TITLE 326 AIR POLLUTION CONTROL BOARD

Final Rule
LSA Document #05-117(F)

DIGEST

Amends 326 IAC 10-3-1, 326 IAC 10-4-2, and 326 IAC 10-4-9 and adds 326 IAC 10-4-16 regarding the nitrogen oxide reduction program for specific source categories and nitrogen oxides budget trading program. Adds 326 IAC 24 concerning the Clean Air Interstate Rule Nitrogen Oxides (NO_x) Annual Trading Program, the Clean Air Interstate Rule Sulfur Dioxide (SO_2) Trading Program, and the Clean Air Interstate Rule Nitrogen Oxides (NO_x) Ozone Season Trading Program. Effective 30 days after filing with the Publisher.

HISTORY

First Notice: June 1, 2005, Indiana Register (28 IR 2817).
Second Notice of Comment Period and Notice of First Hearing: December 1, 2005, Indiana Register (29 IR 909).
Change in Notice of First Hearing: January 1, 2006, Indiana Register (29 IR 1243).
Continuation of Second Notice of Comment Period: February 1, 2006, Indiana Register (29 IR 1765).
Change in Notice of First Hearing: March 1, 2006, Indiana Register (29 IR 1965).
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Proposed Rule and Notice of Third Comment Period: August 9, 2006, Indiana Register (DIN: 20060809-IR-326050117PRA).
Notice of Second Hearing: August 9, 2006, Indiana Register (DIN: 20060809-IR-326050117PHA).
Date of Second Hearing: November 1, 2006.

326 IAC 10-3-1; 326 IAC 10-4-2; 326 IAC 10-4-9; 326 IAC 10-4-16; 326 IAC 24

SECTION 1. 326 IAC 10-3-1 IS AMENDED TO READ AS FOLLOWS:

SECTION 5. 326 IAC 24 IS ADDED TO READ AS FOLLOWS:

ARTICLE 24. TRADING PROGRAMS: NITROGEN OXIDES (NO_x) AND SULFUR DIOXIDE (SO_2)

Rule 1. Clean Air Interstate Rule Nitrogen Oxides Annual Trading Program

326 IAC 24-1-2 Definitions

Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11
Affected: IC 13-11-2; IC 13-15; IC 13-17

Sec. 2.

(36) "Control period" means the period beginning January 1 of a calendar year, except as provided in section 4(c)(2) of this rule, and ending on December 31 of the same year, inclusive. For the purposes of section 8(h) of this rule, control period means January 1 through April 30 and October 1 through December 31 of the same calendar year.

(38) "Energy efficiency or renewable energy projects" means any of the following implemented in Indiana:

(A) End-use energy efficiency projects, including demand-side management programs.

(B) Highly efficient electricity or steam generation for the predominant use of a single end user, such as combined cycle, combined heat and power, microturbines, and fuel cell systems. In order to be considered as highly efficient electricity generation under this clause, combined cycle, combined heat and power, microturbines, and fuel cell generating systems must meet or exceed one (1) of the following thresholds:

(i) For combined heat and power projects generating both electricity and thermal energy for space, water, or industrial process heat, rated energy efficiency of sixty percent (60%).

(ii) For microturbine projects rated at or below five hundred (500) kilowatts generating capacity, rated energy efficiency of forty percent (40%).

(iii) For combined cycle projects rated at greater than five hundred (500) kilowatts, rated energy efficiency of fifty percent (50%).

(iv) For fuel cell systems, rated energy efficiency of forty percent (40%), whether or not the fuel cell system is part of a combined heat and power energy system.

(C) Zero-emission renewable energy projects, including wind, photovoltaic, solar, and hydropower projects. Eligible hydropower projects are restricted to systems employing a head of ten (10) feet or less or systems employing a head greater than ten (10) feet that make use of a dam that existed before September 16, 2001.

(D) Energy efficiency projects generating electricity through the capture of methane gas from municipal solid waste landfills, water treatment plants, sewage treatment plants, or anaerobic digestion systems operating on animal or plant wastes.

(E) The installation of highly efficient electricity generation equipment for the sale of power where such equipment replaces or displaces retired electrical generating units. In order to be considered as highly efficient under this clause, generation equipment must meet or exceed the following energy efficiency thresholds:

(i) For coal-fired electrical generation units, rated energy efficiency of forty-two percent (42%).

(ii) For natural gas-fired electrical generating units, rated energy efficiency of fifty percent (50%).

(F) Improvements to existing fossil fuel-fired electrical generation units that increase the efficiency of the unit and decrease the heat rate used to generate electricity, including gas reburning projects that reduce

NO_x emissions.

(G) The installation of integrated gasification combined cycle equipment for producing electricity for sale.

(H) Renewable energy projects that displace some portion of the combustion of coal, natural gas, or oil through the use of ~~fuel~~ solar energy or methane from landfills, water treatment plants, sewage treatment plants, or anaerobic digestion systems on animal or plant wastes and reduce NO_x emissions.

Energy efficiency or renewable energy projects do not include nuclear power projects. This definition is solely for the purposes of implementing this rule and does not apply in other contexts.

(60) "Rated energy efficiency" means the percentage of gross energy input that is recovered as useable net energy output in the form of electricity or thermal energy, or both, that is used for heating, cooling, industrial processes, or other beneficial uses as follows:

(A) For electric generators, rated energy efficiency is calculated as one (1) net kilowatt hour (three thousand four hundred twelve (3,412) British thermal units) of electricity divided by the unit's design heat rate using the higher heating value of the fuel.

(B) For combined heat and power projects, rated energy efficiency is calculated using the following formula:

$$Eff\% = (NEO + UTO)/GEI$$

Where:

Eff%	=	Rated energy efficiency.
NEO	=	Net electrical output of the system converted to British thermal units per unit of time.
UTO	=	Utilized thermal output or the energy value in British thermal units of thermal energy from the system that is used for heating, cooling, industrial processes, or other beneficial uses, per unit of time.

GEI = Gross energy input, based upon the higher heating value of fuel, per unit of time.

***These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204.** *(Air Pollution Control Board; 326 IAC 24-1-2)*

326 IAC 24-1-8 CAIR NO_x allowance allocations
Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11
Affected: IC 13-15; IC 13-17

Sec. 8. (a) The trading program budget allocated by the department under subsections (d) through (h) for each control period shall equal the CAIR NO_x allowances apportioned to the CAIR NO_x units under section 1 of this rule, as

etermined by the procedures in this section. The total number of CAIR NO_x allowances that are available for each control period for annual allocations of CAIR NO_x allowances under this rule are one hundred eight thousand nine hundred thirty-five (108,935) tons in 2009 through 2014 and ninety thousand seven hundred seventy-nine (90,779) in 2015 and thereafter, apportioned as follows:

(1) For existing units (that is, units that have a baseline heat input, as determined under subsection (c)(1)):

(A) one hundred three thousand four hundred eighty-eight (103,488) tons for CAIR NO_x units in 2009 through 2014; and

(B) eighty-eight thousand fifty-five (88,055) tons for CAIR NO_x units in 2015 and thereafter.

(2) For new unit allocation set-asides:

(A) four thousand nine hundred two (4,902) tons for CAIR NO_x units in 2009 through 2014; and

(B) two thousand two hundred seventy (2,270) tons for CAIR NO_x units in 2015 and thereafter.

(3) For the energy efficiency and renewable energy allocation set-asides:

(A) five hundred forty-five (545) tons for CAIR NO_x units in 2009 through 2014; and

(B) four hundred fifty-four (454) tons for CAIR NO_x units in 2105 and thereafter.

(b) The department shall allocate CAIR NO_x allowances to CAIR NO_x units according to the following schedule:

(1) Within thirty (30) days of the effective date of this rule, the department shall submit to the U.S. EPA the CAIR NO_x allowance allocations, in a format prescribed by the U.S. EPA and in accordance with subsections (c) and (d), for the control periods in 2009, 2010, 2011, 2012, 2013, and 2014.

(2) By October 31, 2008, and October 31 every six (6) years thereafter, the department shall submit to the U.S. EPA the CAIR NO_x allowance allocations, in a format prescribed by the U.S. EPA and in accordance with subsections (c) and (d), for the control periods seven (7), eight (8), nine (9), ten (10), eleven (11), and twelve (12) years after the year of the allowance allocation.

(3) By October 31, 2009, and October 31 of each year thereafter, the department shall submit to the U.S. EPA the CAIR NO_x allowance allocations, in a format prescribed by the U.S. EPA and in accordance with subsections (c), (e), and (f), for the control period in the year of the applicable deadline for submission under this rule.

(4) The department shall make available for review to the public the CAIR NO_x allowance allocations under subdivision (2) on July 31 of each year allocations are made and shall provide a thirty (30) day opportunity for submission of objections to the CAIR NO_x allowance allocations. Objections shall be limited to addressing whether the CAIR NO_x allowance allocations are in accordance with this section. Based on any such objections, the department shall consider any objections and input from affected sources and, if appropriate, adjust each determination to the extent necessary to ensure that it is in accordance with this section.

(c) The baseline heat input, in million British thermal units (MMBtu) used with respect to CAIR NO_x allowance allocations under subsection (d) for each CAIR NO_x unit shall be as follows:

(1) For units commencing operation before January 1, 2001:

(A) For a CAIR NO_x allowance allocation under subsection (b)(1), the average of the three (3) highest amounts of the unit's adjusted control period heat input for 1998 through 2005, with the adjusted control period heat input for each year calculated as follows:

(i) If the unit is coal-fired during the year, the unit's control period heat input for such year is multiplied by one hundred percent (100%).

(ii) If the unit is oil-fired during the year, the unit's control period heat input for such year is multiplied by sixty percent (60%).

(iii) If the unit is not subject to item (i) or (ii), the unit's control period heat input for such year is multiplied by forty percent (40%).

(B) For a CAIR NO_x allowance allocation under subsection (b)(2), the average of the three (3) highest amounts of the unit's adjusted control period heat input for the eight (8) years before when the CAIR NO_x allocation is being calculated, with the adjusted control period heat input for each year calculated as follows:

(i) If the unit is coal-fired during the year, the unit's control period heat input for such year is multiplied by one hundred percent (100%).

(ii) If the unit is oil-fired during the year, the unit's control period heat input for such year is

multiplied by sixty percent (60%).

(iii) If the unit is not subject to item (i) or (ii), the unit's control period heat input for such year is multiplied by forty percent (40%).

(2) For units commencing operation on or after January 1, 2001, and operating each calendar year during a period of three (3) or more consecutive calendar years, the average of the three (3) highest amounts of the unit's total converted control period heat input for the years before when the CAIR NOx allocation is being calculated, not to exceed (8).

(3) A unit's control period heat input, and a unit's status as coal-fired or not coal-fired, for a calendar year under subdivision (1), and a unit's total tons of NO_x emissions during a control period in calendar year under subsection (e), shall be determined in accordance with 40 CFR 75*, to the extent the unit was otherwise subject to the requirements of 40 CFR 75* for the year, or shall be based on the best available data reported to the department for the unit, to the extent the unit was not otherwise subject to the requirements of 40 CFR 75* for the year.

(4) A unit's converted control period heat input for a calendar year under subdivision (2) equals one (1) of the following:

(A) The control period gross electrical output of the generator or generators served by the unit multiplied by eight thousand nine hundred (8,900) British thermal units per kilowatt hour (Btu/kWh) for coal-fired units or seven thousand six hundred (7,600) British thermal units per kilowatt hour (Btu/kWh) for a unit that is not coal-fired divided by one million (1,000,000) British thermal units per million British thermal units (Btu/MMBtu), provided that if a generator is served by two (2) or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the year.

(B) For a unit that has equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy, the control period gross electrical output of the unit multiplied by eight thousand nine hundred (8,900) British thermal units per kilowatt hour (Btu/kWh) plus the useful energy, in British thermal units (Btu), produced during the control period divided by eight-tenths (0.8), and with the sum divided by one million (1,000,000) British thermal units per million British thermal units (Btu/MMBtu).

(d) For each control period in 2009 and thereafter, the department shall allocate to all CAIR NO_x units that have a baseline heat input, as determined under subsection (c), a total amount of CAIR NO_x allowances as listed in subsection (a)(1), except as provided in subsection (f). The department shall allocate CAIR NO_x allowances to each CAIR NO_x unit in an amount determined by multiplying the total amount under subsection (a)(1) by the ratio of the baseline heat input of such CAIR NO_x unit to the total amount of baseline heat input of all such CAIR NO_x units and rounding to the nearest whole allowance as appropriate.

(e) For each control period in 2009 and thereafter, the department shall allocate CAIR NO_x allowances to CAIR NO_x units that commenced operation on or after January 1, 2001 and do not yet have a baseline heat input, as determined under subsection (c), in accordance with the following procedures:

(1) The department shall establish a new unit set-aside for each control period equal to the following:

(A) Four thousand nine hundred two (4,902) tons for a control period during 2009 through 2014.

(B) Two thousand two hundred seventy (2,270) tons for CAIR NO_x units for a control period during 2015 and thereafter.

(2) The CAIR designated representative of such a CAIR NO_x unit may submit to the department a request, in a format specified by the department, to be allocated CAIR NO_x allowances, starting with the later of the control period in 2009 or the first control period after the control period in which the CAIR NO_x unit commences commercial operation and until the first control period for which the unit is allocated CAIR NO_x allowances under subsection (d). A separate CAIR NO_x allowance allocation request for each control period for which CAIR NO_x allowances are sought must be submitted on or before May 1 of such control period and after the date on which the CAIR NO_x unit commences commercial operation.

(3) In a CAIR NO_x allowance allocation request under subdivision (2), the CAIR designated representative may request for a control period CAIR NO_x allowances in an amount not exceeding the CAIR NO_x unit's total tons of NO_x emissions during the calendar year immediately before such control period.

(4) The department shall review each CAIR NO_x allowance allocation request under subdivision (2) and shall allocate CAIR NO_x allowances for each control period pursuant to such request as follows:

(A) The department shall accept an allowance allocation request only if the request meets, or is adjusted by the department as necessary to meet, the requirements of subdivisions (2) and (3).

(B) On or after May 1 of the control period, the department shall determine the sum of the CAIR NO_x allowances requested, as adjusted under clause (A), in all allowance allocation requests accepted under clause (A) for the control period.

(C) If the amount of CAIR NO_x allowances in the new unit set-aside for the control period is greater than or equal to the sum under clause (B), then the department shall allocate the amount of CAIR NO_x allowances requested, as adjusted under clause (A), to each CAIR NO_x unit covered by an allowance allocation request accepted under clause (A).

(D) If the new unit set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), but the energy efficiency and renewable energy allocation set-aside is under-subscribed, the department shall allocate the amount of the NO_x allowances requested with the difference allocated from the energy efficiency and renewable energy allocation set-aside.

(E) If the amount of CAIR NO_x allowances in the new unit set-aside for the control period is less than the sum under clause (B), and the energy efficiency and renewable energy allocation set-aside is over subscribed, then the department shall allocate to each CAIR NO_x unit covered by an allowance allocation request accepted under clause (A) the amount of the CAIR NO_x allowances requested, as adjusted under clause (A), multiplied by the amount of CAIR NO_x allowances in the new unit set-aside for the control period, divided by the sum determined under clause (B), and rounded to the nearest whole allowance as appropriate.

(F) The department shall notify each CAIR designated representative that submitted an allowance allocation request of the amount of CAIR NO_x allowances, if any, allocated for the control period to the CAIR NO_x unit covered by the request and submit the CAIR NO_x allowances to U.S. EPA according to subsection (b)(3).

(f) If, after completion of the procedures under subsection (e)(4) for a control period, any unallocated CAIR NO_x allowances remain in the new unit set-aside for the control period, the department shall allocate to each CAIR NO_x unit that was allocated CAIR NO_x allowances under subsection (d) an amount of CAIR NO_x allowances equal to the total amount of such remaining unallocated CAIR NO_x allowances, multiplied by the unit's allocation under subsection (d), divided by one hundred three thousand four hundred eighty-eight (103,488) for a control period during 2009 through 2014, and eighty-eight thousand fifty-five (88,055) for a control period during 2015 and thereafter, rounding to the nearest whole allowance as appropriate.

(g) In addition to the CAIR NO_x allowances allocated under subsections (c) through (f), the department shall allocate for the control period in 2009 up to twenty thousand one hundred fifty-five (20,155) compliance supplement pool NO_x allowances to CAIR NO_x units, in accordance with this section. First, the department shall reserve allowances for eligible units and assign the reserved allowances in accordance with subdivisions (2) and (3). Then, the department will allocate earned CAIR NO_x allowances and surplus CAIR NO_x allowances in accordance with subdivision (5):

(1) The following terms and meanings apply to this section:

(A) "Baseline emission rate" means the heat input weighted average NO_x emission rate for 2003 through 2005 (excluding May 1 through September 30 of each year).

(B) "Eligible unit" or "eligible units" means a CAIR NO_x unit that:

(i) is a coal-fired unit that will be required to comply with CAIR annual NO_x emission limitations beginning January 1, 2009;

(ii) has or will have:

(AA) post-combustion NO_x control equipment, or shares a common stack with a unit that has or will have post-combustion NO_x control equipment installed before December 31, 2008; or

(BB) for all other units be able to achieve a NO_x emissions rate that is at least ten percent

(10%) lower than the heat input weighted average NO_x emission rate for 2003 through 2005 (excluding May 1 through September 30 of each year);

(iii) has an established baseline emissions rate;

(iv) for which the department has approved its application in accordance with subdivision (2); and

(v) for which the unit in item (ii)(BB) achieves in 2007 or 2008, or both, (excluding May 1 through September 30 of each year) a NO_x emissions rate at least ten percent (10%) lower than the baseline emissions rate.

(C) "Emission reduction" or "emission reductions" will be calculated, in tons per year, in accordance with the following formula:

Emission reductions = [eligible unit's actual heat input for 2007 or 2008, or both (excluding May 1 through September 30 of each year) × eligible unit's baseline emission rate] - [eligible unit's actual heat input for 2007 or 2008, or both (excluding May 1 through September 30 of each year) × actual NO_x emission rate (excluding May 1 through September 30 of each year)]/2000.

(D) "Reserved allowance" means an allowance from the compliance supplement pool that the department reserves for an eligible unit. Reserved allowances have no independent value and cannot be traded until after they are earned and allocated as CAIR NO_x allowances to an eligible unit.

(E) "Unit's excess emissions reductions" means one (1) of the following:

(i) The eligible unit's tons of NO_x emission reductions in excess of its reserved allowances × 1.5 for units with all of the following control equipment installed:

(AA) Electrostatic precipitator.

(BB) Selective catalytic reduction.

(CC) Flue gas desulfurization.

(ii) The eligible unit's tons of NO_x emission reductions in excess of its reserved allowances × 1.0 for all other units.

(2) To receive reserved allowances, the designated representative for a CAIR NO_x unit must submit an application to the department, in a format specified by the department, within thirty (30) days of the effective date of this rule, demonstrating that it satisfies subdivision (1)(B)(i) through (1)(B)(iii). The department shall approve or deny the application within one hundred twenty (120) days after receipt of the application and designate the amount of allowances it has reserved for that unit at that time.

