the commission proposes to use the Texas Emissions Reduction Plan (TERP) revenue from each area collected after the 2008 eight-hour ozone attainment (baseline) year to offset the area's FCAA, §185 fee obligation.

The objectives of TERP are specifically described in statute and are consistent with EPA's objective for an equivalent FCAA, §185 fee program. TERP program objectives, listed in Texas Health and Safety Code (THSC), §386.052, address "achieving maximum reduction in oxides of nitrogen to demonstrate compliance with the state implementation plans" and "advancing new technologies that reduce oxides of nitrogen from facilities and other stationary sources." TERP, as described in THSC, §386.053, is restricted to having "safeguards that ensure that funded projects generate emissions reductions not otherwise required by state or federal law."

TCEQ implements TERP to reduce NO_x emissions, a precursor to ozone pollution. TERP grant programs provide financial incentives to individuals, state and local governments, corporations, and other legal entities to upgrade or replace their older, higher emitting vehicles and equipment with newer, cleaner vehicles and equipment. The TERP programs also encourage the use of alternative fuels for transportation in Texas, and the implementation of new technologies that reduce emissions from stationary sources and oil and gas operations.

In the DFW severe nonattainment area, mobile source NO_x emissions are the single-largest category of the 2023 emissions inventory at 65%. In the HGB severe nonattainment area, mobile source NO_x emissions are the single-largest category of the 2023 emissions inventory at 55%. The emissions reduction grant programs that TERP funds decrease ozone precursor emissions more directly than a penalty fee assessed on major stationary sources. The commission proposes rules to credit the TERP revenue collected as an equivalent approach because TERP meets one of the three types of alternative programs that satisfy the requirements addressed in EPA's 2010 guidance memo. The grant programs funded through TERP are the same or similar programs that EPA previously approved as meeting the requirements for FCAA, §185 fee program equivalency under the HGB Failure to Attain Fee Rule.

Fees and surcharges related to the sale and use of vehicles and heavy-duty equipment in Texas fund the TERP programs. TCEQ would credit all revenue allocated for TERP programs and administration. TCEQ would identify and track TERP revenue generated from the DFW severe nonattainment area and the HGB severe nonattainment area in two separate Fee Equivalency Accounts to demonstrate equivalency of the area-specific TERP revenue to the penalty fee owed by major stationary sources located in that area.

Under the proposed rules, the commission would be required to annually estimate the expected Area §185 Obligation and compare this estimation with the expected TERP revenue. The commission proposes that TERP revenue collected after the attainment year (baseline year) and statutorily available for TERP programs would be credited towards meeting the FCAA, §185 fee obligation. For the DFW and HGB 2008 eight-hour ozone nonattainment areas, 2027 is the attainment year (baseline year) contained in the July 20, 2027, attainment date. Barring any extension to the attainment date, any TERP revenue generated from the nonattainment area starting with 2028 that is statutorily available for TERP programs could be credited to meet the

Area §185 Obligation for DFW and HGB 2008 eight-hour ozone nonattainment areas.

To obtain the estimated total FCAA, §185 fee due from all major stationary sources, a baseline amount would be established for each major stationary source (or group of sources under a Section 185 Account, if aggregated as proposed and discussed later in this preamble) within the DFW 2008 eight-hour ozone nonattainment area or located within the HGB 2008 eight-hour ozone nonattainment area. The two nonattainment areas are assessed separately, resulting in two Area §185 Obligations, one for DFW and one for HGB. Each major stationary source's or Section 185 Account's reported baseline amount(s) and actual emissions would be used to calculate a Failure to Attain Fee. The resulting amount due from each major stationary source or Section 185 Account for aggregated sources would be summed by location to determine the overall DFW and HGB 2008 eight-hour ozone nonattainment area's Area §185 Obligations.

If revenue generated from TERP is insufficient to fully offset the Area §185 Obligation for the DFW 2008 eight-hour ozone nonattainment area or HGB area 2008 eight-hour ozone nonattainment, then the remaining difference would be assessed as a Failure to Attain Fee on a major stationary source or Section 185 Account for the area on a prorated basis. The amount collected from each major stationary source or Section 185 Account would be discounted based on the amount of revenue credited to the Fee Equivalency Account. In this manner, these proposed rules would "backstop" any TERP revenue with fees directly assessed on major stationary sources as necessary to meet each year's fee. The Area §185 Obligation would be fully met either through the demonstration from the Fee Equivalency Account or, if necessary, supplemented with directly assessed fees on major stationary sources or Section 185 Accounts. This method of fee equivalency is no "less stringent" than a direct fee program required by FCAA, §185.

To determine a major stationary source's baseline amount and the Failure to Attain Fee that would apply to each major stationary source, the commission proposes to provide major stationary sources a choice to individually determine baselines for VOC and NO_x emissions, aggregate VOC and NO_x emissions into one baseline if the source is major for both pollutants, or aggregate those emissions across multiple major stationary sources under common control. In Attachment C of EPA's 2010 guidance memo, EPA states it would ". . . allow for aggregation of sources. We anticipate that we would be able to approve a FCAA, §185 fee program SIP that relies on a definition of 'major stationary source' that is consistent with the FCAA as interpreted in our existing regulations and policies." EPA's 2010 memo further states that EPA would allow aggregation of VOC with NO_x emissions, ". . . provided that the aggregation is not used to avoid a 'major source' applicability finding, and aggregation is consistent with the attainment demonstration . . . we believe states have a discretion to allow a major source to aggregate VOC and NO_x emissions." The proposed rulemaking would require a major stationary source to first determine its major source applicability for both VOC and NO_x emissions. In this approach, a major stationary source cannot use aggregation to avoid applicability of the FCAA, §185 fee rule. If the major stationary source chooses to aggregate baselines by pollutant or site or both, it would be required to provide to TCEQ the individual, unaggregated pollutant and site baselines for each pollutant(s) that determines major source status. This will ensure that staff can accurately enter aggregated baseline amounts into the TCEQ's Section 185 fee database.

In making determinations of whether common control exists, the commission would consider EPA guidance regarding common control. For example, in a final rule on the *Requirements for Preparation, Adoption, and Submittal of Implementation Plans; Emissions Offset Interpretive Ruling* (45 FR 59878, September 11, 1980), EPA stated it would determine control guided by the general definition of control used by the Securities and Exchange Commission (SEC). In SEC considerations of control, control "means the possession, direct or indirect, of the power to

direct or cause the direction of the management and policies of a person whether through the ownership of voting shares, contract, or otherwise" (17 CFR §210.1 and §210.2(g)). EPA generally continues to assess common control based on the general principles outlined above and has periodically issued additional guidance for specific topics such as how to assess contiguous or adjacent properties, industrial grouping, etc. The commission would also use other criteria to determine common control consistent with participation in local area banking programs, such as the Mass Emissions Cap and Trade or the Highly-Reactive Volatile Organic Compound Cap and Trade programs. A group of major stationary sources choosing to aggregate under common control as a single customer would be identified with a single common customer identifier used by the commission, the customer number (CN). A group of major stationary sources under common control would be assigned a single Section 185 Account number by TCEQ.

Since VOC and NO_x emissions reductions are both effective at lowering ozone concentrations in both the DFW and HGB 2008 eight-hour ozone nonattainment areas, major sources should be allowed to aggregate both NO_x and VOC emissions into one baseline amount. The commission adopted a strategy of targeting those pollutants in a way that would allow ozone nonattainment areas to attain the standard as expeditiously as practicable in the applicable attainment demonstration SIPs. States are required by the FCAA to assess and develop strategies for nonattainment areas, as part of the SIP revision process, to achieve attainment and maintenance of the standard, and this approach is a result of the knowledge gained from research and detailed photochemical modeling of each nonattainment area. The commission's proposed flexibility option to allow aggregation of VOC and NO_x as well as major stationary source aggregation for both pollutants continues to support the strategies outlined in the attainment demonstration SIPs. This proposed aggregation method compliments the multi-pollutant control strategies incorporated into the SIP for the DFW and HGB ozone nonattainment areas.

As addressed previously, FCAA, §185 requires the SIP to include a requirement for the imposition of a penalty fee on major stationary sources of emissions of VOC in a severe or extreme ozone area that failed to attain the standard by its applicable due date. FCAA, §182(f) states that requirements "for major stationary sources of volatile organic compounds shall also apply to major stationary sources (as defined in §7602 of this title and subsections (c), (d), and (e) of this section) of oxides of nitrogen." Thus, the requirement to assess a fee on major stationary sources of NO_x emissions is also required. This language in FCAA, §182(f) does not explicitly state that requirements for NO_x sources are to be held separate from those for VOC but are "also required" for sources of NO_x emissions. Both VOC and NO_x control strategies have a common goal: to reduce ozone-forming emissions. The stated objective of FCAA, §182(f) and §185 is to assess a fee for VOC and NO_x emissions on major stationary sources emitting above a certain baseline amount of emissions. The Section 185 per ton fee rate required for the pollutants remains the same regardless of whether the pollutant is VOC or NO_x and thus, there is no reason to require that a fee be assessed separately for each pollutant. The commission proposes to allow a major stationary source to combine these emissions for baseline amount determinations and fee assessments providing that specified criteria are met to ensure consistency.

Additionally, the commission notes that EPA guidance allows for NO_x substitution in its reasonable further progress (RFP) SIP revisions as further support for allowing VOC and NO_x emissions to be aggregated for both baseline amount determinations and fee assessments. In its December 1993 NO_x Substitution Guidance (available at <http://www.epa.gov/ttncaaa1/t1/memoranda/noxsubst.pdf>), EPA states the "condition for demonstrating equivalency is that the State-proposed emission control strategies must be consistent with emission reductions required to demonstrate attainment of the ozone NAAQS

for the designated year of attainment."

To ensure equitable treatment among all major stationary sources, maintain consistency within the fee program, and facilitate transparency for the public, the proposed rules require that baseline amounts and aggregation methods, once established, would remain fixed as long as the proposed rule remains applicable except as consistent with the proposed sections that allow adjustments under specific circumstances. Additionally, the proposed rules would require that calculation of the Failure to Attain Fee remain consistent with the baseline amount determination approach. Once a particular method for a baseline amount calculation is chosen, the Failure to Attain Fee calculation must remain consistent with that method. Therefore, if a major stationary source elected to aggregate pollutants under one of the options of this proposed rulemaking as the most appropriate choice for determining a baseline amount, all subsequent assessments, and payments of the Failure to Attain Fee must remain consistent with that selection.

The commission also proposes compliance schedules for determining baseline amounts for each applicable baseline amount scenario. Since the proposed Failure to Attain Fee cannot be implemented until EPA finalizes a failure to attain notice that determines that a severe or extreme nonattainment area under the 2008 eight-hour ozone standard did not attain by the applicable due date, the due dates for major stationary sources operating during the baseline year are structured to account for issuance of this notice. New major stationary sources that begin operating during or after the baseline year would have a fixed amount of time to self-report the baseline amounts to TCEQ. The compliance schedules would ensure timely assessment of the fee.

The commission proposes to invoice and require fee payment in accordance with current state

statute and regulations. Once the program is implemented, fee payments would be due each year until the Section 185 fee is terminated.

If this proposed rule is adopted, any Section 185 fee revenue collected by TCEQ would be deposited into the Clear Air Account according to THSC §382.0622. Since spending potential Section 185 fee revenue depends on this proposed rule's adoption, Texas' collection of the Section 185 fee, and future Legislative actions, this proposed rulemaking does not include options for how any potential collected Section 185 revenue would be spent.

The proposed rules would ensure stability of the Clean Air Account and any potential future programs that could be developed using the Failure to Attain Fee revenue by preventing adjustments to previously invoiced baseline amounts for instances in which baselines are adjusted as proposed in §101.708, §101.709, §101.710, and §101.711. No matter the scenario used to adjust the baseline amount it would apply starting with the next fee assessment year.

Section by Section Discussion

§101.700, Definitions

This proposed new section contains definitions necessary for applying the rules. The terms defined include actual emissions, Area §185 Obligation, attainment date, baseline amount, baseline emissions, baseline year, electric utility steam generating unit, emissions unit, equivalency credits, extension year, Failure to Attain Fee, fee assessment year, fee collection year, major stationary source, and Section 185 Account.

As proposed, the term *actual emissions* would use the definition currently used in 30 TAC §101.10; this would ensure that the VOC and/or NO_x emissions assessed for the *Failure to Attain Fee* include all emissions emitted from the major stationary source for the calendar year

being assessed, whether authorized or unauthorized emissions.

The *Area §185 Obligation* is proposed to be defined as the total amount of the *Failure to Attain Fee* due for an entire 2008 eight-hour ozone nonattainment area based on summing the *Failure to Attain Fee* due from each major stationary source for a fee assessment year. For the 2008 eight-hour ozone standard, the 10-county DFW and eight-county HGB nonattainment areas would have separate *Area §185 Obligations*. EPA's 2010 guidance states that an equivalent program could be acceptable under FCAA, §172(e) if an alternative fee or program is equivalent to the fee that would be assessed on an area failing to meet the ozone standard. The *Area §185 Obligation* is the basis for making an equivalency demonstration for the commission's proposed program. The *equivalency credits* are proposed to be defined as revenue collected in a calendar year from TERP to offset the *Area §185 Obligation* on a dollar-to-dollar basis. If there are insufficient funds to offset the entire *Area §185 Obligation*, then *Failure to Attain Fee* would be prorated and the prorated fee amount assessed directly on major stationary sources or Section 185 Accounts to meet the entire *Area §185 Obligation*.

Attainment date is proposed to be defined as the EPA-specified date an area is required to attain the 2008 eight-hour ozone standard under the FCAA.

The attainment year is the entire calendar year that contains the *attainment date*. For purposes of this proposed rulemaking, the *baseline year* is proposed to be defined as January 1 through December 31 of the attainment year. At the time of the proposed rulemaking, there were two areas classified as severe nonattainment under the 2008 eight-hour ozone standard, the 10-county DFW nonattainment area (Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties) and the eight-county HGB nonattainment area (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties). The severe

classification attainment date for these areas is July 20, 2027; therefore, the 2027 calendar year from January 1, 2027, through December 31, 2027, would determine both the attainment year and *baseline year* of 2027, unless EPA approved an attainment date extension under FCAA, §181(a)(5).

Consistent with FCAA, §185, *baseline amount* is proposed to be the lower of baseline emissions (actual emissions as described in §101.705) or total annual authorized or pending authorization emissions at a major stationary source as of December 31 of the baseline year if the major stationary source operated the entire baseline year. For major stationary sources that began operating during or after the baseline year, the first full year (12 consecutive months) operating as a major source would be used to determine the baseline emissions. If the major stationary source's emissions are irregular, cyclical, or otherwise vary significantly from year to year, the *baseline emissions* are proposed to be averaged from any single consecutive 24-month period within a historical period, as outlined in the proposed definition of *baseline emissions*.

For purposes of this proposed rulemaking, the term *baseline emissions* represents the “actual emissions” referenced in FCAA, §185(b)(2) and excludes unauthorized emissions. The baseline emissions are reported in the annual point source emissions inventory according to the Emissions Inventory Requirements of 30 TAC §101.10. The baseline emissions are proposed to include reported annual emissions that are authorized by permit or rule from routine operations, which includes authorized MSS activities during the baseline year or another time period as allowed by this proposed rule, but excludes unauthorized emissions. Emissions from emissions events and MSS activities not authorized by permit or rule must be excluded from the baseline emissions calculations because they are not authorized or representative of routine operations. The exclusion of unauthorized emissions from the baseline emissions calculation is consistent with the PSD definition of baseline actual emissions in §116.112 and 40 CFR

§52.21(b)(48) that does not include unauthorized emissions in a baseline amount determination.

This proposed definition of *baseline emissions* differs from the definition of *actual emissions* in 30 TAC §101.10, which includes all emissions emitted, whether authorized or unauthorized, reported in the emissions inventory. The proposed definition of *baseline emissions* represents only the emissions from authorized routine operations reported in the emissions inventory.

If the major stationary source's emissions reported in the emissions inventory are irregular, cyclical, or otherwise vary significantly from year to year, the *baseline emissions* are proposed to be averaged from any single consecutive 24-month period within a historical period. The historical period allowed depends on the type of emissions units, following PSD guidance. *Electrical utility steam generating units* are included in this proposed rule because they may use a five-year historic look-back period. The definition of *electric utility steam generating units* is consistent with the definition used in 30 TAC §116.12. Other *emissions units*, as defined in §101.1, may use a ten-year historic look-back period.

Extension year is proposed to be defined as a year that meets the requirements of FCAA, §181(a)(5). It is unknown whether the 10-county DFW or the eight-county HGB severe nonattainment areas under the 2008 eight-hour ozone standard may qualify for an extension, and an extension year may be applicable to future areas designated as severe or extreme nonattainment under the 2008 eight-hour ozone standard.

The *Failure to Attain Fee* is proposed to be defined as the fee assessed and due from each major stationary source or Section 185 Account based on actual emissions, whether authorized or unauthorized, of VOC, NO_x, or both exceeding 80% of the *baseline amount*.

The *fee assessment year* is proposed to be defined as the calendar year the actual emissions were emitted and reported to the emissions inventory and used to calculate the assessed fee amount. The actual emissions include all authorized and unauthorized emissions, such as routine, MSS, and emissions events (EE) reported in the emissions inventory, as discussed in §101.713. For the 10-county DFW and eight-county HGB severe classification nonattainment areas under 2008 eight-hour ozone standard, the fee could be assessed as early as calendar year 2028 should the areas not attain by July 20, 2027. The *fee collection year* is proposed to be defined as the calendar year the fee is invoiced by TCEQ.

The definition for *major stationary source* is consistent with the definition in §116.12 for determining a major source of VOC or NO_x emissions. Because major stationary sources under common control may opt to aggregate pollutants and/or sites for purposes of *baseline amount* determination and *Failure to Attain Fee* payment, a *Section 185 Account* represents either a major stationary source (if not choosing to aggregate) or a group of two or more major stationary sources (if aggregating). A single identifying Section 185 Account number would be assigned by TCEQ to track the option chosen for *baseline amounts* and *Failure to Attain Fee* assessments in the TCEQ Section 185 database. Because major stationary sources can be aggregated on a pollutant basis, a major stationary source may be in one *Section 185 Account* for VOC aggregation and in a second *Section 185 Account* for NO_x aggregation. A single major stationary source could belong to two separate Section 185 Accounts, or a Section 185 Account may only have one major stationary source. All major stationary sources of VOC and/or NO_x emissions located in a severe or extreme 2008 eight-hour ozone nonattainment area that did not attain by the attainment date are subject to this proposed rule. Even if a major stationary source did not comply and, as a result, did not receive a Section 185 Account from TCEQ, that source would still be subject to this proposed rule and would still owe a Section 185 fee.

§101.701, Applicability

This new section proposes the applicability requirements for the FCAA, §185 fee (Failure to Attain Fee). FCAA, §185 requires areas classified as severe or extreme for ozone to include a requirement for fees on VOC emissions in excess of 80% of a baseline amount for major stationary sources located in an area failing to attain the standard by the attainment date applicable to that area. FCAA, §182(f) further requires that all SIP requirements applying to VOC emissions sources also apply for NO_x emissions sources. Proposed §101.701 identifies the provisions that apply to any 2008 eight-hour ozone nonattainment area classified as severe or extreme that fails to demonstrate attainment of the 2008 eight-hour ozone standard by its attainment date.

The proposed rule is applicable to all major stationary sources in the 2008 eight-hour ozone nonattainment area each year that the penalty fee is applicable as required by FCAA, §185. At the time of the proposed rulemaking, there were two areas classified as severe nonattainment under the 2008 eight-hour ozone standard, the 10-county DFW (Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties) and the eight-county HGB (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties). In the future, should EPA designate other areas of Texas as severe or extreme nonattainment under the 2008 eight-hour ozone standard, then this proposed rulemaking would be applicable to those severe or extreme nonattainment areas.

The executive director would implement this proposed rule upon EPA determining that the area failed to attain the severe or extreme 2008 eight-hour ozone standard. This determination would be the effective date of EPA's finding of failure to attain notice for severe or extreme areas under the 2008 eight-hour ozone standard published in the *Federal Register*. There are no

obligations for major stationary sources until the rule is implemented. As part of its outreach efforts, TCEQ would electronically distribute courtesy notifications to regulated entities that the Section 185 fee has been implemented. Electronic notification, as allowed under 30 TAC §19.30, would include posting on the *Stakeholder Group: Federal Clean Air Act Section 185 Fee* webpage (available at <https://www.tceq.texas.gov/airquality/point-source-ei/185-fee>), subscribers of the *Penalty Fee for Major Stationary Sources Under the Federal Clean Air Act Section 185* email and text list (available at <https://public.govdelivery.com/accounts/TXTCEQ/subscriber/new>), and/or other allowed electronic means of communication.

The *Failure to Attain Fee* would start being assessed for the calendar year following the missed attainment date. The proposed rule defines the attainment year as the entire calendar year that contains the attainment date. For purposes of this proposed rulemaking, the term baseline year is defined as January 1 through December 31 of the attainment year. For the 10-county DFW and eight-county HGB severe nonattainment areas under the 2008 eight-hour ozone standard, which have a July 20, 2027, attainment date, the attainment year and baseline year are anticipated to be 2027. The fee would start being assessed for calendar year 2028 (first fee assessment year), unless EPA approved an attainment date extension under FCAA, §181(a)(5).

§101.702, Exemption

This new section proposes that no Failure to Attain fee payment is due for a year determined by EPA to be an extension year under FCAA, §181(a)(5) for the 2008 eight-hour ozone standard. EPA may grant an extension year for a nonattainment area if all SIP obligations have been met and if one or fewer measured ozone exceedances occurred at any valid monitoring site in the nonattainment area in a year. It is unknown whether the 10-county DFW area or the eight-county HGB severe nonattainment area under the 2008 eight-hour ozone standard may qualify

for an extension. Additionally, an extension year may be applicable if EPA designates future areas as severe or extreme nonattainment under the 2008 eight-hour ozone standard and grants those areas an extension year. For any area granted an extension, the fee would be applicable if the severe or extreme nonattainment area did not attain by the extension attainment date specified by EPA.

§101.703, Fee Equivalency Account

This new section proposes that the executive director establish a Fee Equivalency Account. This account would be a listing of revenues from designated programs that reduce VOC or NO_x emissions in 2008 eight-hour ozone nonattainment areas. Only the revenue collected within each 2008 eight-hour ozone nonattainment area would be credited and available to offset the Area §185 Obligation in the Fee Equivalency Account. Revenue collected in the 10-county DFW 2008 eight-hour ozone nonattainment area would be credited only within that nonattainment area. Revenue collected in the eight-county HGB 2008 eight-hour ozone nonattainment area would be credited only within that nonattainment area. Specifically, TCEQ proposes that revenue collected for the TERP program would be used to offset each 2008 eight-hour ozone nonattainment area's Area §185 Obligation for the area when funds are also expended within each area. This would result in a benefit directly to the nonattainment area from revenue collected. TERP's stated goals and statutory restrictions provide funding for programs or activities that result in reductions in VOC, NO_x, and other pollutant emissions into the atmosphere.

No transfer of revenue would occur between TERP and the Fee Equivalency Account. The Fee Equivalency Account is a documentation mechanism to verify the amount of TERP revenue collected in the 2008 eight-hour ozone nonattainment area to offset the fee on major stationary sources located in that area. If other emissions reduction grant programs become available

those would be considered for inclusion to offset the Failure to Attain Fee.

§101.704, Fee Equivalency Accounting

This new section proposes that the Area §185 Obligation would be the total FCAA, §185 fee determined annually for each 2008 eight-hour ozone nonattainment area. The FCAA, §185 fee (Failure to Attain Fee) is proposed to be calculated for each major stationary source or Section 185 Account by TCEQ staff using the approved baseline amounts and emissions inventory data for the fee assessment year. These resultant individual Failure to Attain Fees would be summed to determine the overall Area §185 Obligation within the same 2008 eight-hour ozone nonattainment area.

Revenue, calculated on a dollar basis, associated with the Fee Equivalency Account would be credited starting with the first fee assessment year and continuing annually. The funding associated with the Fee Equivalency Account for a given fee assessment year would be compared with the Area §185 Obligation for a given fee assessment year.

If the Fee Equivalency Account does not have enough funds to fully meet the Area §185 Obligation, a backstop provision would be invoked under which major stationary sources or Section 185 Accounts would be assessed a prorated Failure to Attain Fee to generate sufficient funds to meet the Area §185 Obligation. The prorated Failure to Attain Fee would be calculated based on the amount in the Fee Equivalency Account and the overall Area §185 Obligation. The Failure to Attain Fee amount that the major stationary source or Section 185 Account would be required to pay is proposed to be reduced to the prorated Failure to Attain Fee amount based on the calculations in this proposed rulemaking. This process would be documented and made publicly available each year.

For example, a hypothetical Area §185 Obligation for HGB for the 2028 fee assessment year is calculated by TCEQ staff as \$154 million. The HGB area Fee Equivalency Account for calendar year 2028 has \$45 million available from TERP revenue. The HGB area balance for the 2028 fee assessment year is \$109 million (\$154 million less \$45 million) and that amount must be paid by major stationary sources located in HGB that are subject to the Failure to Attain Fee. For the 2028 fee assessment year, the Fee Equivalency Account covers 29.22% (\$45 million divided by \$154 million, with the quotient multiplied by 100) of the Area §185 Obligation for HGB and each major stationary source's or Section 185 Account's fee will be reduced by 29.22%. TCEQ staff calculates that the Failure to Attain Fee for a hypothetical Section 185 Account located in HGB is \$50,000 for the 2028 fee assessment year. The prorated Failure to Attain Fee for the hypothetical Section 185 Account would be calculated by reducing the \$50,000 fee by 29.22%, resulting in the hypothetical Section 185 Account owing \$35,389.61.

The timing of the demonstration would likely occur in December and then annually afterward, except for the first year the program is implemented. The date that TCEQ performs this evaluation for the first year of program implementation depends on the dates of future federal or state actions that are not currently scheduled (e.g., effective date in the *Federal Register* of EPA's finding of failure to attain).

§101.705, Baseline Amount

This new section proposes the requirements for determining a baseline amount. FCAA, §185 requires a fee on emissions exceeding 80% of a fee baseline amount determined for the attainment year (referenced as baseline year in this proposed rulemaking) until the Section 185 fee (referred to as Failure to Attain Fee in this proposed rulemaking) no longer applies to the area. Unless the major stationary source or Section 185 Account qualifies for an adjustment to the baseline amount, as outlined in the various adjustment sections of this proposed

rulemaking, the method for a fixed, one-time calculation of the baseline amount is provided in this proposed section.

A baseline amount would be required for each ozone precursor pollutant, VOC and/or NO_x, for which the source is major. If a stationary source is major for both VOC and NO_x emissions, a baseline amount would be required for both VOC and NO_x emissions. If the major stationary source is major for only VOC or NO_x emissions, the baseline amount would be required for just that pollutant, VOC or NO_x.

The baseline amount is proposed to be defined as the lower of either: the *baseline emissions* defined as the total annual routine emissions, including reported MSS emissions that are authorized by permit or rule, reported in the emissions inventory, as described in 30 TAC §101.10 for the baseline year, or timeframe otherwise specified in this proposed rule; or the total annual emissions allowed by the applicable authorizations or pending authorizations in effect for the major stationary source during the baseline year or timeframe otherwise specified in this proposed rule. MSS emissions reported in the emissions inventory that are authorized by permit or rule are considered routine and must be included in baseline emissions. The major stationary source's authorized or pending authorization emissions include emissions allowed under any TCEQ-enforceable measure or document, such as rules, regulations, permits, orders of the commission, and/or court orders.

Emissions from pending authorizations with administratively complete applications as of December 31 of the baseline year or timeframe otherwise specified may be included in the total annual emissions allowed under authorizations. Some owners or operators of major stationary sources may submit administratively complete applications for authorizing previously unauthorized emissions prior to December 31 of the baseline year or other approved

timeframe. To not penalize sources in the process of obtaining an authorization, the commission proposes to allow the emission limits established by permits that were administratively complete to adjust the baseline amount by adding these amounts to the total annual authorized emissions. The proposed approach aligns with the FCAA intent of comparing authorized emissions with reported actual emissions to determine a baseline amount.

A timeframe chosen other than the baseline year to determine a baseline amount depends on whether the major stationary source began operating during or after the baseline year or if the major stationary source's emissions qualify to be averaged over a 24-month consecutive period. Applicable timeframes for baseline amounts are outlined in this proposed rulemaking.

Unauthorized emissions, such as from EE and MSS activities not authorized by permit or rule, are not included in the baseline amount. Exclusion of unauthorized emissions from a baseline amount is consistent with these emissions not being representative of normal, routine operations and with the PSD definition of baseline actual emissions in §116.112 and 40 CFR §52.21(b)(48). For example, an oil and gas major stationary source for both VOC and NO_x emissions experienced VOC emissions from tank flashing that exceeded an authorized permit limit. Tank flashing is a routine operation so the unauthorized VOC emissions resulting from the tank flashing that exceeded the permit limit are required to be reported in the emissions inventory as annual routine emissions. The unauthorized but routine VOC emissions from the tank flashing would be excluded from the baseline emissions calculations used to determine baseline amount.

If the major stationary source has reported emissions in the emissions inventory that are irregular, cyclical, or otherwise vary significantly from year to year, an alternate method to determine baseline emissions would be allowed. Whether a source qualifies as irregular,

cyclical, or otherwise varying significantly is determined on a case-by-case basis. For these major stationary sources, any single consecutive 24-month period within a specified historical period could be averaged for the baseline emissions. Major stationary sources that qualify to establish an equivalent alternate fee baseline amount in this manner would calculate the baseline emissions using historical annual routine emissions, as recorded in the emissions inventory, which includes authorized emissions from MSS activities.

The FCAA, §185 does not address how to define a historical period; however, EPA issued a March 21, 2008, guidance memo, referenced elsewhere in this preamble, stating that an acceptable alternate method would be to determine an baseline amount using a period similar to estimating "baseline actual emissions" found in EPA's PSD rules, 40 CFR §52.21(b)(48). In its March 21, 2008, guidance, EPA used these provisions to craft its guidance on a ten-year look-back period for calculating baseline actual emissions. The PSD rules require adequate data for the selected 24-month period. The data must adequately describe the operation and emission levels for each emissions unit. The guidance continues by stating: "Once calculated, the average annual emission rate must be adjusted downward to reflect 1) any noncompliant emissions (40 CFR §52.21(b)(48)(i)(b) and (ii)(b)); and 2) for each non-utility emissions unit, the most current legally enforceable emissions limitations that restrict the source's ability to emit a particular pollutant or to operate at levels that existed during the 24-month period that was selected (40 CFR §52.21(b)(48)(ii)(c))." The result of this restriction is that the plant capacity may be used during the historical 24-month period selected, but emissions that do not comply with legally enforceable limits would have to be excluded. Legally enforceable emissions limits would include any state or federal requirements, including Best Achievable Control Technology or Lowest Achievable Emissions Rate.

According to PSD guidance, the timeframe for the historical look-back period for emissions

units other than electric steam generating units is any single consecutive 24-month period within the ten-year period immediately preceding the date a complete permit application was submitted. For electric steam generating units the timeframe for the historical look-back period is any single consecutive 24-month period within the five-year period immediately preceding the date a complete permit application was submitted. The historical look-back period for the proposed equivalent alternate fee baseline amount determination would start the calendar year immediately preceding the baseline year. All emissions units at a major stationary source or Section 185 Account would be required to use the same 24-month period when calculating baseline amounts for aggregated pollutants or sites under common control or ownership. The commission interprets the FCAA, §185 language requiring the use of the lower of baseline emissions (actual emissions from the emissions inventory as defined in §101.701) or emissions allowed under authorizations (e.g. permitted emissions) to include emissions from this alternate method.

At the time of this proposed rulemaking, the baseline year is anticipated to be 2027 for the 10-county DFW and eight-county HGB 2008 eight-hour ozone standard severe nonattainment areas. The window used for the possible historical look-back period would be five years (2022 - 2026) for electric generating units (EGU) or 10 years (2007 - 2026) for non-EGU immediately preceding January 1, 2027. The average emissions during the single consecutive 24-month period would be the basis for determining the baseline emissions, in tons.

If rules or regulations take effect during the baseline year and/or 24-month consecutive period used for baseline amount determination, then the baseline emissions and total annual authorized emissions must be adjusted downward to reflect emissions that would have exceeded a legally enforceable emissions limitation requirement from a permit, rule, regulation, commission order, or court order during the applicable timeframe. The major stationary source

would not be allowed to take credit for emissions reductions that would have resulted from state or federal rules or regulations implemented during the baseline year and/or 24-month consecutive period used to calculate the baseline amount.

For example, a major stationary source of VOC emissions started operating prior to the 2027 baseline year, and the baseline amount was established from the baseline emissions during the 2027 baseline year. On March 1, 2027, a hypothetical federal rule takes effect that limits emissions from coatings emissions units located at the major source. The baseline emissions for the coatings emissions units impacted by the 2027 federal rule's emissions limits would be adjusted downward from January 1, 2027, through February 28, 2027, to account for the new limit. In another example, a major source of VOC emissions establishes a baseline amount using the 24-month consecutive period from July 12, 2022, through July 12, 2024. During calendar year 2027, a hypothetical federal rule takes effect that limits emissions from coatings emissions units located at the major source during the 24-month consecutive period chosen for the baseline amount. The baseline emissions for coatings emissions units impacted by the 2027 federal rules' emissions limits would be adjusted downward during the July 12, 2022, through July 12, 2024, period chosen for the baseline amount.

Fugitive emissions would be required to be included for the purposes of the baseline emissions calculations and fee assessments. This is similar to the Title V Emissions Fees described in 30 TAC §101.27, which requires all fugitive emissions to be included in fee calculations after applicability of the fee has been established. Per 40 CFR §70.2, fugitive emissions of VOC or NO_x belonging to one of the categories listed in paragraph 2 of the definition of major sources may be excluded from counting toward major source applicability. Once the source meets the major stationary source applicability requirements of 30 TAC §116.12, fugitive emissions are required to be reported in the emissions inventory, and the fugitive emissions must be used for

both baseline emissions calculations and fee assessments.

As allowed under the Emissions Inventory Requirements described in 30 TAC §101.10, a regulated entity that meets the applicability requirements to submit an emissions inventory, which includes major stationary sources, may submit a certifying letter instead of reporting updated emissions in the emissions inventory. The certifying letter option is allowed for any regulated entity (identified by the nine-digit regulated entity reference number (RN) and a seven-character alphanumeric TCEQ account number) that experienced an insignificant change in operating conditions compared to the most recently submitted emissions inventory. An insignificant change in emissions is defined as including start-ups, permanent shut-downs of individual units, or process changes that result in at least a 5.0% or 5 tpy, whichever is greater, increase or reduction in total annual emissions of VOC, NO_x, carbon monoxide, sulfur dioxide, lead, particulate matter (PM) less than or equal to 10 microns in diameter, or PM less than or equal to 2.5 microns in diameter. If a regulated entity submits a certifying insignificant change notification letter instead of updating the emissions, then the emissions reported in the most recently submitted emissions inventory are copied over to the current emissions inventory reporting year. For example, if a regulated entity submits an insignificant change notification letter for the 2027 emissions inventory reporting year and TCEQ staff verified that the requirements of the insignificant change notification letter were met, then the 2026 emissions are copied over to also represent the 2027 emissions. Major sources are cautioned to consider the impacts of choosing to submit an insignificant change letter instead of updating emissions in the emissions inventory because of the implications for baseline amount determinations and fee assessments.

Emissions inventory data are collected annually by the commission and, after quality assurance review, are loaded into the state's air emissions inventory database, the State of Texas Air

Reporting System (STARS). Since Texas' emissions inventory program submits data to EPA's National Emissions Inventory (NEI), the quality assurance of emissions inventory data is subject to a federally mandated Quality Management Plan (QMP) that annually documents and describes the emissions inventory organization arrangements, processes, procedures, and requirements. As part of the QMP, the emissions inventory program annually submits a Quality Assurance Project Plan (QAPP) documenting the emissions inventory quality assurance process for EPA's review and approval. The QAPP includes information on how TCEQ staff perform annual detailed technical reviews of point source emissions inventories, correct issues, and document the outcome of the review. Actual emissions reported in the emissions inventory that are subject to the detailed quality assurance process include: all emissions resulting from routine operations, including emissions from authorized MSS activities; all unscheduled MSS activities (reportable and non-reportable); and all emissions events (reportable and non-reportable). Owners or operators of major stationary sources are provided an opportunity to review and, if necessary, revise emissions submitted for the current reporting year and for the reporting year immediately prior. Revisions to historical inventory data outside of this timeframe are done on a case-by-case basis usually as a result of a TCEQ-directed emissions inventory improvement initiative or TCEQ's compliance and enforcement processes. The commission uses emissions inventory data for air quality planning, as detailed in SIP revisions. Although emissions determination methods improve over time, emissions inventory data represent emissions for a reporting year as accurately as possible. Since the commission relies upon emissions inventory data in SIP revisions for air quality planning purposes, revising historical emissions inventory emissions rates solely for purposes of adjusting the baseline amounts and related calculations is not supported. Similar to emissions inventories, air permits are reviewed to ensure accuracy of emissions.

A baseline amount would account for all emissions units located at the major stationary source as of December 31 of the baseline year. Any ownership transfer of emissions units that occurred by December 31 of the baseline year would also need to be included in the baseline amount calculation. If a 24-month consecutive period is chosen for a major source that operated the entire baseline year, then all emissions units located at the major stationary source as of December 31 of the baseline year must be included, regardless of whether they were located at the major stationary source during the period chosen. An owner or operator of a major stationary source or Section 185 Account may not exclude new emissions units added by the baseline year from the 24-month consecutive historical period. For example, a qualified major stationary source chooses March 19, 2022, through March 19, 2024, as the 24-month consecutive period for the baseline emissions. An emissions unit was purchased, and ownership transferred to the source on September 1, 2026; therefore, those emissions must be averaged and added to the 24-month period chosen. The major stationary source that sold the emissions units may not include the sold emissions units in their baseline amount to avoid double-counting of the same emissions units in different baseline amounts.

The proposed rule would require that the baseline amount calculation and supporting documentation be submitted to TCEQ in a format specified by the executive director. Documentation would include either a list of all emission units by their corresponding path-level emissions reported in the point source emissions inventory or all applicable air permits by Emissions Point Identification Number (EPN) (depending on which one is required for the baseline amount determination). If a major source uses path-level emissions to determine baseline amounts, VOC and/or NO_x emissions must be reported by a combination of Facility Identification Number (FIN) and corresponding EPN that match the most recent point source emissions inventory. If a major stationary source uses permitted allowable emissions to determine baseline amounts, VOC and/or NO_x emissions must be reported at the EPN level.

Sample calculations would be required for each path-level (emissions inventory) or EPN level (air permits) used for baseline amount determination.

A major stationary source may choose to establish a baseline amount from baseline emissions for sources with emissions that are irregular, cyclic, or otherwise vary significantly from year to year. Sufficient supporting documentation would be required to verify that the major stationary source's emissions qualify as irregular, cyclical, or otherwise vary significantly from year to year. Additionally, details on why and how the 24-month consecutive period chosen accurately represents the major source's emissions would be required.

There is no list of sites that meet the definition of a major stationary source as defined in 30 TAC §116.12. TCEQ would use established programs to assist with notifying major sources of NO_x and/or VOC emissions subject to the fee to provide baseline amounts by the due dates in this proposed rulemaking. Although TCEQ would attempt to notify all applicable major stationary sources by using the Title V permitting and air emissions inventory programs as surrogate data for major sources, compliance with this proposed rulemaking is required even if TCEQ does not specifically notify the major stationary source. Compliance with the Section 185 fee program is a requirement of FCAA, §185, and a major stationary source that does not provide a baseline amount by the specified due date would be subject to the executive director establishing the baseline amounts as described in this proposed rulemaking so that TCEQ can assess the required fee.

For major stationary sources operating prior to January 1 of the baseline year or that operated the entire baseline year, the regulated entity will complete the baseline amount form and supporting documentation. A specific due date for initial baseline amount cannot be provided since the implementation of the Failure to Attain Fee depends on the timing of three future

actions: TCEQ adoption of this proposed rule; the severe nonattainment areas failing to attain by July 20, 2027, based on 2024, 2025, and 2026 ambient air monitoring data (or by the date established by any extension year granted by EPA); and the effective date in the *Federal Register* of EPA's finding of failure to attain. As proposed, regulated entities would submit baseline forms either on the emissions inventory due date specified under the Emissions Inventory Requirements in 30 TAC §101.10 for the fee assessment year or 120 days from the effective date of EPA's failure to attain notice. Providing no less than 120 days for regulated entities to prepare baseline amounts allows flexibility for the executive director to initially implement the final Failure to Attain Fee rule and initiate related business processes. For the 10-county DFW and eight-county HGB severe 2008 eight-hour ozone nonattainment areas at the time of this proposed rulemaking, the baseline amount based on a 2027 baseline year may be due March 31, 2028 (depending on final Air Emissions Inventory Reporting Rule updates currently in progress by EPA as of the date of this proposed rulemaking), or 120 days from the effective date of EPA's failure to attain notice.

Electronic notification, as allowed under 30 TAC §19.30, would include posting on the *Stakeholder Group: Federal Clean Air Act Section 185 Fee* webpage (available at <https://www.tceq.texas.gov/airquality/point-source-ei/185-fee>), subscribers to the listserv for *Penalty Fee for Major Stationary Sources Under the Federal Clean Air Act Section 185* would receive email and/or text notifications (sign-up available at <https://public.govdelivery.com/accounts/TXTCEQ/subscriber/new>), and/or other allowed electronic means of communication.

Once finalized, the baseline amount would be fixed and would not be changed except as consistent with the proposed adjustments in §§101.708-711.

§101.706, Baseline Amount for New Major Stationary Sources

States are required to assess the Section 185 fee on all major sources of VOC and/or NO_x emissions located in a severe or extreme ozone nonattainment area that fails to attain by its attainment date. This would include major stationary sources that began operating as a major source or transitioned to a major source status during the baseline year or after the baseline year. Since FCAA, §185 does not provide baseline amount determinations for these scenarios, the commission proposes this new section to determine a baseline amount for these new major stationary sources.

The commission proposes that these new major stationary sources use their first year (12 consecutive months) operating as a major stationary source to determine the baseline amount or aggregated baseline amount. The baseline amount must be the lower of the baseline emissions during the first year of operation as a major source or the total annual authorized emissions during the first year of operation as a major source.

EPA, in its December 14, 2012, notice of final approval of the South Coast Air Quality Management District (SCAQMD) SIP revision (77 FR 74372), allowed a major stationary source subject to FCAA, §185 rules after the attainment date in the SCAQMD to use actual emissions or authorizations (or holdings in its banking program) from its initial calendar year of operation to set a baseline amount. EPA, in its February 14, 2020, notice of final approval of the HGB Failure to Attain Fee (85 FR 8411), allowed major stationary sources to determine the baseline amounts on the lower of actual or allowable data available in their first year of operation as a major stationary source.

If rules or regulations take effect during the first full year operating as a major source, then the baseline emissions and total annual authorized emissions must be adjusted downward to

reflect those emissions limitations in effect during that timeframe. For example, a major stationary source of VOC emissions started operating January 10, 2027, and the baseline amount was established from the baseline emissions during the first full year of operation, from January 10, 2027, to January 10, 2028. On March 1, 2027, a hypothetical federal rule takes effect that limit emissions from coatings emissions units located at the major source. The baseline emissions for the coatings emissions units impacted by the 2027 federal rule's emissions limits would be adjusted downward for the entire baseline period (January 10, 2027, through January 10, 2028) to account for the new limit. The major source would not be allowed to take credit for emissions reductions that would have resulted from state or federal rules or regulations implemented or in effect during the calendar year used to calculate baseline emissions.

A baseline amount at a new major stationary source would account for all emissions units located at the major stationary source as of the last calendar day of the first full year operating as a major source. For example, a major stationary source of VOC emissions begins operating on February 4, 2028, and the baseline amounts are determined using the February 4, 2028, through February 4, 2029, timeframe. In this example, the major stationary source would include all emissions units, including any ownership transferred emissions units as of February 4, 2029, in the baseline amount.

For major stationary sources that begin operating between January 1 and December 31 of the baseline year or after December 31 of the baseline year, regulated entities would have 90 days from the last calendar day of the first full year operating as a major source to submit the baseline amount form. Since initial Section 185 fee program implementation has already occurred, a 90-day timeframe is an appropriate length of time for form submission and is consistent with emissions inventory reporting timeframes. For example, a major source of VOC

emissions begins operating on February 4, 2028, and the baseline amounts are determined using February 4, 2028, through February 4, 2029. In this example, the regulated entity would have 90 days from February 4, 2029, to submit the baseline amounts and supporting documentation.

§101.707, Aggregated Baseline Amount

This proposed new section would provide for the aggregation of either VOC or NO_x emissions (or both) at multiple major stationary sources to align fee obligations with attainment demonstration emissions reduction approaches. The proposed rule would allow owners or operators of major stationary sources under common control to aggregate baseline amounts of VOC emissions from multiple major stationary sources, to aggregate NO_x emissions from multiple major stationary sources, or both. Owners or operators may also choose to aggregate VOC with NO_x emissions at a single major stationary source or VOC with NO_x emissions across multiple major stationary sources under common control, provided that the stationary sources are major for both pollutants. Once an owner or operator chooses aggregation, then the baseline amount would remain aggregated, and the fees would be assessed in the same manner as the aggregation until the Failure to Attain Fee no longer applies to the area.

Baseline amounts would first be calculated separately for each individual major stationary source for VOC or NO_x emissions, or for both, using the method described in proposed new §101.705 or §101.706. The separate initial baseline amounts for each pollutant at an individual major stationary source must also be submitted in a format specified by the executive director with supporting documentation. Providing the separate initial calculations of baseline amounts is intended to provide transparency and consistency and to assist with quality assurance of baseline amount determinations with any subsequent aggregation. After establishing separate baseline amounts, then the baseline amount could be aggregated by multiple pollutants,

multiple stationary sources under common control, or both.

The proposed rule would allow owners or operators of major stationary sources to aggregate VOC and NO_x baseline amounts at a major stationary source. Sources under common ownership and/or control could also opt to aggregate baseline amounts across multiple major stationary sources. Only major stationary sources under common control may be included in the aggregate group. The aggregation methodology must remain consistent throughout the baseline amount calculation and assessment of the Failure to Attain Fee. A group of major stationary sources opting to aggregate baseline amounts must also aggregate emissions for Failure to Attain Fee assessment. The baseline year, same 24-month consecutive period, or other timeframe used to establish baseline amounts would be required as a basis for the baseline amount calculation for all aggregated major stationary sources for each fee calculation.

Like the baseline amount compliance schedule, major stationary sources that choose to aggregate would submit the required forms and supporting documentation either on the emissions inventory due date of the fee assessment year, as specified under Emissions Inventory Requirements in 30 TAC §101.10, or 120 days from the effective date of EPA's failure to attain notice, whichever is later. Providing no less than 120 days for regulated entities to prepare aggregated baseline amounts allows flexibility for the executive director to implement the final Failure to Attain Fee rule and initiate related business processes. For aggregation, a list of all sites under common control by RN aggregated under an baseline amount must be provided in addition to the supporting documentation provided for individual baseline amounts described under Baseline Amounts. If sites under common control chose to aggregate, then those sites must share the same Customer Reference Number (CN) in TCEQ's Central Registry database. Sites under common control are determined by TCEQ. Sites not under common control according to TCEQ may not attempt to be combined in Central Registry with

the intention of circumventing the Failure to Attain Fee, as addressed under circumvention requirements of 30 TAC §101.3.

§101.708, Adjustment of Baseline Amount for Major Sources with Less than 24 Months of Operation

Major stationary sources with less than 24 months of consecutive operation as of December 31 of the baseline year or that began operation after the baseline year would not have sufficient data to initially determine if emissions are irregular, cyclical, or otherwise vary significantly from year to year to establish baseline emissions. The provisions of this proposed new section are intended to allow a major source with less than 24 months of consecutive operation an opportunity to adjust the established baseline amount after establishing the emissions history. After completing 24 months of consecutive operations, the major stationary source may request that the baseline amount be adjusted using the average rate during the first 24 months of consecutive operation for the baseline emissions. If the total annual authorizations determined the initial baseline amount and were still lower than the adjusted baseline emissions, then an adjustment may not be requested. If these emissions varied significantly during the 24 months of consecutive operation, the emissions may be considered as irregular, cyclical, or otherwise varying significantly. Under the proposed rules, a major stationary source would be allowed to request an adjustment to its established baseline amount within 90 calendar days of completing 24 months of consecutive operation. EPA published approval for a similar approach for new major stationary sources for the HGB Failure to Attain Fee in February 2020.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. Once finalized, the adjusted baseline amounts would apply starting with

the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

§101.709, Adjustment of Baseline Amount for New Construction

This proposed new section would allow an existing major stationary source to adjust its baseline amount to account for new construction authorized in a nonattainment permit issued under Chapter 116, Subchapter B, Division 5. These emissions units are required to provide emissions offsets prior to construction and comply with emissions limits that achieve the lowest achievable emissions rate. The newly constructed emissions units would not have been included in the previously established baseline amount. Under the proposed rules, a major stationary source would be allowed to request an adjustment to its established baseline amount within 90 calendar days of completed construction of the new emissions units.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. . Once finalized, the adjusted baseline amounts would apply starting with the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

§101.710, Adjustment of Baseline Amount for Ownership Transfers

This proposed new section outlines when an established baseline amount may be adjusted because of ownership transfers. Emissions units may not always be under the same common

ownership or control. Owners or operators of major stationary sources, as part of normal business, may transfer ownership of some or all emissions units at a major stationary source or Section 185 Account to another major stationary source or Section 185 Account. The commission recognizes that a change in ownership or control of emissions units could change the Failure to Attain Fee owed for both major stationary sources or Section 185 Accounts. The change in control of emissions units does not change the historical operation, reported emissions of the emissions units, or previously invoiced amounts before the ownership transfer occurred. The ownership transfer must first be approved by and/or reported to the TCEQ Air Permits Division before adjustments of the baseline amounts could be requested.

A change in control or ownership, such as with an emissions unit transfer, would not affect the already established time period or baseline amounts on the remaining emissions units at either major stationary source or Section 185 Account. The already established baseline amounts would be transferred from one major stationary source or Section 185 Account to the other major stationary source or Section 185 Account.

In a manner similar to transferring other obligations such as emissions authorizations, the commission would allow the affected major stationary sources or Section 185 Accounts to transfer the baseline amounts and Failure to Attain Fee associated with each emissions unit having a change in control. The commission would not change the calculated baseline amounts for the transferred emissions units or remaining emissions units.

Major stationary sources that transfer ownership of equipment from one major source or Section 185 Account to a minor source(s) would not have their baseline amounts adjusted to prevent circumvention of the Failure to Attain Fee, as addressed under 30 TAC §101.3.

To qualify for an ownership transfer baseline amount adjustment, the ownership transfer must occur between major stationary sources or Section 185 Accounts of the same pollutant, or aggregated pollutants, located within the same nonattainment area. For example, if an ownership transfer occurred between a major source located in the 10-county DFW nonattainment area under the 2008 eight-hour ozone standard and the eight-hour HGB nonattainment area under the 2008 eight-hour ozone standard, then the baseline amounts could not be adjusted.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. Once finalized, the adjusted baseline amounts would apply starting with the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

Once finalized, the major stationary source or Section 185 Account that received the ownership-transferred emissions units would add the unaltered baseline amounts from those units to their existing major stationary source or Section 185 Account baseline amounts. There is no baseline amount adjustment for emissions units that were not ownership transferred at the originating or recipient major source. The major stationary source or Section 185 Account that transferred the emissions units would subtract the transferred emissions units' baseline amounts from their major stationary source or Section 185 Account baseline amount. While baseline amounts may increase or decrease at a major stationary source or Section 185 Account resulting from ownership transfers, the overall Area §185 Obligation for the nonattainment area would not change.

To transfer the baseline and the Failure to Attain Fee, the new owner or operator of each major stationary source or Section 185 Account affected by the change in common control would be required to submit a request to the executive director within 90 days of the ownership change for the executive director's approval.

§101.711, Adjustment of Baseline Amount for Final Emissions Inventory Data

This proposed new section addresses the situation when baseline emissions may need to be adjusted upon the availability of final quality assured and TCEQ-approved emissions inventory data. The Failure to Attain Fee would be implemented upon the effective date of EPA's finding of failure to attain notice published in the *Federal Register* for a severe or extreme ozone nonattainment area under the 2008 eight-hour ozone standard that fails to attain by the attainment date. It is unknown when EPA would issue the finding of failure to attain; therefore, the specific dates to establish an initial baseline amount are unknown. Because of implementation timing, final quality assured and TCEQ-approved emissions inventory data could occur after the baseline amount is established. If a major stationary source had used emissions inventory data to establish the baseline amount, then TCEQ may request adjustments based on the final quality assured emissions inventory data.

Additionally, major stationary sources may initiate emissions inventory revisions that require baseline amount adjustments. Due to limited staff resources, approval of regulated entity-initiated requests would be based on the revisions guidance in the Emissions Inventory Guidelines published annually and posted on the Point Source Emissions Inventory webpage located at (<https://www.tceq.texas.gov/airquality/point-source-ei/psei.html>). Emissions inventory data are used extensively for air quality planning purposes, such as SIP revisions and rule development, submitting to required federal programs, such as the NEI, and assessment of other applicable fees such as the Title V fees. For these reasons, emissions inventory revisions

are allowed for specific circumstances. Emissions inventory revisions submitted solely for the purpose of adjusting a baseline amount would not be accepted.

Regulated entities, including major sources, are provided an opportunity to review and if necessary, revise emissions data submitted for the current emissions inventory reporting year and for one year immediately prior. Major stationary sources would have 90 days or by March 31 of the calendar year immediately following the emissions inventory reporting year, whichever comes first, to submit adjusted baseline amount requests due to final, quality-assured emissions data. Revisions to historical emissions inventory data outside of this timeframe are evaluated on a case-by-case basis, usually as the result of a TCEQ-directed emissions inventory improvement project or TCEQ's compliance and enforcement process.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with final emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. Once finalized, the adjusted baseline amounts would apply starting with the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

§101.712, Failure to Establish a Fee Baseline Amount

This proposed new section outlines the procedures for the executive director to establish a baseline amount. Timely and accurate baseline amounts are required from each applicable major stationary source to implement the FCAA-required Section 185 fee program. If a major stationary source does not submit an approvable baseline amount by the due date specified by the executive director, then the executive director would determine baseline amount(s) for that major stationary source. In accordance with the requirements of FCAA, §185, the lower of

actual emissions (reported in the emissions inventory as described in §101.705) or allowable emissions (permits or authorizations) from the attainment year (referenced as baseline year in this proposed rulemaking), would be used, if both were available, to determine separate baseline amounts for each pollutant that determined major source applicability. Since the executive director would not have sufficient information, aggregation by pollutant or sites under common control and any adjustments allowed under this proposed rulemaking would not be used.

If available, emissions inventory data reported under 30 TAC §101.10 would be used for determining the baseline emissions. However, if only permit allowable data are available, a baseline amount would be established as 12.5 tons for VOC and/or 12.5 tons for NO_x (depending on the pollutant(s) that determined major source applicability) until the major stationary source submitted an approvable baseline amount. Allowable (permits or authorizations) emissions are typically higher than the actual emissions reported in the emissions inventory. FCAA, §185 requires the lower of actual or allowable emissions, so the executive director would establish the baseline emissions from the unavailable emissions inventory as 12.5 tons, which represents one-half of the major stationary source threshold of 25 tons. If the executive director used the allowable emissions from the permit to establish the baseline amount, then the non-compliant major stationary source would gain the advantage of a higher baseline amount by not reporting their actual emissions.

If the executive director establishes the baseline amounts, then those baseline amounts would be applicable until the major stationary source submits a verifiable and complete emissions inventory according to the Emissions Inventory Requirements of 30 TAC §101.10 and baseline amount. After the major stationary source submits a baseline amount and the executive director reviews the baseline amount to ensure consistency with emissions information

submitted to the TCEQ Air Permits Division and/or the Air Quality Division, the final baseline amount would apply starting with the next fee assessment year. Adjustments to previous fee invoices based on baseline amounts established by the executive director would not be allowed.

§101.713, Failure to Attain Fee Assessment

The proposed new section outlines the method used to assess the Failure to Attain Fee (total fee) for VOC or NO_x emissions, or both. If the major stationary source is major for just one pollutant, the total fee would be assessed for just the one pollutant, VOC or NO_x. If the major stationary source is major for both VOC and NO_x emissions, the total fee would be assessed for both pollutants.

This proposed new section also provides for the total fee calculation for owners or operators of major stationary sources or Section 185 Accounts. Fee assessments must follow the same method chosen for the baseline amount determination. The total fee from VOC and/or NO_x emissions from a major stationary source that is major for one pollutant and does not have multiple sites under common control, does not choose to aggregate baseline amounts, or does not comply with the provisions of proposed §101.707 would remain separate and due from each major stationary source or Section 185 Account. The total fee for owners or operators of major stationary sources that choose to aggregate VOC and/or NO_x emissions would also be due according to the provisions of this proposed section. The aggregation of VOC with NO_x emissions may occur at one major stationary source or across multiple major stationary sources under common control. Because both pollutants were used to aggregate a baseline amount, the total fee would be due on actual emissions of both VOC and NO_x emissions. Consistency between the baseline amount determination and the total fee calculation would be maintained with this approach. An owner or operator of multiple sources under common control who chooses to combine a single pollutant from multiple major stationary sources in a

baseline amount must aggregate actual emissions of that single pollutant in the total fee payment. If an owner or operator opted to combine VOC with NO_x emissions at a major stationary source, both VOC and NO_x emissions must be aggregated for the total fee payment. Similarly, owners or operators who choose to combine VOC and NO_x emissions in a baseline amount and to aggregate those pollutants across more than one major stationary source must combine actual VOC and NO_x emissions from all aggregated major stationary sources to determine the total fee. For example, if five major stationary sources of both VOC and NO_x emissions elected to aggregate into one Section 185 fee account to determine the NO_x baseline amount, then the total NO_x portion of the fee payment would be based on all actual reported NO_x emissions from those five major stationary sources. Since the five major stationary sources did not elect to aggregate VOC emissions into one baseline amount, then the total fee payment for VOC emissions would be assessed separately for the five different Section 185 fee accounts using actual reported VOC emissions for these major stationary sources. Similarly, if owners or operators choose to combine multiple major stationary sources into one baseline amount for VOC and NO_x emissions, then the total fee payment would be due from the combined major stationary sources for both pollutants together.

The total fee would be applicable to and calculated for each pollutant (VOC or NO_x) for which the major source meets the applicability requirements of this proposed rulemaking from the actual emissions reported in the emissions inventory for the fee assessment year. The fee amount assessed, calculated, and invoiced would be based on the actual emissions from the fee assessment year's emissions inventory that exceeded 80% of the baseline amount, rounded up to the nearest whole number. If the actual emissions reported in the emissions inventory are less than 80% of the baseline amount, then the fee would be assessed at \$0.00 dollars and no fee payment would be due from that major stationary source or Section 185 Account for that fee assessment year for that pollutant. For future fee assessment years, the fee would be due if

the actual emissions reported in the emissions inventory exceeded 80% of the baseline amount.

Rounding up to the nearest whole number is standard practice for fee assessment since assessing fees on fractional amounts creates fee amounts with several decimal places that can cause errors in the fee invoice data systems, which accept only two decimal places. An example of rounding up to the nearest whole number would be the fee assessment amount calculated as 10.0319 tons, rounding up to the nearest whole number, the fee would be assessed and invoiced on 11 tons.

The total fee for a pollutant aggregated under multiple major stationary sources for a baseline amount would be calculated based on the aggregated actual emissions from all the affected major stationary sources minus 80% of the aggregated baseline amounts for all major stationary sources, rounded up to the nearest whole number.

While baseline amounts exclude unauthorized emissions, fee assessments would be based on actual emissions, as defined in 30 TAC §101.10, which includes emissions from annual routine operations, MSS operations, and other events not otherwise authorized (emissions from emissions events or MSS activities). Inclusion of unauthorized emissions in fee assessment is appropriate because the emissions contribute to the formation of ozone in the nonattainment area during the year that the fee is owed. Inclusion of unauthorized emissions in fee assessment is also required in TCEQ's emissions fee rule in 30 TAC §101.27, which requires all MSS and emissions event emissions to be included in fee calculations.

FCAA, §185 requires the annual fee to be adjusted by the consumer price index (CPI) and cross references the methodology in FCAA, §502(b)(3)(B)(3)(v). The method described in FCAA, §502 requires the fee to be adjusted annually per the CPI for all-urban consumers published by the

United States Department of Labor, as of the close of the 12-month period ending on August 31 of each calendar year. FCAA, §185 requires these fees to be assessed on a calendar-year basis, and the inflation factor based on the CPI is applied in September for the fiscal year (based on the previous September through August data). Therefore, the calendar year Failure to Attain Fee is determined as a weighted monthly average (two thirds of the fee associated with January through August and one third of the fee associated with September through December). For example, a 2028 calendar-year fee would span the 2028 fiscal year and the 2029 fiscal year. Thus, a calendar-year 2028 fee requires two thirds of the annual CPI ending in August 2028 and one third of the annual CPI ending in August 2029. The commission proposes this methodology to calculate the fee from EPA's guidance memo (Page 10, available at (https://www.epa.gov/sites/default/files/2015-09/documents/1hour_ozone_nonattainment_guidance.pdf)). The proposed fee calculation uses the 40 CFR Part 70 Presumptive Minimum fee basis from EPA's guidance memo. The Part 70 fee rate is published annually by EPA and is available at (<https://www.epa.gov/title-v-operating-permits/permit-fees>). The Part 70 fee is the rate used to calculate emissions-based fees for Part 70 permit programs. Rather than calculating the rate directly from the CPI, the proposed method uses the Part 70 fee rate published by EPA. The Part 70 fee already has the required CPI adjustment incorporated into it.

The timing of the fee assessment depends on the effective date of EPA's finding of failure to attain. For the 10-county DFW and eight-county HGB 2008 eight-hour ozone nonattainment areas, 2028 is the first year after the attainment date of July 20, 2027. Since the 2027 emissions inventories would be due in 2028, TCEQ staff would have until the end of 2028 to complete the quality assurance reviews of the 2027 annual emissions inventories that would be used to determine the baseline amount. Major sources would require time to establish the baseline amounts based on final emissions reported in the 2027 emissions inventory. TCEQ staff would

require time to quality assure the baseline amounts submitted by each major source. To establish and quality assure the baseline amounts, the fee collection year would generally be proposed as two calendar years following the fee assessment year. A potential scenario could include regulated entities submitting the 2027 emissions inventories by the March 31, 2028, due date, and TCEQ staff completing the quality assurance reviews of the 2027 emissions inventories by the end of calendar year 2028. If the area(s) fail to attain the 2008 eight-hour ozone standard, and EPA finalizes a failure to attain notice in October 2027, then, following EPA's effective date of the failure to attain notice, TCEQ could provide a courtesy electronic notification to regulated entities that major sources must submit their baseline amount to TCEQ by March 31, 2028. TCEQ staff would quality assure the 2027 baseline amounts during calendar year 2028. The 2028 emissions inventories are due by April 2, 2029 (since March 31, 2029, falls on a Saturday), and TCEQ staff would complete the quality assurance process for the 2028 emissions inventories by the end of calendar year 2029. TCEQ would implement the calendar-year 2028 Section 185 fee rate once EPA publishes it, typically by the end of October each year. Assuming EPA publishes the 2028 Section 185 fee rate in October 2028, TCEQ would then assess the calendar-year 2028 fees in late 2029 and prepare and send invoices in early calendar-year 2030. As a result, calendar year 2030 becomes the first fee collection year for the first fee assessment year of 2028, based on the actual emissions reported in the 2028 emissions inventory.

A major stationary source subject to the requirements of this proposed rulemaking would also be required to submit an annual emissions inventory according to §101.10. The annual fee assessment requires the submission of the emissions inventory by the due date to invoice the source on actual emissions of VOC, NO_x, or both for that fee assessment year. Regulated entities subject to the Section 185 fee that do not submit an emissions inventory by the due date would be subject to enforcement.

§101.714, Failure to Attain Fee Payment

This proposed section stipulates that payment of the Failure to Attain Fee must be made by check, certified check, electronic funds transfer, or money order made payable to TCEQ. Payment must be sent to the TCEQ address provided on the billing statement by the date specified on the invoice. Generally, sites will have a minimum of 30 days to pay the invoice.

This proposed rule would impose interest and penalties in accordance with 30 TAC Chapter 12 to owners or operators of major sources subject to the applicability provisions of this proposed subchapter who fail to make full payment of the Failure to Attain Fees by the due date.

§101.715, Eligibility for Other Failure to Attain Fee Fulfillment Options

This proposed new section would allow major stationary sources or Section 185 Accounts required to pay a Failure to Attain Fee (total fee) to partially or completely fulfill the total fee owed by relinquishing emissions credits or using Supplemental Environmental Projects (SEPs) instead of issuing full payment. These other fulfillment options could be considered individual fee offsets for major stationary sources or Section 185 Accounts. The amount of emissions tonnage upon which the total fee is owed or the total fee amount owed would be reduced for the major stationary source or Section 185 Account while the nonattainment area receives emissions reductions benefits. If relinquishing emissions credits or using SEPs does not completely fulfill the entire fee owed by a major stationary source or Section 185 Account, the remaining portion of the total fee remains due according to the Failure to Attain Fee Payment section of this proposed rulemaking.

As explained previously in this preamble, the implementation of the Section 185 fee program depends on several future factors including the effective date of EPA's finding of failure to

attain action. According to proposed §101.714, the invoice due date would be provided by the executive director after the program is implemented. The commission must be timely informed if other options would be requested to fulfill the total fee. The commission proposes that the emissions inventory due date specified under the Emissions Inventory Requirements of 30 TAC §101.10 for the fee assessment year would be the proposed date that major stationary sources or Section 185 Account must inform the executive director that these other fulfillment options would be used. Further, the commission proposes that the emissions inventory due date specified under the Emissions Inventory Requirements of 30 TAC §101.10 for the fee assessment year would be the proposed date allowances traded under §101.716 must be approved and completed, and SEPs, under §101.717, must be approved and funded. If other fulfillment options under §101.716 are not approved and funded, exercised, or otherwise completed by the emissions inventory due date, these other fulfillment options would not be eligible to be applied to the total fee. Because a SEP may be a capital project requiring more than 30 days to complete, SEPs must be approved and funded by the emissions inventory due date. All requests to use a SEP as the other option to fulfill the total fee would be subject to the executive director's approval to ensure applicability to the nonattainment area.

§101.716, Relinquishing Credits to Fulfill a Failure to Attain Fee

This proposed new section allows major stationary sources or Section 185 Accounts to request to fulfill all or a portion of their Failure to Attain Fee (total fee) by relinquishing an equivalent portion of emission reduction credits, discrete emission reduction credits, current or banked Highly-Reactive Volatile Organic Compound (HRVOC) Emissions Cap and Trade (HECT) program allowances, or current or banked Mass Emissions Cap and Trade (MECT) program allowances.

Emission credits submitted for total fee reduction purposes, on a ton-for-ton basis, would only be allowed for use as a fulfillment option for the pollutant (VOC or NO_x) specified on the credit.

VOC credits or HECT allowances must only be used as a fulfillment option for VOC tons in excess of the baseline; NO_x credits must only be used as a fulfillment option for NO_x tons. The use of allowances would be similarly restricted such that MECT allowances would only be used as an equivalent for NO_x tons. HECT allowances would only be allowed for use as an equivalent for VOC tons in excess of the baseline amount for major stationary sources or Section 185 Accounts located in the 2008 eight-hour ozone nonattainment area. Significant digit rounding of the emissions reduction must be limited to one-tenth of a ton. Removing these emissions, represented as allowances, on a ton-per-ton basis furthers the goals of reducing ozone-causing emissions in the atmosphere and meets the objective of improving air quality by reducing emissions more directly than imposing a fee.

§101.717, Using a Supplemental Environmental Project to Fulfill a Failure to Attain Fee

This proposed new section allows major stationary sources or Section 185 Accounts to request to fulfill all or part of their Failure to Attain Fee (total fee) by contributing to a SEP within the 2008 eight-hour ozone nonattainment area where the major stationary source or Section 185 Account is located. SEPs are projects that prevent or reduce pollution beyond existing regulatory requirements. Supporting a SEP guaranteeing emissions reductions in the nonattainment area would provide cost-effective opportunities that more directly benefit air quality in the affected area than the imposition of a fee. Under this proposed rule, contributing to a SEP would reduce a major stationary source's or Section 185 Account's Failure to Attain Fee on a dollar-per-dollar or ton-by-ton basis. As proposed, the rule would also allow a major stationary source or Section 185 Account to use surplus SEP funds from year to year. The funding would not be discounted or depreciated over time.

The proposed rule language would only allow funding for air-related projects that are implemented within the same 2008 eight-hour ozone nonattainment area. For example, in the

10-county DFW nonattainment area under the 2008 eight-hour ozone standard, SEPs are restricted to fulfillment options for major stationary sources or Section 185 Accounts located in the DFW nonattainment area. This rule would restrict SEPs to projects that offset the Failure to Attain Fee on a dollar-per-dollar or ton-by-ton basis. The established SEP program requires participants to submit quarterly and annual project reports with expenditure and project completion information, providing validation of actual emissions reductions or expenditures.

Because a SEP can be used to offset an administrative penalty, it is inappropriate for those funds to also be used for credit or offset for the Failure to Attain Fee. For many SEPs, only half the dollar amount of the SEP may be used to offset an administrative penalty. The use of Failure to Attain Fee credit from the SEP would be restricted to be the portion of funds not used to offset an administrative penalty. The SEP must also be enforceable through an Agreed Order or other enforceable document to ensure compliance with the SEP objectives.

§101.718, Cessation of Program

This proposed new section outlines the circumstances that would end the Failure to Attain Fee for an applicable nonattainment area. FCAA, §185 requires the penalty fee to be collected until redesignation of the nonattainment area to attainment by EPA, any final action or final rulemaking by EPA to end the Failure to Attain fee, or a finding of attainment by EPA. After EPA redesignates an area to attainment and publishes the final approval of the attainment redesignation in the *Federal Register*, the Failure to Attain Fee would no longer be applicable to that ozone nonattainment area as of the effective date specified in the *Federal Register*.

Additionally, to provide for timely cessation of the Failure to Attain Fee program, the commission proposes that the Failure to Attain Fee would be assessed, but the fee collection would be placed in abeyance by the executive director if three years of quality-assured data

resulting in a design value that did not exceed the 2008 eight-hour ozone standard are submitted to EPA. The commission also proposes as part of this design value determination, the ability to exclude days that exceeded the 2008 eight-hour ozone standard because of exceptional events or emissions emanating outside the United States.

Fiscal Note: Costs to State and Local Government

Kyle Girtten, Analyst in the Budget and Planning Division, has determined that for the first five-year period the proposed rules are in effect, fiscal implications may result for TCEQ and other units of government during implementation of the proposed rule.

If DFW and/or HGB areas do not attain the 2008 eight-hour NAAQS by July 20, 2027 or EPA does not abolish the program, these areas would be subject to the Section 185 fee in the proposed rulemaking (30 TAC Subchapter K. If this is the case, TCEQ currently estimates it would require the addition of three full-time-equivalents (FTEs) beginning in FY 2028 and for the update and maintenance of a database for tracking information as applicable to TCEQ's 185 fee program. It is anticipated that the three FTEs would include a Natural Resources Specialist (NRS) V (B24) and two NRS IVs (B22) in years 3 and 4 (FY 2028 and FY 2029), and two FTEs (one NRS V and one NRS IV) in year 5 (FY 2030) as necessary to implement the program. These staff would develop and implement business processes for (1) establishing and maintaining a fee equivalency account (§§101.703-704), (2) establishing baseline determinations using data submitted by regulated entities (§§101.705-712), (3) annually assessing and collecting fees based on data from annual emissions inventories (§§101.713-714), (4) reviewing and assessing fee payments (§§101.715-717), and (5) updating and maintaining the database for the program. The total cost for FTEs, including salaries and other costs, but excluding fringe and payroll costs is estimated at \$277,818 in FY 2028, \$252,318 in FY 2029, and \$171,920 in FY 2030. It is

estimated that \$250,000 will be needed annually for the update of the Section 185 database in FY 2028 and FY 2029, and \$50,000 would be needed in FY 2030. In summary, it is anticipated there will be no costs to TCEQ during the first two years the rules are in effect, and the total cost to TCEQ is estimated at \$527,818 in FY 2028, \$502,318 in FY 2029, and \$221,920 in FY 2030.

TCEQ may receive revenue from fees that may be required of entities that include major stationary sources of VOC and/or NO_x emissions in these areas. Whether fees will ultimately be assessed as a result of this rulemaking is dependent on how baselines are determined for the HGB and DFW sources (§§101.705-712), actual emissions for each year when fees are assessed (§§101.713-714), the amount of TERP revenue in these areas that is eligible to offset fee obligations (§§101.703-704), whether and to what extent equivalent alternatives are used in lieu of fee payments (§§101.715-717), and the unit cost per ton of VOC and/or NO_x emissions billed as required by FCAA, §182(d)(3) and (e) and §185.

It is noted that when the Section 185 fee program was implemented for the HGB one-hour ozone severe nonattainment area for major sources of VOC and/or NO_x emissions, TERP revenue was sufficient to offset all fee obligations every year fees were required to be assessed (calendar years 2012-2019), and TCEQ did not invoice fees during this timeframe. For this rulemaking, TCEQ estimates that between \$0 - \$129,000,000 in revenue will be received annually during the third, fourth, and fifth years after the proposed rules are in effect.

This estimate was derived using the 2023 fee rate from EPA (\$11,922 per ton VOC and/or NO_x) adjusted to increase by an assumed inflation rate of 2.5% between 2023 and 2028. For DFW, revenue received by TCEQ is estimated to be between \$0 - \$5,000,000 each year starting in 2028, assuming TCEQ receives the lowest amount of eligible TERP revenue for this area in the

past ten years (\$42,000,000). For HGB, revenue received is estimated to be between \$0 - \$124,000,000, assuming TCEQ receives the lowest amount of eligible TERP revenue for this area in the past ten years (\$47,000,000).

Fiscal implications for other governmental entities would be dependent on whether fees need to be assessed for major stationary sources in the DFW and/or HGB areas. Affected entities include major stationary sources of VOC and/or NO_x emissions in these areas. In the DFW area, it is estimated that eight landfills, one university, and one sewage facility are governmental entities that would meet eligibility requirements. In HGB, it is estimated that six landfills, two universities, one research facility, and four sewage facilities would meet eligibility requirements. Entities for DFW and/or HGB would be required to submit baseline information for VOC and/or NO_x, and prorated based on TERP offsets, they would be responsible for pay the annual Section 185 fee or apply equivalent alternatives based on their actual emissions over baseline amounts.

Public Benefits and Costs

Mr. Girtten determined that for each year of the first five years the proposed rules are in effect, the public benefit anticipated will be compliance with federal law. If this rulemaking were not to occur, in accordance with FCAA, §185(d), EPA would have the ability to impose and collect the fee with interest, and this revenue would not be returned to the state. Additionally, although the Section 185 fee is a penalty and not a control strategy, the magnitude of the fee could potentially incentivize major stationary sources to reduce ozone precursor emissions in the DFW and/or HGB nonattainment areas.

