

PUBLIC HEARING ON

PROPOSED RULE

10 CSR 10-6.372

CROSS-STATE AIR POLLUTION RULE ANNUAL NO_x TRADING ALLOWANCE ALLOCATIONS

The purpose of this rulemaking is to reallocate the annual nitrogen oxides (NO_x) emission allowances established in the U.S. Environmental Protection Agency's (EPA's) Cross-State Air Pollution Rule (CSAPR), starting with allowances distributed for 2017. CSAPR is an EPA-administered emission reduction program that aims to lessen the effect that emissions from air pollution sources in upwind states have on the attainment or maintenance of air quality standards in downwind states. CSAPR enables affected utilities to buy and sell emission allowances from other affected facilities in Missouri or other states. The rulemaking will allocate two annual NO_x allowances to two small facilities, Chillicothe Municipal Utilities and Higginsville Municipal Power, which were not allocated any annual NO_x allowances under the federal rule.

NOTE - All unshaded text below this line is printed in the Missouri Register.

**Title 10 - DEPARTMENT OF
NATURAL RESOURCES**

Division 10 - Air Conservation Commission

**Chapter 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air
Pollution Control Regulations for the Entire State of Missouri**

PROPOSED RULE

10 CSR 10-6.372 Cross-State Air Pollution Rule Annual NO_x Trading Allowance Allocations. If the commission adopts this rule action, it will be the department's intention to submit this new rule to the U.S. Environmental Protection Agency for inclusion in the Missouri State Implementation Plan. The evidence supporting the need for this proposed rulemaking is available for viewing at the Missouri Department of Natural Resources' Air Pollution Control Program at the address listed in the Notice of Public Hearing at the end of this rule. More information concerning this rulemaking can be found at the Missouri Department of Natural Resources' Environmental Regulatory Agenda website, www.dnr.mo.gov/regs/index.html.

PURPOSE: The purpose of this rule is to change the method of reallocating the annual nitrogen oxides (NO_x) emission allowances for use with the U.S. Environmental Protection Agency's (EPA's) annual NO_x regional emission reduction program as established in the Cross-State Air Pollution Rule (CSAPR) for 2017 and beyond. The evidence supporting the need for this proposed rulemaking, per section 536.016, RSMo, is the September 13, 2011, December 16,

2014, and March 24, 2015 affected industry meeting summaries indicating general agreement to reallocate unused NO_x allowances to municipalities that received zero (0) allowances.

- (1) **Applicability.** This rule applies to all Transport Rule (TR) nitrogen oxides (NO_x) Annual units located in the state of Missouri.
- (2) **Definitions.**
 - (A) Definitions for key words and phrases used in this rule may be found in 40 CFR 97.402 and 97.403 promulgated as of June 30, 2014, and *Federal Register* Notice 79 FR 71663 promulgated on December 3, 2014, are hereby incorporated by reference as published by the Office of the Federal Register, U.S. National Archives and Records, 700 Pennsylvania Avenue NW, Washington, D.C. 20408.
 - (B) Notification—Any action by the director to convey information to affected sources and interested parties. This includes, but is not limited to, public web postings with email alerts.
 - (C) Definitions of certain terms specified in this rule, other than those defined in this rule section, may be found in 10 CSR 10-6.020.
- (3) **General Provisions.** This rule replaces 40 *Code of Federal Regulations* (CFR) 97.411(a), 40 CFR 97.411(b)(1) and 40 CFR 97.412(a) promulgated as of June 30, 2014, and *Federal Register* Notice 79 FR 71663 promulgated on December 3, 2014, as published by the Office of the Federal Register, U.S. National Archives and Records, 700 Pennsylvania Avenue NW, Washington, D.C. 20408.
 - (A) **Existing Units.**
 1. **Annual Submittal.** The director must submit to the U.S. Environmental Protection Agency (EPA) in a format prescribed by the administrator the TR NO_x Annual allowances listed in Table I taking into account any modifications necessary in accordance with paragraph (3)(A)2. of this rule. This submittal must meet the following schedule:
 - A. By June 1, 2016, the director will submit to EPA allowances for TR NO_x Annual units for the control periods in 2017 and 2018;
 - B. By June 1, 2017, the director will submit to EPA allowances for TR NO_x Annual units for the control periods in 2019 and 2020;
 - C. By June 1, 2018, the director will submit to EPA allowances for TR NO_x Annual units for the control periods in 2021 and 2022; and
 - D. By June 1, 2019, and June 1 of each year thereafter, the director will submit to EPA allowances for TR NO_x Annual units for the control periods in the fourth year after the year in which the submission is made.
 2. **Non-Operating Units.** If a unit in Table I of this rule does not operate during two (2) consecutive control periods after 2014, the submittal made under paragraph (3)(A)1. of this rule will show zero (0) TR Annual NO_x allowances for such unit for the control period in the fifth year after these two (2) such years and in each year after that fifth year. All TR NO_x Annual allowances that would otherwise have been allocated to such unit

will be allocated to the new unit set-aside for the state for the respective years involved. If this subsection is applicable, any resulting changes to the submittal under paragraph (3)(A)1. of this rule will be determined in accordance with the following:

- A. Every year, the director will review the operation of each unit listed in Table I and issue a notification that lists any unit in Table I that has not operated during two (2) consecutive control periods after 2014. Any notification made under this subparagraph will specify the first year in which allowances listed in Table I will be terminated for the applicable unit(s) under paragraph (3)(A)2. of this rule;
- B. For each notification required in subparagraph (3)(A)2.A. of this rule, the director will provide an opportunity for submission of objections to the units referenced in such notice that must be submitted by the deadline specified in such notification in order to be considered; and
- C. If there are objections, the director will review them and issue a notification responding to objections received along with any adjustments made to the list.

Table I

Source Name	Source ID	Unit ID	TR NO_x Annual unit allowances (tons) for 2017 and thereafter
Asbury	2076	1	884
Audrain Power Plant	55234	CT1	2
Audrain Power Plant	55234	CT2	2
Audrain Power Plant	55234	CT3	2
Audrain Power Plant	55234	CT4	2
Audrain Power Plant	55234	CT5	1
Audrain Power Plant	55234	CT6	1
Audrain Power Plant	55234	CT7	1
Audrain Power Plant	55234	CT8	1
Blue Valley	2132	3	126
Chamois Power Plant	2169	2	248
Chillicothe	2122	GT1A	2
Chillicothe	2122	GT1B	0
Chillicothe	2122	GT2A	0
Chillicothe	2122	GT2B	0
Columbia	2123	6	22
Columbia	2123	7	60
Columbia	2123	8	0
Columbia Energy Center (MO)	55447	CT01	1
Columbia Energy Center (MO)	55447	CT02	2

Columbia Energy Center (MO)	55447	CT03	1	
Columbia Energy Center (MO)	55447	CT04		1
Dogwood Energy Facility	55178	CT-1		33
Dogwood Energy Facility	55178	CT-2		30
Empire District Elec Co Energy Ctr	6223	1		1
Empire District Elec Co Energy Ctr	6223	2		2
Empire District Elec Co Energy Ctr	6223	3A		11
Empire District Elec Co Energy Ctr	6223	3B		11
Empire District Elec Co Energy Ctr	6223	4A		12
Empire District Elec Co Energy Ctr	6223	4B		12
Essex Power Plant	7749	1		8
Fairgrounds	2082	CT01		0
Greenwood Energy Center	6074	1		6
Greenwood Energy Center	6074	2		4
Greenwood Energy Center	6074	3		6
Greenwood Energy Center	6074	4		8
Hawthorn	2079	5A		2,445
Hawthorn	2079	6		1
Hawthorn	2079	7		7
Hawthorn	2079	8		8
Hawthorn	2079	9		21
Higginsville Municipal Power Plant	2131	4A		2
Higginsville Municipal Power Plant	2131	4B		0
Holden Power Plant	7848	1		5
Holden Power Plant	7848	2		6
Holden Power Plant	7848	3		5
Howard Bend	2102	CT1A		0
Howard Bend	2102	CT1B		0
Iatan	6065	1		3,094
James River	2161	GT1		7
James River	2161	GT2		13
James River	2161	3		207
James River	2161	4		235
James River	2161	5		435
John Twitty Energy Center	6195	1		801
John Twitty Energy Center	6195	CT1A		1
John Twitty Energy Center	6195	CT1B		1
John Twitty Energy Center	6195	CT2A		1
John Twitty Energy Center	6195	CT2B		1
Labadie	2103	1		2,321
Labadie	2103	2		2,495
Labadie	2103	3		2,677
Labadie	2103	4		2,613
Lake Road	2098	6		414
Lake Road	2098	GT5		2
McCartney Generating Station	7903	MGS1A		10