(3) The department shall assign reserved allowances to each eligible unit, based on the following formula:

Amount of reserved allowances, in tons per year = (eligible unit's baseline heat input as defined in subsection (c) ÷ sum of baseline heat input from all eligible units as defined in subsection (c)) × (95% × 20,155). The amount of reserved allowances shall be determined separately each year, 2007 and 2008, depending upon the number of approved applications for eligible units each year. No more than fifty percent (50%) of the compliance supplement pool shall be reserved for eligible units in 2007. The remainder of the compliance supplement pool shall be reserved for eligible units in 2008 and any demonstrations of need.

(4) In order to receive CAIR NO_x allowances from the compliance supplement pool the following conditions must be met:

(A) The owners and operators of an eligible unit shall monitor and report the NO_x emissions rate and the heat input of the unit in accordance with section 11 of this rule in each control period for which early reduction credit is requested.

(B) The CAIR designated representative of an eligible unit shall submit to the department by May 1, 2009, a request, in a format specified by the department, for allocation of an amount of CAIR NO_x allowances from the compliance supplement pool identifying the amount of tons of emissions reductions it has achieved and demonstrating that it has satisfied subdivision (1).

(C) The actual NO_x emission rate used in the emissions reduction calculation in subdivision (1)(C) shall be the monitored NO_x emission rate for 2007 or 2008, respectively.

(D) Units that share a common stack shall meet the following requirements:

(i) For each eligible unit that is part of a common stack group the restriction in subdivision (1)(B)(ii)(BB) is applied to the entire common stack group except as provided in item (ii).

(ii) For a common stack group that has a least one (1) unit with post-combustion NO_x control

equipment, the restriction in subdivision (1)(B)(ii)(AA) for post-combustion NO_x control equipment shall apply to the entire common stack group.

(E) No more than fifty percent (50%) of the compliance supplement pool shall be reserved or allocated for emission reductions or excess emission reductions implemented in 2007. The remainder of the compliance supplement pool shall be allocated for emission reductions or excess emission reductions implemented in 2008 and demonstrations of need.

(5) The department shall review each request under subdivision (4) and shall allocate CAIR NO_x allowances from the compliance supplement pool for the control period in 2009 to CAIR NO_x units, in accordance with the following procedures:

(A) Upon receipt of each such request, the department shall make any necessary adjustments to the request to ensure that the amount of the CAIR NO_x allowances requested meets the requirements of subdivisions (3) and (4). If an eligible unit achieved emission reductions less than or equivalent to the reserved allowances assigned to it under subdivision (3), the department shall allocate CAIR NO_x allowances from the compliance supplement pool to the eligible unit equal to the actual emission reductions achieved by the eligible unit. Any reserved allowances not earned by an eligible unit shall remain in the compliance supplement pool to be distributed in accordance with clause (C).

(B) To the extent an eligible unit achieved emission reductions in excess of the reserved allowances assigned to it under subdivision (3), the department shall allocate CAIR NO_x allowances to the eligible unit equal to the amount of its reserved allowances, plus additional CAIR NO_x allowances, if any, from the compliance supplement pool in accordance with clause (C).

(C) Any CAIR NO_x allowances that remain in the compliance supplement pool following allocation required by clauses (A) and (B) shall be allocated to eligible units that achieved emission reductions in excess of their reserved allowances. The department shall make allocations of the remaining CAIR NO_x allowances in accordance with the following formula:

An eligible unit's additional CAIR NO_x allowances from the compliance supplement pool = (unit's excess emissions reductions/ the total tons of adjusted excess NO_x emissions reductions achieved by all eligible units) × the total of remaining CAIR NO_x allowances in the compliance supplement pool following allocation under clauses (A) and (B). In no case shall the actual amount of additional CAIR NOx allowances awarded in this clause exceed the number of actual emission reductions achieved in excess of the reservation under subdivision (3).

(6) For any CAIR NO_x unit whose compliance with CAIR NO_x emissions limitation for the control period in 2009 would create an undue risk to the reliability of electricity supply during such control period, the CAIR designated representative of the unit may request the allocation of CAIR NO_x allowances from the compliance supplement pool in accordance with the following:

(A) The CAIR designated representative of such CAIR NO_x unit shall submit to the department by May 1, 2009, a request, in a format specified by the department, for allocation of an amount of CAIR NO_x allowances from the compliance supplement pool not exceeding the minimum amount of CAIR NO_x allowances necessary to remove such undue risk to the reliability of electricity supply.

(B) In the request under clause (A), the CAIR designated representative of such CAIR NO_x unit shall demonstrate that, in the absence of allocation to the unit of the amount of CAIR NO_x allowances requested, the unit's compliance with CAIR NO_x emissions limitation for the control period in 2009 would create an undue risk to the reliability of electricity supply during such control period. This demonstration must include a showing that it would not be feasible for the owners and operators of the unit to:

(i) obtain a sufficient amount of electricity from other electricity generation facilities, during the installation of control technology at the unit for compliance with the CAIR NO_x emissions limitation, to prevent such undue risk; or

(ii) obtain under subdivisions (5) and (7), or otherwise obtain, a sufficient amount of CAIR NO_x allowances to prevent such undue risk.

(7) The department shall review each request under subdivision (6) and shall allocate CAIR NO_x allowances, not to exceed one thousand eight (1,008) allowances, for the control period in 2009 to CAIR NO_x units covered by such request. If no requests for allowances are received under subdivision (6), the allowances shall be available for allocation under subdivision (5)(C).

(8) By November 30, 2009, the department shall determine, and submit to the U.S. EPA the allocations of CAIR NO_x allowances from the compliance supplement pool under subdivisions (5) and (7).
(9) By January 1, 2010, the U.S. EPA will record the allocations under subdivision (8).

(h) For projects that reduce NO_x emissions through the implementation of energy efficiency or renewable energy measures, or both, implemented during a control period beginning January 1, 2009, the department shall allocate NO_x allowances in accordance with the following procedures:

(1) The energy efficiency and renewable energy allocation set-aside shall be allocated NO_x allowances equal to the following:

(A) Five hundred forty-five (545) tons for a control period during 2009 through 2014.

(B) Four hundred fifty-four (454) tons for a control period during 2015 and thereafter.

(2) Any person may submit to the department a request, in writing, or in a format specified by the department, for NO_x allowances as follows:

(A) Sponsors of energy efficiency or renewable energy projects in section 2(38)(A) through 2(38)(H) of this rule may request the reservation of NO_x allowances, for one (1) control period in which the project is implemented. Project sponsors may reapply each year, not to exceed five (5) control periods for energy efficiency projects in sections 2(38)(A), 2(38)(B), 2(38)(E), and 2(38)(F) of this rule and for an unlimited number of years for projects in sections 2(38)(C), 2(38)(D), and 2(38)(H) of this rule. Requests for allowances may be made for projects implemented two (2) years before the effective date of this rule. Projects must equal at least one (1) ton of NO_x emissions and multiple projects may be aggregated into one (1) allowance allocation request to equal one (1) or more tons of NO_x emissions.

(B) The NO_x allowance allocation request must be submitted by May 1 of the calendar year for which the NO_x allowance allocation is requested.

(C) The NO_x allowance allocation request for an integrated gasification combined cycle project under section 2(38)(G) of this rule must be submitted by May 1 of the calendar year for which the NO_x allowance allocation is requested and after the date on which the department issues a permit to construct the CAIR NO_x unit. For integrated gasification combined cycle projects, project sponsors may request the reservation of NO_x allowances, based on the number of kilowatt hours of electricity generated based on an eighty-five percent (85%) capacity factor and expected heat rate of the unit. Project sponsors may reapply each year, not to exceed five (5) control periods. Requests for allowances may be made only for integrated gasification combined cycle projects which first start commercial operations in 2009 and beyond.

(3) In a NO_x allowance allocation request made under this subsection, the project sponsor may request for a control period, NO_x allowances not to exceed the following:

(A) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of electricity and that are sponsored by end-users or nonutility third parties receive allowances based upon the number of kilowatt hours of electricity saved during a control period and the following formula:

$$\text{Allowances} = (\text{kWS} \times 0.0015)/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.
kWS = The number of kilowatt hours of electricity saved during a control period by the project.

(B) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of electricity and that are sponsored by electric generating units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (\text{kWS} \times 0.00075/2{,}000)$$

Where: Allowances = The number of allowances awarded to a project sponsor.
kWS = The number of kilowatt hours of electricity saved during a control period by the project.

(C) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of energy other than electricity and that are not CAIR NO_x units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (((\text{Et1}/\text{Pt1}) - (\text{Et2}/\text{Pt2})) \times \text{Pt2} \times \text{NPt2} \times (\text{NPt1}/\text{NPt2}))/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.
Et1 = Energy consumed per control period before project implementation.

Pt1 = Units of product produced per control period before project implementation.

Et2 = Energy consumed in the most recent control period.

Pt2 = Units of product produced in the most recent control period.

NPt1 = NO_x produced during the consumption of energy, measured in pounds per million British thermal units before project implementation.

NPt2 = NO_x produced during the consumption of energy, measured in pounds per million British thermal units in the most recent control period.

(D) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of energy other than electricity and that are CAIR NO_x units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (((Et1/Pt1) - (Et2/Pt2)) \times Pt2 \times NPt2 \times (NPt1/NPt2) \times 0.5)/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

Et1 = Energy consumed per control period before project implementation.

Pt1 = Units of product produced per control period before project implementation.

Et2 = Energy consumed in the most recent control period.

Pt2 = Units of product produced in the most recent control period.

NPt1 = NO_x produced during the production process, measured in pounds per million British thermal units before project implementation.

NPt2 = NO_x produced during the production process, measured in pounds per million British thermal units in the most recent control period.

Product produced, as used in the formulas in this clause and clause (C), may include manufactured items; raw, intermediate, or final materials; or other products measured in discrete units and produced as a result of the consumption of energy in a specific process or piece of equipment. Claims for allowances must include documentation of NO_x emissions per British thermal unit both before and after implementation of the project for the energy-consuming process for which energy savings are claimed.

(E) Projects in section 2(38)(B) of this rule that claim allowances based upon highly efficient electricity generation using systems such as combined cycle, microturbines, and fuel cell systems for the predominant use of a single end user, that meet the thresholds specified in section 2(38)(B) of this rule, that are not CAIR NO_x units under section 1 of this rule, and that are sponsored by end-users or nonutility third parties, receive allowances based upon the net amount of electricity generated during a control period and the following formula:

$$\text{Allowances} = (kWG \times (0.0015\text{-}NO_x))/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

kWG = The number of net kilowatt hours of electricity generated during a control period by the project.

NO_x = The amount of NO_x produced during the generation of electricity, measured in pounds per kilowatt hour.

(F) Projects in section 2(38)(B) of this rule that claim allowances based upon highly efficient combined heat and power systems for the predominant use of a single end user, that meet the thresholds specified in section 2(38)(B) of this rule, that are not CAIR NO_x units under section 1 of this rule, and that are sponsored by end-users or nonutility third parties, receive allowances based upon the net amount of energy generated and used during a control period and the following formula:

$$\text{Allowances} = (NO_x \text{ conventional} - NO_x \text{ CHP})/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

NO_x conventional = $[(0.15 \times 3{,}412 \times kWG / 0.34) + (0.17 \times HeatOut / 0.8)] / 1{,}000{,}000$

NO_x CHP = $(BtuIn \times NO_xRate)/1{,}000{,}000$

Where: kWG = The number of net kilowatt hours of electricity generated during a control period by the project.

HeatOut = The number of British thermal units (Btu) of heat or steam effectively used for space, water, or industrial process heat during a control period by the

project.

NO_xRate = NO_x emitted during normal system operation by the project, measured in pounds per million Btu of fuel input.

BtuIn = The number of British thermal units (Btu) of fuel used to produce electricity, heat, or steam during a control period by the project.

(G) Projects in section 2(38)(B) and 2(38)(G) of this rule receive allowances based upon the number of kilowatt hours of electricity each project generates during a control period. Highly efficient electricity generation projects using systems such as combined cycle, microturbines, and fuel cell systems for the predominant use of a single end user, that meet a rated energy efficiency threshold of sixty percent (60%) for combined cycle systems and forty percent (40%) for microturbines and fuel cells; or integrated gasification combined cycle, and that are sponsored by NO_x allowance account holders that own or operate units that produce electricity and are subject to the emission limitations of this rule shall receive allowances based upon the net amount of electricity generated during a control period and the following formula:

$$\text{Allowances} = (\text{kWG} \times (0.0015 - NO_x) \times 0.5)/2{,}000$$

Where:
- Allowances = The number of allowances awarded to a project sponsor.
- kWG = The number of net kilowatt hours of electricity generated during a control period by the project.
- NO_x = The amount of NO_x produced during the generation of electricity, measured in pounds per kilowatt hour.

(H) Projects in subdivision (2) and specified in section 2(38)(C) and 2(38)(D) of this rule receive allowances based upon the number of kilowatt hours of electricity each project generates during a control period and according to the following formula:

$$\text{Allowances} = (\text{kWG} \times 0.0015)/2{,}000$$

Where:
- Allowances = The number of allowances awarded to a project sponsor.
- kWG = The number of kilowatt hours of electricity generated during a control period by the project.

(I) Projects in subdivision (2) and specified in section 2(38)(E) and 2(38)(F) of this rule receive allowances based upon the difference in emitted NO_x per megawatt hour of operation for units before and after replacement or improvement and according to the following formula:

$$\text{Allowances} = ((\text{Et1} - \text{Et2}) \times \text{h}) \times 0.5)/2{,}000$$

Where:
- Allowances = The number of allowances awarded to a project sponsor.
- Et1 = The emission rate in pounds per megawatt hour of NO_x of the unit before improvement or replacement.
- Et2 = The emission rate in pounds per megawatt hour of NO_x of the unit after improvement or replacement.
- h = The number of megawatt hours of operation during the control period.

(J) Projects in section 2(38)(A) of this rule based upon energy efficiency other than electricity savings shall be awarded allowances according to the following formula:

$$\text{Allowances} = (NO_x\ \text{Rate} \times \text{HeatOut} / 0.8)/1{,}000{,}000/2{,}000$$

Where:
- Allowances = The number of allowances awarded to a project sponsor.
- NO_x Rate = 0.17 lb/MMBtu or the actual NO_x emission rate, whichever is greater.
- HeatOut = The number of British thermal units (Btu) of heat or steam effectively used for space, water, or industrial process heat during a control period by the project.

(K) Projects in section 2(38)(H) of this rule using renewable energy to displace coal, natural gas, or oil combustion and reduce NO_x emissions shall be awarded allowances according to the following formula:

$$\text{Allowances} = ((0.17 \times \text{Fuel-Input})/1{,}000{,}000)/2{,}000$$

Where:
- Allowances = The number of allowances awarded to a project sponsor.
- Fuel-Input = The amount of heat input, in Btu, from the renewable energy.

(4) The department shall review, reserve, and allocate CAIR NO_x allowances pursuant to, each allowance allocation request by July 31 each year as follows:

(A) Upon receipt of the NO_x allowance allocation request, the department shall make any necessary

adjustments to the request to ensure that the number of allowances specified in the request is consistent with the requirements of subdivision (3).

(B) If the energy efficiency and renewable energy allocation set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances greater than or equal to the number requested, as adjusted under clause (A), the department shall reserve the amount of the NO_x allowances requested, as adjusted under clause (A), to the energy efficiency and renewable energy projects.

(C) If the energy efficiency and renewable energy allocation set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), but the new unit set-aside is under-subscribed, the department shall reserve the amount of the NO_x allowances requested with the difference reserved from the new unit set-aside.

(D) If the energy efficiency and renewable energy allocation set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), and the new unit set-aside is over-subscribed, the department shall reserve the allocation set-aside on a pro rata basis, except that allowances requested for projects under section 2(38)(A), 2(38)(C), 2(38)(D), and 2(38)(H) of this rule shall be reserved first, reserved for projects under section 2(38)(B) and 2(38)(G) of this rule second, reserved for projects under section 2(38)(E) of this rule third, and reserved for projects under section 2(38)(F) of this rule fourth.

(E) Any unreserved allowances shall be distributed as follows:

(i) Fifty percent (50%) of the unreserved allowances shall be retained by the state to fund a grant program for energy efficiency and renewable energy projects. The grant program projects do not need to meet the one (1) ton of NO_x emissions for singular or aggregated projects under subdivision (2). The unreserved NO_x allowances shall be deposited in a general allowance account established in accordance with this rule by the Indiana office of energy and defense development in accordance with the allowance allocation requirements of this rule, subject to the following:

(AA) The Indiana office of energy and defense development shall deposit revenue from the sale of unreserved NO_x allowances in a dedicated general NO_x account established by these rules used exclusively to provide matching grant funds for energy efficiency and renewable energy projects, including but not limited to, the purchase and installation of alternative energy systems, and programs to support energy efficiency projects.

(BB) The Indiana office of energy and defense development shall hold the unreserved NO_x allowances in a general NO_x account until such time that project(s) are approved for grant funding, at which time NO_x allowances shall be sold to provide cash dollars for the grant funding.

(CC) Revenue from the sale of unreserved NO_x allowances held by the state of Indiana through the Indiana office of energy and defense development shall not revert to the state general fund, and shall only be used to provide matching grant funds for the installation of energy efficiency and renewable energy projects as defined in this subsection.

(DD) Effective November 1, 2009 and annually thereafter the Indiana office of energy and defense development shall provide a report to the commissioner and the air pollution control board regarding the allowance transaction activity, and the distribution and the balance of the matching grant funds for energy efficiency and renewable energy projects during that period. At a minimum the report shall contain the following:

(aa) The number of NO_x allowances currently held in general NOx account(s) by the Indiana office of energy and defense development.

(bb) A summary of transactions in the market, including the date(s) of transactions, the number of allowances transacted and the distribution of proceeds from transactions (including brokerage fees).

(cc) The distribution of grant funding by recipient.

(dd) A full description of type of project(s) funded.

(ee) A summary of the benefits of each project.

(EE) If at any time after November 1, 2009 the total number of unreserved annual NO_x allowances held by the Indiana office of energy and defense development is greater than

five hundred (500) tons, fifty percent (50%) of the total amount of NO_x allowances shall be returned to the department for redistribution to existing CAIR NO_x units on a pro-rata basis.

(ii) Fifty percent (50%) of the unreserved allowances shall be allocated to CAIR NO_x units on a pro rata basis.

(5) After the completion of the control period for which CAIR NO_x allowances had been reserved, the project sponsor shall submit the results of the actual savings or generation by January 31 the following year. Allowances shall be awarded only after verification of project implementation and certification of energy, emission, or electricity savings, as appropriate. The department shall consult the Indiana office of energy and defense development concerning verification and certification.

(6) The department shall allocate the appropriate amount of CAIR NO_x allowances based on the review of the submittal of actual savings or generation results under subdivision (5) and notify the CAIR NO_x designated representative that submitted the request and the U.S. EPA of the number of NO_x allowances allocated for the control period by March 31 of each year. Any person to whom the department allocates NO_x allowances shall establish a general account under section 9(b) of this rule.

