



Missouri
Department of
Natural Resources

Energy Efficiency & Renewable Energy (EE/RE) CAIR Annual NOx Set-Aside

Under the CAIR Annual NOx Trading Program in Missouri

Guide for Applicants

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INTRODUCTION

Missouri's Energy Efficiency and Renewable Energy (EE/RE) Set-Aside Program was established to provide financial incentives for energy efficiency or renewable generation projects that will improve air quality, stimulate local economic activity, diversify energy production in Missouri and provide greater power system reliability.

In a guidance document for EE/RE set-asides under its NO_x SIP call, EPA stated the rationale for a set-aside as "helping sources reduce NO_x compliance costs and their emissions of greenhouse gases. Analyses show that this pollution prevention approach can reduce the costs of compliance with air standards and improve local economies through higher productivity and the creation of more jobs while increasing the gross state product." ¹

This guide is intended to help sponsors² of EE/RE projects apply for and receive awards from the EE/RE Set-Aside Program established under Missouri's CAIR Annual NO_x Trading Program and administered by the Missouri Department of Natural Resources' Energy Center.

Awards from the set-aside are given in the form of annual NO_x (nitrogen oxides) allowances. A NO_x allowance is a certificate that allows its holder to emit one ton of NO_x during a given year. Anyone holding a NO_x allowance can sell it to the highest bidder.

Overview of Missouri's Response to USEPA's Clean Air Interstate Rule Requirements

On March 10, 2005, EPA issued the Clean Air Interstate Rule (CAIR), intended to reduce air pollution that moves across state boundaries in the eastern United States by capping permanently the emissions of sulfur dioxide (SO₂) and nitrogen oxides (NO_x) in the eastern United States. At the same time, EPA issued a closely related Clean Air Mercury Rule (CAMR) intended to reduce mercury emissions from power plants in these states.

Under CAIR and CAMR, EPA set various emission caps for the eastern states affected by the rule. In Missouri's case, EPA set both annual and ozone season limits for NO_x emissions. NO_x, a precursor of ground-level ozone, is a serious health hazard and a key ingredient in urban smog.

Most states affected by CAIR, including Missouri, chose to comply with these requirements by implementing cap-and-trade programs centered on allocation and trading of allowances. Missouri's implementation allocates a set number of allowances to each power plant in the state. If the power plant's allocation is not sufficient to cover its actual emissions, the operator of the plant must acquire additional allowances, normally by purchasing them from other parties that hold a surplus of allowances. CAIR's region-wide requirements are expected to create a robust regional market for the allowances.

In response to the CAIR and CAMR requirements, Missouri implemented six new Air Pollution Control Program (APCP) rules that establish cap-and-trade programs for NO_x, SO₂ and mercury.

¹ EPA Office of Atmospheric Programs, *Guidance on Establishing an Energy Efficiency and Renewable Energy (EE/RE) Set-Aside in the NO_x Budget Trading Program*, 1999.

² The project sponsor is normally the project owner but can be any individual, group, organization or business that has the legal right to claim an award for an eligible project that is in operation. See Section 1 for more information on sponsor and project eligibility and Section 4 for additional definitions.

The EE/RE set-aside is contained in the rule that establishes the CAIR Annual NO_x Trading Program, 10 CSR 10-6.362. This rule becomes effective January 1, 2009. Rule language is available at <http://www.sos.mo.gov/adrules/csr/current/10csr/10c10-6d.pdf>, starting on page 154. The set-aside language begins at the top of the leftmost column on page 158, immediately following the words "D. Reserved."

Overview of Missouri's EE/RE Set-Aside

Missouri's CAIR Annual NO_x Trading Program, in 10 CSR 10-6.362(2) 2E, sets aside 300 NO_x allowances annually to be awarded to EE/RE projects. To qualify for an award from the set-aside, the project's sponsor has to demonstrate that the project reduced NO_x emissions from electric power plants by at least one ton. Examples of projects that qualify and requirements for demonstrating NO_x reductions are explained in this manual.

The Department of Natural Resources cannot award allowances to projects that reduce NO_x emissions by less than one ton, calculated using conventional arithmetic rounding.³ The department encourages project sponsors to aggregate projects to equal at least one ton of NO_x reductions.