McCartney Generating Station	7903	MGS1B	10
McCartney Generating Station	7903	MGS2A	10
McCartney Generating Station	7903	MGS2B	10
Meramec	2104	1	646
Meramec	2104	2	609
Meramec	2104	3	1,075
Meramec	2104	4	1,499
Meramec	2104	CT01	0
Meramec	2104	CT2A	0
Meramec	2104	CT2B	0
Mexico	6650	CT01	0
Moberly	6651	CT01	0
Montrose	2080	1	725
Montrose	2080	2	710
Montrose	2080	3	746
Moreau	6652	CT01	0
New Madrid Power Plant	2167	1	2,276
New Madrid Power Plant	2167	2	2,172
Nodaway Power Plant	7754	1	4
Nodaway Power Plant	7754	2	5
Northeast Generating Station	2081	11	0
Northeast Generating Station	2081	12	0
Northeast Generating Station	2081	13	0
Northeast Generating Station	2081	14	0
Northeast Generating Station	2081	15	0
Northeast Generating Station	2081	16	0
Northeast Generating Station	2081	17	1
Northeast Generating Station	2081	18	1
Peno Creek Energy Center	7964	CT1A	11
Peno Creek Energy Center	7964	CT1B	10
Peno Creek Energy Center	7964	CT2A	10
Peno Creek Energy Center	7964	CT2B	9
Peno Creek Energy Center	7964	CT3A	11
Peno Creek Energy Center	7964	CT3B	11
Peno Creek Energy Center	7964	CT4A	10
Peno Creek Energy Center	7964	CT4B	10
Ralph Green Station	2092	3	1
Rush Island	6155	1	2,086
Rush Island	6155	2	2,106
Sibley	2094	1	222
Sibley	2094	2	219
Sibley	2094	3	1,400
Sikeston	6768	1	1,268
Sioux	2107	1	1,874
Sioux	2107	2	1,690
South Harper Peaking Facility	56151	1	15

South Harper Peaking Facility	56151	2	19
South Harper Peaking Facility	56151	3	23
St. Francis Power Plant	7604	1	31
St. Francis Power Plant	7604	2	29
State Line (MO)	7296	1	8
State Line (MO)	7296	2-1	57
State Line (MO)	7296	2-2	59
Thomas Hill Energy Center	2168	MB1	829
Thomas Hill Energy Center	2168	MB2	1,296
Thomas Hill Energy Center	2168	MB3	2,674
Viaduct	2096	CT01	0

Total 45,818

Note: Being included or excluded on the list of sources in Table I does not constitute a determination that such source is or is not a TR NO_x Annual unit. The determination of applicability for TR NO_x Annual units is in 40 CFR 97.404.

(B) New Units.

1. Annual Submittal. For the TR NO_x Annual control period in 2017 and each control period thereafter, the director must submit to EPA in a format prescribed by the administrator the TR NO_x Annual allowances as determined under this subsection by July 1 of the applicable control period.
2. New Unit Set-Asides.
 - A. Allowance Calculation. Every year, the director will calculate the TR NO_x Annual allowance allocation to each TR NO_x Annual unit in a state, in accordance with subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule, for the control period in the year of the applicable submittal deadline under paragraph (3)(B)1. of this rule. Once the calculations are complete, the director will contact all facilities that will receive allocations under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule for the control period in the year of the applicable submittal deadline under paragraph (3)(B)1. of this rule to confirm that the calculations were performed in accordance with this rule, and make adjustments to the calculations if necessary.
 - B. Excess Allowances. If the new unit set-aside for such control period has any TR NO_x Annual allowances remaining after the calculations performed under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule have been completed, then allowances will be calculated in accordance with subparagraph (3)(B)3.I. of this rule.
 - C. Industry Requests for Excess Allowances. If an entity wishes to receive allowances in accordance with subparagraph (3)(B)3.I. of this rule, for any control period, then by April 5 of the applicable

control period, the entity must submit information to the director confirming that a TR NO_x Annual unit commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period. The submittal must also include the calculation of eligible allowances for use in subparagraph (3)(B)3.I. of this rule, for each TR NO_x Annual unit that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period.

- (I) The calculation of eligible allowances must be in accordance with part (3)(B)3.I.(III) of this rule in order for such units to be eligible to receive any allowances in accordance with subparagraph (3)(B)3.I. of this rule.
- (II) Each year, the director will review any submissions made in accordance with this paragraph to confirm that units identified in the submissions are TR NO_x Annual units that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period. The director will also confirm that the submission includes the correct calculations for eligible allowances in accordance with part (3)(B)3.I.(III) of this rule. If, during the review, the director identifies any discrepancies with the identified units or the calculations in a submission made in accordance with this paragraph, the director may request additional information from the entity that made the submission. If additional information is requested, the entity must provide the requested information by the deadline specified in the information request; otherwise, units identified in such submission will not be eligible for allowances in accordance with subparagraph (3)(B)3.I. of this rule for the applicable control period.

D. **Public Notification.** The director will determine the TR NO_x Annual allowance allocation to each TR NO_x Annual unit in accordance with subparagraph (3)(B)3.I., (3)(B)3.J., and (3)(B)3.L. of this rule and 40 CFR 97.406(b)(2) and 40 CFR 97.430 through 40 CFR 97.435. By June 1 of each year, the director will issue a notification making available the results of all allowance determinations from the new unit set-aside for the control period in which the notification is made.

- (I) For each notification required in part (3)(B)2.D(II) of this rule, the director will provide an opportunity for submission of objections to the calculations referenced in such notice.

- (II) If there are objections, the director will review them and provide notification stating the outcome.
 - E. Allowance Changes. If any TR NO_x Annual allowances are added to the new unit set-aside after submittals as required in subparagraph (3)(B)2.C. of this rule, the director will issue additional notifications, as deemed appropriate, of the allocation of such TR NO_x Annual allowances in accordance with subparagraph (3)(B)3.J. of this rule.
- 3. New Unit Annual Allowance Allocation Methodology. For each control period in 2017 and thereafter and for the TR NO_x Annual units in Missouri, the director will allocate TR NO_x Annual allowances to the TR NO_x Annual units as follows:
 - A. Units Eligible to Receive Allowances. The TR NO_x Annual allowances will be allocated to the following TR NO_x Annual units, except as provided in subparagraph (3)(B)3.J. of this rule:
 - (I) TR NO_x Annual units that are not listed in Table I in paragraph (3)(A)2. of this rule;
 - (II) TR NO_x Annual units whose allocation of an amount of TR NO_x Annual allowances for such control period listed in Table I in paragraph (3)(A)2. of this rule is covered by 40 CFR 97.411(c)(2) or (3);
 - (III) TR NO_x Annual units that are listed in Table I in paragraph (3)(A)2. of this rule and the allocation to such unit(s) is terminated for the applicable control period pursuant to paragraph (3)(A)2. of this rule, and that operate during the control period immediately preceding such control period; or
 - (IV) For purposes of subparagraph (3)(B)3.I. of this rule, TR NO_x Annual units under 40 CFR 97.411(c)(1)(ii) whose allocation of an amount of TR NO_x Annual allowances for such control period under paragraph (3)(B)2. of this rule is covered by 40 CFR 97.411(c)(2) or (3);
 - B. Total Allowances Available. The director will establish a separate new unit set-aside for the state for each such control period. Each such new unit set-aside will be allocated TR NO_x Annual allowances in an amount equal to the difference between the Missouri TR NO_x Annual trading budget for 2017 and thereafter, as set forth in 40 CFR 97.410(a), and the total number of allowances allocated in accordance with paragraph (3)(A)1. of this rule for such control period. The new unit set-aside will be allocated additional TR NO_x Annual allowances (if any) in accordance with paragraph (3)(A)2. of this rule and 40 CFR 97.411(c)(5);
 - C. Eligible Control Periods. The director will determine, for each TR NO_x Annual unit described in subparagraph (3)(B)3.A. of this rule,

an allocation of TR NO_x Annual allowances for the later of the following control periods and for each subsequent control period:

- (I) The control period in 2017;
 - (II) The first control period after the control period in which the TR NO_x Annual unit commences commercial operation;
 - (III) For a unit described in part (3)(B)3.A.(II) of this rule, the first control period in which the TR NO_x Annual unit operates in the state after operating in another jurisdiction and for which the unit is not already allocated one (1) or more TR NO_x Annual allowances; and
 - (IV) For a unit described in part (3)(B)3.A.(III) of this rule, the first control period after the control period in which the unit resumes operation, or the first control period in which the allocation for such unit listed in Table I in paragraph (3)(A)2. of this rule is terminated pursuant to paragraph (3)(A)2. of this rule, whichever is later;
- D. Allocations. The allocation to each TR NO_x Annual unit described in parts (3)(B)3.A.(I) through (3)(B)3.A.(III) of this rule and for each control period described in subparagraph (3)(B)3.C. of this rule will be an amount equal to the unit's total tons of NO_x emissions during the immediately preceding control period. The director will adjust the allocation amount in this subparagraph in accordance with subparagraphs (3)(B)3.E. through (3)(B)3.G. and (3)(B)3.L. of this rule;
- E. Sum of Allowances. The director will calculate the sum of the TR NO_x Annual allowances determined for all such TR NO_x Annual units under subparagraph (3)(B)3.D. of this rule in the state for such control period;
- F. Extra Allowance Allocation. If the amount of TR NO_x Annual allowances in the new unit set-aside for the state for such control period is greater than or equal to the sum under subparagraph (3)(B)3.E. of this rule, then the director will allocate the amount of TR NO_x Annual allowances determined for each such TR NO_x Annual unit under subparagraph (3)(B)3.D. of this rule;
- G. Insufficient Allowance Allocation. If the amount of TR NO_x Annual allowances in the new unit set-aside for the state for such control period is less than the sum under subparagraph (3)(B)3.E. of this rule, then the director will allocate to each such TR NO_x Annual unit the amount of the TR NO_x Annual allowances determined under subparagraph (3)(B)3.D. of this rule for the unit, multiplied by the amount of TR NO_x Annual allowances in the new unit set-aside for such control period, divided by the sum under subparagraph (3)(B)3.E. of this rule, and rounded to the nearest allowance;
- H. Confirmation of Allowances. The director will contact facilities as described in subparagraph (3)(B)2.A. of this rule to confirm the

amount of TR NO_x Annual allowances allocated under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule for such control period to each TR NO_x Annual unit eligible for such allocation;

- I. Allowance Calculation for Units That Recently Began Operation. If, after completion of the procedures under subparagraphs (3)(B)3.E. through (3)(B)3.H. of this rule for such control period, any unallocated TR NO_x Annual allowances remain in the new unit set-aside for the state for such control period, the director will allocate such TR NO_x Annual allowances as follows:
- (I) For any submission made in accordance with subparagraph (3)(B)2.B. of this rule, the submitting entity may include the calculation of eligible allowances for such control period as specified in part (3)(B)3.I.(III) of this rule. If such submission is not made or fails to include the calculation of eligible allowances under this part by the April 5 deadline, or if the entity fails to provide additional information requested in accordance with part (3)(B)2.C.(II) of this rule by the applicable deadline, then no allowances will be awarded to such unit in accordance with this subparagraph for such control period;
 - (II) The director will review submissions made in accordance with subparagraph (3)(B)2.C. of this rule, as specified in part (3)(B)2.C.(II) of this rule and may adjust the units identified in such submission if they are not eligible for allowances under this subparagraph, and the director may also adjust the calculation of eligible allowances included in such submission to ensure they are in accordance with part (3)(B)3.I.(III) of this rule;
 - (III) The calculation of eligible TR NO_x Annual allowances for a specific control period for TR NO_x Annual units that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period must be as follows;

$$EA = \frac{(ER)(HR)(NP_{cap})(CP_{Tot})(CF)(24 \text{ hours/day})(1,000 \text{ kW}/MW_e)}{(2,000 \text{ lb/ton})(1,000,000 \text{ BTU}/mmBTU)}$$

Where:

- EA = eligible TR NO_x Annual Allowances
- ER = the unit's permitted emission rate from the unit's construction permit approved under 10 CSR 10-6.060 (lb/mmBTU)
- HR = the heat rate efficiency for the generator

that the unit serves (BTU/KW-hr)
 NP_{Cap} = nameplate capacity of the generator that the unit serves (MWe)
 CP_{Tot} = number of days in the control period
 CF = the unit's default capacity factor from Table II below

Table II – Default Capacity Factors for New Units

Unit Types	Annual SO ₂ & NO _x Programs	Ozone Season NO _x Program
Coal-Fired Steam Boiler	0.85	0.92
IGCC (Coal Gasification)	0.74	0.73
Oil-Fired Steam Boiler	0.30	0.39
Natural Gas-Fired Steam Boiler	0.44	0.47
Simple Cycle Combustion Turbine	0.24	0.32
Combined Cycle Combustion Turbine	0.66	0.71

- (IV) The director will determine, for each unit described in subparagraph (3)(B)3.A. of this rule that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period, the positive difference (if any) between the unit's emissions during the previous control period and the amount of eligible TR NO_x Annual allowances as calculated under part (3)(B)3.I.(III) of this rule;
- (V) The director will determine the sum of the positive differences determined under part (3)(B)3.I.(IV) of this rule;
- (VI) If the amount of unallocated TR NO_x Annual allowances remaining in the new unit set-aside for the state for such control period is greater than or equal to the sum determined under part (3)(B)3.I.(V) of this rule, then the director will allocate the amount of TR NO_x Annual allowances determined for each such TR NO_x Annual unit under part (3)(B)3.I.(IV) of this rule; and
- (VII) If the amount of unallocated TR NO_x Annual allowances remaining in the new unit set-aside for the state for such

control period is less than the sum under part (3)(B)3.I.(V) of this rule, then the director will allocate to each such TR NO_x Annual unit the amount of the TR NO_x Annual allowances determined under part (3)(B)3.I.(IV) of this rule for the unit, multiplied by the amount of unallocated TR NO_x Annual allowances remaining in the new unit set-aside for such control period, divided by the sum under part (3)(B)3.I.(V) of this rule, and rounded to the nearest allowance;

- J. Distribution of Remaining Allocations. If, after completion of the procedures under subparagraphs (3)(B)3.I. and (3)(B)3.L. of this rule for such control period, any unallocated TR NO_x Annual allowances remain in the new unit set-aside for the state for such control period, the director will allocate to each TR NO_x Annual unit that is in the state, is allocated an amount of TR NO_x Annual allowances listed in Table I in paragraph (3)(A)2. of this rule, and continues to be allocated TR NO_x Annual allowances for such control period in accordance with paragraph (3)(A)2. of this rule, an amount of TR NO_x Annual allowances equal to the following: the total amount of such remaining unallocated TR NO_x Annual allowances in such new unit set-aside, multiplied by the unit's allocation listed in Table I in paragraph (3)(A)2. of this rule for such control period, divided by the remainder of the amount of tons in the applicable state NO_x Annual trading budget minus the amount of tons in such new unit set-aside for the state for such control period, and rounded to the nearest allowance;
- K. Public Notification. The director will issue notifications as described in subparagraphs (3)(B)2.D. and (3)(B)2.E. of this rule, of the amount of TR NO_x Annual allowances allocated under subparagraphs (3)(B)3.B. through (3)(B)3.G., (3)(B)3.I., (3)(B)3.J., and (3)(B)3.L. of this rule for such control period to each TR NO_x Annual unit eligible for such allocation; and
- L. Allocation Tabulations That Exceed or Are Less Than the New Unit Set-Aside.
 - (I) Notwithstanding the requirements of subparagraphs (3)(B)3.B. through (3)(B)3.K. of this rule, if the calculations of allocations of a new unit set-aside for a control period in a given year under subparagraph (3)(B)3.G. of this rule, subparagraph (3)(B)3.F. and part (3)(B)3.I.(VII) of this rule, or subparagraph (3)(B)3.F., part (3)(B)3.I.(VI), and subparagraph (3)(B)3.J. of this rule would otherwise result in total allocations of such new unit set-aside exceeding the total amount of such new unit set-aside, then the director will adjust the results of the calculations under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as

applicable, as follows. The director will list the TR NO_x Annual units in descending order based on the amount of such units' allocations under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, and, in cases of equal allocation amounts, in alphabetical order of the relevant source's name and numerical order of the relevant unit's identification number, and will reduce each unit's allocation under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, by one (1) TR NO_x Annual allowance (but not below zero (0)) in the order in which the units are listed and will repeat this reduction process as necessary, until the total allocations of such new unit set-aside equal the total amount of such new unit set-aside.