***These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204.** *(Air Pollution Control Board; 326 IAC 24-1-8)*

326 IAC 24-1-12 CAIR NO_x opt-in units

Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11
Affected: IC 13-15; IC 13-17

Sec. 12. (a) A CAIR NO_x opt-in unit is a unit that meets all of the following requirements:
(1) Is located in Indiana.
(2) Is not a CAIR NO_x unit under section 1 of this rule and is not covered by a retired unit exemption that is in effect under section 3 of this rule.
(3) Is not covered by a retired unit exemption that is in effect under 40 CFR 72.8*.
(4) Has or is required or qualified to have a Part 70 operating permit or other federally enforceable permit.
(5) Vents all of its NO_x emissions to a stack and can meet the monitoring, record keeping, and reporting requirements of section 11 of this rule.

(b) Except as otherwise provided in sections 1, 2, 4 through 7, and 9 through 11 of this rule, a CAIR NO_x opt-in unit shall be treated as a CAIR NO_x unit for purposes of applying such sections of this rule.

(c) Solely for purposes of applying, as provided in this section, the requirements of section 11 of this rule to a unit for which a CAIR opt-in permit application is submitted and not withdrawn and a CAIR opt-in permit is not yet issued or denied under this section, such unit shall be treated as a CAIR NO_x unit before issuance of a CAIR opt-in permit for such unit.

(d) Any CAIR NO_X opt-in unit, and any unit for which a CAIR opt-in permit application is submitted and not withdrawn and a CAIR opt-in permit is not yet issued or denied under this section, located at the same source as one (1) or more CAIR NO_x units shall have the same CAIR designated representative and alternate CAIR designated representative as such CAIR NO_x units.

(e) The CAIR designated representative of a unit meeting the requirements for a CAIR NO_x opt-in unit in subsection (a) may apply for an initial CAIR opt-in permit at any time, except as provided under subsection (h)(8) and (h)(9), and, in order to apply, must submit the following:
(1) A complete CAIR permit application under section 7(c) of this rule.
(2) A certification, in a format specified by the department, that the unit:
(A) is not a CAIR NO_x unit under section 1 of this rule and is not covered by a retired unit exemption that is in effect under section 3 of this rule;

(B) is not covered by a retired unit exemption that is in effect under 40 CFR 72.8*;

(C) vents all of its NO_x emissions to a stack; and

(D) has documented heat input for more than eight hundred seventy-six (876) hours during the six (6) months immediately preceding submission of the CAIR permit application under section 7(c) of this rule.

(3) A monitoring plan in accordance with section 11 of this rule.

(4) A complete certificate of representation under section 6(h) of this rule consistent with subsection (d), if no CAIR designated representative has been previously designated for the source that includes the unit.

(5) A statement, in a format specified by the department, whether the CAIR designated representative requests that the unit be allocated CAIR NO_x allowances under subsection (j)(3) or (j)(4), subject to the conditions in subsections (f)(10) and (h)(8). If allocation under subsection (j)(4) is requested, this statement shall include a statement that the owners and operators of the unit intend to repower the unit before January 1, 2015, and that they will provide, upon request, documentation demonstrating such intent.

The CAIR designated representative of a CAIR NO_x opt-in unit shall submit a complete CAIR permit application under section 7(c) of this rule to renew the CAIR opt-in unit permit in accordance with 327 IAC 2-7 or 327 IAC 2-8, if applicable, addressing permit renewal. Unless the department issues a notification of acceptance of withdrawal of the CAIR opt-in unit from the CAIR NO_x annual trading program in accordance with subsection (h) or the unit becomes a CAIR NO_x unit under section 1 of this rule, the CAIR NO_x opt-in unit shall remain subject to the requirements for a CAIR NO_x opt-in unit, even if the CAIR designated representative for the CAIR NO_x opt-in unit fails to submit a CAIR permit application that is required for renewal of the CAIR NO_x opt-in permit.

(f) The department shall issue or deny a CAIR opt-in permit for a unit for which an initial application for a CAIR opt-in permit under subsection (e) is submitted in accordance with the following:

(1) The department and the U.S. EPA will determine, on an interim basis, the sufficiency of the monitoring plan accompanying the initial application for a CAIR opt-in permit under subsection (e). A monitoring plan is sufficient, for purposes of interim review, if the plan appears to contain information demonstrating that the NO_x emissions rate and heat input of the unit and all other applicable parameters are monitored and reported in accordance with section 11 of this rule. A determination of sufficiency shall not be construed as acceptance or approval of the monitoring plan.

(2) If the department and the U.S. EPA determine that the monitoring plan is sufficient under subdivision (1), the owner or operator shall monitor and report the NO_x emissions rate and the heat input of the unit and all other applicable parameters, in accordance with section 11 of this rule, starting on the date of certification of the appropriate monitoring systems under section 11 of this rule and continuing until a CAIR opt-in permit is denied under subdivision (8) or, if a CAIR opt-in permit is issued, the date and time when the unit is withdrawn from the CAIR NO_x annual trading program in accordance with subsection (h).

(3) The monitoring and reporting under subdivision (2) shall include the entire control period immediately before the date on which the unit enters the CAIR NO_x annual trading program under subdivision (9), during which period monitoring system availability must not be less than ninety percent (90%) under section 11 of this rule and the unit must be in full compliance with any applicable state or federal emissions or emissions-related requirements.

(4) To the extent the NO_x emissions rate and the heat input of the unit are monitored and reported in accordance with section 11 of this rule for one (1) or more control periods, in addition to the control period under subdivision (3), during which control periods monitoring system availability is not less than ninety percent (90%) under section 11 of this rule and the unit is in full compliance with any applicable state or federal emissions or emissions-related requirements and which control periods begin not more than three (3) years before the unit enters the CAIR NO_x annual trading program under subdivision (9), such information shall be used as provided in subdivisions (5) and (6).

(5) The unit's baseline heat rate shall equal one (1) of the following:

(A) If the unit's NO_x emissions rate and heat input are monitored and reported for only one control period, in accordance with subdivisions (2) and (3), the unit's total heat input, in million British thermal units (MMBtu), for the control period.

(B) If the unit's NO_x emissions rate and heat input are monitored and reported for more than one control period, in accordance with subdivisions (2) through (4), the average of the amounts of the unit's total heat input, in million British thermal units (MMBtu), for the control periods under subdivisions (3) and (4).

(6) The unit's baseline NO_x emission rate shall equal one (1) of the following:

(A) If the unit's NO_x emissions rate and heat input are monitored and reported for only one control period, in accordance with subdivisions (2) and (3), the unit's NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), for the control period.

(B) If the unit's NO_x emissions rate and heat input are monitored and reported for more than one control period, in accordance with subdivisions (2) through (4), and the unit does not have add-on NO_x emission controls during any such control periods, the average of the amounts of the unit's NO_x emissions rate in pounds per million British thermal units (lb/MMBtu), for the control periods under subdivisions (3) and (4).

(C) If the unit's NO_x emissions rate and heat input are monitored and reported for more than one control period, in accordance with subdivisions (2) through (4), and the unit has add-on NO_x emission controls during any such control periods, the average of the amounts of the unit's NO_x emissions rate in pounds per million British thermal units (lb/MMBtu), for such control periods during which the unit has add-on NO_x emission controls.

(7) After calculating the baseline heat input and the baseline NO_x emissions rate for the unit under subdivisions (5) and (6) and if the department determines that the CAIR designated representative shows that the unit meets the requirements for a CAIR NO_x opt-in unit in subsection (a) and meets the elements certified in subsection (e)(2), the department shall issue a CAIR opt-in permit. The department shall provide a copy of the CAIR opt-in permit to the U.S. EPA, who will then establish a compliance account for the source that includes the CAIR NO_x opt-in unit unless the source already has a compliance account.

(8) Notwithstanding subdivisions (1) through (7), if at any time before issuance of a CAIR opt-in permit for the unit, the department determines that the CAIR designated representative fails to show that the unit meets the requirements for a CAIR NO_x opt-in unit in subsection (a) or meets the elements certified in subsection (e)(2), the department shall issue a denial of a CAIR opt-in permit for the unit.

(9) A unit for which an initial CAIR opt-in permit is issued by the department shall become a CAIR NO_x opt-in unit, and a CAIR NO_x unit, as of the later of January 1, 2009, or January 1 of the first control period during which such CAIR opt-in permit is issued.

(10) If a CAIR designated representative requests, and the department issues, a CAIR opt-in permit providing for, allocation to a CAIR NO_x opt-in unit of CAIR NO_x allowances under subsection (j)(4) and such unit is repowered after its date of entry into the CAIR NO_x annual trading program under subdivision (9), the repowered unit shall be treated as a CAIR NO_x opt-in unit replacing the original CAIR NO_x opt-in unit, as of the date of start-up of the repowered unit's combustion chamber. Notwithstanding subdivisions (5) and (6), as of the date of start-up, the repowered unit shall be deemed to have the same date of commencement of operation, date of commencement of commercial operation, baseline heat input, and baseline NO_x emission rate as the original CAIR NO_x opt-in unit, and the original CAIR NO_x opt-in unit shall no longer be treated as a CAIR NO_x opt-in unit or a CAIR NO_x unit.

(g) The following shall apply to the content of each CAIR opt-in permit:

(1) Each opt-in permit shall contain:

(A) All elements required for a complete CAIR permit application under section 7(c) of this rule.

(B) The certification in subsection (e)(2).

(C) The unit's baseline heat input under subsection (f)(5).

(D) The unit's baseline NO_x emission rate under subsection (f)(6).

(E) A statement whether the unit is to be allocated CAIR NO_x allowances under subsection (j)(3) or (j)(4), subject to the conditions in subsections (f)(10) and (h).

(F) A statement that the unit may withdraw from the CAIR NO_x annual trading program only in accordance with subsection (h).

(G) A statement that the unit is subject to, and the owners and operators of the unit must comply with, the requirements of subsection (i).

(2) Each CAIR opt-in permit is deemed to incorporate automatically the definitions under section 2 of this rule and, upon recordation by the U.S. EPA under this section and sections 9 and 10 of this rule, every allocation, transfer, or deduction of CAIR NO_x allowances to or from the compliance account of the source that includes a CAIR NO_x opt-in unit covered by the CAIR opt-in permit.

(3) The CAIR opt-in permit shall be included, in a format prescribed by the department, in the CAIR permit for the source where the CAIR opt-in unit is located and in a Part 70 operating permit or FESOP.

(h) The following requirements must be satisfied in order to withdraw an opt-in unit from the CAIR NO_x annual trading program:

(1) Except as provided under subdivision (8), a CAIR NO_x opt-in unit may withdraw from the CAIR NO_x annual trading program, but only if the department issues a notification to the CAIR designated representative of the CAIR NO_x opt-in unit of the acceptance of the withdrawal of the CAIR NO_x opt-in unit in accordance with subdivision (6).

(2) In order to withdraw a CAIR NO_x opt-in unit from the CAIR NO_x annual trading program, the CAIR designated representative of the CAIR NO_x opt-in unit shall submit to the department a request to withdraw effective as of midnight of December 31 of a specified calendar year, which date must be at least four (4) years after December 31 of the year of entry into the CAIR NO_x annual trading program under subsection (f)(9). The request must be submitted not later than ninety (90) days before the requested effective date of withdrawal.

(3) Before a CAIR NO_x opt-in unit covered by a request under subdivision (1) may withdraw from the CAIR NO_x annual trading program and the CAIR opt-in permit may be terminated under subdivision (7), the following conditions must be met:

(A) For the control period ending on the date on which the withdrawal is to be effective, the source that includes the CAIR NO_x opt-in unit must meet the requirement to hold CAIR NO_x allowances under section 4(c) of this rule and cannot have any excess emissions.

(B) After the requirement for withdrawal under clause (A) is met, the U.S. EPA will deduct from the compliance account of the source that includes the CAIR NO_x opt-in unit CAIR NO_x allowances equal in amount to, and allocated for, the same or a prior control period as any CAIR NO_x allowances allocated to the CAIR NO_x opt-in unit under subsection (j) for any control period for which the withdrawal is to be effective. If there are no remaining CAIR NO_x units at the source, the U.S. EPA will close the compliance account, and the owners and operators of the CAIR NO_x opt-in unit may submit a CAIR NO_x allowance transfer for any remaining CAIR NO_x allowances to another CAIR NO_x allowance tracking system in accordance with section 10 of this rule.

(4) After the requirements for withdrawal under subdivisions (2) and (3) are met, including deduction of the full amount of CAIR NO_x allowances required, the department shall issue a notification to the CAIR designated representative of the CAIR NO_x opt-in unit of the acceptance of the withdrawal of the CAIR NO_x opt-in unit as of midnight on December 31 of the calendar year for which the withdrawal was requested.

(5) If the requirements for withdrawal under subdivisions (2) and (3) are not met, the department shall issue a notification to the CAIR designated representative of the CAIR NO_x opt-in unit that the CAIR NO_x opt-in unit's request to withdraw is denied. Such CAIR NO_x opt-in unit shall continue to be a CAIR NO_x opt-in unit.

(6) After the department issues a notification under subdivision (4) that the requirements for withdrawal have been met, the department shall revise the CAIR permit covering the CAIR NO_x opt-in unit to terminate the CAIR opt-in permit for such unit as of the effective date specified under subdivision (4). The unit shall continue to be a CAIR NO_x opt-in unit until the effective date of the termination and shall comply with all requirements under the CAIR NO_x annual trading program concerning any control periods for which the unit is a CAIR NO_x opt-in unit, even if such requirements arise or must be complied with after the withdrawal takes effect.

(7) If the department denies the CAIR NO_x opt-in unit's request to withdraw, the CAIR designated representative may submit another request to withdraw in accordance with subdivisions (2) and (3).

(8) Notwithstanding subdivisions (1) through (7), a CAIR NO_x opt-in unit shall not be eligible to withdraw from the CAIR NO_x annual trading program if the CAIR designated representative of the CAIR NO_x opt-in unit requests, and the department issues, a CAIR NO_x opt-in permit providing for, allocation to the CAIR NO_x opt-in unit of CAIR NO_x allowances under subsection (j)(4).

(9) Once a CAIR NO_x opt-in unit withdraws from the CAIR NO_x annual trading program and its CAIR opt-in permit is terminated under this section, the CAIR designated representative may not submit another application for a CAIR opt-in permit under subsection (e) for such CAIR NO_x opt-in unit before the date that is four (4) years after the date on which the withdrawal became effective. Such new application for a CAIR opt-in permit shall be treated as an initial application for a CAIR opt-in permit under subsection (f).

(i) When a CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule, then the CAIR designated representative shall notify, in writing, the department and the U.S. EPA of such change in the CAIR NO_x opt-in unit's regulatory status, within thirty (30) days of such change. If there is a change in the regulatory status, the department and the U.S. EPA will take the following actions concerning the CAIR NO_x opt-in source:

(1) When the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule, the department shall revise the CAIR NO_x opt-in unit's CAIR opt-in permit to meet the requirements of a CAIR permit under section 7(d) and (7)(e) of this rule, and remove the CAIR opt-in permit provisions, as of the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule.

(2) The U.S. EPA will deduct from the compliance account of the source that includes the CAIR NO_x opt-in unit that becomes a CAIR NO_x unit under section 1 of this rule, CAIR NO_x allowances equal in amount to and allocated for the same or a prior control period as follows:

(A) Any CAIR NO_x allowances allocated to the CAIR NO_x opt-in unit under subsection (j) for any control period after the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule.

(B) If the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule is not December 31, the CAIR NO_x allowances allocated to the CAIR NO_x opt-in unit under subsection (j) for the control period that includes the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule, multiplied by the ratio of the number of days, in the control period, starting with the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule divided by the total number of days in the control period and rounded to the nearest whole allowance as appropriate.

(3) The CAIR designated representative shall ensure that the compliance account of the source that includes the CAIR NO_x unit that becomes a CAIR NO_x unit under section 1 of this rule contains the CAIR NO_x allowances necessary for completion of the deduction under subdivision (2).

(4) For every control period after the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule, the CAIR NO_x opt-in unit shall be allocated CAIR NO_x allowance allocations under section 8(c) of this rule.

(5) Notwithstanding subdivision (4), if the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule is not January 1, the following amount of CAIR NO_x allowances shall be allocated to the CAIR NO_x opt-in unit, as a CAIR NO_x unit, under section 8(c) of this rule for the control period that includes the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule:

(A) the amount of CAIR NO_x allowances otherwise allocated to the CAIR NO_x opt-in unit, as a CAIR NO_x unit, under section 8(c) of this rule for the control period;

(B) multiplied by the ratio of the number of days, in the control period, starting with the date on which the CAIR NO_x opt-in unit becomes a CAIR NO_x unit under section 1 of this rule, divided by the total number of days in the control period; and

(C) rounded to the nearest whole allowance, as appropriate.

(j) The department shall allocate CAIR NO_x allowances to CAIR NO_x opt-in sources as follows:

(1) When the CAIR opt-in permit is issued under subsection (f)(7), the department shall allocate CAIR NO_x allowances to the CAIR NO_x opt-in unit, and submit to the U.S. EPA the allocation for the control period in which a CAIR NO_x opt-in unit enters the CAIR NO_x annual trading program under subsection (f)(9), in accordance with subdivision (3) or (4).

(2) By not later than October 31 of the control period in which a CAIR NO_x opt-in unit enters the CAIR NO_x annual trading program under subsection (f)(9) and October 31 of each year thereafter, the department shall allocate CAIR NO_x allowances to the CAIR NO_x opt-in unit, and submit to the U.S. EPA the allocation for the control period that includes such submission deadline and in which the unit is a CAIR NO_x opt-in unit, in accordance with subdivision (3) or (4).

(3) For each control period for which a CAIR NO_x opt-in unit is to be allocated CAIR NO_x allowances, the department shall allocate in accordance with the following procedures:

(A) The heat input, in million British thermal units (MMBtu), used for calculating the CAIR NO_x allowance allocation shall be the lesser of the following:

(i) The CAIR NO_x opt-in unit's baseline heat input determined under subsection (f)(9).

(ii) The CAIR NO_x opt-in unit's heat input, as determined in accordance with section 11 of this rule, for the immediately prior control period, except when the allocation is being calculated for the control period in which the CAIR NO_x opt-in unit enters the CAIR NO_x annual trading program under subsection (f)(9).

(B) The NO_x emission rate, in million British thermal units (MMBtu), used for calculating CAIR NO_x allowance allocations shall be the lesser of the following:

(i) The CAIR NO_x opt-in unit's baseline NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6) and multiplied by seventy percent (70%).

(ii) The most stringent state or federal NO_x emissions limitation applicable to the CAIR NO_x opt-in unit at any time during the control period for which CAIR NO_x allowances are to be allocated.

(C) The department shall allocate CAIR NO_x allowances to the CAIR NO_x opt-in unit in an amount equaling the heat input under clause (A), multiplied by the NO_x emission rate under clause (B), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(4) Notwithstanding subdivision (3), if the CAIR designated representative requests, and if the department issues a CAIR opt-in permit providing for, allocation to a CAIR NO_x opt-in unit of CAIR NO_x allowances under this subdivision, subject to the conditions in subsections (f)(10) and (h), the department shall allocate to the CAIR NO_x opt-in unit as follows:

(A) For each control period in 2009 through 2014 the CAIR NO_x opt-in unit is to be allocated CAIR NO_x allowances as follows:

(i) The heat input, in million British thermal units (MMBtu), used for calculating CAIR NO_x allowance allocations shall be determined as described in subdivision (3)(A).