This rulemaking may have fiscal impacts on 461 major stationary sources, including the 23 governmental sources noted above. These sources are from a range of industrial source categories, with the most common categories being industrial organic chemicals, crude

petroleum and natural gas, electric services, petroleum bulk stations and terminals, special warehousing and storage, natural gas liquids, plastic materials and synthetic resins, refuse systems, refined petroleum pipelines, petroleum refining, industrial gases, and natural gas transmission. As noted above, the fee per sources is dependent on multiple factors, and the total impact for DFW and HGB areas could range from \$0 - \$129,000,000 annually during the third, fourth, and fifth years after the proposed rules are in effect.

Local Employment Impact Statement

The commission reviewed this proposed rulemaking and determined that a Local Employment Impact Statement is not required because the proposed rulemaking is not anticipated to adversely affect a local economy in a significant way for the first five years that the proposed rule is in effect. While the magnitude of fees assessed has the potential to be high in the DFW and HGB areas, the number of businesses and governmental entities affected is very small in proportion to the overall number of industries and business and governmental entities in these areas. It is unknown whether and to what extent this rulemaking would affect business decisions made by entities directly affected by this rule.

Rural Communities Impact Assessment

The commission reviewed this proposed rulemaking and determined that the proposed rulemaking does not adversely affect rural communities in a material way for the first five years that the proposed rules are in effect. This rulemaking applies to DFW and HGB areas, which are areas with large populations; therefore, rural communities are not significantly impacted.

Small Business and Micro-Business Assessment

No adverse fiscal implications are anticipated for small or micro-businesses due to the

implementation or administration of the proposed rule for the first five-year period the proposed rules are in effect. No small businesses have been identified that would be affected by this rulemaking.

Small Business Regulatory Flexibility Analysis

The commission reviewed this proposed rulemaking and determined that a Small Business Regulatory Flexibility Analysis is not required because the proposed rule does not adversely affect a small or micro-business in a material way for the first five years the proposed rules are in effect.

Government Growth Impact Statement

The commission prepared a Government Growth Impact Statement assessment for this proposed rulemaking. The proposed rulemaking does not create or eliminate a government program and may require a request for an increase in future legislative appropriations to the agency. The proposed rulemaking is anticipated to require the creation of new employee positions, and it may increase fees paid to the agency. The proposed rulemaking establishes a new regulation, with major sources of VOC or NO_x emissions in the DFW and/or HGB areas subject to its applicability. During the first five years, the proposed rule should not impact positively or negatively the state's economy, particularly if TERP revenue is sufficient to offset the Section 185 fee obligation.

Draft Regulatory Impact Analysis Determination

The commission reviewed the proposed rulemaking considering the regulatory impact analysis requirements of Texas Government Code, §2001.0225 and determined that the proposed rulemaking does not meet the definition of a "Major environmental rule" as defined in that statute, and in addition, if it did meet the definition, would not be subject to the requirement to

prepare a regulatory impact analysis. A “Major environmental rule” means a rule, the specific intent of which is to protect the environment or reduce risks to human health from environmental exposure, and that may adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, or the public health and safety of the state or a sector of the state. Additionally, the proposed rulemaking does not meet any of the four applicability criteria for requiring a regulatory impact analysis for a “Major environmental rule”, which are listed in Texas Government Code, §2001.0225(a). Texas Government Code, § 2001.0225 applies only to a “Major environmental rule”, the result of which is to: 1) exceed a standard set by federal law, unless the rule is specifically required by state law; 2) exceed an express requirement of state law, unless the rule is specifically required by federal law; 3) exceed a requirement of a delegation agreement or contract between the state and an agency or representative of the federal government to implement a state and federal program; or 4) adopt a rule solely under the general powers of the agency instead of under a specific state law.

The specific intent of the proposed rules is to comply with the requirements of 42 U.S.C. §7511a and §7511d (FCAA, §182 and §185) for the DFW and HGB 2008 ozone nonattainment areas, as discussed further elsewhere in this preamble. Penalty fee programs are a required component of SIPs for ozone nonattainment areas that are classified as severe or extreme. Fees are required to be collected for all major stationary sources in severe or extreme ozone nonattainment areas that do not attain the ozone standard by their attainment dates. If the fee is not imposed and collected by the state, then 42 U.S.C. §7511d(d) (FCAA, §185(d)) requires that the EPA shall impose and collect the fee (and may collect interest). The applicability of the fee may have a benefit in reducing emissions of ozone precursors in ozone nonattainment areas by incentivizing sources to reduce emissions further, but the proposed rules will not require emission reduction.

States are required to adopt State Implementation Plans (SIPs) with enforceable emission limitations and other control measures, means, or techniques, as well as schedules and timetables for compliance, as may be necessary or appropriate to meet the applicable requirements of the FCAA. As discussed in the FISCAL NOTE portion of this preamble, the proposed rules are not anticipated to add any significant additional costs to affected individuals or businesses beyond what is necessary to comply with federal law on the economy, a sector of the economy, productivity, competition, jobs, the environment, or the public health and safety of the state or a sector of the state. If a state does not comply with its obligations under 42 USC, §7410 (FCAA, §110) to submit SIPs, states are subject to discretionary sanctions under 42 USC, §7410(m) (FCAA, §110(m)) or mandatory sanctions under 42 USC, §7509 (FCAA, §179); as well as the imposition of a federal implementation plan (FIP) under 42 USC, §7410 (FCAA, §110(c)).

The requirement to provide a fiscal analysis of regulations in the Texas Government Code was amended by Senate Bill (SB) 633 during the 75th legislative session. The intent of SB 633 was to require agencies to conduct a regulatory impact analysis of extraordinary rules. These are identified in the statutory language as major environmental rules that will have a material adverse impact and will exceed a requirement of state law, federal law, or a delegated federal program, or are adopted solely under the general powers of the agency. With the understanding that this requirement would seldom apply, the commission provided a cost estimate for SB 633 that concluded "based on an assessment of rules adopted by the agency in the past, it is not anticipated that the bill will have significant fiscal implications for the agency due to its limited application." The commission also noted that the number of rules that would require assessment under the provisions of the bill was not large. This conclusion was based, in part, on the criteria set forth in the bill that exempted rules from the full analysis unless the rule was

a major environmental rule that exceeds a federal law. Because of the ongoing need to meet federal requirements, the commission routinely proposes and adopts rules incorporating or designed to satisfy specific federal requirements. The legislature is presumed to understand this federal scheme. If each rule proposed by the commission to meet a federal requirement was a major environmental rule that exceeds federal law, then each of those rules would require the full regulatory impact analysis contemplated by SB 633. Requiring a full regulatory impact analysis for all federally required rules is inconsistent with the conclusions reached by the commission in its cost estimate and by the Legislative Budget Board (LBB) in its fiscal notes. Since the legislature is presumed to understand the fiscal impacts of the bills it passes, and that presumption is based on information provided by state agencies and the LBB, the that the intent of SB 633 was only to require the full regulatory impact analysis for rules that are extraordinary in nature. While the proposed rules may have a broad impact, that impact is no greater than is necessary or appropriate to meet the requirements of the FCAA, and in fact creates no additional impacts since the proposed rules do not impose burdens greater than required to comply with federal law, as discussed elsewhere in this preamble. For these reasons, the proposed rules fall under the exception in Texas Government Code, §2001.0225(a), because they are required by, and do not exceed, federal law. The commission has consistently applied this construction to its rules since this statute was enacted in 1997. Since that time, the legislature has revised the Texas Government Code, but left this provision substantially unamended. It is presumed that "when an agency interpretation is in effect at the time the legislature amends the laws without making substantial change in the statute, the legislature is deemed to have accepted the agency's interpretation." (Central Power & Light Co. v. Sharp, 919 S.W.2d 485, 489 (Tex. App. Austin 1995), writ denied with per curiam opinion respecting another issue, 960 S.W.2d 617 (Tex. 1997); Bullock v. Marathon Oil Co., 798 S.W.2d 353, 357 (Tex. App. Austin 1990, no writ). Cf. Humble Oil & Refining Co. v. Calvert, 414 S.W.2d 172 (Tex. 1967); Dudney v. State Farm Mut. Auto Ins. Co., 9 S.W.3d 884, 893 (Tex. App. Austin 2000);

Southwestern Life Ins. Co. v. Montemayor, 24 S.W.3d 581 (Tex. App. Austin 2000, pet. denied); and Coastal Indust. Water Auth. v. Trinity Portland Cement Div., 563 S.W.2d 916 (Tex. 1978).)

The commission's interpretation of the regulatory impact analysis requirements is also supported by a change made to the Texas Administrative Procedure Act (APA) by the legislature in 1999. In an attempt to limit the number of rule challenges based upon APA requirements, the legislature clarified that state agencies are required to meet these sections of the APA applying the standard of "substantial compliance" specified in Texas Government Code, §2001.035. The legislature specifically identified Texas Government Code, §2001.0225 as falling under this standard.

As presented in this analysis and elsewhere in this preamble, the evidence supports the conclusion that the commission has substantially complied with the requirements of Texas Government Code, §2001.0225. The proposed rules implement the requirements of the FCAA as discussed in this analysis and elsewhere in this preamble. The proposed rules were determined to be necessary to comply with federal law and will not exceed any standard set by state or federal law. These proposed rules are not an express requirement of state law. The proposed rules do not exceed a requirement of a delegation agreement or a contract between state and federal government, as the proposed rules, if adopted by the commission and approved by EPA, will become federal law as part of the approved SIP required by 42 U.S.C. §7410 (FCAA, §110). The proposed rules were not developed solely under the general powers of the agency but are authorized by specific sections of Texas Health and Safety Code (THSC), Chapter 382 (also known as the Texas Clean Air Act), and the Texas Water Code, which are cited in the STATUTORY AUTHORITY section of this preamble, including THSC, §§382.011, 382.012, and 382.017. Therefore, this proposed rulemaking action is not subject to the regulatory analysis provisions of Texas Government Code, §2001.0225(b).

The commission invites public comment regarding the Draft Regulatory Impact Analysis Determination during the public comment period. Written comments on the Draft Regulatory Impact Analysis Determination may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble.

Takings Impact Assessment

Under Texas Government Code, §2007.002(5), taking means a governmental action that affects private real property, in whole or in part or temporarily or permanently, in a manner that requires the governmental entity to compensate the private real property owner as provided by the Fifth and Fourteenth Amendments to the United States Constitution or §17 or §19, Article I, Texas Constitution; or a governmental action that affects an owner's private real property that is the subject of the governmental action, in whole or in part or temporarily or permanently, in a manner that restricts or limits the owner's right to the property that would otherwise exist in the absence of the governmental action; and is the producing cause of a reduction of at least 25 percent in the market value of the affected private real property, determined by comparing the market value of the property as if the governmental action is not in effect and the market value of the property determined as if the governmental action is in effect. The commission completed a takings impact analysis for the proposed rulemaking action under the Texas Government Code, §2007.043.

The primary purpose of this proposed rulemaking action, as discussed elsewhere in this preamble, is to meet federal requirements for the inclusion of penalty fee programs for major stationary sources in State Implementation Plans (SIPs) as mandated by 42 United States Code (USC), §§7410, 7511a, and 7511d (Federal Clean Air Act (FCAA), §§110, 182 and 185). Penalty fee programs are a required component of SIPs for ozone nonattainment areas that are classified as severe or extreme. Fees are required to be collected for all major stationary

sources in severe or extreme ozone nonattainment areas that do not attain the ozone standard by their attainment dates. If the fee is not imposed and collected by the state, then 42 U.S.C. §7511d(d) (FCAA, §185(d)) requires that the EPA shall impose and collect the fee (and may collect interest). The applicability of the fee may have a benefit in reducing emissions of ozone precursors in ozone nonattainment areas by incentivizing sources to reduce emissions further, but the proposed rules will not require emission reduction.

States are required to adopt SIPs with enforceable emission limitations and other control measures, means, or techniques, as well as schedules and timetables for compliance, as may be necessary or appropriate to meet the applicable requirements of the FCAA. If a state does not comply with its obligations under 42 USC, §7410 (FCAA, §110) to submit SIPs, states are subject to discretionary sanctions under 42 USC, §7410(m) (FCAA, §110(m)) or mandatory sanctions under 42 USC, §7509 (FCAA, §179); as well as the imposition of a federal implementation plan (FIP) under 42 USC, §7410(c) (FCAA, §110(c)).

The proposed rules will not create any additional burden on private real property beyond what is required under federal law, as the proposed rules, if adopted by the commission and approved by EPA, will become federal law as part of the approved SIP required by 42 U.S.C. §7410 (FCAA, §110). The proposed rules will not affect private real property in a manner that would require compensation to private real property owners under the United States Constitution or the Texas Constitution. The proposal also will not affect private real property in a manner that restricts or limits an owner's right to the property that would otherwise exist in the absence of the governmental action. Therefore, the commission concludes that the proposed rulemaking will not cause a taking under Texas Government Code, Chapter 2007.

Consistency with the Coastal Management Program

The commission reviewed this rulemaking for consistency with the CMP goals and policies in accordance with the regulations of the Coastal Coordination Advisory Committee and determined that the amendments are consistent with CMP goals and policies because the rulemaking is a fee rule, which is a procedural mechanism for paying for commission programs; will not have direct or significant adverse effect on any coastal natural resource areas; will not have a substantive effect on commission actions subject to the CMP; and promulgation and enforcement of the amendments will not violate (exceed) any standards identified in the applicable CMP goals and policies.

Written comments on the consistency of this rulemaking may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble.

Effect on Sites Subject to the Federal Operating Permits Program

Chapter 101, Subchapter K would not require revisions to existing Federal Operating Permits under 30 TAC §122, Federal Operating Permits Program.

Announcement of Hearing

The commission will hold a virtual public hearing on this proposal on June 12, 2025, at 2:00 p.m. via virtual platform such as Microsoft Teams. The hearing is structured for the receipt of oral comments by the public. Individuals may register to provide oral comments and may present oral statements when called upon in order of registration. Open discussion will not be permitted during the hearing; however, commission staff members will be available to discuss the proposal 30 minutes prior to the hearing.

Individuals who plan to attend the hearing virtually and want to provide oral comments and/or

want their attendance on record must register by June 5, 2025, for the June 12, 2025, hearing. To register for the hearing, please email Rules@tceq.texas.gov and provide the following information: your name, your affiliation, your email address, your phone number, and whether or not you plan to provide oral comments during the hearing. Instructions for participating in the hearing will be sent by June 6, 2025, for the June 12, 2025, hearing to those who register for the hearing.

Members of the public who do not wish to provide oral comments but would like to view the hearing may do so at no cost at:

<https://events.teams.microsoft.com/event/589ff6dc-dcbe-4ce9-ae8c-45a18864e652@871a83a4-a1ce-4b7a-8156-3bcd93a08fba>

Persons who have special communication or other accommodation needs who are planning to attend the hearing should contact Sandy Wong, Office of Legal Services at (512) 239-1802 or 1-800-RELAY-TX (TDD). Requests should be made as far in advance as possible.

Submittal of Comments

Written comments may be submitted to Gwen Ricco, MC 205, Office of Legal Services, Texas Commission on Environmental Quality, P.O. Box 13087, Austin, Texas 78711-3087, or faxed to fax4808@tceq.texas.gov. Electronic comments may be submitted at:

<https://tceq.commentinput.com/comment/search>. File size restrictions may apply to comments being submitted via the TCEQ Public Comments system. All comments should reference Rule Project Number 2023-131-101-AI. The comment period opens on May 6, 2025, and closes on June 18, 2025. Please choose one of the methods provided to submit your written comments.

Copies of the proposed rulemaking can be obtained from the commission's website at

Commissioner's Pre-filing Copy

https://www.tceq.texas.gov/rules/propose_adopt.html. For further information, please contact

Jill Dickey-Hull, Emissions Assessment Section, 512-239-5912, and 185Rule@tceq.texas.gov.

SUBCHAPTER K: FAILURE TO ATTAIN FEE FOR THE 2008 EIGHT-HOUR OZONE STANDARD

§101.700 – 101.718

Statutory Authority

The new sections are proposed under Texas Water Code (TWC), §5.102, concerning General Powers, that provides the commission with the general powers to carry out its duties under the TWC; TWC, §5.103, concerning Rules, that authorizes the commission to adopt rules necessary to carry out its powers and duties under the TWC; TWC, §5.105, concerning General Policy, that authorizes the commission by rule to establish and approve all general policy of the commission; and under Texas Health and Safety Code (THSC), §382.017, concerning Rules, that authorizes the commission to adopt rules consistent with the policy and purposes of the Texas Clean Air Act.

The new sections are also proposed under TWC, §5.701, concerning Fees, that authorizes the commission to charge and collect fees prescribed by law; TWC, §5.702, concerning Payment of Fees Required When Due, that requires fees to be paid to the commission on the date the fee is due; TWC, §5.703, concerning Fee Adjustments, that specifies that the commission shall not consider adjusting the amount of a fee due if certain conditions are met; TWC, §5.705, concerning Notice of Violation, that authorizes the commission to issue a notice of violation to a person required to pay a fee for knowingly violating reporting requirements or calculating the fee in an amount less than the amount actually due; and TWC, §5.706, concerning Penalties and Interest on Delinquent Fees, that authorizes the commission to collect penalties for delinquent fees due to the commission. The new sections are also proposed under THSC, §382.002, concerning Policy and Purpose, that establishes the commission's purpose to safeguard the state's air resources, consistent with the protection of public health, general welfare, and physical property; THSC, §382.011, concerning General Powers and Duties, that authorizes the

commission to control the quality of the state's air; and THSC, §382.012, concerning the State Air Control Plan, that authorizes the commission to prepare and develop a general, comprehensive plan for the proper control of the state's air; and THSC, §382.0622, concerning Clean Air Act Fees, specifying that any fees collected as required by Federal Clean Air Act (FCAA), §185 are clean air act fees under the THSC. The new sections are also proposed to comply with FCAA, 42 United States Code (USC), §7511a(d)(3), (e), and (f) (FCAA, §182(d)(3), (e), and (f)) regarding Plan Submissions and Requirements for ozone nonattainment plan revisions; and 42 USC, §7511d (FCAA, §185) regarding Enforcement for Severe and Extreme ozone nonattainment areas for failure to attain.

The proposed new sections implement the requirements of THSC, §§382.002, 382.011, 382.012, 382.017 and 382.0622; TWC, §§5.102, 5.103, 5.105, 5.701 - 5.703 and 5.705 - 5.706; as well as FCAA, 42 USC, §7511a(d)(3), (e), and (f) and §7511d (FCAA, §182(d)(3), (e), and (f), and §185).

§101.700. Definitions.

The following terms, when used in this subchapter, have the following meanings unless the context clearly indicates otherwise.

(1) Actual emissions--As defined in §101.10 of this title (relating to Emissions Inventory Requirements).

(2) Area §185 Obligation--The total annual amount of Failure to Attain Fees due from all applicable major stationary sources or Section 185 Accounts in a severe or extreme ozone nonattainment area that failed to attain the 2008 eight-hour ozone National Ambient Air Quality Standard by its applicable attainment date.

(3) Attainment date--The U.S. Environmental Protection Agency-specified date that a severe or extreme nonattainment area must attain the 2008 eight-hour ozone National Ambient Air Quality Standard.

(4) Baseline amount--Tons of volatile organic compounds and/or nitrogen oxides emissions calculated separately at a major stationary source, using data submitted to and reviewed the executive director. The baseline amount is the lower of baseline emissions (actual emissions) or total annual authorizations or pending authorizations emissions at a major stationary source during the baseline year or timeframe as otherwise specified under this subchapter.

(5) Baseline emissions--Emissions reported in tons in the annual emissions inventory submitted to and recorded by the agency each calendar year per the requirements of §101.10 of this title. The emissions must include all annual routine emissions associated with authorized normal operations, which includes reported emissions from authorized maintenance, startup, and shutdown activities and excludes all unauthorized emissions. The timeframe options are as follows:

(A) reported emissions from the baseline year; or

(B) reported emissions as an average of any single consecutive 24-month period as allowed under §101.705(b)(2) of this title (relating to Baseline Amount) for major stationary sources with emissions that are irregular, cyclic, or otherwise vary significantly from year to year.

(6) Baseline year--The baseline year is January 1 through December 31 of the calendar year that contains the attainment date unless otherwise specified in this subchapter.

(7) Electric utility steam generating unit--As defined in §116.12 of this title (relating to Nonattainment and Prevention of Significant Deterioration Review Definitions).

(8) Emissions unit--As defined in §101.1 of this title (relating to Definitions).

(9) Equivalency credits--An amount equivalent to the revenue collected in accordance with §101.703 of this title (relating to Fee Equivalency Account) for accumulation in the Fee Equivalency Account.

(10) Extension year--A year as defined in FCAA §181(a)(5).

(11) Failure to Attain Fee--The fee assessed and due from each major stationary source or Section 185 Account based on actual emissions whether authorized or unauthorized of volatile organic compounds, nitrogen oxides, or both pollutants that exceed 80% of the baseline amount.

(12) Fee assessment year--Calendar year used to calculate and assess the Failure to Attain Fee under the provisions of this subchapter.

(13) Fee collection year--Calendar year in which the Failure to Attain Fee is invoiced.

(14) Major stationary source--As defined under §116.12 of this title (relating to Nonattainment and Prevention of Significant Deterioration Review Definitions).

(15) Section 185 Account--The TCEQ-assigned account number for one major stationary source or a group of two or more major stationary sources under common control located within the same severe or extreme 2008 eight-hour ozone National Ambient Air Quality Standard nonattainment area.

§101.701. Applicability.

(a) The provisions of this subchapter will become applicable in an area classified as severe or extreme under the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) when the U.S. Environmental Protection Agency (EPA) determines that the area has failed to attain the standard by its applicable severe or extreme attainment date. The determination will be the effective date of EPA's finding of failure to attain notice published in the Federal Register.

(b) Except as otherwise provided in §101.702 of this title (relating to Exemption), the provisions of this subchapter apply to all regulated entities that meet the definition of major stationary sources of volatile organic compounds or nitrogen oxides located in a nonattainment area classified as severe or extreme for the 2008 eight-hour ozone standard.

§101.702. Exemption.

No source subject to the Failure to Attain Fee under this subchapter is required to remit the fee during any calendar year for which the U.S. Environmental Protection Agency has

finalized an extension of the attainment date for the nonattainment area applicable to the source under the 2008 eight-hour ozone National Ambient Air Quality Standard.

§101.703. Fee Equivalency Account.

(a) Fee Equivalency Account. The executive director will establish and maintain a Fee Equivalency Account to document revenue collected and available for use in demonstrating equivalency with the Area §185 Obligation. No actual money will be deposited into the Fee Equivalency Account. The Fee Equivalency Account will reflect equivalency credits based upon revenue collected and made available for programs of the Texas Emissions Reduction Plan (TERP) under authority of the Texas Health and Safety Code, Chapter 386.

(b) Revenue eligibility. The revenue eligible for credits to the Fee Equivalency Account must be from the severe or extreme 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) nonattainment area and cannot be transferred between nonattainment areas.

(c) Revenue credited. The revenue credited to the Fee Equivalency Account will be credited for the years TERP funding is expended in a severe or extreme 2008 eight-hour ozone standard nonattainment area beginning with the first fee assessment year until the Failure to Attain Fee no longer applies to the nonattainment area as described under §101.718 of this title (relating to Cessation of Program).

(d) Other revenue sources. The executive director may credit revenue from other emissions reductions grant programs as funds become available. The executive director will apply revenue from such grant programs to the Fee Equivalency Account according to the

requirements of this section and §101.704 of this title (relating to Fee Equivalency Accounting).

§101.704. Fee Equivalency Accounting.

(a) Fee Equivalency Account credits. Equivalency Credits will be on a dollar-for-dollar basis and will not be discounted due to the passage of time. Equivalency Credits can be accumulated in the Fee Equivalency Account from year to year if a surplus exists in any given year and used to offset the Area §185 Obligation determination.

(b) Area §185 Obligation determination. Annually, the executive director will calculate the applicable Area §185 Obligation for all major stationary sources or Section 185 Accounts in a severe or extreme 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) nonattainment area by summing the Failure to Attain Fee for each major stationary source or Section 185 Account. The summed amount will represent the calendar year Area §185 Obligation for the severe or extreme 2008 eight-hour ozone standard nonattainment area. The annual Area §185 Obligation will be calculated using actual emissions reported under §101.10 of this title (relating to Emissions Inventory Requirements) for the fee assessment year.

(c) Annual demonstration of equivalency. The executive director will annually determine the amount of equivalency credits available in the Fee Equivalency Account to determine the Area §185 Obligation calculated under this subsection. This demonstration will continue annually until the 2008 eight-hour ozone standard nonattainment area is no longer subject to the fee according to the provisions of §101.718 of this title (relating to Cessation of the Program).

(1) The annual determination of equivalency will be calculated as follows.

Figure: 30 TAC §101.704(c)(1)

$$FeeBalance = AreaObligation - FeeEquivAcct$$

Definitions:

AreaObligation = The Area §185 Obligation calculated under subsection (c) of this section representing the sum of the Failure to Attain Fee from all major stationary sources or Section 185 Accounts in the severe or extreme 2008 eight-hour ozone standard nonattainment area for a fee assessment year.

FeeEquivAcct = Amount of Equivalency Credits in the Fee Equivalency Account as determined under §101.703 of this title (relating to Fee Equivalency Account).

FeeBalance = The balance (amount remaining) in the Fee Equivalency Account after the Equivalency Credits are applied to the Area §185 Obligation for a fee assessment year.

(2) If the Fee Equivalency Account balance is calculated to be less than or equal to zero in paragraph (1) of this subsection, sufficient equivalency credits were available to offset the Area §185 Obligation. The executive director will not assess a Failure to Attain Fee on major stationary sources or Section 185 Accounts for the fee assessment year.

(3) If the Fee Equivalency Account balance is calculated to be greater than zero in paragraph (1) of this subsection, insufficient equivalency credits were available to offset the fee obligation. The executive director will annually assess a sufficient Failure to Attain Fee to fulfill

the Area §185 Obligation. The amount due from each major stationary source or Section 185 Account will be prorated to generate sufficient revenue to meet the Area §185 Obligation. The prorated fee will be calculated as follows.

Figure: 30 TAC §101.704(c)(3)

$$ProratedFee = \left(\frac{FeeBalance}{AreaObligation} \right) \times (\$185Fee)$$

Definitions:

FeeBalance = The balance (amount remaining) in the Fee Equivalency Account after the Equivalency Credits are applied to the Area §185 Obligation for a fee assessment year.

AreaObligation = The Area §185 Obligation calculated under this subsection for the fee assessment year.

§185Fee = The Failure to Attain Fee for each individual major stationary source or Section 185 Account calculated by the executive director based on actual emissions recorded in the inventory under §101.10 of this title (relating to Emissions Inventory Requirements).

ProratedFee = The reduced Failure to Attain Fee each major stationary source or Section 185 Account to be assessed if insufficient equivalency credits are available in the Fee Equivalency Account.

§101.705. Baseline Amount.

(a) Baseline amount. For the purposes of this subchapter, the baseline amount must be calculated as the lower of the following:

(1) total amount of baseline emissions; or

(2) total annual emissions allowed under authorizations, including authorized emissions from maintenance, shutdown, and startup activities, applicable to the source in the baseline year. Emissions from pending authorizations with administratively complete applications as of December 31 of the baseline year may be included in the total annual emissions allowed under authorizations.

(b) Baseline emissions. For the purposes of this subchapter, the baseline emissions must be calculated from:

(1) the baseline year; or

(2) a historical period, if the major stationary source's or Section 185 Account's emissions are irregular, cyclical, or otherwise vary significantly from year to year. Any single 24-month consecutive period within a historical period preceding January 1 of the baseline year may be used to calculate an average baseline emissions amount in tons per year for the major stationary source as the historical period. If used, the historical period must be:

(A) ten years for non-electric utility steam generating units; or

(B) five years for electrical utility steam generating units.

(c) Historical period. If a major stationary source or Section 185 Account uses a historical period as defined in subsection (b)(2) of this section, the baseline amount will:

(1) use adequate data for calculating the equivalent alternative fee baseline emissions;

(2) be adjusted downward to exclude any unauthorized emissions that occurred while the source was operating above an emissions limitation that was legally enforceable during the consecutive 24-month period; and

(3) be adjusted downward to exclude any emissions during the consecutive 24-month period that would have exceeded an emissions limitation for rules and regulations with which the source had to comply during the baseline year.

(d) Adjustments. The baseline amounts must be adjusted downward to exclude any emissions that exceeded an emissions limit for rules or regulations in effect by December 31 of the baseline year.

(e) Emissions units. Baseline amounts must include all emissions units located at the major stationary source as of December 31 of the baseline year. When control or ownership of emission units changes during the baseline year, the emissions from those emission units will be attributed to the major stationary source with control or ownership of the emissions unit on December 31 of the baseline year.

(f) Calculations. A baseline amount, reported in units of tons per year, must be calculated separately for each pollutant, volatile organic compounds and/or nitrogen oxides, for which the source meets the major source applicability requirements of §101.701 of this title (relating to Applicability).

(g) Compliance schedule. The owner or operator of each major stationary source meeting the requirements of §101.701 of this title must submit to the executive director a report establishing its baseline amount on a form published by the executive director. The baseline amounts forms must be submitted by the emissions inventory due date as specified under §101.10 of this title (relating to Emissions Inventory Requirements) for the fee assessment year, or 120 days after the effective date of a finding of failure to attain, whichever is later.

(h) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title or total annual authorized emissions. After review, the baseline amount will be fixed and not be changed except as allowed under this subchapter.

§101.706. Baseline Amount for New Major Stationary Sources.

(a) Baseline amounts. A baseline amount must be established for major stationary sources or Section 185 Accounts that begin operating during or after the baseline year. The baseline amount must use the first full year operation as major source and be the lower of:

(1) total amount of baseline emissions; or

(2) total annual emissions allowed under applicable authorizations, including emissions from maintenance, startup, and shutdown activities. Emissions from pending authorizations with administratively complete applications as of the last day of the full first calendar year of operation may be included in the total annual emissions allowed under authorizations.

(b) Adjustments. The baseline amount must be adjusted downward to exclude any emissions that exceeded an emissions limit for rules or regulations in effect by the last day of the one-year period used to determine the baseline amount.

(c) Emissions units. Baseline amounts must include all emissions units located at the major stationary source as of the last day of the one-year period used to determine the baseline amount. When control or ownership of emission units changes during the calendar year, the emissions from those emission units will be attributed to the major stationary source with control or ownership of the emission unit on the last day of the one-year period used to determine the baseline amount.

(d) Calculations. A baseline amount, reported in units of tons per year, must be calculated separately for each pollutant, volatile organic compounds and/or nitrogen oxides for which the source meets the major source applicability requirements of §101.701 of this title (relating to Applicability).

(e) Compliance schedule. Within 90 calendar days of completing the first full year operating as a major stationary source, the major stationary source or Section 185 Account must submit to the executive director a report establishing the baseline amount on a form

published by the executive director.

(f) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and not change except as allowed under this subchapter.

§101.707. Aggregated Baseline Amount.

(a) Aggregation. After determining separate baseline amounts for each pollutant at each major stationary source or Section 185 Account according to the requirements of §101.705 of this title (relating to Baseline Amount) or §101.706 of this title (relating to Baseline Amount for New Major Stationary Sources), an owner or operator of a major stationary source or Section 185 Account may choose to combine baseline amounts as follows:

(1) volatile organic compounds (VOC) emissions into a single aggregated pollutant baseline amount for multiple major stationary sources under common control;

(2) nitrogen oxides (NO_x) emissions into a single aggregated pollutant baseline amount for multiple major stationary sources under common control;

(3) emissions for both VOC and NO_x into a single aggregated pollutant baseline amount for a single major stationary source; and/or

(4) emissions for both VOC and NO_x into a single aggregated pollutant baseline amount for multiple major stationary sources under common control.

(b) Pollutant emissions aggregation. Pollutant emissions in an aggregated amount must have:

(1) the same time period for calculating the baseline amount; and

(2) the same basis of baseline emissions or total annual authorized emissions to calculate the baseline amount.

(c) Section 185 Account reporting. An owner and or operator opting to combine VOC with NO_x emissions and/or combine major stationary sources into one baseline amount must identify all major stationary sources being aggregated under this section.

(d) Fee calculation requirement. The Failure to Attain Fee must be assessed and calculated in the same manner that an owner or operator elects to aggregate under this section.

(e) Compliance schedule. The owner or operator of each major stationary source or Section 185 Account must submit to the executive director a report establishing its aggregated baseline amount on a form published by the executive director.

(1) For major stationary sources or Section 185 Accounts that operated the entire baseline year, the aggregated equivalent alternative baseline amount forms must be submitted by the emissions inventory due date as specified under §101.10 of this title (relating to

Emissions Inventory Requirements) for the fee assessment year, or 120 days after the finding of failure to attain effective date in the Federal Register, whichever is later.

(2) For major stationary sources or Section 185 Account that began operating during or after the baseline year, the aggregated baseline amount forms must be submitted within 90 calendar days of completing the first full year operating as a major stationary source.

(f) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permit data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title or total annual authorized emissions . After review, the baseline amount will be fixed and not be changed except as allowed under this subchapter.

§101.708. Adjustment of Baseline Amount for Major Stationary Sources with Less Than 24 Months of Operation.

(a) Baseline amount. The owner or operator of a major stationary source or Section 185 Account may request adjustment of the baseline amount established under this subchapter if the major stationary source or emissions units at the major stationary source experienced less than 24 months of consecutive operation by December 31 of the baseline year. If the emissions were irregular, cyclical, or otherwise vary significantly from year to year, then the baseline amount may be adjusted as the lower of the following:

(1) total average amount of baseline emissions for the consecutive 24-month period; or

(2) total annual emissions allowed under authorizations applicable to the major stationary source during the first year operating as a major stationary source. Emissions from pending authorizations with administratively complete applications as of the last day of the one-year period used to determine the baseline amount may be included in the total annual emissions allowed under authorizations.

(b) Compliance schedule. Within 90 calendar days of completing 24 consecutive months of operation, the owner or operator of the major stationary source or Section 185 Account must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(c) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and not change except as allowed under this subchapter.

(d) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.709. Adjustment of Baseline Amount for New Construction at a Major Stationary Source

(a) Baseline amount. The owner or operator of a major stationary source or Section 185 Account may request adjustment of their baseline amount established under this subchapter to include emissions limits from new construction of authorized emissions units not included in baseline amounts previously established by the executive director. Adjustments to the baseline amount are limited as follows.

(1) The emissions units must have been authorized by a nonattainment new source review permit, issued under Chapter 116, Subchapter B, Division 5 of this title (relating to Nonattainment Review Permits).

(2) The emissions considered for the adjusted baseline amount for new emissions units are restricted to emissions units without a previously established baseline amount.

(b) Compliance schedule. Within 90 calendar days of completed construction of the new emissions units, the owner or operator of the major stationary source or Section 185 Account must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(c) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and will not change except as allowed under this subchapter.

(d) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.710. Adjustment of Baseline Amount for Ownership Transfers.

(a) Baseline amount. The owner or operator of a major stationary source or Section 185 Account may request adjustment of their baseline amount established under this subchapter if ownership and operation of emissions units are no longer under common ownership or control. Adjustments to the baseline amount are limited as follows:

(1) The baseline amount, as calculated and reported for all equipment no longer under common ownership or control, will be transferred from the original reporting major stationary source or Section 185 Account to the new major stationary source or Section 185 Account without modification to the reported amount; and

(2) The baseline amount for remaining equipment at the originating and recipient major stationary source or Section 185 Account will not be adjusted based on a change of ownership or control of emissions units to or from a major stationary source or Section 185 Account.

(b) Adjustment qualification. To qualify for this baseline amount adjustment, the ownership transfer of the emissions units must take place between major stationary sources of the same pollutant or aggregated pollutants, volatile organic compounds and/or nitrogen oxides located within the same nonattainment area.

(c) Compliance schedule. Within 90 calendar days of the effective date of a change of ownership or control of emissions units, the owner or operator of each major stationary source or Section 185 Account affected by the change in ownership or control of emissions units must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(d) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and will not change except as allowed under this subchapter.

(e) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.711. Adjustment of Baseline Amount for Final Emissions Inventory Data

(a) Baseline amounts. Baseline amounts established under this subchapter may be adjusted based on final quality assured emissions inventory data.

(b) Compliance schedule. Within 90 calendar days of receipt of final quality assured emissions inventory data or by March 31 of the calendar year immediately following the

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emissions inventory reporting year, whichever comes first, the owner or operator of each major stationary source or Section 185 Account must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(c) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of the reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and will not change except as allowed under this subchapter.

(d) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.712. Failure to Establish a Baseline Amount.

The executive director will determine baseline amounts for any major stationary source subject to §101.701 of this title (relating to Applicability) that fails to submit a baseline amount by the due date specified by the commission as follows:

(1) If information is available to determine a baseline amount for each pollutant for which the source meets major source applicability requirements, the executive director will determine the baseline amount to be the lower of:

(A) baseline emissions reported under §101.10 of this title (relating to Emissions Inventory Requirements); or

(B) total annual emissions allowed under authorizations, including authorized emissions from maintenance, startup, and shutdown activities.

(2) If no emissions inventory information required to determine baseline amount information is available, the executive director will establish the baseline amount as:

(A) 12.5 tons of volatile organic compounds (VOC) emissions for major stationary sources of VOC emissions;

(B) 12.5 tons of nitrogen oxides (NO_x) emissions for major stationary sources of NO_x emissions; or

(C) 12.5 tons of VOC emissions and 12.5 tons of NO_x emissions for major stationary sources of VOC and NO_x emissions.

(3) The executive director will not aggregate baseline amounts under §101.707 of this title (relating to Aggregated Baseline Amount) or adjust baseline amounts as provided in this subchapter to determine a baseline amount under this section.

(4) A major stationary source will pay the Failure to Attain Fee according to §101.714 of this title (relating to Failure to Attain Fee Payment).

(5) If the major stationary source submits a complete and verifiable emissions inventory according to §101.10 of this title, the major stationary source may then submit a baseline amount to the executive director on a form published by the executive director.

(6) After the executive director finalizes the baseline amount based on demonstrated compliance with the criteria in this subchapter, the baseline amount will be applied starting with the fee assessment year after finalization and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.713. Failure to Attain Fee Assessment.

(a) Pollutant applicability. The executive director will annually assess the Failure to Attain Fee for each pollutant, volatile organic compounds (VOC), nitrogen oxides (NO_x), or both, for which the major stationary source or Section 185 Account meets the requirements of §101.701 of this title (relating to Applicability) at any time during a calendar year.

(b) Aggregation. The fee will be assessed and calculated using the same Failure to Attain Fee determination method used under this subchapter. Actual VOC or NO_x emissions may be kept separate or aggregated together. A single pollutant may be aggregated across multiple major stationary sources, or VOC and NO_x emissions may both be aggregated together across multiple major stationary sources. Aggregation as described under §101.707 of this title (relating to Aggregated Baseline Amount) is limited to emissions from:

(1) major stationary sources that aggregated VOC baseline amounts;

(2) major stationary sources that aggregated NO_x baseline amounts; or

(3) major stationary sources that aggregated VOC with NO_x baseline amounts.

(c) Assessment. The owner or operator of each major stationary source to which this rule applies must annually pay the Failure to Attain Fee to the commission calculated in accordance with either subsection (d) or (e) and subsection (f) of this section. The Failure to Attain Fee will be assessed on actual emissions of VOC and/or NO_x as recorded in the emissions inventory under §101.10 of this title (relating to Emissions Inventory Requirements), that exceed 80% of the pollutant baseline amount, rounded up to the nearest whole number.

(d) Fee assessment for separate pollutants. The Failure to Attain Fee from major stationary sources that did not aggregate baseline amounts under §101.707 of this title will remain separate and due from each major stationary source or Section 185 Account for each pollutant for which the source meets the major source applicability requirements. The fee will be calculated separately by the formula in subsection (f) of this section.

(e) Fee assessment for aggregated pollutants. The Failure to Attain Fee will be calculated in accordance with subsection (f) of this section and the method used for an aggregated baseline amount determination as described under §101.707(a) of this title.

(1) If VOC emissions are aggregated, VOC emissions from all major stationary sources in the Section 185 Account must be used for aggregated actual emissions and the aggregated baseline emissions.

(2) If NO_x emissions are aggregated, NO_x emissions from all major stationary sources in the Section 185 Account must be used for the aggregated actual and aggregated baseline emissions.

(3) If VOC emissions are aggregated with NO_x emissions at one major stationary source, VOC and NO_x emissions must be used for the aggregated actual and aggregated baseline emissions. If VOC emissions are aggregated with NO_x emissions across multiple major stationary sources, VOC and NO_x emissions from each major stationary source in the Section 185 Account must be used for the aggregated actual and aggregated baseline emissions.

(f) Fee calculations. The fee will be calculated for VOC, NO_x, or both pollutants' emissions, as follows.

Figure: 30 TAC §101.713(f)

$$\text{\$185Fee} = \$200 \left[\left(\frac{2}{3} \times \text{Part70x} \right) + \left(\frac{1}{3} \times \text{Part70y} \right) \right] \times [(\text{Actual} - (0.8 \times \text{BA}))]$$

Definitions:

Part70x = The Code of Federal Regulations (CFR) Part 70 fee published by the EPA for the 12 months that includes the fiscal year for the calendar year that a fee is being assessed. This value represents the base value for January through August portion of the annual fee.

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Part70y = The CFR Part 70 fee published by the EPA for the 12 months that includes the fiscal year following the calendar year that a fee is being assessed. This value represents the base value for September through December portion of the annual fee.

Actual = All quantifiable emissions of VOC and/or NO_x from the major stationary source or Section 185 Account; as recorded in the annual emissions inventory for the fee assessment year. Actual emissions include all authorized and unauthorized emissions in units of tons per year. Pollutants and/or sites aggregated under §101.707 of this title will be combined for fee assessment in the same manner.

BA = Baseline amount in tons per year from a major stationary source or Section 185 Account as calculated under this subchapter.

§185Fee = The Failure to Attain Fee for each individual major stationary source or Section 185 Account calculated by the executive director based on actual emissions recorded in the inventory under §101.10 of this title (relating to Emissions Inventory Requirements).

(g) Enforcement. Failure to submit an emissions inventory according to the provisions of §101.10 of this title (relating to Emissions Inventory Requirements) to circumvent assessment of the Failure to Attain Fee is also subject to enforcement account under Texas Water Code (TWC), Chapter 7.

§101.714. Failure to Attain Fee Payment.

(a) Fee timeframe. The Failure to Attain Fee is assessed, invoiced, and paid for each pollutant for which the source is major, volatile organic compounds and/or nitrogen oxides.

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starting the calendar year following the baseline year and continuing each year until the area is no longer subject to the Failure to Attain Fee as described under §101.718 of this title (relating to Cessation of Program).

(b) Payment. Payment of Failure to Attain Fees required by this subchapter must be paid by check, certified check, electronic funds transfer, or money order made payable to the Texas Commission on Environmental Quality (TCEQ) and sent to the TCEQ address printed on the billing statement.

(c) Fee payment due date. The Failure to Attain Fee payment is due by the due date specified on the invoice. The invoice due date will be a minimum of 30 days after the invoice mail date.

(d) Nonpayment of fees. Each emissions Failure to Attain Fee payment must be paid at the time and in the manner and amount provided by this subsection. Failure to pay the full Failure to Attain Fee by the due date will result in enforcement action under Texas Water Code (TWC), §7.178.

(e) Late payments. The agency will impose interest and penalties on owners or operators of a major stationary source or Section 185 Account who fail to make payment of emissions fees when due in accordance with Chapter 12 of this title (relating to Payment of Fees).

§101.715. Eligibility for Other Failure to Attain Fee Fulfillment Options.

(a) Alternative fulfillment options. Notwithstanding any requirement in this subchapter, the owner or operator of a major stationary source or Section 185 Account required to pay a

Failure to Attain Fee may submit a request to the executive director to partially or completely fulfill the Failure to Attain Fee in compliance with §101.716 (relating to Relinquishing Credits to Fulfill a Failure to Attain Fee and §101.717 of this title (relating to Using a Supplemental Environmental Project to Fulfill a Failure to Attain Fee).

(b) Unfulfilled portions. If a Failure to Attain Fee cannot be completely fulfilled using alternate fulfillment options, then the unfulfilled portion of the Failure to Attain Fee is required to be calculated, assessed, and paid according to the provisions of this subchapter.

(c) Reporting. The owner or operator of a major stationary source or Section 185 Account must inform the executive director if they choose an alternative fulfillment option for all or a portion of the Failure to Attain Fee as described in §101.716 and §101.717 of this title. The request must be submitted on a form specified by the executive director and include a list of the emissions in tons of volatile organic compounds and/or nitrogen oxides requested from alternative fulfillment options, payment, or combination to cover the entire Failure to Attain Fee.

(d) Compliance schedule. No later than emissions inventory due date as specified under §101.10 of this title (relating to Emissions Inventory Requirements) for the first fee assessment year and continuing annually, the owner or operator of a major stationary source or Section 185 Account must submit the request specified in subsection (c) and ensure the following conditions are met:

(1) all emissions credits under §101.716 of this title must be approved, exercised, or otherwise completed; and

(2) all Supplemental Environmental Projects under §101.717 of this title must be approved and funded.

(e) If the executive director does not receive the notification request to use alternative fulfillment options for all or a portion of the Failure to Attain Fee or the alternate fulfillment options are not approved and funded, exercised, or otherwise completed as required by this subsection, the Failure to Attain Fee payment will be due in full as described under §101.714 of this title (relating to Failure to Attain Fee Payment).

§101.716. Relinquishing Credits to Fulfill a Failure to Attain Fee.

(a) The owner or operator of a major stationary source or Section 185 Account subject to this subchapter may submit a request to partially or completely fulfill the Failure to Attain Fee by substituting emissions reductions, on a volatile organic compounds-or nitrogen oxides-specific basis, in an amount equivalent to the tons on which the Failure to Attain Fee has been assessed by relinquishing an equivalent amount of any combination of:

(1) emissions reduction credits;

(2) discrete emissions reduction credits;

(3) current or banked Highly-Reactive Volatile Organic Compound Emissions Cap and Trade program allowances; and/or

(4) current or banked Mass Emissions Cap and Trade program allowances.

(b) The use of the provisions of this section to fulfill a Failure to Attain Fee is subject to review by the executive director.

§101.717. Using a Supplemental Environmental Project to Fulfill a Failure to Attain Fee.

(a) The owner or operator of a major stationary source or Section 185 Account subject to this subchapter may submit a request to partially or completely fulfill the Failure to Attain Fee by contributing to a Supplemental Environmental Project (SEP), on volatile organic compounds (VOC) or nitrogen oxides (NO_x)-specific basis by either:

(1) an amount equivalent to the tons on which the Failure to Attain Fee has been assessed; or

(2) an amount equivalent to the Failure to Attain Fee amount assessed.

(b) The SEP must directly reduce the amount of VOC and/or NO_x emissions in the 2008 eight-hour ozone National Ambient Air Quality Standard nonattainment area.

(c) The SEP must be enforceable through an Agreed Order or other enforceable document.

(d) The use of SEP funds must be on a dollar-for-dollar basis and will not be discounted due to the passage of time. Credit from SEP funds may be accumulated from year to year, and if a surplus exists in any given year, the funds may be used to offset the calculated Failure to Attain Fee as needed.

(e) Funds in a SEP used to offset an administrative penalty cannot be used to offset a Failure to Attain Fee.

(f) The use of a SEP to fulfill a Failure to Attain Fee is subject to approval by the executive director.

§101.718. Cessation of Program.

(a) The Failure to Attain Fee will continue to apply until one of the following actions is final:

(1) the effective date of redesignation of the area classified as severe or extreme under the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) to attainment by the U.S. Environmental Protection Agency (EPA);

(2) any final action or final rulemaking by EPA to end the Failure to Attain fee; or

(3) finding of attainment by EPA.

(b) Notwithstanding subsection (a) of this section, the Failure to Attain Fee will be calculated but not invoiced, and the fee collection may be placed in abeyance by the executive director if three consecutive years of quality-assured data resulting in a design value that did not exceed the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS), or a demonstration indicating that the area would have attained by the attainment date but for emissions emanating from outside the United States, are submitted to EPA. The design value may exclude days submitted to EPA by the executive director that exceeded the standard

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because of exceptional events. Fee collection will remain in abeyance until EPA takes final action on its review of the certified monitoring data and any demonstration(s).

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AGENDA ITEM REQUEST

for Proposed Rulemaking

AGENDA REQUESTED: May 1, 2025

DATE OF REQUEST: April 11, 2025

INDIVIDUAL TO CONTACT REGARDING CHANGES TO THIS REQUEST, IF NEEDED: Gwen Ricco, Rule/Agenda Coordinator, (512) 239-2678

CAPTION: **Docket No. 2023-1061-RUL** Consideration for publication of, and hearing on new 30 TAC Chapter 101, General Air Quality Rules, Subchapter K, Failure to Attain Fee for the 2008 Eight-Hour Ozone Standard and corresponding revisions to the State Implementation Plan.

The proposed rulemaking would establish the TCEQ Section 185 fee program for the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS) as required by federal Clean Air Act (FCAA), Section 182(d)(3) and (e) and Section 185. The penalty fee is applicable to major stationary sources of volatile organic compounds or nitrogen oxides located in an ozone nonattainment area classified as severe or extreme if that area fails to attain the ozone NAAQS by the applicable attainment date. The proposed rulemaking includes applicability requirements, cessation of the program, exemption to the program, baseline amount determination options, fee assessment, calculation, compliance schedules, collection, and payment. (Jill Dickey-Hull, Project Manager; Terry Salem, Lead Attorney; Rule Project No. 2023-131-101-AI)

Richard Chism

Director

Donna Huff

Division Deputy Director

Gwen Ricco

Agenda Coordinator

Copy to CCC Secretary? NO ☐ YES ☒

Texas Commission on Environmental Quality

Interoffice Memorandum

To: Commissioners **Date:** April 11, 2025

Thru: Laurie Gharis, Chief Clerk
Kelly Keel, Executive Director

From: Richard C. Chism, Director *RCC*
Office of Air

Docket No.: 2023-1061-RUL

Subject: Commission Approval for Proposed Rulemaking
Chapter 101, General Air Quality Rules
Failure to Attain Fee for the 2008 Eight-Hour Ozone Standard
Rule Project No. 2023-131-101-AI

Background and reason(s) for the rulemaking:

On October 7, 2022, the U.S. Environmental Protection Agency (EPA) published reclassifications for nonattainment areas under the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS) of 0.75 parts per million, effective November 7, 2022 (87 *Federal Register* (FR) 60926). The Dallas Fort-Worth (DFW) nonattainment area (Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties) and the Houston-Galveston-Brazoria (HGB) nonattainment area (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties) were reclassified from serious to severe nonattainment. The DFW and HGB nonattainment areas must attain the 2008 eight-hour ozone NAAQS by July 20, 2027, based on 2024, 2025, and 2026 monitoring data.¹ The preliminary 2024 design value for the DFW nonattainment is 83 parts per billion (ppb) and for HGB is 84 ppb.

With the severe classification, the DFW and HGB areas are subject to FCAA, §182(d)(3), which requires states to submit plans to include the requirements of §185, Enforcement for Severe and Extreme Ozone Nonattainment Areas for Failure to Attain. Rules to address these requirements, referred to as Section 185 fee rules, must be submitted to EPA by November 7, 2025.

This rulemaking would implement the FCAA, §185 requirements. The FCAA, §185(a) requires each state implementation plan (SIP) to impose a penalty fee for major stationary sources of volatile organic compounds (VOC) located in the nonattainment area if the area fails to attain the ozone NAAQS by the applicable attainment date. Section §182(f) of the FCAA requires that all SIP provisions applicable to VOC emissions also apply for nitrogen oxides (NO_x) emissions. The fee is required to be imposed for each calendar year after the missed attainment date until EPA redesignates the area as attainment for the 2008 eight-hour ozone NAAQS. If the state does not impose and collect the fee, or if the state's fee provisions do not meet the FCAA requirements, then FCAA, §185(d) requires that EPA impose and collect the fee with interest. The fee and interest would not be returned to the state.

Scope of the rulemaking:

The rulemaking would implement the required FCAA, §185 fee program for severe or extreme 2008 eight-hour ozone NAAQS nonattainment areas that have failed to attain by the applicable attainment date.

¹ The attainment year ozone season is the ozone season immediately preceding a nonattainment area's attainment deadline.

Re: Docket No. 2023-1061-RUL

A.) Summary of what the rulemaking would do:

These proposed new rules would establish the TCEQ Section 185 fee program for the 2008 eight-hour ozone NAAQS in Chapter 101, Subchapter K, Failure to Attain Fee for the 2008 Eight-Hour Ozone Standard.

The proposed rulemaking includes applicability requirements, cessation of the program, exemption to the program, baseline amount determination options, fee assessment, calculation, compliance schedules, collection, and payment.

The proposed fee calculation reflects the FCAA, §185 penalty fee rate. As stated in FCAA, §185, the fee is \$5,000 per ton, as adjusted annually for inflation by the Consumer Price Index (CPI), of NO_x, VOC, or both emitted in excess of 80% of a major stationary source's baseline emissions. A major stationary source for NO_x is subject to the fees on NO_x emissions; a major stationary source for VOC is subject to the fees on VOC emissions; and a major stationary source for both NO_x and VOC is subject to the fee on emissions of both pollutants. The EPA-specified adjusted fee rate for calendar year 2024 is \$12,476.67 per ton.² The major stationary source's baseline amount is determined as the lower of the actual emissions or allowable emissions during the attainment year.

The proposed rulemaking offsets the nonattainment area's fee obligation using mobile source grant program revenue, emissions-based alternatives to paying the fee, and baseline amount determination flexibilities.

B.) Scope required by federal regulations or state statutes:

The rulemaking would implement the required FCAA, §185 fee program for severe or extreme 2008 eight-hour ozone NAAQS nonattainment areas that have failed to attain by the applicable attainment date. The following FCAA requirements are included in the proposed rulemaking:

- The baseline amount for each major stationary source is determined as the lower of a major stationary source's actual emissions (as reported in the annual emissions inventory) or authorized emissions (from all applicable permits or authorizations) during the attainment year.
- A major stationary source is annually assessed the Section 185 fee on emissions of NO_x VOC, or both pollutants (depending on a source's major source determination), as reported in the annual emissions inventory, that exceed 80% of the source's baseline amount.
- The fee calculation for annual fee assessment reflects the FCAA, §185-required penalty of \$5,000 per ton as adjusted annually by the CPI.
- The Section 185 fee program would end when the area is redesignated as attainment by EPA.
- If EPA approves a one-year extension of the attainment date for the nonattainment area, major stationary sources would not have to pay the Section 185 fee for that extension year, but the fee would be implemented upon failure to attain the extended attainment date.

C.) Additional staff recommendations that are not required by federal rule or state statute:

The proposed rule includes various Section 185 fee program elements not specifically addressed in FCAA, §185 provisions that staff recommend including. Examples include:

- equivalent alternative fee program allowed under FCAA, §172(e) to offset all or a portion of a nonattainment area's fee obligation with revenue collected from the Texas Emissions Reduction Plan (TERP) expended within that severe nonattainment area;

² https://www.epa.gov/system/files/documents/2024-10/memorandum-sec-185-penalty-fees-for-year-2024_0.pdf

Re: Docket No. 2023-1061-RUL

- provisions to fulfill an individual major stationary source's fee obligation by relinquishing emissions credits or investing in a supplemental environmental project specific to the severe nonattainment area;
- baseline amount determination flexibilities such as aggregation by pollutant and/or sites under common control;
- applicability and requirements for sources that become major during or after the attainment year;
- adjustment of baseline amounts for specific situations that occur after the baseline year;
- determining baseline amounts for source's emissions that are irregular, cyclical, or otherwise vary significantly from year to year; and
- options to terminate the fee program or place the fee program in abeyance.

Statutory authority:

Texas Clean Air Act, §§382.011 382.012, 382.017 and 382.0622; and Texas Water Code, §§5.102, 5.103, 5.105 and 5.701

Effect on the:

A.) Regulated community:

Based on recent emissions inventory and Title V data, this rulemaking could impact as many as approximately 180 DFW-area and approximately 280 HGB-area major stationary sources emitting NO_x and/or VOC. The proposed rulemaking would require these sources to pay the penalty fee in 2028 for an area that fails to attain the 2008 eight-hour ozone NAAQS by the July 20, 2027, attainment date.

If the proposed rules are adopted, it is unknown if or how major stationary sources may choose to exercise the baseline amount flexibility options provided, whether future TERP revenue could offset the nonattainment's area fee obligation, and future fee rates; therefore, an accurate fee obligation for the nonattainment areas is not possible. Estimating a maximum potential fee obligation assuming no baseline amount flexibilities exercised, no emissions reductions from the baseline, no fee offsets from TERP revenue, and an estimated future fee rate, the annual DFW fee obligation could be as much as \$47 million per year, and the annual HGB obligation could be as much as \$171 million per year.

B.) Public:

Citizens may be impacted if companies raise prices for goods and services or curtail or cease operations to meet FCAA, §185 fee obligations. If major stationary sources choose to reduce emissions to minimize or avoid the FCAA, §185 penalty fee, the public in both the DFW and HGB nonattainment areas may benefit from reduced ozone precursor emissions.

C.) Agency programs:

This rulemaking would affect certain parts of the agency. The Air Quality Division would be required to implement the program and assess the fee annually.

Support may be required from the Financial Administration Division of the Office of Administrative Services to implement the fee invoicing process. Support from the Information Resources Division in the Office of Administrative Services would be needed for database maintenance and potential enhancements.

Stakeholder meetings:

Public meetings for the DFW area were held virtually on August 24, 2022; September 6, 2022; and September 7, 2022. TCEQ held a hybrid (in-person and virtual) meeting at the North Central Texas

Re: Docket No. 2023-1061-RUL

Council of Governments on February 17, 2023. HGB public meetings were held on July 28, 2022; September 7, 2022; and September 8, 2022. TCEQ held a hybrid (in-person and virtual) meeting at the Houston Area Council of Governments on April 26, 2023.

Formal stakeholder meetings were held virtually on August 6, 2024, for the DFW area and August 8, 2024, for the HGB area, with simultaneous Spanish interpretation. Informal stakeholder comments were solicited through September 9, 2024, and were considered during development of this proposed rulemaking. Seven organizations submitted informal comments either supporting or opposing equivalent alternative or conventional fee programs. Comments were also provided on fee baseline amount determinations options. The informal comments received are posted on the [Stakeholder Group: Federal Clean Air Act Section 185 Fee](https://www.tceq.texas.gov/airquality/point-source-ei/185-fee) webpage (<https://www.tceq.texas.gov/airquality/point-source-ei/185-fee>).

Public Involvement Plan

Yes.

Alternative Language Requirements

Yes. Spanish.

Potential controversial concerns and legislative interest:

- **Alternative Methods to Meet Fee Obligation** - EPA has not provided guidance for FCAA, §185 fee development specific to the 2008 eight-hour ozone NAAQS, and it directed states to consult with the appropriate EPA Regional Office. During the informal comment period, stakeholders submitted comments in support of and in opposition to an equivalent alternative fee program.
- **Baseline Amount Flexibility** - Staff propose allowing baseline amount aggregation by pollutant and/or sites under common control for sites located in the same nonattainment area. During the informal comment period, stakeholders submitted comments in support of and in opposition to baseline amount determination flexibilities.
- **Baseline Amount Adjustments** - Adjustments to established baseline amounts are proposed for limited circumstances, which may not be considered approvable by EPA.
- **Cessation of Fee Program** - The FCAA requires the fee to be paid until the area is redesignated as attainment by EPA. The proposed rulemaking provides that fee collection could be held in abeyance with a finding of attainment by EPA or upon submission to EPA of three consecutive years of quality-assured ambient monitoring data showing that no monitors exceed the NAAQS. As proposed, the executive director would have discretion to hold the program's fee collection in abeyance from the time that certified clean data were submitted to EPA until EPA has made a finding. This provision was adopted in the Section 185 fee program under the revoked one-hour ozone NAAQS. EPA has not taken final action concerning these alternative criteria for the one-hour program, but its proposed disapproval action was published on December 19, 2024 (89 FR 103734).

Would this rulemaking affect any current policies or require development of new policies?

Staff would need to develop procedures to determine the fee obligation for each nonattainment area and collect and maintain data in association with this proposed rulemaking. Fiscal staff would invoice the affected major stationary sources when necessary and collect the revenue.

What are the consequences if this rulemaking does not go forward? Are there alternatives to rulemaking?

If the state does not collect the fee or does not have an EPA-approved program, then under FCAA, §185(d), EPA must collect the fees with interest. These fees and interest would not be returned to the state. No alternatives to a fee-based program are listed in FCAA, §182(d)(3) or §185.

Commissioners
Page 5
April 11, 2025

Re: Docket No. 2023-1061-RUL

Key points in the proposal rulemaking schedule:

Anticipated proposal date: May 1, 2025
Anticipated *Texas Register* publication date: May 16, 2025
Anticipated public hearing date: June 12, 2025
Anticipated public comment period: May 6, 2025 - June 18, 2025
Anticipated adoption date: October 22, 2025

Agency contacts:

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Gwen Ricco, Texas Register Rule/Agenda Coordinator, General Law Division, (512) 239-2678

Attachments:

FCAA, §185; <https://www.govinfo.gov/content/pkg/USCODE-2013-title42/html/USCODE-2013-title42-chap85-subchapI-partD-subpart2-sec7511d.htm>

Implementation of the 2008 National Ambient Air Quality Standards for Ozone: State Implementation Plan Requirements (80 FR 12264);
<https://www.federalregister.gov/documents/2015/03/06/2015-04012/implementation-of-the-2008-national-ambient-air-quality-standards-for-ozone-state-implementation>

cc: Chief Clerk, 2 copies
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42 U.S.C.

United States Code, 2013 Edition

Title 42 - THE PUBLIC HEALTH AND WELFARE

CHAPTER 85 - AIR POLLUTION PREVENTION AND CONTROL

SUBCHAPTER I - PROGRAMS AND ACTIVITIES

Part D - Plan Requirements for Nonattainment Areas

subpart 2 - additional provisions for ozone nonattainment areas

Sec. 7511d - Enforcement for Severe and Extreme ozone nonattainment areas for failure to attain

From the U.S. Government Publishing Office, www.gpo.gov

§7511d. Enforcement for Severe and Extreme ozone nonattainment areas for failure to attain

(a) General rule

Each implementation plan revision required under section 7511a(d) and (e) of this title (relating to the attainment plan for Severe and Extreme ozone nonattainment areas) shall provide that, if the area to which such plan revision applies has failed to attain the national primary ambient air quality standard for ozone by the applicable attainment date, each major stationary source of VOCs located in the area shall, except as otherwise provided under subsection (c) of this section, pay a fee to the State as a penalty for such failure, computed in accordance with subsection (b) of this section, for each calendar year beginning after the attainment date, until the area is redesignated as an attainment area for ozone. Each such plan revision should include procedures for assessment and collection of such fees.

(b) Computation of fee

(1) Fee amount

The fee shall equal \$5,000, adjusted in accordance with paragraph (3), per ton of VOC emitted by the source during the calendar year in excess of 80 percent of the baseline amount, computed under paragraph (2).

(2) Baseline amount

For purposes of this section, the baseline amount shall be computed, in accordance with such guidance as the Administrator may provide, as the lower of the amount of actual VOC emissions ("actuals") or VOC emissions allowed under the permit applicable to the source (or, if no such permit has been issued for the attainment year, the amount of VOC emissions allowed under the applicable implementation plan ("allowables")) during the attainment year. Notwithstanding the preceding sentence, the Administrator may issue guidance authorizing the baseline amount to be determined in accordance with the lower of average actuals or average allowables, determined over a period of more than one calendar year. Such guidance may provide that such average calculation for a specific source may be used if that source's emissions are irregular, cyclical, or otherwise vary significantly from year to year.

(3) Annual adjustment

The fee amount under paragraph (1) shall be adjusted annually, beginning in the year beginning after 1990, in accordance with section 7661a(b)(3)(B)(v) of this title (relating to inflation adjustment).

(c) Exception

Notwithstanding any provision of this section, no source shall be required to pay any fee under subsection (a) of this section with respect to emissions during any year that is treated as an Extension Year under section 7511(a)(5) of this title.

(d) Fee collection by Administrator

If the Administrator has found that the fee provisions of the implementation plan do not meet the

requirements of this section, or if the Administrator makes a finding that the State is not administering and enforcing the fee required under this section, the Administrator shall, in addition to any other action authorized under this subchapter, collect, in accordance with procedures promulgated by the Administrator, the unpaid fees required under subsection (a) of this section. If the Administrator makes such a finding under section 7509(a)(4) of this title, the Administrator may collect fees for periods before the determination, plus interest computed in accordance with section 6621(a)(2) of title 26 (relating to computation of interest on underpayment of Federal taxes), to the extent the Administrator finds such fees have not been paid to the State. The provisions of clauses (ii) through (iii) of section 7661a(b)(3)(C) of this title (relating to penalties and use of the funds, respectively) shall apply with respect to fees collected under this subsection.

(e) Exemptions for certain small areas

For areas with a total population under 200,000 which fail to attain the standard by the applicable attainment date, no sanction under this section or under any other provision of this chapter shall apply if the area can demonstrate, consistent with guidance issued by the Administrator, that attainment in the area is prevented because of ozone or ozone precursors transported from other areas. The prohibition applies only in cases in which the area has met all requirements and implemented all measures applicable to the area under this chapter.

(July 14, 1955, ch. 360, title I, §185, as added Pub. L. 101–549, title I, §103, Nov. 15, 1990, 104 Stat. 2450.)

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Parts 50, 51, 52, 70, and 71

[EPA-HQ-OAR-2010-0885; FRL-9917-29-OAR]

RIN 2060-AR34

Implementation of the 2008 National Ambient Air Quality Standards for Ozone: State Implementation Plan Requirements

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule.

SUMMARY: The U.S. Environmental Protection Agency (EPA) is establishing a final rule for implementing the 2008 ozone national ambient air quality standards (NAAQS) (the “2008 ozone NAAQS”) that were promulgated on March 12, 2008. This final rule addresses a range of nonattainment area state implementation plan (SIP) requirements for the 2008 ozone NAAQS, including requirements pertaining to attainment demonstrations, reasonable further progress (RFP), reasonably available control technology (RACT), reasonably available control measures (RACM), major new source review (NSR), emission inventories, and the timing of SIP submissions and of compliance with emission control measures in the SIP. Other issues also addressed in this final rule are the revocation of the 1997 ozone NAAQS and anti-backsliding requirements that apply when the 1997 ozone NAAQS are revoked. If the primary or secondary ozone NAAQS are revised in the future, the EPA expects that this rule will help facilitate implementation of any new standards.

DATES: This final rule is effective on April 6, 2015.

ADDRESSES: The EPA has established a docket for this action under Docket ID No. EPA-HQ-OAR-2011-0885. All documents in the docket are listed in <http://www.regulations.gov>. Although listed in the index, some information is not publicly available, *i.e.*, confidential business information (CBI) or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically in <http://www.regulations.gov> or in hard copy at the EPA Docket Center, Room Number 3334 in the EPA William Jefferson Clinton West Building, located at 1301

Constitution Avenue NW., Washington, DC 20004. The Public Reading Room is open from 8:30 a.m. to 4:30 p.m., Monday through Friday, excluding legal holidays. The telephone number for the Public Reading Room is (202) 566-1744, and the telephone number for the Air Docket is (202) 566-1742.

FOR FURTHER INFORMATION CONTACT: For further general information on this rulemaking, contact Dr. Karl Pepple, Office of Air Quality Planning and Standards, U.S. Environmental Protection Agency, by phone at (206) 553-1778, or by email at pepple.karl@epa.gov; or Mr. Butch Stackhouse, Office of Air Quality Planning and Standards, U.S. Environmental Protection Agency, phone number (919) 541-5208, or by email at stackhouse.butch@epa.gov.

SUPPLEMENTARY INFORMATION:

I. General Information

A. Does this action apply to me?

Entities potentially affected directly by this final rule include state, local and tribal governments. Entities potentially affected indirectly by this final rule include owners and operators of sources of emissions [volatile organic compounds (VOCs) and nitrogen oxides (NO_x)] that contribute to ground-level ozone formation.

B. Where can I get a copy of this document and other related information?

In addition to being available in the docket, an electronic copy of this notice will be posted at <http://www.epa.gov/air/ozonepollution/actions.html#impl> under “recent actions.”

C. How is this notice organized?

The information presented in this notice is organized as follows:

I. General Information

- A. Does this action apply to me?
- B. Where can I get a copy of this document and other related information?
- C. How is this notice organized?

II. Background

III. What are the SIP requirements for the 2008 ozone NAAQS?

- A. What are the applicable deadlines for nonattainment areas under the 2008 ozone NAAQS?
- B. What are the requirements for modeling and attainment demonstration SIPs?
- C. What are the RFP requirements for the 2008 ozone NAAQS?
- D. How do RACT and RACM requirements apply for 2008 ozone NAAQS nonattainment areas?
- E. Does the 2008 ozone NAAQS result in any new vehicle I/M programs?
- F. How does transportation conformity apply to the 2008 ozone NAAQS?

G. What requirements for general conformity apply to the 2008 ozone NAAQS?

- H. What are the requirements for contingency measures in the event of failure to meet a milestone or to attain?
- I. How do the NSR requirements apply for the 2008 ozone NAAQS?
- J. What are the emission inventory and emission statement requirements?
- K. What are the ambient monitoring requirements?
- L. How can an area qualify for a 1-year attainment deadline extension?
- M. How will the EPA identify whether a potential rural transport area is adjacent to an urban area?
- N. What are the special requirements for multi-state nonattainment areas?
- O. How will the EPA address interstate and international ozone transport?
- P. How will the CAA section 182(f) NO_x provisions be handled?
- Q. Emissions Reduction Benefits of Energy Efficiency/Renewable Energy Policies and Programs, Land Use Planning and Travel Efficiency
- R. Efforts to Encourage a Multi-pollutant Approach When Developing 2008 Ozone SIPs
- S. What are the requirements for the Ozone Transport Region (OTR)?
- T. Are there any additional requirements related to enforcement and compliance?
- U. What are the requirements for addressing emergency episodes?
- V. How does the “Clean Data Policy” apply to the 2008 ozone NAAQS?
- W. How does this final rule apply to tribes?
- X. What collaborative program has the EPA implemented for the 2008 ozone NAAQS?

IV. What are the anti-backsliding requirements for the revoked 1997 ozone NAAQS?

- A. What is the effective date of the revocation of the 1997 ozone NAAQS?
- B. What are the applicable requirements for anti-backsliding purposes following the revocation of the 1997 ozone NAAQS?
- C. Application of Transition Requirements to Nonattainment and Attainment Areas
- D. Satisfaction of Anti-backsliding Requirements for an Area
- E. How will the EPA’s determination of attainment (“Clean Data”) regulation apply for purposes of the anti-backsliding requirements?
- F. What is the relationship between implementation of the 2008 ozone NAAQS and the CAA title V permits program?

V. Environmental Justice Considerations

VI. Statutory and Executive Order Reviews

- A. Executive Order 12866: Regulatory Planning and Review and Executive Order 13563: Improving Regulation and Regulatory Review
- B. Paperwork Reduction Act
- C. Regulatory Flexibility Act
- D. Unfunded Mandates Reform Act
- E. Executive Order 13132: Federalism
- F. Executive Order 13175: Consultation and Coordination With Indian Tribal Governments

G. Executive Order 13045: Protection of Children From Environmental Health and Safety Risks
 H. Executive Order 13211: Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use
 I. National Technology Transfer and Advancement Act
 J. Executive Order 12898: Federal Actions To Address Environmental Justice in Minority Populations and Low-Income Populations
 K. Congressional Review Act
 L. Determination Under CAA Section 307(d)
 M. Judicial Review
 Appendix A to Preamble—Glossary of Terms and Acronyms
 Appendix B to Preamble—List of Areas Nonattainment for the 2008 Ozone NAAQS in Addition to a Prior Ozone NAAQS
 Statutory Authority
 List of Subjects

II. Background

On March 12, 2008,¹ the EPA announced revisions to the primary and secondary NAAQS for ozone to a level of 0.075 parts per million (ppm) (annual fourth-highest daily maximum 8-hour concentration, averaged over 3 years).² Since the 2008 primary and secondary NAAQS for ozone are identical, for convenience, we refer to both as “the 2008 ozone NAAQS” or “the 2008 ozone standards.” The 2008 ozone NAAQS retains the same general form and averaging time as the 0.08 ppm NAAQS set in 1997, but is set at a more stringent level.

When the EPA revises a NAAQS for a particular criteria pollutant, it considers the extent to which existing EPA regulations and guidance are sufficient to implement the standard and whether any revisions or updates to those regulations and guidance would be helpful or appropriate in facilitating the implementation of the revised standard by states, tribes, and local agencies. The Clean Air Act (CAA or Act) does not require that the EPA promulgate new implementing regulations every time that a NAAQS is revised. Likewise, the CAA does not require the issuance of additional implementing regulations or guidance by the EPA before a revised NAAQS becomes effective. The plain language of the CAA and existing EPA regulations may be sufficient in many cases to enable the EPA and the states to begin working together to implement a revised NAAQS. However, where the nature of

revisions to a NAAQS indicate that additional regulations or guidance (or revisions to existing regulations or guidance) may be helpful, the EPA endeavors to provide those regulations and guidance to facilitate preparation of SIPs. It is important to note, however, that the existing EPA regulations in 40 CFR part 51 applicable to SIPs generally and to particular pollutants continue to apply even without such updates. This rule revises existing regulations and guidance as appropriate to aid in the implementation of the 2008 ozone NAAQS.

Promulgation of a NAAQS triggers a requirement for the EPA to designate areas as nonattainment, attainment, or unclassifiable, and to classify the areas at the time of designation. The EPA has already completed area designations and associated classifications for the 2008 NAAQS, and they were effective July 20, 2012 (May 21, 2012; 77 FR 30088). The EPA also issued a Classifications Rule at the same time which established air quality thresholds for each nonattainment classification (May 21, 2012; 77 FR 30160).

The EPA also undertook notice and comment rulemaking on the CAA nonattainment area provisions as they apply to the 2008 ozone NAAQS and appropriate rules to implement those provisions, which is complete with this final rule. The public comment period on the June 6, 2013, notice of proposed rulemaking (NPRM) (78 FR 34178) for the SIP Requirements Rule ran from June 6, 2013, to September 4, 2013. The EPA received 54 comment submissions on the NPRM. The preamble to this final rule discusses the comments received and how they were considered by the EPA in general terms. The Response to Comments document provides more detailed responses to the comments received. The public comments received on the NPRM and the EPA’s Response to Comment document are posted in the docket at www.regulations.gov (Docket ID No. EPA–HQ–OAR–2011–0885).

We are taking multiple actions in this rule pertaining to submittal deadlines and specific CAA requirements for the content of SIPs for the 2008 ozone NAAQS. As a general matter, this final rule follows the same basic principles and approach that the EPA applied to interpreting the CAA’s part D, subpart 2 ozone nonattainment area requirements in the EPA’s development of the implementation rules for the 1997 ozone NAAQS.³ Additionally, we are revoking the 1997 ozone NAAQS for all purposes

and establishing anti-backsliding requirements for areas that remain designated nonattainment for the revoked NAAQS.