- (II) Notwithstanding the requirements of subparagraphs (3)(B)3.J. and (3)(B)3.K. of this rule, if the calculations of allocations of a new unit set-aside for a control period in a given year under subparagraph (3)(B)3.F., part (3)(B)3.I.(VI), and subparagraph (3)(B)3.J. of this rule would otherwise result in a total allocations of such new unit set-aside less than the total amount of such new unit set-aside, then the director will adjust the results of the calculations under subparagraph (3)(B)3.J. of this rule, as follows. The director will list the TR NO_x Annual units in descending order based on the amount of such units' allocations under subparagraph (3)(B)3.J. of this rule and, in cases of equal allocation amounts, in alphabetical order of the relevant source's name and numerical order of the relevant unit's identification number, and will increase each unit's allocation under subparagraph (3)(B)3.J. of this rule by one (1) TR NO_x Annual allowance in the order in which the units are listed and will repeat this increase process as necessary, until the total allocations of such new unit set-aside equal the total amount of such new unit set-aside.

- (4) Reporting and Record Keeping. The director shall maintain TR NO_x Annual unit allowance records submitted to EPA for each TR NO_x Annual control period for a minimum of five (5) years.
- (5) Test Methods. *(Not Applicable)*.

AUTHORITY: section 643.050, RSMo Supp. 2014. Original rule filed May 15, 2015.

PUBLIC COST: This proposed rule will cost public entities twenty nine thousand six hundred dollars (\$29,600) over the life of the rule. The cost for fiscal year 2018 is estimated to be two

thousand nine hundred sixty (\$2,960). Note the attached fiscal note for assumptions that apply.

PRIVATE COST: This proposed rule will cost private entities twenty nine thousand six hundred (\$29,600) over the life of the rule. The cost for fiscal year 2018 is estimated to be two thousand nine hundred sixty (\$2,960). Note the attached fiscal note for assumptions that apply.

NOTICE OF PUBLIC HEARING AND NOTICE TO SUBMIT COMMENTS: A public hearing on this proposed rule will begin at 1:30 p.m., August 3, 2015. The public hearing will be held at the Elm Street Conference Center, 1730 East Elm Street, Lower Level, Bennett Springs Conference Room, Jefferson City, Missouri. Opportunity to be heard at the hearing shall be afforded any interested person. Interested persons, whether or not heard, may submit a written or email statement of their views until 5:00 p.m., August 10, 2015. Written comments shall be sent to Chief, Air Quality Planning Section, Missouri Department of Natural Resources' Air Pollution Control Program, PO Box 176, Jefferson City, MO 65102-0176. Email comments shall be sent to apcprulespn@dnr.mo.gov.

**FISCAL NOTE
PUBLIC COST**

- I. Department Title:** 10 – Department of Natural Resources
Division Title: 10 – Air Conservation Commission
Chapter Title: 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air Pollution Control Regulations for the Entire State of Missouri

Rule Number and Name:	10 CSR 10-6.372 Cross-State Air Pollution Rule Annual NO _x Trading Allowance Allocations
Type of Rulemaking:	Proposed Rule

II. SUMMARY OF FISCAL IMPACT

Affected Agency or Political Subdivision	Estimated Cost of Compliance in the Aggregate
24 Publicly Owned Electric Generating Units	\$ 29,600

III. WORKSHEET

Fiscal Year	Cost of Allowances Lost
FY2017 (6 months)	\$ 0
FY2018	\$ 2,960
FY2019	\$ 2,960
FY2020	\$ 2,960
FY2021	\$ 2,960
FY2022	\$ 2,960
FY2023	\$ 2,960
FY2024	\$ 2,960
FY2025	\$ 2,960
FY2026	\$ 2,960
FY2027 (6 months)	\$ 2,960
Aggregate	\$ 29,600

One ton of Annual NO_x emitted = 1 Annual NO_x Allowance.
 Allowance cost = \$740 per ton Annual NO_x emitted.
 Number of Allowances lost in allowance redistribution each year (starting in FY 2018) = 4 tons.

Total Allowance Cost Lost per year = \$740/ton x 4 tons Annual NO_x = \$2,960.
Aggregate Allowance Cost Lost = 10 years x \$2,960/year = \$29,600.

IV. ASSUMPTIONS

1. For the convenience of calculating this fiscal note over a reasonable time frame, the life of the rule is assumed to be ten (10) years although the duration of the rule is indefinite. If the life of the rule extends beyond ten (10) years, the annual costs for the additional years will be consistent with the assumptions used to calculate annual costs as identified in this fiscal note.
2. The cost estimate is based on re-allocating a total of four (4) annual NO_x allowances. Since the U.S. Environmental Protection (EPA) will make up for the use of these four (4) allowances by removing allowances from either existing Public or existing Privately owned units (depending on prior year annual emissions from new units), it is unknown how many annual NO_x allowances will be lost to Publicly owned units. The worst case scenario of losing four (4) annual NO_x allowances was used in this cost estimate.
3. The allowance cost estimate is based on the NO_x Annual spot price from Air and Liquid Advisors webpage accessed December 2, 2014 where the rule cost threshold for NO_x was determined to be seven hundred forty dollars (\$740) per ton.
4. It is estimated that no new additional state staff will be required to perform tasks associated with this rulemaking as these tasks will be performed by current staff.
5. EPA allowance redistributions are required no later than August 1 of the compliance year. The redistribution costs in this estimate are assumed to occur between June 30 and August 1 of the compliance year.

**FISCAL NOTE
PRIVATE COST**

- I. Department Title:** 10 – Department of Natural Resources
Division Title: 10 – Air Conservation Commission
Chapter Title: 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air Pollution Control Regulations for the Entire State of Missouri

Rule Number and Title:	10 CSR 10-6.372 Cross-State Air Pollution Rule Annual NO _x Trading Allowance Allocations
Type of Rulemaking:	Proposed Rule

II. SUMMARY OF FISCAL IMPACT

Estimate of the number of entities by class which would likely be affected by the adoption of the rule:	Classification by types of the business entities which would likely be affected:	Estimate in the aggregate as to the cost of compliance with the rule by the affected entities:
95 Privately Owned Electric Generating Units	Utility Boilers	\$ 29,600

III. WORKSHEET

Fiscal Year	Cost of Allowances Lost
FY2017 (6 months)	\$ 0
FY2018	\$ 2,960
FY2019	\$ 2,960
FY2020	\$ 2,960
FY2021	\$ 2,960
FY2022	\$ 2,960
FY2023	\$ 2,960
FY2024	\$ 2,960
FY2025	\$ 2,960
FY2026	\$ 2,960
FY2027 (6 months)	\$ 2,960
Aggregate	\$ 29,600

One ton of Annual NO_x emitted = 1 Annual NO_x Allowance.

Allowance cost = \$740 per ton Annual NO_x emitted.

Number of Allowances lost in allowance redistribution each year (starting in FY 2018) = 4 tons.

Total Allowance Cost Lost per year = \$740/ton x 4 tons Annual NO_x = \$2,960.

Aggregate Allowance Cost Lost = 10 years x \$2,960/year = \$29,600.

IV. ASSUMPTIONS

1. For the convenience of calculating this fiscal note over a reasonable time frame, the life of the rule is assumed to be ten (10) years although the duration of the rule is indefinite. If the life of the rule extends beyond ten (10) years, the annual costs for the additional years will be consistent with the assumptions used to calculate annual costs as identified in this fiscal note.
2. The cost estimate is based on re-allocating a total of four (4) annual NO_x allowances. Since the U.S. Environmental Protection (EPA) will make up for the use of these four (4) allowances by removing allowances from either existing Public or existing Privately owned units (depending on prior year annual emissions from new units), it is unknown how many annual NO_x allowances will be lost to Privately owned units. The worst case scenario of losing four (4) annual NO_x allowances was used in this cost estimate.
3. The allowance cost estimate is based on the NO_x Annual spot price from Air and Liquid Advisors webpage accessed December 2, 2014 where the rule cost threshold for NO_x was determined to be seven hundred forty dollars (\$740) per ton.
4. EPA allowance redistributions are required no later than August 1 of the compliance year. The redistribution costs in this estimate are assumed to occur between June 30 and August 1 of the compliance year.