(ii) The NO_x emission rate, in pounds per million British thermal units (lb/MMBtu), used for calculating CAIR NO_x allowance allocations shall be the lesser of the following:

(AA) The CAIR NO_x opt-in unit's baseline NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6).

(BB) The most stringent state or federal NO_x emissions limitation applicable to the CAIR NO_x opt-in unit at any time during the control period in which the CAIR NO_x opt-in unit enters the CAIR NO_x annual trading program under subsection (f)(9).

(iii) The department shall allocate CAIR NO_x allowances to the CAIR NO_x opt-in unit in an amount equal to the heat input under item (i), multiplied by the NO_x emission rate under item (ii), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(B) For each control period in 2015 and thereafter the CAIR NO_x opt-in unit is to be allocated CAIR NO_x allowances as follows:

(i) The heat input, in million British thermal units (MMBtu), used for calculating the CAIR NO_x allowance allocations shall be determined as described in subdivision (3)(A).

(ii) The NO_x emission rate, in pounds per million British thermal units (lb/MMBtu), used for calculating the CAIR NO_x allowance allocation shall be the lesser of the following:

(AA) Fifteen-hundredths (0.15) pounds per million British thermal units (lb/MMBtu).

(BB) The CAIR NO_x opt-in unit's baseline NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6).

(CC) The most stringent state or federal NO_x emissions limitation applicable to the CAIR NO_x opt-in unit at any time during the control period for which CAIR NO_x allowances are to be allocated.

(iii) The department shall allocate CAIR NO_x allowances to the CAIR NO_x opt-in unit in an amount equaling the heat input item (i), multiplied by the NO_x emission rate under item (ii), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(5) The U.S. EPA will record, in the compliance account of the source that includes the CAIR NO_x opt-in unit, the CAIR NO_x allowances allocated by the department to the CAIR NO_x opt-in unit under subdivision (1).

(6) By December 1 of the control period in which a CAIR NO_x opt-in unit enters the CAIR NO_x annual trading program under subsection (f)(9) and December 1 of each year thereafter, the U.S. EPA will record, in the compliance

account of the source that includes the CAIR NO_x opt-in unit, the CAIR NO_x allowances allocated by the department to the CAIR NO_x opt-in unit under subdivision (2).

***These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204.** *(Air Pollution Control Board; 326 IAC 24-1-12)*

Rule 2. Clean Air Interstate Rule (CAIR) Sulfur Dioxide Trading Program

326 IAC 24-2-11 CAIR SO_2 opt-in units

Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11
Affected: IC 13-15; IC 13-17

Sec. 11. (a) A CAIR SO_2 opt-in unit must be a unit that meets the following requirements:
(1) Is located in Indiana.
(2) Is not a CAIR SO_2 unit under section 1 of this rule and is not covered by a retired unit exemption that is in effect under section 3 of this rule.
(3) Is not covered by a retired unit exemption that is in effect under 40 CFR 72.8* and is not an opt-in source under 40 CFR 74*.
(4) Has or is required or qualified to have a Part 70 operating permit or other federally enforceable permit.
(5) Vents all of its SO_2 emissions to a stack and can meet the monitoring, record keeping, and reporting requirements of section 10 of this rule.

(b) Except as otherwise provided sections 1, 2, 4 through 7, and 8 through 10 of this rule, a CAIR SO_2 opt-in unit shall be treated as a CAIR SO_2 unit for purposes of applying such sections of this rule.

(c) Solely for purposes of applying, as provided in this section, the requirements of section 10 to a unit for which a CAIR opt-in permit application is submitted and not withdrawn and a CAIR opt-in permit is not yet issued or denied under this section, such unit shall be treated as a CAIR SO_2 unit before issuance of a CAIR opt-in permit for such unit.

(d) Any CAIR SO_2 opt-in unit, and any unit for which a CAIR opt-in permit application is submitted and not withdrawn and a CAIR opt-in permit is not yet issued or denied under this section, located at the same source as one (1) or more CAIR SO_2 units shall have the same CAIR designated representative and alternate CAIR designated representative as such CAIR SO_2 units.

(e) The CAIR designated representative of a unit meeting the requirements for a CAIR SO_2 opt-in unit in subsection (a) may apply for an initial CAIR opt-in permit at any time, except as provided under subsection (h)(8) and (h)(9), and, in order to apply, must submit the following:
(1) A complete CAIR permit application under section 7(c) of this rule.
(2) A certification, in a format specified by the department, that the unit:
(A) is not a CAIR SO_2 unit under section 1 of this rule and is not covered by a retired unit exemption that is in effect under section 3 of this rule;
(B) is not covered by a retired unit exemption that is in effect under 40 CFR 72.8*;

(C) is not and, so long as the unit is a CAIR SO_2 opt-in unit, shall not become, an opt-in source under 40 CFR 74*;

(D) vents all of its SO_2 emissions to a stack; and

(E) has documented heat input for more than eight hundred seventy-six (876) hours during the six (6) months immediately preceding submission of the CAIR permit application under section 7(c) of this rule.

(3) A monitoring plan in accordance with section 10 of this rule.

(4) A complete certificate of representation under section 6(h) of this rule consistent with subsection (d), if no CAIR designated representative has been previously designated for the source that includes the unit.

(5) A statement, in a format specified by the department, whether the CAIR designated representative requests that the unit be allocated CAIR SO_2 allowances under subsection (j)(3) or (j)(4), subject to the conditions in subsections (f)(10) and (h)(8). If allocation under subsection (j)(4) is requested, this statement shall include a statement that the owners and operators of the unit intend to repower the unit before January 1, 2015, and that they will provide, upon request, documentation demonstrating such intent.

The CAIR designated representative of a CAIR SO_2 opt-in unit shall submit a complete CAIR permit application under section 7(c) of this rule to renew the CAIR opt-in unit permit in accordance with the department's regulations for Part 70 operating permits. Unless the department issues a notification of acceptance of withdrawal of the CAIR SO_2 opt-in unit from the CAIR SO_2 trading program in accordance with subsection (h) or the unit becomes a CAIR SO_2 unit under section 1 of this rule, the CAIR SO_2 opt-in unit shall remain subject to the requirements for a CAIR SO_2 opt-in unit, even if the CAIR designated representative for the CAIR SO_2 opt-in unit fails to submit a CAIR permit application that is required for renewal of the CAIR opt-in permit.

(f) The department shall issue or deny a CAIR opt-in permit for a unit for which an initial application for a CAIR opt-in permit under subsection (e) is submitted in accordance with the following:

(1) The department and the U.S. EPA will determine, on an interim basis, the sufficiency of the monitoring plan accompanying the initial application for a CAIR opt-in permit under subsection (e). A monitoring plan is sufficient, for purposes of interim review, if the plan appears to contain information demonstrating that the SO_2 emissions rate and heat input and all other applicable parameters of the unit and all other applicable parameters are monitored and reported in accordance with section 10 of this rule. A determination of sufficiency shall not be construed as acceptance or approval of the monitoring plan.

(2) If the department and the U.S. EPA determine that the monitoring plan is sufficient under subdivision (1), the owner or operator shall monitor and report the SO_2 emissions rate and the heat input of the unit and all other applicable parameters, in accordance with section 10 of this rule, starting on the date of certification of the appropriate monitoring systems under section 10 of this rule and continuing until a CAIR opt-in permit is denied under subdivision (8) or, if a CAIR opt-in permit is issued, the date and time when the unit is withdrawn from the CAIR SO_2 trading program in accordance with subsection (h).

(3) The monitoring and reporting under subdivision (2) shall include the entire control period immediately before the date on which the unit enters the CAIR SO_2 trading program under subdivision (9), during which period monitoring system availability must not be less than ninety percent (90%) under section 10 of this rule and the unit must be in full compliance with any applicable state or federal emissions or emissions-related requirements.

(4) To the extent the SO_2 emissions rate and the heat input of the unit are monitored and reported in accordance with section 10 of this rule for one (1) or more control periods, in addition to the control period under subdivision (3), during which control periods monitoring system availability is not less than ninety percent (90%) under section 10 of this rule and the unit is in full compliance with any applicable state or federal emissions or emissions-related requirements and which control periods begin not more than three (3) years before the unit enters the CAIR SO_2 trading program under subdivision (9), such information shall be used as provided in subdivisions (5) and (6).

(5) The unit's baseline heat rate shall equal:

(A) if the unit's SO_2 emissions rate and heat input are monitored and reported for only one (1) control period, in accordance with subdivisions (2) and (3), the unit's total heat input, in million British thermal units (MMBtu), for the control period; or

(B) if the unit's SO_2 emissions rate and heat input are monitored and reported for more than one (1) control period, in accordance with subdivisions (2) through (4), the average of the amounts of the unit's total heat input, in million British thermal units (MMBtu), for the control periods under subdivisions (3) and (4).

(6) The unit's baseline SO_2 emission rate shall equal one (1) of the following:

(A) if the unit's SO_2 emissions rate and heat input are monitored and reported for only one (1) control period, in accordance with subdivisions (2) and (3), the unit's SO_2 emissions rate, in pounds per million British thermal units (lb/MMBtu), for the control period.

(B) if the unit's SO_2 emissions rate and heat input are monitored and reported for more than one (1) control period, in accordance with subdivisions (2) through (4), and the unit does not have add-on SO_2 emission controls during any such control periods, the average of the amounts of the unit's SO_2 emissions rate, in pounds per million British thermal units (lb/MMBtu), for the control periods under subdivisions (3) and (4).

(C) if the unit's SO_2 emissions rate and heat input are monitored and reported for more than one control period, in accordance with subdivisions (2) through (4), and the unit has add-on SO_2 emission controls during any such control periods, the average of the amounts of the unit's SO_2 emissions rate, in pounds per million British thermal units (lb/MMBtu), for such control periods during which the unit has add-on SO_2 emission controls.

(7) After calculating the baseline heat input and the baseline SO_2 emissions rate for the unit under subdivisions (5) and (6) and if the department determines that the CAIR designated representative shows that the unit meets the requirements for a CAIR SO_2 opt-in unit in subsection (a) and meets the elements certified in subsection (e)(2), the department shall issue a CAIR opt-in permit. The department shall provide a copy of the CAIR opt-in permit to the U.S. EPA, who will then establish a compliance account for the source that includes the CAIR SO_2 opt-in unit unless the source already has a compliance account.

(8) Notwithstanding subdivisions (1) through (7), if at any time before issuance of a CAIR opt-in permit for the unit, the department determines that the CAIR designated representative fails to show that the unit meets the requirements for a CAIR opt-in unit in subsection (a) or meets the elements certified in subsection (e)(2), the department shall issue a denial of a CAIR SO_2 opt-in permit for the unit.

(9) A unit for which an initial CAIR opt-in permit is issued by the department shall become a CAIR SO_2 opt-in unit, and a CAIR SO_2 unit, as of the later of January 1, 2010, or January 1 of the first control period during which such CAIR opt-in permit is issued.

(10) If the CAIR designated representative requests, and the department issues a CAIR opt-in permit providing for, allocation to a CAIR SO_2 opt-in unit of CAIR SO_2 allowances under subsection (j)(4) and such unit is repowered after its date of entry into the CAIR SO_2 trading program under subdivision (9), the repowered unit shall be treated as a CAIR SO_2 opt-in unit replacing the original CAIR SO_2 opt-in unit, as of the date of start-up of the repowered unit's combustion chamber.

Notwithstanding subdivisions (5) and (6), as of the date of start-up under subdivision (10), the repowered unit shall be deemed to have the same date of commencement of operation, date of commencement of commercial operation, baseline heat input, and baseline SO_2 emission rate as the original CAIR SO_2 opt-in unit, and the original CAIR SO_2 opt-in unit shall no longer be treated as a CAIR SO_2 opt-in unit or a CAIR SO_2 unit.

(g) The following shall apply to the content of each CAIR opt-in permit:

(1) Each opt-in permit shall contain the following:

(A) All elements required for a complete CAIR permit application under section 7(c) of this rule.

(B) The certification in subsection (e)(2).

(C) The unit's baseline heat input under subsection (f)(5).

(D) The unit's baseline SO_2 emission rate under subsection (f)(6).

(E) A statement whether the unit is to be allocated CAIR SO_2 allowances under subsection (j)(3) or (j)(4), subject to the conditions in subsections (f)(10) and (h)(8).

(F) A statement that the unit may withdraw from the CAIR SO_2 trading program only in accordance with subsection (h).

(G) A statement that the unit is subject to, and the owners and operators of the unit must comply with, the requirements of subsection (i).

(2) Each CAIR opt-in permit is deemed to incorporate automatically the definitions of terms under section 2 of this rule and, upon recordation by the U.S. EPA under this section and sections 8 and 9 of this rule, every allocation, transfer, or deduction of CAIR SO_2 allowances to or from the compliance account of the source that includes a CAIR

SO_2 opt-in unit covered by the CAIR opt-in permit.
(3) The CAIR opt-in permit shall be included, in a format specified by the department, in the CAIR permit for the sources where the CAIR SO2 opt-in is located and in a Part 70 operating permit or FESOP.

(h) The following requirements must be satisfied in order to withdraw an opt-in unit from the CAIR SO_2 trading program:

(1) Except as provided under subdivision (8), a CAIR SO_2 opt-in unit may withdraw from the CAIR SO_2 trading program, but only if the department issues a notification to the CAIR designated representative of the CAIR SO_2 opt-in unit of the acceptance of the withdrawal of the CAIR SO_2 opt-in unit in accordance with subdivision (6).
(2) In order to withdraw a CAIR SO_2 opt-in unit from the CAIR SO_2 trading program, the CAIR designated representative of the CAIR SO_2 opt-in unit shall submit to the department a request to withdraw effective as of midnight of December 31 of a specified calendar year, which date must be at least four (4) years after December 31 of the year of entry into the CAIR SO_2 trading program under subsection (f)(9). The request must be submitted not later than ninety (90) days before the requested effective date of withdrawal.
(3) Before a CAIR SO_2 opt-in unit covered by a request under subdivision (1) may withdraw from the CAIR SO_2 trading program and the CAIR opt-in permit may be terminated under subdivision (7), the following conditions must be met:

(A) For the control period ending on the date on which the withdrawal is to be effective, the source that includes the CAIR SO_2 opt-in unit must meet the requirement to hold CAIR SO_2 allowances under section 4(c) of this rule and cannot have any excess emissions.
(B) After the requirement for withdrawal under clause (A) is met, the U.S. EPA will deduct from the compliance account of the source that includes the CAIR SO_2 opt-in unit CAIR SO_2 allowances equal in amount to and allocated for the same or a prior control period as any CAIR SO_2 allowances allocated to the CAIR SO_2 opt-in unit under subsection (j) for any control period for which the withdrawal is to be effective. If there are no remaining CAIR SO_2 units at the source, the U.S. EPA will close the compliance account, and the owners and operators of the CAIR SO_2 opt-in unit may submit a CAIR SO_2 allowance transfer for any remaining CAIR SO_2 allowances to another CAIR SO_2 allowance tracking system in accordance with section 9 of this rule.

(4) After the requirements for withdrawal under subdivisions (2) and (3) are met, including deduction of the full amount of CAIR SO_2 allowances required, the department shall issue a notification to the CAIR designated representative of the CAIR SO_2 opt-in unit of the acceptance of the withdrawal of the CAIR SO_2 opt-in unit as of midnight on December 31 of the calendar year for which the withdrawal was requested.
(5) If the requirements for withdrawal under subdivisions (2) and (3) are not met, the department shall issue a notification to the CAIR designated representative of the CAIR SO_2 opt-in unit that the CAIR SO_2 opt-in unit's request to withdraw is denied. Such CAIR SO_2 opt-in unit shall continue to be a CAIR SO_2 opt-in unit.
(6) After the department issues a notification under subdivision (4) that the requirements for withdrawal have been met, the department shall revise the CAIR permit covering the CAIR SO_2 opt-in unit to terminate the CAIR opt-in permit for such unit as of the effective date specified under subdivision (4). The unit shall continue to be a CAIR SO_2 opt-in unit until the effective date of the termination and shall comply with all requirements under the CAIR SO_2 trading program concerning any control periods for which the unit is a CAIR SO_2 opt-in unit, even if such requirements arise or must be complied with after the withdrawal takes effect.
(7) If the department denies the CAIR SO_2 opt-in unit's request to withdraw, the CAIR designated representative may submit another request to withdraw in accordance with subdivisions (2) and (3).
(8) Notwithstanding subdivisions (1) through (7), a CAIR SO_2 opt-in unit shall not be eligible to withdraw from the CAIR SO_2 trading program if the CAIR designated representative of the CAIR SO_2 opt-in unit requests, and the department issues a CAIR SO_2 opt-in permit providing for, allocation to the CAIR SO_2 opt-in unit of CAIR SO_2 allowances under subsection (j)(4).
(9) Once a CAIR SO_2 opt-in unit withdraws from the CAIR SO_2 trading program and its CAIR opt-in permit is terminated under this section, the CAIR designated representative may not submit another application for a CAIR opt-in permit under subsection (e) for such CAIR SO_2 opt-in unit before the date that is four (4) years after the date on which the withdrawal became effective. Such new application for a CAIR opt-in permit shall be treated as an initial application for a CAIR opt-in permit under subsection (f).

(i) When a CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule, then the CAIR designated representative shall notify in writing the department and the U.S. EPA of such change in the CAIR SO_2 opt-in unit's regulatory status, within thirty (30) days of such change. If there is a change in the regulatory status, the department and the U.S. EPA will take the following actions concerning the CAIR SO_2 opt-in source:

(1) When the CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule, the department shall revise the CAIR SO_2 opt-in unit's CAIR opt-in permit to meet the requirements of a CAIR permit under section 7(d) and (7)(e) of this rule, and remove the CAIR opt-in provisions, as of the date on which the CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule.

(2) The U.S. EPA will deduct from the compliance account of the source that includes the CAIR SO_2 opt-in unit that becomes a CAIR SO_2 unit under section 1 of this rule, CAIR SO_2 allowances equal in amount to and allocated for the same or a prior control period as follows:

(A) Any CAIR SO_2 allowances allocated to the CAIR SO_2 opt-in unit under subsection (j) for any control period after the date on which the CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule.

(B) If the date on which the CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule is not December 31, the CAIR SO_2 allowances allocated to the CAIR SO_2 opt-in unit under subsection (j) for the control period that includes the date on which the CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule, multiplied by the ratio of the number of days, in the control period, starting with the date on which the CAIR SO_2 opt-in unit becomes a CAIR SO_2 unit under section 1 of this rule divided by the total number of days in the control period and rounded to the nearest whole allowance as appropriate.

(3) The CAIR designated representative shall ensure that the compliance account of the source that includes the CAIR SO_2 unit that becomes a CAIR SO_2 unit under section 1 of this rule contains the CAIR SO_2 allowances necessary for completion of the deduction under subdivision (2).