Regarding the format of the following sections of this preamble, on topics where we proposed an action, we include detailed information about what we proposed, what we are finalizing and our rationale, as well as responses to significant comments. With topics where we did not propose any action, we provide guidance on that topic in the preamble. For a comprehensive look at all comments received and responses to those comments, please refer to the Response to Comment document in the docket.

III. What are the SIP requirements for the 2008 ozone NAAQS?

A. What are the applicable deadlines for nonattainment areas under the 2008 ozone NAAQS?

1. What is the deadline for submitting nonattainment area SIP revisions for the 2008 ozone NAAQS?

a. Summary of the Proposal

For purposes of the 2008 ozone NAAQS, the EPA proposed two alternatives regarding the deadlines for submitting the various elements of an ozone nonattainment area SIP, including emission inventories, RACT SIPs and emission statement SIPs, Ozone Transport Region (OTR) RACT, 15 percent rate-of-progress (ROP) plans and Moderate area attainment demonstrations, and the 3 percent per year RFP plans and attainment demonstrations for Serious and higher areas. The two proposed alternatives for SIP due dates were (1) the period of time provided by CAA section 182, and (2) a state’s choice of either submitting all elements in accordance with the timeframe provided by CAA section 182 or submitting all elements under a consolidated approach, no later than 30 months after the effective date of designation. The consolidated SIP approach would provide more time for some SIPs, and less time for others.

The EPA also proposed a timeframe, for Serious and higher areas, of 4 years for states to develop their attainment demonstrations and 3 percent per year RFP plans. This was a proposed change from the approach used in the implementation of the 1997 ozone NAAQS, but is consistent with the timeframe allowed under CAA section 182.

Additionally, the EPA requested comment on its proposal to align the due date of the vehicle inspection and maintenance (I/M) program SIP with the

¹ See 73 FR 16436.

² For a detailed explanation of the calculation of the 3-year 8-hour average, see 40 CFR part 50, Appendix I.

³ See the Phase 1 (69 FR 23951, April 30, 2004) and Phase 2 (70 FR 71612, November 29, 2005) Rules.

due date of the attainment demonstration SIP so that both are due at the same time. This was similarly a proposed change from the current I/M SIP deadline for ozone nonattainment areas (1 year after the effective date of designation and classification under a revised ozone standard).

We proposed that states with areas initially classified as Severe or Extreme for the 2008 ozone NAAQS would be required to submit a CAA section 185 SIP no later than 10 years after the effective date of designation and classification for the 2008 ozone NAAQS.

Finally, the EPA proposed that all SIP due date timeframes would run from the effective date of nonattainment designations for the 2008 ozone NAAQS.

b. Final Action

We are finalizing the approach that the SIP elements listed in the proposal are due based on the timeframes provided in CAA section 182. That is, states with areas designated nonattainment have 2 years from the effective date of nonattainment designation⁴ to submit emission inventories (required by CAA section 182(a)(1)), RACT SIPs (CAA section 182(b)(2)) and emission statement SIPs⁵ (CAA section 182(a)(3)(B)); 3 years to submit 15 percent ROP plans (CAA section 182(b)(1)) and Moderate area attainment demonstrations (CAA section 182(b)(1)); and 4 years to submit 3 percent per year⁶ RFP plans (CAA section 182(c)(2)) and attainment demonstrations (CAA section 182(c)(2)) for Serious and higher areas. This approach conforms to the manner in which the 1997 ozone NAAQS was implemented, with the exception of the 4th year provided to areas classified Serious and higher to develop attainment demonstration SIPs for the 2008 ozone NAAQS. Additionally, we note that OTR states that owe SIPs due to CAA section 184 must meet the same SIP due dates listed previously.

The EPA is also finalizing the alignment of the vehicle I/M program SIP due date with the due date for the attainment demonstration SIP for the area. This will be achieved by revising 40 CFR 51.372(b)(2) of the vehicle I/M rule⁷ to replace the current 1-year deadline for vehicle I/M program SIP

submissions with a deadline of no later than the due date for submitting the area's attainment demonstration SIP.

The EPA is also finalizing the due date of the CAA section 185 penalty fee program SIPs from areas initially classified as Severe or Extreme for the 2008 ozone NAAQS as 10 years from the effective date of designations. For areas that are reclassified to Severe or Extreme after the original 2008 designations and classifications, the EPA will establish an appropriate fee program SIP submission deadline as part of the reclassification action.

We note that in the proposed SIP Requirements Rule, the EPA did not include a specific due date for nonattainment NSR SIPs for the 2008 ozone NAAQS. This final rule includes a due date of 3 years from the effective date of designation for states with nonattainment areas for the 2008 ozone NAAQS to submit their nonattainment NSR SIPs as a logical outgrowth of the proposed rule and the comments submitted. Additional discussion of this due date and our rationale for that date are provided in the following *Comments and Responses* section, which discusses NSR requirements in greater detail.

As proposed, the EPA is finalizing that these various SIP due dates are established based on the effective date of designations for the 2008 ozone NAAQS. For areas initially designated nonattainment, this effective date was July 20, 2012.⁸

c. Rationale

After considering comments questioning the legal supportability of the consolidated approach, the EPA has concluded that we do not have a sufficient statutory basis to provide this flexibility.⁹ Therefore, the EPA is finalizing the approach that the various SIP elements are due based on the timeframes provided in CAA section 182.

When implementing the 1997 ozone NAAQS, the EPA provided areas classified as Serious and higher only 3 years to develop and submit attainment demonstration SIPs. The EPA is now providing the maximum of 4 years to develop and submit these SIPs, consistent with the CAA. The policy reasons that existed at the time the Phase 2 rule was developed (*i.e.*, the need for timing consistency between subpart 1 and subpart 2 areas within the

same region, the timing of the large-scale interstate transport modeling underway at the time, and the option of coordinated planning with the similarly timed PM_{2.5} SIPs) are not generally circumstances faced currently by the Serious and higher areas. Thus, the EPA concludes that it is not appropriate to shorten the time period allowed by the Act to submit these SIPs.

Regarding the alignment of due dates for attainment demonstration SIPs and vehicle I/M program SIPs, the EPA believes this allows the best use of state resources. Areas need to determine together the total amount of emissions reductions needed for attainment and the amount of emissions reductions to achieve from different sectors and strategies (including vehicle I/M), before designing a vehicle I/M program capable of achieving the necessary reductions to demonstrate attainment. Requiring submittal of a vehicle I/M program in advance of an attainment demonstration for the current or future ozone standard could result in significant unnecessary work on modeling and SIP revisions if revisions to the vehicle I/M program are later deemed necessary to integrate with the overall attainment strategy.

Although no new vehicle I/M programs are required under the initial designations and classifications for the 2008 ozone NAAQS, this change will apply to any current Marginal areas that may be required to adopt vehicle I/M as a result of missing an attainment deadline and being reclassified to a higher nonattainment classification in the future.

We believe the submittal date for the CAA section 185 penalty fee program SIPs is consistent with section 182(d)(3) of the CAA, which provided slightly more than 10 years for submission of the fee program SIP revision for areas designated as nonattainment and classified as Severe or Extreme by operation of law in 1990 for the 1-hour ozone NAAQS.

The EPA has historically based the due date of the SIPs discussed previously from the effective date of designations and sees no reason to depart from that practice here.

d. Comments and Responses

Comment: Several commenters supported the idea of a consolidated SIP submittal, but thought that the 30 months provided in the proposal for the consolidated submittal was not sufficient to entice any states to take advantage of the option. Many commenters expressed a concern that the EPA did not have a sufficiently firm legal basis to allow states to delay any of the required SIP submissions beyond

⁴ The effective date of designations was July 20, 2012. See 77 FR 30088.

⁵ See section III.J.2 of this rule for additional information on emission statements.

⁶ Typically submitted in 3-year increments, thus as 9 percent RFP plans that produce average reductions of 3 percent per year.

⁷ See 71 FR 17705, April 7, 2006.

⁸ See 77 FR 30088, May 21, 2012; and 77 FR 34221, June 11, 2012.

⁹ The EPA believes that the recent ruling by the D.C. Circuit Court on the Classifications Rule (77 FR 30160, May 21, 2012) impacts the level of flexibility EPA is able to provide regarding SIP due dates. See *NRDC v. EPA* (D.C. Cir. No. 12–1321, Dec 23, 2014).

the timeframes provided in the statute, nor to require early submittal of any SIPs.

Response: The EPA proposed the consolidated approach in an attempt to provide flexibility and a potential burden reduction option to states. After considering the comments questioning the legal supportability of this approach, we concluded that at this time we do not have a sufficient basis to support this flexibility. Thus, we are not finalizing the consolidated approach.

Comment: One commenter disagreed with the EPA's proposal that the SIP submittal due dates in subpart 2 should run from the effective date of designations. The commenter believed that the SIP due dates must run from the date the designations are signed.

Response: We disagree with the commenter that the CAA mandates the SIP submittal due dates in subpart 2 must run from the date the designations are signed instead of the effective date of designations. The EPA believes that its historic practice of establishing SIP due dates that run from the effective dates of designations, as it did for the 1997 ozone NAAQS, is appropriate and legally supportable. Therefore, we are not deviating from this practice.

Comment: Two commenters supported the EPA's proposal to align the vehicle I/M program SIP and attainment SIP deadlines, while two other commenters stated that any change to the vehicle I/M program SIP deadline needs to be consistent with the deadlines prescribed in the CAA and not delay implementation of required I/M programs.

Response: The EPA's decision to align the I/M SIP submittal deadline with the deadline for submitting the attainment demonstration will not impact the emission reductions achieved through the vehicle I/M program requirement because we are not changing the deadline by which affected areas must begin testing and repairing vehicles. Further, the EPA believes that it must, of necessity, provide a reasonable interpretation of the CAA's vehicle I/M program SIP submission deadline because the Act's basic vehicle I/M program SIP submission requirement of "immediately upon enactment" of the CAA is impossible to meet. Lastly, given the degree to which the overall attainment demonstration will rely on emission reductions derived from vehicle I/M, it is reasonable and cost-effective to allow states to coordinate these two planning requirements.

Comment: One commenter noted that the proposal was silent about the due date of the nonattainment NSR SIP. The commenter stated that the EPA should

clearly establish the associated due dates for nonattainment NSR SIP submittals.

Response: The commenter is correct that the discussion of SIP submittal deadlines in the proposed SIP Requirements Rule did not include the date on which states must submit for the EPA's approval the required nonattainment NSR SIP applicable to the 2008 ozone NAAQS. This final rule includes a deadline of 3 years from the date of designation for states to submit their nonattainment NSR program SIPs for the 2008 ozone NAAQS. This date is consistent with the submittal date that the EPA provided states to develop an approvable nonattainment NSR program for the 1997 ozone NAAQS in the Phase 2 Rule, and is consistent with CAA section 172(b), which states that the EPA shall establish a date no later than 3 years from the date of the nonattainment designation.¹⁰ Consequently, the EPA does not believe it has discretion to set a date longer than 3 years, and also concludes that states may need up to 3 years to develop and submit any necessary SIPs.

In the Phase 2 Rule, we indicated that the 3-year SIP deadline facilitates coordination of NSR program changes with the submission of the attainment plan, which was also due within 3 years. We recognize that CAA section 182(a)(2)(C)(i), under the heading "Corrections to the State implementation plans—Permit programs" contains a requirement for states to submit NSR SIP revisions to meet the requirements of CAA sections 172(c)(5) and 173 within 2 years after the date of enactment of the 1990 CAA Amendments. As explained in our Phase 2 rulemaking, we believe the submission of NSR SIPs due on November 15, 1992, fulfilled this CAA requirement.¹¹ Accordingly, we do not believe that the 2-year deadline contained in CAA section 182(a)(2)(C)(i) applies to subsequent NSR SIPs for revised ozone standards, including the nonattainment NSR SIPs for implementing the 8-hour ozone NAAQS. In addition, we note that while CAA section 182 specifies the offset ratios or major source thresholds to be included in the revised NSR SIP, it is silent as to the SIP submission deadline (*see, e.g.*, CAA section 182(a)(4), CAA section 182(b)(5) and CAA section 182(c)). Given this gap in CAA section 182, we believe it is reasonable to look to CAA section 172(b) in establishing a deadline for submission of the

nonattainment NSR SIP. While the EPA did not propose a date on which states must submit for the agency's approval the required nonattainment NSR SIP, stakeholders could have anticipated that we would continue our prior practice unless we proposed to take a different course. In this rule, we are continuing our prior practice, as reflected in the Phase 2 rule for the 1997 ozone NAAQS, of including a deadline of 3 years from the date of designation for states to submit their nonattainment NSR program SIPs.

2. What are the attainment dates for the 2008 ozone NAAQS?

a. Background

For purposes of the 2008 ozone NAAQS, the EPA proposed two options for establishing the maximum attainment dates for areas in each nonattainment classification in its separate Classifications Rule issued on May 21, 2012.¹² Under the first option, the attainment dates would be the precise number of years specified in Table 1 with such time period running from the effective date of designation. Under the second option, the attainment dates would be December 31 of the year that is the specified number of years in Table 1 after designation. The first option was the same approach we took for the 1997 NAAQS, where we would interpret "year" in the subpart 2 classification table to mean consecutive 365-day periods,¹³ and we would substitute "after the effective date of designation" for the "after November 15, 1990" language in the subpart 2 classification table. Under this approach the attainment deadline would fall a precise number of years after the effective date of designation. Specifically, the initial area designations for the 2008 ozone NAAQS became effective on July 20, 2012, and the attainment dates would run from July 20, 2012, such that the 3-year attainment deadline for Marginal areas would be July 20, 2015.

For the second option, which the EPA promulgated in the final May 2012 Classifications Rule (77 FR 30160), the attainment date would be specified as a certain number of years from the end of the calendar year in which an area's nonattainment designation is effective. In other words, since the effective date of designations for the 2008 ozone NAAQS is July 20, 2012, the 3-year

¹² See the proposal (77 FR 8197; February 14, 2012) and the final (77 FR 30160; May 21, 2012) Classifications Rule for the 2008 ozone NAAQS.

¹³ Except in the case of a leap year, where the year would be a rolling 366 day period.

¹⁰ See 70 FR 71612 at 71672 and 71683 (November 29, 2005).

¹¹ *Ibid.*

attainment deadline for Marginal areas would be December 31, 2015.

The end of calendar year attainment date in the May 2012 Classifications Rule was challenged in *NRDC v. EPA* (D.C. Cir. No. 12–1321). On December 23, 2014, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion holding that the EPA's decision to run the attainment periods from the end of the calendar year in which areas were designated was unreasonable. While recognizing that there is a "gap" in the statute since the CAA runs the attainment periods from the date of enactment of the CAA Amendments of 1990, the Court concluded that nothing in the statute or congressional intent authorized the EPA to establish the attainment dates for designated ozone nonattainment areas as December 31st of the relevant calendar years, but rather that such deadlines are more appropriately calculated as annual periods running from the date of designation and classification as the EPA had done in past ozone implementation rules.

b. Action on Attainment Dates

To provide clarity to states after the DC Circuit court decision, the EPA is modifying 40 CFR 51.1103 consistent with that decision to establish attainment dates that run from the effective date of designation, *i.e.*, July 20, 2012.¹⁴ This is the same approach the EPA used in past ozone implementation rules and the approach the court indicated was consistent with Congressional intent.¹⁵ The maximum

¹⁴ We are finalizing this approach without additional notice-and-comment. As noted, we took comment in the original proposal on two approaches: The option we promulgated and which the court rejected, and the option we are promulgating here. Moreover, the court decision strongly indicates that the approach we are promulgating here is the only approach that is consistent with Congressional intent. In light of the need for certainty for the states and regulated parties, the fact that we previously solicited comment on the approach we are adopting here, and the limited discretion the court believes EPA has been provided under the Act, we believe additional comment is unnecessary and contrary to the public interest.

¹⁵ We note that during the comment period on the May 2012 rule establishing the attainment dates, a few commenters claimed that the attainment period should run from the time the designations actions were signed by the Administrator rather than the effective date of designation. In the final May 2012 rule, we responded to this comment explaining why we believed the arguments the commenters raised were not supported by the statute. Regardless we note that whether the attainment date runs from the date of signature or the effective date of designation, the attainment year will be the same, as an attainment showing is based on the most recent three full years of ozone data available. Thus, for example, under either approach, the relevant years for demonstrating attainment for a Marginal area will be 2012–2014 and for a Moderate area, 2015–2017.

attainment dates for nonattainment areas in each classification under the 2008 NAAQS based on the July 20, 2012, effective date are as follows: Marginal—3 years from effective date of designation; Moderate—6 years from effective date of designation; Serious—9 years from effective date of designation; Severe—15 years (or 17 years) from effective date of designation; and Extreme—20 years from effective date of designation. In addition to being consistent with the court decision, this outcome was supported by several commenters on the EPA's February 2012 proposed Classifications Rule (77 FR 8197, February 14, 2012). These supporting commenters believed this outcome to be a plain reading of the CAA, and less likely to result in further delays in implementing controls in nonattainment areas (*see* 77 FR 30160 at 30166, May 21, 2012).

B. What are the requirements for modeling and attainment demonstration SIPs?

1. Marginal Areas

Under CAA section 182(a), Marginal areas have up to 3 years from the effective date of designation to attain the NAAQS, and are not required to submit an attainment demonstration SIP. The EPA offers assistance to states as they consider the most appropriate course of action for Marginal areas that may be at risk of failing to meet the NAAQS within the applicable 3 year timeframe. States can choose to adopt additional controls for such areas or they can seek a voluntary reclassification to a higher classification category. The EPA believes that voluntary reclassification for areas that are not likely to attain by their attainment date is an appropriate action that will facilitate focus on developing the attainment plans required of Moderate and above areas.

2. Moderate Areas

a. Summary of the Proposal

The EPA proposed to continue to require states with an area classified as Moderate to submit an attainment demonstration,¹⁶ due no later than 3

¹⁶ An attainment demonstration consists of: (1) Technical analyses, such as base year and future year modeling of emissions which identifies sources and quantifies emissions from those sources that are contributing to nonattainment; (2) analyses of future year emissions reductions and air quality improvement resulting from existing (*i.e.*, already-adopted or "on the books") national, regional and local programs, and potential new local measures needed for attainment, including RACM and RACT for the area; (3) a list of adopted measures (including RACT) with schedules for implementation and other means and techniques necessary and appropriate for demonstrating attainment as expeditiously as practicable but no

years from the effective date of an area's designation, based on photochemical modeling or another equivalent analytical method that is determined to be at least as effective as that which is required under the Act for Serious and above areas and multi-state nonattainment areas.¹⁷ This is the same approach used in the implementation rules for the 1997 ozone NAAQS. 40 CFR 51.908(c).

b. Final Action and Rationale

The EPA is finalizing requirements for Moderate areas as proposed. The EPA continues to believe the requirements for Moderate areas are reasonable, primarily because photochemical modeling is generally available and reasonable to employ. However, this requirement also explicitly allows for alternative analytical methods to be substituted for or used to supplement a photochemical modeling-based assessment of an emissions control strategy. Any alternative analysis should be based on technically credible methods and provide for the timely submittal of the attainment demonstration and implementation of SIP controls. States should review the EPA modeling guidance¹⁸ and consult their appropriate EPA Regional Office before proceeding with alternative analyses.

c. Comments and Responses

Comment: Some commenters believed that the EPA exceeds its authority to require states with Moderate nonattainment areas to use photochemical modeling and thus, undermines states' discretionary options allowed under the statute.

Response: The EPA disagrees with the commenters and believes that we have the authority to require states to use appropriate modeling to predict the effect of emissions on air quality of any NAAQS as we did for the 1997 ozone NAAQS. CAA section 182(c)(2)(A) contains specific requirements for states to use photochemical modeling or another similarly effective equivalent modeling method in their SIPs for

later than the outside attainment date for the area's classification; and (4) a RACM analysis to determine whether any additional RACM measures could advance attainment by 1 year.

¹⁷ State plans for single nonattainment areas that include more than one state (multi-state nonattainment areas) are also required to have photochemical modeling (*see* CAA section 182(j)(1)(B)).

¹⁸ The modeling guidance can be found in the EPA's "Guidance on the Use of Models and Other Analyses for Demonstrating Attainment of Air Quality Goals for Ozone, PM_{2.5}, and Regional Haze," at the following Web site: <http://www.epa.gov/scram001/guidance/guide/final-03-pm-rh-guidance.pdf>.

Serious and above nonattainment areas. Additionally, CAA section 182(b)(1)(A)(i) requires RFP plans for Moderate areas to provide for such specific annual reductions in emissions of VOC and NO_x as necessary to attain the NAAQS by the applicable attainment date. The EPA has interpreted this as a requirement for Moderate areas to submit an attainment demonstration. Since photochemical modeling is the most scientifically rigorous technique to determine NO_x and/or VOC emissions reductions needed to show attainment of the NAAQS and is readily available, we are requiring photochemical modeling (or a similarly effective equivalent modeling method) for all attainment demonstrations (including Moderate areas). The authority for this requirement for Moderate areas is derived from CAA section 110(a)(2)(k), which gives the Administrator the authority to require air quality modeling for the purpose of predicting the effect on ambient air quality of emissions of any air pollutant for which there is an established NAAQS.

Comment: One commenter stated that allowing up to 3 years to submit an attainment demonstration is not sufficient time to allow for the emissions inventory development and modeling required for an attainment demonstration. The commenter wanted the EPA to allow "the original four year timeline" to submit attainment demonstrations.

Response: CAA Section 182 contains two attainment demonstration submittal dates that depend on an area's classification. For Moderate areas, CAA section 182(b)(1)(A) requires a plan within 3 years of the designation date. For Serious and above areas, CAA section 182(c)(2) requires a plan within 4 years of the designation date. In the Phase 2 Rule, 70 FR 71612, at 71639, the EPA required all attainment demonstrations to be submitted within 3 years of designation. However, for this rule, the EPA proposed to allow the original CAA deadlines of up to 3 years for Moderate areas and up to 4 years for Serious areas, 78 FR 34178, at 34183. While the EPA agrees that the development of emissions inventories and modeling for attainment demonstrations can be a lengthy process, the statute does not allow for more than 3 years for a Moderate area attainment demonstration. However, since the statute does allow up to 4 years to submit a Serious (and above) area attainment demonstration, in this rule we are allowing the maximum amount of time provided by the statute for such areas. Therefore, the EPA is

finalizing the attainment demonstration submittal dates as proposed; up to 3 years from the effective date of designation for Moderate areas and up to 4 years from the effective date of designation for Serious and above areas.

Comment: One commenter stated that there are now a number of rural areas in the country with wintertime ozone attainment issues, and recommended that the EPA exempt rural wintertime ozone nonattainment areas from this requirement because a wintertime photochemical grid model or proven alternative analytical method has not been developed. The commenter argued that it is the EPA's responsibility to develop and test models that can be used consistently across the nation.

Response: The EPA recognizes that the causes of rural wintertime ozone exceedances are different than typical summer exceedances. However, the CAA does not distinguish between summer and winter ozone areas. Areas with wintertime violations are designated as nonattainment based on the same classification thresholds as all other nonattainment areas. They therefore must meet all of the appropriate CAA requirements for their particular nonattainment classification. Nonattainment areas classified as Moderate and above, even those that may experience wintertime ozone problems, are required to submit an attainment demonstration. However, there is flexibility in determining analytical methods to be used in developing the demonstration. The EPA will consider the nature of the ozone problem in reviewing available models and potential alternative methods for demonstrating attainment. There is also ongoing research that has successfully identified enhancements in modeling science which have improved photochemical model performance in wintertime ozone situations. Some of these science updates may be available for states to use in their attainment demonstrations by the time modeling is needed for areas with wintertime ozone problems.

3. Serious and Above Areas

For Serious and higher-classified areas, CAA section 182(c)(2)(A) states that attainment demonstrations must be submitted within 4 years of the designation date and be based on photochemical grid modeling or an equivalent effective method. We continue to believe that photochemical modeling is the most technically credible method of estimating future year ozone concentrations based on projected VOC and NO_x precursor emissions. Therefore, consistent with

the CAA and previous implementation rules, states with areas classified as Serious and higher are required to submit attainment demonstrations within 4 years of the effective date of designation, based on photochemical modeling or an alternative analytical method determined by the Administrator to be at least as effective.

4. What guidance is there for using models to demonstrate attainment?

The procedures for modeling ozone as part of an attainment demonstration are well developed and described in the EPA's "Guidance on the Use of Models and Other Analyses for Demonstrating Attainment of Air Quality Goals for Ozone, PM_{2.5}, and Regional Haze."¹⁹ This guidance document, as it currently exists, can be used by states for purposes of developing attainment demonstration SIPs for the 2008 ozone NAAQS.

Commenters requested that the EPA update its modeling guidance pertinent to ozone and that it be made available in advance of SIP submission deadlines. The EPA agrees with this comment and is therefore currently updating the modeling guidance, and we intend to issue the updated guidance prior to the attainment demonstration SIP deadlines.

5. Capturing High Emissions Days in Inventories

In the proposed SIP Requirements Rule, the EPA did not propose changes to modeling requirements for modeling high emissions days. The current modeling guidance addresses, among many other considerations, episode selection and accounting for variability in emissions and meteorology.

The EPA recognizes that there are time periods with relatively higher NO_x emissions from electric utilities during high energy demand periods, *i.e.*, High Electricity Demand Days (HEDD). Since NO_x emissions from electric power generation are a significant contributor to the total NO_x emissions for many ozone nonattainment areas, states that experience these situations should ensure that these emissions are included in photochemical modeling of episode days on which the HEDD situations occurs. In order to properly account for HEDD emissions in the modeling, careful attention should be paid to the temporalization of emissions to the specific day and hour of the day when these emissions occur. We note that the

¹⁹ The modeling guidance can be found at the following Web site: <http://www.epa.gov/scram001/guidance/guide/final-03-pm-rh-guidance.pdf>.

EPA's current modeling guidance²⁰ already addresses episode selection and development of accurate emissions input information during peak ozone periods. Some commenters urged the EPA to update the current modeling guidance. The EPA is in the process of updating the current modeling guidance and intends to more specifically address modeling of HEDD in that guidance.

The EPA did not propose changes in this rule to the emission inventory requirements for capturing high emissions days but received many comments on the rule requirements that should have been directed to EPA guidance documents under development for ozone emission inventories (*see* section III.J of this preamble). They will be considered when these guidance documents are reviewed. The EPA does address the comments referring to the emission inventory guidance in the Response to Comments document for this rule. The comments do not directly impact the outcome of this rule. The EPA responses are provided for completeness and to provide these commenters with more information regarding the EPA's intentions for guidance development related to HEDD emissions.

6. Modeled Attainment Test

The EPA's attainment demonstration modeling guidance addresses the modeled attainment test for ozone, which uses a combination of ambient ozone data and modeled ozone concentrations to estimate future year air quality. The attainment test is applied at each monitor location within or near a designated nonattainment area. Models are used in a relative sense to estimate the response of measured air quality to anticipated future changes in emissions. Future air quality is estimated by adjusting recent monitored values by the modeled relative response to projected future changes in emissions.²¹ The EPA additionally

recommends application of an attainment test to be performed in unmonitored areas. The recommended attainment test methodology for unmonitored areas has been used in 8-hour ozone SIPs developed for the 1997 ozone NAAQS. To make it easier for states to apply the attainment tests, both the monitor-based test and the unmonitored area test have been incorporated in a software package called the "Modeled Attainment Test Software" (MATS). The MATS is available for no charge at: http://www.epa.gov/scram001/modelingapps_mats.htm.

7. What future year(s) should be modeled in attainment demonstrations?

a. Summary of the Proposal

The EPA proposed that for the 2008 ozone NAAQS, control measures relied upon to demonstrate attainment should be implemented by the beginning of the last full ozone season prior to the area's attainment date. Accordingly, the future year attainment modeling should not extend beyond that time period.

b. Final Action and Rationale

The EPA is finalizing this action as proposed. The EPA stated in the proposal that the future modeling year should be selected such that all emissions control measures relied on for attainment will have been implemented by that year. This same approach was used for the 1997 ozone NAAQS and we continue to believe it is an appropriate approach for modeling of control measures. To demonstrate attainment, the modeling results for the nonattainment area must predict that emissions reductions implemented by the beginning of the last full ozone season preceding the attainment date will result in ozone concentrations that meet the level of the standard.²²

of the Exceptional Events Rule, but remain in the data set used to calculate official design values. Air agencies may not have flagged these data as being potentially influenced by exceptional events, or may have flagged these data but not submitted the required documentation. Air agencies sometimes do not closely examine potential event-influenced data that do not affect attainment/nonattainment decisions. However, the influence of potential event-influenced data may affect future year projections that are part of the modeled attainment demonstration. If potential exceptional event-influenced data from the historical record are likely to affect the outcome of the modeled attainment demonstration, we encourage air agencies to consult with their EPA regional office to determine how best to handle this situation.

²² Note that for purposes of the 2008 ozone NAAQS, a determination of attainment (or failure to attain), which the EPA is required to make after the attainment date has passed, is based on the most recent 3 complete years of ambient data prior to the area's attainment date. Attainment date extensions are only available if the 4th maximum 8-hour

Because an area must attain "as expeditiously as practicable," additional considerations are necessary before a future attainment date can be established. For example, although the latest attainment date under the CAA for a Moderate area designated in 2012 would be 6 years after the effective date of designation, July 20, 2018, under the Classifications Rule, *see NRDC v. EPA*, the state would need to conduct an analysis of reasonably available control measures (RACM) (CAA section 172(c)(1)) to determine if it can advance the area's attainment date by at least a year.²³ Results of the RACM analysis may indicate attainment can be achieved earlier through implementation of reasonably available control measures prior to July 20 of an earlier year. For instance, if emission reductions sufficient to demonstrate attainment are implemented prior to July, 2016, then in this example the attainment year and the future projection year should be 2016. The proposal for this rulemaking also stated²⁴ that, in determining the attainment date that is as expeditious as practicable, the state should consider impacts on the nonattainment area of intrastate transport of pollution from sources within its jurisdiction, and potential reasonable measures to reduce emissions from those sources.

We strongly recommend that the state discuss the selection of the future year(s) to model with the appropriate EPA Regional Office as part of the modeling protocol development process.

c. Comments and Responses

Comment: Many commenters supported the EPA's proposal; however, one commenter believed that it should not matter when the control measure is implemented if the demonstration shows attainment by the attainment date. The commenter provided a specific example of when a large point source plans to shut down in the middle of an ozone season.

Response: The EPA continues to believe that modeling the emission reductions implemented by the beginning of the last full ozone season preceding the final year of the statutory attainment date is reasonable. The effect on attainment of the NAAQS of emissions reductions that may occur sometime after the start of an ozone season is necessarily uncertain, and

average ozone concentration in the attainment year is below the level of the standard.

²³ See section III.D.2 of this proposal for a discussion of RACM analysis requirements.

²⁴ See 78 FR 34178 at p. 34191 (June 6, 2013).

²⁰ <http://www.epa.gov/scram001/guidance/guide/final-03-pm-rh-guidance.pdf>.

²¹ The EPA recommends using ambient design values that are consistent with the official design values as calculated according to 40 CFR part 50 Appendix N (PM_{2.5} NAAQS) and Appendix P (8-hour ozone NAAQS). This includes flagging and removing event-influenced data that meet the requirements set forth in the Exceptional Events Rule (40 CFR 50.14). In general, air agencies flag data that they believe may qualify for removal as an exceptional event and are then responsible for developing and providing documentation to the EPA to support these requests for exclusion. EPA Regional Offices review exceptional events claims and decide whether to concur with each individual claim. Once the EPA concurs with an air agency's request, the event-influenced data are officially noted and removed from the data set used to calculate official design values. In some cases, historical ambient data may meet the requirements

cannot be reliably counted on to ensure modeled attainment in that year. Information about source shutdowns or other emissions reductions that are not accounted for in the modeling can be used as part of a weight of evidence demonstration (*i.e.*, qualitative adjustment based on reductions from additional measures) if necessary to demonstrate timely attainment.

Comment: One commenter supported the proposal to allow modeling of up to the last year of the statutory attainment date, but disagreed with the RACM requirement to evaluate if attainment can be advanced. The commenter disagreed with anything that would require the demonstration of attainment to be earlier than is required by statute.

Response: The EPA disagrees with the commenter. A demonstration of attainment would not be required earlier than is required by statute. The statute provides maximum dates by which attainment must be achieved, but in all cases the statute requires that attainment must be achieved as expeditiously as practicable but no later than the maximum date. Therefore, a RACM analysis to examine whether the attainment date can be advanced is required by the statute as part of all attainment demonstrations. Note that a RACM analysis is not required for Marginal nonattainment areas since an attainment demonstration is not required for those areas.

8. Multi-State Nonattainment Areas

Under CAA section 182(j), each state located in a portion of a multi-state ozone nonattainment area is required to use photochemical grid modeling (or any other analytic method determined by the Administrator to be at least as effective) and to take all reasonable steps to coordinate, substantively and procedurally, the development, submittal and implementation of SIPs applicable to the various states within the nonattainment area. The EPA interprets CAA section 182(j) to require coordination on all aspects of nonattainment SIPs, including the development of an attainment demonstration. The EPA did not propose any changes to this longstanding policy, and we did not receive adverse comments on this item.

C. What are the RFP requirements for the 2008 ozone NAAQS?

1. Overview of RFP Requirements

Areas that are designated nonattainment for ozone must achieve RFP toward attainment of the ozone NAAQS. Part D of the CAA contains three separate provisions regarding RFP.

Under CAA subpart 1, section 172(c)(2) contains a general requirement that nonattainment SIPs must provide for reasonable further progress; RFP is defined in CAA section 171(1) as “such annual incremental reductions in emissions” as required by CAA part D or as required by the Administrator for ensuring attainment of the NAAQS. CAA sections 182(b)(1) and 182(c)(2)(B) under subpart 2 contain specific percent reduction targets for ozone nonattainment areas classified as Moderate and above and Serious and above, respectively. For Moderate and above areas, CAA section 182(b)(1) requires a 15 percent reduction in VOC emissions from the baseline anthropogenic emissions within 6 years after November 15, 1990. We often refer to this RFP requirement as rate-of-progress (ROP). For Serious and above areas, CAA section 182(c)(2)(B) requires an additional 3 percent per year reduction in VOC emissions, averaged over consecutive 3-year periods, starting within 6 years after November 15, 1990 and until the attainment date. CAA section 182(c)(2)(B) allows NO_x reductions to be substituted for VOC reductions under certain conditions to meet this RFP requirement. Note that the 15 percent requirement must be met by the end of the 6-year period regardless of when the nonattainment area attains the NAAQS. The 3 percent per year RFP requirement for Serious and above areas applies each year until the attainment date.

The EPA previously interpreted the requirements of subpart 2 as they would apply to areas for the 1997 ozone NAAQS, and we proposed to follow essentially the same interpretation with regard to the 2008 ozone NAAQS. With respect to RFP requirements, we interpret the 15 percent VOC emission reduction requirement in CAA section 182(b)(1) such that an area that has already met the 15 percent requirement for VOC under either the 1-hour ozone NAAQS or the 1997 ozone NAAQS (for the first 6 years after the RFP baseline year for the prior ozone NAAQS) would not have to fulfill that requirement again. Instead, such areas would be treated like areas covered under CAA section 172(c)(2) if they are classified as Moderate for the 2008 ozone NAAQS, and would need to meet the RFP requirements under CAA section 182(c)(2)(B) if they are classified as Serious or above for the 2008 ozone NAAQS.²⁵ For the purposes of the 2008

ozone NAAQS, the EPA is interpreting CAA section 172(c)(2) to require such Moderate areas to obtain 15 percent ozone precursor emission reductions over the first 6 years after the baseline year for the 2008 ozone NAAQS, and is interpreting CAA section 182(c)(2)(B) to require such Serious and above areas to obtain 18 percent ozone precursor emission reductions in that 6 year period. Under the CAA section 172(c)(2) and CAA section 182(c)(2)(B) RFP requirements, NO_x emission reductions could be substituted for VOC reductions.

With the intent of providing direction and/or flexibility to states in satisfying RFP requirements, we proposed a number of provisions to address issues relevant to implementing RFP under the 2008 ozone NAAQS: (1) Allowing states the option of selecting either the EPA’s recommended baseline year or an alternate baseline year, if justifiable and appropriate; (2) restricting emission reduction measures that can be used to fulfill the RFP requirements; (3) fulfilling ROP/RFP requirements with emission reductions from sources located outside the nonattainment area; (4) removing RFP creditability determination requirements for certain pre-1990 control measures that currently achieve *de minimis* reductions; (5) requiring 15 percent VOC reductions from the nonattainment area emissions inventory baseline during a 6-year period after designation; (6) providing that areas that had previously met the 15 percent requirement for the 1-hour or 1997 ozone NAAQS would be subject to the RFP requirement of CAA section 172(c)(2) (if classified as Moderate) or 182(c)(2)(B) (if classified as Serious or above) and consistent with those provisions could substitute NO_x for VOC; and (7) satisfying ROP/RFP requirements when a 2008 NAAQS nonattainment area is comprised of portions that have an EPA-approved RFP plan for a previous NAAQS. Through this rulemaking, the EPA is finalizing actions that address the aforementioned issues.

2. What baseline year may states use for the emission inventory for the RFP requirement?

a. Summary of Proposal

The baseline year inventory for RFP is used as the starting point from which creditable reductions are determined to meet RFP requirements. For the 2008 ozone NAAQS, the EPA proposed that states should use as the baseline year for

²⁵ Similar interpretations were made for the 1997 ozone NAAQS in the Phase 2 Ozone Implementation Rule, (70 FR 71615, November 29,

2005) and were upheld in *NRDC v. EPA*, 571 F.3d 1245 (D.C. Cir. 2009).

RFP the calendar year for the most recently available triennial emission inventory at the time ROP/RFP plans are developed. As discussed in section III.C.3 of the proposal, ROP plans for areas designated nonattainment in 2012 would be due in 2015, and we proposed the baseline year would be 2011 for these areas. We explained that this approach was analogous to the approach provided for RFP in the CAA. 78 FR 34178, at 34190 (June 6, 2013). The CAA required a 1990 baseline for the 15 percent ROP requirement which lined up with the 1996 attainment date for Moderate areas under the 1-hour NAAQS. For the 2008 ozone NAAQS, initial area designations were effective in 2012 and the 6-year RFP period from a baseline of 2011 (*i.e.*, January 1, 2012–December 31, 2017) would line up reasonably well with the Moderate attainment date of 2018.

However, we also proposed that states have the option of selecting an appropriate and justifiable alternate year as a baseline year for RFP. In the proposal, we proposed that if states choose a pre-2011 baseline year, the 6-year period for achieving the 15 percent reduction starts in January of the year following the selected baseline year. When a year prior to 2011 is chosen as the baseline year, the 6-year period thus concludes more than 1 year prior to the start of the attainment year for the area. In this situation, the EPA proposed that the area is responsible for an additional 3 percent emissions reduction each year after the initial 6-year period has concluded up to the beginning of the attainment year.

The EPA also proposed that for a multi-state nonattainment area, all states associated with the nonattainment area must consult and agree on the same year to use as the baseline year for RFP.

b. Final Action and Rationale

For the 2008 ozone NAAQS, the EPA is providing that states should use as the baseline year for RFP, the calendar year for the most recently available triennial emission inventory at the time ROP/RFP plans are developed, which in the case of areas designated nonattainment in 2012 translates to 2011. We finalized this same interpretation for purposes of implementing the 1997 ozone NAAQS. 40 CFR 51.910(d). We are also allowing an alternate year to be used. In determining the appropriate alternate years, the EPA recognizes that some states may have initiated certain control strategies between the year the standard was finalized (2008) and the most recently available triennial emission inventory year (2011), and that it would be appropriate to recognize these

investments in implementing early reductions to achieve improved air quality. We also believe that allowing alternate baseline years prior to 2008 (*e.g.*, 1990 and 2007) would not be appropriate because we believe that it is necessary for RFP credit for attainment planning to be tied as directly as possible to promulgation of the 2008 ozone NAAQS. Emission reduction measures adopted into the SIP prior to promulgation of the 2008 NAAQS are certainly helpful for improving air quality, and consequently may lower the nonattainment classification of an area and the baseline inventory. However, they are not readily tied to attainment planning for the specific standard and associated nonattainment designation that did not yet exist when the measures were adopted, and therefore are not appropriate to be credited for fulfilling nonattainment area RFP requirements for the 2008 ozone NAAQS. We also recognize that since we designated most areas on April 30, 2012, with an effective date 60 days after publication in the **Federal Register**, that 2012 (the designation year) is an appropriate alternative baseline year consistent with the subpart 2 structure. With these considerations, the EPA is finalizing that states may use an alternate year (*i.e.*, other than 2011) between the years of 2008 to 2012 that the state justifies as appropriate. We are also finalizing as proposed that states selecting a pre-2011 alternate baseline year must achieve 3 percent emission reductions each year after the initial 6-year period has concluded up to the beginning of the attainment year. For example, if 2009 is chosen as a baseline year for a Moderate area that has an attainment date of July 20, 2018, the 15 percent reductions cover the period from January 1, 2010, to December 31, 2015. The state would need to generate an additional 3 percent emissions reduction per year for the area for the years 2016 and 2017.

We are also finalizing that for a multi-state nonattainment area, all states associated with the nonattainment area must consult and agree on the same year to use as the baseline year for RFP.

c. Comments and Responses

Comment: We received mixed comments regarding the appropriate baseline year for RFP. Some commenters believed that 2011 would be the most suitable year to use as a baseline year for ROP/RFP plans and others urged the EPA to allow states the option of justifying an alternative baseline year, including 2012, 2008, 2007 and 1990. One commenter argued that the CAA does not provide

flexibility in allowing a choice of baseline year for RFP and that the EPA must set the baseline year as 2012.

Response: While 2011 may be the most suitable year for many areas, we believe it is appropriate to provide some flexibility to choose an alternate year that falls between the year the NAAQS was established (2008) and the year of designation (2012 for the initial area designations). The EPA disagrees with the comment suggesting that the CAA does not provide the flexibility to allow states to choose the appropriate baseline year and that the EPA must set the baseline year as 2012. While the CAA does identify a specific year to use as the baseline for purposes of the 1-hour NAAQS that was in place when the CAA Amendments of 1990 were enacted, we believe use of that year (1990) as the baseline would produce absurd results if used for a revised NAAQS that is being implemented more than 20 years later. Thus, the EPA has discretion in determining how to interpret this provision of the statute for purposes of implementing the 2008 ozone NAAQS. Nothing in the statute explicitly or implicitly suggests that all areas must use the same baseline year. The purpose of the RFP requirement is to ensure areas achieve percentage reductions in emissions that will help an area attain the NAAQS and to not delay emission reductions until close to the attainment date. Thus, we believe a baseline year that is reasonably close to the designation date and within the implementation timeframe of the revised NAAQS will ensure that the goal of the RFP provisions is met. We note also, that regardless of the baseline year selected, the final regulations provide that areas must continue to achieve annual percentage reductions up to the attainment year. This will further ensure that the purpose of the RFP provisions is fulfilled. We do not believe it is reasonable to select as a baseline year for RFP purposes a year that predates both the revisions to the NAAQS in 2008 and the nonattainment designations in 2012.

Comment: One commenter noted that the EPA's proposal would require areas selecting a pre-2011 baseline, to achieve 3 percent emission reduction each year after the initial 6-year period has concluded up to the beginning of the attainment year. The commenter urged the EPA to apply the same requirement to Moderate areas selecting 2011 as a baseline year and require an additional 3 percent emissions reduction for the final year before the attainment deadline. Comments varied on our proposal for areas to achieve 3 percent emission reductions when selecting a

pre-2011 baseline year. Commenters generally supported the alternate baseline year proposal, however, opposing commenters stated the proposed 3 percent reduction requirement seemed to penalize states selecting a pre-2011 baseline year.

Response: The first commenter correctly identifies that the EPA's selection of the 2011 baseline year creates a gap period of up to 12 months between the end of the 6 year ROP period and the latest attainment date for Moderate areas. The final rule specifies that RFP for this 1-year gap period is whatever additional emissions reductions are needed to achieve the goal of attainment. We believe that requiring Moderate areas using 2011 as a base year to obtain an additional 3 percent per year during the 2018 attainment year where doing so is not necessary to attainment would be more than Congress intended to require through the RFP requirements under Part D of Subchapter 1 of the CAA Amendments of 1990. However, because a pre-2011 baseline would be voluntarily selected by a state and would create a larger gap period before the attainment date than a 2011 baseline (as much as 2 to 4 years), we believe the language "whatever additional emissions reductions are needed for attainment" is not specific enough to ensure annual incremental progress through the latest attainment date. Therefore, we are finalizing as proposed an additional 3 percent per year as a reasonable RFP reduction requirement for a state that chooses to take advantage of the regulatory flexibility this regulation offers by selecting a pre-2011 baseline. CAA section 171(1) defines reasonable further progress under Subpart D to include such annual reductions as "may reasonable be required by the Administrator for the purpose of ensuring attainment of the applicable national ambient air quality standard by the applicable date." Consistent with that, if a state chooses to use an earlier baseline year, its total RFP emission reduction obligation should be to ensure that additional reductions averaging 3 percent per year for each year beyond the first 6 years until the year before the attainment year are provided for in the RFP plan. However, the EPA continues to believe the 2011 NEI reporting year is the preferred baseline year for RFP planning purposes.

Comment: Comments were mixed in relation to the proposal that states associated with multi-state nonattainment areas must consult and agree on the same alternate year to use as the baseline year for RFP.

Commenters generally agreed with our proposal, however, several commenters indicated that RFP demonstrations are state specific and do not necessarily rely on a regional inventory.

Response: The EPA believes that the CAA requires that RFP be demonstrated for a nonattainment area as a whole. Thus, in order to effectively analyze RFP reductions and ensure that the entire nonattainment area achieves the RFP requirements, it is critical that the same baseline be used for all portions of the area. We note that CAA section 182(j), requires that states in a multi-state nonattainment area take all reasonable steps to coordinate their plan.

3. Can emission reductions from sources located outside the nonattainment area boundary apply toward ROP and RFP?

a. Summary of Proposal

The EPA proposed that for the 2008 ozone NAAQS states may not take credit for VOC or NO_x reductions occurring outside the nonattainment area for purposes of meeting the 15 percent ROP requirement and 3 percent RFP requirements of CAA sections 172(c)(2), 182(b)(1) and (c)(2)(B). In the preamble to the proposal, the EPA noted that it would be sound policy to allow areas to use reductions coming from outside the area to meet ROP/RFP requirements, but concluded that in light of the reasoning used in *Natural Resources Defense Council (NRDC) v. EPA*, 571 F.3d 1245 (D.C. 2009), and the language of the CAA, there is no legal basis for states to credit emissions reductions from sources outside the nonattainment area for satisfying ROP/RFP requirements. In the proposed rule, we also stated that if the EPA received comment providing a clear legal justification for allowing areas to take credit in their RFP plan for reductions outside the nonattainment area, we would consider adopting that approach in the final rule.

b. Final Action and Rationale

The EPA is finalizing the interpretation that states may not take credit for VOC or NO_x reductions occurring from sources outside the nonattainment area for purposes of meeting the 15 percent ROP and 3 percent RFP requirements of CAA sections 172(c)(2), 182(b)(1) and (c)(2)(B). This approach means that ROP credit for meeting the 15 percent VOC requirement for Moderate and above ozone nonattainment areas in CAA section 182(b)(1), and the additional 3 percent per year RFP requirement for Serious and above ozone nonattainment areas in CAA section 182(c)(2)(B), or for

meeting the RFP requirement of CAA section 172(c)(2) for Moderate areas that met the 15 percent requirement for a previous NAAQS, can come only from emission reductions from sources located within the nonattainment area.

The ROP/RFP requirements in CAA sections 182(b)(1)(A)(i) and 182(c)(2)(B) require that nonattainment SIPs provide for emission reductions from "baseline emissions." CAA section 182(b)(1)(B) defines baseline emissions as "the total amount of actual VOC or NO_x emissions from all anthropogenic sources in the area." (emphasis added) The ROP/RFP language in 182(b)(1)(B) and 182(c)(2)(B) is almost identical to the language in the CAA's RACT provision that the D.C. Circuit Court has interpreted as requiring emission reductions to come from within the nonattainment area and not "from sources outside the nonattainment area." *NRDC v. EPA*, 571 F.3d 1245, 1256 (D.C. Cir. 2009). Accordingly, for reasons explained more fully in the proposal, 78 FR 34178, at 34191 (June 6, 2013), the EPA has concluded that there is no legal basis allowing states to credit reductions achieved at sources outside the nonattainment area toward meeting ROP/RFP requirements.

c. Comments and Responses

Comment: Several commenters suggested that the EPA allow credit toward meeting ROP/RFP for emission reductions from an area larger than the nonattainment area but related to or affecting it, such as the same airshed or an air quality control region or a "transport couple area." These comments emphasized the close connection between air quality within the nonattainment area and emissions from outside that area and argued that controlling emissions from an area outside a nonattainment area may be a very effective way to improve air quality within the nonattainment area. They argued that statutory references to "the area" do not necessarily refer only to the "nonattainment area." A commenter suggested that CAA section 107(c) provides the EPA the authority to allow outside-the-area reduction credits for satisfying RFP requirements. Other commenters note that CAA section 182(b)(1)(B), viewed in isolation, does not directly refer to sources in the nonattainment area, but rather to "sources in the area," and that *NRDC v. EPA* addresses sources in the nonattainment area only for purposes of meeting RACT nonattainment SIP requirements under CAA section 172(c)(1). Other commenters took the opposite view, arguing that the EPA had no legal basis for allowing states to use

out of area reductions to meet RFP requirements.

Response: As explained more fully in the Response to Comments document in the docket, to some extent, the comments in support of allowing out-of-area credits were either policy arguments or suggestions about how best to implement a program allowing such credits. The EPA agrees that some of these are good policy arguments, but does not see a legal basis to allow this approach. While some commenters did provide legal arguments, upon examination the EPA does not believe they overcome the restrictions in the combined language of CAA section 182(b)(1)(B) with CAA sections 182(b)(1)(A)(i) and 182(c)(2)(B), and the reasoning in *NRDC v. EPA* concerning reductions within the nonattainment area. (See the Response to Comments document, located in the docket, for detailed responses to all of the arguments presented and explaining why the EPA believes the statutory provisions taken as a whole clearly support the interpretation that these RFP reductions must occur within the nonattainment area).

4. Restrictions on Emission Reduction Measures That Can Fulfill the ROP/RFP Requirement

a. Summary of Proposal

The EPA proposed that, except as specifically provided in CAA section 182(b)(1)(D) of the CAA, all SIP-approved or federally promulgated emissions reductions that occur after the baseline emissions inventory year are creditable for purposes of the ROP/RFP requirements, provided that the reductions meet the standard requirements for creditability. That is, to receive SIP credit, the reductions must be enforceable, quantifiable, permanent and surplus.

b. Final Action and Rationale

We are finalizing, as proposed, that all SIP-approved or federally promulgated emissions reductions that occur after the baseline emissions inventory year from sources located in the nonattainment area are creditable for purposes of the ROP/RFP requirements, provided the reductions meet the standard requirements for creditability and are not prohibited by section 182(b)(1)(D) of the CAA.

For the reasons provided in the preamble to the proposed rule, 78 FR 34178, at 34187 (June 6, 2013), the EPA believes it is appropriate to credit emissions reductions that actually occur during the relevant ROP/RFP period and after the baseline year. We promulgated

a regulatory provision adopting this same interpretation for purposes of implementing the 1997 ozone NAAQS. 40 CFR 51.910(a)(2). No significant comments were received.

5. How should states account for non-creditable reductions when determining compliance with the ROP/RFP emission reduction requirements?

a. Summary of Proposal

CAA Section 182(b)(1)(D) specifies four categories of control measures that are not creditable toward the 15 percent ROP requirement under CAA section 182(b)(1)(A): (i) Measures related to motor vehicle exhaust or evaporative emissions promulgated by January 1, 1990; (ii) regulations concerning Reid vapor pressure (RVP) promulgated by November 15, 1990; (iii) measures to correct previous RACT requirements; and (iv) measures required to correct I/M programs. As noted in the proposal, with the exception of the first category, reductions from these measures were achieved many years ago, so the question of creditability is moot for RFP credits for the 2008 ozone NAAQS. Citing an assessment that at this point in history the ongoing emissions reductions from pre-1990 control measures in the first category are *de minimis* the EPA proposed that states would no longer need to perform the complicated calculations for these control measures to ensure that they are not credited toward the 15 percent ROP requirements under CAA section 182(b)(1)(D). (See 78 FR 34178 at 34189)

b. Final Action and Rationale

Consistent with the proposal, the EPA is finalizing the approach that eliminates any obligation for states to continue to perform emissions reduction calculations for the pre-1990 control measures listed under CAA section 182(b)(1)(D)(i).

The CAA section 182(b)(1)(D)(i) provides that motor vehicle emission reductions resulting from measures promulgated “by January 1, 1990,” (which can only come from pre-1990 vehicles), are “not creditable.” The EPA is aware that making the calculations necessary to ensure a state does not take credit for these measures would be “a very resource intensive process requiring multiple modeling runs and extensive staff time,” as we stated in the proposal for this rulemaking.²⁶ Furthermore, the EPA recognizes that emissions from pre-1990 vehicles are a very small and diminishing part of the total emissions inventory for any RFP-related year associated with

implementation of the 2008 ozone NAAQS (which under the final implementation rules could start, at earliest, in 2008). This final action will relieve states of the burden of doing the calculations “based on the *de minimis* nature” of the potential credits.²⁷

c. Comments and Responses

Comment: A majority of commenters supported removing the calculations requirement. However, one commenter argued that the EPA cannot remove the calculation requirement because the provision in 182(b)(1)(D) that certain emission reductions are “not creditable” toward RFP reductions “is the sort of extraordinarily rigid statutory provision that does not allow for *de minimis* exceptions.” The commenter further asserts that the EPA has not demonstrated that the non-creditable reductions will always be *de minimis* because the EPA failed to review the impact of this exception on any specific nonattainment areas, relying instead on national modeling from which the EPA has claimed that local results may vary.

Response: The EPA thanks the commenters that support this approach. The EPA disagrees, however, with the commenter who argued that the EPA cannot relieve states of this burden based on the *de minimis* impact of the measures.

CAA section 182(b)(1)(C) established a general rule *allowing* credit toward RFP requirements for emission reductions under a SIP that would occur within the 6 years following November 1990. CAA section 182(b)(1)(D) established four narrow exceptions to that general rule, three of which are currently entirely moot because they have already occurred and are not ongoing reductions for future RFP purposes. The comment concerns the motor vehicle emission reduction measures imposed on pre-1990 motor vehicles. The EPA has concluded that these reductions are ever diminishing as each year the motor vehicle fleet continues to replace older vehicles with new vehicles. The EPA estimates that by 2017 the control measures that apply to the pre-1990 portion of the nationwide vehicle fleet would account for only between 0.2 and 0.6 percent of total on-road VOC or NO_x emissions, or between about 0.1 and 0.3 percent of total VOC or NO_x emissions inventories. Because calculating those emissions reductions would be very resource intensive, the EPA proposed not to require states to calculate them based on the *de minimis* nature of the reductions. Courts recognize that agencies generally have

²⁶ See 78 FR 34178, at 34190 (June 6, 2013).

²⁷ *Ibid.*

discretion to overlook circumstances that in context can fairly be considered *de minimis* such as requirements whose literal application would mandate pointless expenditures “when the burdens of regulation yield a gain of trivial or no value.”²⁸ The EPA does not believe that the creditability exemption in 182(b)(1)(D)(i) is so “extraordinarily rigid” as to preclude a *de minimis* exception.

The comment also claims that the EPA has not demonstrated that these circumstances are *de minimis*. Without disputing the EPA’s conclusions as to either the share of the emissions inventory or the resource burdens of the calculations, the comment nevertheless claims that “local results may vary,” and the EPA must assess reductions in “specific nonattainment areas.” The comment does not identify any area where, or any evidence that, the impact of the credits anywhere would be more than *de minimis*. Moreover, the EPA implicitly accounted for local variations when it concluded in the proposal that reductions associated with pre-1990 vehicles “everywhere” will be “a very small fraction of the total on-road VOC emissions inventory by 2017.”

6. What are the RFP plan requirements for 2008 ozone nonattainment areas for which no portion of the area has previously been required to meet the 15 percent ROP requirement for VOC in section 182(b)(1) of the CAA?

a. Summary of Proposal

We proposed that newly designated 2008 nonattainment areas,²⁹ namely 2008 ozone nonattainment areas for which a state has never adopted and implemented a SIP providing for the CAA section 182(b) 15 percent VOC emission reductions, will be subject to the 15 percent ROP requirement in CAA section 182(b)(1).

We also proposed that for any 2008 ozone nonattainment area, a state could meet the 15 percent ROP requirement in whole or in part with NO_x reductions in lieu of VOC reductions if that state could demonstrate that the area had in fact achieved a 15 percent reduction in VOC emissions within 6 years from a 1990 baseline.

We also proposed that if we did not finalize the proposal to allow any area to substitute NO_x reductions for VOC reductions where a state can demonstrate that the area achieved a 15

percent reduction in VOC emissions from a 1990 baseline, then we would allow such substitution only for new 2008 nonattainment areas located in the OTR that would be subject to the 15 percent ROP requirement for the first time.

b. Final Action and Rationale

We are finalizing that the ROP plan for a 2008 nonattainment area that has not previously adopted and implemented a SIP providing for a 15 percent reduction in VOC emissions consistent with CAA section 182(b)(1) must provide for a 15 percent reduction in VOC emissions from the area’s baseline emissions in the 6 years following the baseline emissions inventory year. This is consistent with the CAA section 182(b)(1) requirement and the prior approach for the 1997 ozone NAAQS. 40 CFR 51.910(a)(1)(i). The EPA is not finalizing either of the additional approaches that would have allowed areas to meet the 15 percent ROP requirement in whole or in part with NO_x reductions in lieu of VOC reductions. After reviewing all comments submitted the EPA does not believe that it has the authority under the CAA to allow NO_x substitution for VOC emissions reductions for the 15 percent ROP requirement in any area that has not previously met the 15 percent reduction requirement, including an area in the OTR.

c. Comments and Responses

Comment: Several commenters raised objections to the EPA’s proposal that would allow only areas in the OTR to meet the RFP requirements by allowing NO_x substitutions. The commenters argued that it would be better to allow all areas to take advantage of this alternative.

Response: Although attainment areas in the OTR were not required to adopt 15 percent RFP plans under section 184 of the CAA, we discussed certain VOC reduction measures in the proposal. We expected that the VOC reductions from those measures would account for a significant portion of the 15 percent requirement for areas designated nonattainment. We reasoned that since attainment areas in the OTR are required to adopt and implement many of the same measures applied in nonattainment areas such areas should be treated as having met the 15 percent VOC reduction requirement if they can demonstrate that they did, in fact, achieve a 15 percent reduction in VOC emissions during the relevant time period, even though they of course would not have submitted a 15 percent plan as they were not subject to the 15

percent requirement at that time. The EPA has reconsidered its proposal and now believes it does not have authority under the CAA to allow NO_x substitution for VOC emissions reductions for the 15 percent ROP in any area, including an area located in the OTR, unless the area has previously submitted, adopted and implemented a SIP providing for a 15 percent VOC reduction in emissions from the area’s baseline emissions. These emissions reductions would have to have been produced in the 6 years following the baseline emissions inventory year consistent with the requirement in CAA section 182(b)(1) and the prior approach for the 1997 ozone NAAQS. 40 CFR 51.910(a)(1)(i).

Comment: One commenter supported the proposed alternative that would allow areas to substitute NO_x for VOC, in part or in whole, in the 15 percent ROP plans because the scientific understanding of the relative roles of VOC and NO_x control has improved. However, numerous commenters stated their understanding that new nonattainment areas become subject to CAA section 182(b)(1) and are therefore subject to the 15 percent VOC-only ROP emission reduction requirement which does not provide for any NO_x substitution.

Response: The EPA agrees that the current understanding of the role of NO_x reductions in reducing ozone would suggest that, in some areas, it would be relatively more efficient to focus attainment planning efforts on achieving reductions in NO_x rather than VOC emissions. However, for new nonattainment areas, CAA section 182(b)(1) expressly requires the 15 percent ROP plans to reduce emissions of VOC. It does not provide discretion to meet these requirements by reducing emissions of other pollutants. Where Congress intended to allow such a substitution, it specifically provided so, such as in CAA section 182(c)(2)(C) which allows NO_x to be substituted for VOC in the 3 percent annual RFP plans for Serious and above areas. Absent a showing of absurd results which the record for this action does not support, the EPA does not believe it has discretion to allow NO_x substitution in this case.

²⁸ See *Alabama Power Co. v. Costle*, 636 F.2d 323, 360 (D.C. Cir. 1979).

²⁹ Hereafter in the discussion of RFP requirements within this section, when we use the term “2008 nonattainment area” we mean “nonattainment area classified as Moderate or higher under the 2008 ozone NAAQS.”

7. What are the ROP/RFP plan requirements for 2008 ozone NAAQS nonattainment areas that consist entirely of one or more areas that fulfilled the 15 percent ROP plan requirement for VOC for a former ozone NAAQS?

a. Summary of Proposal

We proposed that any 2008 nonattainment area which consists entirely of a nonattainment area, or portions of nonattainment areas, for which we previously approved an RFP plan as meeting the 15 percent ROP plan requirement for VOC in section 182(b)(1) of the CAA would not need to submit such an ROP SIP. Such a 2008 nonattainment area could consist of one or more 1-hour nonattainment areas, one or more nonattainment areas under the 1997 ozone NAAQS, or a combination of nonattainment areas for either the 1-hour or 1997 ozone NAAQS.³⁰ Consistent with our approach for the 1997 ozone NAAQS, we proposed to interpret the CAA's RFP provisions to mean that a 2008 nonattainment area that had already achieved a 15 percent reduction in VOC emissions per an approved 182(b)(1) ROP SIP, would instead be subject to the RFP requirement of CAA section 172(c)(2) (which the EPA has interpreted to represent 15 percent emissions reductions over the first 6-year period) if classified as Moderate, or the 3 percent per year requirement of CAA section 182(c)(2)(B), if classified as Serious or above, and under those requirements could substitute NO_x emission reductions for VOC emission reductions.

b. Final Action and Rationale

We are finalizing as proposed, such that 2008 nonattainment areas that have previously met the CAA requirement for a 15 percent ROP VOC reduction plan for the entire area are not required to fulfill that requirement again. This is consistent with the approach we used for the 1997 NAAQS, and the D.C. Circuit Court's decision in *NRDC v. EPA*.³¹ In that case, concerning the EPA's same interpretation for implementing the 1997 ozone NAAQS, the Court held that CAA section

182(b)(1) is ambiguous under these circumstances and that it was reasonable for the EPA to interpret it not to require areas that had already met the 15 percent VOC emission reduction requirement to obtain another 15 percent reduction in VOC emissions. Instead, for purposes of the 1997 ozone NAAQS and for purposes of the 2008 ozone NAAQS, the EPA interprets the RFP requirement of CAA section 172(c)(2) to require an area classified as Moderate to achieve an average 3 percent annual reduction in VOC and/or NO_x emissions for the first 6 years following the baseline year, and the RFP requirement in CAA section 182(c)(2)(B) to require the same thing for areas classified as Serious or higher. Under these circumstances, RFP requirements may be satisfied with reductions in either NO_x or VOC emissions. As explained in the proposal, we believe there are two policy reasons for interpreting this ambiguous provision in this manner. First, both our understanding of the effects of reductions of VOC and NO_x on ambient ozone levels and the technical tools to help predict what combinations of reductions of ozone precursors will be most effective for ozone reduction in any area have improved. Since the purpose of the RFP provisions in CAA sections 172 and 182 is to foster the achievement of reasonable further progress toward attainment, we believe that it makes the most sense to allow states to credit toward the RFP requirement those reductions that an area most needs to reach attainment. Second, as explained more fully in the proposal, the mix of emissions across the country and in specific areas is very different than it was in 1990 because of various measures and developments that have substantially reduced the anthropogenic VOC emissions inventory such that additional area-specific VOC reductions will be increasingly difficult to achieve.

c. Comments and Responses

Comment: Numerous commenters agreed with the EPA's proposal that 2008 nonattainment areas that have already met the CAA requirement for a 15 percent VOC reduction plan are not required to fulfill that VOC requirement again. Two commenters generally supported the EPA's approach but argued for reducing the showing a state must make or giving states more latitude in determining how to treat new nonattainment areas. However, one commenter stated that although the Court in *NRDC v. EPA*, 571 F.3d 1245 (D.C. Cir. 2009), held that the EPA could permissibly read the statute as requiring

SIPs to provide for the 15 percent VOC reduction only once, the Court did not address the question of whether mere EPA approval of a prior 15 percent ROP SIP would satisfy the 15 percent requirement for a subsequent NAAQS, or whether the area would have to show it actually achieved the 15 percent VOC reduction within the 6 years required by the statute. The commenter stated that to be creditable, the 15 percent reduction must have actually occurred within 6 years of November 15, 1990, due to implementation of measures required under the SIP, rules promulgated by the EPA, or title V permits. Accordingly, the commenter believed the EPA cannot treat previously approved ROP plans as satisfying the 15 percent ROP requirement unless the state also shows that the required VOC reductions were actually achieved as required by CAA section 182(b)(1)(C).

Response: The EPA thanks the commenters for their supporting comments. The EPA disagrees, however, that states must demonstrate that they achieved the 15 percent reduction within 6 years of the baseline for a previous NAAQS. We have consistently maintained that if an area has already met the requirement to submit for approval and to implement a plan for reducing VOC emissions by 15 percent within 6 years of the baseline year for either the 1-hour or the 1997 ozone NAAQS, then the area should not be required to meet that requirement a second time for the 2008 ozone NAAQS but instead will be subject to the other applicable RFP provisions of the CAA.

8. What are the RFP plan requirements for 2008 ozone NAAQS nonattainment areas that include portions consisting of all or a piece of one or more nonattainment areas for a previous NAAQS that fulfilled the 15 percent ROP plan requirement for VOC for that previous NAAQS and portions that have never been subject to or have never submitted the 15 percent ROP plan for VOC for a previous NAAQS?

a. Summary of Proposal

For those areas that include all or part of a nonattainment area under a former ozone NAAQS that fulfilled the 15 percent ROP plan requirement for VOC and all or part of an area that was not subject to or did not meet the 15 percent requirement for a former ozone NAAQS, we proposed that a state may choose between two approaches for addressing the 15 percent ROP requirement. First, the state could choose to treat the entire area as an area that never met the 15 percent requirement and submit a new

³⁰ The following nonattainment areas were nonattainment for both the 1-hour and the 1997 ozone NAAQS, and remained the same size under the 2008 ozone NAAQS compared to the 1997 ozone NAAQS: Baltimore, MD; Los Angeles-San Bernardino Counties (West Mojave Desert), CA; Los Angeles-South Coast Air Basin, CA; Riverside County (Coachella Valley), CA; Sacramento Metro, CA; San Joaquin Valley, CA; and Ventura County, CA.

³¹ See *NRDC v. EPA*, 571 F.3d 1245 (D.C. Cir. 2009).

15 percent plan for the entire area. Second, the state could choose to treat the 2008 nonattainment area as divided into two portions: The non-ROP plan portion and the former ROP plan portion. For the non-ROP plan portion of the 2008 nonattainment area, the plan would establish a separate 15 percent ROP VOC reduction requirement under CAA section 182(b)(1) of subpart 2. However, VOC emissions reductions to meet the 15 percent requirement could come from across the entire 2008 nonattainment area, provided that the former ROP plan portion of the area also has a VOC reduction target as part of its ROP plan for the 2008 ozone NAAQS. If the 2008 ozone NAAQS ROP plan for the former ROP plan nonattainment area relies solely on NO_x reductions, then the portion of the nonattainment area never before subject to nonattainment requirements is still responsible for the full 15 percent VOC reductions. We also stated in the proposal that for the former RFP plan portion of the 2008 nonattainment area, the RFP requirements in CAA section 172(c)(2) will apply to Moderate nonattainment areas and the RFP requirements of CAA section 182(c)(2) apply to areas classified as Serious and above. These areas may both substitute NO_x for the VOC reductions in the manner specified in CAA section 182(c)(2)(C).

b. Final Action and Rationale

We are finalizing the two proposed approaches that a state may choose between for addressing the 15 percent ROP requirement where a portion of the area submitted and implemented a 15 percent ROP plan for a previous ozone NAAQS and a portion did not. First, the state may choose to treat the entire area as an area that never met the 15 percent ROP VOC reduction requirement in CAA section 182(b)(1). Second, the state may choose to treat the 2008 nonattainment area as divided into two portions: The non-ROP plan portion and the former ROP plan portion. For the non-ROP plan portion of the 2008 nonattainment area, the plan would establish a separate 15 percent VOC reduction requirement under CAA section 182(b)(1) of subpart 2. However, divergent from our proposal that would have allowed creditable VOC reductions to come from across the entire 2008 nonattainment area, the final rule requires that VOC emission reductions to satisfy the CAA section 182(b)(1) 15 percent requirement must come entirely from within the non-ROP plan area.

For the former ROP plan portion of the 2008 nonattainment area, the RFP requirements in CAA section 172(c)(2) apply if the 2008 nonattainment area is

classified as Moderate. CAA section 182(c)(2)(B) RFP requirements apply if the 2008 ozone NAAQS nonattainment area is classified as Serious or higher.

The EPA believes that nonattainment areas with a previously approved 15 percent plan developed to satisfy previous ozone NAAQS standards are not required to adopt a second 15 percent VOC ROP plan under CAA section 182(b)(1) for purposes of the 2008 ozone NAAQS. The EPA believes that if a portion of the nonattainment area was not subject to an approved 15 percent plan for previous ozone standards, then CAA section 182(b)(1) applies to that portion of the 2008 nonattainment area. We are offering two options, as described previously, and states can select the appropriate option to meet the RFP requirements. However, due to significant comments received regarding the source of reductions to satisfy the 15 percent requirement for the non-ROP portion of the area, we are requiring that VOC emissions reductions to meet the 15 percent requirement must come from within the boundaries of the non-ROP plan portion rather than from across the entire nonattainment area as we proposed. Additionally, the ROP plan for the 2008 ozone NAAQS for the new non-ROP plan portion must provide for 15 percent VOC reductions.

c. Comments and Responses

Comment: One commenter opposed both of the EPA's proposed options, believing that they are not permissible under the CAA because a prior ROP plan for just part of a 2008 nonattainment area cannot be deemed to satisfy the ROP plan requirement—that “area” is different from the area encompassed by the prior ROP plan. The commenter argued that the prior ROP plan could not have provided the 15 percent baseline emissions reduction in an “area” that was not even defined at the time of the prior ROP plan. The commenter also argued that the statute does not allow the EPA to divide up “the area” into multiple sub-areas with separate ROP plans or requirements. The commenter also argued that it would be illegal and arbitrary to allow a sub-area to claim credit for emission reductions from outside the sub-area without having to also add emissions from outside the sub-area to its baseline. The commenter stated that unless the EPA is proposing to require that the non-former ROP sub-area assure a net 15 percent cut from new baseline emissions for the entire 2008 nonattainment area, it cannot allow the sub-area to claim credit for reductions outside the sub-area. The commenter

believed that for sub-areas within the nonattainment area, each with its own 15 percent reduction obligation, that the required VOC emission reductions must come from inside each sub-area respectively.

Response: The EPA recognizes that a prior ROP plan would not necessarily encompass the newly designated portion of a 2008 nonattainment area and that the newly designated portion may not have previously been covered by an approved 15 percent ROP VOC plan. In light of this comment, the EPA has reconsidered the proposal and now believes that if a portion or portions of a nonattainment area for the 2008 ozone NAAQS was/were not subject to an approved 15 percent ROP VOC-only plan for either the 1-hour or the 1997 ozone NAAQS, then CAA section 182(b)(1) requirements apply to that new portion of the 2008 NAAQS nonattainment area.

The EPA disagrees with the commenter's assertion that the statute does not allow areas to be divided into former ROP plan areas and new non-ROP areas. Consistent with the reasoning in the Phase 2 Rule, upheld in *NRDC v. EPA*, we believe that an area, or a sub-area that has never met the 15 percent requirement must do so, but that an area (or sub-area) that has previously met the requirement need not be subjected to it for a second time. Based on similar reasoning, we have reconsidered our proposal that would have allowed emission reductions from across the entire nonattainment area to be creditable toward achieving the 15 percent ROP VOC reductions for the non-ROP portion(s) of the area. We now believe it is important to recognize that VOC emissions reductions to meet the 15 percent ROP VOC reduction requirement must come from within the boundaries of the non-ROP plan portion. Accordingly, the ROP plan for the 2008 ozone NAAQS for the new non-ROP plan portion must demonstrate achievement of 15 percent VOC reductions from that sub-area's baseline.

9. Alternative Approaches to Achieving RFP

a. Summary of Proposal

We requested comment on two alternative approaches to achieve RFP: (1) An air quality-based approach that would measure RFP in terms of ambient air quality improvements tied to an area's percent emission reduction; and, (2) an approach that would adjust (or “weight”) the amount of RFP credit given for reductions of individual species (or similar groups) of VOC based

on their ozone forming potential (*i.e.*, photochemical reactivity).

For each of these alternative approaches, the EPA sought comment on the usefulness and practicality of the approach, and specifically on whether there is an adequate legal basis under the CAA to approve SIPs that would employ it.

b. Final Action and Rationale

The EPA is not taking final action on these alternative approaches. The EPA may further consider such alternatives in the future. The EPA believes that more time is needed to better understand the scientific and legal issues involved in allowing and implementing these approaches. In the meantime, use of these approaches may be considered on a case-by-case basis. If states wish to pursue either of these approaches, then we encourage them to work closely on developing such an approach with their respective EPA Regional Offices. If a state submits an alternative approach to achieving RFP, then the EPA will address the submittal in a separate notice and comment rulemaking action.

c. Comments and Responses

Comment: Some commenters, while supporting the approaches, believed that the EPA must provide more information on how both the VOC-weighted approach and the air quality-based approach would be implemented, a stronger legal justification for allowing these alternatives, and more scientific support for practical implementation. There were commenters that supported the air quality-based approach. One commenter stated that the air quality alternative would better reflect the air quality progress being made in areas adjacent to an upwind nonattainment area, whereby the downwind areas must rely on large upwind emission reductions to attain the ozone standard. The commenter also argued that states should have the opportunity to demonstrate that such an approach is equivalent to or better than an emission reduction target and believes it would qualify as an equivalent planning procedure under CAA section 172(c)(8) and should be included in the final rule. The commenter indicated a similar approach was included in the implementation rules that govern SIP development for the PM_{2.5} NAAQS (40 CFR 51.1009(g) and (h)). Other commenters pointed out that the VOC-weighted reactivity method has already been adopted in other national, state and local ozone regulations, such as the current national aerosol coatings rule and a highly-reactive VOC emissions

cap-and-trade program and these may serve as legal and administrative precedents for other reactivity-based standards. Commenters also cautioned the EPA that such approaches should not be mandated, and must be left to the state's discretion.

There were commenters that did not support these alternative approaches, stating that the CAA clearly requires a percentage reduction from baseline emissions for purposes of RFP.

Response: The EPA appreciates the comments it has received on these alternative approaches. As noted above, the EPA believes more time is needed to better understand the scientific and legal issues involved before finalizing any alternative approaches to achieving RFP. We encourage states interested in an alternative approach to work closely with their respective EPA Regional Offices, who may consider these approaches on a case-by-case basis. Any such actions would be addressed through separate notice and comment rulemaking including analysis of appropriate legal and technical justifications.