Appendix A provides illustrative examples of EE/RE projects that could qualify for the award of allowances and the number of allowances they might receive. The examples include both single-site and aggregate projects. The number of allowances awarded to a particular project depends on how much electricity use or generation it saves or displaces.

Important Dates for the First Round of Awards

The following are important target dates and deadlines to participate in the first round of awards from the EE/RE Set-Aside. Awards from this first round will be denominated as 2009 annual allowances, also referred to as "2009 Vintage" allowances. Projects that start up after January 1, 2008 but operate during the 2008 calendar year could qualify for 2009 allowances based on their performance during the partial year.

- **Calendar year 2008 (January 1 through December 31)** -- operate the EE/RE project and collect data that will be used to demonstrate electricity savings or renewable generation that the project achieved.
- **January 1, 2008** -- the sponsor should have developed a plan for measuring and verifying the amount of electricity generation or electricity use reduction that the project will achieve during 2008.. Allowances will be awarded only to sponsors who can demonstrate that their projects reduced NO_x emissions during the 2008 calendar year.
- **March 31, 2008** - deadline to submit a request for pre-application project review. The sponsor's authorized account representative or alternate representative must submit the request. Potential sponsors are strongly encouraged to request this review as early as possible. Early review could help them avoid costly misunderstandings or oversights. The review covers eligibility and the proposed methods for measurement and verification.
- **March 1, 2009** – deadline to submit an Application for Initial Year Award to **the** Energy Center. The sponsor's authorized account representative or alternate representative must submit the application.

³ As further defined in Section 4, under conventional arithmetic rounding, 0.50 ton would round to one (1) ton and 1.5 tons would round up and be two (2) tons.

- **March 1 to May 31, 2009** – respond in a timely manner to requests for additional information about the project to assure that the Energy Center can complete its review of the application prior to May 31, 2009.
- **May 31, 2009** – By this date or earlier, NO_x allowances for projects will be awarded. Sponsors must have established a trading account in EPA’s Allowance Management System (AMS) so that the Energy Center can transfer allowances.

These deadlines apply only to awards from the 2009 set-aside. A project that commences operation after December 31, 2008 could still qualify for an award in subsequent years. The department will publish a revised schedule of deadlines for subsequent award years.

Section 1 – Project Eligibility

To be eligible for awards from the EE/RE Set-Aside, the following conditions must be met:

- The project must have a single sponsor who has the legal right to claim awards from the EE/RE set-aside.
- The project must be located in Missouri with one exception. A renewable generation project may be located outside Missouri if the project is sponsored by a Missouri electric utility that operates units that are affected by the rule.⁴
- The project must have commenced operation after September 1, 2005.
- Double dipping issues:
 - The project is not eligible if it required by federal government regulation or used to generate compliance or permitting credits otherwise in the State Implementation Plan.⁵
 - If an otherwise eligible renewable generation project is located in another state that also has an annual NOx CAIR set-aside program, the sponsor cannot receive awards from both states based on the same megawatthours of renewable generation.
 - The sponsor of a renewable generation project may sell the green attributes of the electricity generated in the form of Renewable Energy Certificates (RECs) without prejudice to awards from Missouri's set-aside. Based on Center for Resource Solutions' current national Green-E standard, awards from Missouri's set-aside also should not affect the sponsor's ability to sell RECs with Green-E certification. NOx reduction is explicitly excluded from the green attributes included in Green-E certification
- Before receiving an award from the set-aside, projects must obtain any required environmental permits. Achieving eligibility for awards from the NOx SIP Set-Aside should not be construed as meeting or guaranteeing that the sponsor will meet requirements for air, water or other required environmental permits issued by the department.
- The project must fit within one of the four eligible project types described below.

The Four Eligible Project Types

(1) Energy Efficiency Projects

A large variety of projects may be eligible under this category, including projects promoted by utility demand-side programs and projects in the residential, commercial and industrial sectors. To be eligible under this category, the project must reduce the consumption of electricity, measured in kilowatt-hours.

In most cases, eligible energy efficiency projects involve voluntary installation, replacement or modification of equipment, fixtures or materials in a building or facility.

⁴ More specifically, the rule language states that to be eligible, a renewable generation project located outside Missouri must be sponsored by "a Missouri electric generation and transmission cooperative, a Missouri electric distribution utility or the affiliate of a Missouri electric distribution utility. For the purpose of this rule, 'affiliate' shall be defined as in 4 CSR 240.010." These terms have specific meanings in the context of Missouri rules. A utility that intends to sponsor an out-of-state project should address questions to the Energy Center for clarification.