(j) The department shall allocate CAIR SO_2 allowances to CAIR SO_2 opt-in sources as follows:

(1) When the CAIR opt-in permit is issued under subsection (f)(7), the department shall allocate CAIR SO_2 allowances to the CAIR SO_2 opt-in unit, and submit to the U.S. EPA the allocation for the control period in which a CAIR SO_2 opt-in unit enters the CAIR SO_2 trading program under subsection (f)(9), in accordance with subdivision (3) or (4).

(2) By not later than October 31 of the control period in which a CAIR SO_2 opt-in unit enters the CAIR SO_2 trading program under subsection (f)(9) and October 31 of each year thereafter, the department shall allocate CAIR SO_2 allowances to the CAIR SO_2 opt-in unit, and submit to the U.S. EPA the allocation for the control period that includes such submission deadline and in which the unit is a CAIR SO_2 opt-in unit, in accordance with subdivision (3) or (4).

(3) For each control period for which a CAIR SO_2 opt-in unit is to be allocated CAIR SO_2 allowances, the department shall allocate in accordance with the following procedures:

(A) The heat input, in million British thermal units (MMBtu), used for calculating the CAIR SO_2 allowance allocation shall be the lesser of the following:

(i) The CAIR SO_2 opt-in unit's baseline heat input determined under subsection (f)(5).

(ii) The CAIR SO_2 opt-in unit's heat input, as determined in accordance with section 10 of this rule, for the immediately prior control period, except when the allocation is being calculated for the control period in which the CAIR SO_2 opt-in unit enters the CAIR SO_2 trading program under subsection (f)(9).

(B) The SO_2 emission rate, in million British thermal units (MMBtu), used for calculating CAIR SO_2 allowance allocations shall be the lesser of the following:

(i) The CAIR SO_2 opt-in unit's baseline SO_2 emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6) and multiplied by seventy percent (70%).

(ii) The most stringent state or federal SO_2 emissions limitation applicable to the CAIR SO_2 opt-in unit at any time during the control period for which CAIR SO_2 allowances are to be allocated.

(C) The department shall allocate CAIR SO_2 allowances to the CAIR SO_2 opt-in unit in an amount equaling the heat input under clause (A), multiplied by the SO_2 emission rate under clause (B), divided by two

thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(4) Notwithstanding subdivision (3) and if the CAIR designated representative requests, and the department issues a CAIR opt-in permit providing for, allocation to a CAIR SO_2 opt-in unit of CAIR SO_2 allowances under this subdivision, subject to the conditions in subsections (f)(10) and (h), the department shall allocate to the CAIR SO_2 opt-in unit as follows:

(A) For each control period in 2010 through 2014 for which the CAIR SO_2 opt-in unit is to be allocated CAIR SO_2 allowances as follows:

(i) The heat input, in million British thermal units (MMBtu), used for calculating CAIR SO_2 allowance allocations shall be determined as described in subdivision (3)(A).

(ii) The SO_2 emission rate, in pounds per million British thermal units (lb/MMBtu), used for calculating CAIR SO_2 allowance allocations shall be the lesser of:

(AA) the CAIR SO_2 opt-in unit's baseline SO_2 emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6); or

(BB) the most stringent state or federal SO_2 emissions limitation applicable to the CAIR SO_2 opt-in unit at any time during the control period in which the CAIR SO_2 opt-in unit enters the CAIR SO_2 trading program under subsection (f)(9).

(iii) The department shall allocate CAIR SO_2 allowances to the CAIR SO_2 opt-in unit in an amount equaling the heat input under item (i), multiplied by the SO_2 emission rate under item (ii), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(B) For each control period in 2015 and thereafter for which the CAIR SO_2 opt-in unit is to be allocated CAIR SO_2 allowances as follows:

(i) The heat input, in million British thermal units (MMBtu), used for calculating the CAIR SO_2 allowance allocations shall be determined as described in subdivision (3)(A).

(ii) The SO_2 emission rate, in pounds per million British thermal units (lb/MMBtu), used for calculating the CAIR SO_2 allowance allocation shall be the lesser of:

(AA) the CAIR SO_2 opt-in unit's baseline $SO_{2\ X}$ emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6) multiplied by ten percent (10%); or

(BB) the most stringent state or federal SO_2 emissions limitation applicable to the CAIR SO_2 opt-in unit at any time during the control period for which CAIR SO_2 allowances are to be allocated.

(iii) The department shall allocate CAIR SO_2 allowances to the CAIR SO_2 opt-in unit in an amount equaling the heat input item (i), multiplied by the SO_2 emission rate under clause (B)(ii), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(5) The U.S. EPA will record, in the compliance account of the source that includes the CAIR SO_2 opt-in unit, the CAIR SO_2 allowances allocated by the department to the CAIR SO_2 opt-in unit under subdivision (1).

(6) By December 1 of the control period in which a CAIR SO_2 opt-in unit enters the CAIR SO_2 trading program under subsection (f)(9) and December 1 of each year thereafter, the U.S. EPA will record, in the compliance account of the source that includes the CAIR SO_2 opt-in unit, the CAIR SO_2 allowances allocated by the department to the CAIR SO_2 opt-in unit under subdivision (2).

*These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204. *(Air Pollution Control Board; 326 IAC 24-2-11)*

Rule 3. Clean Air Interstate Rule (CAIR) NO_x Ozone Season Trading Program

326 IAC 24-3-1 Applicability

Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11

Affected: IC 13-15; IC 13-17

Sec. 1. (a) This rule establishes a NO_x ozone season emissions budget and NO_x trading program for fossil-fuel-fired generating units and large affected units as described in this rule. The following units shall be CAIR NO_x ozone season units, and any source that includes one (1) or more such units shall be a CAIR NO_x ozone season source, and shall be subject to the requirements of this rule, except as provided in subsection (b):

(1) Any stationary, fossil-fuel-fired boiler or stationary, fossil-fuel-fired combustion turbine serving at any time, since the later of November 15, 1990 or the start-up of the unit's combustion chamber, a generator with nameplate capacity of more than twenty-five (25) megawatt electrical producing electricity for sale.

(2) Any large affected unit as defined in section 2 of this rule.

(3) If a stationary boiler or stationary combustion turbine that, under subdivision (1), is not a CAIR NO_x ozone season unit begins to combust fossil fuel or to serve a generator with nameplate capacity of more than twenty-five (25) megawatt electrical producing electricity for sale, the unit shall become a CAIR NO_x ozone season unit as provided in subdivision (1) on the first date on which it both combusts fossil fuel and serves such generator.

(b) Units that meet the requirements set forth in subdivision (1), (2), or (3) shall not be CAIR NO_x ozone season units as follows:

(1) Any unit that is a CAIR NO_x ozone season unit under subsection (a):

(A) qualifying as a cogeneration unit during the twelve (12) month period starting on the date the unit first produces electricity and continuing to qualify as a cogeneration unit; and

(B) not serving at any time, since the later of November 15, 1990, or the start-up of the unit's combustion chamber, a generator with nameplate capacity of more than twenty-five (25) megawatt electrical supplying in any calendar year more than one-third (1/3) of the unit's potential electric output capacity or two hundred nineteen thousand (219,000) megawatt hours, whichever is greater, to any utility power distribution system for sale.

If a unit qualifies as a cogeneration unit during the twelve (12) month period starting on the date the unit first produces electricity and meets the requirements of this subdivision for at least one (1) calendar year, but subsequently no longer meets all such requirements, the unit shall become a CAIR NO_x ozone season unit starting on the earlier of January 1 after the first calendar year during which the unit no longer qualifies as a cogeneration unit or January 1 after the first calendar year during which the unit no longer meets the requirements of clause (B).

(2) Any unit that is a CAIR NO_x ozone season unit under subsection (a) commencing operation before January 1, 1985:

(A) qualifying as a solid waste incineration unit; and

(B) with an average annual fuel consumption of nonfossil fuel for 1985-1987 exceeding eighty percent (80%), on a British thermal units basis, and an average annual fuel consumption of nonfossil fuel for any three (3) consecutive calendar years after 1990 exceeding eighty percent (80%), on a British thermal units basis.

(3) Any unit that is a CAIR NO_x ozone season unit under subsection (a) commencing operation on or after January 1, 1985:

(A) qualifying as a solid waste incineration unit; and

(B) with an average annual fuel consumption of nonfossil fuel for the first three (3) calendar years of operation exceeding eighty percent (80%), on a British thermal units basis, and an average annual fuel consumption of nonfossil fuel for any three (3) consecutive calendar years after 1990 exceeding eighty percent (80%), on a British thermal units basis.

(4) If the unit qualifies as a solid waste incineration unit and meets the requirements of subdivision (2) or (3) for at least three (3) consecutive calendar years, but subsequently no longer meets all such requirements, the unit shall become a CAIR NO_x ozone season unit starting on the earlier of January 1 after the first calendar year during which the unit first no longer qualifies as a solid waste incineration unit or January 1 after the first three (3) consecutive calendar years after 1990 for which the unit has an average annual fuel consumption of fossil fuel of twenty percent (20%) or more.

(Air Pollution Control Board; 326 IAC 24-3-1)

26 IAC 24-3-2 Definitions

Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11
Affected: IC 13-11-2; IC 13-15; IC 13-17

Sec. 2.

(38) "Energy efficiency or renewable energy projects" means any of the following implemented in Indiana:

(A) End-use energy efficiency projects, including demand-side management programs.

(B) Highly efficient electricity or steam generation for the predominant use of a single end user, such as combined cycle, combined heat and power, microturbines, and fuel cell systems. In order to be considered as highly efficient electricity generation under this clause, combined cycle, combined heat and power, microturbines, and fuel cell generating systems must meet or exceed the following thresholds:

(i) For combined heat and power projects generating both electricity and thermal energy for space, water, or industrial process heat, rated energy efficiency of sixty percent (60%).

(ii) For microturbine projects rated at or below five hundred (500) kilowatts generating capacity, rated energy efficiency of forty percent (40%).

(iii) For combined cycle projects rated at greater than five hundred (500) kilowatts, rated energy efficiency of fifty percent (50%).

(iv) For fuel cell systems, rated energy efficiency of forty percent (40%), whether or not the fuel cell system is part of a combined heat and power energy system.

(C) Zero-emission renewable energy projects, including wind, photovoltaic, solar, and hydropower projects. Eligible hydropower projects are restricted to systems employing a head of ten (10) feet or less or systems employing a head greater than ten (10) feet that make use of a dam that existed before September 16, 2001.

(D) Energy efficiency projects generating electricity through the capture of methane gas from municipal solid waste landfills, water treatment plants, sewage treatment plants, or anaerobic digestion systems operating on animal or plant wastes.

(E) The installation of highly efficient electricity generation equipment for the sale of power where such equipment replaces or displaces retired electrical generating units. In order to be considered as highly efficient under this clause, generation equipment must meet or exceed the following energy efficiency thresholds:

(i) For coal-fired electrical generation units, rated energy efficiency of forty-two percent (42%).

(ii) For natural gas-fired electrical generating units, rated energy efficiency of fifty percent (50%).

(F) Improvements to existing fossil fuel-fired electrical generation units that increase the efficiency of the unit and decrease the heat rate used to generate electricity, including gas reburning projects that reduce NO_x emissions.

(G) The installation of integrated gasification combined cycle equipment producing electricity for sale.

(H) Renewable energy projects that displace some portion of the combustion of coal, natural gas, or oil through the use of solar energy or methane from landfills, water treatment plants, sewage treatment plants, or anaerobic digestion systems on animal or plant wastes and reduce NO_x emissions.

Energy efficiency or renewable energy projects do not include nuclear power projects. This definition is solely for the purposes of implementing this rule and does not apply in other contexts.

(49) "Large affected unit" means the following:

(A) For units other than cogeneration units commencing operation, the following:

(i) Before January 1, 1997, a unit that has a maximum design heat input greater than two hundred fifty million (250,000,000) Btus per hour and that did not serve during 1995 or 1996 a generator producing electricity for sale under a firm contract to the electric grid.

(ii) On or after January 1, 1997, and before January 1, 1999, a unit that has a maximum design heat input greater than two hundred fifty million (250,000,000) Btus per hour and that did not serve during 1997 or 1998 a generator producing electricity for sale under a firm contract to the electric grid.

(iii) On or after January 1, 1999, a unit with a maximum design heat input greater than two hundred fifty million (250,000,000) Btus per hour that:

(AA) at no time serves a generator producing electricity for sale; or

(BB) at any time serves a generator producing electricity for sale, if any such generator has a nameplate capacity of twenty-five (25) megawatt electrical or less and has the potential to use no more than fifty percent (50%) of the potential electrical output capacity of the unit.

(B) For cogeneration units commencing operation, the following:

(i) Before January 1, 1997, a unit with a maximum design heat input greater than two hundred fifty million (250,000,000) Btus per hour and qualifying as an unaffected unit under the acid rain program for 1995 and 1996.

(ii) In 1997 or 1998, a unit with a maximum design heat input greater than two hundred fifty million (250,000,000) Btus per hour and qualifying as an unaffected unit under the acid rain program for 1997 and 1998.

(iii) On or after January 1, 1999, a unit with a maximum design heat input greater than two hundred fifty million (250,000,000) Btus per hour and qualifying as an unaffected unit under the acid rain program for each year.

The term does not include a unit subject to 326 IAC 10-3.

(61) "Rated energy efficiency" means the percentage of gross energy input that is recovered as useable net energy output in the form of electricity or thermal energy, or both, that is used for heating, cooling, industrial processes, or other beneficial uses as follows:

(A) For electric generators, rated energy efficiency is calculated as one (1) net kilowatt hour (three thousand four hundred twelve (3,412) British thermal units) of electricity divided by the unit's design heat rate using the higher heating value of the fuel.

(B) For combined heat and power projects, rated energy efficiency is calculated using the following formula:

$$Eff\% = (NEO + UTO)/GEI$$

Where:	**Eff%**	=	**Rated energy efficiency.**
	NEO	=	**Net electrical output of the system converted to British thermal units per unit of time.**
	UTO	=	**Utilized thermal output or the energy value in British thermal units of thermal energy from the system that is used for heating, cooling, industrial processes, or other beneficial uses, per unit of time.**
	GEI	=	**Gross energy input, based upon the higher heating value of fuel, per unit of time.**

***These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204.** *(Air Pollution Control Board; 326 IAC 24-3-2)*

326 IAC 24-3-8 CAIR NO_x ozone season allowance allocations

Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11

Affected: IC 13-15; IC 13-17

Sec. 8. (a) The NO_x ozone season trading program budget allocated by the department under subsections (d) through (j) for each control period shall equal the total number of CAIR NO_x ozone season allowances apportioned to the CAIR NO_x ozone season units under section 1 of this rule for the control period, as determined by the procedures in this section. The total number of CAIR NO_x ozone season allowances that are available for each control period for allocation as CAIR NO_x ozone season allowances under this rule are fifty-five thousand seven hundred twenty-nine (55,729) tons in 2009 through 2014, and forty-nine thousand fifty (49,050) tons in 2015 and thereafter, apportioned as follows:

(1) For existing units (that is, units that have a baseline heat input, as determined under subsections (c) and (d)):

(A) forty-three thousand six hundred fifty-four (43,654) tons in 2009 through 2014 and thirty-eight thousand ninety-five (38,095) tons in 2015 and thereafter for CAIR NO_x ozone season units under section 1(a)(1) of this rule; and

(B) eight thousand five hundred sixty-four (8,564) tons in 2009 and eight thousand seven hundred twenty-seven (8,727) for large affected units under section 1(a)(2) of this rule for a control period during 2010 and thereafter.

(2) For new unit allocation set-asides:

(A) two thousand two hundred ninety-eight (2,298) tons in 2009 through 2014 and one thousand one hundred seventy-eight (1,178) tons in 2015 and thereafter for CAIR NO_x ozone season units under section 1(a)(1) of this rule; and

(B) ninety-eight (98) tons in 2009 and four hundred (400) tons in 2010 and thereafter for large affected units under section 1(a)(2) of this rule.

(3) For the energy efficiency and renewable energy allocation set-aside, one thousand one hundred fifteen (1,115) tons in 2009 and five hundred (500) tons in 2010 and thereafter.

(4) For a hardship set-aside for large affected units under section 1(a)(2) of this rule, one hundred fifty (150) tons in 2010 and thereafter.

(b) The department shall allocate CAIR NO_x ozone season allowances to CAIR NO_x ozone season units according to the following schedule:

(1) For CAIR NO_x ozone season units under section 1(a)(1) and large affected units under 1(a)(2) of this rule, an initial five (5) year allocation and then a six (6) year allocation that is recorded six (6) years in advance of the control period that the allowances may be used as follows:

(A) Within thirty (30) days of the effective date of this rule, the department shall submit to the U.S. EPA the CAIR NO_x ozone season allowance allocations, in a format prescribed by the U.S. EPA and in accordance with subsections (c), (d), and (e) for the control periods in 2010, 2011, 2012, 2013, and 2014.

(B) By October 31, 2008, and October 31 every six (6) years thereafter, the department shall submit to the U.S. EPA the CAIR NO_x ozone season allowance allocations, in a format prescribed by the U.S. EPA and in accordance with subsections (c), (d), and (e), for the control periods seven (7), eight (8), nine (9), ten (10), eleven (11), and twelve (12) years after the year of the allowance allocation.

(C) By July 31, 2009 and July 31 of each year thereafter, the department shall submit to the U.S. EPA the CAIR NO_x ozone season allowance allocations, in a format prescribed by the U.S. EPA and in accordance with subsections (f) through (h), for the control period in the year of the applicable deadline for submission under this rule.

(D) For the 2009 control period, the CAIR NO_x ozone season allowances are the 2009 ozone season allowances issued under 326 IAC 10-4-9 that have been recorded by U.S. EPA as of the effective date of this rule.

(2) The department shall make available for review to the public the CAIR NO_x allowance allocations under subdivision (1)(B) on July 31 of each year allocations are made and shall provide a thirty (30) day opportunity for submission of objections to the CAIR NO_x allowance allocations. Objections shall be limited to addressing whether the CAIR NO_x allowance allocations are in accordance with this section. Based on any such objections, the department shall consider any objections and input from affected sources and, if appropriate, adjust each determination to the extent necessary to ensure that it is in accordance with this section.

(c) The baseline heat input, in million British thermal units (MMBtu), used with respect to CAIR NO_x ozone season allowance allocations under subsection (d) for each CAIR NO_x ozone season unit shall be:

(1) For units commencing operation before January 1, 2001:

(A) For a CAIR NO_x ozone season allowance allocation under subsection (b)(1)(A), the average of the three (3) highest amounts of the unit's adjusted control period heat input for 1998 through 2005, with the adjusted control period heat input for each year calculated as follows:

(i) If the unit is coal-fired during the year, the unit's control period heat input for such year is multiplied by one hundred percent (100%).

(ii) If the unit is oil-fired during the year, the unit's control period heat input for such year is multiplied by sixty percent (60%).

(iii) If the unit is not subject to item (i) or (ii), the unit's control period heat input for such year is multiplied by forty percent (40%).

(B) For a CAIR NO_x ozone season allowance allocation under subsection (b)(1)(B), the unit's average of the three (3) highest amounts of the unit's adjusted control period heat input for the eight (8) years before when the CAIR NO_x ozone season allocation is being calculated, with the adjusted control period heat input for each year calculated as follows:

(i) If the unit is coal-fired during the year, the unit's control period heat input for such year is multiplied by one hundred percent (100%).