D. How do RACT and RACM requirements apply for 2008 ozone NAAQS nonattainment areas?

1. Reasonably Available Control Technology

a. Summary of the Proposal

The EPA indicated in the proposal that RACT SIPs must contain adopted RACT regulations, certifications where appropriate that existing provisions are RACT,³² and/or negative declarations that there are no sources in the nonattainment area covered by a specific CTG source category. The EPA also indicated that states must provide notice and opportunity for public comment on their RACT submission even where the state determines it is appropriate to certify that the existing provisions remain RACT or where the state submits a negative declaration. States must also submit appropriate supporting information for their RACT

³² The EPA has defined RACT as the lowest emission limitation that a particular source is capable of meeting by the application of control technology that is reasonably available considering technological and economic feasibility (December 9, 1976 memorandum from Roger Strelow, Assistant Administrator for Air and Waste Management, to Regional Administrators, "Guidance for Determining Acceptability of SIP Regulations in Non-Attainment Areas" and also in 44 FR 53762; September 17, 1979). Availability and feasibility may differ across sources in the same category (June 9, 1985, memorandum from John Calcagni, Chief, Economic Analysis Branch, to G.T. Helms, "Criteria for Determining RACT in Region IV.")

submission as described in the Phase 2 Rule. See 70 FR 71652.

The EPA proposed a number of items regarding RACT submittals. First, the EPA proposed that states should use current EPA guidance [including existing control techniques guidelines (CTGs) and alternative control techniques (ACTs)] and any other information available in making RACT determinations.³³ The EPA recognized in the proposal that existing CTGs and ACTs for many source categories have not been revised in a number of years. However, in many cases, more recent technical information is available in other forms. The EPA proposed that as part of their RACT SIP submission, states should provide adequate documentation that they have considered control technology that is economically and technologically feasible. The analysis of economic and technological feasibility should be based on information that is current as of the time of development of the RACT SIP for the 2008 ozone NAAQS. Additionally, the EPA noted that states should consider information submitted as part of the public comment period associated with the RACT SIP.

The EPA proposed that in some cases, states may conclude that sources already addressed by RACT determinations for the 1-hour and/or 1997 ozone NAAQS may not need to implement additional controls to meet the 2008 ozone NAAQS RACT requirement.

The EPA proposed to follow the EPA's existing policy with respect to "area wide average emission rates." This policy recognizes that states may demonstrate as part of their NO_x RACT SIP submittal that the weighted average NO_x emission rate from all sources in the nonattainment area subject to RACT meets NO_x RACT requirements.

The EPA proposed that as part of their RACT submissions, states have the option of conducting a technical analysis for a nonattainment area considering the emissions controls required by a regional cap-and-trade program, and demonstrating that compliance by certain sources participating in the cap-and-trade program results in actual emission reductions in the particular nonattainment area that are equal to or greater than the emission reductions that would result if RACT were applied to an individual source or source category within the nonattainment area.

³³ The EPA's CTGs and ACTs are located at <http://www.epa.gov/air/ozonepollution/SIPToolkit/ctgs.html>.

The EPA provided legal reasoning for this approach.

The EPA proposed to follow its current policy that for VOC sources subject to MACT standards, states would be allowed to streamline their RACT analysis by including a discussion of the MACT controls and considerations relevant to VOC RACT. Historically, in many cases, states have been able to rely on MACT standards for purposes of showing that a source has met VOC RACT.

The EPA also noted that a state has discretion to require beyond-RACT reductions from any source, and has an obligation to demonstrate attainment as expeditiously as practicable. Thus, states may require VOC and NO_x reductions that are “beyond RACT” if such reductions are needed in order to provide for timely attainment of the ozone NAAQS.

The EPA solicited comment on modifying existing guidance to provide additional flexibility in implementing the CAA section 182(b)(2) RACT requirements. In particular, the EPA solicited comments on whether it would be appropriate for states, as part of their RACT determinations regarding what is “reasonable,” to consider the effect (or lack thereof) of VOC emission reductions on reductions in ozone concentrations when assessing economic feasibility. The EPA solicited comments on this approach because in some nonattainment areas, additional reductions of anthropogenic VOC emissions have been scientifically demonstrated to have a limited impact on reducing ozone concentrations.

The EPA took comments on the following: (1) Whether state RACT determinations could take into consideration, in the evaluation of what is economically feasible, the potential air quality benefit (or lack thereof) of further VOC controls; (2) the specific circumstances and limitations to which an air quality benefit factor would apply; (3) specific examples of where modeling has demonstrated that anthropogenic VOC reductions have “negligible effect,” (commenters were also asked to provide a defensible threshold for defining “ineffective,” and define a test for concluding that the effect of additional VOC reductions would be “negligible.”); (4) input regarding whether this flexibility should be provided on an individual source basis, or also on a source category basis; (5) that any approaches suggested by commenters should also address how public health and welfare will be impacted; and (6) an explanation as to the specific legal basis for supporting the suggested approach.

Finally, the EPA proposed a specific deadline by which RACT measures are to be implemented for the 2008 ozone NAAQS, which is consistent with the timeline specified in CAA section 182(b)(2). For the 2008 ozone NAAQS, we proposed that areas must implement RACT measures as expeditiously as practicable, but no later than January 1 of the 5th year after the effective date of a nonattainment designation. Nonattainment designations for all areas of the country were effective July 20, 2012. RACT measures for areas classified Moderate or above and all areas of the OTC would be required to be implemented by January 1, 2017. This would allow a comparable amount of time for sources to meet RACT requirements as originally anticipated under the 1990 CAA Amendments, consistent with the Moderate area attainment date of July 20, 2018.

b. Final Action and Rationale

The EPA is finalizing the approach where states should refer to the existing CTGs and ACTs for purposes of meeting their RACT requirements, as well as all relevant information (including recent technical information and information received during the public comment period) that is available at the time that they are developing their RACT SIPs for the 2008 ozone NAAQS. We believe that there is sufficient information available to states to inform their RACT determinations.

The EPA is finalizing the approach allowing in some cases for states to conclude that sources already addressed by RACT determinations for the 1-hour and/or 1997 ozone NAAQS do not need to implement additional controls to meet the 2008 ozone NAAQS RACT requirement. We believe that, in some cases, a new RACT determination under the 2008 standard would result in the same or similar control technology as the initial RACT determination under the 1-hour or 1997 standard because the fundamental control techniques, as described in the CTGs and ACTs, are still applicable.³⁴ In cases where controls were applied due to the 1-hour or 1997 NAAQS ozone RACT requirement, we expect that any incremental emissions reductions from application of a second round of RACT controls may be small and, therefore, the cost for advancing that small additional increment of reduction may not be reasonable. In contrast, a RACT analysis for uncontrolled sources would

be much more likely to find that new RACT-level controls are economically and technically feasible.

The EPA is finalizing the proposed approach with respect to “area wide average emission rates.” This approach is consistent with the EPA’s existing policy.

The EPA is finalizing the proposed approach, where states have the option of conducting a technical analysis for a nonattainment area considering the emissions controls required by a regional cap-and-trade program, and demonstrating that compliance by certain sources participating in the cap-and-trade program results in actual emission reductions in the particular nonattainment area that are equal to or greater than the emission reductions that would result if RACT were applied to an individual source or source category within the nonattainment area. This approach is consistent with the Court’s reasoning in *NRDC v. EPA* regarding the NO_x SIP Call. Additionally, we note that in August 2013, the Court granted EPA’s request for voluntary vacatur of the CAIR–RACT presumption for the 1997 ozone NAAQS. The approach we are finalizing is not inconsistent with the vacatur decision.

The EPA is finalizing the proposed approach for VOC sources subject to MACT standards, such that states would be allowed to streamline their RACT analysis by including an assessment of the MACT controls and how they relate to VOC RACT considerations. This approach is consistent with the EPA’s current policy.

The EPA is finalizing the proposed approach to provide states with the discretion to require beyond-RACT reductions from any source, and that states have an obligation to demonstrate attainment as expeditiously as practicable. We believe it may be necessary in some cases for states to achieve “beyond RACT” reductions in order to demonstrate attainment as expeditiously as practicable.

The EPA is not modifying existing guidance for meeting the 182(b)(2) RACT requirements for the 2008 ozone NAAQS through this action. There is scientific information available that indicates that in some locations ozone formation is NO_x-limited, and changes in anthropogenic VOC emissions will have little effect on ozone concentrations. However, the EPA is not prepared at this time to establish a specific definition of “negligible effect,” and believes that legal support for modifying the existing RACT guidance needs to be further explored. States, therefore, will continue to conduct

³⁴ See existing guidance in RACT Questions and Answers 2006 (May 18, 2006, Note from William Harnett to Regional Air Division Directors), Questions 17 and 18, regarding RACT certifications.

RACT determinations as they historically have. Additionally, we do not anticipate that any current NO_x-limited nonattainment areas will immediately need to develop substantive new VOC RACT SIP submissions. Therefore, we do not expect that retaining the current RACT guidance will have any near-term impact on states or VOC sources in current NO_x-limited nonattainment areas. However, the EPA received potentially useful information from commenters regarding the definition of “negligible effect,” which we will consider in the future as we further assess whether to modify the existing RACT guidance.

The EPA is finalizing the proposed approach that areas must implement RACT measures as expeditiously as practicable, but no later than January 1 of the 5th year after the effective date of a nonattainment designation. For the nonattainment designations that were effective July 20, 2012, RACT measures (for areas where they are required) must be implemented by January 1, 2017. This allows a comparable amount of time for sources to meet RACT requirements as originally anticipated under the 1990 CAA Amendments, and ensures that RACT measures are required to be in place no later than the last ozone season prior to the Moderate area attainment date of July 20, 2018.

c. Comments and Responses

Comment: Several commenters supported the proposed approach that in some cases, states may conclude that sources already addressed by RACT determinations for the 1-hour and/or 1997 ozone NAAQS may not need to implement additional controls to meet the 2008 ozone NAAQS RACT requirement. Several other commenters generally did not support this conclusion. One commenter requested clarification regarding situations where a state may conclude that existing RACT controls meet RACT for the 2008 ozone NAAQS.

Response: The EPA generally agrees with the supporting comments. The EPA disagrees with the comments opposing the proposed approach. In areas previously subject to the RACT requirement under the 1-hour and/or 1997 ozone NAAQS, states have previously addressed the RACT requirement with respect to these NAAQS. We believe that, in some cases, a new RACT determination under the 2008 standard would result in the same or similar control technology as the initial RACT determination under the 1-hour or 1997 standard because the fundamental control techniques, as

described in the CTGs and ACTs, are still applicable.

We appreciate the commenter's request for more information regarding the specific situations where this approach may be reasonable. In cases where controls were applied due to the 1-hour or 1997 ozone NAAQS RACT requirement, the incremental emissions reductions from application of updated RACT controls may be small and, therefore, the cost for advancing that small additional increment of reduction may not be reasonable. In contrast, a RACT analysis for uncontrolled or partially controlled sources would be more likely to find that updated RACT-level controls under the 2008 ozone NAAQS are economically and technically feasible.

In portions of 2008 nonattainment areas where control technologies for major sources or source categories were previously reviewed and controls applied to meet the RACT requirement under the 1-hour or the 1997 ozone NAAQS, states should review and, if appropriate, accept the initial RACT analysis as meeting the RACT requirements for the 2008 ozone NAAQS. Absent data or public comments indicating that the previous RACT determination is no longer appropriate, the state need not adopt additional SIP controls to meet the new RACT requirement for these sources. In such cases, the state's SIP revision submitted after notice and comment should contain a certification, with appropriate supporting information (including consideration of new data), indicating that these sources are already subject to SIP-approved requirements that still meet the RACT obligation. There are cases where the initial RACT analysis under the 1-hour standard or the 1997 standard for a specific source or source category concluded that no additional controls were necessary. In such cases, a new RACT determination is needed to consider whether more cost effective control measures have become available for sources that were not previously regulated. A re-analysis may determine that controls are now economically and technically feasible and are necessary to meet the RACT requirement. Please refer to the Response to Comments document for additional detail on this topic.

Comment: A commenter expressed the concern that a nonattainment area-wide weighted NO_x averaging demonstration would exempt EGUs used primarily on high electricity demand days from NO_x control. The commenter also expressed that the exemption of HEDD EGUs from NO_x control does not reduce NO_x emissions

when and where such reductions are necessary to attain the ozone NAAQS. Another commenter asserted that the EPA's definition of RACT plainly requires each individual source to apply control technology to achieve the lowest emission limitation that each particular source is capable of meeting considering technology and economic feasibility. The commenter argued that substitution of area-wide averaging for source-specific RACT does not meet the language of section 182(b)(2) of the Act, which requires SIPs for Moderate and above areas to require implementation of RACT “with respect to . . . [a]ll VOC sources in the area covered by any CTG issued before November 15, 1990,” and “[a]ll other major stationary sources of VOCs that are located in the area.” 42 U.S.C. 7511a(b)(2). The commenter argued that the EPA is supplanting these statutory directives with an area-wide averaging program that allows some sources to avoid installing RACT controls.

Response: The EPA's existing policy recognizes that states can meet NO_x RACT requirements by submitting as part of their NO_x RACT SIP submittal a demonstration that the weighted average NO_x emission rate from sources in the nonattainment area subject to RACT achieves RACT-level reductions. We note, however, that this policy does not include an exemption for HEDD EGUs from NO_x control.

Additionally, the EPA disagrees with the comment that “area-wide averaging is not a legally permissible method for complying with” RACT and that RACT requires reductions from “each and every source” in an area. The EPA believes that the statute, as interpreted by the court in *NRDC v. EPA*, provides a state with the option of demonstrating that its program achieves RACT level reductions by showing emission reductions greater than or equal to reductions that would be achieved through a source-specific application of RACT in the nonattainment area. *NRDC v. EPA* interprets the CAA as requiring that each nonattainment area must achieve “RACT-level reductions,” which is to say the reductions that would be achieved “if RACT-level controls were installed in the area.” 571 F.3d at 1258. In sum, nothing in the CAA or in *NRDC v. EPA* requires that “each and every” source in the area employ RACT or achieve RACT-level reductions. Consistent with previous guidance, the EPA continues to believe that RACT can be met on average by a group of sources within a nonattainment area rather than at each individual source. Therefore, states can show that SIP provisions for these sources meet

the ozone RACT requirement using the averaging approach.

Comment: Several commenters expressed general support for the proposed policy that would allow states to demonstrate that compliance with a regional trading program by affected sources within a nonattainment area will satisfy RACT requirements for those sources. Several commenters additionally expressed that it may be appropriate for states to rely on a cap-and-trade program that is limited to a nonattainment area for purposes of meeting RACT for sources located in the nonattainment area.

Other commenters did not support the proposed approach. A few of these commenters expressed concerns that by providing states with an option to rely on trading programs, the EPA is allowing for sources to turn off their controls in upwind states. Commenters additionally suggested that RACT should apply on an individual basis to every affected stationary source in a nonattainment area. Commenters implied that the EPA should specifically require controls to be operational at all times at these sources.

Response: The EPA appreciates, and generally agrees with, the supporting comments pertaining to the proposed policy allowing states to rely on a regional cap-and-trade program to comply with RACT if they provide an appropriate technical demonstration. The EPA also agrees that states may rely on a cap-and-trade program that is limited to a nonattainment area for purposes of meeting RACT for sources located in the nonattainment area. The EPA disagrees, however, with those commenters that say that states should not have the option to demonstrate that compliance with a regional trading program by sources in a nonattainment area achieves RACT-level reductions within the nonattainment area. In *NRDC v. EPA*, the Court noted that a determination that RACT was satisfied by compliance with a regional trading program might be permissible for an area if accompanied by a technical analysis demonstrating that the program in fact “results in greater emissions reductions in a nonattainment area than would be achieved if RACT-level controls were installed in that area.”³⁵ In other words, the Court rejected the notion that a regional trading program intended to eliminate interstate transport of emissions consistent with CAA section 110(a)(2)(D)(i) could automatically constitute the RACT-level of control required by CAA section 172(c)(1), but held open the possibility

that an analysis could be conducted to determine whether such a program would result in the same, or higher level of emissions reductions in individual nonattainment areas.

The EPA additionally disagrees with any implication by the commenters that the proposal should address whether controls are required to be operational at all times at sources in the nonattainment area. The EPA’s NO_x RACT guidance (Nitrogen Oxides Supplement to the General Preamble, 57 FR 55625; November 25, 1992) includes a policy where states may develop RACT programs that are based on “area wide average emission rates.” Additional guidance on area-wide RACT provisions is provided by the EPA’s January 2001 economic incentive program guidance titled, “Improving Air Quality with Economic Incentive Programs.” Thus, the EPA’s existing policy recognizes that states may demonstrate as part of their NO_x RACT SIP submittal that the weighted average NO_x emission rate from a group of sources in the nonattainment area subject to RACT meets NO_x RACT requirements.

Comment: The EPA received several supporting and opposing comments regarding whether the EPA should modify the RACT guidance to allow for states to consider the ozone air quality benefits of reductions in VOC emissions for purposes of RACT determinations. Supporting comments provided examples where photochemical modeling appears to show that in some areas VOC reductions have a limited effect on reductions in ozone concentrations. These commenters also provided information that may be useful in evaluating the potential definition of “negligible effect.” Several commenters also provided potential legal justifications for modifying the RACT guidance in this respect.

Response: The EPA recognizes that modification of the existing guidance on determining RACT could add flexibility that would be beneficial to the efficiency of ozone controls in some states. In addition, it appears that there is available science suggesting that ozone formation in some areas is NO_x-limited, such that changes in anthropogenic VOC emissions will have little effect on ozone concentrations. However, the EPA does not believe that the legal arguments provided by the commenters are sufficient to address potential statutory restrictions. The main legal argument presented by commenters in support of flexibility is that the EPA has “discretion” to determine what constitutes “reasonably” available control

technology. However, the EPA may not have sufficient discretion to support this modification of the existing RACT guidance. CAA section 182(b)(2) provides that SIPs must “require the implementation of reasonably available control technology” with respect to “VOC sources.” It does not clearly authorize consideration of whether technology that is “reasonably available” is also reasonably effective with respect to improving air quality or reducing ozone formation, and it does not specify criteria for discerning a level of air quality improvement below which available technology does not need to be implemented.

Comment: Some opposing comments raised equity concerns with modifying the RACT guidance, while other comments raised legal concerns. Several commenters stated the EPA has issued NO_x waivers in the past under CAA section 182(f) and the proposed approach would appear to establish a VOC waiver scheme, which the commenters do not support and is not expressly provided by the statute. Several commenters stated that the CAA requires RACT on all major sources of VOC in nonattainment areas and the commenters do not believe that the EPA has the authority to eliminate this requirement. One commenter also stated that not only has Congress made clear that CAA section 182(b)(2)’s mandates for VOC RACT are not limited by any sort of air quality benefit test, but the plain meaning of “economic feasibility” does not have anything to do with air quality benefits, citing several cases.

Response: Given these concerns about whether the CAA authorizes such an approach, and as is discussed above, the EPA is not at this time revising our long-standing RACT determination guidance. However, the EPA may continue to explore this option and potential legal support for it in the future.

Comment: The EPA received one supporting comment regarding the proposed approach that for VOC sources subject to MACT standards, states would be allowed to streamline their RACT analysis by including a discussion of the MACT controls and considerations relevant to VOC RACT. The EPA received one additional comment suggesting that, before requiring states to apply NO_x RACT to all combustion sources, the EPA should study certain MACT rules and specifically recommend the SIP credit for federal MACT measures in SIP planning.

Response: The EPA thanks the commenter for their support. Regarding the issue of whether to specifically recommend the SIP credit for federal

³⁵ 571 F.3d at 1258.

MACT measures in SIP planning, the EPA is not planning at this time to develop specific recommendations for SIP credit for Federal MACT measures. Additionally, the commenter seems to imply that the EPA should not require compliance with RACT until such a study is completed. The EPA disagrees with the commenter. Regardless of whether or not the EPA conducts such a study, the RACT requirements remain requirements that must be met under the CAA, whether through reliance on MACT or otherwise.

Comment: One commenter expressed concern that the EPA's proposed requirement to have RACT in place by January 1, 2017, may not provide enough time for implementation. The commenter noted that if the EPA needs to develop additional CTGs for the current ozone NAAQS, states may not have ample time to develop regulations that provide sufficient time for sources to implement RACT for sources covered by additional CTGs.

Response: The EPA disagrees with the commenter that a requirement for RACT to be in place by January 1, 2017, for areas designated nonattainment effective July 20, 2012, (and all areas of the OTR), does not allow enough time for implementation. The EPA believes that the January 1, 2017, date allows a sufficient amount of time for states to make RACT determinations and for sources to meet RACT requirements on the time-table originally anticipated under the 1990 CAA Amendments, and ensures that RACT measures are required to be in place throughout the last ozone season prior to the Moderate area attainment date of July 20, 2018.

Given the comment received, we wish to provide further clarification regarding the RACT implementation deadline. The EPA notes that the requirement to develop a RACT SIP applies only to nonattainment areas that are classified as Moderate or above (*i.e.*, Serious, Severe, or Extreme). Therefore, for such areas that were designated effective July 20, 2012, RACT SIPs are due within 2 years of the effective date of designation, by July 20, 2014. Sources subject to RACT in those areas would then need to implement RACT by January 1, 2017.³⁶ If an area is reclassified from Marginal to Moderate at some later date, then that area would become subject to a new RACT requirement, and the EPA would set new SIP submission and RACT

compliance dates on a reasonable schedule that the Administrator will establish in the applicable notice and comment rulemaking reclassifying the area. For areas newly redesignated to nonattainment, the RACT SIP is due 2 years from the effective date of designation, and the implementation deadline is January 1st of the 5th year after the effective date of designation.

Additionally, the January 1, 2017, RACT implementation deadline, would not automatically apply to sources covered by future CTGs. If a new CTG is developed, all current Moderate or above areas would be required to revise their SIPs for the sources covered by the CTG within the period set forth by the EPA in issuing the CTG document (*see* section 182(b)(2) of the CAA), which would occur through notice and comment rulemaking. This will give sources lead time to comply with the new requirement.

Comment: With regard to the EPA's proposed requirement to have RACT in place by January 1, 2017, one commenter asserted that it was not Congress's intention to require another round of RACT revisions in the short period of time between ozone NAAQS revisions. The commenter claims the short period of time would not allow a facility to recoup the investment in the original pollution control before the requirement to reconsider if the next round RACT determinations requires newer controls. The commenter also believes that it would be burdensome for states to adopt new RACT SIPs and resubmit them for EPA approval.

Response: The EPA disagrees with the commenter that Congress did not realize the implication that the 5-year NAAQS review cycle would potentially require new RACT determinations each time a NAAQS is revised. The EPA has offered flexibilities in applying the RACT requirements for areas that have previously met requirements for the 1-hour or the 1997 8-hour ozone NAAQS.

2. Reasonably Available Control Measures (RACM)

a. Summary of the Proposal

The EPA proposed to continue to apply to the 2008 ozone NAAQS, existing RACM guidance that interprets the RACM provision to require a demonstration that the state has adopted all reasonable measures (including RACT) to meet RFP requirements and to demonstrate attainment as expeditiously as practicable and thus that no additional measures that are reasonably available will advance the attainment date or contribute to RFP for the

area.^{37 38 39} The EPA also proposed that although states should consider all available measures, including those being implemented in other areas, a state must adopt measures for an area only if those measures are economically and technologically feasible and will advance the attainment date or are necessary for RFP.

b. Final Action and Rationale

The EPA is finalizing the proposed approach of continuing to apply existing RACM guidance to the 2008 ozone NAAQS, such that we interpret the RACM provision to require a demonstration that the state has adopted all reasonable measures (including RACT) to meet RFP requirements and to demonstrate attainment as expeditiously as practicable and thus that no additional measures that are reasonably available will advance the attainment date or contribute to RFP for the area. Additionally the EPA is finalizing the interpretation of the CAA requirements that states should consider all available measures, including those being implemented in other areas, and that a state must adopt measures for an area only if those measures are economically and technologically feasible and will advance the attainment date or are necessary for RFP. This interpretation has been upheld by several courts. *See, e.g., Sierra Club v. EPA*, et al., 294 F.3d 155 (D.C. Circuit, 2002).

Significant tracts of land under federal management may also be included in nonattainment area boundaries. The role of fire in these areas should be assessed and emissions budgets developed in concert with those federal land management agencies. Where appropriate, states may consider developing plans for addressing wildland fuels in collaboration with land managers and owners. Information is available from the Department of the Interior (DOI) and USDA Forest Service on smoke management programs and

³⁷ "State Implementation Plans; General Preamble for Proposed Rulemaking on Approval of Plan Revisions for Nonattainment Areas" 44 FR 20372 at 20375 (April 4, 1979). "State Implementation Plans; General Preamble for the Implementation of Title I of the Clean Air Act Amendments of 1990; Proposed Rule." 57 FR 13498 at 13560 (April 16, 1992).

³⁸ "Guidance on the Reasonably Available Control Measures (RACM) Requirement and Attainment Demonstration Submissions for Ozone Nonattainment Areas." John S. Seitz, Director, Office of Air Quality Planning and Standards. November 30, 1999. <http://www.epa.gov/ttn/oarpg/t1/memoranda/revracm.pdf>.

³⁹ Memorandum of December 14, 2000, from John S. Seitz, Director, Office of Air Quality Planning and Standards, re: "Additional Submission on RACM from States with Severe One-Hour Ozone Nonattainment Area SIPs." http://www.epa.gov/ttn/caaa/t1/memoranda/121400_racmmemfin.pdf.

³⁶ We note that the RACT compliance date does not change relative to the RACT SIP submission. This compliance date is fixed, such that if a state submits a RACT SIP past the deadline, then sources would still have to comply with the RACT requirements by January 1, 2017.

basic smoke management practices and may be considered as potential mitigation measures to lessen the impacts of wildfires.⁴⁰

Wildfire emissions are a component of background ozone⁴¹ and can significantly contribute to periodic high ozone levels.⁴² Besides their effect on air quality, wildfires pose a direct threat to public safety—a threat that can be mitigated through management of wildland vegetation. Attempts to suppress wildfires have resulted in unintended consequences, including increased risks to both humans and ecosystems.⁴³ The use of wildland prescribed fire can influence the occurrence, behavior and effects of catastrophic wildfires which may help manage the contribution of wildfires to background ozone levels and periodic peak ozone events. Additionally prescribed fires can have benefits to those plant and animal species that depend upon natural fires for propagation, habitat restoration, and reproduction, as well as myriad ecosystem functions (e.g., carbon sequestration). The EPA understands the importance of prescribed fire which mimics a natural process necessary to manage and maintain fire-adapted ecosystems and climate change adaptation, while reducing risk of uncontrolled emissions from catastrophic wildfires, and is committed to working with federal land managers, tribes, and states to effectively manage prescribed fire use to reduce the impact of wildfire related emissions on ozone.

If wildfire impacts are significant, contributing to exceedances of the standard, states should consider RACM for this source. Fires play an important ecological role across the globe, benefiting those plant and animal species that depend upon natural fires for propagation, habitat restoration, and reproduction. Fires are one tool that can be used to reduce fuel load, unnatural

understory, and tree density, helping to reduce the risk of catastrophic wildfires. Some wildfires and the use of prescribed fire can influence the occurrence of catastrophic wildfires which may reduce the probability of fire-induced ozone impacts and subsequent public health effects. RACM for wildfire may include addressing the wildland fuels through fuels management, including the use of prescribed fire and possibly allowing some wildfire to occur naturally, in systems that are ecologically fire dependent. Where appropriate, states, land managers and land owners may consider developing plans to ensure that fuel accumulations are addressed and fuel management efforts are not delayed. RACM for prescribed fires should also be considered. Information is available from DOI and the USDA Forest Service on the ecological role of fire, smoke management programs and basic smoke management practices, and fuels management strategies, and may be considered when determining RACM for prescribed fires. RACM must be determined for each area on a case-by-case basis.

c. Comments and Responses

Comment: One commenter suggested amending RACM guidance to follow the same common-sense approach proposed for RACT; i.e., if studies show that reducing anthropogenic VOC emissions in an area has little effect on ground-level ozone concentrations, RACM analyses should not be required for that pollutant.

Response: We note that existing EPA guidance already provides some assistance to states with identifying the type of measures that might be considered for RACM (See General Preamble, 57 FR 13549, April 16, 1992). If a state demonstrates that implementation of VOC emission reduction measures will not contribute to an area's reasonable further progress or to attainment, then additional control of VOC emissions does not need to be further considered for RACM purposes. Thus, the EPA concludes that it need not amend RACM guidance to address this comment.

E. Does the 2008 ozone NAAQS result in any new vehicle I/M programs?

Based on current designations and classifications for the 2008 ozone NAAQS, no new vehicle I/M programs are currently required. In the proposal for this rulemaking, the EPA provided information on potential ways a state could design and implement an I/M program, either because it was required to implement a program due to a future

reclassification for the 2008 ozone NAAQS, as a result of a nonattainment designation and classification under a future standard, or because an area decided to implement an I/M program even though it was not otherwise required. That discussion is not repeated here; therefore, please refer to the proposal (78 FR 34194–34196). Although the EPA is finalizing its proposal to revise the I/M SIP due date to align it with other SIP due dates (see section III.A of this preamble), no other changes are being made to the EPA's existing regulations and guidance on vehicle I/M programs.

F. How does transportation conformity apply to the 2008 ozone NAAQS?

1. What is transportation conformity?

Transportation conformity is required under CAA section 176(c) to ensure that transportation plans, transportation improvement programs (TIPs) and federally supported highway and transit projects are consistent with (“conform to”) the purpose of the SIP. Conformity to the purpose of the SIP means that transportation activities will not cause new air quality violations, worsen existing violations, or delay timely attainment of the relevant NAAQS or interim reductions and milestones. Transportation conformity applies to areas that are designated nonattainment, and to those former nonattainment areas that have been redesignated to attainment since 1990 and have a CAA section 175A maintenance plan (“maintenance areas”) for transportation-related criteria pollutants: carbon monoxide, ozone, nitrogen dioxide and particulate matter.

The EPA's Transportation Conformity Rule (40 CFR 51.390 and part 93, subpart A) establishes the criteria and procedures for determining whether transportation activities conform to the SIP. The EPA first promulgated the Transportation Conformity Rule on November 24, 1993 (58 FR 62188), and subsequently published several amendments. For example, the EPA published a final rule on July 1, 2004 (69 FR 40004) that provided transportation conformity procedures for state and local agencies under the 1997 ozone NAAQS, among other things. Parties involved in implementing transportation conformity include state and local transportation and air quality agencies, metropolitan planning organizations (MPOs) and the U.S. Department of Transportation (the DOT) (40 CFR 93.102). For further information on transportation conformity rulemakings, policy guidance and outreach materials, see the

⁴⁰ USDA Forest Service and Natural Resources Conservation Service, Basic Smoke Management Practices Tech Note, October 2011, http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1046311.pdf.

⁴¹ Jaffe, DA; Wigder, NL. (2012). Ozone production from wildfires: A critical review. *Atmos Environ* 51: 1–10. <http://dx.doi.org/10.1016/j.atmosenv.2011.11.063>.

⁴² Emery, C; Jung, J; Downey, N; Johnson, J; Jimenez, M; Yarwood, G; Morris, R. (2012). Regional and global modeling estimates of policy relevant background ozone over the United States. *Atmos Environ* 47:206–217. <http://dx.doi.org/10.1016/j.atmosenv.2011.11.012>.

⁴³ Indeed, “Fire policy that focuses on [wildfire] suppression only, delays the inevitable, promising more dangerous and destructive future . . . fires.” Stephens, SL; Agee, JK; Fule, PZ; North, MP; Romme, WH; Swetnam, TW. (2013). Managing Forests and Fire in Changing Climates. *Science* 342:41–42.

EPA's Web site at <http://www.epa.gov/otaq/stateresources/transconf/index.htm>.

2. When would transportation conformity apply to areas designated nonattainment for the 2008 ozone NAAQS?

Transportation conformity for the 2008 ozone NAAQS applied 1 year after the effective date of nonattainment designations for the NAAQS. CAA section 176(c)(6) and 40 CFR 93.102(d) provide a 1-year grace period from the effective date of an initial designation of nonattainment before transportation conformity applies in the area for a particular pollutant and standard. For areas designated nonattainment effective July 20, 2012, the 1-year grace period ended on July 20, 2013. For any area subsequently redesignated to nonattainment (from unclassifiable or attainment), the 1-year grace period runs from the effective date of the redesignation. The grace period requirements differ depending on whether the nonattainment area is a metropolitan area or an isolated rural area.

In metropolitan areas, which are defined as urbanized areas that have a population greater than 50,000 and a designated MPO responsible for transportation planning per 23 U.S.C. 134, within 1 year after the effective date of the nonattainment designation, the area's MPO and the DOT must make a conformity determination with regard to the area's transportation plan and TIP for the 2008 ozone NAAQS under the transportation conformity regulations (40 CFR 93.139 and part 93, subpart A). The conformity requirements for "donut areas,"⁴⁴ including the application of the 1-year conformity grace period, are generally the same as those for metropolitan areas. If, at the end of the grace period, the MPO and the DOT have not made a transportation plan and TIP conformity determination for the relevant pollutant and standard, the area would be in a conformity "lapse." During a conformity lapse, only certain projects can receive additional federal funding or approvals to proceed. The practical impact of a conformity lapse will vary from area to area.

Isolated rural nonattainment areas are areas that do not contain or are not part of an MPO (40 CFR 93.101). Conformity requirements for isolated rural nonattainment areas can be found at 40 CFR 93.109(g). An isolated rural area

would be required to make a conformity determination only at the point when a new transportation project needs funding or approval. This point may occur significantly after the 1-year grace period has ended. See the EPA's July 1, 2004, final rule for further background on how the EPA has implemented this conformity grace period for the 1997 ozone NAAQS in metropolitan, donut and isolated rural areas (69 FR 40008–40014).⁴⁵

3. Does transportation conformity apply for the 1997 ozone NAAQS once that NAAQS is revoked?

The CAA only requires transportation conformity in areas that are designated nonattainment or maintenance for a given pollutant and standard. Therefore, transportation conformity would no longer apply for purposes of the 1997 ozone NAAQS as of the time that standard (and thus an area's designation for that standard) is revoked. Accordingly, existing 1997 ozone NAAQS nonattainment and maintenance areas, regardless of their designation for the 2008 ozone NAAQS, would no longer be required to demonstrate transportation conformity for the 1997 ozone NAAQS after the 1997 ozone NAAQS is revoked. The D.C. Circuit ruled that the EPA violated the CAA when it partially revoked the 1997 ozone NAAQS for transportation conformity purposes only in the Classifications Rule for the 2008 ozone NAAQS (*NRDC v. EPA*, D.C. Cir. No. 12–1321, December 23, 2014). The partial revocation had been in effect since July 20, 2013, 1 year after the effective date of designations for the 2008 ozone NAAQS. (77 FR 30160). The D.C. Circuit Court of Appeals vacated this aspect of the Classifications Rule but said nothing to suggest that the EPA could not revoke the standard for all purposes, as it is doing today. See *South Coast*, (upholding revocation of standard so long as anti-backsliding measures are introduced). Under our current Transportation Conformity Rule, the latest approved or adequate emission budgets for a previous ozone NAAQS (i.e., the 1997 or the 1-hour ozone NAAQS) would continue to be used in conformity determinations for the 2008 ozone NAAQS until emission budgets are established and found adequate or are approved for the 2008 ozone NAAQS. (77 FR 14981–2).

⁴⁵ Also, see the EPA's transportation conformity Web site for more information, including EPA's "Transportation Conformity Guidance for 2008 Ozone NAAQS Nonattainment Areas" at: <http://www.epa.gov/otaq/stateresources/transconf/2008naaqs.htm>.

4. What impact will the implementation of the 2008 ozone NAAQS have on a state's Transportation Conformity SIP?

States with previously approved Transportation Conformity SIPs should not need to revise those SIPs, unless they need to do so to ensure that existing state regulations apply in areas newly designated nonattainment for the 2008 ozone NAAQS. However, if this is the first time that transportation conformity will apply in a state, such a state is required to submit a SIP revision within 12 months of the effective date of the nonattainment designation that covers the three specific transportation conformity requirements that are delineated in CAA section 176(c)(4)(E). These specific requirements are consultation procedures and written commitments to control or mitigation measures associated with conformity determinations for transportation plans, TIPs or projects. 40 CFR 93.139. Additional information and guidance can be found in EPA's "Guidance for Developing Transportation Conformity State Implementation Plans" (<http://www.epa.gov/otaq/stateresources/transconf/policy/420b09001.pdf>).

G. What requirements for general conformity apply to the 2008 ozone NAAQS??

1. Summary of the Proposal

The EPA did not propose to make revisions to the General Conformity Regulations.⁴⁶ However, we did recommend that as areas develop their SIPs for the 2008 ozone NAAQS, state and local air quality agencies work with federal agencies with major facilities that are subject to the General Conformity Regulations to establish an emissions budget for those facilities in order to facilitate future conformity determinations. Significant tracts of land under federal management may also be included in nonattainment area boundaries. The role of fire in these areas should be assessed and emissions budgets developed in concert with those federal land management agencies. Where appropriate, states may consider developing plans for addressing wildland fuels in collaboration with land managers and owners. Information is available from DOI and USDA Forest Service on the ecological role of fire, smoke management programs and basic

⁴⁶ Information on what federal actions are covered and how to demonstrate conformity are found in 40 CFR part 93 subpart B. On March 24, 2010, former Administrator Lisa P. Jackson signed the General Conformity Final Rule "Revisions to the General Conformity Regulations," which was published April 5, 2010 (75 FR 17254–17279). More information on the general conformity program is available at <http://www.epa.gov/air/genconform/>.

⁴⁴ For the purposes of transportation conformity, a "donut" area is the geographic area outside a metropolitan planning area boundary, but inside a designated nonattainment or maintenance area boundary that includes an MPO (40 CFR 93.101).

smoke management practices, and fuels management strategies (including prescribed fire), and may be considered as potential mitigation measures to lessen the impacts of wildfires.⁴⁷ We also stated in the proposal that for the ozone precursors VOC and NO_x, the existing *de minimis* emission levels contained in 40 CFR 93.153(b)(1) will continue to apply to the 2008 ozone NAAQS. We also stated in the proposal that general conformity for the 2008 ozone NAAQS would apply 1 year after the effective date of nonattainment designations for that NAAQS because section 176(c)(6) provides a 1-year grace period from the effective date of initial designations before general conformity determinations are required in areas newly designated nonattainment for a particular pollutant and standard. In such areas, we encourage states to consider in any baseline inventory used and/or submitted to include emissions expected from projects subject to general conformity, including emissions from wildland fire that may be reasonably expected in the area.

Since we proposed to revoke the 1997 ozone NAAQS at the time the final SIP Requirements Rule is published in the **Federal Register**, we stated in the proposal that general conformity requirements under the 1997 ozone NAAQS would end after the 2008 ozone NAAQS general conformity requirements begin.

2. Final Action and Rationale

The EPA is taking no action to revise General Conformity Regulations. For reasons explained in section IV of this rule, we are revoking the 1997 ozone NAAQS 30 days after publication of this final rule. Accordingly, the general conformity requirements for the 1997 ozone NAAQS will end when the NAAQS is revoked, and the general conformity requirements for the 2008 ozone NAAQS are applicable 1 year after the effective date of nonattainment designations for the 2008 NAAQS.⁴⁸ The EPA believes the existing General Conformity Regulations (40 CFR part 93) remain appropriate for the 2008 ozone NAAQS. States with approved general conformity SIPs should not need to revise their SIPs unless they need to do so to ensure they are consistent with the April 5, 2010, revisions to the general conformity regulations or to ensure the

existing regulations apply in the appropriate newly designated areas.

H. What are the requirements for contingency measures in the event of failure to meet a milestone or to attain?

1. Summary of Proposal

The EPA proposed that the contingency measures required for Moderate and above areas under CAA sections 172(c)(9) and 182(c)(9) must provide for the implementation of specific measures if the area fails to attain or to meet any applicable milestone. These measures must be submitted for approval into the SIP as adopted measures that would take effect without further rulemaking action by the state or the Administrator upon a determination that an area failed to attain or to meet the applicable milestone. Per the EPA guidance, contingency measures should represent 1-year's worth of progress, amounting to reductions of 3 percent of the baseline emissions inventory for the nonattainment area, which would be achieved while the state is revising its plans for the area.⁴⁹

Regarding the content of the contingency measures, the EPA's prior guidance specifies that some portion of the contingency measures must include VOC reductions. As explained in the proposal, this previous limitation is no longer necessary in all cases. In particular, Moderate and above areas that have completed the initial 15 percent VOC reduction required by CAA section 182(b)(1)(A)(i), can meet the contingency measures requirement based entirely on NO_x controls if that is what the state's analyses have demonstrated would be most effective in bringing the area into attainment. There would be no minimum VOC requirement. Also, the EPA proposed continuing its long-standing policy that allows promulgated federal measures to be used as contingency measures as long as they provide emission reductions in the relevant years in excess of those needed for attainment or RFP.⁵⁰

The EPA also proposed an implementation approach for Extreme nonattainment areas whereby plan provisions meeting the requirements of CAA section 182(e)(5) (referred to as the "black box"), including the requirements concerning contingency measures, therein, may satisfy the CAA section 172(c)(9) and 182(c)(9) contingency measure requirements for the area provided the state has already

adopted all reasonable candidate measures in the applicable SIP to satisfy RACM, RFP, and all other requirements necessary for attainment in the area.

2. Final Action and Rationale

The EPA is finalizing the proposed requirements that contingency measures must be submitted for approval into the SIP as required by the CAA and must provide for the implementation of specific measures without any further rulemaking action if the area fails to attain or meet any applicable milestone, with limited exceptions for Extreme nonattainment areas relying on plan provisions approved under CAA section 182(e)(5), as discussed below. Regarding content of the 1-year's worth of emissions covered by the contingency measures, the EPA is finalizing its proposal to allow the 3 percent emissions reductions of the contingency measures, to be based entirely on NO_x controls if the area has completed the initial 15 percent ROP VOC reduction required by CAA section 182(b)(1)(A)(i) and the state's analyses have demonstrated that NO_x substitution would be most effective in bringing the area into attainment.

The EPA will continue to allow the use of federal measures providing ongoing reductions into the future to be used to meet contingency measure requirements for the 2008 ozone NAAQS, consistent with the EPA's longstanding policy. The EPA has previously approved the use of federal measures to meet contingency measure requirements in actions approving 1-hour and 8-hour ozone SIPs.

With respect to Extreme ozone nonattainment areas, CAA section 182(e)(5) allows the agency to exercise discretion in approving Extreme area attainment plans that rely, in part, on the future development of new control technologies or improvements of existing control technologies, where certain conditions are met. This discretion can be applied as long as the state has demonstrated that: All reasonably available control measures, including RACT, have been included in the plan; the area's RFP demonstration during the first 10 years after designation does not rely on anticipated future technologies; and the state has submitted enforceable commitments to timely develop and adopt contingency measures to be implemented if the anticipated future technologies do not achieve planned reductions. The EPA is finalizing its proposal to allow states to submit, for Extreme nonattainment areas, enforceable commitments to develop and adopt contingency measures meeting the requirements of

⁴⁷ USDA Forest Service and Natural Resources Conservation Service, Basic Smoke Management Practices Tech Note, October 2011, http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1046311.pdf.

⁴⁸ For areas designated in 2012, the effective date was July 20, 2013.

⁴⁹ See the April 16, 1992 General Preamble section III.A.3.c (57 FR 13498 at 13511).

⁵⁰ See *Louisiana Environmental Action Network (LEAN) v. EPA*, 382 F.3d 575 (D.C. 2004).

182(e)(5) to satisfy the requirements for both attainment contingency measures in CAA sections 172(c)(9) and 182(c)(9). These enforceable commitments must obligate the state to submit the required contingency measures to the EPA no later than three years before any applicable implementation date, in accordance with CAA section 182(e)(5).⁵¹ We note that this does not, however, relieve states from obligations to submit contingency plans as required by CAA sections 172(c)(9) and 182(c)(9) for periods in the first 10 years after designation.

3. Comments and Responses

Comment: Commenters urged the EPA to provide flexibility to states when adopting, subject to the EPA approval, contingency measures into the SIP that are ready for implementation should the area fail to either meet milestones or attain. Commenters requested that the EPA allow air quality improvement measurements to be taken into consideration for purposes of evaluating the level of emission reductions necessary to meet the contingency measure requirements when providing “approximately” 1 year’s worth of progress for contingency measures. Commenters indicated that a similar air quality improvements approach has been used in approving PM_{2.5} contingency measures.

Response: The EPA’s long-standing interpretation is that a 3 percent emissions reduction from the RFP baseline, rather than a specific ozone concentration improvement, is the minimum contingency measure adoption requirement under subpart 2. The EPA did not propose to alter this guidance. However, we note that if the contingency measures are ever triggered for an area, states may take air quality considerations into account in determining whether a subset of measures amounting to less than 3 percent emissions reduction are all that is necessary to be implemented to cure the identified failure.⁵² The implementation of PM_{2.5} NAAQS is governed by statutory and regulatory requirements that are separate from, and not identical to, ozone implementation and provide flexibility for states to

consider the degree of air quality improvement that may be needed in developing RFP plans and contingency measures.

Comment: Several commenters supported, and no commenters objected to using CAA section 182(e)(5) authority to approve contingency measure plans for Extreme nonattainment areas where the attainment plan is based on development of new or improved control measures.

Response: We appreciate the supportive comments. We recognize that all areas must meet the contingency plan requirements of CAA sections 172(c)(9) and 182(c)(9). We agree that CAA section 182(e)(5) provides the agency with discretion to approve an Extreme area attainment plan that relies, in part, on the future development of new control technologies or improvements of existing control technologies. This authority can be exercised as long as the state has demonstrated that: All reasonably available control measures, including RACT, have been included in the plan; the area’s RFP demonstration during the first 10 years after designation does not rely on anticipated future technologies; and the state has submitted enforceable commitments to timely develop and adopt contingency measures in the event that anticipated future technologies do not achieve planned reductions.

Comment: One commenter argued that an Extreme nonattainment area seeking to rely on the CAA section 182(e)(5) “black box” should be required to demonstrate that it has adopted all feasible controls, even if they do not advance attainment by a year and regardless of whether they constitute “reasonably available control measures,” and that the EPA should “change its interpretation of RACT and RACM, which currently allows areas to avoid adopting and implementing feasible measures.”

Response: The EPA believes that both its long-standing interpretation of RACM and its focus on whether control measures are “reasonably available” provide an appropriate framework for determining when to exercise the discretion provided by CAA section 182(e)(5). As noted in the proposal, the determination of whether a SIP contains all RACM requires an area-specific analysis establishing that there are no additional economically and technically feasible control measures (alone or cumulatively) that will advance the attainment date by 1 year. This requires close review of any measure that a commenter identifies as reasonably available for implementation in the area

in light of local circumstances, and of measures being implemented in other states. 78 FR 34187, at 34194 (June 6, 2013). This interpretation of RACM has been upheld in court (e.g., *Sierra Club v. EPA*, 294 F.3d 155, 162–163 (D.C. Cir. 2002)). Thus, the EPA believes that it is appropriate to require that an area seeking to rely on the anticipated development of new technology demonstrate that its plan includes all control measures that come within this definition of “reasonably available.” The EPA does not believe it is necessary for an area to demonstrate the use of measures that go beyond that definition in order to meet contingency measure requirements.

I. How do the NSR requirements apply for the 2008 ozone NAAQS?

1. Major NSR Requirements for the 2008 Ozone NAAQS

The NSR programs established in parts C and D of title I of the CAA contain specific requirements for the preconstruction review and permitting of new or modified major stationary sources of air pollutants. In attainment and unclassifiable areas, the requirements under part C apply for the prevention of significant deterioration (PSD) program. In nonattainment areas, the requirements under part D apply for the nonattainment NSR program. We commonly refer to the PSD and nonattainment NSR programs together as the “major NSR programs.”

The regulations for the major NSR programs are contained in 40 CFR 51.166 and 52.21 for PSD, and 51.165, 52.24 and part 51, Appendix S for nonattainment NSR.⁵³ Among other things, in unclassifiable and attainment areas, the PSD program requires a new major source, or a major modification to an existing major source, to obtain a permit that satisfies PSD requirements, including the application of best available control technology (BACT) for “each pollutant subject to regulation under [the CAA],” conducting an air quality impact analysis, and complying with requirements related to the protection of Class I areas.

As part of the required air quality impact analyses, section 165(a)(3) of the CAA provides that the owner or operator of a proposed facility must, among other things, demonstrate that “emissions from construction or operation of such facility will not cause,

⁵¹ For example, where a state intends to rely on CAA section 182(e)(5) commitments to satisfy the CAA section 182(c)(9) contingency measure requirement for an RFP milestone in year 2022, the commitments must obligate the state to submit adopted contingency measures to the EPA no later than 2019. (i.e., 3 years before RFP contingency measures for 2022 would be implemented).

⁵² See “Guidance for Growth Factors, Projections, and Control Strategies for the 15 Percent Rate-of-Progress Plans,” U.S. EPA, March 1993, page 83 (EPA-452/R-93/002).

⁵³ As appropriate, certain nonattainment NSR requirements under 40 CFR 51.165 or Appendix S can also apply to sources and modifications located in areas that are designated attainment or unclassifiable in the Ozone Transport Region. See, e.g., CAA 184(b)(2), 40 CFR 52.24(k).

or contribute to, air pollution in excess of any . . . national ambient air quality standard in any air control region.” The EPA has generally interpreted this statutory requirement, and the corresponding regulations implementing EPA’s federal PSD permitting program at 40 CFR 52.21(k) and establishing minimum requirements for PSD programs approved into SIPs at 40 CFR 51.166(k), to include a demonstration for any NAAQS that is in effect at the time a final permit decision is issued.⁵⁴ See, e.g., 73 FR 28321, 28324, 28340 (May 16, 2008); 78 FR 3253 (Jan. 15, 2013); Memorandum from Stephen D. Page, Director, Office of Air Quality Planning & Standards, entitled “Applicability of the Federal Prevention of Significant Deterioration Permit Requirements to New and Revised National Ambient Air Quality Standards,” to the EPA Regional Air Division Directors and Deputies (April 1, 2010).

In the proposal, the EPA indicated that, since the May 27, 2008, effective date of the 2008 ozone NAAQS, permit applications for new major stationary sources and major modifications have been subject to the PSD program requirements for ozone under two sets of circumstances: (1) Prior to the designation of areas for the 2008 ozone NAAQS, sources locating in areas designated attainment or unclassifiable for the 1997 ozone NAAQS; and (2) on and after the July 20, 2012, effective date of area designations for the 2008 ozone NAAQS, sources locating in areas designated as attainment or unclassifiable for both the 1997 and 2008 ozone NAAQS. If, however, an area was designated attainment or unclassifiable for the 2008 ozone NAAQS on and after July 20, 2012, but was designated nonattainment for the 1997 ozone NAAQS, consistent with the PSD regulations at 40 CFR 51.166(i)(2) and 52.21(i)(2), the nonattainment designation would require application of nonattainment NSR for permits issued to new and modified sources locating in that area that trigger major NSR requirements for ozone until the revocation of the 1997 ozone NAAQS is effective. In this rulemaking, the EPA is revoking the 1997 ozone NAAQS for all purposes. Accordingly, as explained in section IV.A of this preamble, as of 30 days after the publication of this rule in

the **Federal Register**, the area designations for the 1997 ozone NAAQS will no longer be considered current designations; thus, all areas designated attainment for the 2008 ozone NAAQS will be subject to PSD requirements. In the proposal, the EPA explained that this result was based on its interpretation of the PSD regulations at 40 CFR 51.166(i)(2) and 52.21(i)(2), but recognized that those provisions did not expressly say that a nonattainment designation for a revoked standard does not trigger the exemption from PSD requirements contained in those provisions. 78 FR 34216–17.

Accordingly, the EPA requested comment on whether amendment of 40 CFR 51.166(i)(2) and 52.21(i)(2) is necessary to achieve that outcome and on how such an amendment, if any, should be worded. After additional consideration, we believe there is a need for us to amend these provisions to further clarify the application of the exemption they contain. Therefore, the EPA is amending its PSD regulations at 40 CFR 51.166(i)(2) and 52.21(i)(2) as a logical outgrowth of the proposal and the submitted comments to clarify that historical designations for a revoked NAAQS should not be considered in determining whether PSD requirements apply for that pollutant once the revocation becomes effective in an area.

For any area that is designated nonattainment for the 2008 ozone NAAQS, the historical designations and classifications resulting from the revoked 1997 ozone NAAQS will continue to serve to identify nonattainment NSR anti-backsliding requirements (*i.e.*, major source thresholds and emissions offset ratios) that need to be taken into account in issuing nonattainment NSR permits to major stationary sources and major modifications.⁵⁵ As indicated previously, the designations and classifications for the revoked standard should not be regarded as current designations and classifications once the revocation takes effect. For example, in implementing the emissions offset requirements for nonattainment NSR, offset ratios based on the classification for the revoked standard, to the extent more stringent than the ratios for the

2008 ozone NAAQS classification, must be used for anti-backsliding purposes. However, for purposes of determining whether a prospective offset can be obtained from a nonattainment area other than the one in which a new or modified source would be located, the requirements under section 173(c)(1) of the CAA must be satisfied. CAA section 173(c)(1) requires, in part, that the nonattainment area from which the offset is obtained must have “an equal or higher nonattainment classification than the area in which the [new or modified] source is located. . . .” After the revocation takes effect, the historical classification for the revoked NAAQS, to the extent that it is lower than the classification in the nonattainment area where a new or modified source would be located, would not preclude obtaining the offset from that area, so long as (1) the current classification for the ozone NAAQS for that area is equal to or higher than the current classification of the nonattainment area where the new or modified source is locating and (2) the other requirements under section 173(c)(1) of the CAA are satisfied.

Some states may have already in their SIP a nonattainment NSR program consistent with part D of the CAA that can be applied to new nonattainment areas. In such situations, permitting authorities should have begun applying the nonattainment NSR requirements in permitting actions for new and modified major sources that trigger major source permitting requirements for ozone in new nonattainment areas starting from the effective date of the 2008 ozone designations (July 20, 2012).

For a newly designated (or redesignated) nonattainment area for the 2008 ozone NAAQS in a state with a SIP that specifically lists the areas in which nonattainment NSR requirements under part D apply, or in a state that currently has no approved nonattainment NSR program, there will be an interim period between the July 20, 2012, designation date and the date when the EPA approves the state’s amended SIP, which must be revised to adequately address the nonattainment NSR requirements for the 2008 ozone NAAQS contained in this final rule. In the proposal, we explained that during this interim period, nonattainment NSR requirements for the 2008 NAAQS are governed by the EPA’s Emission Offset Interpretative Ruling codified in Appendix S to 40 CFR part 51. Among other things, in general, Appendix S requires new or modified major sources in nonattainment areas to meet the lowest achievable emission rate (LAER) and obtain sufficient offsetting

⁵⁴ The EPA received comments relating to statements in the proposal about its discretion to grandfather permit applications in appropriate circumstances. Since this NAAQS has been in effect since 2008, the EPA is not adding a grandfathering provision in this final rule and those comments are discussed further in the Response to Comments document.

⁵⁵ In this final rule, the anti-backsliding requirements for nonattainment NSR are codified in 40 CFR 51.1105, and are described in Section IV.B of this preamble. The nonattainment NSR regulations at 40 CFR 51.165 have been amended in this final rule to add new paragraph (a)(12), which references those anti-backsliding requirements. Also, as proposed, a new section VII has been added to Appendix S to set forth the anti-backsliding requirements that must be followed when states issue nonattainment NSR permits under that Ruling.

emissions reductions to assure that the new or modified major sources will not interfere with the area's progress toward attainment. In addition, a new section VII of Appendix S has been added as part of this final rule to set forth the anti-backsliding requirements that must be addressed in order to issue a nonattainment NSR permit under Appendix S. That language for section VII is being finalized with only minor modifications to what was proposed. Readers should refer to 40 CFR part 51, Appendix S for a better understanding of the Appendix S permitting requirements.

In the proposal, the EPA explained that the time period for the NSR waiver provision contained in section VI of Appendix S, enabling permitting authorities in specified circumstances to issue nonattainment NSR permits that do not require LAER or emissions offsets as are otherwise required under section IV of appendix S, was limited by the court's ruling in *NRDC v. EPA*, 571 F.3d 1245 (D.C. Cir. 2009). The court's ruling was the result of a petition filed in response to the EPA's Phase 2 Rule for the 1997 ozone NAAQS in which the EPA revised 40 CFR 52.24(k). The revision to paragraph (k) eliminated language stating that if a nonattainment area did not have an approved nonattainment NSR program within 18 months after designation, Appendix S would no longer apply and a construction ban would apply instead. 70 FR 71612 (November 29, 2005). The effect of the revision was to extend the applicability of Appendix S, including the section VI waiver provision, to cover the full period from the date of designation to the date on which the EPA approved the nonattainment NSR SIP for a new NAAQS.

In *NRDC v. EPA* (571 F.3d 1245 (D.C. Cir. 2009)), the court vacated "the elimination of the 18-month time limit for NSR waivers under Appendix S" on the grounds that it violated section 172(e) of the CAA (571 F.3d at 1276). As a result of the court's vacatur of the extension of the 18-month time limit for section VI of Appendix S, no section VI waivers may be granted beyond 18 months from the date of designation for any NAAQS.

Several commenters requested that the EPA clarify how the court's decision affects the implementation of Appendix S as an interim nonattainment NSR program. While most commenters understood that the vacatur applied only to the removal of the 18-month deadline for the section VI waiver, one commenter seemed to interpret the vacatur to apply to appendix S in its entirety.

To clarify, there is now a distinction between the length of time during which waivers may be granted under section VI of Appendix S and the length of time the remainder of Appendix S applies as an interim nonattainment NSR program. No section VI waivers may be granted beyond 18 months from the date of designation. The remainder of Appendix S, however, is not subject to an 18-month time limitation. It will remain as the basis for air agencies to issue nonattainment NSR permits in new ozone nonattainment areas until the EPA approves a state's nonattainment NSR program for the 2008 ozone NAAQS under the SIP for the area. Specifically, section IV of Appendix S contains preconstruction requirements for proposed sources and modifications, which reflect the requirements contained in part D of the CAA for ozone nonattainment areas. The requirements in section IV should be met consistent with the anti-backsliding requirements contained in new section VII of Appendix S.

2. Offset Requirements and Policy

To satisfy requirements under section 173 of the Act, new and modified major sources in nonattainment areas must secure emissions reductions (*i.e.*, "offsets") to compensate for a proposed emissions increase. Offsets are generated by emissions reductions that meet specific creditability criteria set forth by the SIP consistent with EPA regulations. *See*, 40 CFR 51.165(a)(3)(ii)(A)–(J) and part 51 Appendix S section IV.C.⁵⁶ One commenter suggested that nonattainment NSR major source construction and major modification offsets should be available outside the nonattainment area (from attainment areas) due to the possibility that new sources would develop in attainment areas in close proximity to the boundary of the ozone nonattainment area with subsequent impact on the nonattainment area. Further, the commenter seemed to suggest that emissions reductions from these close proximity sources should also be allowed to be used as offsets within the adjacent nonattainment area. The commenter's suggestion fails to address the statutory requirements for offsets and, more specifically, does not confront the statutory provisions restricting where offsets can be obtained from. In accordance with the

requirements under section 173(c)(1) of the CAA, emissions offsets must be obtained from the same nonattainment area, except that the state may allow a source to obtain offsets from another nonattainment area if (1) that area has an equal or higher nonattainment classification than the nonattainment area in which the source requiring the offsets is located, and (2) emissions from that other area contribute to a violation of the NAAQS in the nonattainment area in which the source requiring the offsets is located. Accordingly, the EPA does not intend to revise the existing requirements as to where emissions offsets may be obtained to allow use of offsets from attainment areas.

3. Facilitating New Source Growth in Nonattainment Areas

a. Offset Banks

States can help facilitate continued economic development in a nonattainment area by establishing offset banks or registries. Such banks or registries can help new or modified major stationary source owners meet offset requirements by streamlining identification and access to available emissions reductions. Some states have established offset banks to help ensure a consistent method for generating and transferring NO_x and VOC offsets.⁵⁷ Offsets in these areas are generated by emissions reductions that meet specific creditability criteria set forth by the SIP consistent with EPA regulations. *See* existing 40 CFR 51.165(a)(3)(ii)(A)–(J) and part 51 Appendix S section IV.C.

b. Interprecursor Offset Substitution

In the proposal, the EPA recognized that states could establish interprecursor⁵⁸ offset substitution provisions, which would create additional flexibility in meeting offset requirements by allowing NO_x emissions reductions to satisfy VOC offset requirements and vice versa. *See* 78 FR at 34201. The EPA received no adverse comments on whether to allow such interprecursor trading for ozone and no comment suggested that such trading is not or should not be allowed for ozone. In fact, all comments addressing the EPA's statements in the proposal concerning interprecursor trades for ozone for nonattainment NSR permitting were in support of allowing NO_x emissions reductions to satisfy VOC offset requirements and vice versa.

⁵⁶ *See also*, the EPA's "Improving Air Quality with Economic Incentive Programs" document at <http://www.epa.gov/region07/air/nsr/nsrmemos/eipfin.pdf>. For additional memoranda and guidance documents, *see* <http://www.epa.gov/region7/air/nsr/nsrindex.htm>.

⁵⁷ *See*, for example, emission reduction credit banking programs in Ohio (OAC Chapter 3745–1111) and California (H&SC Section 40709).

⁵⁸ For purposes of this rulemaking, we are using the terms interprecursor and interpollutant interchangeably.

Although there were no adverse comments relating to the EPA's ability to allow interprecursor trading for ozone, the EPA recognizes that the current language of 40 CFR 51.165(a)(11) and part 51 Appendix S IV.G.5 could be read to limit interprecursor trading to PM_{2.5}, and thus to preclude this kind of interprecursor trading for ozone precursors (NO_x and VOC). However, the EPA has issued previous guidance that clearly allows for such interprecursor trading for ozone precursors.⁵⁹ While the EPA did not specifically propose to amend the nonattainment NSR regulations to address interprecursor trading for ozone, the proposal indicated the EPA's intent to continue to allow states to establish provisions that allow for such interprecursor trading for ozone precursors.

As noted previously, the EPA received no adverse comments on the interprecursor aspect of the proposal. Commenters did, however, indicate support for ensuring in the final rulemaking that interpollutant trading would continue to be allowed, and one commenter indicated support for measures similar to what was authorized in the final 2008 PM_{2.5} NAAQS implementation rule, *see* 73 FR 28321, which revised the regulations and Appendix S to allow for interprecursor trading for PM_{2.5} precursors.

Accordingly, the EPA is taking action in this final rulemaking to amend the regulatory text in both 40 CFR 51.165 and Appendix S as a logical outgrowth of the proposal and the submitted comments to ensure that the offset provisions of both rules are consistent with our proposal and our ongoing position to allow such trades for the ozone precursors (VOC and NO_x). *See* revised 40 CFR 51.165(a)(11) and part 51 Appendix S IV.G.5. These changes in the regulatory text are intended to clarify that interprecursor trading continues to be an option for the ozone precursors VOC and NO_x, as long as such trades are consistent with existing policy and legal requirements; these revisions are not intended to change the underlying requirements for such trades. Please refer to the Response to Comments document in the docket for this rulemaking for more detailed

information and responses to comments with respect to interprecursor trading concerns.

c. Economic Development Zones (EDZs)

Section 173(a)(1)(B) of the CAA authorizes the Administrator, in consultation with the Secretary of Housing and Urban Development (HUD), to identify areas within nonattainment areas as "zone[s] to which economic development should be targeted." Under this section, new or modified major stationary sources that locate in such a zone are relieved of the NSR requirement to obtain emission offsets if (1) the relevant SIP includes an NSR nonattainment program that has established emission levels for new and modified major sources in the zone ("growth allowance"), and (2) the emissions from new or modified stationary sources in the zone will not cause or contribute to emission levels that exceed such growth allowance. CAA section 172(c)(4) of the CAA requires that the growth allowance be consistent with the achievement of reasonable further progress, and that it will not interfere with attainment of the applicable NAAQS by the applicable attainment date for the nonattainment area. The EPA is willing to work with HUD and states to identify potential areas that could be identified as EDZs.

4. Deadline for Submitting Nonattainment NSR Program SIPs for 2008 Ozone NAAQS

As explained in section III.A of this preamble, several commenters noted that the EPA's proposed rulemaking did not address the SIP submittal deadline for the nonattainment NSR program for the 2008 ozone NAAQS. As explained in section III.A, the final rule includes a deadline of 3 years from the effective date of designation for states to submit their nonattainment NSR program SIPs for the 2008 ozone NAAQS. The rationale for this deadline appears in section III.A of this preamble.

J. What are the emission inventory and emission statement requirements?

1. Emission Inventory Requirements

a. Summary of the Proposal

We proposed that states should rely on their 3-year cycle inventory as described by the Air Emissions Reporting Requirements (AERR) to meet 182(a)(3)(A) periodic inventory obligations and that the emissions reporting requirements of the AERR be applied to determine all of the data elements required for such inventories (*see, e.g.,* Tables 2A, 2B, 2C and 2D of 40 CFR part 51, subpart A, Appendix

A). We also proposed to follow our existing guidance, titled "Public Hearing Requirements for 1990 Base-Year Emissions Inventories for Ozone and Carbon Monoxide Nonattainment Areas" in implementing certain SIP adoption and submission procedures for the emissions inventory requirements under CAA sections 182(a)(1) and 182(a)(3)(A) for purposes of the 2008 ozone NAAQS.

b. Final Action and Rationale

We are generally finalizing as proposed, although in light of comments received we made small changes to address reporting of ozone season day and partial county emissions not currently addressed in the AERR, as explained below. CAA section 182(a)(3)(A) requires that states submit periodic emission inventories no later than the end of each 3-year period after submission of the base year inventory for the nonattainment area. This requirement applies to Marginal and above ozone nonattainment areas. Thus, states must submit this periodic inventory no later than the end of each 3-year period after submission of the base year inventory for the nonattainment area. The periodic inventory required by this final rule must include ozone season day emissions of VOC and NO_x for point, nonpoint and mobile sources (on-road and non-road) and fire-related event emissions. On December 4, 2008, the EPA promulgated the AERR rule (40 CFR 51, subpart A). The AERR requires states to submit comprehensive statewide 3-year cycle annual emission inventories (2008, 2011, 2014, *etc.*) for a number of pollutants (*see* list provided at 40 CFR 51.15(a)) regardless of an area's attainment status. During the submission of the 3-year cycle inventories in accordance with the AERR, states may also submit ozone season day emissions to meet the periodic inventory requirement of this rule. If the periodic inventory required by this rule is not included in the AERR submission, then it must be submitted to the EPA through other mechanisms in coordination with the Regional Office. Emission inventory elements submitted per the AERR that are relied on in the SIP also need to be adopted through the SIP submittal requirements per 40 CFR 51.100 *et seq.*

We are finalizing the requirement that states use the reporting requirements of the AERR to determine the data elements required for such inventories, while including an additional requirement to report ozone season day emissions, as defined in this final rule, rather than the AERR requirement for

⁵⁹ "Improving Air Quality with Economic Incentive Programs" document at <http://www.epa.gov/region07/air/nsr/nsrmemos/eipfin.pdf>. In this document, the EPA stated: "[o]zone interprecursor trading can be used to meet NSR offset requirements, regardless of whether the NSR offset emission reductions are generated through an EIP." *Id.* at 244. For additional memoranda and guidance documents, *see* <http://www.epa.gov/region7/air/nsr/nsrindex.htm>.

annual emissions for both the base year inventory for the nonattainment area and the periodic inventory. Additionally, the EPA has included within 40 CFR 51.1100(bb) and (cc) of this final rule definitions pertaining to base year inventory and the ozone season day emissions, in response to several significant comments as explained in section III.J.1.c of this rule. Accordingly, a base year inventory for the nonattainment area is due no later than 2 years after the effective date of designations, and the emissions included in this inventory must be ozone season day emissions as defined in CAA section 51.1100(cc) of this rule. A periodic inventory must be submitted on intervals no later than the end of each 3-year period after submission of the base year inventory for the nonattainment area.

The EPA has concluded that ozone season day emissions are the most appropriate temporal basis for developing the emissions to be included in this inventory, rather than summer day emissions as required by past implementation rules or the AERR. The EPA believes that summer day emissions required previously are an insufficient nomenclature, since in some areas nonattainment may be due to ozone exceedances in months other than summer months (*e.g.*, wintertime), and necessitate focusing planning efforts on emissions occurring during the most relevant time period. Other than changing the name to be more inclusive, the definition of the emissions to be included is essentially the same as the previous definition. Ozone season day emissions means an average day's emissions for a typical ozone season work weekday as defined in CAA section 51.1100(cc). The state will select, subject to EPA approval, the particular month(s) in the ozone season and the day(s) in the work week to be represented. The selection of days should be coordinated with the conditions assumed in the development of RFP plans and/or emissions budgets for transportation conformity to allow comparability of daily emissions estimates. The days should represent the conditions that contribute to high ozone that led to a nonattainment designation.

For all inventories submitted to the EPA for this rule, states must use the reporting requirements of the AERR to determine which sources are reported as point sources as well as the detail (*i.e.*, data elements) required for such inventories, with the exception of the emissions values. The emissions values must be ozone season day emissions rather than the AERR requirement for

annual emissions for both the base year inventory for the nonattainment area and the periodic inventory.

Inventories of partial-county nonattainment areas must match the spatial extent of the nonattainment area to include only emissions within the nonattainment area. The EPA acknowledges the challenges associated with partial county inventories and has prepared an updated draft of the emissions inventory guidance (*see below*) to provide additional information for air agencies to use in preparing partial county emissions. The base year inventory for the nonattainment area is used as the baseline for RFP plans to achieve emissions reductions within the nonattainment area. As explained more fully in section III.C of this preamble, the EPA has determined that emissions reductions in areas outside the nonattainment area cannot be included in the area's RFP demonstration. Thus, the EPA has concluded that for nonattainment areas with partial county boundaries, all inventories must be developed to reflect the partial county boundaries. This requirement partly supersedes the requirement to use the AERR data elements, such that for nonpoint and mobile sources, the county field required by the AERR should be replaced by a separate identifier to indicate the partial county nonattainment area. Because of this partial difference in requirements, periodic inventories for partial county nonattainment areas cannot be reported to the EPA as part of a state's AERR/NEI triennial inventory submission. Instead, states must make available the inventory data to the EPA as electronic files in some other electronic media, such as FTP, zip drives, or DVDs.

For all inventories that are used in developing RFP plans or attainment demonstrations, mobile source emissions should be estimated using the latest emissions models, data and planning assumptions available at the time the SIP is developed. The latest approved models should be used to estimate emissions from on-road and non-road sources, in combination with the latest available estimates of vehicle miles traveled (VMT), vehicle population, and/or equipment activity. States are advised to check the EPA Web pages for the currently approved mobile source models and to consult with the EPA Office of Transportation and Air Quality and their Regional Office to determine the versions of models to use for their SIPs for the 2008 ozone NAAQS. For on-road mobile emissions in states other than California, the current approved version of MOVES, as

well as links to the **Federal Register** Notice approving that version, and links to guidance documents with much more detail on when and how MOVES should be used can be found at: <http://www.epa.gov/otaq/models/moves/index.htm>. For California, consult with the EPA Region 9 Office for the information on the latest approved version of the EMFAC (Emissions FACTors) model. Emissions from non-road equipment should be estimated with the latest official version of the EPA's NONROAD model, and other appropriate methods for estimating emissions from sources not covered by these models. Links to **Federal Register** notices and policy guidance memos on the latest approved versions of MOVES and NONROAD can be found at <http://www.epa.gov/otaq/models.htm>.

Additional information is available to states for all emissions sources and quality assurance in the form of guidance. States should consult the latest version of the guidance document "Emission Inventory Guidance for Implementation of Ozone and Particulate Matter National Ambient Air Quality Standards (NAAQS) and Regional Haze Regulations," EPA-454/R-05-001 (latest final November 2005; revised draft April 2014) and any subsequent updates to that guidance that the EPA makes available (which can be found at <http://www.epa.gov/ttn/chief/eidocs/eiguid/index.html>). States should submit inventories that are appropriate for each nonattainment area and consistent with the EPA's guidance.

As indicated previously, some inventories submitted to meet the requirements of CAA sections 182(a)(1) and 182(a)(3)(A) may be used in the development of RFP plans and/or attainment demonstrations. The EPA expects that the base year inventory for the nonattainment area will serve as the RFP plan baseline. As such, the EPA requires the methodologies used to develop these inventories to be clearly documented and the inventories themselves to be subject to public participation requirements and formal approval/disapproval by the EPA.⁶⁰

⁶⁰ In comparison, the AERR emissions data are submitted by the states to the EPA, electronically via the Emission Inventory System to the National Emissions Inventory (NEI), and public review is not required for NEI purposes. The states submit data to the NEI inventory 12 months after the NEI inventory year (*i.e.*, calendar year 2011 NEI inventory data were to be submitted by December 31, 2012). The NEI process provides for the states to review the data as collected by the EPA before the EPA officially publishes the data. Under the current process, the EPA intends to publish the data 6 months after the AERR data are required to be submitted to the EPA.

The EPA is not finalizing the proposed approach, where we advised that states could follow our existing September 29, 1992, guidance, titled, "Public Hearing Requirements for 1990 Base-Year Emissions Inventories for Ozone and Carbon Monoxide Nonattainment Areas" in implementing certain SIP adoption and submission procedures for the emissions inventory requirements under CAA sections 182(a)(1) and 182(a)(3)(A) for purposes of the 2008 ozone NAAQS. In that guidance, the EPA indicated it could provide states with a time-limited "*de minimis*" deferral of the CAA's state public hearing requirement for the emissions inventory SIP revision required to be submitted for each nonattainment area within 2 years of the date of designation. The EPA continues to believe that there are valid policy reasons to provide such a deferral since the inventories alone do not have significant regulatory context without the accompanying area-specific RFP plans or attainment plans, which are not required to be submitted until the 3rd year after designations at the earliest. However, as a general matter the CAA clearly requires that SIP submittals, including emissions inventories (see CAA sections 182(a)(1) and 182(a)(3)(A)), must meet the requirements of CAA section 110(a)(2), which includes the requirement that the state provide reasonable notice and public hearing for SIP submittals. As there is nothing in these CAA provisions that provides for waiver or delay of the public notification and hearing requirements specified in CAA section 110(a) *de minimis* or otherwise, we no longer believe it is appropriate to advise states to follow the 1992 guidance. We instead remind states that the EPA's implementing regulations at 40 CFR part 51 (Requirements for Preparation, Adoption, and Submittal of Implementation Plans) provide flexibility for states to streamline SIP-related public notification and hearing procedures (for example, only holding a public hearing if one is requested, per 40 CFR 51.102), and we encourage states to take advantage of those provisions in meeting the emissions inventory requirements under CAA sections 182(a)(1) and 182(a)(3)(A).

c. Comments and Responses

Commenters provided a variety of comments on issues relating to emissions inventories. A full accounting of those comments and the EPA's detailed responses are further explained in the Response to Comments document contained in the docket. Significant comments were made that resulted in

small changes from the proposed rule. In particular, commenters noted that the proposed rule failed to clearly indicate the need for seasonal or summer day emissions values in the required inventories and for use in the RFP plan. Different commenters suggested different terms, time periods, and emissions bases to use in the inventories and plans, including summer day, typical summer day, high ozone season day, and maximum daily. These comments and others noted the discrepancy with this rule and proposed changes to the AERR, in that seasonal emissions were not expressly required by either the proposed ozone requirements rule or the proposed AERR changes. As a result of these comments, the EPA has included the requirement in this rule as a logical outgrowth for ozone season day emissions, as defined in this final rule, to be used in emission inventories submitted for ozone SIPs. One commenter noted that partial county areas are not expressly addressed in the emissions inventory requirements and pointed out that it will be burdensome for states to create partial county inventories. The EPA addresses partial county emissions in this final rule by specifically defining the emissions to be included as "within the boundaries of the nonattainment area" and clarifies in this preamble that such partial county estimates are still needed to comply with the CAA requirements for inventories and RFP plans.