⁵ The restriction stated here, which is taken from EPA guidance, is the only anti-double-dipping provision now in place. In particular, sponsors WILL be permitted to apply for set-aside awards for EE/RE projects that have been funded with Energy Center loans or that have received other forms of EE/RE incentives. The department reserves the right to consider eligibility on a case-by-case basis if other "double-dipping" issues should arise.

The following list of examples, drawn from EPA, illustrates the range of energy efficiency projects that may be eligible.⁶

End-use Energy Efficiency Technologies Potentially Eligible for Set-Aside Allowances (EPA)

<p><u>Lighting Technologies</u></p> <ul style="list-style-type: none"> • Lighting efficiency projects • Delighting • Lighting controls projects <p><u>HVAC and Refrigeration Technologies</u></p> <ul style="list-style-type: none"> • Chiller replacement projects • Air cooling and refrigeration compressor replacement projects • Packaged cooling unit replacement projects • Variable air volume conversion projects • Air side economizer projects • Water side economizer projects • Comfort cooling air handler motor efficiency upgrades • Air handler variable speed drive installations • Heating and cooling related savings from energy management systems • Cooling tower motor efficiency upgrades • Cooling tower motor variable speed drive installations • Constant speed ventilation • Evaporative cooling and pre-cooling • Exterior and interior window shading • Special window glazing and glazing treatments in air conditioned buildings • Hot-spot ventilation in air-conditioned buildings (such as attic vents and fans) 	<ul style="list-style-type: none"> • Heat transfer (including heat pumps) to heat sinks, such as ground source cooling in air conditioned buildings • Projects that upgrade the efficiency or controls of heating equipment • Refrigerated case door projects <p><u>Motors/Other Energy Efficient Technologies</u></p> <ul style="list-style-type: none"> • Variable speed drive installations on industrial fans and pumps • Industrial process applications • Projects improving building hot water efficiency • Cogeneration or Combined Heat and Power (CHP) projects <p><u>EPA List of Technologies “not recommended for Eligibility under the NOx SIP Call EE Set-Aside Program”</u></p> <ul style="list-style-type: none"> • Actions with a measurable lifespan of less than three years • Measures that do not meet federal and state minimum energy efficiency standards • Actions that save energy because of operational changes • Load shifting technologies • Fuel switching projects • Measures that are removable without the use of tools
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The eligibility of energy efficiency projects sponsored by electric utilities will be determined on the same basis as eligibility of projects by other sponsors. Eligible electric utility energy efficiency projects could reduce parasitic load at generation facilities – such as electricity consumed by blowers, belts and grinders at a coal-fired plant – or make electricity use more efficient in other utility buildings and facilities such as lighting upgrades in a utility office building.

The EPA list includes several technologies not recommended for eligibility. Missouri’s policy is close to but not identical with these EPA recommendations. For example, eligible measures must have a reasonable degree of persistence such as the three-year life span recommended by EPA. To meet this persistence criterion, a measure such as "daylighting" would need to include actual fixture removal, not just delamping. Similarly, operational changes are not eligible because they are difficult or impossible to verify. EPA recommends that load-shifting projects not be eligible for EE/RE Set-Aside awards. However, to the extent load shifting projects accomplish a verified reduction in electricity consumption (measured in kilowatt-hours), they will be considered.

⁶ EPA Office of Atmospheric Programs, Creating an Energy Efficiency and Renewable Energy Set-Aside in the NOx Budget Trading Program: Designing the Administrative and Quantitative Elements, 2000.

For example, if a thermal storage project reduces the amount of electricity required to provide a given amount of cooling, the thermal storage project would be an eligible project that could receive an award based on the number of kilowatt-hours saved. If the project does not save kilowatt-hours, even though it may shift usage from peak hours to non-peak hours, it will not be eligible for an award from the set-aside.

(2) Zero-Emissions Renewable Generation Projects

Projects that use any of the following renewable resources to generate electricity are eligible under this category:

- a) Electric generation from wind turbines;
- b) Electric generation from solar photovoltaic systems;
- c) Hydropower generation that meets one of these requirements:
 - i) Certified by the Low Impact Hydropower Institute;
 - ii) Employs a head of ten (10) feet or less; or
 - iii) Employs a head greater than ten (10) feet that makes use of a dam that existed prior to the effective date of the rule (May 30, 2007); or
- d) Generation from biogas including landfill gas from sanitary landfills, biogas from wastewater or sewage treatment plants and biogas from anaerobic digesters in livestock operations.