PUBLIC HEARING ON

PROPOSED RULE

10 CSR 10-6.374

**CROSS-STATE AIR POLLUTION RULE OZONE SEASON NO_x TRADING
ALLOWANCE ALLOCATIONS**

The purpose of this rulemaking is to reallocate the ozone season nitrogen oxides (NO_x) emission allowances established in the U.S. Environmental Protection Agency's (EPA's) Cross-State Air Pollution Rule (CSAPR), starting with allowances distributed for 2017. CSAPR is an EPA-administered emission reduction program that aims to lessen the effect that emissions from air pollution sources in upwind states have on the attainment or maintenance of air quality standards in downwind states. CSAPR enables affected utilities to buy and sell emission allowances from other affected facilities in Missouri or other states. The rulemaking will allocate one ozone season NO_x allowance to two small facilities, Chillicothe Municipal Utilities and Higginsville Municipal Power, which were not allocated any ozone season NO_x allowances under the federal rule.

NOTE - All unshaded text below this line is printed in the Missouri Register.

**Title 10 - DEPARTMENT OF
NATURAL RESOURCES**

Division 10 - Air Conservation Commission

**Chapter 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air
Pollution Control Regulations for the Entire State of Missouri**

PROPOSED RULE

10 CSR 10-6.374 Cross-State Air Pollution Rule Ozone Season NO_x Trading Allowance Allocations. If the commission adopts this rule action, it will be the department's intention to submit this new rule to the U.S. Environmental Protection Agency for inclusion in the Missouri State Implementation Plan. The evidence supporting the need for this proposed rulemaking is available for viewing at the Missouri Department of Natural Resources' Air Pollution Control Program at the address listed in the Notice of Public Hearing at the end of this rule. More information concerning this rulemaking can be found at the Missouri Department of Natural Resources' Environmental Regulatory Agenda website, www.dnr.mo.gov/regs/index.html.

PURPOSE: The purpose of this rule is to change the method of reallocating the ozone season nitrogen oxides (NO_x) emission allowances for use with the U.S. Environmental Protection Agency's (EPA's) ozone season NO_x regional emission reduction program as established in the Cross-State Air Pollution Rule (CSAPR) for 2017 and beyond. The evidence supporting the need

for this proposed rulemaking, per section 536.016, RSMo, is the September 13, 2011, December 16, 2014, and March 24, 2015 affected industry meeting summaries indicating general agreement to reallocate unused NO_x allowances to municipalities that received zero (0) allowances.

- (1) **Applicability.** This rule applies to all Transport Rule (TR) nitrogen oxides (NO_x) Ozone Season units located in the state of Missouri.
- (2) **Definitions.**
 - (A) Definitions for key words and phrases used in this rule may be found in 40 CFR 97.502 and 97.503 promulgated as of June 30, 2014, and *Federal Register* Notice 79 FR 71663 promulgated on December 3, 2014, are hereby incorporated by reference as published by the Office of the Federal Register, U.S. National Archives and Records, 700 Pennsylvania Avenue NW, Washington, D.C. 20408.
 - (B) **Notification**—Any action by the director to convey information to affected sources and interested parties. This includes, but is not limited to, public web postings with email alerts.
 - (C) Definitions of certain terms specified in this rule, other than those defined in this rule section, may be found in 10 CSR 10-6.020.
- (3) **General Provisions.** This rule replaces 40 *Code of Federal Regulations* (CFR) 97.511(a), 40 CFR 97.511(b)(1) and 40 CFR 97.512(a) promulgated as of June 30, 2014, and *Federal Register* Notice 79 FR 71663 promulgated on December 3, 2014, as published by the Office of the Federal Register, U.S. National Archives and Records, 700 Pennsylvania Avenue NW, Washington, D.C. 20408.
 - (A) **Existing Units.**
 1. **Annual Submittal.** The director must submit to the U.S. Environmental Protection Agency (EPA) in a format prescribed by the administrator the TR NO_x Ozone Season allowances listed in Table I taking into account any modifications necessary in accordance with paragraph (3)(A)2. of this rule. This submittal must meet the following schedule:
 - A. By June 1, 2016, the director will submit to EPA allowances for TR NO_x Ozone Season units for the control periods in 2017 and 2018;
 - B. By June 1, 2017, the director will submit to EPA allowances for TR NO_x Ozone Season units for the control periods in 2019 and 2020;
 - C. By June 1, 2018, the director will submit to EPA allowances for TR NO_x Ozone Season units for the control periods in 2021 and 2022; and
 - D. By June 1, 2019, and June 1 of each year thereafter, the director will submit to EPA allowances for TR NO_x Ozone Season units for the control periods in the fourth year after the year in which the submission is made.
 2. **Non-operating Units.** If a unit in Table I of this rule does not operate during two (2) consecutive control periods after 2014, the submittal made

under paragraph (3)(A)1. of this rule will show zero (0) TR Ozone Season NO_x allowances for such unit for the control period in the fifth year after these two (2) such years and in each year after that fifth year. All TR NO_x Ozone Season allowances that would otherwise have been allocated to such unit will be allocated to the new unit set-aside for the state for the respective years involved. If this subsection is applicable, any resulting changes to the submittal under paragraph (3)(A)1. of this rule will be determined in accordance with the following:

- A. Every year, the director will review the operation of each unit listed in Table I and issue a notification that lists any unit in Table I that has not operated during two (2) consecutive control periods after 2014. Any notification made under this subparagraph will specify the first year in which allowances listed in Table I will be terminated for the applicable unit(s) under paragraph (3)(A)2. of this rule;
- B. For each notification required in subparagraph (3)(A)2.A. of this rule, the director will provide an opportunity for submission of objections to the units referenced in such notice that must be submitted by the deadline specified in such notification in order to be considered; and
- C. If there are objections, the director will review them and issue a notification responding to objections received along with any adjustments made to the list.

Table I

Source Name	Source ID	Unit ID	TR NO_x Ozone Season unit allowances (tons) for 2017 and thereafter
Asbury	2076	1	394
Audrain Power Plant	55234	CT1	1
Audrain Power Plant	55234	CT2	1
Audrain Power Plant	55234	CT3	1
Audrain Power Plant	55234	CT4	1
Audrain Power Plant	55234	CT5	1
Audrain Power Plant	55234	CT6	1
Audrain Power Plant	55234	CT7	1
Audrain Power Plant	55234	CT8	1
Blue Valley	2132	3	65
Chamois Power Plant	2169	2	101

Chillicothe	2122	GT1A	1
Chillicothe	2122	GT1B	0
Chillicothe	2122	GT2A	0
Chillicothe	2122	GT2B	0
Columbia	2123	6	18
Columbia	2123	7	26
Columbia	2123	8	0
Columbia Energy Center (MO)	55447	CT01	1
Columbia Energy Center (MO)	55447	CT02	1
Columbia Energy Center (MO)	55447	CT03	1
Columbia Energy Center (MO)	55447	CT04	0
Dogwood Energy Facility	55178	CT-1	23
Dogwood Energy Facility	55178	CT-2	18
Empire District Elec Co Energy Ctr	6223	1	1
Empire District Elec Co Energy Ctr	6223	2	1
Empire District Elec Co Energy Ctr	6223	3A	6
Empire District Elec Co Energy Ctr	6223	3B	6
Empire District Elec Co Energy Ctr	6223	4A	6
Empire District Elec Co Energy Ctr	6223	4B	6
Essex Power Plant	7749	1	7
Fairgrounds	2082	CT01	0
Greenwood Energy Center	6074	1	2
Greenwood Energy Center	6074	2	2
Greenwood Energy Center	6074	3	3
Greenwood Energy Center	6074	4	3
Hawthorn	2079	5A	1,082
Hawthorn	2079	6	1
Hawthorn	2079	7	6
Hawthorn	2079	8	7
Hawthorn	2079	9	21
Higginsville Municipal Power Plant	2131	4A	1
Higginsville Municipal Power Plant	2131	4B	0
Holden Power Plant	7848	1	3
Holden Power Plant	7848	2	4
Holden Power Plant	7848	3	3
Howard Bend	2102	CT1A	0
Howard Bend	2102	CT1B	0
Iatan	6065	1	1,374
James River	2161	GT1	6
James River	2161	GT2	12