2. Source Emission Statements

States must develop emission reporting programs, called emission statement programs, for VOC and NO_x sources in accordance with CAA section 182(a)(3)(B). The required state program and associated regulation defines how states obtain emissions data directly from facilities and report it to the EPA. States should coordinate their emission statement regulations with the requirements laid out in this rule, which includes coordination with requirements of the AERR.

The EPA published guidance on source emission statements in a July 1992 memorandum titled, "Guidance on the Implementation of an Emission Statement Program." A memorandum titled, "Emission Statement Requirements Under 8-hour Ozone NAAQS Implementation," dated March 14, 2006, clarified that the source emission statement requirement under the CAA was applicable to all areas designated nonattainment for the 1997 ozone NAAQS and classified as Marginal or higher under subpart 2, part D, title I of the CAA. This requirement

similarly applies to all areas designated nonattainment for the 2008 ozone NAAQS. Most areas that need an emission statement program already have one in place due to a nonattainment designation for an earlier ozone NAAQS. If an area has a previously approved emission statement rule in force for the 1997 ozone NAAQS or the 1-hour ozone NAAQS that covers all portions of the nonattainment area for the 2008 ozone NAAQS, such rule should be sufficient for purposes of the emissions statement requirement for the 2008 ozone NAAQS. The state should review the existing rule to ensure it is adequate and, if it is, may rely on it to meet the emission statement requirement for the 2008 ozone NAAQS. In cases when an existing emission statement requirement is still adequate to meet the requirements of this rule, states can provide the rationale for that determination to the EPA in a written statement in the SIP to meet this requirement. States should identify the various requirements and how each is met by the existing emission statement program. In cases when an emission statement requirement is modified for any reason, states must provide the revisions to the emission statement as part of their SIP.

K. What are the ambient monitoring requirements?

The EPA's ambient monitoring requirements are contained in 40 CFR part 58. Monitoring rule amendments published on October 17, 2006, (71 FR 61236) established minimum ozone monitoring requirements based on population and levels of ozone in an area to better prioritize monitoring resources. The minimum monitoring requirements are contained in Table D-2 of Appendix D to part 58. The Photochemical Assessment Monitoring Station (PAMS) program, required by CAA section 182(c)(1), collects enhanced ambient air measurements in ozone nonattainment areas classified as Serious, Severe, or Extreme. The monitoring rule amendments published on October 17, 2006, reduced the minimum PAMS requirements. The revisions were intended to require the retention of the minimum common PAMS network elements necessary to meet the objectives of every PAMS program, while freeing up resources for states to tailor other features of their own PAMS networks to suit their specific data needs. This final rule makes no changes to these existing requirements.

L. How can an area qualify for a 1-year attainment deadline extension?

1. Summary of the Proposal

Section 181(a)(5) of the CAA addresses the conditions under which an area may be eligible for a 1-year extension of its attainment date. Because that statutory provision was written for an exceedance-based standard, such as the 1-hour ozone NAAQS, the EPA established through the Phase 1 Rule (40 CFR 51.907) an interpretation that would apply to a concentration-based standard, such as the 1997 ozone NAAQS.⁶¹ We proposed the same approach as set forth in 40 CFR 51.907 for purposes of the 2008 ozone NAAQS, which like the 1997 ozone NAAQS is a concentration-based standard.

2. Final Action

The EPA is finalizing the proposed approach. An area that fails to attain the 2008 ozone NAAQS by its attainment date would be eligible for the first 1-year extension if, for the attainment year, the area's 4th highest daily maximum 8-hour average is at or below the level of the standard. The area would be eligible for the second 1-year extension if the area's 4th highest daily maximum 8-hour value, averaged over both the original attainment year and the first extension year, is at or below the level of the standard. Thus, to be eligible for the first 1-year extension, the 4th highest daily maximum 8-hour value for an area would need to be at or below 0.075 ppm. The area would be eligible for the second extension if the area's 4th highest daily maximum 8-hour value, averaged over both the original attainment year and the first extension year, is less than or equal to 0.075 ppm.

3. Rationale

This approach is the same approach used for implementing the 1997 ozone NAAQS. The EPA believes this approach makes sense for the 2008 ozone NAAQS as well.

4. Comments and Responses

The EPA received no adverse comments on the proposed action.

⁶¹ The exceedance based standard basically allowed the NAAQS level to be exceeded an average of only once a year over a 3-year period. (This is a generalization of how attainment is determined; the actual method considers other factors such as completeness of the data.) See 40 CFR, appendix H. In contrast, the concentration based standard allows the level of the 8-hour ozone NAAQS to be "exceeded" more than once a year on average because the form (concentration-based) of that NAAQS is determined by averaging the 4th highest reading for each year over a 3-year period.

M. How will the EPA identify whether a potential rural transport nonattainment area is adjacent to an urban area?

1. Summary of Proposal

The CAA Amendments of 1990 contained section 182(h) that provides a "rural transport" determination for ozone nonattainment areas that are rural in nature and can demonstrate that sources in the area do not make a significant contribution to ozone concentrations measured in the area or in other areas. These areas are subject to Marginal nonattainment area requirements, regardless of the area's classification under CAA section 181(a). This distinction was created for rural nonattainment areas whose ozone problem is the result of ozone and/or precursors transport into the area that is so overwhelming that the contribution of local emissions to ozone concentrations above the level of the NAAQS is relatively minor and that emissions within the area do not significantly contribute to ozone measured in other areas.

One qualifying consideration for a rural transport area determination is the lack of adjacency of the candidate nonattainment area's boundary to potentially nearby urban areas. In general, we would expect a rural nonattainment area that has few or insignificant sources of ozone precursors, yet has a monitor indicating a violation of the NAAQS, to encompass a relatively small geographic area due to the relative lack of emissions sources.⁶² The rural transport area criteria in CAA section 182(h) restrict rural transport areas to those nonattainment areas that do not include and are not adjacent to any part of a "Metropolitan Statistical Area" (MSA) or "Consolidated Metropolitan Statistical Area" (CMSA) as defined by the U.S. Bureau of the Census. In 2000, OMB issued new standards⁶³ for defining statistical areas to replace the pre-existing MSA and CMSA definitions (65 FR 82228; December 27, 2000). Under the 2000

⁶² Nonattainment area boundaries are determined by the Administrator during the area designations process governed by CAA section 107(d), and must encompass the area that does not meet the NAAQS as well as any nearby area that contributes to poor air quality in the area that does not meet the NAAQS. While the lack of emissions sources in a rural transport nonattainment area foreshadows a relatively small area boundary, it may also signal special challenges in complying with certain nonattainment area requirements, including conformity for federal projects and new source emissions offsets. States may wish to consider these challenges in making nonattainment boundary recommendations to the EPA for rural areas during the designations process.

⁶³ See <http://www.census.gov/population/www/metroareas/metrodef.html>.

standards, MSAs are defined as having a central county or counties with an urbanized area of at least 50,000 people, plus adjacent outlying counties having a high degree of economic integration with the central county, as measured through worker commuting ties. Multiple counties are included in a MSA if at least 25 percent of employed residents in the central county commute to work in one or more adjacent counties. The term CMSA was retired in 2003 with the introduction of Core Based Statistical Area concepts. We proposed to interpret the references to both MSA and CMSA in CAA section 182(h) to refer to the new Census Bureau definition for the term MSA.

2. Final Action and Rationale

We are finalizing, as proposed, the interpretation of the references to both MSA and CMSA in CAA section 182(h) to refer to OMB's current definition of MSA. Accordingly, to qualify as a rural transport nonattainment area, the nonattainment area's boundary could not include or be adjacent to a current OMB-defined MSA. Under this approach, any nonattainment area associated with a Census-defined micropolitan area (areas with central county or counties containing an urban cluster of 10,000–49,999 people plus adjacent counties having a high degree of economic and social integration as measured through worker commuting) or an area too sparsely populated to be included in a census-defined statistical area, may be able to qualify as a rural transport nonattainment area.⁶⁴ An area seeking to be classified as a rural transport nonattainment area would also need to meet the other criteria specified in CAA section 182(h).

The EPA believes this interpretation of CAA section 182(h) is consistent with the original scope of CAA section 182(h) as promulgated in 1990 and provides maximum flexibility for areas to qualify for this determination where appropriate. We did not receive any adverse comments on our proposed interpretation.

N. What are the special requirements for multi-state nonattainment areas?

Each state within a multi-state ozone nonattainment area is responsible for meeting all the requirements relevant to that area. CAA section 182(j)(1)(A) requires that states should "take all reasonable steps to coordinate substantively and procedurally" on SIP development. States should coordinate

⁶⁴ During the designations process for the 2008 ozone NAAQS, the EPA did not identify any nonattainment areas as rural transport areas.

on topics such as determining the appropriate modeling domain, baseline year, projection years and meteorological episodes. In addition, they should coordinate modeling efforts and, as required by CAA section 182(j)(1)(B), the attainment demonstration must be based on photochemical grid modeling or another method determined by the EPA to be at least as effective.

CAA section 182(j)(2) recognizes that in certain instances, one or more states within a multi-state nonattainment area may not submit an attainment plan by the required date, thus interfering with the ability of the area as a whole to demonstrate attainment. In such case, CAA section 182(j) provides that even though the area as a whole would not be able to demonstrate attainment, the sanction provisions of CAA section 179 shall not apply in the portion of the nonattainment area located in a state that submitted all other provisions of an attainment plan and demonstrated that it could have demonstrated attainment but for the failure of the other state to cooperate. The EPA did not propose any changes to its prior interpretations of these sections of the CAA (*See* 70 FR 71612), and no comments were received on these provisions. Therefore, these interpretations will continue to apply for purposes of the 2008 ozone NAAQS.

O. How will the EPA address interstate and international ozone transport?

1. Interstate Transport

The EPA recognizes that many states are affected by transported ozone and ozone precursors from upwind states, and that transported pollution may contribute significantly to air pollution that exceeds the NAAQS in those states. The CAA establishes states' responsibilities to address interstate transport through two provisions. First, CAA section 110(a)(2)(D)(i) obligates states to include provisions in their infrastructure SIPs to prohibit any source or other type of emissions activity in one state from contributing significantly to nonattainment, or interfering with maintenance, of the NAAQS in another state, from interfering with required provisions preventing significant deterioration of air quality or from interfering with measures to protect visibility in another state. Second, CAA section 126 directs states to include provisions to establish a notification process in their infrastructure SIPs through which downwind jurisdictions can be alerted to specific sources of transported pollution. The EPA issued its "Guidance on Infrastructure State

Implementation Plan Elements Under the Clean Air Act Sections 110(a)(1) and 110(a)(2)," on September 13, 2013,⁶⁵ on the required elements of the CAA section 110 infrastructure SIP submittal for the 2008 ozone NAAQS. This guidance does not, however, address the requirements of CAA section 110(a)(2)(D)(i). The proposal for this rulemaking, and this final rule, also do not address these requirements relating to transport. The EPA will address the transport requirements in a separate action.

Where interstate transported emissions contribute to an exceedance or violation and come from prescribed fire, wildfires or other natural sources, air agencies may be able to use the provisions in the EPA's Exceptional Events Rule (40 CFR 50.14) to request exclusion of affected data. Once EPA concurs with an air agency's request, the event-influenced data are officially noted and removed from the data set used to calculate official design values.

Because of previously expressed stakeholder feedback regarding implementation of the Exceptional Events Rule and specific stakeholder concerns regarding the analyses that can be used to support ozone-related exceptional event demonstrations, the EPA intends to propose revisions to the Exceptional Events Rule in a future notice and comment rulemaking effort and will solicit public comment at that time. Additionally, the EPA intends to develop guidance to address implementing the Exceptional Events Rule criteria for wildfires that could affect ambient ozone concentrations. Depending on the nature and scope of interstate emission events affecting downward air quality, the EPA may be able to assist states in developing approvable exceptional events demonstrations.

2. International Transport

Most ozone air quality problems in the United States are due primarily to emission sources within the United States. However, domestic ozone air quality can also be affected by sources of emissions located across United States borders in Canada and Mexico, and from other continents. These contributions to U.S. ozone concentrations from sources outside of the United States can affect to varying degrees the ability of some areas to attain and maintain the 2008 ozone NAAQS. The EPA will continue to work with our domestic and international partners to better understand the extent

and implications of transboundary flows of air pollutants and, where possible, to mitigate their impact on U.S. domestic air quality.

a. Summary of the Proposal

Section 179B of the CAA allows the EPA to approve an attainment demonstration for a nonattainment area if: (1) The attainment demonstration meets all other applicable requirements of the CAA; and (2) the submitting state can satisfactorily demonstrate that "but for emissions emanating from outside of the United States," the area would attain and maintain the ozone standard. The EPA proposed that this could include consideration of any emissions from North American or intercontinental sources.

b. Final Action and Rationale

The EPA is finalizing this action as proposed. The EPA believes that the best approach for addressing the potential impacts of international transport on nonattainment is for states to work with the relevant EPA Regional Office on a case-by-case basis to determine the most appropriate information and analytical methods for each area's unique situation. We will work with states that are developing plans pursuant to CAA section 179B, and ensure the states have the benefit of the EPA's developing understanding of international transport of ozone and its precursors.

Although monitored data cannot be excluded for a determination of whether an area has attained a NAAQS based solely on the fact the data are affected by emissions from outside the U.S., such data may be excluded from consideration if they were significantly influenced by exceptional events as described in CAA section 319(b). Where international transport meets the criteria and procedural requirements contained in the EPA's Exceptional Events Rule (40 CFR 50.14), it may be addressed by that rule.⁶⁶ Depending on the nature and scope of international emission events affecting air quality in the U.S., the EPA may be able to assist states in developing approvable exceptional events demonstrations.

c. Comments and Responses

Comment: One commenter supported the EPA's interpretation of CAA section 179B to include consideration of any emissions from any non-United States source and requested confirmation that the EPA's interpretation may be applied to areas other than those adjoining

⁶⁵ *See* <http://www.epa.gov/oar/urbanair/sipstatus/infrastructure.html>.

⁶⁶ "Treatment of Data Influenced by Exceptional Events; Final Rule" (72 FR 13560, March 22, 2007).

international borders. The commenter believed that CAA section 179B does not limit this option to areas, regardless of classification and believed that the EPA did not provide an explanation for why it proposed limiting the availability of a determination under CAA section 179B for Marginal classified areas.

Response: The EPA appreciates the commenter's support. The EPA has interpreted the Act such that CAA section 179B allows the EPA to approve an attainment demonstration if the state can satisfactorily demonstrate that "but for emissions emanating from outside of the United States," the area would attain and maintain the ozone standard. The EPA has historically evaluated these demonstrations on a case-by-case basis, based on the individual circumstances. The EPA does not believe this provision is restricted to areas adjoining international borders. Also, in the proposal the EPA indicated that for areas classified as Moderate and above, the modeling and other elements of the attainment demonstration must show timely attainment of the NAAQS but for the emissions from outside of the U.S. However, if a Marginal area (which is not otherwise required to submit an attainment demonstration) were to submit to the EPA a demonstration that they could attain the standard but for international emissions, the EPA would be able to evaluate that demonstration similarly to demonstrations submitted by higher classified areas.

P. How will the CAA section 182(f) NO_x provisions be handled?

1. Summary of the Proposal

We proposed, consistent with the approach taken in the Phase 2 Rule for the 1997 ozone NAAQS and the 2005 updated guidance, that a previously granted NO_x exemption (or waiver) under the 1-hour or 1997 ozone NAAQS would not automatically apply for purposes of implementing the 2008 ozone NAAQS.

2. Final Action and Rationale

We are finalizing this approach as proposed. A state with a previously approved NO_x waiver for the 1-hour or 1997 ozone NAAQS would need to submit a new request for an exemption that is supported by analyses specific to the 2008 ozone NAAQS. The new request should consider any relevant information developed after the 1-hour or 1997 8-hour ozone NAAQS waivers were granted.

The EPA believes that while it may be appropriate in certain circumstances to grant NO_x waivers, these waivers should be based upon applications and

analyses specifically focused on the circumstances relevant for attainment of the 2008 ozone NAAQS, rather than a previous ozone NAAQS, since the standards for granting a waiver relate to attainment of the relevant NAAQS.

As states evaluate whether to seek a NO_x waiver, the EPA encourages them to include consideration of air quality effects that may extend beyond the designated nonattainment area. A petition requesting a NO_x exemption for the 2008 ozone NAAQS must contain adequate documentation that the provisions of CAA section 182(f), some of which relate to attainment impacts in other areas, are met. The January 14, 2005 memo⁶⁷ provides guidance on appropriate documentation for a waiver request for application to the 8-hour ozone program. The EPA believes this guidance is sufficient to cover the 2008 ozone NAAQS.

3. Comments and Responses

Comment: One commenter stated that the EPA should avoid granting NO_x exemptions for nonattainment areas that use NO_x controls from other programs to demonstrate attainment and/or to address other provisions of the CAA.

Response: In order to request a NO_x exemption, a state must submit a petition specific to the 2008 ozone NAAQS. This petition must specifically address the provisions of CAA section 182(f). The EPA will grant NO_x exemptions only through notice-and-comment rulemaking where the public will have an opportunity to address whether the petition complies with the provisions of CAA section 182(f). In granting waivers, the EPA will take into consideration existing NO_x controls in an area.

Q. Emissions Reduction Benefits of Energy Efficiency/Renewable Energy Policies and Programs, Land Use Planning and Travel Efficiency

1. Energy Efficiency/Renewable Energy Policies and Programs

Energy efficiency and renewable energy (EE/RE) policies and programs are adopted by federal, state and local governments to lower energy demand through the use of more energy efficient equipment, technologies and practices and to transition to cleaner energy. These policies help reduce electricity generation from fossil-fueled sources, which, in turn, can result in lower

emissions of NO_x (as well as other criteria pollutants, hazardous air pollutants and greenhouse gases). Energy efficiency policies offer cost savings benefits, and can be a cost-effective strategy to help achieve air quality goals. The EPA encourages state adoption of these policies and programs to benefit nonattainment areas and to reduce the impact of ozone transport on downwind areas.

In July 2012, the EPA released the "Roadmap for Incorporating Energy Efficiency/Renewable Energy Policies and Programs into State and Tribal Implementation Plans (SIPs/TIPs)"⁶⁸ to clarify guidance on the incorporation of EE/RE measures in SIPs/TIPs. The Roadmap is a "living" document that will be updated periodically as new information becomes available. The Roadmap describes four pathways that states can use for considering air pollution reductions from EE/RE policies and programs in SIPs and TIPs. Valid EE/RE policies and programs that meet the applicable requirements of CAA section 182(c)(9) can also be used as contingency measures.

In addition to the Roadmap, the EPA is providing training and technical assistance to state, tribal and local agencies, as well as tools for quantifying the emissions impacts of EE/RE policies and programs (*i.e.*, the AVoided Emissions genERation Tool, AVERT),⁶⁹ and energy savings information for state-level EE policies and programs.⁷⁰ The EPA is also working with states to develop examples that illustrate how reductions from specific EE/RE policies and programs could be quantified and considered in SIPs.

2. Land Use Planning

States may also wish to consider strategies that foster more efficient urban and regional development patterns as a long-term air pollution control measure. Resources include the HUD DOT EPA Sustainable Communities Partnership, as well as the policy and technical guidance documents on land use available on the EPA's Office of Transportation and Air Quality Web site.⁷¹ These documents provide communities with the information they need to better understand the link between air quality, transportation and land use activities, and how certain land use activities have the potential to help local areas achieve and maintain healthy air quality. The

⁶⁷ Memorandum dated January 14, 2005, "Guidance on Limiting Nitrogen Oxides (NO_x) Requirements Related to 8-Hour Ozone Implementation" from Stephen D. Page, Director, Office of Air Quality Planning and Standards, to Air Directors, Regions I-X.

⁶⁸ See <http://www.epa.gov/airquality/eere.html>.

⁶⁹ See <http://epa.gov/avert/>.

⁷⁰ See <http://www.epa.gov/statelocalclimate/state/topics/energy-efficiency.html>.

⁷¹ See http://www.epa.gov/otaq/stateresources/policy/pag_transp.htm.

documents also include methods to help communities account for the air quality benefits of their local land use activities in their air quality plans. If wildfire impacts are significant in a particular area, air agencies and communities may be able to lessen the impacts of wildfires by working collaboratively with land managers and land owners to employ various mitigation measures including taking steps to minimize fuel loading in areas vulnerable to fire. The EPA will provide additional guidance as needed, and will continue to work with states on incorporating these types of programs into their SIPs.

3. Travel Efficiency

Areas may also consider incorporating travel efficiency strategies, such as new or expanded mass transit options, commuter strategies, system operations (e.g., eco-driving, ramp metering), pricing (e.g., parking taxes, congestion pricing, intercity tolls), speed limit restrictions and multimodal freight strategies in their SIPs. In March of 2011, the EPA released two documents that we believe will prove to be useful to states that want to evaluate emissions reductions that may be available from travel efficiency strategies. The first document is titled, "Potential Changes in Emissions Due To Improvements in Travel Efficiency." This report provides information on the effectiveness of travel efficiency measures for reducing emissions of NO_x, VOC and PM_{2.5} at the national scale. The second document is titled, "Transportation Control Measures: An Information Document for Developing and Implementing Emission Reduction Programs." This document provides information on transportation control measures that have been implemented across the country for a variety of purposes, including reducing emissions related to criteria pollutants. These documents are available on the EPA's Office of Transportation and Air Quality Web site.⁷²

R. Efforts To Encourage a Multi-Pollutant Approach When Developing 2008 Ozone SIPs

1. Summary of the Proposal

The EPA stated in the proposal that from a planning and resource perspective, we believe it can be efficient for states to develop integrated control strategies that address multiple pollutants rather than separate strategies for each pollutant or NAAQS individually. The EPA also provided states with recommendations and considerations to take into account

when developing a comprehensive approach. The EPA requested comment on what incentives or assistance we might be able to provide to encourage states to integrate their planning activities.

2. Final Action and Rationale

From a planning and resource perspective, the EPA continues to believe that multi-pollutant control strategy planning can be efficient for states. An integrated air quality control strategy that reduces multiple pollutants can help ensure that reductions are efficiently achieved and produce the greatest overall air quality benefits. However, multi-pollutant approaches are not required as part of this rule.

States may also find it desirable to assess the impact of ozone, PM_{2.5} and/or regional haze control strategies on toxic air pollutants regulated under the CAA or under state air toxics initiatives. Given the relationships that exist between toxic air pollutants and the formation of ozone and PM_{2.5}, states and sources may find that controls can be selected to meet goals for ozone and/or PM_{2.5} attainment as well as those of specific toxic air pollutant programs.

We recommend that states and tribes wishing to take a comprehensive approach consider the following activities:

- Choose or develop models for use in the attainment demonstration that can assess the air quality and ecosystem impacts of measures to reduce ozone precursors, secondary fine particles, pollutants that contribute to regional haze and, where appropriate, toxic air pollutants and other related pollutants that can impact ecosystems.
- Conduct an integrated assessment of the impact controls have on ambient levels of ozone, PM_{2.5}, regional haze and, where applicable, toxic air pollutants, greenhouse gases, ecosystem protection and environmental justice considerations.
- Use common data bases and analytical tools, where possible.

3. Comments and Responses

Comment: Several commenters supported the use of a multi-pollutant approach. One commenter encouraged the EPA to allow states to take credit for programs that may not yet have been fully implemented. Another commenter noted the constraints in the CAA, which focuses on a pollutant-by-pollutant approach, and another commenter stated that they prefer a single pollutant approach.

Response: The EPA supports multi-pollutant planning, where possible. Regarding the comment encouraging the

EPA to allow states to take credit for programs that may not yet have been fully implemented, please see Section III.B in the preamble for details regarding the EPA's final policy on this subject.

The EPA also supports considering the co-benefits of emissions reductions on multiple pollutants. We acknowledge that there are CAA constraints that may limit the incentive for multi-pollutant planning, and clarify that single-pollutant planning is acceptable under the Act.

S. What are the requirements for the OTR?

The EPA proposed to adopt for the 2008 ozone NAAQS the same requirements applicable to the OTR that were codified in 40 CFR 51.916 for the 1997 ozone NAAQS, except that the submission date for OTR RACT SIPs required under CAA section 182(b)(2) would be the same as provided under the RACT section of this regulation for nonattainment areas. (See Section III.A of this preamble for additional information on SIP submittal timeframes.) We are finalizing adoption of the requirements as proposed along with the OTR RACT SIP submittal due date.

T. Are there any additional requirements related to enforcement and compliance?

The EPA did not propose any specific regulatory provisions related to compliance and enforcement. CAA section 172(c)(6) requires nonattainment SIPs to "include enforceable emission limitations, and such other control measures, means or techniques . . . as well as schedules and timetables for compliance, as may be necessary or appropriate to provide for attainment . . ." The EPA's current guidance, "Guidance on Preparing Enforceable Regulations and Compliance Programs for the 15 Percent Rate-of-Progress Plans (EPA-452/R-93-005, June 1993)" is still relevant to rules adopted for SIPs under the 2008 ozone NAAQS and should be consulted for purposes of developing appropriate enforceable nonattainment plan provisions under CAA section 172(c)(6). The EPA did not solicit comment on this section and thus, none were received.

U. What are the requirements for addressing emergency episodes?

1. Summary of the Proposal

The EPA proposed that the existing requirements for emergency episodes (40 CFR part 51, subpart H) would also apply to the 2008 ozone NAAQS.

⁷² See http://www.epa.gov/otaq/stateresources/policy/pag_transp.htm.

2. Final Action and Rationale

The EPA did not receive any adverse comments on the proposal. The EPA is finalizing the requirements for emergency episodes as proposed. The EPA believes the existing requirements for emergency episodes (40 CFR part 51, subpart H) remain appropriate for the 2008 ozone NAAQS and/or any current ozone NAAQS. If wildfire is a potential contributor to these episodes, the EPA urges implementing state and local agencies to coordinate with the land management agencies, as appropriate, in developing plans and appropriate public communications regarding public safety and reducing exposure.

V. How does the "Clean Data Policy" apply to the 2008 ozone NAAQS?

1. Summary of the Proposal

The EPA proposed to apply the same approach with respect to the Clean Data Policy for the 2008 ozone NAAQS as it applied in the Phase 1 Rule for the 1997 ozone NAAQS. That is, a determination of attainment would suspend the obligation to submit attainment planning SIP elements for the 2008 ozone NAAQS. Such a determination would suspend the obligation to submit any attainment-related SIP elements not yet approved in the SIP, for so long as the area continues to attain the 2008 ozone NAAQS.

2. Final Action

The EPA is finalizing this action as proposed. The EPA is replacing 40 CFR 51.918 with 40 CFR 51.1118 to consolidate in one regulation a comprehensive provision applicable to determinations of attainment for the current and former ozone NAAQS. Thus, 40 CFR 51.1118 will apply to a determination of attainment that is made with respect to any revoked or current ozone NAAQS—the 1-hour, the 1997 or the 2008 ozone NAAQS.

3. Rationale

The EPA continues to believe that it is appropriate for an area that has met an ozone NAAQS to suspend further attainment planning efforts for that ozone NAAQS. The new 40 CFR 51.1118 sets forth the regulatory consequences of an EPA determination, made after notice-and-comment rulemaking, that an area designated nonattainment for an ozone standard has air quality attaining that standard. Upon such a determination by the EPA, the requirements for the area to submit an attainment demonstration, associated reasonably available control measures, RFP plans, contingency measures and other attainment-related planning

requirements for that NAAQS, shall be suspended until such time as the area is redesignated to attainment, at which time the requirements no longer apply, or until the EPA determines that the area has again violated that ozone NAAQS, in which case the requirements are again applicable.

4. Comments and Responses

Comment: Several commenters supported the continued use of the Clean Data Policy. One of these commenters requested that the EPA expeditiously redesignate areas using its CAA section 107(d)(3) authority for states that have submitted "clean data" certification and redesignation/maintenance SIPs.

Response: As stated in the policy, the requirements for an attainment demonstration, RFP and contingency measures are designed to bring an area into attainment. Once this goal has been achieved, we believe the statute no longer requires submission of plans designed to bring the area into attainment and thus it is appropriate to suspend the obligation that states submit plans to meet that goal, so long as the area continues to attain the relevant standard. The EPA Regional Offices will act on redesignating areas based on any CAA section 175A submittals that were received in as expeditious a manner as possible.

W. How does this final rule apply to tribes?

As we mentioned in the proposal, tribes are generally not required to submit tribal implementation plans (TIPs).⁷³ However, should a tribe choose to develop a TIP, this final rule is intended to serve as a guide for addressing key implementation issues for their area of Indian country. This rule will likely be especially useful to those tribes whose areas of Indian country were designated as separate nonattainment areas from surrounding state areas.

⁷³ On January 17, 2014, the United States Court of Appeals for the District of Columbia Circuit issued a decision vacating the EPA's 2011 rule titled "Review of New Sources and Modifications in Indian Country" (76 FR 38748) with respect to non-reservation areas of Indian country (See, *Oklahoma Department of Environmental Quality v. EPA*, 740 F.3d 185 (D.C. Cir. 2014)). Under the court's reasoning, with respect to CAA SIPs, a state has primary regulatory jurisdiction in non-reservation areas of Indian country (i.e., Indian allotments located outside of reservations and dependent Indian communities) within its geographic boundaries unless the EPA or a tribe has demonstrated that a tribe has jurisdiction over a particular area of non-reservation Indian country within the state.

X. What collaborative program has the EPA implemented for the 2008 ozone NAAQS?

The EPA stands ready to assist states in implementing the 2008 ozone NAAQS. The Ozone Advance program, which began in April 2012, is an opportunity for 2008 ozone NAAQS attainment areas to work collaboratively with EPA to improve local air quality. Information on the Ozone Advance program for the 2008 ozone NAAQS is provided in a separate guidance document that is available at <http://www.epa.gov/ozonepamadvance>.

IV. What are the anti-backsliding requirements for the revoked 1997 ozone NAAQS?

A. What is the effective date of the revocation of the 1997 ozone NAAQS?

1. Summary of the Proposal

The EPA proposed to exercise its authority to revoke the 1997 ozone NAAQS for all purposes upon the publication of the final SIP Requirements Rule in the **Federal Register**.⁷⁴ The EPA also proposed that anti-backsliding provisions would apply to an area in accordance with its designation and, as applicable, its classification, for the 1997 (and, if applicable, 1-hour) ozone NAAQS at the time of revocation of the 1997 ozone NAAQS. The following sections discuss in detail the applicable anti-backsliding requirements and how they apply to areas with various designations and classifications for the 2008 and the soon to be revoked 1997 and the already revoked 1-hour ozone NAAQS.⁷⁵

2. Final Action

The EPA is revoking the 1997 ozone NAAQS for all purposes upon the effective date of this final rule, which will be 30 days after publication of this rule in the **Federal Register**. When the 1997 ozone NAAQS is revoked, the anti-backsliding requirements for that NAAQS, as detailed in this final rulemaking, become applicable. The

⁷⁴ The EPA's Classifications Rule for the 2008 ozone NAAQS also provided that the 1997 ozone NAAQS would be revoked 1 year after the effective date of initial area designations for the 2008 ozone NAAQS for purposes of transportation conformity. The D.C. Circuit held that the EPA lacked authority for such a partial revocation, but did not question its authority to revoke a standard in total. *NRDC v. EPA* (D.C. Cir. No. 12-1321, Dec 23, 2014). Today's revocation of the standard is for all purposes, including transportation conformity.

⁷⁵ The 1-hour ozone NAAQS was revoked in the Phase 1 Rule. See 69 FR 23951, April 30, 2004. The D.C. Circuit upheld EPA's authority to revoke that standard so long as it introduces adequate anti-backsliding measures. *South Coast Air Quality Management Dist. v. EPA*, 472 F.3d 882, 899 (D.C. Cir. 2007).

extent of continued implementation efforts for a revoked standard derives from administration of anti-backsliding requirements for the revoked standard. After the revocation of the 1997 ozone NAAQS, the EPA will no longer be able to take action to reclassify or to redesignate areas for that standard.

After revocation of the 1997 standard, the designations (and the classifications associated with those designations) for that standard are no longer in effect, and the sole designations that remain in effect are those for the 2008 ozone NAAQS. However, the EPA is retaining the listing of the designated areas for the revoked 1997 ozone NAAQS in 40 CFR part 81, for the sole purpose of identifying the anti-backsliding requirements that may apply to the areas at the time of revocation. Accordingly, such references to historical designations for the revoked standard should not be viewed as current designations under CAA section 107(d).

3. Rationale

This approach of establishing anti-backsliding requirements is consistent with the EPA's practice in the transition from the 1-hour to the 1997 ozone NAAQS. It is not logical to attach to an area any anti-backsliding requirements for the revoked 1997 NAAQS until that NAAQS is revoked because up until revocation, implementation of the 1997 NAAQS is still adequately governed by the relevant CAA and regulatory provisions, and the EPA can still take actions to redesignate or reclassify areas for that standard.^{76 77} In fact, the status of many areas with respect to designation and classification for the 1997 ozone NAAQS has already changed since promulgation of the 2008 ozone NAAQS. Thus, the EPA concludes that it is reasonable to establish the date of revocation of the 1997 ozone NAAQS as the time for anti-backsliding requirements for that NAAQS to take effect, which is consistent with past practice under the Phase 1 Rule.

The EPA believes it is appropriate to revoke rather than retain the 1997 ozone NAAQS for all purposes.⁷⁸ This final

action ensures that only one ozone NAAQS—the more protective 2008 ozone NAAQS—directly applies, rather than having two standards apply concurrently. In revoking any standard, the EPA provides adequate anti-backsliding requirements.

We believe that revoking the 1997 ozone NAAQS is appropriate for all purposes. The EPA believes that the permanent retention of two standards, differing only in the ozone concentrations they allow, creates unnecessary complexity and is not necessary to provide for attainment of the more stringent NAAQS. The EPA's reason for establishing the new standards of 0.075 ppm as requisite to protect public health and welfare was its conclusion that the old standard of 0.08 ppm was not adequate. Revoking (with appropriate anti-backsliding measures) rather than retaining that 1997 ozone NAAQS will facilitate a more seamless transition to demonstrating compliance with the more health and welfare protective 2008 ozone NAAQS, and will ensure the most efficient use of state and local resources in working toward attainment of that standard. Moreover, we believe that by requiring adequate anti-backsliding measures we will ensure continued momentum in states' efforts toward achieving cleaner air.

4. Comments and Responses

Comment: One commenter recognized the EPA's authority to revoke the 1997 ozone NAAQS, but opposed the revocation because attainment of the 1997 NAAQS would advance progress toward the 2008 standard and ensures that such progress would be made sooner rather than later. The commenter indicated that the EPA's proposal to revoke the 1997 ozone NAAQS would waive key requirements for Extreme nonattainment areas under the 1997 standard before the deadline comes due. The commenter also stated that the EPA must explain the specific problems caused by retaining the 1997 (and 1-hour) ozone NAAQS and tailor the solutions to address those specific problems, citing several rulings that the commenter believed that the EPA must provide a rational basis for their action.

Response: The anti-backsliding approach that the EPA proposed retains all applicable control requirements for the 1997 ozone NAAQS, while enabling areas, where possible, to focus planning efforts on meeting the more protective

2008 ozone NAAQS. We believe the strong anti-backsliding provisions in 40 CFR 51.1105 will ensure that controls already adopted to attain the previous NAAQS continue to be implemented until an area attains the 2008 ozone NAAQS, and will also ensure that there will be no delay in attaining the 1997 ozone NAAQS. Since it is impossible to attain the 2008 ozone NAAQS without also attaining the 1997 ozone NAAQS, retaining the 1997 ozone NAAQS would be largely superfluous from a health protection standpoint.

The EPA agrees with the commenter that the adopted revocation approach means that the 1997 NAAQS would be revoked before the statutory maximum attainment date for areas classified as Severe and Extreme for the 1997 ozone NAAQS. We believe that Congress understood this possibility when it amended the CAA in 1990 to require the EPA to review each NAAQS every 5 years. Similarly, Congress also recognized that areas with more significant ozone problems would need more time to attain the standard, and gave these areas more time to attain the standard, with timeframes for attainment largely beyond the 5-year timeframe required for review of the NAAQS. The EPA does not agree with the commenter's characterization of revoking the NAAQS, while retaining a retinue of anti-backsliding requirements, as creating perpetual extensions for attaining old standards. The commenter's argument ignores the fact that the old standard has been supplanted by a more protective standard, and that the EPA's anti-backsliding requirements, combined with the CAA's new obligations to achieve the more stringent 2008 ozone NAAQS as expeditiously as practicable, effectively fulfill the function of the prior attainment date. In addition the EPA notes that the attainment demonstration for the prior standard is retained as an anti-backsliding measure.

The EPA believes that integrating prior requirements with new goals facilitates coherent, effective and timely planning and controls, and minimizes the separate potentially duplicative submittal of requirements left over from obsolete standards. In this time of diminished resources, the states and the EPA need to move forward efficiently without being overburdened by unnecessary paperwork requirements arising from former standards that can detract from efficient movement towards more stringent standards.

For these reasons, and consistent with the anti-backsliding regime previously endorsed by the D.C. Circuit, *South Coast Air Quality Management Dist. v.*

⁷⁶ Although 40 CFR 51.905(a) specified that the anti-backsliding requirements "attached" at the time of designation for the 1997 ozone NAAQS, areas were still able to redesignate to attainment for the 1-hour ozone NAAQS up to the date of revocation of that standard.

⁷⁷ See, for example, the redesignations to 1-hour attainment for Phoenix (June 14, 2005, 70 FR 34362) and Atlanta (June 15, 2005, 70 FR 34660) which occurred right up until the June 15, 2005 effective date of revocation of the 1-hour ozone NAAQS.

⁷⁸ When the EPA revises a NAAQS, the prior NAAQS is not automatically revoked. Accordingly,

both the 1997 ozone NAAQS and the more stringent 2008 ozone NAAQS are active standards unless and until the EPA takes action to revoke the previous 1997 ozone NAAQS, subject to appropriate anti-backsliding requirements.

EPA, 472 F.3d 882 for the transition from the 1-hour to the 1997 ozone NAAQS, the EPA believes that the revocation and associated anti-backsliding measures for the 2008 ozone NAAQS provide the appropriate way to move toward attaining the more protective standards in a timely and effective manner, while ensuring that progress made under previous ozone NAAQS is not lost. For additional details, please refer to the Response to Comments document.

Comment: A number of commenters in favor of revocation of the 1997 ozone NAAQS suggested alternate dates for revocation. Several commenters wanted an earlier date for revocation, such as the promulgation date of the 2008 ozone NAAQS or the effective date of designations for the 2008 ozone NAAQS. One of these commenters questioned whether the revocation would occur on the date of publication of the rule in the **Federal Register** or on the effective date of the rule.

Response: We disagree with commenters that recommended that the EPA revoke the 1997 ozone NAAQS at an earlier date. We believe that revoking the 1997 ozone NAAQS prior to the establishment of clear anti-backsliding requirements would create a gap in air quality protection and that *South Coast v. EPA*, 472 F.3d 882 indicates that backstops to prevent relaxation of measures implemented for a previous NAAQS must be in place before the EPA can revoke that NAAQS. The EPA, upon considering the comment on the effective date of revocation, clarifies here that the 1997 ozone NAAQS will be revoked on the rule's effective date as set forth in the **Federal Register**. That is, the 1997 ozone NAAQS will be revoked 30 days after publication of the final rule in the **Federal Register**.

B. What are the applicable requirements for anti-backsliding purposes following the revocation of the 1997 ozone NAAQS?

1. Summary of the Proposal

The EPA proposal stated that subpart AA, 40 CFR 51.1100 *et seq.*, would provide comprehensive anti-backsliding requirements for transition to the 2008 ozone NAAQS. The EPA proposed that, upon revocation of the 1997 ozone NAAQS, subpart X, 40 CFR 51.900 *et seq.*, would be effectively replaced by the proposed subpart AA.

In proposed subpart AA, 40 CFR 51.1100(o) specified the list of "applicable requirements" that would apply as anti-backsliding requirements for the transition from the 1997 ozone NAAQS to the 2008 ozone NAAQS. The

EPA proposed as "applicable requirements" the requirements that were previously listed in 40 CFR 51.900(f) (except for Stage II vapor recovery),⁷⁹ as well as the addition of three anti-backsliding requirements that were included as a result of the *South Coast v. EPA*⁸⁰ decision: Nonattainment NSR thresholds and offset ratios, nonattainment contingency measures for failure to attain by the applicable deadline or to meet RFP milestones, and CAA section 185 fee program requirements. Since the *South Coast v. EPA* decision, the EPA has been including these three requirements as anti-backsliding requirements for the 1-hour ozone NAAQS for the purpose of discharging its obligations to effectuate anti-backsliding for that standard. The proposed action would formally list them with the other applicable requirements.

The applicable requirements discussed previously apply to areas that are designated nonattainment for the 2008 ozone NAAQS and remain nonattainment for a previous ozone NAAQS on the date the 1997 ozone NAAQS is revoked. For areas designated attainment for the 2008 ozone NAAQS but nonattainment for the 1997 ozone NAAQS, the EPA proposed that after the 1997 ozone NAAQS is revoked, these areas would not be required to retain in their SIPs nonattainment NSR programs for ozone. Instead, such areas would be required to implement PSD requirements for ozone. The EPA's determination that after revocation of the 1997 ozone NAAQS nonattainment NSR requirements do not apply to areas designated attainment for the 2008 ozone NAAQS is consistent with the *Greenbaum v. EPA* decision.⁸¹

Based on requirements in the Phase 1 rule for the 1997 ozone NAAQS, as modified in light of *South Coast v. EPA*, the definition of applicable requirements proposed in 40 CFR 51.1100(o) included the following: (1) RACT; (2) Vehicle I/M programs; (3) Major source applicability cut-offs for

purposes of RACT; (4) ROP and/or RFP reductions; (5) the Clean fuels fleet program under section 183(c)(4) of the CAA; (6) Clean fuels for boilers under section 182(e)(3) of the CAA; (7) Transportation control measures during heavy traffic hours as provided under section 182(e)(4) of the CAA; (8) Enhanced (ambient) monitoring under section 182(c)(1) of the CAA; (9) Transportation controls under section 182(c)(5) of the CAA; (10) Vehicle miles traveled provisions under section 182(d)(1)(A) of the CAA; (11) NO_x requirements under section 182(f) of the CAA; (12) Attainment demonstrations; (13) Nonattainment contingency measures; (14) Nonattainment NSR requirements; and (15) CAA section 185 enforcement requirements for Severe and Extreme nonattainment areas for failure to attain.

As part of the proposal, the EPA indicated that upon revocation of the 1997 ozone NAAQS, the designations for that NAAQS would have no further effect except as references for anti-backsliding purposes. References to the designations for the revoked standard in 40 CFR part 81 would be retained solely for anti-backsliding purposes for areas designated nonattainment for the 2008 ozone NAAQS, and should not be viewed as current nonattainment designations under CAA § 107 within the meaning of 40 CFR 51.166(i)(2) and 52.21(i)(2) and, therefore, would not trigger the exemption from PSD requirements otherwise resulting from those provisions. The proposal also requested comment as to whether or not an amendment to 40 CFR 51.166(i)(2) and 52.21(i)(2) would be appropriate to make it clear that a nonattainment designation for a revoked NAAQS, once the revocation becomes effective in an area, would not trigger the PSD exemption in those provisions and would not prevent application of PSD requirements for that pollutant and how to word such an amendment. Alternatively, the EPA sought comment as to whether it would be sufficient for the EPA to articulate the interpretation of these provisions as described earlier in this paragraph.

2. Final Action

The EPA is finalizing the anti-backsliding requirements as proposed, including amendments to 51.166(i)(2) and 52.21(i)(2) which address classifications for revoked NAAQS. The amended subpart AA addresses anti-backsliding requirements for both the previously revoked 1-hour ozone NAAQS and the 1997 ozone NAAQS in a consolidated and streamlined fashion. Areas designated nonattainment for the

⁷⁹ Under CAA section 202(a)(6), the EPA found that onboard refueling vapor recovery (ORVR) systems are in widespread use in the motor vehicle fleet and waived the CAA section 182(b)(3) Stage II vapor recovery requirement for Serious and higher ozone nonattainment areas on May 16, 2012 (77 FR 28772). Thus, in the proposal, the section 182(b)(3) Stage II requirement is omitted from the list of applicable requirements in 40 CFR 51.1100(o).

⁸⁰ *South Coast Air Quality Management District v. EPA*, 472 F.3d at 899.

⁸¹ *Greenbaum v. EPA*, 370 F.3d 527, 536 (6th Cir. 2004). "It would make little sense for [nonattainment NSR] to be included in the post-attainment SIP, as the Clean Air Act . . . explicitly states that attainment area SIPs must include a PSD program."

2008 ozone NAAQS and also designated nonattainment for the 1997 ozone NAAQS⁸² at the time of revocation of the 1997 ozone NAAQS will be subject to 40 CFR 51.1100(o). As proposed, areas designated attainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS when the 1997 ozone NAAQS is revoked will become subject to PSD requirements rather than nonattainment NSR requirements once the revocation is effective.

Also as proposed, three items are being added to the list of applicable requirements: Nonattainment contingency measures, nonattainment NSR requirements (clarified to refer to major source thresholds and offset ratios), and CAA section 185 requirements for Severe and Extreme areas. As proposed, Stage II vapor recovery is not being included in the list of applicable requirements for the reasons described above.

Based on feedback received during the comment period, the EPA is specifically including two additional items in the list of applicable requirements: RACM and CAA section 182(e)(5) contingency measures. These provisions were implicitly included in the attainment demonstration but are listed separately for clarification. As such, the complete list of applicable requirements in 40 CFR 51.1100(o) is: (1) RACT; (2) Vehicle I/M programs; (3) Major source applicability cut-offs for purposes of RACT; (4) ROP and/or RFP reductions; (5) the Clean fuels fleet program under section 183(c)(4) of the CAA; (6) Clean fuels for boilers under section 182(e)(3) of the CAA; (7) Transportation control measures during heavy traffic hours as provided under section 182(e)(4) of the CAA; (8) Enhanced (ambient) monitoring under section 182(c)(1) of the CAA; (9) Transportation controls under section 182(c)(5) of the CAA; (10) Vehicle miles traveled provisions under section 182(d)(1)(A) of the CAA; (11) NO_x requirements under section 182(f) of the CAA; (12) Attainment demonstrations; (13) Nonattainment contingency measures; (14) Nonattainment NSR major source thresholds and offset ratios;⁸³ (15) CAA section 185 requirements for Severe and Extreme areas for failure to attain; (16) RACM;

and (17) Contingency measures for SIPs invoking section 182(e)(5) of the CAA.

3. Rationale

As detailed in the proposal,⁸⁴ the EPA already treats nonattainment contingency measures, nonattainment NSR major source thresholds and offset ratios, and CAA section 185 requirements for Severe and Extreme areas as being included in the list of applicable requirements that apply to areas for anti-backsliding purposes under the revoked 1-hour NAAQS, consistent with the *South Coast v. EPA* decision. Their explicit inclusion in this list is to formalize their place in the list of applicable requirements. Similarly, Stage II vapor recovery is not included in this list due to the May 16, 2012 determination⁸⁵ that the requirement is waived, and that an area currently implementing a Stage II control program can, under certain circumstances, remove it from the SIP. These changes to the list of applicable requirements reflect policies already being implemented by the EPA.

Similarly, areas designated attainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS when the 1997 ozone NAAQS is revoked will become subject to PSD rather than nonattainment NSR once the revocation takes effect. An area that is attainment for the 2008 ozone NAAQS is attaining the most current and health protective ozone standard. The EPA believes that Congress did not intend to hold such an area to the requirements for an old standard when the area has met a newer, more stringent standard of the same form. Such areas will implement PSD for the 2008 ozone NAAQS once the revocation of the 1997 ozone NAAQS takes effect, notwithstanding any remaining references to nonattainment designations for the 1997 ozone NAAQS in 40 CFR part 81. The references to the designations for the revoked standard in 40 CFR part 81 are retained solely for anti-backsliding purposes for areas designated nonattainment for the 2008 ozone NAAQS. Accordingly, such references to historical nonattainment designations for the revoked standard should not be viewed as current nonattainment designations under CAA § 107 within the meaning of 40 CFR 51.166(i)(2) and 52.21(i)(2) and, therefore, do not trigger the exemption from PSD requirements otherwise resulting from those provisions.

Upon reviewing comments, the EPA decided that sufficient arguments were

provided to append two additional items to the list of applicable requirements in 51.1100(o). Those two items are RACM and 182(e)(5) contingency measures. The EPA views this as a clarification, rather than as an addition of control elements. Attainment demonstration SIPs are already listed as an applicable requirement. RACM is an integral part of an approvable attainment demonstration. Similarly, contingency measures will become a required element of 51.1100(o) consistent with the *South Coast v. EPA* decision. Adding contingency measures associated with CAA section 182(e)(5) to the list is a clarification, rather than an imposition of an additional requirement.

4. Comments and Responses

Comment: A commenter pointed out that, with regard to applicable requirements, federal measures and locally implemented measures are held to two separate standards. The commenter used the example of Stage II vapor recovery. The EPA removed Stage II vapor recovery from the list of applicable requirements. However, locally implemented control measures included in a SIP for a previous NAAQS must be retained in perpetuity.

Response: The EPA disagrees with the commenter. SIP-approved control measures, whether federal programs or locally implemented measures, may not be modified unless the modification meets the requirements of CAA section 110(l) and, if applicable, CAA section 193. For purposes of anti-backsliding, Stage II control programs are no longer mandatory because the EPA has determined under the statutory provisions of CAA section 202(a)(6) that another federal program, onboard refueling vapor recovery (ORVR) technology, is in widespread use, rendering Stage II controls largely redundant. However, in an area where a Stage II control program is already adopted into the SIP, it cannot be removed from the SIP unless the conditions of CAA sections 110(l) and 193 are met. Therefore, it is subject to the same treatment as any locally implemented SIP-adopted control measure.

Comment: A commenter stated that no planning requirements from the 1997 ozone NAAQS should apply once that NAAQS is revoked. The commenter based this on two arguments. First, CAA section 172(e) applies to control requirements and not state planning requirements. Second, the commenter argued that the decision in *South Coast v. EPA* has limited applicability because

⁸² Note that some areas designated as nonattainment for the 1997 NAAQS might also retain anti-backsliding requirements for the already revoked 1-hour ozone NAAQS.

⁸³ It should be noted that replacement of nonattainment NSR SIP provisions with PSD upon successful redesignation to attainment does not relieve sources of their obligations under previously established permit conditions.

⁸⁴ See 78 FR 34178, June 6, 2013.

⁸⁵ See 77 FR 28772.

the court was faced with two ozone standards that differed in form and level, and in this situation the two standards are of the same form.

Response: The EPA agrees that the transition from the 1997 ozone NAAQS to the 2008 ozone NAAQS calls for a re-evaluation of the provisions necessary to protect against backsliding and ensure continued progress toward achieving healthy air quality. However, we do not agree that *South Coast v. EPA* has limited application to informing appropriate anti-backsliding requirements for a revoked 1997 NAAQS simply because the 2008 NAAQS has the same form as the 1997 NAAQS. With only one exception, the seventeen “applicable requirements” that will be listed in new 40 CFR 51.1100(o) are all control requirements, consistent with *South Coast v. EPA*. To the extent that any of these control requirements have not been implemented in a 1997 nonattainment area by the time the 1997 NAAQS is revoked, consistent with *South Coast v. EPA* the state must ensure these controls are adopted into the SIP and implemented, if applicable. The one applicable requirement that involves both planning and control elements is the attainment demonstration requirement.⁸⁶ Since the attainment demonstration is part of the basis for establishing that the RACM requirement (a control requirement consistent with *South Coast*) is satisfied, the EPA believes it is appropriate to retain this as an applicable anti-backsliding requirement to ensure timely progress toward attainment of the 1997 NAAQS, especially for areas classified in the highest classifications where the statutory attainment dates for the 1997 NAAQS extend well into the future (e.g., 2019 for Severe and 2024 for Extreme areas). The EPA encourages states to synchronize their planning and emissions control efforts for attainment of the 2008 ozone NAAQS with any unfulfilled anti-backsliding requirements associated with the revoked 1997 ozone NAAQS. As a reminder, a Clean Data Determination for the 1997 ozone NAAQS can suspend the associated attainment demonstration requirement for as long as the area continues to attain the 1997 NAAQS.

Comment: A commenter pointed out that there are several control measures that continue to apply to areas after a standard is revoked. The commenter

argued that, for consistency, the EPA should include these items in the list of applicable requirements. For example, RACT is listed as an applicable requirement, but not RACM. The commenter argued that RACM should be listed as an applicable requirement. Similarly, transportation conformity, “other control measures” as necessary for attainment under CAA section 172(c)(6), and contingency measures for CAA section 182(e)(5) measures should be retained as applicable requirements, according to the commenter.

Response: The EPA agrees in part with the commenter, that it is appropriate to list both RACM and CAA section 182(e)(5) contingency measures as “applicable requirements” in the final rule in 40 CFR 51.1100(o). RACM is a component of the attainment demonstration and is a requirement of the CAA. The EPA reviews each SIP submission from a state to ensure that sufficient information is provided for the EPA to determine whether the state has adopted all RACM necessary for attainment as expeditiously as practicable and provided for implementation of those measures as expeditiously as practicable. For areas remaining in nonattainment for the 1997 ozone NAAQS and designated nonattainment for the 2008 ozone NAAQS, the EPA does not believe that revocation of the NAAQS should halt or delay the planned implementation of control measures. These measures, while adopted pursuant to the 1997 ozone NAAQS, will also assist the areas in attaining the 2008 ozone NAAQS.

Similarly, for Extreme areas relying on CAA section 182(e)(5), the EPA agrees that the contingency measures required for that program should be held to the same requirements as contingency measures for sections 172(c) and 182(c) of the CAA. Thus the EPA is adding 182(e)(5) contingency measures to the list of applicable requirements in 51.1100(o).

However, the EPA does not agree with the commenter that conformity needs to be retained as an applicable requirement. Transportation and general conformity are retained as requirements for all areas designated nonattainment for the 2008 ozone NAAQS. For areas designated attainment for the 2008 ozone NAAQS, these areas are meeting the most stringent, health-protective NAAQS and thus have no remaining conformity requirements because they are designated attainment for the 2008 ozone NAAQS and the designations for the 1997 ozone NAAQS which trigger conformity requirements are revoked. Transportation and general conformity apply only in areas designated as

nonattainment or redesignated to attainment with an approved CAA section 175A maintenance plan. (CAA section 176(c)(5)). Upon the effective date of the revocation of the 1997 ozone NAAQS the only relevant designation for ozone for conformity purposes will be an area’s designation for the 2008 ozone NAAQS.⁸⁷ Areas that are designated attainment for the 2008 ozone NAAQS are not subject to transportation or general conformity requirements regardless of their designation for the 1997 ozone NAAQS at the time of revocation of that NAAQS. (CAA section 176(c)(5)). Similarly, “other control measures” necessary for attainment are already covered by the attainment demonstration, and cannot be removed without satisfying CAA section 110(l).

Comment: A commenter disagreed with what it described as the EPA’s proposal to allow areas that were designated nonattainment for the 1997 ozone NAAQS or the 1-hour NAAQS before those standards were revoked to terminate any nonattainment NSR or 185 fee requirements once the 1997 ozone NAAQS is revoked and the area has been designated or redesignated attainment for the 2008 ozone NAAQS or a redesignation substitute has been approved for the revoked standard. The commenter argues that allowing such an area to remove nonattainment NSR or 185 fee requirements from the SIP is contrary to the *NRDC v. EPA* (2011) ruling.

Response: The court ruled in *NRDC v. EPA* that it would be improper for the EPA to relieve an area that has not attained a standard from requirements imposed for failure to attain that standard. The EPA’s “redesignation substitute” proposal does not do that. It relieves areas that demonstrate that they are in fact attaining a standard from obligations arising from failure to attain that standard as well as all anti-backsliding requirements applicable for any prior revoked standard without the need for a formal redesignation. Nothing in the 2011 *NRDC v. EPA* decision forecloses that approach. The EPA also rejects any suggestion that an area would remain subject to NSR or 185 fees after it is designated as an attainment area and any prior standards for which it was designated nonattainment have been revoked. Areas cannot be redesignated to attainment for ozone

⁸⁶ An attainment demonstration includes technical analyses of base year emissions and future year emissions, including the impact of RACM and RACT; a list of adopted control measures with schedules for implementation; and a RACM analysis.

⁸⁷ The EPA revoked the 1997 ozone NAAQS for transportation conformity on May 21, 2012. (77 FR 30160) The revocation of the 1997 ozone NAAQS for transportation conformity purposes was effective on July 20, 2013. In this final rule, the EPA is revoking the 1997 ozone NAAQS for all remaining purposes.

unless they have attained all current standards and met all anti-backsliding requirements applicable for prior revoked standards. Moreover, nonattainment NSR is not a requirement in attainment areas and 185 by its own terms does not apply to an area that has been designated “an attainment area for ozone.”

C. Application of Transition Requirements to Nonattainment and Attainment Areas

This section discusses how the transition requirements apply to various types of areas. The general principle is to apply transition requirements depending on how the area is designated—attainment or nonattainment—for the 2008 ozone NAAQS, while taking into account the area’s status with respect to prior standards.⁸⁸ In the subsequent sections, for purposes of determining an area’s transition requirements, we first look to the area’s designation and classification for the 2008 ozone NAAQS. We then determine the area’s designation and classification status for the 1997 ozone NAAQS as of the effective date the 1997 ozone NAAQS is revoked. Finally, where appropriate, we determine whether anti-backsliding requirements for the 1-hour ozone NAAQS apply in the area and, if so, we determine the area’s designation and classification status for the 1-hour ozone NAAQS as of the date the 1-hour NAAQS was revoked.⁸⁹ Appendix B of this rule contains a list of areas subject to anti-backsliding requirements.

1. Requirements for Areas Designated Attainment for the 2008 Ozone NAAQS and Maintenance for the 1997 Ozone NAAQS

a. Summary of the Proposal

For this category, the EPA proposed that an area’s approved CAA section 175A maintenance plan for the revoked 1997 ozone NAAQS satisfies both its obligations for maintenance under section 110(a)(1) for the 2008 ozone NAAQS and its obligation to submit a second approvable maintenance plan under CAA section 175A for the revoked 1997 ozone NAAQS.

⁸⁸ One area, the Uintah Basin, UT, was designated as “unclassifiable,” and for purposes here would be treated like an area designated “attainment.”

⁸⁹ If the nonattainment area was initially designated attainment for the 1997 ozone NAAQS or was redesignated to attainment (“Maintenance”) for the 1997 ozone NAAQS prior to the date of revocation of the 1997 NAAQS, then the area has already fulfilled any applicable 1-hour anti-backsliding requirements. For ease of reference, we refer to these areas as “Maintenance” areas.

b. Final Action

The EPA is finalizing this as proposed. For areas designated attainment for the 2008 ozone NAAQS and maintenance for the 1997 ozone NAAQS (as of the date of revocation of the 1997 ozone NAAQS), the area’s approved CAA section 175A maintenance plan for the revoked 1997 ozone NAAQS satisfies both its obligations for maintenance under CAA section 110(a)(1) for the 2008 ozone NAAQS and its obligation to submit a second approvable maintenance plan under CAA section 175A for the revoked 1997 ozone NAAQS.

c. Rationale

All areas in this category were already subject to a CAA section 175A maintenance plan for the revoked 1997 ozone NAAQS, and have been both redesignated to attainment for the 1997 ozone NAAQS (as well as any other revoked ozone NAAQS) and designated attainment for the more stringent 2008 ozone NAAQS. The approved CAA section 175A maintenance plan for the 1997 ozone NAAQS satisfied the anti-backsliding requirements of these areas for the prior 1-hour NAAQS. Any further 110(a)(1) maintenance plan requirement under the 2008 ozone NAAQS would be unnecessarily burdensome. No revision to the CAA section 175A maintenance plans for these areas can be approved unless it complies with the anti-backsliding checks in CAA sections 110(l) and 193. The EPA believes that there is no justification for additional maintenance plan demonstration burdens to be imposed on these areas solely because at one time they were designated nonattainment under the revoked 1997 ozone NAAQS. This approach recognizes and reflects that these areas were redesignated to attainment for the 1997 ozone NAAQS prior to its revocation, and have been designated attainment for the 2008 ozone NAAQS.

d. Comments and Responses

Comment: One commenter opposed this action for several reasons. First, the commenter stated that the EPA cannot dispense with the statutory responsibility of areas by excusing compliance with CAA section 110(a)(1). Second, the commenter believes that demonstrating long-term compliance via an approved 175A maintenance plan for the 1997 ozone NAAQS is not sufficient to demonstrate continued compliance with the 2008 ozone NAAQS. The commenter maintained that even with an approved 175A plan for the 1997 ozone NAAQS, emissions can continue

to increase. There is nothing in the approved 175A plan that will be activated should the area start to violate the 2008 ozone NAAQS.

Response: The EPA disagrees with the commenter. The EPA is not ignoring the maintenance provision of CAA section 110(a)(1), but rather evaluating what is sufficient to address that provision under the circumstances of transition to a new more stringent NAAQS for an area designated attainment for that more stringent NAAQS. With the control measures included in their SIPs and in approved CAA section 175A maintenance plans, those areas have already achieved sufficient emissions reductions to bring them into attainment for both the 1997 ozone NAAQS and the more stringent 2008 ozone NAAQS. These SIP control measures cannot be weakened without satisfying CAA section 110(l) and in some cases also CAA section 193, which effectively serve as anti-backsliding provisions. The EPA is not relieving areas designated attainment of the requirement under CAA section 110(a)(1) to maintain the more stringent 2008 ozone NAAQS, but rather, the EPA is allowing the approved PSD plan for the 2008 ozone NAAQS to suffice as a maintenance showing for these areas. These are areas that already have many controls in place, including approved CAA section 175A maintenance plans ensuring that the areas can maintain the level of the prior standard.

While these approved CAA section 175A maintenance plans were established for maintenance of the 1997 ozone NAAQS, and accordingly help prevent backsliding for that revoked NAAQS, they also provide a foundation for maintenance of the 2008 ozone NAAQS, which, in combination with other active requirements for the 2008 ozone NAAQS, contribute to maintenance of the new standard. The emissions reductions for one NAAQS build upon the emissions reductions from previous NAAQS. The EPA concludes that no additional measures beyond the prior CAA section 175A maintenance plans and the PSD plans for the 2008 standard should be necessary to provide for maintenance in these areas. The EPA will work with states as necessary to address any future air quality concerns and maintenance needs for these areas.

2. Areas Designated Attainment for the 2008 Ozone NAAQS and Nonattainment for the 1997 Ozone NAAQS

a. Summary of the Proposal

The EPA proposed two approaches for this category. The EPA proposed as its

preferred approach for areas designated attainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS (as of revocation of the 1997 ozone NAAQS) that the state not be required to adopt any outstanding applicable requirements for the area for the revoked 1997 standard. This approach was similar to the approach followed in the Phase 1 Rule. The EPA also proposed, in a departure from the Phase 1 Rule, that the approved PSD SIPs for these areas satisfy the obligation to submit an approvable maintenance plan for the 2008 ozone NAAQS under CAA section 110(a)(1).

The second, and less preferred, alternative proposed by the EPA for these areas was that the state be required to demonstrate maintenance for the 2008 ozone NAAQS via a "maintenance showing." This maintenance showing would be due 3 years after the effective date of designations for the 2008 ozone NAAQS and would be in a form other than a formal SIP revision. The maintenance showing would contain a demonstration of continued maintenance of the 2008 ozone NAAQS in the area for 10 years from the effective date of the area's designation as attainment for the 2008 ozone NAAQS. The EPA committed to providing guidance regarding the specific elements of the maintenance showing if this route were chosen.

b. Final Action

The EPA is finalizing the preferred option: For areas designated attainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS (as of revocation of the 1997 ozone NAAQS) states are not required to adopt any outstanding applicable requirements for the revoked 1997 standard. Approved PSD SIPs for these areas satisfy the obligation to submit an approvable maintenance plan for the 2008 ozone NAAQS under CAA section 110(a)(1).

c. Rationale

Areas designated attainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS (as of revocation of the 1997 ozone NAAQS) have already attained the most stringent existing standard, notwithstanding any existing nonattainment designation. These areas thus have developed nonattainment SIPs that in combination with federal measures and emissions controls in upwind areas have produced sufficient emissions reductions to achieve air quality that attained both the 1997 ozone NAAQS and resulted in an attainment designation for the more protective 2008 ozone NAAQS. They

remain subject to the 1997 nonattainment area requirements already approved into the SIP, which can be revised only upon a showing that such revision complies with the anti-backsliding checks in CAA sections 110(l) and 193. Given the succession of NAAQS of increasing stringency that has occurred, the EPA believes that the burden of developing an approvable 110(a)(1) maintenance plan for the 2008 ozone NAAQS would outweigh any compensating benefit for an area that is already attaining that NAAQS and that is subject to prior nonattainment requirements which are already incorporated into the SIP and have been sufficient to bring the area into attainment of both the 1997 and 2008 standards.

d. Comments and Responses

Comment: A commenter believed that the EPA should adopt the alternative approach. The commenter stated that an inequity arises from the fact that areas designated maintenance for the 1997 ozone NAAQS prior to revocation of the NAAQS have contingency measures that are activated should the area begin to re-violate the 1997 ozone NAAQS. These areas designated attainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS would not be subject to any maintenance plans or contingency measures. Implementing the alternative approach would address this inequity.

Response: The EPA disagrees with the commenter. The control measures implemented by these areas and included in their SIPs have already produced sufficient emissions reductions to achieve air quality that not only attained the 1997 ozone NAAQS, but also resulted in an attainment designation for the more stringent 2008 ozone NAAQS. These control measures cannot be modified or removed without a demonstration satisfying CAA section 110(l) and in some cases both CAA sections 110(l) and 193. These demonstrations must address not only the 1997 ozone NAAQS but also the 2008 ozone NAAQS as well as any future NAAQS.

Comment: One commenter believed both proposed approaches violate the plain language of the CAA by not requiring the area to submit a CAA section 175A maintenance plan, and thus opposed both options. A second commenter believed that the EPA should continue to require formal 10-year maintenance plan submittals for the 1997 ozone NAAQS from these areas in an attempt to guarantee that controls are not relaxed, thus impacting downwind areas.

Response: We believe that an approved PSD SIP, in conjunction with the other already-existing statutory and regulatory provisions that govern implementation of ozone standards, and the historical safeguards in place for the area adopted for prior NAAQS, are generally sufficient to prevent backsliding, and to satisfy the requirement for maintenance under CAA section 110(a)(1). The control measures implemented by these areas and included in their SIPs have already produced sufficient emissions reductions to achieve air quality that attained the 1997 ozone NAAQS, and resulted in an attainment designation for the more stringent 2008 ozone NAAQS. These control measures cannot be modified or removed without a CAA section 110(l) showing and in some cases both a CAA section 110(l) and a CAA section 193 showing. Areas designated attainment for the 2008 standard remain subject to the attainment and maintenance requirements of that standard. These include continued implementation of the control measures that brought the area into attainment. For these areas, and for any area designated attainment for the 2008 NAAQS, the CAA's general NAAQS air quality management framework and associated regulatory provisions continue to apply, and serve as the foundation for handling any potential future issues with maintaining the 2008 NAAQS.

3. Areas Designated Nonattainment for the 2008 Ozone NAAQS and Maintenance for the 1997 Ozone NAAQS

a. Summary of the Proposal

The EPA proposed that for these areas, the area's approved CAA section 175A maintenance plan for the revoked 1997 ozone NAAQS would satisfy the obligation to submit a second approvable maintenance plan under CAA section 175A for the revoked 1997 ozone NAAQS.

b. Final Action

The EPA is finalizing this as proposed.

c. Rationale

All areas in this group are already subject to an approved CAA section 175A maintenance plan for the revoked 1997 ozone NAAQS and have been redesignated to attainment for the 1997 ozone NAAQS. As explained elsewhere, the approval of the redesignation request and of the CAA section 175A maintenance plan for the 1997 ozone NAAQS required the EPA to determine that any anti-backsliding requirements

of these areas for the 1997 standard, as well as any requirements that might be applicable for the 1-hour standard, have been met. Thus the EPA's approvals of the redesignation request and the maintenance plan for the 1997 standard signify not only that all applicable requirements for the 1997 ozone NAAQS have been met, but also that all applicable anti-backsliding measures for the 1-hour standard have been adopted and approved into the SIP. No revision to the CAA section 175A maintenance plans for these areas can be approved unless it complies with the anti-backsliding checks in CAA sections 110(l) and 193.

These areas are also designated nonattainment for the more stringent 2008 ozone NAAQS and therefore are subject to nonattainment NSR and other nonattainment requirements for their classification under the more stringent 2008 ozone NAAQS. Thus, the EPA believes that there is no justification for a second CAA section 175A maintenance plan to be imposed on these areas solely because at one time they were designated nonattainment under a revoked ozone NAAQS.

d. Comments and Responses

Comment: A commenter that supported the EPA's approach indicated that the proposed regulatory text for areas designated nonattainment for the 2008 ozone NAAQS and maintenance for the 1997 ozone NAAQS, located in 40 CFR 51.1105(a)(2), should be modified in line with text in 40 CFR 51.1105(a)(4) to allow maintenance plans to be modified consistent with CAA sections 110(l) and 193.

Response: The EPA agrees that the text regarding areas designated maintenance for the 1997 ozone NAAQS should be modified. The regulatory text has been adjusted to reflect that maintenance plans can be modified pursuant to CAA sections 110(l) and 193.

Comment: One commenter indicated that a second 10-year 175A maintenance plan was needed by these areas. The commenter maintained that the EPA's proposed approach does not demonstrate continued maintenance. The commenter stated that an area designated nonattainment for the 2008 ozone NAAQS should prepare a second maintenance plan to assure maintenance and set conformity budgets. Another commenter opposed the proposal because the CAA clearly requires two 10-year maintenance plans. The fact that the area is designated nonattainment under the 2008 ozone NAAQS is no guarantee that there will be no increase in ozone violations. The

commenter suggested that the EPA review the record for areas violating a NAAQS for which it had been redesignated to attainment with an approved maintenance plan. Waiving the requirements of a second 10-year maintenance plan as described in CAA section 175A(b) without support is arbitrary and undermines the protections of the Act.

Response: The EPA recognizes that the approved 175A maintenance plan for the 1997 ozone NAAQS can only be modified via a CAA section 110(l) and, where appropriate, a CAA section 193 showing. These analyses would have to demonstrate that any revisions to the maintenance plan would not interfere with the ability to demonstrate timely attainment for the new standard. The removal of the requirement for the second 10-year plan for maintenance of a revoked, less stringent standard that the areas previously attained allows states to focus planning and control efforts on attaining and maintaining the more stringent and currently applicable 2008 ozone NAAQS in these areas, for the already attained 1997 ozone NAAQS. The areas will remain subject to the MVEBs established in the approved 175A maintenance plan until such time that MVEBs for the more stringent 2008 ozone NAAQS are submitted and are found adequate or are approved, which must be used for transportation conformity determinations under the 2008 ozone NAAQS pursuant to the conformity regulations.

4. 2008 Nonattainment Areas Also Designated Nonattainment for a Prior Revoked Ozone NAAQS

a. Summary of the Proposal

The EPA proposed that areas designated nonattainment for the 2008 ozone NAAQS and also designated nonattainment for the 1997 ozone NAAQS as of the revocation of the 1997 NAAQS⁹⁰ will be subject to applicable anti-backsliding requirements for the applicable prior NAAQS as set forth in 51.1100(o), as well as the pertinent requirements for the current 2008 ozone NAAQS. In addition, if a state seeks to revise any measure already approved

⁹⁰ We do not include in these groups any areas that were redesignated to attainment for the 1997 ozone NAAQS prior to revocation of that NAAQS. In order to be redesignated for the 1997 ozone NAAQS, the area had to satisfy all applicable anti-backsliding requirements for the 1-hour ozone NAAQS. Any 1997 ozone NAAQS nonattainment area that was designated nonattainment for the 1-hour ozone NAAQS at time of revocation of the 1-hour NAAQS had to meet applicable 1-hour ozone NAAQS anti-backsliding requirements in order to be redesignated to attainment for the 1997 ozone NAAQS.

into its SIP for any prior standard, the revision must comply with the anti-backsliding checks in CAA sections 110(l) and 193.

b. Final Action

The EPA is finalizing this as proposed. In an area designated nonattainment for the 2008 ozone NAAQS and nonattainment for the 1997 ozone NAAQS at the time of revocation of the 1997 ozone NAAQS the state will be obligated to implement the applicable requirements set forth in 51.1100(o) for the 1997 ozone NAAQS. This could include, as applicable, anti-backsliding requirements associated with the revoked 1-hour NAAQS if the area was also designated nonattainment for the 1-hour ozone NAAQS when that NAAQS was revoked. Nonattainment NSR applies in these areas in accordance with their highest nonattainment classification under any ozone standard for which they are (or were at the time of revocation) designated nonattainment. Also, if these areas are classified Severe or Extreme at the time of revocation for a prior standard, the requirements of CAA section 185 in relation to that prior standard continue to apply.

c. Rationale

The EPA believes that the application of anti-backsliding principles is very clear cut for this category of areas. These areas remain subject to the applicable requirements for the 2008 ozone NAAQS, as well as for any of the revoked ozone NAAQS for which the areas remained nonattainment, until the requirements are satisfied or suspended as detailed in sections IV.D and IV.E. The EPA received no adverse comments on this approach.

D. Satisfaction of Anti-Backsliding Requirements for an Area

1. Summary of the Proposal

The EPA proposed two acceptable procedures through which a state may demonstrate that it is no longer required to adopt any additional applicable requirements for an area which have not already been approved into the SIP for a revoked ozone NAAQS. Both procedures allow a state to remove or revise the nonattainment NSR provisions in the SIP and, upon a showing of consistency with the anti-backsliding checks in CAA sections 110(l) and 193 (if applicable), shift requirements which are contained in the active portion of the SIP to the

contingency measures portion of the SIP.⁹¹

The first of the proposed procedures is formal redesignation of the area to attainment for the 2008 ozone NAAQS. For areas subject to anti-backsliding requirements for revoked standards, approval of a request for redesignation to attainment for the 2008 ozone NAAQS signifies that the state has satisfied its obligations to adopt anti-backsliding requirements for the revoked standards. This is an extension of the approach that the EPA adopted in the Phase 1 Rule. The EPA proposed that once the area is redesignated and the requirement(s) for nonattainment NSR for the 2008 ozone NAAQS and for any prior ozone NAAQS cease to apply, the state may request that the corresponding nonattainment NSR requirements be removed from the SIP rather than be retained as a maintenance plan contingency measure.⁹² The state would instead implement the PSD program.