Electric generation from geothermal resources is also eligible in theory; however, such projects are not likely to occur in Missouri. Ground source heat pump systems may be eligible as energy efficiency projects.

The number of allowances awarded to a renewable generation project is to be calculated based on the amount of power the facility delivers to Missouri end-use customers. The sponsor must certify and demonstrate the amount of power from the renewable generation project or biomass generation project that is delivered to Missouri end-use customers.

(3) Biomass Generation Projects

Both stand-alone generation and generation from biomass co-fired with one or more fossil fuels are eligible under this category. Eligible biomass resources include wood and wood waste, energy crops such as switchgrass and agricultural wastes such as crop and animal waste. Projects that generate electricity from municipal solid waste are specifically excluded in the rule establishing the set-aside program. To be eligible, the combined heat and power installation must meet or exceed an efficiency threshold of 60 percent that is described in Appendix E.

As with renewable generation projects, the award to biomass generation projects is based on the amount of power the facility delivers to Missouri end-use customers.

(4) Combined Heat and Power (CHP) Projects

CHP includes installations that use waste process heat to generate electricity and/or use the waste heat from electric generation for purposes such as steam, process heat, hot

water, chilled water or space heating or cooling. In most cases, CHP projects would involve an industrial site or large commercial building that installs CHP to replace or displace electricity from existing electric utility sources.

Requirement for pre-application project review

Potential project sponsors are required to discuss their project with the Energy Center early in the first year during which the project will be operating and qualifying for an award from the set-aside. The sponsor must apply for this "pre-application project review" by March 31 of that year but is encouraged to apply as early as possible. The purpose of the review is to prevent misunderstanding of project eligibility or project measurement and verification requirements.

The Energy Center will review the project's compliance with eligibility requirements such as location, ownership, implementation date and project type. In addition, the Energy Center will review the proposed measurement and verification procedure.

The form to request a review of project eligibility is included in Appendix B and is available on the Energy Center Web site at www.dnr.mo.gov/energy/financial/cairsetaside.htm

Project Sponsors

The project "sponsor" is the entity that applies for an award from the set-aside. Any individual, group, organization or business that initiates, finances or carries out projects that reduce electricity use or displace conventional fossil-fired electric generation could be a project sponsor. Examples of types of entities that can sponsor projects include the following:

- Commercial and industrial building owners and operators;
- Energy service companies (ESCOs);
- Home builders and associations;
- Home owners associations;
- Federal, state and local government agencies;
- Commercial businesses;
- Manufacturers and other industrial energy users;
- Schools and Universities
- Manufacturers leasing or selling high energy efficiency equipment;
- Merchant power generators; and
- Utilities.

The department assumes that the owner of the site of the energy efficiency or renewable energy project is also the owner of any rights to NO_x allowances. Therefore, the site owner is the presumed project sponsor. However, the right to claim allowances as a project sponsor may also be assigned or sold to other persons or companies that can then become the sponsor for a project.

If several participants are collaborating on a project, the various parties must resolve sponsorship interests in the project and designate a single NO_x authorized account representative (AAR) for the project. The authorized account representative and alternate representative are explained in Section 2.

Aggregate projects may involve multiple sites and owners. They may involve an “aggregator” such as an energy services company (ESCO) who is different from the site owner(s). When a sponsor submits an aggregate project for award from the set-aside, the department assumes the project sponsor has obtained the legal right to the award. However, the application form requires the sponsor to identify any parties that might potentially present conflicting claims to awards.

If the department receives more than one request for NOx allowances for the same project, the Energy Center will return both requests to the sponsors. The sponsors must determine who will make the request and the ultimate ownership of any NOx allowances. The agency will not act as a mediator in situations where more than one project sponsor requests NOx allowances for the same project.

If the department receives multiple applications from a single sponsor, the Energy Center may request that the sponsor consolidate the applications.

Section 2 – Application Process

Eligibility for an award from the EE/RE Set-Aside does not guarantee the project will qualify for an award. The sponsor must demonstrate that the project has reduced annual NOx emissions from electric generation. In addition, the sponsor must establish an account in EPA's NOx Budget Tracking System to which allowances can be transferred.