(ii) If the unit is oil-fired during the year, the unit's control period heat input for such year is

multiplied by sixty percent (60%).

(iii) If the unit is not subject to item (i) or (ii), the unit's control period heat input for such year is multiplied by forty percent (40%).

(2) For units commencing operation on or after January 1, 2001, and operating each calendar year during a period of three (3) or more consecutive calendar years, the average of the three (3) highest amounts of the unit's total converted control period heat input for the years before when the CAIR NO_x ozone season allocation is being calculated, not to exceed eight (8).

(3) A unit's control period heat input, and a unit's status as coal-fired or not coal-fired, for a calendar year under subdivision (1), and a unit's total tons of NO_x ozone season emissions during a control period in a calendar year under subsection (e)(3), shall be determined in accordance with 40 CFR 75*, to the extent the unit was otherwise subject to the requirements of 40 CFR 75* for the year, or shall be based on the best available data reported to the department for the unit, to the extent the unit was not otherwise subject to the requirements of 40 CFR 75* for the year.

(4) A unit's converted control period heat input for a calendar year under subdivision (2) equals one (1) of the following:

(A) The control period gross electrical output of the generator or generators served by the unit multiplied by eight thousand nine hundred (8,900) British thermal units per kilowatt hour (Btu/kWh) for coal-fired units or seven thousand six hundred (7,600) British thermal units per kilowatt hour (Btu/kWh) for a unit that is not coal-fired divided by one million (1,000,000) British thermal units per million British thermal units (Btu/MMBtu), provided that if a generator is served by two (2) or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the year.

(B) For a unit that has equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy, the control period gross electrical output of the unit multiplied by eight thousand nine hundred (8,900) British thermal units per kilowatt hour (Btu/kWh) plus the useful energy, in British thermal units (Btu), produced during the control period divided by eight-tenths (0.8), and with the sum divided by one million (1,000,000) British thermal units per million British thermal units (Btu/MMBtu).

(d) The department shall allocate CAIR NO_x ozone season allowances to all CAIR NO_x ozone season units under section 1(a)(1) of this rule as follows:

(1) For the control period in 2009, the CAIR NO_x ozone season allowances are the 2009 ozone season allowances issued under 326 IAC 10-4-9 that have been recorded by U.S. EPA as of the effective date of this rule.

(2) For each control period in 2010 and thereafter, the department shall allocate to all CAIR NO_x ozone season units that have a baseline heat input, as determined under subsection (c), a total amount of CAIR NO_x ozone season allowances as listed in subsection (a)(1), except as provided in subsection (f).

(3) The department shall allocate CAIR NO_x ozone season allowances to each CAIR NO_x ozone season unit under this subsection, except large affected units, in an amount determined by multiplying the total amount of CAIR NO_x ozone season allowances allocated under this subsection by the ratio of the baseline heat input of such CAIR NO_x ozone season unit to the total amount of baseline heat input of all such CAIR NO_x ozone season units and rounding to the nearest whole allowance as appropriate.

(e) The department shall allocate CAIR NO_x ozone season allowances to each large affected unit under section 1(a)(2) of this rule as follows:

(1) For the control period in 2009, the CAIR NO_x ozone season allowances are the 2009 ozone season allowances issued under 326 IAC 10-4-9 that have been recorded by U.S. EPA as of the effective date of this rule.

(2) For the control period in 2010 and thereafter, a fixed CAIR NO_x ozone season allowance allocation to the following large affected units:

Source	Unit	Allowances
(A) American Electric Power-Rockport	Auxiliary Boiler 1	2
	Auxiliary Boiler 2	2
(B) Portside Energy	Auxiliary Boiler 1	50

Auxiliary Boiler 2	5
Combustion Turbine	34

(3) For the control period in 2010 and thereafter, all large affected units that commenced operation before January 1, 2001, and not identified in subdivision (2), CAIR ozone season NO_x allowances will be allocated as follows:

(A) The target NO_x emission rate for purposes of allowance allocation for all large affected units that commenced operation before January 1, 2001, shall be as follows:

Source	Target NO_x Emission Rate (lb NO_x/MMBtu)
(i) BP Whiting Business (units 1SPS13, 1SPS14, 1SPS15, 1SPS16, 1SPS17, 3SPS31, 3SPS32, 3SPS33, 3SPS34, 3SPS36)	0.184
(ii) C.C. Perry Steam (units 11, 13, 14)	0.17
(iii) C.C. Perry Steam (unit 12)	0.368
(iv) C.C. Perry Steam (units 15, 16)	0.240
(v) Mittal Steel Indiana Harbor (units 211, 212, 213, 401, 402, 403, 404, 405, 501, 502, 503)	0.17
(vi) New Energy (unit U400)	0.24
(vii) Purdue University (units 1, 2)	0.24
(viii) Purdue University (unit 3)	0.17
(ix) Purdue University (unit 5)	0.24
(x) U.S. Steel - Gary Works (units 701 B1, B2, B3)	0.09
(xi) U.S. Steel - Gary Works (units 701 B5)	0.08
(xii) U.S. Steel - Gary Works (units 701 B6)	0.05
(xiii) U.S. Steel - Gary Works (units 720 B1, B2, B3)	0.06
(xiv) Warrick (units 1, 2, 3)	0.28

(B) The maximum design heat input based NO_x rate allocation shall be the product of the design heat input (Design HI), in million British thermal units per hour (MMBtu/hr), multiplied by three thousand six hundred seventy-two (3,672) hours multiplied by the target NO_x emission rate in clause (A), in pounds per million British thermal units (lb/MMBtu), multiplied by fifty percent (50%), and divided by two thousand (2,000). The Design HI, in million British thermal units per hour (MMBtu/hr), shall be the value supplied to the U.S. EPA in the RT504 field of the quarterly electronic data report (EDR) as required in section 11 of this rule or equivalent quality assured and certified data.

(C) The actual heat input based NO_x rate allocation shall be the product of the actual control period heat input multiplied by the target NO_x emission rate in clause (A) divided by two thousand (2,000) where:

(i) the unit's actual control period heat input shall be determined using one hundred twenty percent (120%) of the highest actual control period heat input recorded in:

(AA) the years 2000 through 2005 for an allocation under subsection (b)(1)(A); and

(BB) the eight (8) years before the year the CAIR NO_x ozone season allocation is being calculated under subsection (b)(1)(B); and

(ii) actual control period heat input shall be based on the best available data for each control period reported in accordance with section 11 of this rule and 40 CFR Part 75* or for control periods prior to 2008 certified accurate by a responsible official in accordance with 326 IAC 2-7-4(f).

(D) The total ozone season CAIR NO_x allocation shall be the sum of the maximum design heat input based NO_x rate allocation and actual heat input based NO_x rate allocation.

(E) If the initial total number of NO_x allowances allocated to all large affected units for a control period under this subsection does not equal the amount under subsection (a)(1)(B), the department shall adjust the total number of NO_x allowances allocated to all large affected units for the control period under this subdivision so that the total number of NO_x allowances allocated equals the amount under subsection

(a)(1)(B) minus the allocations under subdivision (2). This adjustment shall be made by:

(i) multiplying each unit's allocation by the amount under subsection (a)(1)(B) minus the amounts allocated in subdivision (2); and

(ii) dividing by the total number of NO_x allowances allocated under this subdivision, and rounding to the nearest whole NO_x allowance, as appropriate.

(f) For each control period in 2009 and thereafter, the department shall allocate CAIR NO_x ozone season allowances to CAIR NO_x ozone season units under section 1(a)(1) of this rule that commenced operation on or after January 1, 2001 and do not yet have a baseline heat input, as determined under subsection (c), in accordance with the following procedures:

(1) For CAIR NO_x ozone season units under section 1(a)(1) of this rule, the department shall establish a separate new unit set-aside for each control period equal to two thousand two hundred ninety-eight (2,298) tons for a control period during 2009 through 2014 and one thousand one hundred seventy-eight (1,178) tons for a control period during 2015 and thereafter.

(2) The CAIR designated representative of such a CAIR NO_x ozone season unit may submit to the department a request, in a format specified by the department, to be allocated CAIR NO_x ozone season allowances, starting with the later of the control period in 2009 or the first control period after the control period in which the CAIR NO_x ozone season unit commences commercial operation and until the first control period for which the unit is allocated CAIR NO_x ozone season allowances under subsection (d). A separate CAIR NO_x ozone season allowance allocation request for each control period for which CAIR NO_x ozone season allowances are sought must be submitted on or before February 1 of such control period and after the date on which the CAIR NO_x ozone season unit commences commercial operation.

(3) In a CAIR NO_x ozone season allowance allocation request under subdivision (2), the CAIR designated representative may request for a control period CAIR NO_x ozone season allowances in an amount not exceeding the CAIR NO_x ozone season unit's total tons of NO_x ozone season emissions during the calendar year immediately before such control period.

(4) The department shall review each CAIR NO_x ozone season allowance allocation request under subdivision (2) and shall allocate CAIR NO_x ozone season allowances for each control period pursuant to such request as follows:

(A) The department shall accept an allowance allocation request only if the request meets, or is adjusted by the department as necessary to meet, the requirements of subdivisions (2) and (3).

(B) On or after February 1 of the control period, the department shall determine the sum of the CAIR NO_x ozone season allowances requested, as adjusted under clause (A), in all allowance allocation requests accepted under clause (A) for the control period.

(C) If the amount of CAIR NO_x ozone season allowances in the new unit set-aside for the control period is greater than or equal to the sum under clause (B), then the department shall allocate the amount of CAIR NO_x ozone season allowances requested, as adjusted under clause (A), to each CAIR NO_x ozone season unit covered by an allowance allocation request accepted under clause (A).

(D) If the amount of CAIR NO_x ozone season allowances in the new unit set-aside for the control period is less than the sum under clause (B), then the department shall allocate to each CAIR NO_x ozone season unit covered by an allowance allocation request accepted under clause (A) the amount of the CAIR NO_x ozone season allowances requested, as adjusted under clause (A), multiplied by the amount of CAIR NO_x ozone season allowances in the new unit set-aside for the control period, divided by the sum determined under clause (B), and rounded to the nearest whole allowance as appropriate.

(E) The department shall notify each CAIR designated representative that submitted an allowance allocation request of the amount of CAIR NO_x ozone season allowances, if any, allocated for the control period to the CAIR NO_x ozone season unit covered by the request and submit to U.S. EPA according to section (b)(3).

(g) For each control period in 2009 and thereafter, the department shall allocate CAIR NO_x ozone season allowances to large affected units under section 1(a)(2) of this rule that commenced operation on or after January 1, 2001 in accordance with the following procedures:

(1) For large affected units under section 1(a)(2) of this rule, the department shall establish a separate new unit set-aside for each control period equal to ninety-eight (98) tons in 2009 and four hundred (400) tons in 2010 and

thereafter.

(2) The CAIR designated representative of such a CAIR NO_x ozone season unit may submit to the department a request, in a format specified by the department, to be allocated CAIR NO_x ozone season allowances, starting with the later of the control period in 2009 or the first control period after the control period in which the CAIR NO_x ozone season unit commences commercial operation and until the first control period for which the unit is allocated CAIR NO_x ozone season allowances under subsection (e). A separate CAIR NO_x ozone season allowance allocation request for each control period for which CAIR NO_x allowances are sought must be submitted on or before February 1 of such control period and after the date on which the CAIR NO_x ozone season unit commences commercial operation.

(3) In a CAIR NO_x ozone season allowance allocation request under subdivision (2), the CAIR designated representative may request for a control period CAIR NO_x ozone season allowances in an amount not exceeding the following for determining the total ozone season CAIR NO_x allocation:

(A) The target NO_x emission rate for allowance allocation purposes for units that commence operation on or after January 1, 2001 shall be determined as the lesser of seventeen-hundredths (0.17) lb/MMBtu or the federally enforceable limit on NO_x emissions found in any applicable permit or rule for the emissions unit, except that a combined heat and power unit with an overall rated energy efficiency of sixty percent (60%) or higher may request allowances based on seventeen-hundredths (0.17) lb/MMBtu notwithstanding the allowable emission rate.

(B) The maximum design heat input based NO_x rate allocation shall be the product of the design heat input (Design HI), in million British thermal units per hour (MMBtu/hr), multiplied by three thousand six hundred seventy-two (3,672) hours multiplied by the target NO_x emission rate in clause (A), pound per million British thermal units per hour (lb/MMBtu), multiplied by fifty percent (50%), and divided by two thousand (2,000). The Design HI, in million British thermal units per hour (MMBtu/hr), shall be the value supplied to the U.S. EPA in the RT504 field of the quarterly electronic data report (EDR) as required in section 11 of this rule or equivalent quality assured and certified data.

(C) The actual heat input based NO_x rate allocation shall be the product of the actual control period heat input multiplied by the target NO_x emission rate in clause (A) divided by two thousand (2,000) where:

(i) the unit's actual control period heat input shall be determined using one hundred twenty percent (120%) of the highest actual control period heat input recorded in the calendar years, since the startup of the unit, immediately preceding the allocation year, not to exceed eight (8) years; and

(ii) actual control period heat input shall be based on the best available data for each control period reported in accordance with section 11 of this rule and 40 CFR Part 75*.

(D) The total ozone season CAIR NO_x allocation that may be requested shall be the sum of the maximum design heat input based NO_x rate allocation and actual heat input based NO_x rate allocation.

(4) The department shall review each CAIR NO_x ozone season allowance allocation request under subdivision (2) and shall allocate CAIR NO_x ozone season allowances for each control period pursuant to such request as follows:

(A) The department shall accept an allowance allocation request only if the request meets, or is adjusted by the department as necessary to meet, the requirements of subdivisions (2) and (3).

(B) On or after February 1 of the control period, the department shall determine the sum of the CAIR NO_x ozone season allowances requested, as adjusted under clause (A), in all allowance allocation requests accepted under clause (A) for the control period.

(C) If the amount of CAIR NO_x ozone season allowances in the new unit set-aside for the control period is greater than or equal to the sum under clause (B), then the department shall allocate the amount of CAIR NO_x ozone season allowances requested, as adjusted under clause (A), to each CAIR NO_x ozone season unit covered by an allowance allocation request accepted under clause (A).

(D) If the new unit set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), but the energy efficiency and renewable energy allocation set-aside or hardship set-aside for large affected units is under-subscribed, the department shall allocate the amount of the NO_x allowances requested with the difference allocated from the energy efficiency and renewable energy allocation or hardship set-aside.

(E) If the new unit set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), and the energy efficiency

and renewable energy allocation set-aside or hardship set-aside for large affected units is over-subscribed, the department shall allocate the allocation set-aside on a pro rata basis, multiplied by the amount of CAIR NO_x ozone season allowances in the new unit set-aside for the control period, divided by the sum determined under clause (B), and rounded to the nearest whole allowance as appropriate.

(F) The department shall notify each CAIR designated representative that submitted an allowance allocation request of the amount of CAIR NO_x ozone season allowances, if any, allocated for the control period to the CAIR NO_x ozone season unit covered by the request.

(5) Large affected units commencing operation after January 1, 2001, and allocated allowances under this subsection shall be eligible to receive allowances from the new unit set-aside until allocated allowances in accordance with the provisions of subsection (e). The inventory of sources in subsection (e) shall be updated prior to the allowance allocations in calendar year 2008 (for compliance years 2015-2020), in calendar year 2014 (for compliance years 2021-2026) and every six (6) years thereafter.

(h) If, after completion of the procedures under subsections (f), (g), and (i) for a control period, any unallocated CAIR NO_x ozone season allowances remain in a new unit set-aside for the control period, the department shall allocate to each CAIR NO_x ozone season unit that was allocated CAIR NO_x ozone season allowances under subsection (d) an amount of CAIR NO_x ozone season allowances equal to the following:

(1) For CAIR NO_x units under section 1(a)(1), the total amount of such remaining unallocated CAIR NO_x ozone season allowances, multiplied by the unit's allocation under subsection (d), divided by forty-three thousand six hundred fifty-four (43,654) for a control period during 2009 through 2014, and thirty-eight thousand ninety-five (38,095) for a control period during 2015 and thereafter.

(2) For large affected units, the total amount of such remaining unallocated CAIR NO_x ozone season allowances, multiplied by the unit's allocation under subsection (d), divided by eight thousand five hundred sixty-four (8,564) in 2009 and eight thousand seven hundred twenty-seven (8,727) in 2010 and thereafter.

(i) For projects that reduce NO_x emissions through the implementation of energy efficiency or renewable energy measures, or both, implemented during a control period beginning May 1, 2009, the department shall allocate NO_x allowances in accordance with the following procedures:

(1) The energy efficiency and renewable energy allocation set-aside shall be allocated NO_x allowances equal to one thousand one hundred fifteen (1,115) tons in 2009 and five hundred (500) tons in 2010 and thereafter.

(2) Any person may submit to the department a request, in writing, or in a format specified by the department, for NO_x allowances as follows:

(A) Sponsors of energy efficiency or renewable energy projects in section 2(38)(A) through 2(38)(H) of this rule may request the reservation of NO_x allowances, for one (1) control period in which the project is implemented. Project sponsors may reapply each year, not to exceed five (5) control periods for energy efficiency projects in sections 2(38)(A), 2(38)(B), 2(38)(E), and 2(38)(F) of this rule and for an unlimited number of years for projects in sections 2(38)(C), 2(38)(D), and 2(38)(H) of this rule. Requests for allowances may be made for projects implemented two (2) years before the effective date of this rule. Projects must equal at least one (1) ton of NO_x emissions and multiple projects may be aggregated into one (1) allowance allocation request to equal one (1) or more tons of NO_x emissions.

(B) The NO_x allowance allocation request must be submitted by May 1 of the calendar year for which the NO_x allowance allocation is requested.

(C) The NO_x allowance allocation request for an integrated gasification combined cycle project under section 2(38)(G) of this rule must be submitted by May 1 of the calendar year for which the NO_x allowance allocation is requested and after the date on which the department issues a permit to construct the CAIR NO_x unit. For integrated gasification combined cycle projects, project sponsors may request the reservation of NO_x allowances, based on the number of kilowatt hours of electricity generated based on an eighty-five percent (85%) capacity factor and expected heat rate of the unit. Project sponsors may reapply each year, not to exceed five (5) control periods. Requests for allowances may be made only for integrated gasification combined cycle projects which first start commercial operations in 2009 and beyond.

(3) In a NO_x allowance allocation request made under this subsection, the CAIR designated representative may request for a control period, NO_x allowances not to exceed the following:

(A) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of electricity and that are sponsored by end-users or nonutility third parties receive allowances based upon the number of kilowatt hours of electricity saved during a control period and the following formula:

$$\text{Allowances} = (\text{kWS} \times 0.0015)/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.

kWS = The number of kilowatt hours of electricity saved during an ozone control period by the project.

(B) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of electricity and that are sponsored by electric generating units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (\text{kWS} \times 0.00075/2{,}000)$$

Where: Allowances = The number of allowances awarded to a project sponsor.

kWS = The number of kilowatt hours of electricity saved during an ozone control period by the project.

(C) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of energy other than electricity and that are not CAIR NO_x ozone season units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (((\text{Et1}/\text{Pt1}) - (\text{Et2}/\text{Pt2})) \times \text{Pt2} \times \text{NPt2} \times (\text{NPt1}/\text{NPt2}))/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.