The second of the proposed procedures for satisfying anti-backsliding requirements was a new separate route referred to as a "redesignation substitute" for a revoked standard. This redesignation substitute showing would serve as a successor to redesignation to attainment, for which the area would have been eligible were it not for revocation. The showing is based on the CAA's criteria for redesignation to attainment [CAA section 107(d)(3)(E)]. States would have to demonstrate that the area has attained the relevant standard and met all of the requirements for redesignation. After notice-and-comment rulemaking on this showing, the EPA approval of the showing would have the same effect on the area's nonattainment anti-backsliding obligations as would a redesignation to attainment for the revoked standard. The EPA did not propose to require states to go through formal SIP submission procedures to submit a request for approval of a redesignation substitute because it is not a redesignation. The EPA proposed that such an area would no longer be subject to any remaining applicable anti-backsliding requirements and the

nonattainment NSR requirements associated with the revoked NAAQS for which the area completed a redesignation substitute would be lifted, leaving the remaining NSR requirements to be determined by the highest remaining classification the area is subject to, whether for the 2008 ozone NAAQS or another revoked NAAQS for which the EPA had not approved a redesignation showing.

2. Final Action

The EPA is finalizing both routes as acceptable ways to address anti-backsliding requirements. That is, states can choose either to submit a request to redesignate to attainment for the most current NAAQS with an approved 175A maintenance plan that addresses the current and revoked NAAQS, or to submit a redesignation substitute request for a revoked NAAQS. Under both of these procedures, a state seeking to revise its SIP to remove anti-backsliding measures from the active portion of its SIP must demonstrate, pursuant to CAA section 110(l), that such revision would not interfere with attainment or maintenance of any applicable NAAQS, or any other requirement of the CAA.⁹³

3. Rationale

The first of the procedures, formal redesignation of the area to attainment for the 2008 ozone NAAQS, is an extension of the approach that the EPA adopted in the Phase 1 Rule. Redesignation to attainment for the 2008 ozone NAAQS would allow a state to terminate and remove from the active portion of its SIP any applicable anti-backsliding requirements, including nonattainment NSR requirements associated with its classifications under the 2008 ozone NAAQS, or under the 1997 or 1-hour ozone NAAQS, except for areas in the OTR. The area would instead need, at a minimum, to implement the PSD program. This approach is consistent with the EPA's longstanding interpretation of nonattainment NSR requirements for areas that are redesignated to attainment.⁹⁴ Redesignation to attainment would also terminate any obligations to implement CAA section 185 fee programs in a Severe or Extreme area for the 2008 or prior revoked 1997

or 1-hour ozone NAAQS pursuant to the express terms of CAA section 185.

Approval of a redesignation to attainment for the 2008 ozone NAAQS signifies that the state has satisfied its obligations to adopt anti-backsliding requirements for the current and revoked standards for that area. This same approach was used in the Phase 1 Rule in requiring redesignations for the 1997 ozone NAAQS to address anti-backsliding requirements for the revoked 1-hour standard. Approval of the CAA section 175A maintenance plan for the 2008 ozone NAAQS assures that the area's SIP includes the provisions necessary for maintenance of the 2008 ozone NAAQS, which is the most stringent of the NAAQS. Therefore, upon redesignation to attainment and approval of its plan for maintenance of the 2008 ozone NAAQS, an area will have satisfied its obligations to adopt anti-backsliding requirements. All of the anti-backsliding measures that have been approved into the SIP must continue to be implemented unless or until the state can show that such implementation is not necessary for maintenance, consistent with CAA sections 110(l) and 193 if applicable.⁹⁵

Experience has shown the EPA that a second mechanism for areas to address the requirements imposed by anti-backsliding requirements is also appropriate. After revocation of the 1997 ozone NAAQS, areas that attain and meet requirements for the revoked 1997 or 1-hour ozone NAAQS would be disadvantaged relative to areas that were redesignated to attainment for those standards prior to their revocation. Absent this second mechanism, areas that would otherwise have qualified for redesignation to attainment for the 1997 or 1-hour ozone NAAQS, were it not for revocation of those NAAQS, would need to continue implementing potentially outdated and onerous requirements for a NAAQS they have attained until they also qualify for redesignation to attainment for the more stringent 2008 ozone NAAQS. The EPA believes that, under any view of anti-backsliding for a revoked standard, it should not mean imposing requirements greater than those that would apply if the standard had not been revoked.

The EPA has no mechanism for formally redesignating areas for a

⁹¹ Nonattainment NSR is not required to be retained in the SIP as a contingency measure. In areas designated attainment, the PSD permitting program applies rather than nonattainment NSR. Replacement or removal of an area's NSR SIP provisions does not relieve sources in the area of their obligations under previously established permit conditions.

⁹² States in the OTR may not use this flexibility because the CAA requires all areas of the OTR including attainment areas to implement, at a minimum, the nonattainment NSR requirements prescribed for Moderate areas.

⁹³ Likewise, to the extent that a SIP revision seeking to remove anti-backsliding measures modifies control requirements subject to CAA section 193, the revision would also have to satisfy the requirements of that provision.

⁹⁴ See 40 CFR 51.905(a)(3), the comparable provision for transition from the 1-hour NAAQS to the 1997 ozone NAAQS, which allows states with such areas to request that the 1-hour nonattainment NSR provisions be removed from the SIP.

⁹⁵ This showing may be submitted to the EPA at the same time as the maintenance plan, and may be approved by the EPA in a single action. Subject to this process, anti-backsliding requirements contained in the SIP could be shifted to the contingency measures portion of a CAA section 175A maintenance plan, or, in limited circumstances (such as nonattainment NSR) removed from the SIP.

revoked standard. However, by establishing the redesignation substitute, the EPA is providing a pathway for states to demonstrate and for the EPA to acknowledge that they have satisfied the applicable requirements for the revoked 1-hour or 1997 ozone NAAQS by submitting a showing that functions as a substitute for redesignation to attainment for that revoked standard, and ensures that the substance of the redesignation requirements are met. For a revoked standard, this second mechanism will serve as a successor to redesignation to attainment, for which the area would have been eligible were it not for revocation.

The EPA believes this is an acceptable approach because it is based on the CAA's criteria for redesignation to attainment [CAA section 107(d)(3)(E)]. A showing would include: Attainment of the relevant revoked 1-hour or 1997 ozone NAAQS; a showing that attainment was due to permanent and enforceable emissions reductions; and a demonstration that the area can continue to maintain the standard over the next 10 years. Redesignation criteria in CAA section 107(d)(3)(E)(ii) and (v) would be met by the existing approved SIP, under which the area has attained the revoked standard, in the context of (and reinforced by) the requirements for the new 2008 ozone NAAQS. The EPA will conduct notice-and-comment rulemaking on the state's showings. We believe a notice-and-comment process fulfills the function of redesignation to attainment for the purpose of satisfying anti-backsliding requirements for a revoked standard.

The EPA believes that requiring more elaborate administrative procedures for purposes of approving a state's request for a redesignation substitute for a revoked NAAQS (for example, requiring states to use the formal SIP adoption process) would needlessly impose burdens because the area will remain subject to all the formal requirements for redesignation to attainment for the 2008 ozone NAAQS. Development of SIP revisions takes time and imposes administrative costs on states, industry and the public. As in the case of a redesignation to attainment for the 2008 ozone NAAQS, at the time of submitting a redesignation substitute request or at any time thereafter, a state may request to revise its SIP so as to cease implementing a specific nonattainment SIP requirement. However, this request could not be granted, and the SIP revised, until the EPA approves the redesignation substitute and a demonstration that the SIP revision meets the requirements of CAA section

110(l). The EPA is not providing this mechanism for the purpose of allowing states to relax or avoid air quality management measures that are needed for attainment and maintenance of the 2008 ozone NAAQS. The showings required, the provisions of CAA section 110(l), and the fact that the area remains subject to CAA requirements for the more stringent 2008 ozone NAAQS, assure that is not the case. It is, however, important to relieve states of requirements that are no longer necessary, or that can be replaced by other forms of protection that might better meet the local needs and circumstances of an area.

The EPA is providing in the redesignation substitute option a mechanism that demands more than a determination of attainment of the prior NAAQS, and calls for a showing that addresses redesignation criteria for that NAAQS. Moreover, the process under this option occurs while the state remains subject to ongoing requirements to meet the new more stringent standard in that area. In this context, this final action is clearly sufficient for its limited anti-backsliding purpose—it recognizes and supports the state's progress in having attained the prior standard in that area due to permanent and enforceable emissions reductions, and reinforces continued attainment by calling for a demonstration that the area can maintain the revoked standard.

4. Comments and Responses

Comment: Several commenters requested that the EPA preserve the statutory mechanism as described in 42 U.S.C 7407(d)(3) that would allow the EPA to redesignate areas for a revoked NAAQS.

Response: After the revocation of a standard, the EPA believes that it can no longer take action to reclassify or to redesignate areas for that standard. Revocation of the standard removes both classifications and designations for the revoked standard. The EPA believes the two mechanisms provided in the final rule accomplish the goals of 42 U.S.C 7407(d)(3) [CAA section 107(d)(3)] in a manner consistent with anti-backsliding principles and appropriate for the circumstance where a more stringent NAAQS with the same form and averaging time exists and is being actively implemented.

Comment: A commenter argued that redesignation to attainment for the 2008 ozone NAAQS is not sufficient to turn off anti-backsliding obligations triggered under the revoked 1-hour or the 1997 ozone NAAQS.

Response: The EPA disagrees with the commenter. When the EPA approves a

redesignation request for the current 2008 ozone NAAQS, we assess whether the area is in attainment for the current and previous NAAQS. The maintenance plan submitted by the state demonstrates that the area being considered for redesignation will continue for the next 10 years to attain the standard that is requisite to protect public health, and that attainment is due to permanent and enforceable emissions reductions. A redesignation to attainment signifies that the area has met the requirements of the 2008, as well as any revoked, NAAQS. CAA section 185 specifically indicates redesignation "as an attainment area for ozone" as a basis for terminating fee requirements. Also, redesignation to attainment historically has terminated nonattainment NSR requirements, which are not required to be kept in the SIP as contingency measures. See *Greenbaum v. EPA* (370 F.3d at 536). Moreover, redesignation for the current standard was the unchallenged basis for demonstrating satisfaction of anti-backsliding requirements in the EPA's previous Phase 1 anti-backsliding regime (69 FR 23951). We believe the application of the same principle when transitioning from the 1997 to the 2008 ozone NAAQS is an even better fit: It is impossible to attain the 2008 ozone NAAQS without first achieving air quality that would attain the 1997 ozone NAAQS due to the identical form of the two standards.

Comment: A number of commenters supported the concept of the redesignation substitute, but requested that a more streamlined process be developed. Several commenters suggested that a clean data determination would be sufficient to terminate anti-backsliding requirements for a revoked NAAQS.

Response: The EPA recognizes that a clean data determination alone is less burdensome for states than a CAA section 107(d)(3) redesignation or a redesignation substitute. A clean data determination only suspends planning requirements associated with the NAAQS for which the determination was granted. However, we believe that the redesignation and redesignation substitute mechanisms represent the minimum set of requirements sufficient to demonstrate satisfaction of anti-backsliding requirements under the EPA's application of the principles of CAA section 172(e). These mechanisms provide a way for states to demonstrate that they have attained these standards, they have met all the requirements for redesignations, and no longer need any anti-backsliding requirements beyond those already approved in their SIPs.

Comment: Two commenters asked the EPA to reconsider the use of CAA section 172(e). One of these commenters asked that the use of 172(e) be applied to all applicable requirements required of areas subject to anti-backsliding allowing them to substitute measures at least as stringent as the controls listed. The other commenter believed no application of 172(e) is justified, even to CAA section 185 fees where the EPA has historically applied this principle.

Response: CAA section 172(e), which addresses relaxations of a NAAQS, requires protections for areas that have not attained a NAAQS prior to a relaxation, by requiring controls that are “not less stringent” than the controls applicable in nonattainment areas prior to any such relaxation. The EPA applied these principles in developing previous guidance on satisfying the anti-backsliding approach for CAA section 185 requirements. As stated in previous EPA guidance, we interpret the principles of 172(e) as authorizing, but not requiring, the Administrator to approve on a case-by-case basis “not less stringent” alternatives to the applicable CAA section 185 fee program requirements associated with a revoked ozone NAAQS.⁹⁶ The NRDC challenged this guidance in 2010. Although the court vacated the 2010 guidance memorandum on procedural grounds, it did not prohibit alternative programs, stating that “neither the statute nor our case law obviously precludes that alternative.” See *NRDC v. EPA*, 643 F.3d 332 (D.C. Cir. July 2011). We believe the application of CAA section 172(e) principles to applicable CAA section 185 anti-backsliding requirements is an appropriate and reasonable use of the Administrator’s discretion to approve “not less stringent” controls. However, we did not propose and do not intend at this time to promulgate regulatory language to apply principles of CAA section 172(e) to other anti-backsliding requirements.

E. How will the EPA’s determination of attainment (“Clean Data”) regulation apply for purposes of the anti-backsliding requirements?

1. Summary of the Proposal

The EPA proposed to apply the same approach with respect to determinations of attainment for the 2008 ozone NAAQS as applied under the 1997 ozone NAAQS under 40 CFR 51.918. Under 40 CFR 51.918, an EPA determination that an area attained the

1997 ozone NAAQS suspended the obligation to submit any attainment-related SIP planning elements for the 1997 ozone NAAQS not yet approved in the SIP, for so long as the area continued to be in attainment of that NAAQS.⁹⁷ In order to reflect the ongoing status of the Clean Data Policy and to consolidate in one regulation a comprehensive provision applicable to determinations of attainment for all current and former ozone NAAQS, the EPA proposed to replace 40 CFR 51.918 with proposed 40 CFR 51.1118 after revocation of the 1997 ozone NAAQS.

2. Final Action

The EPA is finalizing its proposed approach to implementing the Clean Data Policy with respect to the 2008 ozone NAAQS and all prior ozone NAAQS. Under the EPA’s Clean Data Regulation, a determination of attainment suspends the obligation to submit certain attainment-related planning requirements for the associated NAAQS for an area as long as the area continues to attain that standard.⁹⁸ For those areas that have already incorporated measures into their approved SIPs that satisfy the nonattainment requirements for that standard, CAA section 110(l) functions as an anti-backsliding check to require continued implementation of such measures unless revised in accordance with its provisions.

The planning elements that may be suspended under 40 CFR 51.1118 are the same as those suspended under existing 40 CFR 51.918: RFP requirements, attainment demonstrations, RACM, contingency measures and other state planning requirements related to attainment of the relevant standard. For a Severe or Extreme area, a CAA section 185 fee program is expressly linked by the statute itself to an attainment plan; therefore suspension of the obligation to submit the attainment plan also necessarily suspends the obligation to submit the fee program which is part of

the attainment plan (provided that the EPA has not already determined that the area failed to attain by its attainment deadline and thus triggered the obligation to implement a fee program). The EPA notes that a determination of attainment would not, however, suspend obligations to submit non-planning requirements such as nonattainment NSR, subpart 2 RACT or emission inventories under CAA section 182(a)(1).

3. Rationale

40 CFR 51.1118 applies essentially the same language as 40 CFR 51.918. Upon revocation of the 1997 ozone NAAQS, this section would be applicable to determinations of attainment for all ozone NAAQS: The 2008, 1997 and the already revoked 1-hour ozone NAAQS. With the finalization of 51.1118, the EPA’s long-standing Clean Data Policy, which has been upheld by the D.C. Circuit and all other courts that have considered it, is embodied in a regulation applicable for the purpose of all existing and prior ozone NAAQS. The EPA believes that continuation of this approach makes the most sense for implementing the 2008 ozone NAAQS.

4. Comments and Responses

Comment: Two commenters indicated that a determination that an area has “clean data” for the more-stringent 2008 ozone NAAQS should be sufficient to lift anti-backsliding requirements for the 1997 and the 1-hour ozone NAAQS.

Response: A clean data determination only suspends specific planning requirements, not mandatory control requirements, which could include, as applicable, anti-backsliding requirements associated with revoked NAAQS. As explained previously, the EPA believes that an approved redesignation to attainment or a redesignation substitute is necessary to lift anti-backsliding requirements. 40 CFR 51.1118 clarifies that a clean data determination for a specific standard only affects attainment-related planning requirements for that standard.

Comment: A commenter requested that the EPA clarify language in the proposed 40 CFR 51.1118 to indicate more specifically which NAAQS must be attained to suspend planning requirements.

Response: The EPA will revise the language in 40 CFR 51.1118 to make it clear that a clean data determination for the 2008 NAAQS acts to suspend planning requirements associated with the 2008 and less stringent 1997 ozone NAAQS, which have an identical form.

⁹⁶ Memo from Stephen D. Page to Regional Air Division Directors, Jan. 5, 2010, “Guidance on Developing Fee Programs Required by Clean Air Act Section 185 for the 1-Hour Ozone NAAQS.”

⁹⁷ The EPA initially issued the Clean Data Policy in 1995, “Reasonable Further Progress, Attainment Demonstration, and Related Requirements for Ozone Nonattainment Areas Meeting the Ozone National Ambient Air Quality Standard.” Memorandum from John S. Seitz, Director, Office of Air Quality Planning and Standards, May 10, 1995. For purposes of the 1997 ozone NAAQS, we codified that policy at 40 CFR 51.918. This codified policy was upheld by the D.C. Circuit in *NRDC v. EPA*, 571 F.3d 1245 (D.C. 2009).

⁹⁸ Depending on the area’s classification for the 1997 ozone NAAQS and the SIP elements already approved, the area may still have outstanding non-planning 1997 anti-backsliding submission requirements that are not suspended by 51.918 (e.g., emissions inventories, nonattainment NSR, Subpart 2 RACT requirements).

F. What is the relationship between implementation of the 2008 ozone NAAQS and the CAA title V permits program?

1. Summary of the Proposal

We proposed, and solicited comment on, two alternative approaches for implementing the title V permit program for sources in areas designated nonattainment for the 2008 ozone NAAQS and subject to anti-backsliding requirements for a prior ozone NAAQS. The EPA co-proposed two approaches to interpreting title V applicability requirements following revocation of the 1997 ozone NAAQS: (1) Major source thresholds for title V should be the same as the major source thresholds applicable for purposes of other requirements such as RACT and NSR; and (2) major source thresholds for title V depend solely on the area's classification for the 2008 ozone NAAQS. The EPA specifically solicited comments on whether title V should (or should not) be considered a "control" within the meaning of CAA section 172(e) in light of the fact that title V generally does not impose new substantive air quality control requirements but is intended to assure compliance with all such existing requirements.

2. Final Action

We are finalizing the first option and the associated proposed revisions to parts 70 and 71. Following revocation of the 1997 ozone NAAQS, major source thresholds for title V will be the same as the major source⁹⁹ thresholds applicable for purposes of other requirements, such as RACT and NSR (*i.e.*, the major source threshold associated with the more stringent of the area's classification for the 2008, 1997 and/or 1-hour ozone NAAQS will be the applicable threshold for title V purposes, to the extent that anti-backsliding requirements for the 1997

and/or 1-hour ozone NAAQS apply in the area).¹⁰⁰

3. Rationale

The EPA received a wide range of comments on the question of whether the major source thresholds for title V permitting should be considered a "control" for purposes of the anti-backsliding requirements of CAA section 172(e). The EPA recognizes that many of these comments raise valid perspectives. It is true that title V generally does not impose new substantive pollution control requirements on sources, and thus ordinarily the EPA would not describe title V permitting itself as a "control." At the same time, the EPA does believe that one of the underlying purposes of title V is to assure compliance with the pollution control requirements applicable to a source. Thus, it may well be true that title V provides air quality benefits, and should be considered a "control" under the broad, functional analysis used by the court in the *South Coast v. EPA* decision. The EPA believes it is unnecessary to resolve this precise question at this time, because the EPA believes that regardless of whether title V should be considered a "control" for purposes of CAA section 172(e), it fulfills the purposes and requirements of the Act for title V permitting thresholds to be the same as the permitting thresholds for underlying applicable requirements, particularly NSR which was considered a control by the *South Coast* court.

Title V and NSR have long shared a common approach to the definition of major source.^{101 102} The EPA concurs with the commenters, such as Texas and New York, who believe that we should maintain clarity and uniformity in major

source threshold determinations for both NSR and title V.

In addition, the EPA notes that, under CAA section 502, sources are required to operate in accordance with the terms of a title V permit if, *inter alia*, the source is a major source *or* the source is required to have a permit under part D of Title I. Thus, even if a source is not a major source for purposes of title V, it is still required to get a title V permit if it is required to have a permit under part D of title I. This provides additional support to the EPA's conclusion that the major source permitting threshold for NSR and RACT should be the same as for title V because otherwise, a source that is not a "major source" for purposes of title V might not understand it is still covered by the applicability provisions of parts 70 and 71, if it is required to have a permit under part D of title I.

Maintaining consistency between the NSR and title V thresholds in this regard will promote compliance with CAA requirements by providing a simpler permitting regime, ensuring that sources subject to major source NSR understand they are also subject to title V, and enabling permitting authorities to identify sources that are potentially subject to major source NSR. The EPA believes a contrary approach would introduce not only complexity, but anomalies, into the permitting program that would be contrary to the purposes and requirements of the Act. To promote effective program implementation and ensure consistency with the CAA, this final rule will amend the relevant provisions of parts 70 and 71 related to application of title V thresholds.

4. Comments and Responses

Comment: Several commenters supported the first option, which sets major source title V thresholds equal to those applied for RACT and NSR. One of these commenters supported the first option with the minor conforming amendments to the definition of major source in 40 CFR 70.2 and 71.2 as detailed on page 34225 of the proposal. Commenters stated that this approach would provide applicants with clarity and uniformity regarding applicable major source thresholds, and that this approach maintains the consistency which will ultimately simplify permitting and enforcement. A commenter indicated that option 1 is supported by the fact that these thresholds emanate from the same provisions of the CAA (part D of title I), therefore, the intent of the CAA was to keep the thresholds the same. Several commenters noted that the first approach is consistent with past

⁹⁹ One of the ways a source can become subject to title V is as a "major source." See CAA section 502(a); 40 CFR 70.3; 71.3. Furthermore, the definition of "major source" for purposes of title V includes, but is not limited to, a "major stationary source as defined . . . in part D" of title I. See CAA section 501(2)(B) and 502(a); 40 CFR 70.2; 71.2. Thus, changes in an area's classification (*e.g.*, from "Serious" to "Severe") by changing the emissions threshold for being deemed a major source (*e.g.*, from 100 tpy to 50 tpy of a relevant pollutant) can result in changes in title V applicability for a source. (The EPA notes that sources can become subject to title V permitting for other reasons, and nothing in this discussion is intended to suggest that changes in an area's classification would affect those other provisions of title V. Accordingly, sources subject to title V under other provisions would remain subject to title V for those independent reasons.)

¹⁰⁰ It should be noted that, pursuant to CAA section 503(a), a source is subject to a permit program on the later of the date that it becomes a major source and the effective date of a permit program applicable to the source. Thus, if a permitting authority with an approved title V program lacks any authority to permit certain sources that are major sources subject to title V as a result of ozone precursor emissions and an area classification for ozone that has a major source threshold lower than 100 tpy (*e.g.*, "Serious") then there is no title V permit program "applicable to the source" and those sources have no obligation to apply for a title V permit until after such time as a permit program becomes applicable to them. The EPA will work with states to ensure that all approved title V programs are adequate under the CAA.

¹⁰¹ The EPA recognizes that there are statutory and regulatory differences between title V and NSR, but for purposes of the discussion we are focusing on the commonalities.

¹⁰² See, *e.g.*, Memorandum from Lydia N. Wegman, Deputy Director, Office of Air Quality Planning and Standards, U.S. EPA, "Definition of Regulated Air Pollutant for Purposes of Title V" (April 26, 1993).

precedent and compelled by the Act's anti-backsliding requirements as well as court precedent.

Response: As discussed previously, the EPA agrees with these commenters that the major source threshold for title V should be the same as the major source threshold for NSR and RACT, and the EPA is finalizing the proposed revisions to parts 70 and 71 to make that clear.

Comment: Several commenters supported the second approach, in which the major source thresholds for title V permitting are based solely on an area's classification for the 2008 ozone NAAQS. Commenters cited a number of reasons for this, including: This approach would provide relief to small operators, and that this approach makes good sense in a time of resource constraints. Several commenters questioned the utility of setting title V levels based on a revoked NAAQS. Several commenters also commented that EPA's understanding of the impacts of the *South Coast v. EPA* decision is not correct. These commenters agreed that the classifications of revoked NAAQS can impact the NSR level, but disagreed with the EPA that the title V levels are controlled by anything other than the current 2008 ozone NAAQS.

Response: The EPA recognizes that the approach being adopted does not solely rely on the area's current classification for purposes of determining major source thresholds for title V. The EPA believes there is ambiguity in the intersection between title V and part D as to whether title V should apply the major source threshold of the area's current classification, or the area's classification for purposes of NSR and other underlying applicable requirements, when that threshold would be lower. As discussed previously, the EPA believes that it is appropriate under the CAA, and consistent with the EPA's longstanding approach to these programs, for a source which is considered to be "major" for purposes of NSR to also be considered "major" for purposes of title V. For the reasons stated previously, the EPA believes maintaining consistency in the major source applicability of the two programs in the context of today's rulemaking is the best approach to promote consistency and compliance with the purposes and requirements of the CAA. Additional information can be found in the Response to Comments document.

Comment: The EPA received a wide range of comments on the question of whether the major source thresholds for title V permitting should be considered a "control" for purposes of the anti-

backsliding requirements of CAA section 172(e). Several commenters believed that title V should be considered as a control within the meaning of CAA section 172(e). One commenter stated that title V permits represent "controls" for purposes of the Act's anti-backsliding requirements and, as such, the EPA should abide by *South Coast v. EPA* and use the same major source thresholds for administering the title V permit program as the agency proposes to for the NSR and RACT programs. The commenter stated that title V permits serve as independently enforceable compliance assurance mechanisms that constrain emissions by sources and accordingly should be seen as control measures. Since title V permits collect multiple control requirements in one document, there is no reason for the agency to depart from *South Coast v. EPA* and treat title V permitting classifications differently than, for example, NSR permitting.

A number of commenters stated that the title V program is not a control in and of itself. One commenter stated that the EPA has consistently stated that title V is a separate program when compared to the requirements of title I. Several commenters stated that the history of title V rulemaking is clear on this point, indicating that the EPA has stated repeatedly that no substantive controls are imposed simply by having a title V permit. Title V should not be considered a "control" in light of the fact that title V is not intended to impose new substantive air quality control requirements but is instead intended to assure compliance with all existing applicable requirements.

Response: The EPA believes it is unnecessary to resolve this precise question at this time, because the EPA believes that regardless of whether title V should be considered a "control" for purposes of CAA section 172(e), it fulfills the purposes and requirements of the CAA for title V permitting thresholds to be the same as the permitting thresholds for underlying applicable requirements, particularly NSR. Thus, the EPA is taking final action adopting the interpretation that major source definitions should be the same for both programs.

V. Environmental Justice Considerations

The CAA requires that states with areas designated as nonattainment submit to the Administrator the appropriate SIP revisions and implement specified control measures by certain dates applicable to the area's classification. By addressing the planning and implementation

requirements for all areas designated nonattainment under the 2008 ozone NAAQS, this action protects all those residing, working, attending school, or otherwise present in those areas regardless of minority or economic status.

VI. Statutory and Executive Order Reviews

A. Executive Order 12866: Regulatory Planning and Review and Executive Order 13563: Improving Regulation and Regulatory Review

This action is a significant regulatory action that was submitted to the Office of Management and Budget (OMB) for review. This action raises novel policy issues. Any changes made in response to OMB recommendations have been documented in the docket.

B. Paperwork Reduction Act (PRA)

The information collection activities in this final rule have been submitted for approval to the Office of Management and Budget under the PRA. The Information Collection Request (ICR) document that the EPA prepared has been assigned the EPA ICR number 2347.02 and OMB Reference number 2060-0695. You can find a copy of the ICR in the docket for this rule, and it is briefly summarized here. The information collection requirements are not enforceable until OMB approves them.

The EPA is finalizing this 2008 ozone NAAQS SIP Requirements Rule so that states will know what CAA requirements apply to their nonattainment areas when the states develop their SIPs for attaining and maintaining the NAAQS. The intended effect of the SIP Requirements Rule is to provide certainty to states regarding their planning obligations such that states may begin SIP development. For purposes of analysis of the estimated paperwork burden, the EPA assumed 46 nonattainment areas,¹⁰³ some of which must prepare an attainment demonstration as well as submit an RFP and RACT SIP. The attainment demonstration requirement would appear in 40 CFR 51.1108 which implements CAA subsections 172(c)(1), 182(b)(1)(A) and 182(c)(2)(B). The RFP SIP submission requirement would appear in 40 CFR 51.1110, and the RACT SIP submission requirement would appear in 40 CFR 51.1112, which implements CAA subsections 172(c)(1) 182(b)(2), (c), (d) and (e).

States should already have information from any emission

¹⁰³ May 21, 2012, 77 FR 30088.

sources, as facilities should have provided this information to meet 1-hour and 1997 ozone NAAQS SIP requirements, operating permits and/or emissions reporting requirements. Such information does not generally reveal the details of production processes. But, to the extent it may, confidential business information for the affected facilities is protected. Specifically, submissions of emissions and control efficiency information that is confidential, proprietary and trade secret is protected from disclosure under the requirements of subsections 503(e) and 114(c) of the CAA.

The annual burden for this information collection averaged over the first 3 years of this ICR is estimated to be a total of 120,000 labor hours per year at an annual labor cost of \$2.4 million (present value) over the 3-year period or approximately \$91,000 per state for the 26 state air agency respondents, including the District of Columbia. The Information Collection Request Supporting Statement for the 2008 8-hour Ozone National Ambient Air Quality Standard Implementation Rule EPA ICR #2347.02 in the docket provides the details for the 26 state air agencies that are required to provide the 58 SIP revisions for the 46 areas designated nonattainment for the 2008 ozone standard. The average annual reporting burden is 690 hours per response, with approximately 2 responses per state for 58 state responses from the state air agencies. There are no capital or operating and maintenance costs associated with the proposed rule requirements. Burden is defined at 5 CFR 1320.3(b).

Respondents/affected entities: States with 46 nonattainment areas.

Respondent's obligation to respond: Mandatory (CAA, sections 172 and 182).

Estimated number of respondents: 26 state respondents.

Frequency of response: Once.

Total estimated burden: 40,000 hours (per year). Burden is defined at 5 CFR 1320.3(b).

Total estimated cost: \$2.4 million (per year), includes \$0 annualized capital or operation & maintenance costs.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB control numbers for the EPA's regulations in 40 CFR are listed in 40 CFR part 9. When OMB approves this ICR, the agency will announce that approval in the **Federal Register** and publish a technical amendment to 40 CFR part 9 to display the OMB control number for the

approved information collection activities contained in this final rule.

C. Regulatory Flexibility Act (RFA)

I certify that this action will not have a significant economic impact on a substantial number of small entities under the RFA. This action will not impose any requirements on small entities. Entities potentially affected directly by this rule include state, local and tribal governments and none of these governments are small governments. Other types of small entities are not directly subject to the requirements of this rule because this action only addresses how a SIP will provide for adequate attainment and maintenance of the NAAQS and meet the obligations of the CAA. Although some states may ultimately decide to impose economic impacts on small entities, that is not required by this rule and would only occur at the discretion of the state.

D. Unfunded Mandates Reform Act (UMRA)

This action does not contain any unfunded mandate as described in UMRA, 2 U.S.C. 1531–1538, and does not significantly or uniquely affect small governments. The action implements mandates specifically and explicitly set forth in the CAA without the exercise of any policy discretion by the EPA.

E. Executive Order 13132: Federalism

This action does not have federalism implications. It will not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government.

F. Executive Order 13175: Consultation and Coordination With Indian Tribal Governments

This action does not have tribal implications as specified in Executive Order 13175. It would not have a substantial direct effect on one or more Indian tribes, since no tribe has to develop a TIP under these regulatory revisions. Furthermore, these regulation revisions do not affect the relationship or distribution of power and responsibilities between the federal government and Indian tribes. The CAA and the Tribal Air Rule establish the relationship of the federal government and tribes in developing plans to attain the NAAQS, and these revisions to the regulations do nothing to modify that relationship. Thus, Executive Order 13175 does not apply to this action.

Although Executive Order 13175 does not apply to this action, the EPA met with tribal officials in developing the proposal. Meeting summaries are contained in the docket for this rulemaking.

G. Executive Order 13045: Protection of Children From Environmental Health and Safety Risks

The EPA interprets Executive Order 13045 as applying only to those regulatory actions that concern environmental health or safety risks that the EPA has reason to believe may disproportionately affect children, per the definition of “covered regulatory action” in section 2–202 of the Executive Order. This action is not subject to Executive Order 13045 because it does not concern an environmental health risk or safety risk.

H. Executive Order 13211: Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution or Use

This action is not a “significant energy action” because it is not likely to have a significant adverse effect on the supply, distribution or use of energy. This final rule addresses the substantive requirements for states with nonattainment areas to develop planning SIPs and attain the NAAQS.

I. National Technology Transfer and Advancement Act (NTTA)

This rulemaking does not involve technical standards.

J. Executive Order 12898: Federal Actions To Address Environmental Justice in Minority Populations and Low-Income Populations

The EPA believes the human health or environmental risk addressed by this action will not have potential disproportionately high and adverse human health or environmental effects on minority, low-income or indigenous populations because it does not affect the level of protection provided to human health or the environment.

The final revisions to the regulations address the substantive requirements for SIPs to attain the NAAQS, which are designed to protect all segments of the general populations. As such, they do not adversely affect the health or safety of minority or low-income populations and are designed to protect and enhance the health and safety of these and other populations. The EPA encourages states to consider any potential impacts on these populations in developing SIPs to attain the NAAQS.

K. Congressional Review Act (CRA)

This action is subject to the CRA, and the EPA will submit a rule report to each House of the Congress and to the Comptroller General of the United States. This action is not a “major rule” as defined by 5 U.S.C. 804(2).

L. Determination Under Section 307(d)

Pursuant to CAA section 307(d)(1)(V), the Administrator determines that this action is subject to the provisions of CAA section 307(d). Section 307(d) establishes procedural requirements specific to rulemaking under the CAA. CAA section 307(d)(1)(V) provides that the provisions of CAA section 307(d) apply to “such other actions as the Administrator may determine.”

M. Judicial Review

Section 307(b)(1) of the CAA indicates which Federal Courts of Appeal have venue for petitions of review of final agency actions by the EPA under the CAA. This section provides, in part, that petitions for review must be filed in the U.S. Court of Appeals for the District of Columbia Circuit (i) when the agency action consists of “nationally applicable regulations promulgated, or final actions taken, by the Administrator” or (ii) when such action is locally or regionally applicable, if “such action is based on a determination of nationwide scope or effect and if in taking such action the Administrator finds and publishes that such action is based on such a determination.”

This rule implementing the 2008 ozone NAAQS is “nationally applicable” within the meaning of CAA section 307(b)(1). First, the rulemaking addresses a NAAQS that applies to all states and territories in the U.S. Second, the rulemaking addresses issues relevant to specific existing SIP provisions in states across the U.S. that are located in each of the 10 EPA Regions, numerous federal circuits and multiple time zones. Third, the rulemaking addresses a common core of knowledge and analysis involved in formulating the decision and a common interpretation of the requirements of the CAA being applied to SIPs in states across the country. Fourth, the rulemaking, by addressing issues relevant to appropriate SIP provisions in one state, may have precedential impacts upon the SIPs of other states nationwide. Courts have found similar

rulemaking actions to be of nationwide scope and effect.¹⁰⁴

Under section 307(b)(1) of the Act, petitions for judicial review of this action must be filed in the United States Court of Appeals for the District of Columbia Circuit by May 4, 2015. Any such judicial review is limited to only those objections that are raised with reasonable specificity in timely comments. Filing a petition for reconsideration by the Administrator of this final rule does not affect the finality of this rule for the purposes of judicial review nor does it extend the time within which a petition for judicial review may be filed and shall not postpone the effectiveness of such rule or action. Under section 307(b)(2) of the Act, the requirements of this final action may not be challenged later in civil or criminal proceedings brought by us to enforce these requirements.

Appendix A to Preamble Glossary of Terms and Acronyms

ACT Alternative Control Techniques (document)
 AERR Air Emissions Reporting Requirements Rule
 BACT Best Available Control Technology
 CAA Clean Air Act
 CAAAC Clean Air Act Advisory Committee
 CAIR Clean Air Interstate Rule
 CERR Consolidated Emissions Reporting Rule
 CFR Code of Federal Regulations
 CO Carbon Monoxide
 CSAPR Cross-State Air Pollution Rule
 CTG Control Technique Guideline
 DOT Department of Transportation
 DV Design Value
 EMFAC Emissions FACTors (a mobile emissions model)
 EO Executive Order
 ESRP Emissions Statement Reporting Program
 EGU Electricity Generating Unit
 EPA Environmental Protection Agency
 FIP Federal Implementation Plan
 GDF Gasoline dispensing facilities
 HEDD High Electric Demand Day
 ICR Information Collection Requirement
 I/M Inspection and Maintenance (*i.e.*, smog check)
 km Kilometers
 LAER Lowest Achievable Emission Rate
 MACT Maximum Achievable Control Technology
 MCR Mid-course Review
 MPO Metropolitan Planning Organization
 NAAQS National Ambient Air Quality Standards

¹⁰⁴ See, e.g., *State of Texas, et al. v. EPA*, 2011 U.S. App. LEXIS 5654 (5th Cir. 2011) (finding SIP call to 13 states to be of nationwide scope and effect and thus transferring the case to the U.S. Court of Appeals for the D.C. Circuit in accordance with CAA section 307(b)(1)).

NO_x Nitrogen Oxides
 NPRM Notice of Proposed Rulemaking
 NSR New Source Review
 NTTAA National Technology Transfer and Advancement Act of 1995
 OMB Office of Management and Budget
 ORVR Onboard refueling vapor recovery
 OTR Ozone Transport Region
 PM Particulate Matter
 PM_{2.5} Fine Particulate Matter
 ppb Parts per Billion
 ppm Parts per Million
 PSD Prevention of Significant Deterioration
 RACM Reasonably Available Control Measures
 RACT Reasonably Available Control Technology
 RFA Regulatory Flexibility Act
 RFG Reformulated Gasoline
 RFP Reasonable Further Progress
 ROP Rate-of-Progress
 RPO Regional Planning Organization
 SBA Small Business Administration
 SIP State Implementation Plan
 TAR Tribal Authority Rule
 TAS Treatment in the Same Manner as a State (“Treatment as State”)
 TIP Tribal Implementation Plan; also Transportation Improvement Program (depending on context)
 tpd Tons Per Day
 tpy Tons Per Year
 TSP Total Suspended Particulate
 UMRA Unfunded Mandates Reform Act of 1995
 VCS Voluntary Consensus Standards
 VOC Volatile Organic Compound

Appendix B—List of Areas Nonattainment for the 2008 Ozone NAAQS in Addition to a Prior Ozone NAAQS as of April 6, 2015

This table lists the areas that were designated nonattainment for the 2008 ozone NAAQS effective July 20, 2012 that were also nonattainment for a prior ozone NAAQS (1997 NAAQS and/or 1-hour NAAQS) as of the date the prior NAAQS was revoked. The table also indicates the attainment-related status of each area with respect to each of the ozone standards, which is relevant to understanding which obligations associated with the standards applies to each area, as detailed in this final rule. Clean Data Determination means the area received a determination from the EPA that suspends the obligation to submit to the EPA certain planning requirements associated with a standard. Attainment Deadline Determination means the EPA determined that the area attained a standard by the applicable attainment date. No Action means the EPA did not determine that the area qualified for either a Clean Data Determination or a determination of attainment by the applicable attainment date. The term “n/a” means not applicable for this area because the area was not nonattainment for the 1-hour ozone NAAQS at the time the 1-hour NAAQS was revoked (June 15, 2005).

2008 Nonattainment area name	2008 8-hour ozone classification	1997 8-hour ozone classification	1997 8-hour ozone attainment determination	1-hour ozone classification	1-hour ozone attainment determination
Baltimore Area, MD	Moderate	Serious	No Action	Severe-15	Clean Data Determination.
Calaveras County, CA ¹	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	n/a	n/a.
Chico Area, CA	Marginal	Marginal	Clean Data Determination, Attainment Deadline Determination.	n/a	n/a.
Dallas-Fort Worth Area, TX ¹ .	Moderate	Serious	No Action	Serious	Clean Data Determination.
Denver-Boulder-Greeley-Ft. Collins-Loveland Area, CO.	Marginal	Marginal	No Action	n/a	n/a.
Dukes County, MA ¹	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	Serious	Clean Data Determination, Attainment Deadline Determination.
Greater Connecticut Area, CT.	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	Serious	Clean Data Determination.
Houston-Galveston-Brazoria Area, TX.	Marginal	Severe-15	No Action	Severe-17	No Action.
Imperial County Area, CA ..	Marginal	Moderate	Clean Data Determination	n/a	n/a.
Jamestown Area, NY	Marginal	Moderate	Clean Data Determination ²	n/a	n/a.
Kern County (Eastern Kern) Area, CA.	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	n/a	n/a.
Los Angeles and San Bernardino Counties (W Mojave Desert) Area, CA.	Severe-15	Severe-15	No Action	Severe-17	No Action.
Los Angeles-South Coast Air Basin Area, CA.	Extreme	Extreme	No Action	Extreme	No Action.
Mariposa County, CA ¹	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	n/a	n/a.
Morongo Areas of Indian Country (Morongo Band of Mission Indians) ³ .	Serious	Severe-17	No Action	Severe-17	No Action.
Nevada County (Western part) Area, CA.	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	n/a	n/a.
New York-N. New Jersey-Long Island Area, NY-NJ-CT.	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	Severe-17	Clean Data Determination.
Pechanga Areas of Indian Country (Pechanga Band of Luiseno Mission Indians of the Pechanga Reservation) ⁴ .	Moderate	Severe-17	No Action	Extreme	No Action.
Philadelphia-Wilmington-Atlantic City Area, PA-NJ-MD-DE ¹ .	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	Severe-15	Clean Data Determination, Attainment Deadline Determination.
Pittsburgh-Beaver Valley Area, PA.	Marginal	Moderate	Clean Data Determination ²	n/a	n/a.
Riverside County (Coachella Valley) Area (1-hr Southeast Desert), CA.	Severe-15	Severe-15	No Action	Severe-17	No Action.
Sacramento Metro Area, CA.	Severe-15	Severe-15	No Action	Severe-15	Clean Data Determination.
San Francisco Bay Area, CA.	Marginal	Marginal	No Action	Other	Clean Data Determination, Attainment Deadline Determination.
San Joaquin Valley Area, CA.	Extreme	Extreme	No Action	Extreme	No Action.
Seaford, DE ⁵	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	Marginal	Clean Data Determination, Attainment Deadline Determination.
Sheboygan County, WI	Marginal	Moderate	Clean Data Determination	n/a	n/a.
Ventura County (part) Area, CA.	Serious	Serious	Clean Data Determination	Severe-15	Clean Data Determination, Attainment Deadline Determination.

2008 Nonattainment area name	2008 8-hour ozone classification	1997 8-hour ozone classification	1997 8-hour ozone attainment determination	1-hour ozone classification	1-hour ozone attainment determination
Washington Area, DC-MD-VA.	Marginal	Moderate	Clean Data Determination, Attainment Deadline Determination.	Severe-15	Clean Data Determination, Attainment Deadline Determination.

¹ 2008 ozone NAAQS nonattainment area boundary differs from 1997 and (where applicable) 1-hr ozone NAAQS nonattainment area boundary.

² Former subpart 1 areas with Determinations of Attainment prior to subpart 2 classification on May 14, 2012 (77 FR 28424). An Attainment Deadline Determination for these areas for the 1997 ozone NAAQS attainment dates is pending with the EPA.

³ Part of Los Angeles-South Coast Air Basin Area, CA (South Coast) for 1997 and 1-hr ozone nonattainment area boundaries. The EPA published a correction of the classification for the 1997 ozone and 1-hr ozone NAAQS on September 23, 2013 (78 FR 58189).

⁴ Part of Los Angeles-South Coast Air Basin Area, CA (South Coast) for 1997 and 1-hr ozone nonattainment area boundaries. The EPA published a correction of the classification for the 1997 ozone NAAQS on May 5, 2010 (75 FR 24409).

⁵ Part of the Philadelphia-Wilmington-Atlantic City Area, PA, NJ, MD, DE for 1997 ozone nonattainment area boundary, and part of the Sussex County, DE ozone nonattainment area boundary for the 1-hour ozone NAAQS.

Statutory Authority

The statutory authority for this action is provided by sections 109; 110; 172; 181 through 185B; 301(a)(1) and 501(2)(B) of the CAA, as amended (42 U.S.C. 7409; 42 U.S.C. 7410; 42 U.S.C. 7502; 42 U.S.C. 7511–7511f; 42 U.S.C. 7601(a)(1); 42 U.S.C. 7661(2)(B)).

List of Subjects

40 CFR Part 50

Environmental protection, Air pollution control, Carbon monoxide, Lead, Nitrogen dioxide, Ozone, Particulate matter, Sulfur oxides.

40 CFR Part 51

Air pollution control, Intergovernmental relations, Ozone, Particulate matter, Transportation, Volatile organic compounds.

40 CFR Part 52

Air pollution control, Incorporation by reference, Intergovernmental relations, Ozone, Particulate matter.

40 CFR Part 70

Environmental protection, Air pollution control, Intergovernmental relations, Nitrogen oxides, Operating permits, Ozone, Particulate matter, Reporting and record keeping requirements, Volatile organic compounds.

40 CFR Part 71

Environmental protection, Administrative practice and procedure, Air pollution control, Intergovernmental relations, Nitrogen oxides, Operating permits, Ozone, Particulate matter, Reporting and record keeping requirements, Volatile organic compounds.

Dated: February 13, 2015.

Gina McCarthy,
Administrator.

For the reasons stated in the preamble, Title 40, Chapter I of the Code

of Federal Regulations is amended as follows:

PART 50—NATIONAL PRIMARY AND SECONDARY AMBIENT AIR QUALITY STANDARDS

■ 1. The authority citation for part 50 continues to read as follows:

Authority: 42 U.S.C. 7401, *et seq.*

■ 2. In § 50.10, revise paragraph (c) to read as follows:

§ 50.10 National 8-hour primary and secondary ambient air quality standards for ozone.

* * * * *

(c) Until the effective date of the final Implementation of the 2008 National Ambient Air Quality Standards for Ozone: State Implementation Plan Requirements Rule (final SIP Requirements Rule) to be codified at 40 CFR 51.1100 *et seq.*, the 1997 ozone NAAQS set forth in this section will continue in effect, notwithstanding the promulgation of the 2008 ozone NAAQS under § 50.15. The 1997 ozone NAAQS set forth in this section will no longer apply upon the effective date of the final SIP Requirements Rule. For purposes of the anti-backsliding requirements of § 51.1105, § 51.165 and Appendix S to part 51, the area designations and classifications with respect to the revoked 1997 ozone NAAQS are codified in 40 CFR part 81.

PART 51—REQUIREMENTS FOR PREPARATION, ADOPTION, AND SUBMITTAL OF IMPLEMENTATION PLANS

■ 3. The authority citation for part 51 continues to read as follows:

Authority: 23 U.S.C. 101; 42 U.S.C. 7401–7671q.

Subpart X—Provisions for Implementation of 8-Hour Ozone National Ambient Air Quality Standards

■ 4. Add § 51.919 to read as follows:

§ 51.919 Applicability.

As of April 6, 2015, the provisions of subpart AA shall replace the provisions of subpart X, §§ 51.900 to 51.918, which will cease to apply, with the exception of the attainment date extension provisions of § 51.907 for the anti-backsliding purposes of § 51.1105(d)(2).

Subpart AA—Provisions for Implementation of the 2008 Ozone National Ambient Air Quality Standards

■ 5. In § 51.1100, add paragraphs (o) through (cc) to read as follows:

§ 51.1100 Definitions.

* * * * *

(o) *Applicable requirements* for an area for anti-backsliding purposes means the following requirements, to the extent such requirements apply to the area pursuant to its classification under CAA section 181(a)(1) for the 1-hour NAAQS or 40 CFR 51.902 for the 1997 ozone NAAQS at the time of revocation of the 1997 ozone NAAQS:

(1) Reasonably available control technology (RACT) under CAA sections 172(c)(1) and 182(b)(2).

(2) Vehicle inspection and maintenance programs (I/M) under CAA sections 182(b)(4) and 182(c)(3).

(3) Major source applicability thresholds for purposes of RACT under CAA sections 172(c)(2), 182(b), 182(c), 182(d), and 182(e).

(4) Reductions to achieve Reasonable Further Progress (RFP) under CAA sections 172(c)(2), 182(b)(1)(A), and 182(c)(2)(B).

(5) Clean fuels fleet program under CAA section 183(c)(4).

(6) Clean fuels for boilers under CAA section 182(e)(3).

(7) Transportation Control Measures (TCMs) during heavy traffic hours as specified under CAA section 182(e)(4).

(8) Enhanced (ambient) monitoring under CAA section 182(c)(1).

(9) Transportation controls under CAA section 182(c)(5).

(10) Vehicle miles traveled provisions of CAA section 182(d)(1).

(11) NO_x requirements under CAA section 182(f).

(12) Attainment demonstration requirements under CAA sections 172(c)(4), 182(b)(1)(A), and 182(c)(2).

(13) Nonattainment contingency measures required under CAA sections 172(c)(9) and 182(c)(9) for failure to attain the 1-hour or 1997 ozone NAAQS by the applicable attainment date or to make reasonable further progress toward attainment of the 1-hour or 1997 ozone NAAQS.

(14) Nonattainment NSR major source thresholds and offset ratios under CAA sections 172(a)(5) and 182(a)(2).

(15) Penalty fee program requirements for Severe and Extreme Areas under CAA section 185.

(16) Contingency measures associated with areas utilizing CAA section 182(e)(5).

(17) Reasonably available control measures (RACM) requirements under CAA section 172(c)(1).

(p) *CSAPR* means the Cross State Air Pollution Rule codified at 40 CFR 52.38 and part 97.

(q) *CAIR* means the Clean Air Interstate Rule codified at 40 CFR 51.123, 52.35 and part 95.

(r) *NO_x SIP Call* means the rules codified at 40 CFR 51.121 and 51.122.

(s) *Ozone transport region* (OTR) means the area established by CAA section 184(a) or any other area established by the Administrator pursuant to CAA section 176A for purposes of ozone.

(t) *Reasonable further progress* (RFP) means both the emissions reductions required under CAA section 172(c)(2) which EPA interprets to be an average 3 percent per year emissions reductions of either VOC or NO_x and CAA sections 182(c)(2)(B) and (c)(2)(C) and the 15 percent reductions over the first six years of the plan and the following three percent per year average under § 51.1110.

(u) *Rate-of-progress* (ROP) means the 15 percent progress reductions in VOC emissions over the first 6 years required under CAA section 182(b)(1).

(v) *Revocation of the 1-hour NAAQS* means the time at which the 1-hour NAAQS no longer apply to an area pursuant to 40 CFR 50.9(b).

(w) *Revocation of the 1997 ozone NAAQS* means the time at which the 1997 8-hour NAAQS no longer apply to an area pursuant to 40 CFR 50.10(c).

(x) *Subpart 1* means subpart 1 of part D of title I of the CAA.

(y) *Subpart 2* means subpart 2 of part D of title I of the CAA.

(z) *I/M* refers to the inspection and maintenance programs for in-use vehicles required under the 1990 CAA Amendments and defined by subpart S of 40 CFR part 51.

(aa) An area “*Designated nonattainment for the 1-hour ozone NAAQS*” means, for purposes of 40 CFR 51.1105, an area that is subject to applicable 1-hour ozone NAAQS anti-backsliding requirements at the time of revocation of the 1997 ozone NAAQS.

(bb) *Base year inventory* for the nonattainment area means a comprehensive, accurate, current inventory of actual emissions from sources of VOC and NO_x emitted within the boundaries of the nonattainment area as required by CAA section 182(a)(1).

(cc) *Ozone season day emissions* means an average day's emissions for a typical ozone season work weekday. The state shall select, subject to EPA approval, the particular month(s) in the ozone season and the day(s) in the work week to be represented, considering the conditions assumed in the development of RFP plans and/or emissions budgets for transportation conformity.

■ 6. In § 51.1103, revise the section heading and Table 1 in paragraph (a) to read as follows:

§ 51.1103 Application of classification and attainment date provisions in CAA section 181 to areas subject to § 51.1102.

(a) * * *

TABLE 1—CLASSIFICATIONS AND ATTAINMENT DATES FOR 2008 8-HOUR OZONE NAAQS (0.075 PPM) FOR AREAS SUBJECT TO CFR SECTION 51.1102

Area class		8-hour design value (ppm ozone)	Primary standard attainment date (years after the effective date of designation for 2008 primary NAAQS)
Marginal	from	0.076	3
	up to*	0.086	
Moderate	from	0.086	6
	up to*	0.100	
Serious	from	0.100	9
	up to*	0.113	
Severe-15	from	0.113	15
	up to*	0.119	
Severe-17	from	0.119	17
	up to*	0.175	
Extreme	equal to or above	0.175	20

* But not including

* * * * *

■ 7. Add §§ 51.1104 through 51.1119 to read as follows:

* * * * *

51.1104 [Reserved]

51.1105 Transition from the 1997 ozone NAAQS to the 2008 ozone NAAQS and anti-backsliding.

51.1106 Redesignation to nonattainment following initial designations.

51.1107 Determining eligibility for 1-year attainment date extensions for the 2008 ozone NAAQS under CAA section 181(a)(5).

51.1108 Modeling and attainment demonstration requirements.

51.1109 [Reserved].

51.1110 Requirements for reasonable further progress (RFP).

51.1111 [Reserved].

51.1112 Requirements for reasonably available control technology (RACT) and reasonably available control measures (RACM).

51.1113 Section 182(f) NO_x exemption provisions.

51.1114 New source review requirements.

51.1115 Emissions inventory requirements.

51.1116 Requirements for an Ozone Transport Region.

51.1117 Fee programs for Severe and Extreme nonattainment areas that fail to attain.

51.1118 Suspension of SIP planning requirements in nonattainment areas that have air quality data that meet an ozone NAAQS.

51.1119 Applicability.

* * * * *

§ 51.1104 [Reserved]

§ 51.1105 Transition from the 1997 ozone NAAQS to the 2008 ozone NAAQS and anti-backsliding.

(a) *Requirements that continue to apply after revocation of the 1997 ozone NAAQS*—(1) *2008 ozone NAAQS nonattainment and 1997 ozone NAAQS nonattainment.* The following requirements apply to an area designated nonattainment for the 2008 ozone NAAQS and also designated nonattainment for the 1997 ozone NAAQS, or nonattainment for both the 1997 and 1-hour ozone NAAQS, at the time of revocation of the respective ozone NAAQS: The area remains subject to the obligation to adopt and implement the applicable requirements of § 51.1100(o), for any ozone NAAQS

for which it was designated nonattainment at the time of revocation, in accordance with its classification for that NAAQS at the time of that revocation, except as provided in paragraph (b) of this section.

(2) *2008 ozone NAAQS nonattainment and 1997 ozone NAAQS maintenance.* For an area designated nonattainment for the 2008 ozone NAAQS that was redesignated to attainment for the 1997 ozone NAAQS prior to April 6, 2015 (hereinafter a “maintenance area”) the SIP, including the maintenance plan, is considered to satisfy the applicable requirements of 40 CFR 51.1100(o) for the revoked NAAQS. The measures in the SIP and maintenance plan shall continue to be implemented in accordance with the terms in the SIP. Any measures associated with applicable requirements that were shifted to contingency measures prior to April 6, 2015 may remain in that form. After April 6, 2015, and to the extent consistent with any SIP for the 2008 ozone NAAQS and with CAA sections 110(l) and 193, the state may request that obligations under the applicable requirements of § 51.1100(o) be shifted to the SIP’s list of maintenance plan contingency measures for the area.

(3) *2008 ozone NAAQS attainment and 1997 ozone NAAQS nonattainment.* For an area designated attainment for the 2008 ozone NAAQS, and designated nonattainment for the 1997 ozone NAAQS as of April 6, 2015 or for both the 1997 and the 1-hour ozone NAAQS as of the respective dates of their revocations, the area is no longer subject to nonattainment NSR and the state may at any time request that the nonattainment NSR provisions applicable to the area be removed from the SIP. The state may request, consistent with CAA sections 110(l) and 193, that SIP measures adopted to satisfy other applicable requirements of § 51.1100(o) be shifted to the SIP’s list of maintenance plan contingency measures for the area. The area’s approved PSD SIP shall be considered to satisfy the state’s obligations with respect to the area’s maintenance of the 2008 ozone NAAQS pursuant to CAA section 110(a)(1).

(4) *2008 ozone NAAQS attainment and 1997 ozone NAAQS maintenance.* An area designated attainment for the 2008 ozone NAAQS with an approved CAA section 175A maintenance plan for the 1997 ozone NAAQS is considered to satisfy the applicable requirements of 40 CFR 51.1100(o) through implementation of the SIP and maintenance plan provisions for the area. After April 6, 2015, and to the extent consistent with

CAA sections 110(l) and 193, the state may request that obligations under the applicable requirements of 40 CFR 51.1100(o) be shifted to the list of maintenance plan contingency measures for the area. For an area that is initially designated attainment for the 2008 ozone NAAQS and which has been redesignated to attainment for the 1997 ozone NAAQS with an approved CAA section 175A maintenance plan and an approved PSD SIP, the area’s approved maintenance plan and the state’s approved PSD SIP for the area are considered to satisfy the state’s obligations with respect to the area’s maintenance of the 2008 ozone NAAQS pursuant to CAA section 110(a)(1).

(b) *Effect of Redesignation or Redesignation Substitute.* (1) An area remains subject to the anti-backsliding obligations for a revoked NAAQS under paragraphs (a)(1) and (2) of this section until either EPA approves a redesignation to attainment for the area for the 2008 ozone NAAQS; or EPA approves a demonstration for the area in a redesignation substitute procedure for a revoked NAAQS. Under this redesignation substitute procedure for a revoked NAAQS, and for this limited anti-backsliding purpose, the demonstration must show that the area has attained that revoked NAAQS due to permanent and enforceable emission reductions and that the area will maintain that revoked NAAQS for 10 years from the date of EPA’s approval of this showing.

(2) If EPA, after notice-and-comment rulemaking, approves a redesignation to attainment, the state may request that provisions for nonattainment NSR be removed from the SIP, and that other anti-backsliding obligations be shifted to contingency measures provided that such action is consistent with CAA sections 110(l) and 193. If EPA, after notice and comment rulemaking, approves a redesignation substitute for a revoked NAAQS, the state may request that provisions for nonattainment NSR for that revoked NAAQS be removed, and that other anti-backsliding obligations for that revoked NAAQS be shifted to contingency measures provided that such action is consistent with CAA sections 110(l) and 193.

(c) *Portions of an area designated nonattainment or attainment for the 2008 ozone NAAQS that remain subject to the obligations identified in paragraph (a) of this section.* Only that portion of the designated nonattainment or attainment area for the 2008 ozone NAAQS that was required to adopt the applicable requirements in § 51.1100(o) for purposes of the 1-hour or 1997 ozone NAAQS is subject to the obligations

identified in paragraph (a) of this section. Subpart C of 40 CFR part 81 identifies the areas designated nonattainment and associated area boundaries for the 1997 ozone NAAQS at the time of revocation. Areas that are designated nonattainment for the 1997 ozone NAAQS at the time of designation for the 2008 ozone NAAQS may be redesignated to attainment prior to the effective date of revocation of that ozone NAAQS.

(d) *Obligations under the 1997 ozone NAAQS that no longer apply after revocation of the 1997 ozone NAAQS—*
(1) *Second 10-year Maintenance plans.* As of April 6, 2015, an area with an approved 1997 ozone NAAQS maintenance plan under CAA section 175A is not required to submit a second 10-year maintenance plan for the 1997 ozone NAAQS 8 years after approval of the initial 1997 ozone NAAQS maintenance plan.

(2) *Determinations of failure to attain the 1997 and/or 1-hour NAAQS.* (i) As of April 6, 2015, the EPA is no longer obligated to determine pursuant to CAA section 181(b)(2) or section 179(c) whether an area attained the 1997 ozone NAAQS by that area's attainment date for the 1997 ozone NAAQS.

(ii) As of April 6, 2015, the EPA is no longer obligated to reclassify an area to a higher classification for the 1997 ozone NAAQS based upon a determination that the area failed to attain the 1997 ozone NAAQS by the area's attainment date for the 1997 ozone NAAQS.

(iii) For the revoked 1-hour and 1997 ozone NAAQS, the EPA is required to determine whether an area attained the 1-hour or 1997 ozone NAAQS by the area's attainment date solely for anti-backsliding purposes to address an applicable requirement for nonattainment contingency measures and CAA section 185 fee programs. In making such a determination, the EPA may consider and apply the provisions of CAA section 181(a)(5) and former 40 CFR 51.907 in interpreting whether a 1-year extension of the attainment date is applicable under CAA section 172(a)(2)(C).

(e) *Continued applicability of the FIP and SIP requirements pertaining to interstate transport under CAA section 110(a)(2)(D)(i) and (ii) after revocation of the 1997 ozone NAAQS.* All control requirements associated with a FIP or approved SIP in effect for an area as of April 6, 2015, such as the NO_x SIP Call, the CAIR, or the CSAPR shall continue to apply after revocation of the 1997 ozone NAAQS. Control requirements approved into the SIP pursuant to obligations arising from CAA section

110(a)(2)(D)(i) and (ii), including 40 CFR 51.121, 51.122, 51.123 and 51.124, may be modified by the state only if the requirements of §§ 51.121, 51.122, 51.123 and 51.124, including statewide NO_x emission budgets continue to be in effect. Any such modification must meet the requirements of CAA section 110(l).

(f) *New source review.* An area designated nonattainment for the 2008 ozone NAAQS and designated nonattainment for the 1997 ozone NAAQS on April 6, 2015 remains subject to the obligation to adopt and implement the major source threshold and offset requirements for nonattainment NSR that apply or applied to the area pursuant to CAA sections 172(c)(5), 173 and 182 based on the highest of: (i) The area's classification under CAA section 181(a)(1) for the 1-hour NAAQS as of the effective date of revocation of the 1-hour ozone NAAQS; (ii) the area's classification under 40 CFR 51.903 for the 1997 ozone NAAQS as of the date a permit is issued or as of April 6, 2015, whichever is earlier; and (iii) the area's classification under § 51.1103 for the 2008 ozone NAAQS. Upon removal of nonattainment NSR obligations for a revoked NAAQS under § 51.1105(b), the state remains subject to the obligation to adopt and implement the major source threshold and offset requirements for nonattainment NSR that apply or applied to the area for the remaining applicable NAAQS consistent with this paragraph.

§ 51.1106 Redesignation to nonattainment following initial designations.

For any area that is initially designated attainment for the 2008 ozone NAAQS and that is subsequently redesignated to nonattainment for the 2008 ozone NAAQS, any absolute, fixed date applicable in connection with the requirements of this part other than an attainment date is extended by a period of time equal to the length of time between the effective date of the initial designation for the 2008 ozone NAAQS and the effective date of redesignation, except as otherwise provided in this subpart. The maximum attainment date for a redesignated area would be based on the area's classification, consistent with Table 1 in § 51.1103.

§ 51.1107 Determining eligibility for 1-year attainment date extensions for the 2008 ozone NAAQS under CAA section 181(a)(5).

(a) A nonattainment area will meet the requirement of CAA section 181(a)(5)(B) pertaining to 1-year extensions of the attainment date if:

(1) For the first 1-year extension, the area's 4th highest daily maximum 8

hour average in the attainment year is 0.075 ppm or less.

(2) For the second 1-year extension, the area's 4th highest daily maximum 8 hour value, averaged over both the original attainment year and the first extension year, is 0.075 ppm or less.

(b) For purposes of paragraph (a) of this section, the area's 4th highest daily maximum 8 hour average for a year shall be from the monitor with the highest 4th highest daily maximum 8 hour average for that year of all the monitors that represent that area.

§ 51.1108 Modeling and attainment demonstration requirements.

(a) An area classified as Moderate under § 51.1103(a) shall be subject to the attainment demonstration requirement applicable for that classification under CAA section 182(b), and such demonstration is due no later than 36 months after the effective date of the area's designation for the 2008 ozone NAAQS.

(b) An area classified as Serious or higher under § 51.1103(a) shall be subject to the attainment demonstration requirement applicable for that classification under CAA section 182(c), and such demonstration is due no later than 48 months after the effective date of the area's designation for the 2008 ozone NAAQS.

(c) *Attainment demonstration criteria.* An attainment demonstration due pursuant to paragraph (a) or (b) of this section must meet the requirements of § 51.112; the adequacy of an attainment demonstration shall be demonstrated by means of a photochemical grid model or any other analytical method determined by the Administrator, in the Administrator's discretion, to be at least as effective.

(d) *Implementation of control measures.* For each nonattainment area, the state must provide for implementation of all control measures needed for attainment no later than the beginning of the attainment year ozone season.

§ 51.1109 [Reserved]

§ 51.1110 Requirements for reasonable further progress (RFP).

(a) *RFP for nonattainment areas classified pursuant to § 51.1103.* The RFP requirements specified in CAA section 182 for that area's classification shall apply.

(1) *Submission deadline.* For each area classified as Moderate or higher pursuant to § 51.1103, the state shall submit a SIP revision no later than 36 months after the effective date of designation as nonattainment for the 2008 ozone NAAQS that provides for

RFP as described in paragraphs (a)(2) through (4) of this section.

(2) *RFP requirements for areas with an approved 1-hour or 1997 ozone NAAQS 15 percent VOC ROP plan.* An area classified as Moderate or higher that has the same boundaries as an area, or is entirely composed of several areas or portions of areas, for which EPA fully approved a 15 percent plan for the 1-hour or 1997 ozone NAAQS is considered to have met the requirements of CAA section 182(b)(1) for the 2008 ozone NAAQS and instead:

(i) If classified as Moderate or higher, the area is subject to the RFP requirements under CAA section 172(c)(2) and shall submit a SIP revision that:

(A) Provides for a 15 percent emission reduction from the baseline year within 6 years after the baseline year;

(B) Provides for an additional emissions reduction of 3 percent per year from the end of the first 6 years up to the beginning of the attainment year if a baseline year earlier than 2011 is used; and

(C) Relies on either NO_x or VOC emissions reductions (or a combination) to meet the requirements of paragraphs (a)(2)(i)(A) and (B) of this section. Use of NO_x emissions reductions must meet the criteria in CAA section 182(c)(2)(C).

(ii) If classified as Serious or higher, the area is also subject to RFP under CAA section 182(c)(2)(B) and shall submit a SIP revision no later than 48 months after the effective date of designation providing for an average emissions reduction of 3 percent per year:

(A) For all remaining 3-year periods after the first 6-year period until the year of the area's attainment date; and

(B) That relies on either NO_x or VOC emissions reductions (or a combination) to meet the requirements of paragraphs (a)(2)(ii)(A) and (B) of this section. Use of NO_x emissions reductions must meet the criteria in CAA section 182(c)(2)(C).

(3) *RFP requirements for areas for which an approved 15 percent VOC ROP plan for the 1-hour or 1997 ozone NAAQS exists for only a portion of the area.* An area that contains one or more portions for which EPA fully approved a 15 percent VOC ROP plan for the 1-hour or 1997 ozone NAAQS (as well as areas for which EPA has not fully approved a 15 percent plan for either the 1-hour or 1997 ozone NAAQS) shall meet the requirements of either paragraph (a)(3)(i) or (ii) of this section.

(i) The state shall not distinguish between the portion of the area with a previously approved 15 percent ROP plan and the portion of the area without such a plan, and shall meet the

requirements of (a)(4) of this section for the entire nonattainment area.

(ii) The state shall treat the area as two parts, each with a separate RFP target as follows:

(A) For the portion of the area without an approved 15 percent VOC ROP plan for the 1-hour or 1997 ozone NAAQS, the state shall submit a SIP revision as required under paragraph (a)(4) of this section.

(B) For the portion of the area with an approved 15 percent VOC ROP plan for the 1-hour or 1997 ozone NAAQS, the state shall submit a SIP as required under paragraph (a)(2) of this section.

(4) *ROP Requirements for areas without an approved 1-hour or 1997 ozone NAAQS 15 percent VOC ROP plan.* (i) For each area, the state shall submit a SIP revision consistent with CAA section 182(b)(1). The 6-year period referenced in CAA section 182(b)(1) shall begin January 1 of the year following the year used for the baseline emissions inventory.

(ii) For Moderate areas, the plan must provide for an additional 3 percent per year reduction from the end of the first 6 years up to the beginning of the attainment year if a baseline year from 2008 to 2010 is used.

(iii) For each area classified as Serious or higher, the state shall submit a SIP revision consistent with CAA section 182(c)(2)(B). The final increment of progress must be achieved no later than the attainment date for the area.

(5) *Creditability of emission control measures for RFP plans.* Except as specifically provided in CAA section 182(b)(1)(C) and (D), CAA section 182(c)(2)(B), and 40 CFR 51.1110(a)(6), all emission reductions from SIP-approved or federally promulgated measures that occur after the baseline emissions inventory year are creditable for purposes of the RFP requirements in this section, provided the reductions meet the requirements for creditability, including the need to be enforceable, permanent, quantifiable, and surplus.

(6) *Creditability of out-of-area emissions reductions.* For each area classified as Moderate or higher pursuant to § 51.1103, in addition to the restrictions on the creditability of emission control measures listed in § 51.1110(a)(5), creditable emission reductions for fixed percentage reduction RFP must be obtained from sources within the nonattainment area.

(7) *Calculation of non-creditable emissions reductions.* The following four categories of control measures listed in CAA section 182(b)(1)(D) are no longer required to be calculated for exclusion in RFP analyses because the Administrator has determined that due

to the passage of time the effect of these exclusions would be *de minimis*:

(i) Measures related to motor vehicle exhaust or evaporative emissions promulgated by January 1, 1990;

(ii) Regulations concerning Reid vapor pressure promulgated by November 15, 1990;

(iii) Measures to correct previous RACT requirements; and

(iv) Measures required to correct previous I/M programs.

(b) *Baseline emissions inventory for RFP plans.* For the RFP plans required under this section, at the time of designation for the 2008 ozone NAAQS the baseline emissions inventory shall be the emissions inventory for the most recent calendar year for which a complete triennial inventory is required to be submitted to EPA under the provisions of subpart A of this part. States may use an alternative baseline emissions inventory provided the state demonstrates why it is appropriate to use the alternative baseline year, and provided that the year selected is between the years 2008 to 2012. All states associated with a multi-state nonattainment area must consult and agree on a single alternative baseline year. The emissions values included in the inventory required by this section shall be actual ozone season day emissions as defined by § 51.1100(cc).

§ 51.1111 [Reserved]

§ 51.1112 Requirements for reasonably available control technology (RACT) and reasonably available control measures (RACM).

(a) *RACT requirement for areas classified pursuant to § 51.1103.* (1) For each nonattainment area classified Moderate or higher, the state shall submit a SIP revision that meets the VOC and NO_x RACT requirements in CAA sections 182(b)(2) and 182(f).

(2) The state shall submit the RACT SIP for each area no later than 24 months after the effective date of designation for the 2008 ozone NAAQS.

(3) The state shall provide for implementation of RACT as expeditiously as practicable but no later than January 1 of the 5th year after the effective date of designation for the 2008 ozone NAAQS.

(b) *Determination of major stationary sources for applicability of RACT provisions.* The amount of VOC and NO_x emissions are to be considered separately for purposes of determining whether a source is a major stationary source as defined in CAA section 302.

(c) *Reasonably Available Control Measures (RACM) requirement.* For each nonattainment area required to submit an attainment demonstration under

§ 51.1108(a) and (b), the state shall submit with the attainment demonstration a SIP revision demonstrating that it has adopted all RACM necessary to demonstrate attainment as expeditiously as practicable and to meet any RFP requirements.

§ 51.1113 Section 182(f) NO_x exemption provisions.

(a) A person or a state may petition the Administrator for an exemption from NO_x obligations under CAA section 182(f) for any area designated nonattainment for the 2008 ozone NAAQS and for any area in a CAA section 184 ozone transport region.

(b) The petition must contain adequate documentation that the criteria in CAA section 182(f) are met.

(c) A CAA section 182(f) NO_x exemption granted for the 1-hour or 1997 ozone NAAQS does not relieve the area from any NO_x obligations under CAA section 182(f) for the 2008 ozone NAAQS.

§ 51.1114 New source review requirements.

The requirements for nonattainment NSR for the ozone NAAQS are located in § 51.165. For each nonattainment area, the state shall submit a nonattainment NSR plan or plan revision for the 2008 ozone NAAQS no later than 36 months after the effective date of the area's designation for the 2008 ozone NAAQS.

§ 51.1115 Emissions inventory requirements.

(a) For each nonattainment area, the state shall submit a base year inventory as defined by § 51.1100(bb) to meet the emissions inventory requirement of CAA section 182(a)(1). This inventory shall be submitted no later than 24 months after the effective date of designation. The inventory year shall be selected consistent with the baseline year for the RFP plan as required by § 51.1110(b).

(b) For each nonattainment area, the state shall submit a periodic emission inventory of emissions sources in the area to meet the requirement in CAA section 182(a)(3)(A). With the exception of the inventory year and timing of submittal, this inventory shall be consistent with the requirements of paragraph (a) of this section. Each periodic inventory shall be submitted no later than the end of each 3-year period after the required submission of the base year inventory for the nonattainment area. This requirement shall apply until the area is redesignated to attainment.

(c) The emissions values included in the inventories required by paragraphs (a) and (b) of this section shall be actual ozone season day emissions as defined by § 51.1100(cc).

(d) The state shall report emissions from point sources according to the point source emissions thresholds of the Air Emissions Reporting Requirements (AERR), 40 CFR part 51, subpart A.

(e) The data elements in the emissions inventory shall be consistent with the detail required by 40 CFR part 51, subpart A. Since only emissions within the boundaries of the nonattainment area shall be included as defined by § 51.1100(cc), this requirement shall apply to the emissions inventories required in this section instead of any total county requirements contained in 40 CFR part 51, subpart A.

§ 51.1116 Requirements for an Ozone Transport Region.

(a) *In general.* CAA sections 176A and 184 apply for purposes of the 2008 ozone NAAQS.

(b) *RACT requirements for certain portions of an Ozone Transport Region.*

(1) The state shall submit a SIP revision that meets the RACT requirements of CAA section 184(b)(2) for all portions of the state located in an ozone transport region.

(2) The state shall submit the RACT revision no later than 24 months after designation for the 2008 ozone NAAQS and shall provide for implementation of RACT as expeditiously as practicable but no later than January 1 of the 5th year after designation for the 2008 ozone NAAQS.

§ 51.1117 Fee programs for Severe and Extreme nonattainment areas that fail to attain.

For each area classified as Severe or Extreme for the 2008 ozone NAAQS, the state shall submit a SIP revision within 10 years of the effective date of designation that meets the requirements of CAA section 185.

§ 51.1118 Suspension of SIP planning requirements in nonattainment areas that have air quality data that meet an ozone NAAQS.