The process to accomplish this is:

- 1) Establish a general trading account within EPA's Allowance Management System (AMS). The form submitted to EPA requires the sponsor to name an authorized account representative. The request must be made to EPA using the EPA form referenced in Appendix F.
- 2) Apply for an award using the form in Appendix C. The authorized account representative must submit this form. The application must demonstrate that project activities have resulted in NOx reductions during the preceding year.
Applicants must use the form supplied by the Energy Center. The purpose of the form is to assist potential applicants and to help assure that applications provide complete and consistent project information and documentation of project results. The form is available on the Energy Center Web site at www.dnr.mo.gov/energy/financial/cairsetaside.htm.
- 3) For up to an additional six years,⁷ annually submit a Reapplication for Award form that is in Appendix D and is available on the Energy Center Web site at www.dnr.mo.gov/energy/financial/cairsetaside.htm.

Missouri Rule 10 CSR 10-6.362 allows in-state projects to qualify for up to seven years of awards from the EE/RE Set-Aside. To qualify for awards, the reapplication must demonstrate that project activities have continued to result in reductions of annual NOx emissions.

Department Review Process

The department's Energy Center will determine project eligibility and the number of allowances to be awarded. The department's Air Pollution Control Program (APCP) will be responsible for the actual allocation of NOx allowances to an individual project sponsor.

Upon receipt of an application, the following will occur:

1. Between March 1 and May 31, the Energy Center will review applications to determine that projects are eligible and the applications are complete. In some cases, the Energy Center may request additional information.
2. For eligible and complete applications, the Energy Center will review the application and calculate the total number of allowances the projects are qualified to receive. In some cases, the Energy Center may request additional information or a site visit.
3. If the Energy Center agrees with the information, submitted and if there are sufficient allowances in the set-aside account, the APCP will request EPA to transfer the number of NOx allowances requested by the project sponsor to the sponsor's AMS account. If the set-aside account is oversubscribed as described in #6 below, the number of allowances to be transferred may be fewer than those that were requested
4. The Energy Center may determine that the number of NOx allowances should be adjusted.

⁷ For out-of-state projects, up to an additional four years.

This number may be smaller or larger than that requested. The Energy Center will inform the sponsor of this decision before any allowances are transferred.

5. Undersubscription: A total of 300 allowances is available each year to be awarded from Missouri's CAIR Annual NO_x Set-Aside. If the total number of eligible and qualified requests is fewer than 300, the department will request EPA to transfer the surplus allowances to electric utilities on a pro rata basis in the same proportion as their allocations set out in 10 CSR 10-6.362.
6. Oversubscription: If the total number of eligible and qualified requests for awards is greater than 300 allowances, the department will determine awards as follows:
 - A. Up to the first 150 allowances will be awarded to sponsors of in-state projects.
 - 1) Up to the first 60 allowances will be awarded for eligible energy efficiency projects in the order that the projects first achieved eligible status.
 - 2) The remaining allowances (at least 90, up to 150) will be awarded for in-state projects in the order the projects first achieved eligible status, regardless of the type of project.
 - B. The remaining allowances - at least 150, up to 300 - will be awarded to sponsors of all eligible and qualified projects on a pro rata basis in proportion to their total remaining claims for awards, regardless of the project type or location.

When the department requests that EPA transfer NO_x allowances to the sponsor's AMS Account, the project authorized account representative will receive a copy of the request. The actual transfer of NO_x allowances into accounts is completed by EPA.

Allowance Calculations

Appendix E provides the equations that must be used to calculate the number of NO_x allowances that a stand-alone or aggregate project is qualified to receive. The project sponsor should use these equations when requesting awards from the set-aside.

As used in Appendix E, "allowances" means the number of allowances to be awarded to a project sponsor. This is equivalent to the amount of central power plant NO_x emissions avoided during the preceding year, rounded to the nearest whole ton. The department, following the precedent established for set-aside awards under the NO_x SIP call,⁸ does not require the sponsor to demonstrate the location of the power plants where the NO_x emission reductions occur.

When calculating how many allowances a stand-alone or aggregate project is qualified to receive, rounding to the nearest whole ton is necessary because the EPA account tracking system only works with whole NO_x allowances. Conventional arithmetic rounding as defined in the Glossary in Section 4 should be used for this purpose. Appendix A provides illustrative examples of EE/RE projects that could qualify for the award of allowances and the number of allowances they might receive.