James River	2161	3	87
James River	2161	4	102
James River	2161	5	186
John Twitty Energy Center	6195	1	351
John Twitty Energy Center	6195	CT1A	1
John Twitty Energy Center	6195	CT1B	1
John Twitty Energy Center	6195	CT2A	1
John Twitty Energy Center	6195	CT2B	1
Labadie	2103	1	986
Labadie	2103	2	1,038
Labadie	2103	3	1,115
Labadie	2103	4	1,100
Lake Road	2098	6	178
Lake Road	2098	GT5	1
McCartney Generating Station	7903	MGS1A	9
McCartney Generating Station	7903	MGS1B	9
McCartney Generating Station	7903	MGS2A	8
McCartney Generating Station	7903	MGS2B	8
Meramec	2104	1	255
Meramec	2104	2	250
Meramec	2104	3	483
Meramec	2104	4	632
Meramec	2104	CT01	0
Meramec	2104	CT2A	0
Meramec	2104	CT2B	0
Mexico	6650	CT01	0
Moberly	6651	CT01	0
Montrose	2080	1	311
Montrose	2080	2	295
Montrose	2080	3	307
Moreau	6652	CT01	0
New Madrid Power Plant	2167	1	989
New Madrid Power Plant	2167	2	994
Nodaway Power Plant	7754	1	4
Nodaway Power Plant	7754	2	5
Northeast Generating Station	2081	11	0
Northeast Generating Station	2081	12	0
Northeast Generating Station	2081	13	0
Northeast Generating Station	2081	14	0
Northeast Generating Station	2081	15	0

Northeast Generating Station	2081	16	0
Northeast Generating Station	2081	17	0
Northeast Generating Station	2081	18	0
Peno Creek Energy Center	7964	CT1A	8
Peno Creek Energy Center	7964	CT1B	7
Peno Creek Energy Center	7964	CT2A	7
Peno Creek Energy Center	7964	CT2B	6
Peno Creek Energy Center	7964	CT3A	7
Peno Creek Energy Center	7964	CT3B	8
Peno Creek Energy Center	7964	CT4A	8
Peno Creek Energy Center	7964	CT4B	8
Ralph Green Station	2092	3	1
Rush Island	6155	1	885
Rush Island	6155	2	916
Sibley	2094	1	91
Sibley	2094	2	94
Sibley	2094	3	611
Sikeston	6768	1	548
Sioux	2107	1	773
Sioux	2107	2	690
South Harper Peaking Facility	56151	1	12
South Harper Peaking Facility	56151	2	16
South Harper Peaking Facility	56151	3	20
St. Francis Power Plant	7604	1	19
St. Francis Power Plant	7604	2	18
State Line (MO)	7296	1	5
State Line (MO)	7296	2-1	28
State Line (MO)	7296	2-2	29
Thomas Hill Energy Center	2168	MB1	366
Thomas Hill Energy Center	2168	MB2	557
Thomas Hill Energy Center	2168	MB3	1,166
Viaduct	2096	CT01	0
Total			19,830

Note: Being included or excluded on the list of sources in Table I does not constitute a determination that such source is or is not a TR NO_x Ozone Season unit. The determination of applicability for TR NO_x Ozone Season units is in 40 CFR 97.504.

(B) New Units.

1. Annual Submittal. For the TR NO_x Ozone Season control period in 2017 and each control period thereafter, the director must submit to EPA in a format prescribed by the administrator the TR NO_x Ozone Season allowances as determined under this subsection by July 1 of the applicable control period.
2. New unit set-asides.
 - A. Allowance Calculation. Every year, the director will calculate the TR NO_x Ozone Season allowance allocation to each TR NO_x Ozone Season unit in a state, in accordance with subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule, for the control period in the year of the applicable submittal deadline under paragraph (3)(B)1. of this rule. Once the calculations are complete, the director will contact all facilities that will receive allocations under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule for the control period in the year of the applicable submittal deadline under paragraph (3)(B)1. of this rule to confirm that the calculations were performed in accordance with this rule, and make adjustments to the calculations if necessary.
 - B. Excess Allowances. If the new unit set-aside for such control period contains TR NO_x Ozone Season allowances remaining after the calculations performed under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule have been completed, then allowances will be calculated in accordance with subparagraph (3)(B)3.I. of this rule.
 - C. Industry Requests for Excess Allowances. If any entity wishes to receive allowances in accordance with subparagraph (3)(B)3.I. of this rule, for any control period, then by April 5 of the applicable control period, the entity must submit information to the director confirming that a TR NO_x Ozone Season unit commenced commercial operation during the period starting May 1 of the year before the year of such control period and ending March 31 of the year of such control period. The submittal must also include the calculation of eligible allowances for use in subparagraph (3)(B)3.I. of this rule, for each TR NO_x Ozone Season unit that commenced operation during the period starting May 1 of the year before the year of such control period and ending March 31 of the year of such control period.
 - (I) The calculation of eligible allowances must be in accordance with part (3)(B)3.I.(III) of this rule in order for such units to be eligible to receive any allowances in accordance with subparagraph (3)(B)3.I. of this rule.
 - (II) Each year, the director will review any submissions made in accordance with this paragraph to confirm that units identified in the submissions are TR NO_x Ozone Season units that commenced commercial operation during the period starting May 1 of the year before the year of such

control period and ending March 31 of the year of such control period. The director will also confirm that the submission includes the correct calculations for eligible allowances in accordance with part (3)(B)3.I.(III) of this rule. If, during the reviews, the director identifies any discrepancies with the identified units or the calculations in a submission made in accordance with the paragraph, the director may request additional information from the entity that made the submission. If additional information is requested, the entity must provide the requested information by the deadline specified in the information request; otherwise, units identified in such submission will not be eligible for allowances in accordance with subparagraph (3)(B)3.I. of this rule for the applicable control period.

D. Public Notification. The director will determine the TR NO_x Ozone Season allowance allocation to each TR NO_x Ozone Season unit in accordance with subparagraph (3)(B)3.I., (3)(B)3.J., and (3)(B)3.L. of this rule and 40 CFR 97.506(b)(2) and 40 CFR 97.530 through 40 CFR 97.535. By June 1 of each year, the director will issue a notification making available the results of all allowance determinations from the new unit set-aside for the control period in which the notification is made.

(I) For each notification required in part (3)(B)2.D(II) of this rule, the director will provide an opportunity for submission of objections to the calculations referenced in such notice.

(II) If there are objections, the director will review them and provide notification stating the outcome.

E. Allowance Changes. If any TR NO_x Ozone Season allowances are added to the new unit set-aside after submittals as required in subparagraph (3)(B)2.C. of this rule, the director will issue additional notifications, as deemed appropriate, of the allocation of such TR NO_x Ozone Season allowances in accordance with subparagraph (3)(B)3.J. of this rule.

3. New Unit Ozone Season Allowance Allocation Methodology. For each control period in 2017 and thereafter and for the TR NO_x Ozone Season units in Missouri, the director will allocate TR NO_x Ozone Season allowances to the TR NO_x Ozone Season units as follows:

A. Units Eligible to Receive Allowances. The TR NO_x Ozone Season allowances will be allocated to the following TR NO_x Ozone Season units, except as provided in subparagraph (3)(B)3.J. of this rule:

(I) TR NO_x Ozone Season units that are not listed in Table I in paragraph (3)(A)2. of this rule;

- (II) TR NO_x Ozone Season units whose allocation of an amount of TR NO_x Ozone Season allowances for such control period listed in Table I in paragraph (3)(A)2. of this rule is covered by 40 CFR 97.511(c)(2) or (3);
 - (III) TR NO_x Ozone Season units that are listed in Table I in paragraph (3)(A)2. of this rule and the allocation to such unit(s) is terminated for the applicable control period pursuant to paragraph (3)(A)2. of this rule, and that operate during the control period immediately preceding such control period; or
 - (IV) For purposes of subparagraph (3)(B)3.I. of this rule, TR NO_x Ozone Season units under 40 CFR 97.511(c)(1)(ii) whose allocation of an amount of TR NO_x Ozone Season allowances for such control period under subparagraph (3)(B)2. of this rule is covered by 40 CFR 97.511(c)(2) or (3);
- B. Total Allowances Available. The director will establish a separate new unit set-aside for the state for each such control period. Each such new unit set-aside will be allocated TR NO_x Ozone Season allowances in an amount equal to the difference between the Missouri TR NO_x Ozone Season trading budget for 2017 and thereafter, as set forth in 40 CFR 97.510(a), and the total number of allowances allocated in accordance with paragraph (3)(A)1. of this rule for such control period. The new unit set-aside will be allocated additional TR NO_x Ozone Season allowances (if any) in accordance with paragraph (3)(A)2. of this rule and 40 CFR 97.511(c)(5);
- C. Eligible Control Periods. The director will determine, for each TR NO_x Ozone Season unit described in subparagraph (3)(B)3.A. of this rule, an allocation of TR NO_x Ozone Season allowances for the later of the following control periods and for each subsequent control period:
- (I) The control period in 2017;
 - (II) The first control period after the control period in which the TR NO_x Ozone Season unit commences commercial operation;
 - (III) For a unit described in part (3)(B)3.A.(II) of this rule, the first control period in which the TR NO_x Ozone Season unit operates in the state after operating in another jurisdiction and for which the unit is not already allocated one (1) or more TR NO_x Ozone Season allowances; and
 - (IV) For a unit described in part (3)(B)3.A.(III) of this rule, the first control period after the control period in which the unit resumes operation, or the first control period in which the allocation for such unit listed in Table I in paragraph