Upon a determination by EPA that an area designated nonattainment for the 2008 ozone NAAQS, or for any prior ozone NAAQS, has attained the relevant standard, the requirements for such area to submit attainment demonstrations and associated reasonably available control measures, reasonable further progress plans, contingency measures for failure to attain or make reasonable progress and other planning SIPs related to attainment of the 2008 ozone NAAQS, or for any prior NAAQS for

which the determination has been made, shall be suspended until such time as: The area is redesignated to attainment for that NAAQS or a redesignation substitute is approved as appropriate, at which time the requirements no longer apply; or EPA determines that the area has violated that NAAQS, at which time the area is again required to submit such plans.

§ 51.1119 Applicability.

As of revocation of the 1997 ozone NAAQS on April 6, 2015, as set forth in § 50.10(c), the provisions of subpart AA shall replace the provisions of subpart X, §§ 51.900 to 51.918, which cease to apply except for § 51.907 for the anti-backsliding purposes of § 51.1105(c)(2). See subpart X § 51.919.

■ 8. In Appendix S to part 51, revise section IV.G.5 and add section VII to read as follows:

Appendix S to Part 51—Emission Offset Interpretative Ruling

* * * * *

IV. * * *

G. * * *

5. *Interpollutant offsetting.* In meeting the emissions offset requirements of paragraph IV.A, Condition 3 of this Ruling, the emissions offsets obtained shall be for the same regulated NSR pollutant unless interpollutant offsetting is permitted for a particular pollutant as specified in this paragraph IV.G.5.

(i) The offset requirements of paragraph IV.A, Condition 3 of this Ruling for emissions of the ozone precursors NO_x and VOC may be satisfied by offsetting reductions of emissions of either of those precursors, if all other requirements for such offsets are also satisfied.

(ii) The offset requirements of paragraph IV.A, Condition 3 of this Ruling for direct PM_{2.5} emissions or emissions of precursors of PM_{2.5} may be satisfied by offsetting reductions of direct PM_{2.5} emissions or emissions of any PM_{2.5} precursor identified under paragraph II.A.31 (iii) of this Ruling if such offsets comply with an interprecursor trading hierarchy and ratio approved by the Administrator.

* * * * *

VII. Anti-Backsliding Measures for Revoked Ozone NAAQS

Nonattainment area new source review obligations for prior ozone NAAQS.

A. Except as provided in paragraph VII.B of this Ruling, an area designated nonattainment for the 2008 ozone NAAQS and designated nonattainment for the 1997 ozone NAAQS on April 6, 2015 remains subject to the obligation to adopt and implement the major source threshold and offset ratio requirements for nonattainment NSR that apply or applied to the area pursuant to sections 172(c)(5), 173 and 182 of the Act based on the highest of: (i) The area's classification under section 181(a)(1) of the Act for the 1-hour ozone NAAQS as of

the effective date of revocation of that NAAQS; (ii) the area's classification under § 51.903 for the 1997 ozone NAAQS as of the date a permit is issued or as of April 6, 2015, whichever is earlier; and (iii) the area's classification under § 51.1103 for the 2008 ozone NAAQS.

B.1. An area remains subject to the obligations for a revoked NAAQS under paragraph (a) until either (i) the area is redesignated to attainment for the 2008 ozone NAAQS; or (ii) the EPA approves a demonstration for the area in a redesignation substitute procedure for a revoked NAAQS per the provisions of § 51.1105(b). Under this redesignation substitute procedure for a revoked NAAQS, and for this limited anti-backsliding purpose, the demonstration must show that the area has attained that revoked NAAQS due to permanent and enforceable emission reductions and that the area will maintain that revoked NAAQS for 10 years from the date of EPA's approval of this showing.

2. Effect of redesignation to attainment for 2008 ozone NAAQS or approval of a redesignation substitute for a revoked ozone NAAQS. After redesignation to attainment for the 2008 ozone NAAQS, the state may request that provisions for nonattainment NSR be removed from the SIP. After EPA approval of a redesignation substitute for a revoked NAAQS under the provisions of § 51.1105(b), the state may request that provisions for nonattainment NSR for that revoked NAAQS be removed from the SIP. Upon removal of nonattainment NSR provisions for a revoked NAAQS, the state remains subject to the obligation to adopt and implement the major source threshold and offset ratio requirements for nonattainment NSR that apply or applied to the area for the remaining applicable NAAQS consistent with paragraph VII.A of this Ruling.

■ 9. In § 51.165, revise paragraph (a)(11) and add paragraph (a)(12) to read as follows:

§ 51.165 Permit requirements.

(a) * * *

(11) The plan shall require that in meeting the emissions offset requirements of paragraph (a)(3) of this section, the emissions offsets obtained shall be for the same regulated NSR pollutant unless interprecursor offsetting is permitted for a particular pollutant as specified in this paragraph.

(i) The plan may allow the offset requirement in paragraph (a)(3) of this section for emissions of the ozone precursors NO_x and VOC to be satisfied by offsetting reductions in emissions of either of those precursors, if all other requirements for such offsets are also satisfied.

(ii) The plan may allow the offset requirements in paragraph (a)(3) of this section for direct PM_{2.5} emissions or emissions of precursors of PM_{2.5} to be satisfied by offsetting reductions in direct PM_{2.5} emissions or emissions of any PM_{2.5} precursor identified under

paragraph (a)(1)(xxxvii)(C) of this section if such offsets comply with the interprecursor trading hierarchy and ratio established in the approved plan for a particular nonattainment area.

(12) The plan shall require that in any area designated nonattainment for the 2008 ozone NAAQS and designated nonattainment for the 1997 ozone NAAQS on April 6, 2015 the requirements of this section applicable to major stationary sources and major modifications of ozone shall include the anti-backsliding requirements contained at § 51.1105.

* * * * *

■ 10. In § 51.166, revise paragraph (i)(2) to read as follows:

§ 51.166 Prevention of significant deterioration of air quality.

* * * * *

(i) * * *

(2) The plan may provide that requirements equivalent to those contained in paragraphs (j) through (r) of this section do not apply to a major stationary source or major modification with respect to a particular pollutant if the owner or operator demonstrates that, as to that pollutant, the source or modification is located in an area designated as nonattainment under section 107 of the Act. Nonattainment designations for revoked NAAQS, as contained in part 81 of this chapter, shall not be viewed as current designations under section 107 of the Act for purposes of determining the applicability of requirements equivalent to those contained in paragraphs (j) through (r) of this section to a major stationary source or major modification after the revocation of that NAAQS is effective.

* * * * *

■ 11. In § 51.372, revise paragraph (b)(2) to read as follows:

§ 51.372 State Implementation Plan submissions.

* * * * *

(b) * * *

(2) A SIP revision required as a result of a change in an area's designation or classification under a NAAQS for ozone, including all necessary legal authority and the items specified in paragraphs (a)(1) through (8) of this section, shall be submitted no later than the deadline for submitting the area's attainment SIP for the NAAQS in question.

* * * * *

PART 52—APPROVAL AND PROMULGATION OF IMPLEMENTATION PLANS

■ 12. The authority citation for part 52 continues to read as follows:

Authority: 42 U.S.C. 7401 *et seq.*

■ 13. In § 52.21, revise paragraph (i)(2) to read as follows:

* * * * *

(i). * * *

(2) The requirements of paragraphs (j) through (r) of this section shall not apply to a major stationary source or major modification with respect to a particular pollutant if the owner or operator demonstrates that, as to that pollutant, the source or modification is located in an area designated as nonattainment under section 107 of the Act. Nonattainment designations for revoked NAAQS, as contained in 40 CFR part 81, shall not be viewed as current designations under section 107 of the Act for purposes of determining the applicability of paragraphs (j) through (r) of this section to a major stationary source or major modification after the revocation of that NAAQS is effective.

* * * * *

PART 70—STATE OPERATING PERMIT PROGRAMS

■ 14. The authority citation for part 70 continues to read as follows:

Authority: 42 U.S.C. 7401, *et seq.*

■ 15. In § 70.2, under the definition of “Major source,” revise paragraphs (3)(i), (3)(iii)(A), and (3)(iv) to read as follows:

§ 70.2 Definitions.

* * * * *

Major source * * *

(3) * * *

(i) For ozone nonattainment areas, sources with the potential to emit 100 tpy or more of volatile organic compounds or oxides of nitrogen in areas classified or treated as classified as “Marginal” or “Moderate,” 50 tpy or more in areas classified or treated as classified as “Serious,” 25 tpy or more in areas classified or treated as classified as “Severe,” and 10 tpy or more in areas classified or treated as classified as “Extreme”; except that the references in this paragraph to 100, 50, 25 and 10 tpy of nitrogen oxides shall not apply with respect to any source for which the Administrator has made a finding, under section 182(f)(1) or (2) of the Act, that requirements under section 182(f) of the Act do not apply;

* * * * *

(iii) * * *

(A) That are classified or treated as classified as “Serious,” and

* * * * *

(iv) For particulate matter (PM-10) nonattainment areas classified or treated as classified as “Serious,” sources with the potential to emit 70 tpy or more of PM-10.

* * * * *

PART 71—FEDERAL OPERATING PERMIT PROGRAMS

■ 16. The authority citation for part 71 continues to read as follows:

Authority: 42 U.S.C. 7401, *et seq.*

■ 17. In § 71.2, under the definition of “*Major source*,” revise paragraphs (3)(i), (3)(iii)(A), and (3)(iv) to read as follows:

§ 71.2 Definitions.

* * * * *

Major source * * *

(3) * * *

(i) For ozone nonattainment areas, sources with the potential to emit 100 tpy or more of volatile organic compounds or oxides of nitrogen in areas classified or treated as classified as “Marginal” or “Moderate,” 50 tpy or more in areas classified or treated as classified as “Serious,” 25 tpy or more in areas classified or treated as classified as “Severe,” and 10 tpy or more in areas classified or treated as classified as “Extreme”; except that the references in this paragraph to 100, 50, 25 and 10 tpy of nitrogen oxides shall not apply with respect to any source for which the

Administrator has made a finding, under section 182(f)(1) or (2) of the Act, that requirements under section 182(f) of the Act do not apply;

* * * * *

(iii) * * *

(A) That are classified or treated as classified as “Serious,” and

* * * * *

(iv) For particulate matter (PM-10) nonattainment areas classified or treated as classified as “Serious,” sources with the potential to emit 70 tpy or more of PM-10.

* * * * *

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Plain Language Summary of Proposed Rulemaking to Address the Federal Clean Air Act, Section 185 Fee

Full title of proposed rule: Failure to Attain Fee for the 2008 Eight-Hour Ozone Standard

Summary

The U.S. Environmental Protection Agency (EPA) regulates air pollutants, including ozone, to protect human health and the environment. EPA revised the maximum level of ozone in the air (referred to as an ozone standard) in 2008 and 2015. Currently, the ozone levels in both the Dallas-Fort Worth (DFW) area (Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties) and Houston-Galveston-Brazoria (HGB) area (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties) are not meeting EPA's 2008 and 2015 standards.

For the 2008 ozone standard, the DFW and HGB areas are classified as severe nonattainment. For severe ozone nonattainment areas that do not meet EPA's 2008 ozone standard by the end of 2026, certain industries in the area will be subject to a penalty fee under the federal Clean Air Act (FCAA), Section 185. Specifically, this fee would be assessed on large industries that produce air pollution that contributes to ozone levels, such as power plants, refineries, cement plants, and chemical manufacturing plants. The fee could start as early as 2028 and be required each year until the area meets EPA's 2008 ozone standard.

The proposed rules would address the Section 185 fee requirements in the FCAA, including establishment, assessment, and payment of the penalty fee. The proposed rules would credit grant revenue from a TCEQ program, the Texas Emissions Reduction Plan (TERP), to offset the fee. TERP is designed to reduce emissions from vehicles, construction equipment, and similar sources, which create more pollution that contributes to ozone levels than large industries in the DFW and HGB areas. If the amount of grant revenue is smaller than the total penalty fee for the area, the large industries would pay the remainder of the penalty fee owed.

The TCEQ is required to develop and submit Section 185 fee rules for the DFW and HGB areas by November 2025 to EPA. If the state does not implement a program to collect the fee, EPA will collect the fee with interest, and the money will not be returned to the state.

Public Comment

The comment period for this project opens on May 6, 2025, and closes on June 18, 2025. Submit written comments through the *TCEQ Public Comments* system at <https://tceq.commentinput.com/>. Comments for the proposed rulemaking must reference **Project No. 2023-131-101-AI**.

Copies of the proposed rulemaking can be obtained from the commission's website at https://www.tceq.texas.gov/rules/propose_adopt.html.

For more information about the proposed rulemaking or to get help with submitting written comments, contact Jill Dickey-Hull, Project Manager, 512-239-5912 or 185Rule@tceq.texas.gov or jill.dickey@tceq.texas.gov.

The Texas Commission on Environmental Quality (TCEQ, agency, or commission) proposes new §§101.700 - 101.718

The proposed new sections will be submitted to the U.S. Environmental Protection Agency (EPA) as revisions to the state implementation plan (SIP).

Background and Summary of the Factual Basis for the Proposed Rules

Federal Clean Air Act (FCAA), §182(d)(3) and (e) and §185 (Section 185, generally) require the SIP to include a rule that implements a penalty fee (Section 185 fee, Failure to Attain Fee, fee) for major stationary sources (major sources) of volatile organic compounds (VOC) located in an ozone nonattainment area classified as severe or extreme if that area fails to attain the ozone National Ambient Air Quality Standard (NAAQS or standard) by the applicable attainment date. FCAA, §182(f) states that requirements "for major stationary sources of volatile organic compounds shall also apply to major stationary sources (as defined in §7602 of this title and subsections (c), (d), and (e) of this section) of oxides of nitrogen (NO_x)." This FCAA requirement extends the Section 185 fee assessment to major stationary sources of NO_x emissions. The SIP must also include procedures for the assessment and collection of the penalty fee. If the state does not impose and collect the fee, then FCAA, §185(d) requires that EPA impose and collect the fee with interest, and the revenue is not returned to the state.

For the 2008 eight-hour ozone standard of 0.75 parts per million, on October 7, 2022, EPA published a final notice that reclassified the Dallas-Fort Worth (DFW) and Houston-Galveston-Brazoria (HGB) 2008 eight-hour ozone nonattainment areas from serious to severe effective November 7, 2022 (87 *Federal Register* (FR) 60926). The DFW severe nonattainment area consists of 10 counties: Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall,

Tarrant, and Wise. The HGB severe nonattainment area consists of eight counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller. The DFW and HGB severe nonattainment areas are required to attain the 2008 eight-hour ozone standard by July 20, 2027. If a severe or extreme ozone nonattainment area does not attain by the attainment date, the area will be subject to the penalty fee requirements upon EPA issuing a finding of failure to attain for the area. For fee assessment purposes, the 2027 calendar year from January 1, 2027, through December 31, 2027, is anticipated to be the baseline year for these severe nonattainment areas since it is the year that contains the attainment date. The penalty fee is required to be paid until EPA redesignates the area as attainment for the 2008 eight-hour ozone standard or EPA takes action that results in termination of the fee.

As stated in FCAA, §182(d)(3) and (e) and §185, the required penalty is \$5,000 per ton, as adjusted for inflation by the consumer price index (CPI), of VOC and/or NO_x emissions emitted in excess of 80% of a major stationary source's baseline amount. A baseline amount would be determined for each pollutant, VOC and/or NO_x, for which the source meets the major source applicability requirements. A source that is major for VOC emissions would be subject to the fee on VOC emissions; a source that is major for NO_x emissions would be subject to the fee on NO_x emissions; and a source that is major for both VOC and NO_x emissions would be subject to the fee on both VOC and NO_x emissions.

The major stationary source's fixed baseline amount is proposed to be calculated as the lower of the baseline emissions or total annual authorized emissions during the baseline year; the baseline amount must be adjusted downward to account for unauthorized emissions and/or emissions limitations in effect as of December 31 of the baseline year or timeframe used to determine the baseline amount. The major stationary source's baseline emissions are defined as

the annual routine emissions reported to the TCEQ point source emissions inventory (emissions inventory) according to 30 TAC §101.10, excluding emissions not authorized by permit or rule, such as emissions from emissions events and scheduled or unscheduled maintenance, startup, and shutdown (MSS) activities. The major stationary source's authorized emissions include emissions allowed under any EPA or TCEQ-enforceable measure or document, such as rules, regulations, permits, orders of the commission, and/or court orders.

The proposed rule allows for a baseline amount determination with flexibilities such as aggregating pollutants (VOC and NO_x emissions) and aggregating sites under common ownership and control into a single baseline. The proposed rule also allows for baseline amount determinations when a period other than the baseline year may be required, such as new major stationary sources that began operating after the baseline year or major stationary sources with emissions that are irregular, cyclic, or vary significantly from year to year. Under specific circumstances, as proposed, major stationary sources may request adjustments to the fixed baseline amount. The estimated maximum Section 185 fee without baseline amount flexibilities and alternative revenue for both the HGB and DFW severe ozone nonattainment areas would be over \$200 million per year.

TCEQ proposes a program under FCAA, §172(e) with flexibility aspects not directly described in FCAA, §185, including but not limited to alternative revenue and baseline aggregation.

Although EPA has not issued guidance to assist states with developing Section 185 fee programs under the 2008 eight-hour ozone standard, in its 2010 guidance (available at: <http://www.epa.gov/glo/pdfs/20100105185guidance.pdf>), multiple approvals of similar equivalent alternative programs in California and New York, and in a final rule published in the February 14, 2020, *Federal Register* (85 FR 8411) for the Section 185 Fee Program in the HGB

nonattainment area under the one-hour ozone standard (HGB Failure to Attain Fee), EPA approved the use of equivalent programs to fulfill the FCAA, §185 fee requirement. Although the 2010 guidance was vacated by the D.C. Circuit Court of Appeals on procedural grounds, EPA continued to utilize the principles outlined in the guidance as support for its approvals of equivalent alternative programs, *NRDC v. EPA*, 643 F.3d 311 (D.C. Cir. July 2011). Notably, the court did not prohibit alternative programs, instead stating that “neither the statute nor our case law obviously precludes that alternative.” In the absence of formal EPA guidance for Section 185 fee programs under the 2008 eight-hour ozone standard, this proposed rulemaking relied on the 2010 guidance to develop Texas’ fee program. In the HGB Failure to Attain Fee final approval, EPA approved fee programs funded to reduce VOC and NO_x emissions that are qualified programs, surplus to the one-hour ozone SIP, and designed to result in direct reductions or facilitate future reductions of VOC or NO_x emissions, which is consistent with the principles of the anti-backsliding principle of the FCAA §172(e). EPA’s 2010 guidance requires an equivalent alternative program to achieve the same emissions reductions, raise the same amount of revenue and establish a process by which penalty funds would be used to pay for emission reductions that would further improve ozone air quality, or a combination of emissions reductions or revenue collection.

EPA states in its 2010 guidance that it may allow alternative programs for which “the proceeds are spent to pay for emissions reductions of ozone-forming pollutants (NO_x and/or VOC) in the same geographic area subject to the §185 program.” EPA further states, “Under this concept, states could develop programs that shift the fee burden from the specific set of major stationary sources that are otherwise required to pay fees according to §185, to other non-major sources of emissions, including owners/operators of mobile sources.” From these statements and EPA’s final approval of the HGB Failure to Attain Fee, located in 30 Texas

Administrative Code (TAC) 101 Subchapter B, EPA supports equivalent alternative options to a fee-based program provided the option is "no-less stringent" than a strict fee-based program and generally meets the stated criteria for the (now revoked) one-hour ozone standard. EPA approved other equivalent alternative programs pursuant to the 2010 guidance for the one-hour ozone standard including San Joaquin Valley (77 FR 50021), South Coast Air Quality Management District, (77 FR 74372), and the New York portion of the New York-Northern New Jersey-Long Island nonattainment area (84 FR 12511). EPA's approvals of these Section 185 fee programs under the one-hour ozone standard included alternative fee revenue by assessing a fee on mobile sources. The revenue was used to offset the fee due from major stationary sources in the nonattainment areas. EPA's prior approvals were based on its current interpretation that FCAA, §172(e) allows equivalent alternative fee programs for revoked ozone standards. However, nothing in FCAA, §172(e) prohibits equivalent alternative fee programs for active ozone standards and therefore the commission proposes an equivalent alternative fee program in this rule.

The HGB Failure to Attain Fee Rule allowed revenue collected from the HGB one-hour ozone standard nonattainment area for qualified programs that directly reduced VOC or NO_x emissions to offset the FCAA, §185 fee. No actual revenue or funding was transferred to the program; the funds were calculated, recorded, and assessed to ensure a sufficient amount was collected to offset the required Section 185 fee amount. The same approach is used for this proposed rulemaking.

Although EPA has not issued guidance to assist states with developing Section 185 fee programs under the 2008 eight-hour ozone standard, EPA originally described certain basic principles concerning the applicability of the FCAA, §182(d)(3) and (e) and §185 fee for severe

or extreme ozone nonattainment areas under the one-hour ozone standard. In a final rule published November 16, 2005, in the *Federal Register* (70 FR 69440) regarding the Maryland portion of the Washington, D.C. severe one-hour ozone nonattainment area, EPA noted in response to a comment that "Section 185 of the Act simply requires that the SIP contain a provision that major stationary sources within a severe or extreme nonattainment area pay a fee to the state as a penalty for failure of that area to attain the ozone NAAQS by the area's attainment date. This penalty fee is based on the tons of volatile organic compound or nitrogen oxide emitted above a source-specific trigger level during the 'attainment year.' It [the fee] first comes due for emissions during the calendar year beginning after the attainment date and must be paid annually until the area is redesignated to attainment of the ozone NAAQS. Thus, if a severe area, with an attainment date of November 15, 2005, fails to attain by that date, the first penalty assessment will be assessed in calendar year 2006 for emissions that exceed 80% of the source's 2005 baseline emissions" (70 FR 69440, 69441). The same rationale was used to establish the anticipated baseline year of 2027 for the DFW and HGB severe nonattainment areas under the 2008 eight-hour ozone standard.

EPA further states that a "penalty fee that is based on emissions could have some incidental effect on emissions if sources decrease their emissions to reduce the amount of the per ton monetary penalty. However, the penalty fee does not ensure that any actual emissions reduction will ever occur since every source can pay a penalty rather than achieve actual emissions reductions. The provision's plain language evinces an intent to penalize emissions in excess of a threshold by way of a fee; it does not have as a stated purpose the goal of emissions reductions" (70 FR 69440, 69441 - 69442). Major stationary sources may elect to reduce their emissions to reduce the fee owed, or they may elect to pay the fee without reducing their emissions.

EPA also previously issued guidance (*Guidance on Establishing Baselines under Section 185 of the Clean Air Act (CAA) for Severe and Extreme Ozone Nonattainment Areas that Fail to Attain the 1-hour Ozone NAAQS by their Attainment*) on March 21, 2008 (available at www.epa.gov/ttn/caaa/t1/memoranda/20080321_harnett_emissions_baseline.pdf), regarding establishing emission baseline amounts. The March 21, 2008, guidance memo discussed alternative methods for calculating the baseline amount, as permitted by FCAA, §185. EPA noted that in some cases, baseline amounts may not be representative of normal operating conditions because a source's emissions may be irregular, cyclic, or otherwise vary significantly from year to year. This concept would be applicable regardless of the fee program implemented or the ozone standard requiring the fee program.

EPA indicated in its guidance that relying on its regulations for Prevention of Significant Deterioration (PSD) of Air Quality, which are found in 40 Code of Federal Regulations (CFR) §52.21(b)(48), would be an acceptable alternative method for calculating the baseline amount. Under the PSD rules, sources may use emissions data from any period of 24 consecutive months within the previous ten years (a two-in-ten look back period) to calculate an average annual actual emissions rate. EPA determined the two-in-ten look back period to be reasonable because it allows sources to consider an average emissions rate for a full business cycle.

The PSD rules modify this concept for electrical utility steam generating units to 24 consecutive months within the previous five years (a two-in-five look back period) due to a shorter business cycle for those units. The commission agrees that use of the two-in-ten and two-in-five look-back periods is reasonable for sources for which emissions are irregular, cyclical, or otherwise vary significantly from year to year, and the commission proposes to provide this option in the

same manner as provided for in the Texas New Source Review Program. Since the PSD guidance is specific to sources for which emissions are irregular, cyclical, or otherwise vary significantly from year to year, the averaging option would not be available for sources with steady-state operations.

A variability analysis on sites reporting to the TCEQ point source emissions inventory was performed to determine if VOC and NO_x emissions were variable over the twelve-year period between 2011 (the base year for the 2008 ozone standard) through 2022 (the most recent complete point source emissions inventory at the time this analysis was performed) for the DFW and HGB severe nonattainment areas. Data for the DFW and HGB variability analysis were analyzed separately for VOC and NO_x emissions. Sites that reported mean 2011 through 2022 emissions greater than 20 tons per year in the TCEQ emissions inventory were included in this analysis.

A site's emissions were determined to be variable if the following formula was true, where x = VOC or NO_x emissions and σ = one standard deviation of the data set:

Figure 1: Formula for Emissions Variability Determination

$$\bar{x}_{lookback\ period} > \bar{x}_{2011-2022} + \sigma_{2011-2022}$$

Variability of reported NO_x and VOC emissions ranged from 3% to 128% in the HGB area and from 0.1% to 265% in the DFW area over the twelve years examined. Fifty-nine percent or 162 of the 274 NO_x and/or VOC emissions sources in the HGB area were variable as defined by the above formula. Forty-eight percent or 115 of the 238 NO_x and/or VOC emissions sources in the DFW area were variable as defined by the above formula.

The variability analysis shows that a high level of source-level emissions variability occurred between 2011 and 2022 in the DFW and HGB severe nonattainment areas; therefore, it is appropriate to use a 24-month period during the previous ten years (or five years if the source is an electric utility steam generating unit) to establish a baseline for the FCAA, §185 fee program.

Based on the analysis above, the commission proposes to use EPA's baseline guidance and EPA's long-standing PSD regulations for sources with emissions that are irregular, cyclic, or otherwise vary significantly to offer an option for these source types to establish a baseline amount. Since FCAA, §185 states that the baseline amounts may be adjusted for these types of sources if the EPA Administrator issues guidance, the commission has proposed these provisions based on these EPA guidance documents.

Like the HGB Failure to Attain Fee Rule, the commission proposes to use the Texas Emissions Reduction Plan (TERP) revenue from each area collected after the 2008 eight-hour ozone attainment (baseline) year to offset the area's FCAA, §185 fee obligation.

The objectives of TERP are specifically described in statute and are consistent with EPA's objective for an equivalent FCAA, §185 fee program. TERP program objectives, listed in Texas Health and Safety Code (THSC), §386.052, address "achieving maximum reduction in oxides of nitrogen to demonstrate compliance with the state implementation plans" and "advancing new technologies that reduce oxides of nitrogen from facilities and other stationary sources." TERP, as described in THSC, §386.053, is restricted to having "safeguards that ensure that funded projects generate emissions reductions not otherwise required by state or federal law."

TCEQ implements TERP to reduce NO_x emissions, a precursor to ozone pollution. TERP grant programs provide financial incentives to individuals, state and local governments, corporations, and other legal entities to upgrade or replace their older, higher emitting vehicles and equipment with newer, cleaner vehicles and equipment. The TERP programs also encourage the use of alternative fuels for transportation in Texas, and the implementation of new technologies that reduce emissions from stationary sources and oil and gas operations.

In the DFW severe nonattainment area, mobile source NO_x emissions are the single-largest category of the 2023 emissions inventory at 65%. In the HGB severe nonattainment area, mobile source NO_x emissions are the single-largest category of the 2023 emissions inventory at 55%. The emissions reduction grant programs that TERP funds decrease ozone precursor emissions more directly than a penalty fee assessed on major stationary sources. The commission proposes rules to credit the TERP revenue collected as an equivalent approach because TERP meets one of the three types of alternative programs that satisfy the requirements addressed in EPA's 2010 guidance memo. The grant programs funded through TERP are the same or similar programs that EPA previously approved as meeting the requirements for FCAA, §185 fee program equivalency under the HGB Failure to Attain Fee Rule.

Fees and surcharges related to the sale and use of vehicles and heavy-duty equipment in Texas fund the TERP programs. TCEQ would credit all revenue allocated for TERP programs and administration. TCEQ would identify and track TERP revenue generated from the DFW severe nonattainment area and the HGB severe nonattainment area in two separate Fee Equivalency Accounts to demonstrate equivalency of the area-specific TERP revenue to the penalty fee owed by major stationary sources located in that area.

Under the proposed rules, the commission would be required to annually estimate the expected Area §185 Obligation and compare this estimation with the expected TERP revenue. The commission proposes that TERP revenue collected after the attainment year (baseline year) and statutorily available for TERP programs would be credited towards meeting the FCAA, §185 fee obligation. For the DFW and HGB 2008 eight-hour ozone nonattainment areas, 2027 is the attainment year (baseline year) contained in the July 20, 2027, attainment date. Barring any extension to the attainment date, any TERP revenue generated from the nonattainment area starting with 2028 that is statutorily available for TERP programs could be credited to meet the Area §185 Obligation for DFW and HGB 2008 eight-hour ozone nonattainment areas.

To obtain the estimated total FCAA, §185 fee due from all major stationary sources, a baseline amount would be established for each major stationary source (or group of sources under a Section 185 Account, if aggregated as proposed and discussed later in this preamble) within the DFW 2008 eight-hour ozone nonattainment area or located within the HGB 2008 eight-hour ozone nonattainment area. The two nonattainment areas are assessed separately, resulting in two Area §185 Obligations, one for DFW and one for HGB. Each major stationary source's or Section 185 Account's reported baseline amount(s) and actual emissions would be used to calculate a Failure to Attain Fee. The resulting amount due from each major stationary source or Section 185 Account for aggregated sources would be summed by location to determine the overall DFW and HGB 2008 eight-hour ozone nonattainment area's Area §185 Obligations.

If revenue generated from TERP is insufficient to fully offset the Area §185 Obligation for the DFW 2008 eight-hour ozone nonattainment area or HGB area 2008 eight-hour ozone nonattainment, then the remaining difference would be assessed as a Failure to Attain Fee on a

major stationary source or Section 185 Account for the area on a prorated basis. The amount collected from each major stationary source or Section 185 Account would be discounted based on the amount of revenue credited to the Fee Equivalency Account. In this manner, these proposed rules would "backstop" any TERP revenue with fees directly assessed on major stationary sources as necessary to meet each year's fee. The Area §185 Obligation would be fully met either through the demonstration from the Fee Equivalency Account or, if necessary, supplemented with directly assessed fees on major stationary sources or Section 185 Accounts. This method of fee equivalency is no "less stringent" than a direct fee program required by FCAA, §185.

To determine a major stationary source's baseline amount and the Failure to Attain Fee that would apply to each major stationary source, the commission proposes to provide major stationary sources a choice to individually determine baselines for VOC and NO_x emissions, aggregate VOC and NO_x emissions into one baseline if the source is major for both pollutants, or aggregate those emissions across multiple major stationary sources under common control. In Attachment C of EPA's 2010 guidance memo, EPA states it would ". . . allow for aggregation of sources. We anticipate that we would be able to approve a FCAA, §185 fee program SIP that relies on a definition of 'major stationary source' that is consistent with the FCAA as interpreted in our existing regulations and policies." EPA's 2010 memo further states that EPA would allow aggregation of VOC with NO_x emissions, ". . . provided that the aggregation is not used to avoid a 'major source' applicability finding, and aggregation is consistent with the attainment demonstration . . . we believe states have a discretion to allow a major source to aggregate VOC and NO_x emissions." The proposed rulemaking would require a major stationary source to first determine its major source applicability for both VOC and NO_x emissions. In this approach, a major stationary source cannot use aggregation to avoid applicability of the FCAA,

§185 fee rule. If the major stationary source chooses to aggregate baselines by pollutant or site or both, it would be required to provide to TCEQ the individual, unaggregated pollutant and site baselines for each pollutant(s) that determines major source status. This will ensure that staff can accurately enter aggregated baseline amounts into the TCEQ's Section 185 fee database.

In making determinations of whether common control exists, the commission would consider EPA guidance regarding common control. For example, in a final rule on the *Requirements for Preparation, Adoption, and Submittal of Implementation Plans; Emissions Offset Interpretive Ruling* (45 FR 59878, September 11, 1980), EPA stated it would determine control guided by the general definition of control used by the Securities and Exchange Commission (SEC). In SEC considerations of control, control "means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person whether through the ownership of voting shares, contract, or otherwise" (17 CFR §210.1 and §210.2(g)). EPA generally continues to assess common control based on the general principles outlined above and has periodically issued additional guidance for specific topics such as how to assess contiguous or adjacent properties, industrial grouping, etc. The commission would also use other criteria to determine common control consistent with participation in local area banking programs, such as the Mass Emissions Cap and Trade or the Highly-Reactive Volatile Organic Compound Cap and Trade programs. A group of major stationary sources choosing to aggregate under common control as a single customer would be identified with a single common customer identifier used by the commission, the customer number (CN). A group of major stationary sources under common control would be assigned a single Section 185 Account number by TCEQ.

Since VOC and NO_x emissions reductions are both effective at lowering ozone concentrations in

both the DFW and HGB 2008 eight-hour ozone nonattainment areas, major sources should be allowed to aggregate both NO_x and VOC emissions into one baseline amount. The commission adopted a strategy of targeting those pollutants in a way that would allow ozone nonattainment areas to attain the standard as expeditiously as practicable in the applicable attainment demonstration SIPs. States are required by the FCAA to assess and develop strategies for nonattainment areas, as part of the SIP revision process, to achieve attainment and maintenance of the standard, and this approach is a result of the knowledge gained from research and detailed photochemical modeling of each nonattainment area. The commission's proposed flexibility option to allow aggregation of VOC and NO_x as well as major stationary source aggregation for both pollutants continues to support the strategies outlined in the attainment demonstration SIPs. This proposed aggregation method compliments the multi-pollutant control strategies incorporated into the SIP for the DFW and HGB ozone nonattainment areas.

As addressed previously, FCAA, §185 requires the SIP to include a requirement for the imposition of a penalty fee on major stationary sources of emissions of VOC in a severe or extreme ozone area that failed to attain the standard by its applicable due date. FCAA, §182(f) states that requirements "for major stationary sources of volatile organic compounds shall also apply to major stationary sources (as defined in §7602 of this title and subsections (c), (d), and (e) of this section) of oxides of nitrogen." Thus, the requirement to assess a fee on major stationary sources of NO_x emissions is also required. This language in FCAA, §182(f) does not explicitly state that requirements for NO_x sources are to be held separate from those for VOC but are "also required" for sources of NO_x emissions. Both VOC and NO_x control strategies have a common goal: to reduce ozone-forming emissions. The stated objective of FCAA, §182(f) and §185 is to assess a fee for VOC and NO_x emissions on major stationary sources emitting above a certain baseline amount of emissions. The Section 185 per ton fee rate required for the

pollutants remains the same regardless of whether the pollutant is VOC or NO_x and thus, there is no reason to require that a fee be assessed separately for each pollutant. The commission proposes to allow a major stationary source to combine these emissions for baseline amount determinations and fee assessments providing that specified criteria are met to ensure consistency.

Additionally, the commission notes that EPA guidance allows for NO_x substitution in its reasonable further progress (RFP) SIP revisions as further support for allowing VOC and NO_x emissions to be aggregated for both baseline amount determinations and fee assessments. In its December 1993 NO_x Substitution Guidance (available at <http://www.epa.gov/ttncaaa1/t1/memoranda/noxsubst.pdf>), EPA states the "condition for demonstrating equivalency is that the State-proposed emission control strategies must be consistent with emission reductions required to demonstrate attainment of the ozone NAAQS for the designated year of attainment."

To ensure equitable treatment among all major stationary sources, maintain consistency within the fee program, and facilitate transparency for the public, the proposed rules require that baseline amounts and aggregation methods, once established, would remain fixed as long as the proposed rule remains applicable except as consistent with the proposed sections that allow adjustments under specific circumstances. Additionally, the proposed rules would require that calculation of the Failure to Attain Fee remain consistent with the baseline amount determination approach. Once a particular method for a baseline amount calculation is chosen, the Failure to Attain Fee calculation must remain consistent with that method. Therefore, if a major stationary source elected to aggregate pollutants under one of the options of this proposed rulemaking as the most appropriate choice for determining a baseline amount, all

subsequent assessments, and payments of the Failure to Attain Fee must remain consistent with that selection.

The commission also proposes compliance schedules for determining baseline amounts for each applicable baseline amount scenario. Since the proposed Failure to Attain Fee cannot be implemented until EPA finalizes a failure to attain notice that determines that a severe or extreme nonattainment area under the 2008 eight-hour ozone standard did not attain by the applicable due date, the due dates for major stationary sources operating during the baseline year are structured to account for issuance of this notice. New major stationary sources that begin operating during or after the baseline year would have a fixed amount of time to self-report the baseline amounts to TCEQ. The compliance schedules would ensure timely assessment of the fee.

The commission proposes to invoice and require fee payment in accordance with current state statute and regulations. Once the program is implemented, fee payments would be due each year until the Section 185 fee is terminated.

If this proposed rule is adopted, any Section 185 fee revenue collected by TCEQ would be deposited into the Clear Air Account according to THSC §382.0622. Since spending potential Section 185 fee revenue depends on this proposed rule's adoption, Texas' collection of the Section 185 fee, and future Legislative actions, this proposed rulemaking does not include options for how any potential collected Section 185 revenue would be spent.

The proposed rules would ensure stability of the Clean Air Account and any potential future programs that could be developed using the Failure to Attain Fee revenue by preventing

adjustments to previously invoiced baseline amounts for instances in which baselines are adjusted as proposed in §101.708, §101.709, §101.710, and §101.711. No matter the scenario used to adjust the baseline amount it would apply starting with the next fee assessment year.

Section by Section Discussion

§101.700, Definitions

This proposed new section contains definitions necessary for applying the rules. The terms defined include actual emissions, Area §185 Obligation, attainment date, baseline amount, baseline emissions, baseline year, electric utility steam generating unit, emissions unit, equivalency credits, extension year, Failure to Attain Fee, fee assessment year, fee collection year, major stationary source, and Section 185 Account.

As proposed, the term *actual emissions* would use the definition currently used in 30 TAC §101.10; this would ensure that the VOC and/or NO_x emissions assessed for the *Failure to Attain Fee* include all emissions emitted from the major stationary source for the calendar year being assessed, whether authorized or unauthorized emissions.

The *Area §185 Obligation* is proposed to be defined as the total amount of the *Failure to Attain Fee* due for an entire 2008 eight-hour ozone nonattainment area based on summing the *Failure to Attain Fee* due from each major stationary source for a fee assessment year. For the 2008 eight-hour ozone standard, the 10-county DFW and eight-county HGB nonattainment areas would have separate *Area §185 Obligations*. EPA's 2010 guidance states that an equivalent program could be acceptable under FCAA, §172(e) if an alternative fee or program is equivalent to the fee that would be assessed on an area failing to meet the ozone standard. The *Area §185 Obligation* is the basis for making an equivalency demonstration for the commission's

proposed program. The *equivalency credits* are proposed to be defined as revenue collected in a calendar year from TERP to offset the *Area §185 Obligation* on a dollar-to-dollar basis. If there are insufficient funds to offset the entire *Area §185 Obligation*, then *Failure to Attain Fee* would be prorated and the prorated fee amount assessed directly on major stationary sources or Section 185 Accounts to meet the entire *Area §185 Obligation*.

Attainment date is proposed to be defined as the EPA-specified date an area is required to attain the 2008 eight-hour ozone standard under the FCAA.

The attainment year is the entire calendar year that contains the *attainment date*. For purposes of this proposed rulemaking, the *baseline year* is proposed to be defined as January 1 through December 31 of the attainment year. At the time of the proposed rulemaking, there were two areas classified as severe nonattainment under the 2008 eight-hour ozone standard, the 10-county DFW nonattainment area (Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties) and the eight-county HGB nonattainment area (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties). The severe classification attainment date for these areas is July 20, 2027; therefore, the 2027 calendar year from January 1, 2027, through December 31, 2027, would determine both the attainment year and *baseline year* of 2027, unless EPA approved an attainment date extension under FCAA, §181(a)(5).

Consistent with FCAA, §185, *baseline amount* is proposed to be the lower of baseline emissions (actual emissions as described in §101.705) or total annual authorized or pending authorization emissions at a major stationary source as of December 31 of the baseline year if the major stationary source operated the entire baseline year. For major stationary sources that began

operating during or after the baseline year, the first full year (12 consecutive months) operating as a major source would be used to determine the baseline emissions. If the major stationary source's emissions are irregular, cyclical, or otherwise vary significantly from year to year, the *baseline emissions* are proposed to be averaged from any single consecutive 24-month period within a historical period, as outlined in the proposed definition of *baseline emissions*.

For purposes of this proposed rulemaking, the term *baseline emissions* represents the “actual emissions” referenced in FCAA, §185(b)(2) and excludes unauthorized emissions. The baseline emissions are reported in the annual point source emissions inventory according to the Emissions Inventory Requirements of 30 TAC §101.10. The baseline emissions are proposed to include reported annual emissions that are authorized by permit or rule from routine operations, which includes authorized MSS activities during the baseline year or another time period as allowed by this proposed rule, but excludes unauthorized emissions. Emissions from emissions events and MSS activities not authorized by permit or rule must be excluded from the baseline emissions calculations because they are not authorized or representative of routine operations. The exclusion of unauthorized emissions from the baseline emissions calculation is consistent with the PSD definition of baseline actual emissions in §116.112 and 40 CFR §52.21(b)(48) that does not include unauthorized emissions in a baseline amount determination.

This proposed definition of *baseline emissions* differs from the definition of *actual emissions* in 30 TAC §101.10, which includes all emissions emitted, whether authorized or unauthorized, reported in the emissions inventory. The proposed definition of *baseline emissions* represents only the emissions from authorized routine operations reported in the emissions inventory.

If the major stationary source's emissions reported in the emissions inventory are irregular, cyclical, or otherwise vary significantly from year to year, the *baseline emissions* are proposed to be averaged from any single consecutive 24-month period within a historical period. The historical period allowed depends on the type of emissions units, following PSD guidance. *Electrical utility steam generating units* are included in this proposed rule because they may use a five-year historic look-back period. The definition of *electric utility steam generating units* is consistent with the definition used in 30 TAC §116.12. Other *emissions units*, as defined in §101.1, may use a ten-year historic look-back period.

Extension year is proposed to be defined as a year that meets the requirements of FCAA, §181(a)(5). It is unknown whether the 10-county DFW or the eight-county HGB severe nonattainment areas under the 2008 eight-hour ozone standard may qualify for an extension, and an extension year may be applicable to future areas designated as severe or extreme nonattainment under the 2008 eight-hour ozone standard.

The *Failure to Attain Fee* is proposed to be defined as the fee assessed and due from each major stationary source or Section 185 Account based on actual emissions, whether authorized or unauthorized, of VOC, NO_x, or both exceeding 80% of the *baseline amount*.

The *fee assessment year* is proposed to be defined as the calendar year the actual emissions were emitted and reported to the emissions inventory and used to calculate the assessed fee amount. The actual emissions include all authorized and unauthorized emissions, such as routine, MSS, and emissions events (EE) reported in the emissions inventory, as discussed in §101.713. For the 10-county DFW and eight-county HGB severe classification nonattainment areas under 2008 eight-hour ozone standard, the fee could be assessed as early as calendar

year 2028 should the areas not attain by July 20, 2027. The *fee collection year* is proposed to be defined as the calendar year the fee is invoiced by TCEQ.

The definition for *major stationary source* is consistent with the definition in §116.12 for determining a major source of VOC or NO_x emissions. Because major stationary sources under common control may opt to aggregate pollutants and/or sites for purposes of *baseline amount* determination and *Failure to Attain Fee* payment, a *Section 185 Account* represents either a major stationary source (if not choosing to aggregate) or a group of two or more major stationary sources (if aggregating). A single identifying Section 185 Account number would be assigned by TCEQ to track the option chosen for *baseline amounts* and *Failure to Attain Fee* assessments in the TCEQ Section 185 database. Because major stationary sources can be aggregated on a pollutant basis, a major stationary source may be in one *Section 185 Account* for VOC aggregation and in a second *Section 185 Account* for NO_x aggregation. A single major stationary source could belong to two separate Section 185 Accounts, or a Section 185 Account may only have one major stationary source. All major stationary sources of VOC and/or NO_x emissions located in a severe or extreme 2008 eight-hour ozone nonattainment area that did not attain by the attainment date are subject to this proposed rule. Even if a major stationary source did not comply and, as a result, did not receive a Section 185 Account from TCEQ, that source would still be subject to this proposed rule and would still owe a Section 185 fee.

§101.701, Applicability

This new section proposes the applicability requirements for the FCAA, §185 fee (Failure to Attain Fee). FCAA, §185 requires areas classified as severe or extreme for ozone to include a requirement for fees on VOC emissions in excess of 80% of a baseline amount for major stationary sources located in an area failing to attain the standard by the attainment date

applicable to that area. FCAA, §182(f) further requires that all SIP requirements applying to VOC emissions sources also apply for NO_x emissions sources. Proposed §101.701 identifies the provisions that apply to any 2008 eight-hour ozone nonattainment area classified as severe or extreme that fails to demonstrate attainment of the 2008 eight-hour ozone standard by its attainment date.

The proposed rule is applicable to all major stationary sources in the 2008 eight-hour ozone nonattainment area each year that the penalty fee is applicable as required by FCAA, §185. At the time of the proposed rulemaking, there were two areas classified as severe nonattainment under the 2008 eight-hour ozone standard, the 10-county DFW (Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties) and the eight-county HGB (Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties). In the future, should EPA designate other areas of Texas as severe or extreme nonattainment under the 2008 eight-hour ozone standard, then this proposed rulemaking would be applicable to those severe or extreme nonattainment areas.

The executive director would implement this proposed rule upon EPA determining that the area failed to attain the severe or extreme 2008 eight-hour ozone standard. This determination would be the effective date of EPA's finding of failure to attain notice for severe or extreme areas under the 2008 eight-hour ozone standard published in the *Federal Register*. There are no obligations for major stationary sources until the rule is implemented. As part of its outreach efforts, TCEQ would electronically distribute courtesy notifications to regulated entities that the Section 185 fee has been implemented. Electronic notification, as allowed under 30 TAC §19.30, would include posting on the *Stakeholder Group: Federal Clean Air Act Section 185 Fee* webpage (available at <https://www.tceq.texas.gov/airquality/point-source-ei/185-fee>), subscribers

of the *Penalty Fee for Major Stationary Sources Under the Federal Clean Air Act Section 185*

email and text list (available at

(<https://public.govdelivery.com/accounts/TXTCEQ/subscriber/new>), and/or other allowed

electronic means of communication.

The *Failure to Attain Fee* would start being assessed for the calendar year following the missed attainment date. The proposed rule defines the attainment year as the entire calendar year that contains the attainment date. For purposes of this proposed rulemaking, the term baseline year is defined as January 1 through December 31 of the attainment year. For the 10-county DFW and eight-county HGB severe nonattainment areas under the 2008 eight-hour ozone standard, which have a July 20, 2027, attainment date, the attainment year and baseline year are anticipated to be 2027. The fee would start being assessed for calendar year 2028 (first fee assessment year), unless EPA approved an attainment date extension under FCAA, §181(a)(5).

§101.702, Exemption

This new section proposes that no Failure to Attain fee payment is due for a year determined by EPA to be an extension year under FCAA, §181(a)(5) for the 2008 eight-hour ozone standard. EPA may grant an extension year for a nonattainment area if all SIP obligations have been met and if one or fewer measured ozone exceedances occurred at any valid monitoring site in the nonattainment area in a year. It is unknown whether the 10-county DFW area or the eight-county HGB severe nonattainment area under the 2008 eight-hour ozone standard may qualify for an extension. Additionally, an extension year may be applicable if EPA designates future areas as severe or extreme nonattainment under the 2008 eight-hour ozone standard and grants those areas an extension year. For any area granted an extension, the fee would be applicable if the severe or extreme nonattainment area did not attain by the extension

attainment date specified by EPA.

§101.703, Fee Equivalency Account

This new section proposes that the executive director establish a Fee Equivalency Account. This account would be a listing of revenues from designated programs that reduce VOC or NO_x emissions in 2008 eight-hour ozone nonattainment areas. Only the revenue collected within each 2008 eight-hour ozone nonattainment area would be credited and available to offset the Area §185 Obligation in the Fee Equivalency Account. Revenue collected in the 10-county DFW 2008 eight-hour ozone nonattainment area would be credited only within that nonattainment area. Revenue collected in the eight-county HGB 2008 eight-hour ozone nonattainment area would be credited only within that nonattainment area. Specifically, TCEQ proposes that revenue collected for the TERP program would be used to offset each 2008 eight-hour ozone nonattainment area's Area §185 Obligation for the area when funds are also expended within each area. This would result in a benefit directly to the nonattainment area from revenue collected. TERP's stated goals and statutory restrictions provide funding for programs or activities that result in reductions in VOC, NO_x, and other pollutant emissions into the atmosphere.

No transfer of revenue would occur between TERP and the Fee Equivalency Account. The Fee Equivalency Account is a documentation mechanism to verify the amount of TERP revenue collected in the 2008 eight-hour ozone nonattainment area to offset the fee on major stationary sources located in that area. If other emissions reduction grant programs become available those would be considered for inclusion to offset the Failure to Attain Fee.

§101.704, Fee Equivalency Accounting

This new section proposes that the Area §185 Obligation would be the total FCAA, §185 fee determined annually for each 2008 eight-hour ozone nonattainment area. The FCAA, §185 fee (Failure to Attain Fee) is proposed to be calculated for each major stationary source or Section 185 Account by TCEQ staff using the approved baseline amounts and emissions inventory data for the fee assessment year. These resultant individual Failure to Attain Fees would be summed to determine the overall Area §185 Obligation within the same 2008 eight-hour ozone nonattainment area.

Revenue, calculated on a dollar basis, associated with the Fee Equivalency Account would be credited starting with the first fee assessment year and continuing annually. The funding associated with the Fee Equivalency Account for a given fee assessment year would be compared with the Area §185 Obligation for a given fee assessment year.

If the Fee Equivalency Account does not have enough funds to fully meet the Area §185 Obligation, a backstop provision would be invoked under which major stationary sources or Section 185 Accounts would be assessed a prorated Failure to Attain Fee to generate sufficient funds to meet the Area §185 Obligation. The prorated Failure to Attain Fee would be calculated based on the amount in the Fee Equivalency Account and the overall Area §185 Obligation. The Failure to Attain Fee amount that the major stationary source or Section 185 Account would be required to pay is proposed to be reduced to the prorated Failure to Attain Fee amount based on the calculations in this proposed rulemaking. This process would be documented and made publicly available each year.

For example, a hypothetical Area §185 Obligation for HGB for the 2028 fee assessment year is calculated by TCEQ staff as \$154 million. The HGB area Fee Equivalency Account for calendar

year 2028 has \$45 million available from TERP revenue. The HGB area balance for the 2028 fee assessment year is \$109 million (\$154 million less \$45 million) and that amount must be paid by major stationary sources located in HGB that are subject to the Failure to Attain Fee. For the 2028 fee assessment year, the Fee Equivalency Account covers 29.22% (\$45 million divided by \$154 million, with the quotient multiplied by 100) of the Area §185 Obligation for HGB and each major stationary source's or Section 185 Account's fee will be reduced by 29.22%. TCEQ staff calculates that the Failure to Attain Fee for a hypothetical Section 185 Account located in HGB is \$50,000 for the 2028 fee assessment year. The prorated Failure to Attain Fee for the hypothetical Section 185 Account would be calculated by reducing the \$50,000 fee by 29.22%, resulting in the hypothetical Section 185 Account owing \$35,389.61.

The timing of the demonstration would likely occur in December and then annually afterward, except for the first year the program is implemented. The date that TCEQ performs this evaluation for the first year of program implementation depends on the dates of future federal or state actions that are not currently scheduled (e.g., effective date in the *Federal Register* of EPA's finding of failure to attain).

§101.705, Baseline Amount

This new section proposes the requirements for determining a baseline amount. FCAA, §185 requires a fee on emissions exceeding 80% of a fee baseline amount determined for the attainment year (referenced as baseline year in this proposed rulemaking) until the Section 185 fee (referred to as Failure to Attain Fee in this proposed rulemaking) no longer applies to the area. Unless the major stationary source or Section 185 Account qualifies for an adjustment to the baseline amount, as outlined in the various adjustment sections of this proposed rulemaking, the method for a fixed, one-time calculation of the baseline amount is provided in

this proposed section.

A baseline amount would be required for each ozone precursor pollutant, VOC and/or NO_x, for which the source is major. If a stationary source is major for both VOC and NO_x emissions, a baseline amount would be required for both VOC and NO_x emissions. If the major stationary source is major for only VOC or NO_x emissions, the baseline amount would be required for just that pollutant, VOC or NO_x.

The baseline amount is proposed to be defined as the lower of either: the *baseline emissions* defined as the total annual routine emissions, including reported MSS emissions that are authorized by permit or rule, reported in the emissions inventory, as described in 30 TAC §101.10 for the baseline year, or timeframe otherwise specified in this proposed rule; or the total annual emissions allowed by the applicable authorizations or pending authorizations in effect for the major stationary source during the baseline year or timeframe otherwise specified in this proposed rule. MSS emissions reported in the emissions inventory that are authorized by permit or rule are considered routine and must be included in baseline emissions. The major stationary source's authorized or pending authorization emissions include emissions allowed under any TCEQ-enforceable measure or document, such as rules, regulations, permits, orders of the commission, and/or court orders.

Emissions from pending authorizations with administratively complete applications as of December 31 of the baseline year or timeframe otherwise specified may be included in the total annual emissions allowed under authorizations. Some owners or operators of major stationary sources may submit administratively complete applications for authorizing previously unauthorized emissions prior to December 31 of the baseline year or other approved

timeframe. To not penalize sources in the process of obtaining an authorization, the commission proposes to allow the emission limits established by permits that were administratively complete to adjust the baseline amount by adding these amounts to the total annual authorized emissions. The proposed approach aligns with the FCAA intent of comparing authorized emissions with reported actual emissions to determine a baseline amount.

A timeframe chosen other than the baseline year to determine a baseline amount depends on whether the major stationary source began operating during or after the baseline year or if the major stationary source's emissions qualify to be averaged over a 24-month consecutive period. Applicable timeframes for baseline amounts are outlined in this proposed rulemaking.

Unauthorized emissions, such as from EE and MSS activities not authorized by permit or rule, are not included in the baseline amount. Exclusion of unauthorized emissions from a baseline amount is consistent with these emissions not being representative of normal, routine operations and with the PSD definition of baseline actual emissions in §116.112 and 40 CFR §52.21(b)(48). For example, an oil and gas major stationary source for both VOC and NO_x emissions experienced VOC emissions from tank flashing that exceeded an authorized permit limit. Tank flashing is a routine operation so the unauthorized VOC emissions resulting from the tank flashing that exceeded the permit limit are required to be reported in the emissions inventory as annual routine emissions. The unauthorized but routine VOC emissions from the tank flashing would be excluded from the baseline emissions calculations used to determine baseline amount.

If the major stationary source has reported emissions in the emissions inventory that are irregular, cyclical, or otherwise vary significantly from year to year, an alternate method to

determine baseline emissions would be allowed. Whether a source qualifies as irregular, cyclical, or otherwise varying significantly is determined on a case-by-case basis. For these major stationary sources, any single consecutive 24-month period within a specified historical period could be averaged for the baseline emissions. Major stationary sources that qualify to establish an equivalent alternate fee baseline amount in this manner would calculate the baseline emissions using historical annual routine emissions, as recorded in the emissions inventory, which includes authorized emissions from MSS activities.

The FCAA, §185 does not address how to define a historical period; however, EPA issued a March 21, 2008, guidance memo, referenced elsewhere in this preamble, stating that an acceptable alternate method would be to determine an baseline amount using a period similar to estimating "baseline actual emissions" found in EPA's PSD rules, 40 CFR §52.21(b)(48). In its March 21, 2008, guidance, EPA used these provisions to craft its guidance on a ten-year look-back period for calculating baseline actual emissions. The PSD rules require adequate data for the selected 24-month period. The data must adequately describe the operation and emission levels for each emissions unit. The guidance continues by stating: "Once calculated, the average annual emission rate must be adjusted downward to reflect 1) any noncompliant emissions (40 CFR §52.21(b)(48)(i)(b) and (ii)(b)); and 2) for each non-utility emissions unit, the most current legally enforceable emissions limitations that restrict the source's ability to emit a particular pollutant or to operate at levels that existed during the 24-month period that was selected (40 CFR §52.21(b)(48)(ii)(c))." The result of this restriction is that the plant capacity may be used during the historical 24-month period selected, but emissions that do not comply with legally enforceable limits would have to be excluded. Legally enforceable emissions limits would include any state or federal requirements, including Best Achievable Control Technology or Lowest Achievable Emissions Rate.

According to PSD guidance, the timeframe for the historical look-back period for emissions units other than electric steam generating units is any single consecutive 24-month period within the ten-year period immediately preceding the date a complete permit application was submitted. For electric steam generating units the timeframe for the historical look-back period is any single consecutive 24-month period within the five-year period immediately preceding the date a complete permit application was submitted. The historical look-back period for the proposed equivalent alternate fee baseline amount determination would start the calendar year immediately preceding the baseline year. All emissions units at a major stationary source or Section 185 Account would be required to use the same 24-month period when calculating baseline amounts for aggregated pollutants or sites under common control or ownership. The commission interprets the FCAA, §185 language requiring the use of the lower of baseline emissions (actual emissions from the emissions inventory as defined in §101.701) or emissions allowed under authorizations (e.g. permitted emissions) to include emissions from this alternate method.

At the time of this proposed rulemaking, the baseline year is anticipated to be 2027 for the 10-county DFW and eight-county HGB 2008 eight-hour ozone standard severe nonattainment areas. The window used for the possible historical look-back period would be five years (2022 - 2026) for electric generating units (EGU) or 10 years (2007 - 2026) for non-EGU immediately preceding January 1, 2027. The average emissions during the single consecutive 24-month period would be the basis for determining the baseline emissions, in tons.

If rules or regulations take effect during the baseline year and/or 24-month consecutive period used for baseline amount determination, then the baseline emissions and total annual

authorized emissions must be adjusted downward to reflect emissions that would have exceeded a legally enforceable emissions limitation requirement from a permit, rule, regulation, commission order, or court order during the applicable timeframe. The major stationary source would not be allowed to take credit for emissions reductions that would have resulted from state or federal rules or regulations implemented during the baseline year and/or 24-month consecutive period used to calculate the baseline amount.

For example, a major stationary source of VOC emissions started operating prior to the 2027 baseline year, and the baseline amount was established from the baseline emissions during the 2027 baseline year. On March 1, 2027, a hypothetical federal rule takes effect that limits emissions from coatings emissions units located at the major source. The baseline emissions for the coatings emissions units impacted by the 2027 federal rule's emissions limits would be adjusted downward from January 1, 2027, through February 28, 2027, to account for the new limit. In another example, a major source of VOC emissions establishes a baseline amount using the 24-month consecutive period from July 12, 2022, through July 12, 2024. During calendar year 2027, a hypothetical federal rule takes effect that limits emissions from coatings emissions units located at the major source during the 24-month consecutive period chosen for the baseline amount. The baseline emissions for coatings emissions units impacted by the 2027 federal rules' emissions limits would be adjusted downward during the July 12, 2022, through July 12, 2024, period chosen for the baseline amount.

Fugitive emissions would be required to be included for the purposes of the baseline emissions calculations and fee assessments. This is similar to the Title V Emissions Fees described in 30 TAC §101.27, which requires all fugitive emissions to be included in fee calculations after applicability of the fee has been established. Per 40 CFR §70.2, fugitive emissions of VOC or

NO_x belonging to one of the categories listed in paragraph 2 of the definition of major sources may be excluded from counting toward major source applicability. Once the source meets the major stationary source applicability requirements of 30 TAC §116.12, fugitive emissions are required to be reported in the emissions inventory, and the fugitive emissions must be used for both baseline emissions calculations and fee assessments.

As allowed under the Emissions Inventory Requirements described in 30 TAC §101.10, a regulated entity that meets the applicability requirements to submit an emissions inventory, which includes major stationary sources, may submit a certifying letter instead of reporting updated emissions in the emissions inventory. The certifying letter option is allowed for any regulated entity (identified by the nine-digit regulated entity reference number (RN) and a seven-character alphanumeric TCEQ account number) that experienced an insignificant change in operating conditions compared to the most recently submitted emissions inventory. An insignificant change in emissions is defined as including start-ups, permanent shut-downs of individual units, or process changes that result in at least a 5.0% or 5 tpy, whichever is greater, increase or reduction in total annual emissions of VOC, NO_x, carbon monoxide, sulfur dioxide, lead, particulate matter (PM) less than or equal to 10 microns in diameter, or PM less than or equal to 2.5 microns in diameter. If a regulated entity submits a certifying insignificant change notification letter instead of updating the emissions, then the emissions reported in the most recently submitted emissions inventory are copied over to the current emissions inventory reporting year. For example, if a regulated entity submits an insignificant change notification letter for the 2027 emissions inventory reporting year and TCEQ staff verified that the requirements of the insignificant change notification letter were met, then the 2026 emissions are copied over to also represent the 2027 emissions. Major sources are cautioned to consider the impacts of choosing to submit an insignificant change letter instead of updating emissions

in the emissions inventory because of the implications for baseline amount determinations and fee assessments.

Emissions inventory data are collected annually by the commission and, after quality assurance review, are loaded into the state's air emissions inventory database, the State of Texas Air Reporting System (STARS). Since Texas' emissions inventory program submits data to EPA's National Emissions Inventory (NEI), the quality assurance of emissions inventory data is subject to a federally mandated Quality Management Plan (QMP) that annually documents and describes the emissions inventory organization arrangements, processes, procedures, and requirements. As part of the QMP, the emissions inventory program annually submits a Quality Assurance Project Plan (QAPP) documenting the emissions inventory quality assurance process for EPA's review and approval. The QAPP includes information on how TCEQ staff perform annual detailed technical reviews of point source emissions inventories, correct issues, and document the outcome of the review. Actual emissions reported in the emissions inventory that are subject to the detailed quality assurance process include: all emissions resulting from routine operations, including emissions from authorized MSS activities; all unscheduled MSS activities (reportable and non-reportable); and all emissions events (reportable and non-reportable). Owners or operators of major stationary sources are provided an opportunity to review and, if necessary, revise emissions submitted for the current reporting year and for the reporting year immediately prior. Revisions to historical inventory data outside of this timeframe are done on a case-by-case basis usually as a result of a TCEQ-directed emissions inventory improvement initiative or TCEQ's compliance and enforcement processes. The commission uses emissions inventory data for air quality planning, as detailed in SIP revisions. Although emissions determination methods improve over time, emissions inventory data represent emissions for a reporting year as accurately as possible. Since the commission relies

upon emissions inventory data in SIP revisions for air quality planning purposes, revising historical emissions inventory emissions rates solely for purposes of adjusting the baseline amounts and related calculations is not supported. Similar to emissions inventories, air permits are reviewed to ensure accuracy of emissions.

A baseline amount would account for all emissions units located at the major stationary source as of December 31 of the baseline year. Any ownership transfer of emissions units that occurred by December 31 of the baseline year would also need to be included in the baseline amount calculation. If a 24-month consecutive period is chosen for a major source that operated the entire baseline year, then all emissions units located at the major stationary source as of December 31 of the baseline year must be included, regardless of whether they were located at the major stationary source during the period chosen. An owner or operator of a major stationary source or Section 185 Account may not exclude new emissions units added by the baseline year from the 24-month consecutive historical period. For example, a qualified major stationary source chooses March 19, 2022, through March 19, 2024, as the 24-month consecutive period for the baseline emissions. An emissions unit was purchased, and ownership transferred to the source on September 1, 2026; therefore, those emissions must be averaged and added to the 24-month period chosen. The major stationary source that sold the emissions units may not include the sold emissions units in their baseline amount to avoid double-counting of the same emissions units in different baseline amounts.

The proposed rule would require that the baseline amount calculation and supporting documentation be submitted to TCEQ in a format specified by the executive director. Documentation would include either a list of all emission units by their corresponding path-level emissions reported in the point source emissions inventory or all applicable air permits by

Emissions Point Identification Number (EPN) (depending on which one is required for the baseline amount determination). If a major source uses path-level emissions to determine baseline amounts, VOC and/or NO_x emissions must be reported by a combination of Facility Identification Number (FIN) and corresponding EPN that match the most recent point source emissions inventory. If a major stationary source uses permitted allowable emissions to determine baseline amounts, VOC and/or NO_x emissions must be reported at the EPN level. Sample calculations would be required for each path-level (emissions inventory) or EPN level (air permits) used for baseline amount determination.

A major stationary source may choose to establish a baseline amount from baseline emissions for sources with emissions that are irregular, cyclic, or otherwise vary significantly from year to year. Sufficient supporting documentation would be required to verify that the major stationary source's emissions qualify as irregular, cyclical, or otherwise vary significantly from year to year. Additionally, details on why and how the 24-month consecutive period chosen accurately represents the major source's emissions would be required.

There is no list of sites that meet the definition of a major stationary source as defined in 30 TAC §116.12. TCEQ would use established programs to assist with notifying major sources of NO_x and/or VOC emissions subject to the fee to provide baseline amounts by the due dates in this proposed rulemaking. Although TCEQ would attempt to notify all applicable major stationary sources by using the Title V permitting and air emissions inventory programs as surrogate data for major sources, compliance with this proposed rulemaking is required even if TCEQ does not specifically notify the major stationary source. Compliance with the Section 185 fee program is a requirement of FCAA, §185, and a major stationary source that does not provide a baseline amount by the specified due date would be subject to the executive director

establishing the baseline amounts as described in this proposed rulemaking so that TCEQ can assess the required fee.

For major stationary sources operating prior to January 1 of the baseline year or that operated the entire baseline year, the regulated entity will complete the baseline amount form and supporting documentation. A specific due date for initial baseline amount cannot be provided since the implementation of the Failure to Attain Fee depends on the timing of three future actions: TCEQ adoption of this proposed rule; the severe nonattainment areas failing to attain by July 20, 2027, based on 2024, 2025, and 2026 ambient air monitoring data (or by the date established by any extension year granted by EPA); and the effective date in the *Federal Register* of EPA's finding of failure to attain. As proposed, regulated entities would submit baseline forms either on the emissions inventory due date specified under the Emissions Inventory Requirements in 30 TAC §101.10 for the fee assessment year or 120 days from the effective date of EPA's failure to attain notice. Providing no less than 120 days for regulated entities to prepare baseline amounts allows flexibility for the executive director to initially implement the final Failure to Attain Fee rule and initiate related business processes. For the 10-county DFW and eight-county HGB severe 2008 eight-hour ozone nonattainment areas at the time of this proposed rulemaking, the baseline amount based on a 2027 baseline year may be due March 31, 2028 (depending on final Air Emissions Inventory Reporting Rule updates currently in progress by EPA as of the date of this proposed rulemaking), or 120 days from the effective date of EPA's failure to attain notice.

Electronic notification, as allowed under 30 TAC §19.30, would include posting on the *Stakeholder Group: Federal Clean Air Act Section 185 Fee* webpage (available at <https://www.tceq.texas.gov/airquality/point-source-ei/185-fee>), subscribers to the listserv for

Penalty Fee for Major Stationary Sources Under the Federal Clean Air Act Section 185 would receive email and/or text notifications (sign-up available at <https://public.govdelivery.com/accounts/TXTCEQ/subscriber/new>), and/or other allowed electronic means of communication.

Once finalized, the baseline amount would be fixed and would not be changed except as consistent with the proposed adjustments in §§101.708-711.

§101.706, Baseline Amount for New Major Stationary Sources

States are required to assess the Section 185 fee on all major sources of VOC and/or NO_x emissions located in a severe or extreme ozone nonattainment area that fails to attain by its attainment date. This would include major stationary sources that began operating as a major source or transitioned to a major source status during the baseline year or after the baseline year. Since FCAA, §185 does not provide baseline amount determinations for these scenarios, the commission proposes this new section to determine a baseline amount for these new major stationary sources.

The commission proposes that these new major stationary sources use their first year (12 consecutive months) operating as a major stationary source to determine the baseline amount or aggregated baseline amount. The baseline amount must be the lower of the baseline emissions during the first year of operation as a major source or the total annual authorized emissions during the first year of operation as a major source.

EPA, in its December 14, 2012, notice of final approval of the South Coast Air Quality Management District (SCAQMD) SIP revision (77 FR 74372), allowed a major stationary source

subject to FCAA, §185 rules after the attainment date in the SCAQMD to use actual emissions or authorizations (or holdings in its banking program) from its initial calendar year of operation to set a baseline amount. EPA, in its February 14, 2020, notice of final approval of the HGB Failure to Attain Fee (85 FR 8411), allowed major stationary sources to determine the baseline amounts on the lower of actual or allowable data available in their first year of operation as a major stationary source.

If rules or regulations take effect during the first full year operating as a major source, then the baseline emissions and total annual authorized emissions must be adjusted downward to reflect those emissions limitations in effect during that timeframe. For example, a major stationary source of VOC emissions started operating January 10, 2027, and the baseline amount was established from the baseline emissions during the first full year of operation, from January 10, 2027, to January 10, 2028. On March 1, 2027, a hypothetical federal rule takes effect that limit emissions from coatings emissions units located at the major source. The baseline emissions for the coatings emissions units impacted by the 2027 federal rule's emissions limits would be adjusted downward for the entire baseline period (January 10, 2027, through January 10, 2028) to account for the new limit. The major source would not be allowed to take credit for emissions reductions that would have resulted from state or federal rules or regulations implemented or in effect during the calendar year used to calculate baseline emissions.

A baseline amount at a new major stationary source would account for all emissions units located at the major stationary source as of the last calendar day of the first full year operating as a major source. For example, a major stationary source of VOC emissions begins operating on February 4, 2028, and the baseline amounts are determined using the February 4, 2028,

through February 4, 2029, timeframe. In this example, the major stationary source would include all emissions units, including any ownership transferred emissions units as of February 4, 2029, in the baseline amount.

For major stationary sources that begin operating between January 1 and December 31 of the baseline year or after December 31 of the baseline year, regulated entities would have 90 days from the last calendar day of the first full year operating as a major source to submit the baseline amount form. Since initial Section 185 fee program implementation has already occurred, a 90-day timeframe is an appropriate length of time for form submission and is consistent with emissions inventory reporting timeframes. For example, a major source of VOC emissions begins operating on February 4, 2028, and the baseline amounts are determined using February 4, 2028, through February 4, 2029. In this example, the regulated entity would have 90 days from February 4, 2029, to submit the baseline amounts and supporting documentation.

§101.707, Aggregated Baseline Amount

This proposed new section would provide for the aggregation of either VOC or NO_x emissions (or both) at multiple major stationary sources to align fee obligations with attainment demonstration emissions reduction approaches. The proposed rule would allow owners or operators of major stationary sources under common control to aggregate baseline amounts of VOC emissions from multiple major stationary sources, to aggregate NO_x emissions from multiple major stationary sources, or both. Owners or operators may also choose to aggregate VOC with NO_x emissions at a single major stationary source or VOC with NO_x emissions across multiple major stationary sources under common control, provided that the stationary sources are major for both pollutants. Once an owner or operator chooses aggregation, then the

baseline amount would remain aggregated, and the fees would be assessed in the same manner as the aggregation until the Failure to Attain Fee no longer applies to the area.

Baseline amounts would first be calculated separately for each individual major stationary source for VOC or NO_x emissions, or for both, using the method described in proposed new §101.705 or §101.706. The separate initial baseline amounts for each pollutant at an individual major stationary source must also be submitted in a format specified by the executive director with supporting documentation. Providing the separate initial calculations of baseline amounts is intended to provide transparency and consistency and to assist with quality assurance of baseline amount determinations with any subsequent aggregation. After establishing separate baseline amounts, then the baseline amount could be aggregated by multiple pollutants, multiple stationary sources under common control, or both.

The proposed rule would allow owners or operators of major stationary sources to aggregate VOC and NO_x baseline amounts at a major stationary source. Sources under common ownership and/or control could also opt to aggregate baseline amounts across multiple major stationary sources. Only major stationary sources under common control may be included in the aggregate group. The aggregation methodology must remain consistent throughout the baseline amount calculation and assessment of the Failure to Attain Fee. A group of major stationary sources opting to aggregate baseline amounts must also aggregate emissions for Failure to Attain Fee assessment. The baseline year, same 24-month consecutive period, or other timeframe used to establish baseline amounts would be required as a basis for the baseline amount calculation for all aggregated major stationary sources for each fee calculation.

Like the baseline amount compliance schedule, major stationary sources that choose to

aggregate would submit the required forms and supporting documentation either on the emissions inventory due date of the fee assessment year, as specified under Emissions Inventory Requirements in 30 TAC §101.10, or 120 days from the effective date of EPA's failure to attain notice, whichever is later. Providing no less than 120 days for regulated entities to prepare aggregated baseline amounts allows flexibility for the executive director to implement the final Failure to Attain Fee rule and initiate related business processes. For aggregation, a list of all sites under common control by RN aggregated under an baseline amount must be provided in addition to the supporting documentation provided for individual baseline amounts described under Baseline Amounts. If sites under common control chose to aggregate, then those sites must share the same Customer Reference Number (CN) in TCEQ's Central Registry database. Sites under common control are determined by TCEQ. Sites not under common control according to TCEQ may not attempt to be combined in Central Registry with the intention of circumventing the Failure to Attain Fee, as addressed under circumvention requirements of 30 TAC §101.3.

§101.708, Adjustment of Baseline Amount for Major Sources with Less than 24 Months of Operation

Major stationary sources with less than 24 months of consecutive operation as of December 31 of the baseline year or that began operation after the baseline year would not have sufficient data to initially determine if emissions are irregular, cyclical, or otherwise vary significantly from year to year to establish baseline emissions. The provisions of this proposed new section are intended to allow a major source with less than 24 months of consecutive operation an opportunity to adjust the established baseline amount after establishing the emissions history. After completing 24 months of consecutive operations, the major stationary source may request that the baseline amount be adjusted using the average rate during the first 24 months

of consecutive operation for the baseline emissions. If the total annual authorizations determined the initial baseline amount and were still lower than the adjusted baseline emissions, then an adjustment may not be requested. If these emissions varied significantly during the 24 months of consecutive operation, the emissions may be considered as irregular, cyclical, or otherwise varying significantly. Under the proposed rules, a major stationary source would be allowed to request an adjustment to its established baseline amount within 90 calendar days of completing 24 months of consecutive operation. EPA published approval for a similar approach for new major stationary sources for the HGB Failure to Attain Fee in February 2020.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. Once finalized, the adjusted baseline amounts would apply starting with the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

§101.709, Adjustment of Baseline Amount for New Construction

This proposed new section would allow an existing major stationary source to adjust its baseline amount to account for new construction authorized in a nonattainment permit issued under Chapter 116, Subchapter B, Division 5. These emissions units are required to provide emissions offsets prior to construction and comply with emissions limits that achieve the lowest achievable emissions rate. The newly constructed emissions units would not have been included in the previously established baseline amount. Under the proposed rules, a major stationary source would be allowed to request an adjustment to its established baseline amount

within 90 calendar days of completed construction of the new emissions units.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. . Once finalized, the adjusted baseline amounts would apply starting with the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

§101.710, Adjustment of Baseline Amount for Ownership Transfers

This proposed new section outlines when an established baseline amount may be adjusted because of ownership transfers. Emissions units may not always be under the same common ownership or control. Owners or operators of major stationary sources, as part of normal business, may transfer ownership of some or all emissions units at a major stationary source or Section 185 Account to another major stationary source or Section 185 Account. The commission recognizes that a change in ownership or control of emissions units could change the Failure to Attain Fee owed for both major stationary sources or Section 185 Accounts. The change in control of emissions units does not change the historical operation, reported emissions of the emissions units, or previously invoiced amounts before the ownership transfer occurred. The ownership transfer must first be approved by and/or reported to the TCEQ Air Permits Division before adjustments of the baseline amounts could be requested.