⁸ EPA guidance for set-aside awards under the NO_x SIP call was that emission reductions could be presumed to occur within the 22-state region affected by the NO_x SIP call. This principle was adopted by Missouri in administering the state's EE/RE set-aside under the NO_x SIP call.

Section 3 – Measurement and Verification (M&V)

The application for an award from the EE/RE Set-Aside must include provisions for measuring and verifying the data used to calculate the allowances that a project is qualified to receive.

Project sponsors are required to submit a request for pre-application project review by March 31 of the year prior to the first allowance awards. This early review includes an assessment of the applicant's proposed methods for M&V and is intended to result in an agreement on acceptable methods that can prevent potentially costly misunderstandings or oversights.

For most energy efficiency projects, the use of savings calculation equations and a utility bill analysis may be sufficient to satisfy measurement and verification requirements. Sponsors of zero-emissions renewable generation projects are required only to measure and verify generation data that is readily submetered. Biomass generation and CHP projects may require determination of a NO_x emissions rate for the project. This should be determined on a case-by-case basis in consultation with the department.

Calculating and Verifying Energy Savings from Energy Efficiency Projects and Programs

Sponsors of energy efficiency projects should pay close attention to establishing baseline electricity use data. Baseline data are required to calculate the post-project reduction in electricity use that can be attributed to the project implementation.

The department's set-aside application form requires the sponsor of an energy efficiency project to document past energy consumption, energy generation, rated energy efficiency or billing data that may facilitate review of the project. The purpose of this historic data is to provide a more adequate basis for estimating baseline electricity use. Historic data is not required for construction of new projects generating electricity.

Sponsors of new energy efficiency projects that are not a retrofit or upgrade should calculate energy savings by comparing the energy efficiency of comparable current industry-standard equipment to the equipment used in the project. Selecting Energy Star equipment for a project can simplify the calculation of the savings.

Sponsors of energy efficiency projects may calculate energy savings on a program rather than a project basis. A program is a group of projects, with similar characteristics and installed in similar applications – such as a utility program to install energy efficient lighting in commercial buildings, a developer's program to build a subdivision of homes that have photovoltaic systems, or a state residential energy efficiency code program.

The difference between project and program M&V is that with projects, each project is evaluated, while with programs, a sample of projects is selected for evaluation and the results of the evaluation are applied to the entire program "population" of projects.

Accepted M&V Options for Energy Efficiency Projects and Programs

If analytical predictions, utility bill analysis or submetering are not adequate for M&V, the department recommends that sponsors of energy efficiency projects base their M&V methodology on an accepted M&V protocol or guidance document. Accepted M&V protocol

and guidance documents include the following.

- (1) *International Performance Measurement and Verification Protocol (IPMVP)*
Organization web site is <http://www.evo-world.org/>
PDF version: www.fypower.org/pdf/measurement.pdf.
- (2) U.S. Department of Energy's *M&V Guidelines: Measurement and Verification for Federal Energy Projects, Version 2.2*
HTML version: http://metering.pnl.gov/femp_2.2/FEMP22_secTOC.htm.
PDF version: www.eere.energy.gov/femp/pdfs/26265.pdf
- (3) *New Jersey Measurement Protocol for Commercial and Industrial Facilities*
www.nj.gov/dep/baqp/Measurement%20Protocols.pdf
- (4) *ASHRAE Guideline 14-2002: Measurement of Energy and Demand Savings*.
Available for purchase from ASHRAE. Purchase information is available at
<http://resourcecenter.ashrae.org/store/ashrae/newstore.cgi?itemid=9012&view=item>

Section 4 – Glossary of Abbreviations, Acronyms and Definitions

Aggregator – a project sponsor who submits an application covering a number of projects and adding together (aggregating) their emission reductions. Typically the projects aggregated are small projects that individually cannot meet the minimum requirement of reducing one ton of NO_x emissions.

AMS – acronym for Allowance Management System, EPA's system for tracking all allowance activity. AMS maintains information on accounts and their representatives, the issuance of all allowances, the holdings of allowances in accounts, the transfer of allowances between accounts and the deduction allowances for compliance purposes.