Et1 = Energy consumed per ozone control period before project implementation.

Pt1 = Units of product produced per ozone control period before project implementation.

Et2 = Energy consumed in the most recent ozone control period.

Pt2 = Units of product produced in the most recent ozone control period.

NPt1 = NO_x produced during the consumption of energy, measured in pounds per million British thermal units before project implementation.

NPt2 = NO_x produced during the consumption of energy, measured in pounds per million British thermal units in the most recent ozone control period.

(D) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of energy other than electricity and that are CAIR NO_x ozone season units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (((\text{Et1}/\text{Pt1}) - (\text{Et2}/\text{Pt2})) \times \text{Pt2} \times \text{NPt2} \times (\text{NPt1}/\text{NPt2}) \times 0.5)/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.

Et1 = Energy consumed per ozone control period before project implementation.

Pt1 = Units of product produced per ozone control period before project implementation.

Et2 = Energy consumed in the most recent ozone control period.

Pt2 = Units of product produced in the most recent ozone control period.

NPt1 = NO_x produced during the production process, measured in pounds per million British thermal units before project implementation.

NPt2 = NO_x produced during the production process, measured in pounds per million British thermal units in the most recent ozone control period.

Product produced, as used in the formulas in this clause and clause (C), may include manufactured items; raw, intermediate, or final materials; or other products measured in discrete units and produced as a result of the consumption of energy in a specific process or piece of equipment. Claims for allowances must include documentation of NO_x emissions per British thermal unit both before and after implementation of the project for the energy-consuming process for which energy savings are claimed.

(E) Projects in section 2(38)(B) of this rule that claim allowances based upon highly efficient electricity generation using systems such as combined cycle, microturbines, and fuel cell systems for the predominant use of a single end user, that meet the thresholds specified in section 2(38)(B) of this rule, that are not CAIR NO_x ozone season units under section 1 of this rule or large affected units as defined in section 2 of this rule, and that are sponsored by end-users or nonutility third parties, receive allowances based upon the net

amount of electricity generated during a control period and the following formula:

$$\text{Allowances} = (\text{kWG} \times (0.0015 - NO_x))/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

kWG = The number of net kilowatt hours of electricity generated during an ozone control period by the project.

NO_x = The amount of NO_x produced during the generation of electricity, measured in pounds per kilowatt hour.

(F) Projects in section 2(38)(B) of this rule that claim allowances based upon highly efficient combined heat and power systems for the predominant use of a single end user, that meet the thresholds specified in section 2(38)(B) of this rule, that are not CAIR NO_x ozone season units under section 1 of this rule or large affected units as defined in section 2 of this rule, and that are sponsored by end-users or nonutility third parties, receive allowances based upon the net amount of energy generated and used during an ozone control period and the following formula:

$$\text{Allowances} = (NO_x \text{ conventional} - NO_x \text{ CHP})/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

NO_x conventional = $[(0.15 \times 3{,}412 \times \text{kWG} / 0.34) + (0.17 \times \text{HeatOut} / 0.8)] / 1{,}000{,}000$

NO_x CHP = $(\text{BtuIn} \times NO_x\text{Rate})/1{,}000{,}000$

Where:

kWG = The number of net kilowatt hours of electricity generated during an ozone control period by the project.

HeatOut = The number of British thermal units (Btu) of heat or steam effectively used for space, water, or industrial process heat during an ozone control period by the project.

NO_xRate = NO_x emitted during normal system operation by the project, measured in pounds per million Btu of fuel input.

BtuIn = The number of British thermal units (Btu) of fuel used to produce electricity, heat, or steam during an ozone control period by the project.

(G) Projects in section 2(38)(B) and 2(38)(G) of this rule receive allowances based upon the number of kilowatt hours of electricity each project generates during an ozone control period. Highly efficient electricity generation projects using systems such as combined cycle, microturbines, and fuel cell systems for the predominant use of a single end user, that meet a rated energy efficiency threshold of sixty percent (60%) for combined cycle systems and forty percent (40%) for microturbines and fuel cells; or integrated gasification combined cycle, and that are sponsored by NO_x allowance account holders that own or operate units that produce electricity and are subject to the emission limitations of this rule receive allowances based upon the net amount of electricity generated during an ozone control period and the following formula:

$$\text{Allowances} = (\text{kWG} \times (0.0015 - NO_x) \times 0.5)/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

kWG = The number of net kilowatt hours of electricity generated during an ozone control period by the project.

NO_x = The amount of NO_x produced during the generation of electricity, measured in pounds per kilowatt hour.

(H) Projects in section 2(38)(C) and 2(38)(D) of this rule receive allowances based upon the number of kilowatt hours of electricity each project generates during an ozone control period and according to the following formula:

$$\text{Allowances} = (\text{kWG} \times 0.0015)/2{,}000$$

Where:

Allowances = The number of allowances awarded to a project sponsor.

kWG = The number of kilowatt hours of electricity generated during an ozone control period by the project.

(I) Projects in section 2(38)(E), 2(38)(G), and 2(38)(F) of this rule receive allowances based upon the difference in emitted NO_x per megawatt hour of operation for units before and after replacement or improvement and according to the following formula:

$$\text{Allowances} = ((Et1 - Et2) \times h) \times 0.5)/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.

Et1 = The emission rate in pounds per megawatt hour of NO_x of the unit before improvement or replacement.

Et2 = The emission rate in pounds per megawatt hour of NO_x of the unit after improvement or replacement.

h = The number of megawatt hours of operation during the ozone control period.

(J) Projects in section 2(38)(A) of this rule that claim allowances based upon reductions in the consumption of electricity and that are large affected units shall be awarded allowances according to the following formula:

$$\text{Allowances} = (\text{kWS} \times NO_x \times 0.5)/2{,}000)$$

Where: Allowances = The number of allowances awarded to a project sponsor.

kWS = The number of kilowatt hours of electricity saved during an ozone control period by the project.

NO_x = The amount of NO_x produced during the generation of electricity, measured in pounds per kilowatt hour.

(K) Projects in section 2(38)(A) of this rule based upon energy efficiency other than electricity savings shall be awarded allowances according to the following formula:

$$\text{Allowances} = (NO_x\ \text{Rate} \times \text{HeatOut} / 0.8)/1{,}000{,}000/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.

NO_x Rate = 0.17 lb/MMBtu or the actual NO_x emission rate, whichever is greater.

HeatOut = The number of British thermal units (Btu) of heat or steam effectively used for space, water, or industrial process heat during an ozone control period by the project.

(L) Projects in section 2(38)(H) of this rule using renewable energy to displace coal, natural gas, or oil combustion and reduce NO_x emissions shall be awarded allowances according to the following formula:

$$\text{Allowances} = ((0.17 \times \text{Fuel-Input})/1{,}000{,}000)/2{,}000$$

Where: Allowances = The number of allowances awarded to a project sponsor.

Fuel-Input = The amount of heat input, in Btu, from the renewable energy.

(M) Projects in section 2(38)(B) of this rule that claim allowances based upon highly efficient combined heat and power systems for the predominant use of a single end user, that meet the thresholds specified in section 2(38)(B) of this rule, that are large affected units as defined in section 2 of this rule, receive allowances based upon the net amount of energy generated and used during an ozone control period and the following formula:

$$\text{Allowances} = ((NO_x\ \text{conventional} - NO_x\ \text{CHP})/2{,}000) \times 0.5$$

Where: Allowances = The number of allowances awarded to a project sponsor.

NO_x conventional = $[(0.15 \times 3{,}412 \times \text{kWG} / 0.34) + (0.17 \times \text{HeatOut} / 0.8)] / 1{,}000{,}000$

NO_x CHP = $(\text{BtuIn} \times NO_x\text{Rate})/1{,}000{,}000$

Where: kWG = The number of net kilowatt hours of electricity generated during an ozone control period by the project.

HeatOut = The number of British thermal units (Btu) of heat or steam effectively used for space, water, or industrial process heat during an ozone control period by the project.

NO_xRate = NO_x emitted during normal system operation by the project, measured in pounds per million Btu of fuel input.

BtuIn = The number of British thermal units (Btu) of fuel used to produce electricity, heat, or steam during an ozone control period by the project.

(4) The department shall review, and reserve CAIR NO_x allowances pursuant to, each allowance allocation request by July 31 each year as follows:

(A) Upon receipt of the NO_x allowance allocation request, the department shall make any necessary adjustments to the request to ensure that the number of allowances specified in the request is consistent with the requirements of subdivision (3).

(B) If the energy efficiency and renewable energy allocation set-aside for the control period for which NO_x allowances are requested has an amount of NO_x allowances greater than or equal to the number requested, as adjusted under clause (A), the department shall reserve the amount of the NO_x allowances requested, as adjusted under clause (A), to the energy efficiency and renewable energy projects.

(C) If the energy efficiency and renewable energy allocation set-aside for the ozone control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), but the new unit set-aside or hardship set-aside for large affected units is under-subscribed, the department shall reserve the amount of the NO_x allowances requested with the difference reserved from the new unit or hardship set-aside.

(D) If the energy efficiency and renewable energy allocation set-aside for the ozone control period for which NO_x allowances are requested has an amount of NO_x allowances less than the number requested, as adjusted under clause (A), and the new unit set-aside and hardship set-aside for large affected units are over-subscribed, the department shall reserve the allocation set-aside on a pro rata basis, except that allowances requested for projects under section 2(38)(A), 2(38)(C), 2(38)(D), and 2(38)(H) of this rule shall be reserved first, reserved for projects under section 2(38)(B) and 2(38)(G) of this rule second, reserved for projects under section 2(38)(E) of this rule third, and reserved for projects under section 2(38)(F) of this rule fourth.

(E) Any unreserved allowances shall be distributed as follows:

(i) Fifty percent (50%) of the unreserved allowances shall be retained by the state to fund a grant program for energy efficiency and renewable energy projects. The grant program projects do not need to meet the one (1) tons of NO_x emissions for singular or aggregated projects under subdivision (2). The unreserved NO_x allowances shall be deposited in a general allowance account established in accordance with this rule by the Indiana office of energy and defense development in accordance with the allowance allocation requirements of this rule, subject to the following:

(AA) The Indiana office of energy and defense development shall deposit revenue from the sale of unreserved NO_x allowances in a dedicated general NO_x account established by these rules used exclusively to provide matching grant funds for energy efficiency and renewable energy projects, including but not limited to, the purchase and installation of alternative energy systems, and programs to support energy efficiency projects.

(BB) The Indiana office of energy and defense development shall hold the unreserved NO_x allowances in a general NO_x account until such time that project(s) are approved for grant funding, at which time NO_x allowances shall be sold to provide cash dollars for the grant funding.

(CC) Revenue from the sale of unreserved NO_x allowances held by the state of Indiana through the Indiana office of energy and defense development shall not revert to the state general fund, and shall only be used to provide matching grant funds for the installation of energy efficiency and renewable energy projects as defined in this subsection.

(DD) Effective November 1, 2009 and annually thereafter the Indiana office of energy and defense development shall provide a report to the commissioner and the air pollution control board regarding the allowance transaction activity, and the distribution and the balance of the matching grant funds for energy efficiency and renewable energy projects during that period. At a minimum the report shall contain the following:

(aa) The number of NO_x allowances currently held in general NOx account(s) by the Indiana office of energy and defense development.

(bb) A summary of transactions in the market, including the date(s) of transactions, the number of allowances transacted and the distribution of proceeds from transactions (including brokerage fees).

(cc) The distribution of grant funding by recipient.

(dd) A full description of type of project(s) funded.

(ee) A summary of the benefits of each project.

(EE) If at any time after November 1, 2009 the total number of unreserved ozone season NO_x allowances held by the Indiana office of energy and defense development is greater than five hundred (500) tons, fifty percent (50%) of the total amount of NO_x allowances

shall be returned to the department for redistribution to existing large affected units on a pro-rata basis.

(ii) Fifty percent (50%) of the unreserved allowances shall be returned to existing large affected units on a pro rata basis.

(5) After the completion of the control period for which CAIR ozone season NO_x allowances had been reserved, the project sponsor shall submit the results of the actual savings or generation by October 31 of that year. Allowances shall be awarded only after verification of project implementation and certification of energy, emission, or electricity savings, as appropriate. The department shall consult the Indiana office of energy and defense development concerning verification and certification.

(6) The department shall allocate the appropriate amount of CAIR NO_x allowances based on the review of the submittal of actual savings or generation results under subdivision (5) and notify the CAIR NO_x designated representative that submitted the request and the U.S. EPA of the number of NO_x allowances allocated for the control period by March 31 of each year. Any person to whom the department allocates NO_x allowances shall establish a general account under section 9(b) of this rule.

(j) The department shall make available CAIR NO_x ozone season allowances from the hardship set-aside for large affected units under section 1(a)(2) of this rule. The amount of CAIR NO_x ozone season allowances in the set-aside shall equal one hundred fifty (150) tons in 2010 and thereafter. The department shall allocate CAIR NO_x ozone season allowances as follows:

(1) The CAIR NO_x designated representative shall submit a request by May 1 of the year for which CAIR NO_x ozone season allowances are needed that includes the following:

(A) A demonstration that compliance with this rule absent hardship allowances could pose an unacceptable risk either to the source's own operation or its associated industry.

(B) A demonstration that the cost of compliance with the requirements in this rule will not be cost-effective without an allocation of hardship allowances. The owner or operator can show that it meets this cost factor if the unit's average cost of seasonal compliance with requirements in this rule will exceed two thousand four hundred dollars ($2,400) per ton of NO_x reduced. Such a showing can be based on cost methodology assessments or engineering studies which are reliably indicative of NO_x compliance costs for these entities, including data produced through the use of the U.S. EPA Air Pollution Control Cost Manual.

(2) If the hardship set-aside for the control period for which NO_x ozone season allowances are requested has an amount of NO_x allowances less than the number requested, but the energy efficiency and renewable energy allocation set-aside or new unit set-aside for large affected units is under-subscribed, the department shall allocate the amount of the NO_x ozone season allowances requested with the difference allocated from the energy efficiency and renewable energy allocation or new unit set-aside.

(3) If the hardship set-aside for the control period for which NO_x ozone season allowances are requested has an amount of NO_x allowances less than the number requested and the energy efficiency and renewable energy set-aside or new unit set-aside for large affected units is over-subscribed, the department shall allocate NO_x allowances from the hardship set-aside on a pro rata basis.

(4) Any unallocated allowances shall be distributed to existing large affected units on a pro rata basis.

(5) Any transfer of allowances under this subsection shall be submitted to U.S. EPA by July 31 of each year.

***These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204.** *(Air Pollution Control Board; 326 IAC 24-3-8)*

326 IAC 24-3-12 CAIR NO_x ozone season opt-in units
Authority: IC 13-14-8; IC 13-17-3-4; IC 13-17-3-11
Affected: IC 13-15; IC 13-17

Sec. 12. (a) A CAIR NO_x ozone season opt-in unit must be a unit that meets the following requirements:
(1) Is located in Indiana.
(2) Is not a CAIR NO_x ozone season unit under section 1 of this rule and is not covered by a retired unit exemption under section 3 of this rule that is in effect.
(3) Is not covered by a retired unit exemption under 40 CFR 72.8* that is in effect.
(4) Has or is required or qualified to have a Part 70 operating permit or other federally enforceable permit.
(5) Vents all of its NO_x emissions to a stack and can meet the monitoring, record keeping, and reporting requirements of section 11 of this rule.

(b) Except as otherwise provided sections 1, 2, 4 through 7, and 9 through 11 of this rule, a CAIR NO_x ozone season opt-in unit shall be treated as a CAIR NO_x ozone season unit for purposes of applying sections of this rule.

(c) Solely for purposes of applying, as provided in this section, the requirements of section 11 of this rule to a unit for which a CAIR opt-in permit application is submitted and not withdrawn and a CAIR opt-in permit is not yet issued or denied under this section, such unit shall be treated as a CAIR NO_x ozone season unit before issuance of a CAIR opt-in permit for such unit.

(d) Any CAIR NO_X opt-in unit, and any unit for which a CAIR opt-in permit application is submitted and not withdrawn and a CAIR opt-in permit is not yet issued or denied under this section, located at the same source as one (1) or more CAIR NO_x ozone season units shall have the same CAIR designated representative and alternate CAIR designated representative as such CAIR NO_x ozone season units.

(e) The CAIR designated representative of a unit meeting the requirements for a CAIR NO_x ozone season opt-in unit in subsection (a) may apply for an initial CAIR opt-in permit at any time, except as provided under subsection (h)(8) and (h)(9), and, in order to apply, must submit the following:
(1) A complete CAIR permit application under section 7(c) of this rule.
(2) A certification, in a format specified by the department, that the unit:
(A) is not a CAIR NO_x ozone season unit under section 1 of this rule and is not covered by a retired unit exemption under section 3 of this rule that is in effect;
(B) is not covered by a retired unit exemption under 40 CFR 72.8* that is in effect;
(C) vents all of its NO_x emissions to a stack; and
(D) has documented heat input for more than eight hundred seventy-six (876) hours during the six (6) months immediately preceding submission of the CAIR permit application under section 7(c) of this rule.
(3) A monitoring plan in accordance with section 11 of this rule.
(4) A complete certificate of representation under section 6(h) of this rule consistent with subsection (d), if no CAIR designated representative has been previously designated for the source that includes the unit.
(5) A statement, in a format specified by the department, whether the CAIR designated representative requests that the unit be allocated CAIR NO_x ozone season allowances under subsection (j)(3) or (j)(4), subject to the conditions in subsections (f)(10) and (h)(8). If allocation under subsection (j)(4) is requested, this statement shall include a statement that the owners and operators of the unit intend to repower the unit before January 1, 2015, and that they will provide, upon request, documentation demonstrating such intent.
The CAIR designated representative of a CAIR NO_x ozone season opt-in unit shall submit a complete CAIR permit application under section 7(c) of this rule to renew the CAIR NO_x ozone season opt-in unit permit in accordance with the department's regulations for Part 70 operating permits, or the department's regulations for other federally enforceable permits if applicable, addressing permit renewal. Unless the department issues a notification of acceptance of withdrawal of the CAIR NO_x ozone season opt-in unit from the CAIR NO_x ozone season trading program in accordance with subsection

(h) or the unit becomes a CAIR NO_x ozone season unit under section 1 of this rule, the CAIR NO_x ozone season opt-in unit shall remain subject to the requirements for a CAIR NO_x ozone season opt-in unit, even if the CAIR designated representative for the CAIR NO_x ozone season opt-in unit fails to submit a CAIR permit application that is required for renewal of the CAIR opt-in permit.

(f) The department shall issue or deny a CAIR opt-in permit for a unit for which an initial application for a CAIR opt-in permit under subsection (e) is submitted in accordance with the following:

(1) The department and the U.S. EPA will determine, on an interim basis, the sufficiency of the monitoring plan accompanying the initial application for a CAIR opt-in permit under subsection (e). A monitoring plan is sufficient, for purposes of interim review, if the plan appears to contain information demonstrating that the NO_x emissions rate and heat input of the unit and all other applicable parameters are monitored and reported in accordance with section 11 of this rule. A determination of sufficiency shall not be construed as acceptance or approval of the monitoring plan.