(3)(A)2. of this rule is terminated pursuant to paragraph (3)(A)2. of this rule, whichever is later;

- D. Allocations. The allocation to each TR NO_x Ozone Season unit described in parts (3)(B)3.A.(I) through (3)(B)3.A.(III) of this rule and for each control period described in subparagraph (3)(B)3.C. of this rule will be an amount equal to the unit's total tons of NO_x emissions during the immediately preceding control period. The director will adjust the allocation amount in this subparagraph in accordance with subparagraphs (3)(B)3.E. through (3)(B)3.G. and (3)(B)3.L. of this rule;
- E. Sum of Allowances. The director will calculate the sum of the TR NO_x Ozone Season allowances determined for all such TR NO_x Ozone Season units under subparagraph (3)(B)3.D. of this rule in the state for such control period;
- F. Extra Allowance Allocation. If the amount of TR NO_x Ozone Season allowances in the new unit set-aside for the state for such control period is greater than or equal to the sum under subparagraph (3)(B)3.E. of this rule, then the director will allocate the amount of TR NO_x Ozone Season allowances determined for each such TR NO_x Ozone Season unit under subparagraph (3)(B)3.D. of this rule;
- G. Insufficient Allowance Allocation. If the amount of TR NO_x Ozone Season allowances in the new unit set-aside for the state for such control period is less than the sum under subparagraph (3)(B)3.E. of this rule, then the director will allocate to each such TR NO_x Ozone Season unit the amount of the TR NO_x Ozone Season allowances determined under subparagraph (3)(B)3.D. of this rule for the unit, multiplied by the amount of TR NO_x Ozone Season allowances in the new unit set-aside for such control period, divided by the sum under subparagraph (3)(B)3.E. of this rule, and rounded to the nearest allowance;
- H. Confirmation of Allowances. The director will contact facilities, as described in subparagraph (3)(B)2.A. of this rule to confirm the amount of TR NO_x Ozone Season allowances allocated under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule for such control period to each TR NO_x Ozone Season unit eligible for such allocation;
- I. Allowance Calculation for Units That Recently Began Operation. If, after completion of the procedures under subparagraphs (3)(B)3.E. through (3)(B)3.H. of this rule for such control period, any unallocated TR NO_x Ozone Season allowances remain in the new unit set-aside for the state for such control period, the director will allocate such TR NO_x Ozone Season allowances as follows:
 - (I) For any submission made in accordance with subparagraph (3)(B)2.B. of this rule, the submitting entity may include the calculation of eligible allowances for such control

period as specified in part (3)(B)3.I.(III) of this rule. If such submission is not made or fails to include the calculation of eligible allowances under this part by the April 5 deadline, or if the entity fails to provide additional information requested in accordance with part (3)(B)2.C.(II) of this rule by the applicable deadline, then no allowances will be awarded to such unit in accordance with this subparagraph for such control period;

- (II) The director will review submissions made in accordance with subparagraph (3)(B)2.C. of this rule, as specified in part (3)(B)2.C.(II) of this rule and may adjust the units identified in such submission if they are not eligible for allowances under this subparagraph, and the director may also adjust the calculation of eligible allowances included in such submission to ensure they are in accordance with part (3)(B)3.I.(III) of this rule;
- (III) The calculation of eligible TR NO_x Ozone Season allowances for a specific control period for TR NO_x Ozone Season units that commenced commercial operation during the period starting May 1 of the year before the year of such control period and ending March 31 of the year of such control period must be as follows;

$$EA = \frac{(ER)(HR)(NP_{Cap})(CP_{Tot})(CF)(24^{hours/day})(1,000^{kW/MWe})}{(2,000^{lb/ton})(1,000,000^{BTU/mmBTU})}$$

Where:

- EA = eligible TR NO_x Ozone Season Allowances
- ER = the unit's permitted emission rate from the unit's construction permit approved under 10 CSR 10-6.060 (lb/mmBTU)
- HR = the heat rate efficiency for the generator that the unit serves (BTU/kW-hr)
- NP_{Cap} = nameplate capacity of the generator that the unit serves (MWe)
- CP_{Tot} = number of days in the control period
- CF = the unit's default capacity factor from Table II below

Table II – Default Capacity Factors for New Units

Unit Types	Annual SO ₂ & NO _x Programs	Ozone Season NO _x Program
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Coal-Fired Steam Boiler	0.85	0.92
IGCC (Coal Gasification)	0.74	0.73
Oil-Fired Steam Boiler	0.30	0.39
Natural Gas-Fired Steam Boiler	0.44	0.47
Simple Cycle Combustion Turbine	0.24	0.32
Combined Cycle Combustion Turbine	0.66	0.71

- (IV) The director will determine, for each unit described in subparagraph (3)(B)3.A. of this rule that commenced commercial operation during the period starting May 1 of the year before the year of such control period and ending March 31 of the year of such control period, the positive difference (if any) between the unit's emissions during the previous control period and the amount of eligible TR NO_x Ozone Season allowances as calculated under part (3)(B)3.I.(III) of this rule;
- (V) The director will determine the sum of the positive differences determined under part (3)(B)3.I.(IV) of this rule;
- (VI) If the amount of unallocated TR NO_x Ozone Season allowances remaining in the new unit set-aside for the state for such control period is greater than or equal to the sum determined under part (3)(B)3.I.(V) of this rule, then the director will allocate the amount of TR NO_x Ozone Season allowances determined for each such TR NO_x Ozone Season unit under part (3)(B)3.I.(IV) of this rule; and
- (VII) If the amount of unallocated TR NO_x Ozone Season allowances remaining in the new unit set-aside for the state for such control period is less than the sum under part (3)(B)3.I.(V) of this rule, then the director will allocate to each such TR NO_x Ozone Season unit the amount of the TR NO_x Ozone Season allowances determined under part (3)(B)3.I.(IV) of this rule for the unit, multiplied by the amount of unallocated TR NO_x Ozone Season allowances remaining in the new unit set-aside for such control period, divided by the sum under part (3)(B)3.I.(V) of this rule, and rounded to the nearest allowance;

- J. Distribution of Remaining Allocations. If, after completion of the procedures under subparagraphs (3)(B)3.I. and (3)(B)3.L. of this rule for such control period, any unallocated TR NO_x Ozone Season allowances remain in the new unit set-aside for the state for such control period, the director will allocate to each TR NO_x Ozone Season unit that is in the state, is allocated an amount of TR NO_x Ozone Season allowances listed in Table I in paragraph (3)(A)2. of this rule, and continues to be allocated TR NO_x Ozone Season allowances for such control period in accordance with paragraph (3)(A)2. of this rule, an amount of TR NO_x Ozone Season allowances equal to the following: the total amount of such remaining unallocated TR NO_x Ozone Season allowances in such new unit set-aside, multiplied by the unit's allocation listed in Table I in paragraph (3)(A)2. of this rule for such control period, divided by the remainder of the amount of tons in the applicable state NO_x Ozone Season trading budget minus the amount of tons in such new unit set-aside for the state for such control period, and rounded to the nearest allowance;
- K. Public Notification. The director will issue notifications in subparagraphs (3)(B)2.D. and (3)(B)2.E. of this rule, of the amount of TR NO_x Ozone Season allowances allocated under subparagraphs (3)(B)3.B. through (3)(B)3.G., (3)(B)3.I., (3)(B)3.J., and (3)(B)3.L. of this rule for such control period to each TR NO_x Ozone Season unit eligible for such allocation; and
- L. Allocation Tabulations That Exceed or Are Less Than the New Unit Set-Aside.
- (I) Notwithstanding the requirements of subparagraphs (3)(B)3.B. through (3)(B)3.K. of this rule, if the calculations of allocations of a new unit set-aside for a control period in a given year under subparagraph (3)(B)3.G. of this rule, subparagraph (3)(B)3.F. and part (3)(B)3.I.(VII) of this rule, or subparagraph (3)(B)3.F., part (3)(B)3.I.(VI), and subparagraph (3)(B)3.J. of this rule would otherwise result in total allocations of such new unit set-aside exceeding the total amount of such new unit set-aside, then the director will adjust the results of the calculations under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, as follows. The director will list the TR NO_x Ozone Season units in descending order based on the amount of such units' allocations under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, and, in cases of equal allocation amounts, in alphabetical order of the relevant source's name and numerical order of the relevant unit's identification number, and will reduce each unit's

allocation under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, by one (1) TR NO_x Ozone Season allowance (but not below zero (0)) in the order in which the units are listed and will repeat this reduction process as necessary, until the total allocations of such new unit set-aside equal the total amount of such new unit set-aside.