Authorized Account Representative – the sponsor's representative for all official business related to the sponsor's General Account in EPA's Allowance Management System. The Representative is named in the sponsor's application to EPA to set up an AMS general account.

Conventional arithmetic rounding – the mathematical convention of converting fractional amounts to integers by “rounding down” to the nearest integer if the fractional portion is less than half a unit and “rounding up” to the nearest whole unit if the fractional portion is half a unit or greater. For example, a project that yields a result of 1.3 tons (2,600 pounds) of NO_x displaced would qualify for an award of one (1) allowance. A project that yields 0.5 tons (1,000 pounds) of NO_x displaced would qualify for one (1) allowance and a project that yields 1.8 tons (3,600 pounds) of NO_x displaced would qualify for two (2) allowances.

CAIR - acronym for Clean Air Interstate Rule, a model rule issued by EPA on March 10, 2005. EPA required 28 eastern states and the District of Columbia to implement its CAIR model rule or an equivalent rule to reduce power plant pollution that drifts from one state to another. The EPA model rule uses a cap and trade system to reduce the target pollutants—sulfur dioxide (SO₂) and nitrogen oxides (NO_x)—by 70 percent. In response to the EPA requirement, Missouri has established several new air quality rules which collectively implement a cap and trade system based on EPA's CAIR. One of these Missouri rules, 10 CSR 10-6.362, establishes the Annual NO_x Trading Program and establishes Missouri's CAIR annual NO_x set-aside.

EE/RE – acronym for Energy Efficiency and Renewable Energy

EPA – acronym for U.S. Environmental Protection Agency.

M&V – acronym for Measurement and Verification.

NO_x SIP Call - EPA issued the NO_x SIP Call in 1998 to reduce air-borne transport of NO_x emissions in the eastern U.S. Through the NO_x SIP Call, USEPA required 22 states and the District of Columbia to limit total NO_x emissions between May 1 and September 30. In Missouri's case, the requirement applied to 36 counties and the City of St. Louis in the eastern half of the state. Missouri, like other states subject to the NO_x SIP call, implemented a state cap-and-trade program based on allocating and trading NO_x allowances. Missouri's NO_x SIP call rule provided for an EE/RE set-aside containing 134 allowances. Missouri's NO_x SIP call program and EE/RE set-aside will be superseded after 2008 by the CAIR program and set-aside.

Sponsor – the entity submitting an application for award from the set-aside. Often, but not necessarily, the owner or aggregator of the project. Examples of types of entities that can be project sponsors include commercial and industrial building owners and operators; energy service companies (ESCOs); home builders and associations; home owners associations; federal, state and local government agencies; commercial businesses; manufacturers and other industrial

energy users; schools and universities, manufacturers leasing or selling high energy efficiency equipment; merchant power generators; and utilities.

Vintage – the year in which NO_x allowances are denominated. For example, vintage 2009 allowances are allowances to emit NO_x during calendar year 2009.

Section 5 – Contact and Resource Information

EPA Contacts and Information

The EPA form to establish a general account in EPA's AMS is available at

<http://www.epa.gov/airmarkets/business/forms.html#cair>

Submission information is included in the form.

Questions about EPA's allowance tracking system should be addressed to one of the following persons at EPA's Clean Air Markets Division:

- Paula Branch (202) 343-9168
- Kenon Smith - (202) 343-9164
- Mary Shellabarger - (202) 343-9188

EPA information about CAIR is available at

<http://www.epa.gov/airmarkets/progsregs/cair/index.html>

CAIR allowances and account information is available at:

<http://camddataandmaps.epa.gov/gdm/>

Department of Natural Resources Contacts and Information

The department's Air Pollution Control Program will make all actual allocation and transfers of allowances. Questions may be addressed to:

Missouri Department of Natural Resources
Air Pollution Control Program
P.O. Box 176
Jefferson City, MO 65102-0176
(573) 751-4817

The department's Energy Center will review eligibility and applications for awards from the EE/RE Set-Aside. Questions may be addressed to:

Missouri Energy Center
Department of Natural Resources
PO Box 176
Jefferson City MO 65102
1-800-361-4827
(573) 751-2254
(573) 751-6860 (fax)

Missouri EE/RE Set-Aside Web site: www.dnr.mo.gov/energy/financial/cairsetaside.htm

Third party information about market trading and value of NOx allowances is available at www.evomarkets.com/.