(2) If the department and the U.S. EPA determine that the monitoring plan is sufficient under subdivision (1), the owner or operator shall monitor and report the NO_x emissions rate and the heat input of the unit and all other applicable parameters, in accordance with section 11 of this rule, starting on the date of certification of the appropriate monitoring systems under section 11 of this rule and continuing until a CAIR opt-in permit is denied under subdivision (8) or, if a CAIR opt-in permit is issued, the date and time when the unit is withdrawn from the CAIR NO_x ozone season trading program in accordance with subsection (h).

(3) The monitoring and reporting under subdivision (2) shall include the entire control period immediately before the date on which the unit enters the CAIR NO_x ozone season trading program under subdivision (9), during which period monitoring system availability must not be less than ninety percent (90%) under section 11 of this rule and the unit must be in full compliance with any applicable state or federal emissions or emissions-related requirements.

(4) To the extent the NO_x emissions rate and the heat input of the unit are monitored and reported in accordance with section 11 of this rule for one (1) or more control periods, in addition to the control period under subdivision (3), during which control periods monitoring system availability is not less than ninety percent (90%) under section 11 of this rule and the unit is in full compliance with any applicable state or federal emissions or emissions-related requirements and which control periods begin not more than three (3) years before the unit enters the CAIR NO_x ozone season trading program under subdivision (9), such information shall be used as provided in subdivisions (5) and (6).

(5) The unit's baseline heat rate shall equal one (1) of the following:

(A) If the unit's NO_x emissions rate and heat input are monitored and reported for only one (1) control period, in accordance with subdivisions (2) and (3), the unit's total heat input, in million British thermal units (MMBtu), for the control period.

(B) If the unit's NO_x emissions rate and heat input are monitored and reported for more than one (1) control period, in accordance with subdivisions (2) through (4), the average of the amounts of the unit's total heat input, in million British thermal units (MMBtu), for the control periods under subdivisions (3) and (4).

(6) The unit's baseline NO_x emission rate shall equal one (1) of the following:

(A) If the unit's NO_x emissions rate and heat input are monitored and reported for only one (1) control period, in accordance with subdivisions (2) and (3), the unit's NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), for the control period.

(B) If the unit's NO_x emissions rate and heat input are monitored and reported for more than one (1) control period, in accordance with subdivisions (2) through (4), and the unit does not have add-on NO_x emission controls during any such control periods, the average of the amounts of the unit's NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), for the control periods under subdivisions (3) and (4).

(C) If the unit's NO_x emissions rate and heat input are monitored and reported for more than one (1) control period, in accordance with subdivisions (2) through (4), and the unit has add-on NO_x emission controls during any such control periods, the average of the amounts of the unit's NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), for such control periods during which the unit has add-on NO_x emission controls.

(7) After calculating the baseline heat input and the baseline NO_x emissions rate for the unit under subdivisions (5)

and (6) and if the department determines that the CAIR designated representative shows that the unit meets the requirements for a CAIR NO_x ozone season opt-in unit in subsection (a) and meets the elements certified in subsection (e)(2), the department shall issue a CAIR opt-in permit. The department shall provide a copy of the CAIR opt-in permit to the U.S. EPA, who will then establish a compliance account for the source that includes the CAIR NO_x ozone season opt-in unit unless the source already has a compliance account.

(8) Notwithstanding subdivisions (1) through (7), if at any time before issuance of a CAIR opt-in permit for the unit, the department determines that the CAIR designated representative fails to show that the unit meets the requirements for a CAIR NO_x ozone season opt-in unit in subsection (a) or meets the elements certified in subsection (e)(2), the department shall issue a denial of a CAIR NO_x ozone season opt-in permit for the unit.

(9) A unit for which an initial CAIR opt-in permit is issued by the department shall become a CAIR NO_x ozone season opt-in unit, and a CAIR NO_x ozone season unit, as of the later of May 1, 2009, or May 1 of the first control period during which such CAIR opt-in permit is issued.

(10) If the CAIR designated representative requests, and the department issues a CAIR opt-in permit providing for, allocation to a CAIR NO_x ozone season opt-in unit of CAIR NO_x ozone season allowances under subsection (j)(4) and such unit is repowered after its date of entry into the CAIR NO_x ozone season trading program under subdivision (9), the repowered unit shall be treated as a CAIR NO_x ozone season opt-in unit replacing the original CAIR NO_x ozone season opt-in unit, as of the date of start-up of the repowered unit's combustion chamber. Notwithstanding subdivisions (5) and (6), as of the date of start-up, the repowered unit shall be deemed to have the same date of commencement of operation, date of commencement of commercial operation, baseline heat input, and baseline NO_x ozone season emission rate as the original CAIR NO_x ozone season opt-in unit, and the original CAIR NO_x ozone season opt-in unit shall no longer be treated as a CAIR NO_x ozone season opt-in unit or a CAIR NO_x ozone season unit.

(g) The following shall apply to the content of each CAIR opt-in permit:

(1) Each opt-in permit shall contain the following:

(A) All elements required for a complete CAIR permit application under section 7(c) of this rule.

(B) The certification in subsection (e)(2).

(C) The unit's baseline heat input under subsection (f)(5).

(D) The unit's baseline NO_x ozone season emission rate under subsection (f)(6).

(E) A statement whether the unit is to be allocated CAIR NO_x ozone season allowances under subsection (j)(3) or (j)(4), subject to the conditions in subsections (f)(10) and (h)(8).

(F) A statement that the unit may withdraw from the CAIR NO_x ozone season trading program only in accordance with subsection (h).

(G) A statement that the unit is subject to, and the owners and operators of the unit must comply with the requirements of subsection (i).

(2) Each CAIR opt-in permit is deemed to incorporate automatically the definitions of terms under section 2 of this rule and, upon recordation by the U.S. EPA under this section and sections 9 and 10 of this rule, every allocation, transfer, or deduction of CAIR NO_x ozone season allowances to or from the compliance account of the source that includes a CAIR NO_x ozone season opt-in unit covered by the CAIR opt-in permit.

(3) The CAIR opt-in permit shall be included, in a format prescribed by the department, in the CAIR permit for the source where the CAIR NO_x ozone season opt-in unit is located and in a Part 70 operating permit or FESOP.

(h) The following requirements must be satisfied in order to withdraw an opt-in unit from the CAIR NO_x trading program:

(1) Except as provided under subdivision (8), a CAIR NO_x ozone season opt-in unit may withdraw from the CAIR NO_x ozone season trading program, but only if the department issues a notification to the CAIR designated representative of the CAIR NO_x ozone season opt-in unit of the acceptance of the withdrawal of the CAIR NO_x ozone season opt-in unit in accordance with subdivision (6).

(2) In order to withdraw a CAIR NO_x ozone season opt-in unit from the CAIR NO_x ozone season trading program, the CAIR designated representative of the CAIR NO_x ozone season opt-in unit shall submit to the department a request to withdraw effective as of midnight of September 30 of a specified calendar year, which date must be at least four (4) years after September 30 of the year of entry into the CAIR NO_x ozone season trading program under

subsection (f)(9). The request must be submitted not later than ninety (90) days before the requested effective date of withdrawal.

(3) Before a CAIR NO_x ozone season opt-in unit covered by a request under subdivision (1) may withdraw from the CAIR NO_x ozone season trading program and the CAIR opt-in permit may be terminated under subdivision (7), the following conditions must be met:

(A) For the control period ending on the date on which the withdrawal is to be effective, the source that includes the CAIR NO_x ozone season opt-in unit must meet the requirement to hold CAIR NO_x ozone season allowances under section 4(c) of this rule and cannot have any excess emissions.

(B) After the requirement for withdrawal under clause (A) is met, the U.S. EPA will deduct from the compliance account of the source that includes the CAIR NO_x ozone season opt-in unit CAIR NO_x ozone season allowances equal in amount to and allocated for the same or a prior control period as any CAIR NO_x ozone season allowances allocated to the CAIR NO_x ozone season opt-in unit under section 12(j) of this rule for any control period for which the withdrawal is to be effective. If there are no remaining CAIR NO_x ozone season units at the source, the U.S. EPA will close the compliance account, and the owners and operators of the CAIR NO_x ozone season opt-in unit may submit a CAIR NO_x ozone season allowance transfer for any remaining CAIR NO_x ozone season allowances to another CAIR NO_x ozone season allowance tracking system in accordance with section 10 of this rule.

(4) After the requirements for withdrawal under subdivisions (2) and (3) are met, including deduction of the full amount of CAIR NO_x ozone season allowances required, the department shall issue a notification to the CAIR designated representative of the CAIR NO_x ozone season opt-in unit of the acceptance of the withdrawal of the CAIR NO_x ozone season opt-in unit as of midnight on September 30 of the calendar year for which the withdrawal was requested.

(5) If the requirements for withdrawal under subdivisions (2) and (3) are not met, the department shall issue a notification to the CAIR designated representative of the CAIR NO_x ozone season opt-in unit that the CAIR NO_x ozone season opt-in unit's request to withdraw is denied. Such CAIR NO_x ozone season opt-in unit shall continue to be a CAIR NO_x ozone season opt-in unit.

(6) After the department issues a notification under subdivision (4) that the requirements for withdrawal have been met, the department shall revise the CAIR permit covering the CAIR NO_x ozone season opt-in unit to terminate the CAIR opt-in permit for such unit as of the effective date specified under subdivision (4). The unit shall continue to be a CAIR NO_x ozone season opt-in unit until the effective date of the termination and shall comply with all requirements under the CAIR NO_x ozone season trading program concerning any control periods for which the unit is a CAIR NO_x ozone season opt-in unit, even if such requirements arise or must be complied with after the withdrawal takes effect.

(7) If the department denies the CAIR NO_x ozone season opt-in unit's request to withdraw, the CAIR designated representative may submit another request to withdraw in accordance with subdivisions (2) and (3).

(8) Notwithstanding subdivisions (1) through (7), a CAIR NO_x ozone season opt-in unit shall not be eligible to withdraw from the CAIR NO_x ozone season trading program if the CAIR designated representative of the CAIR NO_x ozone season opt-in unit requests, and the department issues a CAIR NO_x ozone season opt-in permit providing for, allocation to the CAIR NO_x ozone season opt-in unit of CAIR NO_x ozone season allowances under subsection (j)(4).

(9) Once a CAIR NO_x ozone season opt-in unit withdraws from the CAIR NO_x ozone season trading program and its CAIR opt-in permit is terminated under this section, the CAIR designated representative may not submit another application for a CAIR opt-in permit under subsection (e) for such CAIR NO_x ozone season opt-in unit before the date that is four (4) years after the date on which the withdrawal became effective. Such new application for a CAIR opt-in permit shall be treated as an initial application for a CAIR opt-in permit under subsection (f).

(i) When a CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule, then the CAIR designated representative shall notify in, writing, the department and the U.S. EPA of such change in the CAIR NO_x ozone season opt-in unit's regulatory status, within thirty (30) days of such change. If there is a change in the regulatory status, the department and the U.S. EPA will take the following actions concerning the CAIR NO_x opt-in source:

(1) When the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule, the department shall revise the CAIR NO_x ozone season opt-in unit's CAIR opt-in permit to meet the requirements

of a CAIR permit under section 7(d) and (7)(e) of this rule, and remove the CAIR opt-in permit provisions, as of the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule.

(2) The U.S. EPA will deduct from the compliance account of the source that includes the CAIR NO_x ozone season opt-in unit that becomes a CAIR NO_x ozone season unit under section 1 of this rule, CAIR NO_x ozone season allowances equal in amount to, and allocated for, the same or a prior control period as follows:

(A) Any CAIR NO_x ozone season allowances allocated to the CAIR NO_x ozone season opt-in unit under subsection (j)(4) for any control period after the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule.

(B) If the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule is not September 30, the CAIR NO_x ozone season allowances allocated to the CAIR NO_x ozone season opt-in unit under section 12(j) of this rule for the control period that includes the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule, multiplied by the ratio of the number of days, in the control period, starting with the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule divided by the total number of days in the control period and rounded to the nearest whole allowance as appropriate.

(3) The CAIR designated representative shall ensure that the compliance account of the source that includes the CAIR NO_x ozone season unit that becomes a CAIR NO_x ozone season unit under section 1 of this rule contains the CAIR NO_x ozone season allowances necessary for completion of the deduction under subdivision (2).

(4) For every control period after the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule, the CAIR NO_x ozone season opt-in unit shall be allocated CAIR NO_x ozone season allowances under section 8(c) of this rule.

(5) Notwithstanding subdivision (4), if the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule is not January 1, the following amount of CAIR NO_x ozone season allowances shall be allocated to the CAIR NO_x ozone season opt-in unit, as a CAIR NO_x ozone season unit, under section 8(c) of this rule for the control period that includes the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule:

(A) the amount of CAIR NO_x ozone season allowances otherwise allocated to the CAIR NO_x ozone season opt-in unit, as a CAIR NO_x ozone season unit, under section 8(c) of this rule for the control period;

(B) multiplied by the ratio of the number of days, in the control period, starting with the date on which the CAIR NO_x ozone season opt-in unit becomes a CAIR NO_x ozone season unit under section 1 of this rule, divided by the total number of days in the control period; and

(C) rounded to the nearest whole allowance, as appropriate.

(j) The department shall allocate CAIR NO_x allowances to CAIR NO_x opt-in sources as follows:

(1) When the CAIR opt-in permit is issued under subsection (f)(7), the department shall allocate CAIR NO_x ozone season allowances to the CAIR NO_x ozone season opt-in unit, and submit to the U.S. EPA the allocation for the control period in which a CAIR NO_x ozone season opt-in unit enters the CAIR NO_x ozone season trading program under subsection (f)(9), in accordance with subdivision (3) or (4).

(2) By not later than July 31 of the control period in which a CAIR opt-in unit enters the CAIR NO_x ozone season trading program under subsection (f)(9) and July 31 of each year thereafter, the department shall allocate CAIR NO_x ozone season allowances to the CAIR NO_x ozone season opt-in unit, and submit to the U.S. EPA the allocation for the control period that includes such submission deadline and in which the unit is a CAIR NO_x ozone season opt-in unit, in accordance with subdivision (3) or (4).

(3) For each control period for which a CAIR NO_x ozone season opt-in unit is to be allocated CAIR NO_x ozone season allowances, the department shall allocate in accordance with the following procedures:

(A) The heat input, in million British thermal units (MMBtu), used for calculating the CAIR NO_x ozone season allowance allocation shall be the lesser of the following:

(i) The CAIR NO_x ozone season opt-in unit's baseline heat input determined under subsection (f)(5).

(ii) The CAIR NO_x ozone season opt-in unit's heat input, as determined in accordance with section

11 of this rule, for the immediately prior control period, except when the allocation is being calculated for the control period in which the CAIR NO_x ozone season opt-in unit enters the CAIR NO_x ozone season trading program under subsection (f)(9).

(B) The NO_x emission rate, in million British thermal units (MMBtu), used for calculating CAIR NO_x ozone season allowance allocations shall be the lesser of the following:

(i) The CAIR NO_x ozone season opt-in unit's baseline NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6) and multiplied by seventy percent (70%).

(ii) The most stringent state or federal NO_x ozone season emissions limitation applicable to the CAIR NO_x ozone season opt-in unit at any time during the control period for which CAIR NO_x ozone season allowances are to be allocated.

(C) The department shall allocate CAIR NO_x ozone season allowances to the CAIR NO_x ozone season opt-in unit in an amount equaling the heat input under clause (A), multiplied by the NO_x ozone season emission rate under clause (B), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(4) Notwithstanding subdivision (3) and if the CAIR designated representative requests, and the department issues a CAIR opt-in permit providing for, allocation to a CAIR NO_x ozone season opt-in unit of CAIR NO_x ozone season allowances under this subdivision, subject to the conditions in subsection (f)(10) and subsection (h), the department shall allocate to the CAIR NO_x ozone season opt-in unit as follows:

(A) For each control period in 2009 through 2014 for which the CAIR NO_x ozone season opt-in unit is to be allocated CAIR NO_x ozone season allowances as follows:

(i) The heat input, in million British thermal units (MMBtu), used for calculating CAIR NO_x ozone season allowance allocations shall be determined as described in subdivision (3)(A).

(ii) The NO_x emission rate, in pounds per million British thermal units (lb/MMBtu), used for calculating CAIR NO_x ozone season allowance allocations shall be the lesser of:

(AA) the CAIR NO_x ozone season opt-in unit's baseline NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6); or

(BB) the most stringent state or federal NO_x emissions limitation applicable to the CAIR NO_x ozone season opt-in unit at any time during the control period in which the CAIR NO_x ozone season opt-in unit enters the CAIR NO_x ozone season trading program under subsection (f)(9).

(iii) The department shall allocate CAIR NO_x ozone season allowances to the CAIR NO_x ozone season opt-in unit in an amount equaling the heat input under clause (A)(i), multiplied by the NO_x emission rate under clause (A)(ii), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(B) For each control period in 2015 and thereafter for which the CAIR NO_x ozone season opt-in unit is to be allocated CAIR NO_x ozone season allowances as follows:

(i) The heat input, in million British thermal units (MMBtu), used for calculating the CAIR NO_x ozone season allowance allocations shall be determined as described in subdivision (3)(A).

(ii) The NO_x emission rate, in pounds per million British thermal units (lb/MMBtu), used for calculating the CAIR NO_x ozone season allowance allocation shall be the lesser of:

(AA) fifteen-hundredths (0.15) pounds per million British thermal units (lb/MMBtu);

(BB) the CAIR NO_x ozone season opt-in unit's baseline NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu), determined under subsection (f)(6); or

(CC) the most stringent state or federal NO_x emissions limitation applicable to the CAIR NO_x ozone season opt-in unit at any time during the control period for which CAIR NO_x ozone season allowances are to be allocated.

(iii) The department shall allocate CAIR NO_x ozone season allowances to the CAIR NO_x ozone season opt-in unit in an amount equaling the heat input under clause (B)(i), multiplied by the NO_x emission rate under clause (B)(ii), divided by two thousand (2,000) pounds per ton, and rounded to the nearest whole allowance as appropriate.

(5) The U.S. EPA will record, in the compliance account of the source that includes the CAIR NO_x ozone season opt-

in unit, the CAIR NO_x ozone season allowances allocated by the department to the CAIR NO_x ozone season opt-in unit under subdivision (1).
(6) By September 1 of the control period in which a CAIR opt-in unit enters the CAIR NO_x ozone season trading program under subsection (f)(9) and September 1 of each year thereafter, the U.S. EPA will record, in the compliance account of the source that includes the CAIR NO_x ozone season ozone season opt-in unit, the CAIR NO_x ozone season ozone season allowances allocated by the department to the CAIR NO_x ozone season ozone season opt-in unit under subdivision (2).

***These documents are incorporated by reference. Copies may be obtained from the Government Printing Office, 732 North Capitol Street NW, Washington, D.C. 20401 or are available for review and copying at the Indiana Department of Environmental Management, Office of Air Quality, Indiana Government Center-North, Tenth Floor, 100 North Senate Avenue, Indianapolis, Indiana 46204.** *(Air Pollution Control Board; 326 IAC 24-3-12)*