A change in control or ownership, such as with an emissions unit transfer, would not affect the already established time period or baseline amounts on the remaining emissions units at either

major stationary source or Section 185 Account. The already established baseline amounts would be transferred from one major stationary source or Section 185 Account to the other major stationary source or Section 185 Account.

In a manner similar to transferring other obligations such as emissions authorizations, the commission would allow the affected major stationary sources or Section 185 Accounts to transfer the baseline amounts and Failure to Attain Fee associated with each emissions unit having a change in control. The commission would not change the calculated baseline amounts for the transferred emissions units or remaining emissions units.

Major stationary sources that transfer ownership of equipment from one major source or Section 185 Account to a minor source(s) would not have their baseline amounts adjusted to prevent circumvention of the Failure to Attain Fee, as addressed under 30 TAC §101.3.

To qualify for an ownership transfer baseline amount adjustment, the ownership transfer must occur between major stationary sources or Section 185 Accounts of the same pollutant, or aggregated pollutants, located within the same nonattainment area. For example, if an ownership transfer occurred between a major source located in the 10-county DFW nonattainment area under the 2008 eight-hour ozone standard and the eight-hour HGB nonattainment area under the 2008 eight-hour ozone standard, then the baseline amounts could not be adjusted.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. Once finalized, the adjusted baseline amounts would apply starting with

the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

Once finalized, the major stationary source or Section 185 Account that received the ownership-transferred emissions units would add the unaltered baseline amounts from those units to their existing major stationary source or Section 185 Account baseline amounts. There is no baseline amount adjustment for emissions units that were not ownership transferred at the originating or recipient major source. The major stationary source or Section 185 Account that transferred the emissions units would subtract the transferred emissions units' baseline amounts from their major stationary source or Section 185 Account baseline amount. While baseline amounts may increase or decrease at a major stationary source or Section 185 Account resulting from ownership transfers, the overall Area §185 Obligation for the nonattainment area would not change.

To transfer the baseline and the Failure to Attain Fee, the new owner or operator of each major stationary source or Section 185 Account affected by the change in common control would be required to submit a request to the executive director within 90 days of the ownership change for the executive director's approval.

§101.711, Adjustment of Baseline Amount for Final Emissions Inventory Data

This proposed new section addresses the situation when baseline emissions may need to be adjusted upon the availability of final quality assured and TCEQ-approved emissions inventory data. The Failure to Attain Fee would be implemented upon the effective date of EPA's finding of failure to attain notice published in the *Federal Register* for a severe or extreme ozone

nonattainment area under the 2008 eight-hour ozone standard that fails to attain by the attainment date. It is unknown when EPA would issue the finding of failure to attain; therefore, the specific dates to establish an initial baseline amount are unknown. Because of implementation timing, final quality assured and TCEQ-approved emissions inventory data could occur after the baseline amount is established. If a major stationary source had used emissions inventory data to establish the baseline amount, then TCEQ may request adjustments based on the final quality assured emissions inventory data.

Additionally, major stationary sources may initiate emissions inventory revisions that require baseline amount adjustments. Due to limited staff resources, approval of regulated entity-initiated requests would be based on the revisions guidance in the Emissions Inventory Guidelines published annually and posted on the Point Source Emissions Inventory webpage located at (<https://www.tceq.texas.gov/airquality/point-source-ei/psei.html>). Emissions inventory data are used extensively for air quality planning purposes, such as SIP revisions and rule development, submitting to required federal programs, such as the NEI, and assessment of other applicable fees such as the Title V fees. For these reasons, emissions inventory revisions are allowed for specific circumstances. Emissions inventory revisions submitted solely for the purpose of adjusting a baseline amount would not be accepted.

Regulated entities, including major sources, are provided an opportunity to review and if necessary, revise emissions data submitted for the current emissions inventory reporting year and for one year immediately prior. Major stationary sources would have 90 days or by March 31 of the calendar year immediately following the emissions inventory reporting year, whichever comes first, to submit adjusted baseline amount requests due to final, quality-assured emissions data. Revisions to historical emissions inventory data outside of this

timeframe are evaluated on a case-by-case basis, usually as the result of a TCEQ-directed emissions inventory improvement project or TCEQ's compliance and enforcement process.

All adjusted baseline amounts would be reviewed by the executive director's staff to ensure consistency with final emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division. Once finalized, the adjusted baseline amounts would apply starting with the next fee assessment year. Credits or refunds for previous fee assessment years would not be processed based on the final adjustments. This ensures accounting stability for the Failure to Attain Fee.

§101.712, Failure to Establish a Fee Baseline Amount

This proposed new section outlines the procedures for the executive director to establish a baseline amount. Timely and accurate baseline amounts are required from each applicable major stationary source to implement the FCAA-required Section 185 fee program. If a major stationary source does not submit an approvable baseline amount by the due date specified by the executive director, then the executive director would determine baseline amount(s) for that major stationary source. In accordance with the requirements of FCAA, §185, the lower of actual emissions (reported in the emissions inventory as described in §101.705) or allowable emissions (permits or authorizations) from the attainment year (referenced as baseline year in this proposed rulemaking), would be used, if both were available, to determine separate baseline amounts for each pollutant that determined major source applicability. Since the executive director would not have sufficient information, aggregation by pollutant or sites under common control and any adjustments allowed under this proposed rulemaking would not be used.

If available, emissions inventory data reported under 30 TAC §101.10 would be used for determining the baseline emissions. However, if only permit allowable data are available, a baseline amount would be established as 12.5 tons for VOC and/or 12.5 tons for NO_x (depending on the pollutant(s) that determined major source applicability) until the major stationary source submitted an approvable baseline amount. Allowable (permits or authorizations) emissions are typically higher than the actual emissions reported in the emissions inventory. FCAA, §185 requires the lower of actual or allowable emissions, so the executive director would establish the baseline emissions from the unavailable emissions inventory as 12.5 tons, which represents one-half of the major stationary source threshold of 25 tons. If the executive director used the allowable emissions from the permit to establish the baseline amount, then the non-compliant major stationary source would gain the advantage of a higher baseline amount by not reporting their actual emissions.

If the executive director establishes the baseline amounts, then those baseline amounts would be applicable until the major stationary source submits a verifiable and complete emissions inventory according to the Emissions Inventory Requirements of 30 TAC §101.10 and baseline amount. After the major stationary source submits a baseline amount and the executive director reviews the baseline amount to ensure consistency with emissions information submitted to the TCEQ Air Permits Division and/or the Air Quality Division, the final baseline amount would apply starting with the next fee assessment year. Adjustments to previous fee invoices based on baseline amounts established by the executive director would not be allowed.

§101.713, Failure to Attain Fee Assessment

The proposed new section outlines the method used to assess the Failure to Attain Fee (total fee) for VOC or NO_x emissions, or both. If the major stationary source is major for just one

pollutant, the total fee would be assessed for just the one pollutant, VOC or NO_x. If the major stationary source is major for both VOC and NO_x emissions, the total fee would be assessed for both pollutants.

This proposed new section also provides for the total fee calculation for owners or operators of major stationary sources or Section 185 Accounts. Fee assessments must follow the same method chosen for the baseline amount determination. The total fee from VOC and/or NO_x emissions from a major stationary source that is major for one pollutant and does not have multiple sites under common control, does not choose to aggregate baseline amounts, or does not comply with the provisions of proposed §101.707 would remain separate and due from each major stationary source or Section 185 Account. The total fee for owners or operators of major stationary sources that choose to aggregate VOC and/or NO_x emissions would also be due according to the provisions of this proposed section. The aggregation of VOC with NO_x emissions may occur at one major stationary source or across multiple major stationary sources under common control. Because both pollutants were used to aggregate a baseline amount, the total fee would be due on actual emissions of both VOC and NO_x emissions. Consistency between the baseline amount determination and the total fee calculation would be maintained with this approach. An owner or operator of multiple sources under common control who chooses to combine a single pollutant from multiple major stationary sources in a baseline amount must aggregate actual emissions of that single pollutant in the total fee payment. If an owner or operator opted to combine VOC with NO_x emissions at a major stationary source, both VOC and NO_x emissions must be aggregated for the total fee payment. Similarly, owners or operators who choose to combine VOC and NO_x emissions in a baseline amount and to aggregate those pollutants across more than one major stationary source must combine actual VOC and NO_x emissions from all aggregated major stationary sources to

determine the total fee. For example, if five major stationary sources of both VOC and NO_x emissions elected to aggregate into one Section 185 fee account to determine the NO_x baseline amount, then the total NO_x portion of the fee payment would be based on all actual reported NO_x emissions from those five major stationary sources. Since the five major stationary sources did not elect to aggregate VOC emissions into one baseline amount, then the total fee payment for VOC emissions would be assessed separately for the five different Section 185 fee accounts using actual reported VOC emissions for these major stationary sources. Similarly, if owners or operators choose to combine multiple major stationary sources into one baseline amount for VOC and NO_x emissions, then the total fee payment would be due from the combined major stationary sources for both pollutants together.

The total fee would be applicable to and calculated for each pollutant (VOC or NO_x) for which the major source meets the applicability requirements of this proposed rulemaking from the actual emissions reported in the emissions inventory for the fee assessment year. The fee amount assessed, calculated, and invoiced would be based on the actual emissions from the fee assessment year's emissions inventory that exceeded 80% of the baseline amount, rounded up to the nearest whole number. If the actual emissions reported in the emissions inventory are less than 80% of the baseline amount, then the fee would be assessed at \$0.00 dollars and no fee payment would be due from that major stationary source or Section 185 Account for that fee assessment year for that pollutant. For future fee assessment years, the fee would be due if the actual emissions reported in the emissions inventory exceeded 80% of the baseline amount.

Rounding up to the nearest whole number is standard practice for fee assessment since assessing fees on fractional amounts creates fee amounts with several decimal places that can cause errors in the fee invoice data systems, which accept only two decimal places. An example

of rounding up to the nearest whole number would be the fee assessment amount calculated as 10.0319 tons, rounding up to the nearest whole number, the fee would be assessed and invoiced on 11 tons.

The total fee for a pollutant aggregated under multiple major stationary sources for a baseline amount would be calculated based on the aggregated actual emissions from all the affected major stationary sources minus 80% of the aggregated baseline amounts for all major stationary sources, rounded up to the nearest whole number.

While baseline amounts exclude unauthorized emissions, fee assessments would be based on actual emissions, as defined in 30 TAC §101.10, which includes emissions from annual routine operations, MSS operations, and other events not otherwise authorized (emissions from emissions events or MSS activities). Inclusion of unauthorized emissions in fee assessment is appropriate because the emissions contribute to the formation of ozone in the nonattainment area during the year that the fee is owed. Inclusion of unauthorized emissions in fee assessment is also required in TCEQ's emissions fee rule in 30 TAC §101.27, which requires all MSS and emissions event emissions to be included in fee calculations.

FCAA, §185 requires the annual fee to be adjusted by the consumer price index (CPI) and cross references the methodology in FCAA, §502(b)(3)(B)(3)(v). The method described in FCAA, §502 requires the fee to be adjusted annually per the CPI for all-urban consumers published by the United States Department of Labor, as of the close of the 12-month period ending on August 31 of each calendar year. FCAA, §185 requires these fees to be assessed on a calendar-year basis, and the inflation factor based on the CPI is applied in September for the fiscal year (based on the previous September through August data). Therefore, the calendar year Failure to Attain Fee

is determined as a weighted monthly average (two thirds of the fee associated with January through August and one third of the fee associated with September through December). For example, a 2028 calendar-year fee would span the 2028 fiscal year and the 2029 fiscal year. Thus, a calendar-year 2028 fee requires two thirds of the annual CPI ending in August 2028 and one third of the annual CPI ending in August 2029. The commission proposes this methodology to calculate the fee from EPA's guidance memo (Page 10, available at (https://www.epa.gov/sites/default/files/2015-09/documents/1hour_ozone_nonattainment_guidance.pdf)). The proposed fee calculation uses the 40 CFR Part 70 Presumptive Minimum fee basis from EPA's guidance memo. The Part 70 fee rate is published annually by EPA and is available at (<https://www.epa.gov/title-v-operating-permits/permit-fees>). The Part 70 fee is the rate used to calculate emissions-based fees for Part 70 permit programs. Rather than calculating the rate directly from the CPI, the proposed method uses the Part 70 fee rate published by EPA. The Part 70 fee already has the required CPI adjustment incorporated into it.

The timing of the fee assessment depends on the effective date of EPA's finding of failure to attain. For the 10-county DFW and eight-county HGB 2008 eight-hour ozone nonattainment areas, 2028 is the first year after the attainment date of July 20, 2027. Since the 2027 emissions inventories would be due in 2028, TCEQ staff would have until the end of 2028 to complete the quality assurance reviews of the 2027 annual emissions inventories that would be used to determine the baseline amount. Major sources would require time to establish the baseline amounts based on final emissions reported in the 2027 emissions inventory. TCEQ staff would require time to quality assure the baseline amounts submitted by each major source. To establish and quality assure the baseline amounts, the fee collection year would generally be proposed as two calendar years following the fee assessment year. A potential scenario could

include regulated entities submitting the 2027 emissions inventories by the March 31, 2028, due date, and TCEQ staff completing the quality assurance reviews of the 2027 emissions inventories by the end of calendar year 2028. If the area(s) fail to attain the 2008 eight-hour ozone standard, and EPA finalizes a failure to attain notice in October 2027, then, following EPA's effective date of the failure to attain notice, TCEQ could provide a courtesy electronic notification to regulated entities that major sources must submit their baseline amount to TCEQ by March 31, 2028. TCEQ staff would quality assure the 2027 baseline amounts during calendar year 2028. The 2028 emissions inventories are due by April 2, 2029 (since March 31, 2029, falls on a Saturday), and TCEQ staff would complete the quality assurance process for the 2028 emissions inventories by the end of calendar year 2029. TCEQ would implement the calendar-year 2028 Section 185 fee rate once EPA publishes it, typically by the end of October each year. Assuming EPA publishes the 2028 Section 185 fee rate in October 2028, TCEQ would then assess the calendar-year 2028 fees in late 2029 and prepare and send invoices in early calendar-year 2030. As a result, calendar year 2030 becomes the first fee collection year for the first fee assessment year of 2028, based on the actual emissions reported in the 2028 emissions inventory.

A major stationary source subject to the requirements of this proposed rulemaking would also be required to submit an annual emissions inventory according to §101.10. The annual fee assessment requires the submission of the emissions inventory by the due date to invoice the source on actual emissions of VOC, NO_x, or both for that fee assessment year. Regulated entities subject to the Section 185 fee that do not submit an emissions inventory by the due date would be subject to enforcement.

§101.714, Failure to Attain Fee Payment

This proposed section stipulates that payment of the Failure to Attain Fee must be made by check, certified check, electronic funds transfer, or money order made payable to TCEQ. Payment must be sent to the TCEQ address provided on the billing statement by the date specified on the invoice. Generally, sites will have a minimum of 30 days to pay the invoice.

This proposed rule would impose interest and penalties in accordance with 30 TAC Chapter 12 to owners or operators of major sources subject to the applicability provisions of this proposed subchapter who fail to make full payment of the Failure to Attain Fees by the due date.

§101.715, Eligibility for Other Failure to Attain Fee Fulfillment Options

This proposed new section would allow major stationary sources or Section 185 Accounts required to pay a Failure to Attain Fee (total fee) to partially or completely fulfill the total fee owed by relinquishing emissions credits or using Supplemental Environmental Projects (SEPs) instead of issuing full payment. These other fulfillment options could be considered individual fee offsets for major stationary sources or Section 185 Accounts. The amount of emissions tonnage upon which the total fee is owed or the total fee amount owed would be reduced for the major stationary source or Section 185 Account while the nonattainment area receives emissions reductions benefits. If relinquishing emissions credits or using SEPs does not completely fulfill the entire fee owed by a major stationary source or Section 185 Account, the remaining portion of the total fee remains due according to the Failure to Attain Fee Payment section of this proposed rulemaking.

As explained previously in this preamble, the implementation of the Section 185 fee program depends on several future factors including the effective date of EPA's finding of failure to attain action. According to proposed §101.714, the invoice due date would be provided by the

executive director after the program is implemented. The commission must be timely informed if other options would be requested to fulfill the total fee. The commission proposes that the emissions inventory due date specified under the Emissions Inventory Requirements of 30 TAC §101.10 for the fee assessment year would be the proposed date that major stationary sources or Section 185 Account must inform the executive director that these other fulfillment options would be used. Further, the commission proposes that the emissions inventory due date specified under the Emissions Inventory Requirements of 30 TAC §101.10 for the fee assessment year would be the proposed date allowances traded under §101.716 must be approved and completed, and SEPs, under §101.717, must be approved and funded. If other fulfillment options under §101.716 are not approved and funded, exercised, or otherwise completed by the emissions inventory due date, these other fulfillment options would not be eligible to be applied to the total fee. Because a SEP may be a capital project requiring more than 30 days to complete, SEPs must be approved and funded by the emissions inventory due date. All requests to use a SEP as the other option to fulfill the total fee would be subject to the executive director's approval to ensure applicability to the nonattainment area.

§101.716, Relinquishing Credits to Fulfill a Failure to Attain Fee

This proposed new section allows major stationary sources or Section 185 Accounts to request to fulfill all or a portion of their Failure to Attain Fee (total fee) by relinquishing an equivalent portion of emission reduction credits, discrete emission reduction credits, current or banked Highly-Reactive Volatile Organic Compound (HRVOC) Emissions Cap and Trade (HECT) program allowances, or current or banked Mass Emissions Cap and Trade (MECT) program allowances.

Emission credits submitted for total fee reduction purposes, on a ton-for-ton basis, would only be allowed for use as a fulfillment option for the pollutant (VOC or NO_x) specified on the credit.

VOC credits or HECT allowances must only be used as a fulfillment option for VOC tons in excess of the baseline; NO_x credits must only be used as a fulfillment option for NO_x tons. The use of allowances would be similarly restricted such that MECT allowances would only be used as an equivalent for NO_x tons. HECT allowances would only be allowed for use as an equivalent for VOC tons in excess of the baseline amount for major stationary sources or Section 185 Accounts located in the 2008 eight-hour ozone nonattainment area. Significant digit rounding of the emissions reduction must be limited to one-tenth of a ton. Removing these emissions, represented as allowances, on a ton-per-ton basis furthers the goals of reducing ozone-causing emissions in the atmosphere and meets the objective of improving air quality by reducing emissions more directly than imposing a fee.

§101.717, Using a Supplemental Environmental Project to Fulfill a Failure to Attain Fee

This proposed new section allows major stationary sources or Section 185 Accounts to request to fulfill all or part of their Failure to Attain Fee (total fee) by contributing to a SEP within the 2008 eight-hour ozone nonattainment area where the major stationary source or Section 185 Account is located. SEPs are projects that prevent or reduce pollution beyond existing regulatory requirements. Supporting a SEP guaranteeing emissions reductions in the nonattainment area would provide cost-effective opportunities that more directly benefit air quality in the affected area than the imposition of a fee. Under this proposed rule, contributing to a SEP would reduce a major stationary source's or Section 185 Account's Failure to Attain Fee on a dollar-per-dollar or ton-by-ton basis. As proposed, the rule would also allow a major stationary source or Section 185 Account to use surplus SEP funds from year to year. The funding would not be discounted or depreciated over time.

The proposed rule language would only allow funding for air-related projects that are

implemented within the same 2008 eight-hour ozone nonattainment area. For example, in the 10-county DFW nonattainment area under the 2008 eight-hour ozone standard, SEPs are restricted to fulfillment options for major stationary sources or Section 185 Accounts located in the DFW nonattainment area. This rule would restrict SEPs to projects that offset the Failure to Attain Fee on a dollar-per-dollar or ton-by-ton basis. The established SEP program requires participants to submit quarterly and annual project reports with expenditure and project completion information, providing validation of actual emissions reductions or expenditures.

Because a SEP can be used to offset an administrative penalty, it is inappropriate for those funds to also be used for credit or offset for the Failure to Attain Fee. For many SEPs, only half the dollar amount of the SEP may be used to offset an administrative penalty. The use of Failure to Attain Fee credit from the SEP would be restricted to be the portion of funds not used to offset an administrative penalty. The SEP must also be enforceable through an Agreed Order or other enforceable document to ensure compliance with the SEP objectives.

§101.718, Cessation of Program

This proposed new section outlines the circumstances that would end the Failure to Attain Fee for an applicable nonattainment area. FCAA, §185 requires the penalty fee to be collected until redesignation of the nonattainment area to attainment by EPA, any final action or final rulemaking by EPA to end the Failure to Attain fee, or a finding of attainment by EPA. After EPA redesignates an area to attainment and publishes the final approval of the attainment redesignation in the *Federal Register*, the Failure to Attain Fee would no longer be applicable to that ozone nonattainment area as of the effective date specified in the *Federal Register*.

Additionally, to provide for timely cessation of the Failure to Attain Fee program, the

commission proposes that the Failure to Attain Fee would be assessed, but the fee collection would be placed in abeyance by the executive director if three years of quality-assured data resulting in a design value that did not exceed the 2008 eight-hour ozone standard are submitted to EPA. The commission also proposes as part of this design value determination, the ability to exclude days that exceeded the 2008 eight-hour ozone standard because of exceptional events or emissions emanating outside the United States.

Fiscal Note: Costs to State and Local Government

Kyle Girtten, Analyst in the Budget and Planning Division, has determined that for the first five-year period the proposed rules are in effect, fiscal implications may result for TCEQ and other units of government during implementation of the proposed rule.

If DFW and/or HGB areas do not attain the 2008 eight-hour NAAQS by July 20, 2027 or EPA does not abolish the program, these areas would be subject to the Section 185 fee in the proposed rulemaking (30 TAC Subchapter K. If this is the case, TCEQ currently estimates it would require the addition of three full-time-equivalents (FTEs) beginning in FY 2028 and for the update and maintenance of a database for tracking information as applicable to TCEQ's 185 fee program. It is anticipated that the three FTEs would include a Natural Resources Specialist (NRS) V (B24) and two NRS IVs (B22) in years 3 and 4 (FY 2028 and FY 2029), and two FTEs (one NRS V and one NRS IV) in year 5 (FY 2030) as necessary to implement the program. These staff would develop and implement business processes for (1) establishing and maintaining a fee equivalency account (§§101.703-704), (2) establishing baseline determinations using data submitted by regulated entities (§§101.705-712), (3) annually assessing and collecting fees based on data from annual emissions inventories (§§101.713-714), (4) reviewing and assessing fee payments (§§101.715-717), and (5) updating and maintaining the database for the program.

The total cost for FTEs, including salaries and other costs, but excluding fringe and payroll costs is estimated at \$277,818 in FY 2028, \$252,318 in FY 2029, and \$171,920 in FY 2030. It is estimated that \$250,000 will be needed annually for the update of the Section 185 database in FY 2028 and FY 2029, and \$50,000 would be needed in FY 2030. In summary, it is anticipated there will be no costs to TCEQ during the first two years the rules are in effect, and the total cost to TCEQ is estimated at \$527,818 in FY 2028, \$502,318 in FY 2029, and \$221,920 in FY 2030.

TCEQ may receive revenue from fees that may be required of entities that include major stationary sources of VOC and/or NO_x emissions in these areas. Whether fees will ultimately be assessed as a result of this rulemaking is dependent on how baselines are determined for the HGB and DFW sources (§§101.705-712), actual emissions for each year when fees are assessed (§§101.713-714), the amount of TERP revenue in these areas that is eligible to offset fee obligations (§§101.703-704), whether and to what extent equivalent alternatives are used in lieu of fee payments (§§101.715-717), and the unit cost per ton of VOC and/or NO_x emissions billed as required by FCAA, §182(d)(3) and (e) and §185.

It is noted that when the Section 185 fee program was implemented for the HGB one-hour ozone severe nonattainment area for major sources of VOC and/or NO_x emissions, TERP revenue was sufficient to offset all fee obligations every year fees were required to be assessed (calendar years 2012-2019), and TCEQ did not invoice fees during this timeframe. For this rulemaking, TCEQ estimates that between \$0 - \$129,000,000 in revenue will be received annually during the third, fourth, and fifth years after the proposed rules are in effect.

This estimate was derived using the 2023 fee rate from EPA (\$11,922 per ton VOC and/or NO_x)

adjusted to increase by an assumed inflation rate of 2.5% between 2023 and 2028. For DFW, revenue received by TCEQ is estimated to be between \$0 - \$5,000,000 each year starting in 2028, assuming TCEQ receives the lowest amount of eligible TERP revenue for this area in the past ten years (\$42,000,000). For HGB, revenue received is estimated to be between \$0 - \$124,000,000, assuming TCEQ receives the lowest amount of eligible TERP revenue for this area in the past ten years (\$47,000,000).

Fiscal implications for other governmental entities would be dependent on whether fees need to be assessed for major stationary sources in the DFW and/or HGB areas. Affected entities include major stationary sources of VOC and/or NO_x emissions in these areas. In the DFW area, it is estimated that eight landfills, one university, and one sewage facility are governmental entities that would meet eligibility requirements. In HGB, it is estimated that six landfills, two universities, one research facility, and four sewage facilities would meet eligibility requirements. Entities for DFW and/or HGB would be required to submit baseline information for VOC and/or NO_x, and prorated based on TERP offsets, they would be responsible for pay the annual Section 185 fee or apply equivalent alternatives based on their actual emissions over baseline amounts.

Public Benefits and Costs

Mr. Girtten determined that for each year of the first five years the proposed rules are in effect, the public benefit anticipated will be compliance with federal law. If this rulemaking were not to occur, in accordance with FCAA, §185(d), EPA would have the ability to impose and collect the fee with interest, and this revenue would not be returned to the state. Additionally, although the Section 185 fee is a penalty and not a control strategy, the magnitude of the fee could potentially incentivize major stationary sources to reduce ozone precursor emissions in the DFW and/or HGB nonattainment areas.

This rulemaking may have fiscal impacts on 461 major stationary sources, including the 23 governmental sources noted above. These sources are from a range of industrial source categories, with the most common categories being industrial organic chemicals, crude petroleum and natural gas, electric services, petroleum bulk stations and terminals, special warehousing and storage, natural gas liquids, plastic materials and synthetic resins, refuse systems, refined petroleum pipelines, petroleum refining, industrial gases, and natural gas transmission. As noted above, the fee per sources is dependent on multiple factors, and the total impact for DFW and HGB areas could range from \$0 - \$129,000,000 annually during the third, fourth, and fifth years after the proposed rules are in effect.

Local Employment Impact Statement

The commission reviewed this proposed rulemaking and determined that a Local Employment Impact Statement is not required because the proposed rulemaking is not anticipated to adversely affect a local economy in a significant way for the first five years that the proposed rule is in effect. While the magnitude of fees assessed has the potential to be high in the DFW and HGB areas, the number of businesses and governmental entities affected is very small in proportion to the overall number of industries and business and governmental entities in these areas. It is unknown whether and to what extent this rulemaking would affect business decisions made by entities directly affected by this rule.

Rural Communities Impact Assessment

The commission reviewed this proposed rulemaking and determined that the proposed rulemaking does not adversely affect rural communities in a material way for the first five years that the proposed rules are in effect. This rulemaking applies to DFW and HGB areas,

which are areas with large populations; therefore, rural communities are not significantly impacted.

Small Business and Micro-Business Assessment

No adverse fiscal implications are anticipated for small or micro-businesses due to the implementation or administration of the proposed rule for the first five-year period the proposed rules are in effect. No small businesses have been identified that would be affected by this rulemaking.

Small Business Regulatory Flexibility Analysis

The commission reviewed this proposed rulemaking and determined that a Small Business Regulatory Flexibility Analysis is not required because the proposed rule does not adversely affect a small or micro-business in a material way for the first five years the proposed rules are in effect.

Government Growth Impact Statement

The commission prepared a Government Growth Impact Statement assessment for this proposed rulemaking. The proposed rulemaking does not create or eliminate a government program and may require a request for an increase in future legislative appropriations to the agency. The proposed rulemaking is anticipated to require the creation of new employee positions, and it may increase fees paid to the agency. The proposed rulemaking establishes a new regulation, with major sources of VOC or NO_x emissions in the DFW and/or HGB areas subject to its applicability. During the first five years, the proposed rule should not impact positively or negatively the state's economy, particularly if TERP revenue is sufficient to offset the Section 185 fee obligation.

Draft Regulatory Impact Analysis Determination

The commission reviewed the proposed rulemaking considering the regulatory impact analysis requirements of Texas Government Code, §2001.0225 and determined that the proposed rulemaking does not meet the definition of a “Major environmental rule” as defined in that statute, and in addition, if it did meet the definition, would not be subject to the requirement to prepare a regulatory impact analysis. A “Major environmental rule” means a rule, the specific intent of which is to protect the environment or reduce risks to human health from environmental exposure, and that may adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, or the public health and safety of the state or a sector of the state. Additionally, the proposed rulemaking does not meet any of the four applicability criteria for requiring a regulatory impact analysis for a “Major environmental rule”, which are listed in Texas Government Code, §2001.0225(a). Texas Government Code, § 2001.0225 applies only to a “Major environmental rule”, the result of which is to: 1) exceed a standard set by federal law, unless the rule is specifically required by state law; 2) exceed an express requirement of state law, unless the rule is specifically required by federal law; 3) exceed a requirement of a delegation agreement or contract between the state and an agency or representative of the federal government to implement a state and federal program; or 4) adopt a rule solely under the general powers of the agency instead of under a specific state law.

The specific intent of the proposed rules is to comply with the requirements of 42 U.S.C. §7511a and §7511d (FCAA, §182 and §185) for the DFW and HGB 2008 ozone nonattainment areas, as discussed further elsewhere in this preamble. Penalty fee programs are a required component of SIPs for ozone nonattainment areas that are classified as severe or extreme. Fees

are required to be collected for all major stationary sources in severe or extreme ozone nonattainment areas that do not attain the ozone standard by their attainment dates. If the fee is not imposed and collected by the state, then 42 U.S.C. §7511d(d) (FCAA, §185(d)) requires that the EPA shall impose and collect the fee (and may collect interest). The applicability of the fee may have a benefit in reducing emissions of ozone precursors in ozone nonattainment areas by incentivizing sources to reduce emissions further, but the proposed rules will not require emission reduction.

States are required to adopt State Implementation Plans (SIPs) with enforceable emission limitations and other control measures, means, or techniques, as well as schedules and timetables for compliance, as may be necessary or appropriate to meet the applicable requirements of the FCAA. As discussed in the FISCAL NOTE portion of this preamble, the proposed rules are not anticipated to add any significant additional costs to affected individuals or businesses beyond what is necessary to comply with federal law on the economy, a sector of the economy, productivity, competition, jobs, the environment, or the public health and safety of the state or a sector of the state. If a state does not comply with its obligations under 42 USC, §7410 (FCAA, §110) to submit SIPs, states are subject to discretionary sanctions under 42 USC, §7410(m) (FCAA, §110(m)) or mandatory sanctions under 42 USC, §7509 (FCAA, §179); as well as the imposition of a federal implementation plan (FIP) under 42 USC, §7410 (FCAA, §110(c)).

The requirement to provide a fiscal analysis of regulations in the Texas Government Code was amended by Senate Bill (SB) 633 during the 75th legislative session. The intent of SB 633 was to require agencies to conduct a regulatory impact analysis of extraordinary rules. These are identified in the statutory language as major environmental rules that will have a material

adverse impact and will exceed a requirement of state law, federal law, or a delegated federal program, or are adopted solely under the general powers of the agency. With the understanding that this requirement would seldom apply, the commission provided a cost estimate for SB 633 that concluded "based on an assessment of rules adopted by the agency in the past, it is not anticipated that the bill will have significant fiscal implications for the agency due to its limited application." The commission also noted that the number of rules that would require assessment under the provisions of the bill was not large. This conclusion was based, in part, on the criteria set forth in the bill that exempted rules from the full analysis unless the rule was a major environmental rule that exceeds a federal law. Because of the ongoing need to meet federal requirements, the commission routinely proposes and adopts rules incorporating or designed to satisfy specific federal requirements. The legislature is presumed to understand this federal scheme. If each rule proposed by the commission to meet a federal requirement was a major environmental rule that exceeds federal law, then each of those rules would require the full regulatory impact analysis contemplated by SB 633. Requiring a full regulatory impact analysis for all federally required rules is inconsistent with the conclusions reached by the commission in its cost estimate and by the Legislative Budget Board (LBB) in its fiscal notes. Since the legislature is presumed to understand the fiscal impacts of the bills it passes, and that presumption is based on information provided by state agencies and the LBB, the that the intent of SB 633 was only to require the full regulatory impact analysis for rules that are extraordinary in nature. While the proposed rules may have a broad impact, that impact is no greater than is necessary or appropriate to meet the requirements of the FCAA, and in fact creates no additional impacts since the proposed rules do not impose burdens greater than required to comply with federal law, as discussed elsewhere in this preamble. For these reasons, the proposed rules fall under the exception in Texas Government Code, §2001.0225(a), because they are required by, and do not exceed, federal law. The commission has consistently

applied this construction to its rules since this statute was enacted in 1997. Since that time, the legislature has revised the Texas Government Code, but left this provision substantially unamended. It is presumed that "when an agency interpretation is in effect at the time the legislature amends the laws without making substantial change in the statute, the legislature is deemed to have accepted the agency's interpretation." (Central Power & Light Co. v. Sharp, 919 S.W.2d 485, 489 (Tex. App. Austin 1995), writ denied with per curiam opinion respecting another issue, 960 S.W.2d 617 (Tex. 1997); Bullock v. Marathon Oil Co., 798 S.W.2d 353, 357 (Tex. App. Austin 1990, no writ). Cf. Humble Oil & Refining Co. v. Calvert, 414 S.W.2d 172 (Tex. 1967); Dudney v. State Farm Mut. Auto Ins. Co., 9 S.W.3d 884, 893 (Tex. App. Austin 2000); Southwestern Life Ins. Co. v. Montemayor, 24 S.W.3d 581 (Tex. App. Austin 2000, pet. denied); and Coastal Indust. Water Auth. v. Trinity Portland Cement Div., 563 S.W.2d 916 (Tex. 1978).) The commission's interpretation of the regulatory impact analysis requirements is also supported by a change made to the Texas Administrative Procedure Act (APA) by the legislature in 1999. In an attempt to limit the number of rule challenges based upon APA requirements, the legislature clarified that state agencies are required to meet these sections of the APA applying the standard of "substantial compliance" specified in Texas Government Code, §2001.035. The legislature specifically identified Texas Government Code, §2001.0225 as falling under this standard.

As presented in this analysis and elsewhere in this preamble, the evidence supports the conclusion that the commission has substantially complied with the requirements of Texas Government Code, §2001.0225. The proposed rules implement the requirements of the FCAA as discussed in this analysis and elsewhere in this preamble. The proposed rules were determined to be necessary to comply with federal law and will not exceed any standard set by state or federal law. These proposed rules are not an express requirement of state law. The

proposed rules do not exceed a requirement of a delegation agreement or a contract between state and federal government, as the proposed rules, if adopted by the commission and approved by EPA, will become federal law as part of the approved SIP required by 42 U.S.C. §7410 (FCAA, §110). The proposed rules were not developed solely under the general powers of the agency but are authorized by specific sections of Texas Health and Safety Code (THSC), Chapter 382 (also known as the Texas Clean Air Act), and the Texas Water Code, which are cited in the STATUTORY AUTHORITY section of this preamble, including THSC, §§382.011, 382.012, and 382.017. Therefore, this proposed rulemaking action is not subject to the regulatory analysis provisions of Texas Government Code, §2001.0225(b).

The commission invites public comment regarding the Draft Regulatory Impact Analysis Determination during the public comment period. Written comments on the Draft Regulatory Impact Analysis Determination may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble.

Takings Impact Assessment

Under Texas Government Code, §2007.002(5), taking means a governmental action that affects private real property, in whole or in part or temporarily or permanently, in a manner that requires the governmental entity to compensate the private real property owner as provided by the Fifth and Fourteenth Amendments to the United States Constitution or §17 or §19, Article I, Texas Constitution; or a governmental action that affects an owner's private real property that is the subject of the governmental action, in whole or in part or temporarily or permanently, in a manner that restricts or limits the owner's right to the property that would otherwise exist in the absence of the governmental action; and is the producing cause of a reduction of at least 25 percent in the market value of the affected private real property, determined by comparing the

market value of the property as if the governmental action is not in effect and the market value of the property determined as if the governmental action is in effect. The commission completed a takings impact analysis for the proposed rulemaking action under the Texas Government Code, §2007.043.

The primary purpose of this proposed rulemaking action, as discussed elsewhere in this preamble, is to meet federal requirements for the inclusion of penalty fee programs for major stationary sources in State Implementation Plans (SIPs) as mandated by 42 United States Code (USC), §§7410, 7511a, and 7511d (Federal Clean Air Act (FCAA), §§110, 182 and 185). Penalty fee programs are a required component of SIPs for ozone nonattainment areas that are classified as severe or extreme. Fees are required to be collected for all major stationary sources in severe or extreme ozone nonattainment areas that do not attain the ozone standard by their attainment dates. If the fee is not imposed and collected by the state, then 42 U.S.C. §7511d(d) (FCAA, §185(d)) requires that the EPA shall impose and collect the fee (and may collect interest). The applicability of the fee may have a benefit in reducing emissions of ozone precursors in ozone nonattainment areas by incentivizing sources to reduce emissions further, but the proposed rules will not require emission reduction.

States are required to adopt SIPs with enforceable emission limitations and other control measures, means, or techniques, as well as schedules and timetables for compliance, as may be necessary or appropriate to meet the applicable requirements of the FCAA. If a state does not comply with its obligations under 42 USC, §7410 (FCAA, §110) to submit SIPs, states are subject to discretionary sanctions under 42 USC, §7410(m) (FCAA, §110(m)) or mandatory sanctions under 42 USC, §7509 (FCAA, §179); as well as the imposition of a federal implementation plan (FIP) under 42 USC, §7410(c) (FCAA, §110(c)).

The proposed rules will not create any additional burden on private real property beyond what is required under federal law, as the proposed rules, if adopted by the commission and approved by EPA, will become federal law as part of the approved SIP required by 42 U.S.C. §7410 (FCAA, §110). The proposed rules will not affect private real property in a manner that would require compensation to private real property owners under the United States Constitution or the Texas Constitution. The proposal also will not affect private real property in a manner that restricts or limits an owner's right to the property that would otherwise exist in the absence of the governmental action. Therefore, the commission concludes that the proposed rulemaking will not cause a taking under Texas Government Code, Chapter 2007.

Consistency with the Coastal Management Program

The commission reviewed this rulemaking for consistency with the CMP goals and policies in accordance with the regulations of the Coastal Coordination Advisory Committee and determined that the amendments are consistent with CMP goals and policies because the rulemaking is a fee rule, which is a procedural mechanism for paying for commission programs; will not have direct or significant adverse effect on any coastal natural resource areas; will not have a substantive effect on commission actions subject to the CMP; and promulgation and enforcement of the amendments will not violate (exceed) any standards identified in the applicable CMP goals and policies.

Written comments on the consistency of this rulemaking may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble.

Effect on Sites Subject to the Federal Operating Permits Program

Chapter 101, Subchapter K would not require revisions to existing Federal Operating Permits under 30 TAC §122, Federal Operating Permits Program.

Announcement of Hearing

The commission will hold a virtual public hearing on this proposal on June 12, 2025, at 2:00 p.m. via virtual platform such as Microsoft Teams. The hearing is structured for the receipt of oral comments by the public. Individuals may register to provide oral comments and may present oral statements when called upon in order of registration. Open discussion will not be permitted during the hearing; however, commission staff members will be available to discuss the proposal 30 minutes prior to the hearing.

Individuals who plan to attend the hearing virtually and want to provide oral comments and/or want their attendance on record must register by June 5, 2025, for the June 12, 2025, hearing.

To register for the hearing, please email Rules@tceq.texas.gov and provide the following information: your name, your affiliation, your email address, your phone number, and whether or not you plan to provide oral comments during the hearing. Instructions for participating in the hearing will be sent by June 6, 2025, for the June 12, 2025, hearing to those who register for the hearing.

Members of the public who do not wish to provide oral comments but would like to view the hearing may do so at no cost at:

<https://events.teams.microsoft.com/event/589ff6dc-dcbe-4ce9-ae8c-45a18864e652@871a83a4-a1ce-4b7a-8156-3bcd93a08fba>

Persons who have special communication or other accommodation needs who are planning to attend the hearing should contact Sandy Wong, Office of Legal Services at (512) 239-1802 or 1-800-RELAY-TX (TDD). Requests should be made as far in advance as possible.

Submittal of Comments

Written comments may be submitted to Gwen Ricco, MC 205, Office of Legal Services, Texas Commission on Environmental Quality, P.O. Box 13087, Austin, Texas 78711-3087, or faxed to *fax4808@tceq.texas.gov*. Electronic comments may be submitted at:

<https://tceq.commentinput.com/comment/search>. File size restrictions may apply to comments being submitted via the TCEQ Public Comments system. All comments should reference Rule Project Number 2023-131-101-AI. The comment period opens on May 6, 2025, and closes on June 18, 2025. Please choose one of the methods provided to submit your written comments.

Copies of the proposed rulemaking can be obtained from the commission's website at *https://www.tceq.texas.gov/rules/propose_adopt.html*. For further information, please contact Jill Dickey-Hull, Emissions Assessment Section, 512-239-5912, and *185Rule@tceq.texas.gov*.

SUBCHAPTER K: FAILURE TO ATTAIN FEE FOR THE 2008 EIGHT-HOUR OZONE STANDARD

§101.700 – 101.718

Statutory Authority

The new sections are proposed under Texas Water Code (TWC), §5.102, concerning General Powers, that provides the commission with the general powers to carry out its duties under the TWC; TWC, §5.103, concerning Rules, that authorizes the commission to adopt rules necessary to carry out its powers and duties under the TWC; TWC, §5.105, concerning General Policy, that authorizes the commission by rule to establish and approve all general policy of the commission; and under Texas Health and Safety Code (THSC), §382.017, concerning Rules, that authorizes the commission to adopt rules consistent with the policy and purposes of the Texas Clean Air Act.

The new sections are also proposed under TWC, §5.701, concerning Fees, that authorizes the commission to charge and collect fees prescribed by law; TWC, §5.702, concerning Payment of Fees Required When Due, that requires fees to be paid to the commission on the date the fee is due; TWC, §5.703, concerning Fee Adjustments, that specifies that the commission shall not consider adjusting the amount of a fee due if certain conditions are met; TWC, §5.705, concerning Notice of Violation, that authorizes the commission to issue a notice of violation to a person required to pay a fee for knowingly violating reporting requirements or calculating the fee in an amount less than the amount actually due; and TWC, §5.706, concerning Penalties and Interest on Delinquent Fees, that authorizes the commission to collect penalties for delinquent fees due to the commission. The new sections are also proposed under THSC, §382.002, concerning Policy and Purpose, that establishes the commission's purpose to safeguard the state's air resources, consistent with the protection of public health, general welfare, and

physical property; THSC, §382.011, concerning General Powers and Duties, that authorizes the commission to control the quality of the state's air; and THSC, §382.012, concerning the State Air Control Plan, that authorizes the commission to prepare and develop a general, comprehensive plan for the proper control of the state's air; and THSC, §382.0622, concerning Clean Air Act Fees, specifying that any fees collected as required by Federal Clean Air Act (FCAA), §185 are clean air act fees under the THSC. The new sections are also proposed to comply with FCAA, 42 United States Code (USC), §7511a(d)(3), (e), and (f) (FCAA, §182(d)(3), (e), and (f)) regarding Plan Submissions and Requirements for ozone nonattainment plan revisions; and 42 USC, §7511d (FCAA, §185) regarding Enforcement for Severe and Extreme ozone nonattainment areas for failure to attain.

The proposed new sections implement the requirements of THSC, §§382.002, 382.011, 382.012, 382.017 and 382.0622; TWC, §§5.102, 5.103, 5.105, 5.701 - 5.703 and 5.705 - 5.706; as well as FCAA, 42 USC, §7511a(d)(3), (e), and (f) and §7511d (FCAA, §182(d)(3), (e), and (f), and §185).

§101.700. Definitions.

The following terms, when used in this subchapter, have the following meanings unless the context clearly indicates otherwise.

(1) Actual emissions--As defined in §101.10 of this title (relating to Emissions Inventory Requirements).

(2) Area §185 Obligation--The total annual amount of Failure to Attain Fees due from all applicable major stationary sources or Section 185 Accounts in a severe or extreme

ozone nonattainment area that failed to attain the 2008 eight-hour ozone National Ambient Air Quality Standard by its applicable attainment date.

(3) Attainment date--The U.S. Environmental Protection Agency-specified date that a severe or extreme nonattainment area must attain the 2008 eight-hour ozone National Ambient Air Quality Standard.

(4) Baseline amount--Tons of volatile organic compounds and/or nitrogen oxides emissions calculated separately at a major stationary source, using data submitted to and reviewed the executive director. The baseline amount is the lower of baseline emissions (actual emissions) or total annual authorizations or pending authorizations emissions at a major stationary source during the baseline year or timeframe as otherwise specified under this subchapter.

(5) Baseline emissions--Emissions reported in tons in the annual emissions inventory submitted to and recorded by the agency each calendar year per the requirements of §101.10 of this title. The emissions must include all annual routine emissions associated with authorized normal operations, which includes reported emissions from authorized maintenance, startup, and shutdown activities and excludes all unauthorized emissions. The timeframe options are as follows:

(A) reported emissions from the baseline year; or

(B) reported emissions as an average of any single consecutive 24-month period as allowed under §101.705(b)(2) of this title (relating to Baseline Amount) for major

stationary sources with emissions that are irregular, cyclic, or otherwise vary significantly from year to year.

(6) Baseline year--The baseline year is January 1 through December 31 of the calendar year that contains the attainment date unless otherwise specified in this subchapter.

(7) Electric utility steam generating unit--As defined in §116.12 of this title (relating to Nonattainment and Prevention of Significant Deterioration Review Definitions).

(8) Emissions unit--As defined in §101.1 of this title (relating to Definitions).

(9) Equivalency credits--An amount equivalent to the revenue collected in accordance with §101.703 of this title (relating to Fee Equivalency Account) for accumulation in the Fee Equivalency Account.

(10) Extension year--A year as defined in FCAA §181(a)(5).

(11) Failure to Attain Fee--The fee assessed and due from each major stationary source or Section 185 Account based on actual emissions whether authorized or unauthorized of volatile organic compounds, nitrogen oxides, or both pollutants that exceed 80% of the baseline amount.

(12) Fee assessment year--Calendar year used to calculate and assess the Failure to Attain Fee under the provisions of this subchapter.

(13) Fee collection year--Calendar year in which the Failure to Attain Fee is invoiced.

(14) Major stationary source--As defined under §116.12 of this title (relating to Nonattainment and Prevention of Significant Deterioration Review Definitions).

(15) Section 185 Account--The TCEQ-assigned account number for one major stationary source or a group of two or more major stationary sources under common control located within the same severe or extreme 2008 eight-hour ozone National Ambient Air Quality Standard nonattainment area.

§101.701. Applicability.

(a) The provisions of this subchapter will become applicable in an area classified as severe or extreme under the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) when the U.S. Environmental Protection Agency (EPA) determines that the area has failed to attain the standard by its applicable severe or extreme attainment date. The determination will be the effective date of EPA's finding of failure to attain notice published in the Federal Register.

(b) Except as otherwise provided in §101.702 of this title (relating to Exemption), the provisions of this subchapter apply to all regulated entities that meet the definition of major stationary sources of volatile organic compounds or nitrogen oxides located in a nonattainment area classified as severe or extreme for the 2008 eight-hour ozone standard.

§101.702. Exemption.

No source subject to the Failure to Attain Fee under this subchapter is required to remit the fee during any calendar year for which the U.S. Environmental Protection Agency has finalized an extension of the attainment date for the nonattainment area applicable to the source under the 2008 eight-hour ozone National Ambient Air Quality Standard.

§101.703. Fee Equivalency Account.

(a) Fee Equivalency Account. The executive director will establish and maintain a Fee Equivalency Account to document revenue collected and available for use in demonstrating equivalency with the Area §185 Obligation. No actual money will be deposited into the Fee Equivalency Account. The Fee Equivalency Account will reflect equivalency credits based upon revenue collected and made available for programs of the Texas Emissions Reduction Plan (TERP) under authority of the Texas Health and Safety Code, Chapter 386.

(b) Revenue eligibility. The revenue eligible for credits to the Fee Equivalency Account must be from the severe or extreme 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) nonattainment area and cannot be transferred between nonattainment areas.

(c) Revenue credited. The revenue credited to the Fee Equivalency Account will be credited for the years TERP funding is expended in a severe or extreme 2008 eight-hour ozone standard nonattainment area beginning with the first fee assessment year until the Failure to Attain Fee no longer applies to the nonattainment area as described under §101.718 of this title

(relating to Cessation of Program).

(d) Other revenue sources. The executive director may credit revenue from other emissions reductions grant programs as funds become available. The executive director will apply revenue from such grant programs to the Fee Equivalency Account according to the requirements of this section and §101.704 of this title (relating to Fee Equivalency Accounting).

§101.704. Fee Equivalency Accounting.

(a) Fee Equivalency Account credits. Equivalency Credits will be on a dollar-for-dollar basis and will not be discounted due to the passage of time. Equivalency Credits can be accumulated in the Fee Equivalency Account from year to year if a surplus exists in any given year and used to offset the Area §185 Obligation determination.

(b) Area §185 Obligation determination. Annually, the executive director will calculate the applicable Area §185 Obligation for all major stationary sources or Section 185 Accounts in a severe or extreme 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) nonattainment area by summing the Failure to Attain Fee for each major stationary source or Section 185 Account. The summed amount will represent the calendar year Area §185 Obligation for the severe or extreme 2008 eight-hour ozone standard nonattainment area. The annual Area §185 Obligation will be calculated using actual emissions reported under §101.10 of this title (relating to Emissions Inventory Requirements) for the fee assessment year.

(c) Annual demonstration of equivalency. The executive director will annually determine the amount of equivalency credits available in the Fee Equivalency Account to determine the

Area §185 Obligation calculated under this subsection. This demonstration will continue annually until the 2008 eight-hour ozone standard nonattainment area is no longer subject to the fee according to the provisions of §101.718 of this title (relating to Cessation of the Program).

(1) The annual determination of equivalency will be calculated as follows.

Figure: 30 TAC §101.704(c)(1)

$$FeeBalance = AreaObligation - FeeEquivAcct$$

Definitions:

AreaObligation = The Area §185 Obligation calculated under subsection (c) of this section representing the sum of the Failure to Attain Fee from all major stationary sources or Section 185 Accounts in the severe or extreme 2008 eight-hour ozone standard nonattainment area for a fee assessment year.

FeeEquivAcct = Amount of Equivalency Credits in the Fee Equivalency Account as determined under §101.703 of this title (relating to Fee Equivalency Account).

FeeBalance = The balance (amount remaining) in the Fee Equivalency Account after the Equivalency Credits are applied to the Area §185 Obligation for a fee assessment year.

(2) If the Fee Equivalency Account balance is calculated to be less than or equal to zero in paragraph (1) of this subsection, sufficient equivalency credits were available to offset the Area \$185 Obligation. The executive director will not assess a Failure to Attain Fee on major stationary sources or Section 185 Accounts for the fee assessment year.

(3) If the Fee Equivalency Account balance is calculated to be greater than zero in paragraph (1) of this subsection, insufficient equivalency credits were available to offset the fee obligation. The executive director will annually assess a sufficient Failure to Attain Fee to fulfill the Area \$185 Obligation. The amount due from each major stationary source or Section 185 Account will be prorated to generate sufficient revenue to meet the Area \$185 Obligation. The prorated fee will be calculated as follows.

Figure: 30 TAC §101.704(c)(3)

$$ProratedFee = \left(\frac{FeeBalance}{AreaObligation} \right) \times (\$185Fee)$$

Definitions:

FeeBalance = The balance (amount remaining) in the Fee Equivalency Account after the Equivalency Credits are applied to the Area \$185 Obligation for a fee assessment year.

AreaObligation = The Area \$185 Obligation calculated under this subsection for the fee assessment year.

\$185Fee = The Failure to Attain Fee for each individual major stationary source or Section 185 Account calculated by the executive director based on actual emissions recorded in the inventory under §101.10 of this title (relating to Emissions Inventory Requirements).

ProratedFee = The reduced Failure to Attain Fee each major stationary source or Section 185 Account to be assessed if insufficient equivalency credits are available in the Fee Equivalency Account.

§101.705. Baseline Amount.

(a) Baseline amount. For the purposes of this subchapter, the baseline amount must be calculated as the lower of the following:

(1) total amount of baseline emissions; or

(2) total annual emissions allowed under authorizations, including authorized emissions from maintenance, shutdown, and startup activities, applicable to the source in the baseline year. Emissions from pending authorizations with administratively complete applications as of December 31 of the baseline year may be included in the total annual emissions allowed under authorizations.

(b) Baseline emissions. For the purposes of this subchapter, the baseline emissions must be calculated from:

(1) the baseline year; or

(2) a historical period, if the major stationary source's or Section 185 Account's emissions are irregular, cyclical, or otherwise vary significantly from year to year. Any single 24-month consecutive period within a historical period preceding January 1 of the baseline year may be used to calculate an average baseline emissions amount in tons per year for the major stationary source as the historical period. If used, the historical period must be:

(A) ten years for non-electric utility steam generating units; or

(B) five years for electrical utility steam generating units.

(c) Historical period. If a major stationary source or Section 185 Account uses a historical period as defined in subsection (b)(2) of this section, the baseline amount will:

(1) use adequate data for calculating the equivalent alternative fee baseline emissions;

(2) be adjusted downward to exclude any unauthorized emissions that occurred while the source was operating above an emissions limitation that was legally enforceable during the consecutive 24-month period; and

(3) be adjusted downward to exclude any emissions during the consecutive 24-month period that would have exceeded an emissions limitation for rules and regulations with which the source had to comply during the baseline year.

(d) Adjustments. The baseline amounts must be adjusted downward to exclude any emissions that exceeded an emissions limit for rules or regulations in effect by December 31 of the baseline year.

(e) Emissions units. Baseline amounts must include all emissions units located at the major stationary source as of December 31 of the baseline year. When control or ownership of emission units changes during the baseline year, the emissions from those emission units will be attributed to the major stationary source with control or ownership of the emissions unit on December 31 of the baseline year.

(f) Calculations. A baseline amount, reported in units of tons per year, must be calculated separately for each pollutant, volatile organic compounds and/or nitrogen oxides, for which the source meets the major source applicability requirements of §101.701 of this title (relating to Applicability).

(g) Compliance schedule. The owner or operator of each major stationary source meeting the requirements of §101.701 of this title must submit to the executive director a report establishing its baseline amount on a form published by the executive director. The baseline amounts forms must be submitted by the emissions inventory due date as specified under §101.10 of this title (relating to Emissions Inventory Requirements) for the fee assessment year, or 120 days after the effective date of a finding of failure to attain, whichever is later.

(h) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive

director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title or total annual authorized emissions. After review, the baseline amount will be fixed and not be changed except as allowed under this subchapter.

§101.706. Baseline Amount for New Major Stationary Sources.

(a) Baseline amounts. A baseline amount must be established for major stationary sources or Section 185 Accounts that begin operating during or after the baseline year. The baseline amount must use the first full year operation as major source and be the lower of:

(1) total amount of baseline emissions; or

(2) total annual emissions allowed under applicable authorizations, including emissions from maintenance, startup, and shutdown activities. Emissions from pending authorizations with administratively complete applications as of the last day of the full first calendar year of operation may be included in the total annual emissions allowed under authorizations.

(b) Adjustments. The baseline amount must be adjusted downward to exclude any emissions that exceeded an emissions limit for rules or regulations in effect by the last day of the one-year period used to determine the baseline amount.

(c) Emissions units. Baseline amounts must include all emissions units located at the major stationary source as of the last day of the one-year period used to determine the baseline amount. When control or ownership of emission units changes during the calendar year, the

emissions from those emission units will be attributed to the major stationary source with control or ownership of the emission unit on the last day of the one-year period used to determine the baseline amount.

(d) Calculations. A baseline amount, reported in units of tons per year, must be calculated separately for each pollutant, volatile organic compounds and/or nitrogen oxides for which the source meets the major source applicability requirements of §101.701 of this title (relating to Applicability).

(e) Compliance schedule. Within 90 calendar days of completing the first full year operating as a major stationary source, the major stationary source or Section 185 Account must submit to the executive director a report establishing the baseline amount on a form published by the executive director.

(f) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and not change except as allowed under this subchapter.

§101.707. Aggregated Baseline Amount.

(a) Aggregation. After determining separate baseline amounts for each pollutant at each major stationary source or Section 185 Account according to the requirements of §101.705 of

this title (relating to Baseline Amount) or §101.706 of this title (relating to Baseline Amount for New Major Stationary Sources), an owner or operator of a major stationary source or Section 185 Account may choose to combine baseline amounts as follows:

(1) volatile organic compounds (VOC) emissions into a single aggregated pollutant baseline amount for multiple major stationary sources under common control;

(2) nitrogen oxides (NO_x) emissions into a single aggregated pollutant baseline amount for multiple major stationary sources under common control;

(3) emissions for both VOC and NO_x into a single aggregated pollutant baseline amount for a single major stationary source; and/or

(4) emissions for both VOC and NO_x into a single aggregated pollutant baseline amount for multiple major stationary sources under common control.

(b) Pollutant emissions aggregation. Pollutant emissions in an aggregated amount must have:

(1) the same time period for calculating the baseline amount; and

(2) the same basis of baseline emissions or total annual authorized emissions to calculate the baseline amount.

(c) Section 185 Account reporting. An owner and or operator opting to combine VOC

with NO_x emissions and/or combine major stationary sources into one baseline amount must identify all major stationary sources being aggregated under this section.

(d) Fee calculation requirement. The Failure to Attain Fee must be assessed and calculated in the same manner that an owner or operator elects to aggregate under this section.

(e) Compliance schedule. The owner or operator of each major stationary source or Section 185 Account must submit to the executive director a report establishing its aggregated baseline amount on a form published by the executive director.

(1) For major stationary sources or Section 185 Accounts that operated the entire baseline year, the aggregated equivalent alternative baseline amount forms must be submitted by the emissions inventory due date as specified under §101.10 of this title (relating to Emissions Inventory Requirements) for the fee assessment year, or 120 days after the finding of failure to attain effective date in the Federal Register, whichever is later.

(2) For major stationary sources or Section 185 Account that began operating during or after the baseline year, the aggregated baseline amount forms must be submitted within 90 calendar days of completing the first full year operating as a major stationary source.

(f) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permit data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title or total annual authorized emissions . After review, the baseline amount will be fixed and not be changed except as allowed under this subchapter.

§101.708. Adjustment of Baseline Amount for Major Stationary Sources with Less Than 24 Months of Operation.

(a) Baseline amount. The owner or operator of a major stationary source or Section 185 Account may request adjustment of the baseline amount established under this subchapter if the major stationary source or emissions units at the major stationary source experienced less than 24 months of consecutive operation by December 31 of the baseline year. If the emissions were irregular, cyclical, or otherwise vary significantly from year to year, then the baseline amount may be adjusted as the lower of the following:

(1) total average amount of baseline emissions for the consecutive 24-month period; or

(2) total annual emissions allowed under authorizations applicable to the major stationary source during the first year operating as a major stationary source. Emissions from pending authorizations with administratively complete applications as of the last day of the one-year period used to determine the baseline amount may be included in the total annual emissions allowed under authorizations.

(b) Compliance schedule. Within 90 calendar days of completing 24 consecutive months of operation, the owner or operator of the major stationary source or Section 185 Account must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(c) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and not change except as allowed under this subchapter.

(d) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.709. Adjustment of Baseline Amount for New Construction at a Major Stationary Source

(a) Baseline amount. The owner or operator of a major stationary source or Section 185 Account may request adjustment of their baseline amount established under this subchapter to include emissions limits from new construction of authorized emissions units not included in baseline amounts previously established by the executive director. Adjustments to the baseline amount are limited as follows.

(1) The emissions units must have been authorized by a nonattainment new source review permit, issued under Chapter 116, Subchapter B, Division 5 of this title (relating to Nonattainment Review Permits).

(2) The emissions considered for the adjusted baseline amount for new emissions units are restricted to emissions units without a previously established baseline amount.

(b) Compliance schedule. Within 90 calendar days of completed construction of the new emissions units, the owner or operator of the major stationary source or Section 185 Account must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(c) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and will not change except as allowed under this subchapter.

(d) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.710. Adjustment of Baseline Amount for Ownership Transfers.

(a) Baseline amount. The owner or operator of a major stationary source or Section 185 Account may request adjustment of their baseline amount established under this subchapter if

ownership and operation of emissions units are no longer under common ownership or control.

Adjustments to the baseline amount are limited as follows:

(1) The baseline amount, as calculated and reported for all equipment no longer under common ownership or control, will be transferred from the original reporting major stationary source or Section 185 Account to the new major stationary source or Section 185 Account without modification to the reported amount; and

(2) The baseline amount for remaining equipment at the originating and recipient major stationary source or Section 185 Account will not be adjusted based on a change of ownership or control of emissions units to or from a major stationary source or Section 185 Account.

(b) Adjustment qualification. To qualify for this baseline amount adjustment, the ownership transfer of the emissions units must take place between major stationary sources of the same pollutant or aggregated pollutants, volatile organic compounds and/or nitrogen oxides located within the same nonattainment area.

(c) Compliance schedule. Within 90 calendar days of the effective date of a change of ownership or control of emissions units, the owner or operator of each major stationary source or Section 185 Account affected by the change in ownership or control of emissions units must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(d) Review. Where the baseline amount does not align with information recorded in

either the emissions inventory database or air permitting data systems, the executive director may direct that the baseline amount be based on the lower of reported emissions under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and will not change except as allowed under this subchapter.

(e) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.711. Adjustment of Baseline Amount for Final Emissions Inventory Data

(a) Baseline amounts. Baseline amounts established under this subchapter may be adjusted based on final quality assured emissions inventory data.

(b) Compliance schedule. Within 90 calendar days of receipt of final quality assured emissions inventory data or by March 31 of the calendar year immediately following the emissions inventory reporting year, whichever comes first, the owner or operator of each major stationary source or Section 185 Account must submit to the executive director a request to adjust the baseline amount on a form published by the executive director.

(c) Review. Where the baseline amount does not align with information recorded in either the emissions inventory database or the air permitting data systems, the executive director may direct that the baseline amount be based on the lower of the reported emissions

under §101.10 of this title (relating to Emissions Inventory Requirements) or total annual authorized emissions. After review, the baseline amount will be fixed and will not change except as allowed under this subchapter.

(d) Fee assessment. After review, the adjusted baseline amount will be applied starting with the fee assessment year after the review and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.712. Failure to Establish a Baseline Amount.

The executive director will determine baseline amounts for any major stationary source subject to §101.701 of this title (relating to Applicability) that fails to submit a baseline amount by the due date specified by the commission as follows:

(1) If information is available to determine a baseline amount for each pollutant for which the source meets major source applicability requirements, the executive director will determine the baseline amount to be the lower of:

(A) baseline emissions reported under §101.10 of this title (relating to Emissions Inventory Requirements); or

(B) total annual emissions allowed under authorizations, including authorized emissions from maintenance, startup, and shutdown activities.

(2) If no emissions inventory information required to determine baseline amount information is available, the executive director will establish the baseline amount as:

(A) 12.5 tons of volatile organic compounds (VOC) emissions for major stationary sources of VOC emissions;

(B) 12.5 tons of nitrogen oxides (NO_x) emissions for major stationary sources of NO_x emissions; or

(C) 12.5 tons of VOC emissions and 12.5 tons of NO_x emissions for major stationary sources of VOC and NO_x emissions.

(3) The executive director will not aggregate baseline amounts under §101.707 of this title (relating to Aggregated Baseline Amount) or adjust baseline amounts as provided in this subchapter to determine a baseline amount under this section.

(4) A major stationary source will pay the Failure to Attain Fee according to §101.714 of this title (relating to Failure to Attain Fee Payment).

(5) If the major stationary source submits a complete and verifiable emissions inventory according to §101.10 of this title, the major stationary source may then submit a baseline amount to the executive director on a form published by the executive director.

(6) After the executive director finalizes the baseline amount based on demonstrated compliance with the criteria in this subchapter, the baseline amount will be

applied starting with the fee assessment year after finalization and will continue until the Failure to Attain Fee no longer applies to the area as specified under §101.718 of this title (relating to Cessation of Program). No refunds or credits will be applied to fees previously paid.

§101.713. Failure to Attain Fee Assessment.

(a) Pollutant applicability. The executive director will annually assess the Failure to Attain Fee for each pollutant, volatile organic compounds (VOC), nitrogen oxides (NO_x), or both, for which the major stationary source or Section 185 Account meets the requirements of §101.701 of this title (relating to Applicability) at any time during a calendar year.

(b) Aggregation. The fee will be assessed and calculated using the same Failure to Attain Fee determination method used under this subchapter. Actual VOC or NO_x emissions may be kept separate or aggregated together. A single pollutant may be aggregated across multiple major stationary sources, or VOC and NO_x emissions may both be aggregated together across multiple major stationary sources. Aggregation as described under §101.707 of this title (relating to Aggregated Baseline Amount) is limited to emissions from:

(1) major stationary sources that aggregated VOC baseline amounts;

(2) major stationary sources that aggregated NO_x baseline amounts; or

(3) major stationary sources that aggregated VOC with NO_x baseline amounts.

(c) Assessment. The owner or operator of each major stationary source to which this

rule applies must annually pay the Failure to Attain Fee to the commission calculated in accordance with either subsection (d) or (e) and subsection (f) of this section. The Failure to Attain Fee will be assessed on actual emissions of VOC and/or NO_x as recorded in the emissions inventory under §101.10 of this title (relating to Emissions Inventory Requirements), that exceed 80% of the pollutant baseline amount, rounded up to the nearest whole number.

(d) Fee assessment for separate pollutants. The Failure to Attain Fee from major stationary sources that did not aggregate baseline amounts under §101.707 of this title will remain separate and due from each major stationary source or Section 185 Account for each pollutant for which the source meets the major source applicability requirements. The fee will be calculated separately by the formula in subsection (f) of this section.

(e) Fee assessment for aggregated pollutants. The Failure to Attain Fee will be calculated in accordance with subsection (f) of this section and the method used for an aggregated baseline amount determination as described under §101.707(a) of this title.

(1) If VOC emissions are aggregated, VOC emissions from all major stationary sources in the Section 185 Account must be used for aggregated actual emissions and the aggregated baseline emissions.

(2) If NO_x emissions are aggregated, NO_x emissions from all major stationary sources in the Section 185 Account must be used for the aggregated actual and aggregated baseline emissions.

(3) If VOC emissions are aggregated with NO_x emissions at one major stationary source, VOC and NO_x emissions must be used for the aggregated actual and aggregated baseline emissions. If VOC emissions are aggregated with NO_x emissions across multiple major stationary sources, VOC and NO_x emissions from each major stationary source in the Section 185 Account must be used for the aggregated actual and aggregated baseline emissions.

(f) Fee calculations. The fee will be calculated for VOC, NO_x, or both pollutants' emissions, as follows.

Figure: 30 TAC §101.713(f)

$$\text{\$185Fee} = \$200 \left[\left(\frac{2}{3} \times \text{Part70x} \right) + \left(\frac{1}{3} \times \text{Part70y} \right) \right] \times [\text{Actual} - (0.8 \times \text{BA})]$$

Definitions:

Part70x = The Code of Federal Regulations (CFR) Part 70 fee published by the EPA for the 12 months that includes the fiscal year for the calendar year that a fee is being assessed. This value represents the base value for January through August portion of the annual fee.

Part70y = The CFR Part 70 fee published by the EPA for the 12 months that includes the fiscal year following the calendar year that a fee is being assessed. This value represents the base value for September through December portion of the annual fee.

Actual = All quantifiable emissions of VOC and/or NO_x from the major stationary source or Section 185 Account; as recorded in the annual emissions inventory for the fee assessment year. Actual emissions include all authorized and unauthorized emissions in units of tons per year. Pollutants and/or sites aggregated under §101.707 of this title will be combined for fee assessment in the same manner.

BA = Baseline amount in tons per year from a major stationary source or Section 185 Account as calculated under this subchapter.

§185Fee = The Failure to Attain Fee for each individual major stationary source or Section 185 Account calculated by the executive director based on actual emissions recorded in the inventory under §101.10 of this title (relating to Emissions Inventory Requirements).

(g) Enforcement. Failure to submit an emissions inventory according to the provisions of §101.10 of this title (relating to Emissions Inventory Requirements) to circumvent assessment of the Failure to Attain Fee is also subject to enforcement account under Texas Water Code (TWC), Chapter 7.

§101.714. Failure to Attain Fee Payment.

(a) Fee timeframe. The Failure to Attain Fee is assessed, invoiced, and paid for each pollutant for which the source is major, volatile organic compounds and/or nitrogen oxides, starting the calendar year following the baseline year and continuing each year until the area is no longer subject to the Failure to Attain Fee as described under §101.718 of this title (relating to Cessation of Program).

(b) Payment. Payment of Failure to Attain Fees required by this subchapter must be paid by check, certified check, electronic funds transfer, or money order made payable to the Texas Commission on Environmental Quality (TCEQ) and sent to the TCEQ address printed on the billing statement.

(c) Fee payment due date. The Failure to Attain Fee payment is due by the due date specified on the invoice. The invoice due date will be a minimum of 30 days after the invoice mail date.

(d) Nonpayment of fees. Each emissions Failure to Attain Fee payment must be paid at the time and in the manner and amount provided by this subsection. Failure to pay the full Failure to Attain Fee by the due date will result in enforcement action under Texas Water Code (TWC), §7.178.

(e) Late payments. The agency will impose interest and penalties on owners or operators of a major stationary source or Section 185 Account who fail to make payment of emissions fees when due in accordance with Chapter 12 of this title (relating to Payment of Fees).

§101.715. Eligibility for Other Failure to Attain Fee Fulfillment Options.

(a) Alternative fulfillment options. Notwithstanding any requirement in this subchapter, the owner or operator of a major stationary source or Section 185 Account required to pay a Failure to Attain Fee may submit a request to the executive director to partially or completely fulfill the Failure to Attain Fee in compliance with §101.716 (relating to Relinquishing Credits to

Fulfill a Failure to Attain Fee and §101.717 of this title (relating to Using a Supplemental Environmental Project to Fulfill a Failure to Attain Fee).

(b) Unfulfilled portions. If a Failure to Attain Fee cannot be completely fulfilled using alternate fulfillment options, then the unfulfilled portion of the Failure to Attain Fee is required to be calculated, assessed, and paid according to the provisions of this subchapter.

(c) Reporting. The owner or operator of a major stationary source or Section 185 Account must inform the executive director if they choose an alternative fulfillment option for all or a portion of the Failure to Attain Fee as described in §101.716 and §101.717 of this title. The request must be submitted on a form specified by the executive director and include a list of the emissions in tons of volatile organic compounds and/or nitrogen oxides requested from alternative fulfillment options, payment, or combination to cover the entire Failure to Attain Fee.

(d) Compliance schedule. No later than emissions inventory due date as specified under §101.10 of this title (relating to Emissions Inventory Requirements) for the first fee assessment year and continuing annually, the owner or operator of a major stationary source or Section 185 Account must submit the request specified in subsection (c) and ensure the following conditions are met:

(1) all emissions credits under §101.716 of this title must be approved, exercised, or otherwise completed; and

(2) all Supplemental Environmental Projects under §101.717 of this title must be approved and funded.

(e) If the executive director does not receive the notification request to use alternative fulfillment options for all or a portion of the Failure to Attain Fee or the alternate fulfillment options are not approved and funded, exercised, or otherwise completed as required by this subsection, the Failure to Attain Fee payment will be due in full as described under §101.714 of this title (relating to Failure to Attain Fee Payment).

§101.716. Relinquishing Credits to Fulfill a Failure to Attain Fee.

(a) The owner or operator of a major stationary source or Section 185 Account subject to this subchapter may submit a request to partially or completely fulfill the Failure to Attain Fee by substituting emissions reductions, on a volatile organic compounds-or nitrogen oxides-specific basis, in an amount equivalent to the tons on which the Failure to Attain Fee has been assessed by relinquishing an equivalent amount of any combination of:

(1) emissions reduction credits;

(2) discrete emissions reduction credits;

(3) current or banked Highly-Reactive Volatile Organic Compound Emissions Cap and Trade program allowances; and/or

(4) current or banked Mass Emissions Cap and Trade program allowances.

(b) The use of the provisions of this section to fulfill a Failure to Attain Fee is subject to review by the executive director.

§101.717. Using a Supplemental Environmental Project to Fulfill a Failure to Attain Fee.

(a) The owner or operator of a major stationary source or Section 185 Account subject to this subchapter may submit a request to partially or completely fulfill the Failure to Attain Fee by contributing to a Supplemental Environmental Project (SEP), on volatile organic compounds (VOC) or nitrogen oxides (NO_x)-specific basis by either:

(1) an amount equivalent to the tons on which the Failure to Attain Fee has been assessed; or

(2) an amount equivalent to the Failure to Attain Fee amount assessed.

(b) The SEP must directly reduce the amount of VOC and/or NO_x emissions in the 2008 eight-hour ozone National Ambient Air Quality Standard nonattainment area.

(c) The SEP must be enforceable through an Agreed Order or other enforceable document.

(d) The use of SEP funds must be on a dollar-for-dollar basis and will not be discounted due to the passage of time. Credit from SEP funds may be accumulated from year to year, and if a surplus exists in any given year, the funds may be used to offset the calculated Failure to

Attain Fee as needed.

(e) Funds in a SEP used to offset an administrative penalty cannot be used to offset a Failure to Attain Fee.

(f) The use of a SEP to fulfill a Failure to Attain Fee is subject to approval by the executive director.

§101.718. Cessation of Program.

(a) The Failure to Attain Fee will continue to apply until one of the following actions is final:

(1) the effective date of redesignation of the area classified as severe or extreme under the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS or standard) to attainment by the U.S. Environmental Protection Agency (EPA);

(2) any final action or final rulemaking by EPA to end the Failure to Attain fee; or

(3) finding of attainment by EPA.

(b) Notwithstanding subsection (a) of this section, the Failure to Attain Fee will be calculated but not invoiced, and the fee collection may be placed in abeyance by the executive director if three consecutive years of quality-assured data resulting in a design value that did not exceed the 2008 eight-hour ozone National Ambient Air Quality Standard (NAAQS), or a

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demonstration indicating that the area would have attained by the attainment date but for emissions emanating from outside the United States, are submitted to EPA. The design value may exclude days submitted to EPA by the executive director that exceeded the standard because of exceptional events. Fee collection will remain in abeyance until EPA takes final action on its review of the certified monitoring data and any demonstration(s).