SECTION 1: INTRODUCTION

1.1 Background

On March 10, 2005, EPA announced CAIR, a rule that will achieve reduction in air pollution by regulating SO_2 and NO_x emissions from 28 states and the District of Columbia (70 FR 25162). Studies have shown that the transport of fine particulate matter ($PM_{2.5}$) in downwind states contribute to $PM_{2.5}$ levels in other localities. Additionally, these same studies have shown that area NO_x emissions in 25 eastern states and the District of Columbia contribute to levels of ozone in other downwind states with areas above the air quality standard for 8-hour ozone.

On April 28, 2006, EPA promulgated a FIP for CAIR (71 FR 25328), which was implemented to achieve attainment of air quality standards when a state is unable to develop a sufficient plan by the CAIR SIPs deadline. The CAIR FIP trading programs are integrated with the EPA-administered state CAIR trading programs so that sources in states governed by the federal or state programs can trade with one another under the emission caps. 40 CFR Section 51.123(p) provides states with an option to submit abbreviated SIPs to meet CAIR requirements. Under this option, states can save time and resources needed to develop a complete trading program SIP, while still being able to make key decisions, such as the methodology for allocating annual and/or ozone season NO_x allowances.

Although Louisiana is in attainment with the current National Ambient Air Quality Standard (NAAQS) for $PM_{2.5}$, EPA CAIR program modeling results indicate that Louisiana contributes to fine particle pollution in Alabama and to ground-level ozone pollution in Texas. Based on these modeling results, Louisiana is required to comply with the CAIR Annual SO_2, Annual NO_x and Ozone Season NO_x provisions. Modeling indicates that controls implemented by Louisiana sources under CAIR will reduce emissions of SO_2 by 41%, and reduce emissions of NO_x 57% by 2015.

To determine the impact of CAIR implementation on Louisiana electricity ratepayers, LDEQ requested assistance from the Louisiana Public Service Commission (LPSC). Pursuant to this request, the LPSC contracted the service of the Louisiana State University Center for Energy Studies (LSUCES). Recommendations concerning the implementation of CAIR in Louisiana were provided to LDEQ from the LPSC in a staff paper and supplement. The rule provisions proposed in AQ285 are consistent with the LPSC recommendations.

On May 20, 2007, LDEQ proposed the CAIR NO_x Trading Programs rule AQ285, to define the state's method for allocating NO_x allowances to EGUs subject to CAIR under the Annual NO_x and Ozone Season NO_x Trading Programs. AQ285, once promulgated, will be submitted to EPA in the CAIR NO_x Trading Programs abbreviated SIP revision.

AQ261, the previously proposed CAIR NOx allocation rule, was withdrawn due to extensive rewrite of terms used in the rule. The associated SIP revision proposed in February 2007 and transmitted to EPA by letter dated February 19, 2007 is replaced by this proposal.

1.2 CAAA Section 110(a)(2)(D)(i) Requirements

The "good neighbor" provisions in section 110(a)(2)(D)(i) of the CAAA contain requirements related to the impacts of interstate transport. *States must prohibit...any source or other type of emissions activity within the State from emitting any air pollutant in amounts which will –*

(1) contribute significantly to nonattainment in, or interfere with maintenance by, any other State with respect to any...national primary or secondary air quality standard, or

(2) interfere with measures required to be included in the applicable implementation plan for any other State...to prevent significant deterioration of air quality or to protect visibility.

According to EPA's "Guidance for State Implementation Plan Submission to Meet Current Outstanding Obligations Under Section 110(a)(2)(D)(i) for the 8-Hour Ozone and $PM_{2.5}$ National Ambient Air Quality Standards," dated August 15, 2006, Louisiana satisfies its obligation to address "significant contribution to nonattainment" and "interference with maintenance" through its implementation of CAIR.

To fulfill the obligation to "prevent significant deterioration of air quality" for ozone, Louisiana confirms that major sources are subject to the approved Prevention of Significant Deterioration (PSD) and New Source Review (NSR) programs that implement the ozone standard. LDEQ promulgated a revision to the Louisiana Administrative Code (LR 32: 871) on May 20, 2006 to address requirements of the Phase II Ozone Rule. The rule is included in the 2006 General SIP revision proposed April 20, 2007. For $PM_{2.5}$, Louisiana confirms that major sources are subject to the approved PSD and NSR programs implemented in accordance with EPA's interim guidance which allows the use of PM_{10} as a surrogate for $PM_{2.5}$ in the PSD and NSR programs.

Finally, Louisiana will submit a regional haze SIP by December 17, 2007 to satisfy its obligation to "protect visibility" under section 110(a)(2)(D)(i) of the CAAA..

1.3 Public Notice

In accordance with La. R.S. 49:950 et seq., and to comply with 40 CFR 51.285 Public Notification, the LDEQ published in the *Louisiana Register* on May 20, 2007, a notice seeking comment on this SIP revision. A public hearing concerning this proposed SIP revision will be held at 1:30 p.m. on June 26, 2007, in the Galvez Building, Oliver Pollock Room C111, at 602 N. Fifth Street, Baton Rouge, Louisiana. Interested parties are invited to submit written or oral comments on the proposal at that time. The

comment period will close at 4:30 p.m. on July 3, 2007. Written comments will be accepted via mail, fax, or email. A copy of the notice is included in Appendix A.