- (II) Notwithstanding the requirements of subparagraphs (3)(B)3.J. and (3)(B)3.K. of this rule, if the calculations of allocations of a new unit set-aside for a control period in a given year under subparagraph (3)(B)3.F., part (3)(B)3.I.(VI), and subparagraph (3)(B)3.J. of this rule would otherwise result in a total allocations of such new unit set-aside less than the total amount of such new unit set-aside, then the director will adjust the results of the calculations under subparagraph (3)(B)3.J. of this rule, as follows. The director will list the TR NO_x Ozone Season units in descending order based on the amount of such units' allocations under subparagraph (3)(B)3.J. of this rule and, in cases of equal allocation amounts, in alphabetical order of the relevant source's name and numerical order of the relevant unit's identification number, and will increase each unit's allocation under subparagraph (3)(B)3.J. of this rule by one (1) TR NO_x Ozone Season allowance in the order in which the units are listed and will repeat this increase process as necessary, until the total allocations of such new unit set-aside equal the total amount of such new unit set-aside.

- (4) Reporting and Record Keeping. The director shall maintain TR NO_x Ozone Season unit allowance records submitted to EPA for each TR NO_x Ozone Season control period for a minimum of five (5) years.
- (5) Test Methods. *(Not Applicable)*.

AUTHORITY: section 643.050, RSMo Supp. 2014. Original rule filed May 15, 2015.

PUBLIC COST: This proposed rule will cost public entities two thousand five hundred dollars (\$2,500) over the life of the rule. The cost for fiscal year 2018 is estimated to be two hundred fifty dollars (\$250). Note the attached fiscal note for assumptions that apply.

PRIVATE COST: This proposed rule will cost private entities two thousand five hundred dollars (\$2,500) over the life of the rule. The cost for fiscal year 2018 is estimated to be two hundred fifty dollars (\$250). Note the attached fiscal note for assumptions that apply.

NOTICE OF PUBLIC HEARING AND NOTICE TO SUBMIT COMMENTS: A public hearing

on this proposed rule will begin at 1:30 p.m., August 3, 2015. The public hearing will be held at the Elm Street Conference Center, 1730 East Elm Street, Lower Level, Bennett Springs Conference Room, Jefferson City, Missouri. Opportunity to be heard at the hearing shall be afforded any interested person. Interested persons, whether or not heard, may submit a written or email statement of their views until 5:00 p.m., August 10, 2015. Written comments shall be sent to Chief, Air Quality Planning Section, Missouri Department of Natural Resources' Air Pollution Control Program, PO Box 176, Jefferson City, MO 65102-0176. Email comments shall be sent to apcprulespn@dnr.mo.gov.

**FISCAL NOTE
PUBLIC COST**

- I. Department Title:** 10 – Department of Natural Resources
Division Title: 10 – Air Conservation Commission
Chapter Title: 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air Pollution Control Regulations for the Entire State of Missouri

Rule Number and Name:	10 CSR 10-6.374 Cross-State Air Pollution Rule Ozone Season NO _x Trading Allowance Allocations
Type of Rulemaking:	Proposed Rule

II. SUMMARY OF FISCAL IMPACT

Affected Agency or Political Subdivision	Estimated Cost of Compliance in the Aggregate
24 Publicly Owned Electric Generating Units	\$ 2,500

III. WORKSHEET

Fiscal Year	Cost of Allowances Lost
FY2017 (6 months)	\$ 0
FY2018	\$ 250
FY2019	\$ 250
FY2020	\$ 250
FY2021	\$ 250
FY2022	\$ 250
FY2023	\$ 250
FY2024	\$ 250
FY2025	\$ 250
FY2026	\$ 250
FY2027 (6 months)	\$ 250
Aggregate	\$ 2,500

One ton of Ozone Season NO_x emitted = 1 Ozone Season NO_x Allowance.
 Allowance cost = \$125 per ton Ozone Season NO_x emitted.
 Number of Allowances lost in allowance redistribution each year (starting in FY 2018) = 2 ton.

Total Allowance Cost Lost per year = \$125/ton x 2 tons Ozone Season NO_x = \$250.
Aggregate Allowance Cost Lost = 10 years x \$250/year = \$2,500.

IV. ASSUMPTIONS

1. For the convenience of calculating this fiscal note over a reasonable time frame, the life of the rule is assumed to be ten (10) years although the duration of the rule is indefinite. If the life of the rule extends beyond ten (10) years, the annual costs for the additional years will be consistent with the assumptions used to calculate annual costs as identified in this fiscal note.
2. The cost estimate is based on re-allocating a total of two (2) ozone season NO_x allowances. Since the U.S. Environmental Protection (EPA) will make up for the use of these two (2) allowances by removing allowances from either existing Public or existing Privately owned units (depending on prior year ozone season emissions from new units), it is unknown how many ozone season NO_x allowances will be lost to Publicly owned units. The worst case scenario of losing two (2) ozone season NO_x allowances was used in this cost estimate.
3. The allowance cost estimate is based on the NO_x Ozone Season spot price from Air and Liquid Advisors webpage accessed December 2, 2014 where the rule cost threshold for NO_x was determined to be one hundred twenty-five dollars (\$125) per ton.
4. It is estimated that no new additional state staff will be required to perform tasks associated with this rulemaking as these tasks will be performed by current staff.
5. EPA allowance redistributions are required no later than August 1 of the compliance year. The redistribution costs in this estimate are assumed to occur between June 30 and August 1 of the compliance year.

**FISCAL NOTE
PRIVATE COST**

- I. Department Title: 10 – Department of Natural Resources**
Division Title: 10 – Air Conservation Commission
Chapter Title: 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air Pollution Control Regulations for the Entire State of Missouri

Rule Number and Title:	10 CSR 10-6.374 Cross-State Air Pollution Rule Ozone Season NO _x Trading Allowance Allocations
Type of Rulemaking:	Proposed Rule

II. SUMMARY OF FISCAL IMPACT

Estimate of the number of entities by class which would likely be affected by the adoption of the rule:	Classification by types of the business entities which would likely be affected:	Estimate in the aggregate as to the cost of compliance with the rule by the affected entities:
95 Privately Owned Electric Generating Units	Utility Boilers	\$ 2,500

III. WORKSHEET

Fiscal Year	Cost of Allowances Lost
FY2017 (6 months)	\$ 0
FY2018	\$ 250
FY2019	\$ 250
FY2020	\$ 250
FY2021	\$ 250
FY2022	\$ 250
FY2023	\$ 250
FY2024	\$ 250
FY2025	\$ 250
FY2026	\$ 250
FY2027 (6 months)	\$ 250
Aggregate	\$ 2,500

One ton of Ozone Season NO_x emitted = 1 Ozone Season NO_x Allowance.

Allowance cost = \$125 per ton Ozone Season NO_x emitted.

Number of Allowances lost in allowance redistribution each year (starting in FY 2018) = 2 tons.

Total Allowance Cost Lost per year = \$125/ton x 2 tons Ozone Season NO_x = \$250.

Aggregate Allowance Cost Lost = 10 years x \$250/year = \$2,500.

IV. ASSUMPTIONS

1. For the convenience of calculating this fiscal note over a reasonable time frame, the life of the rule is assumed to be ten (10) years although the duration of the rule is indefinite. If the life of the rule extends beyond ten (10) years, the annual costs for the additional years will be consistent with the assumptions used to calculate annual costs as identified in this fiscal note.
2. The cost estimate is based on re-allocating a total of two (2) ozone season NO_x allowances. Since the U.S. Environmental Protection (EPA) will make up for the use of these two (2) allowances by removing allowances from either existing Public or existing Privately owned units (depending on prior year ozone season emissions from new units), it is unknown how many ozone season NO_x allowances will be lost to Privately owned units. The worst case scenario of losing two (2) ozone season NO_x allowances was used in this cost estimate.
3. The allowance cost estimate is based on the NO_x Ozone Season spot price from Air and Liquid Advisors webpage accessed December 2, 2014 where the rule cost threshold for NO_x was determined to be one hundred twenty-five dollars (\$125) per ton.
4. EPA allowance redistributions are required no later than August 1 of the compliance year. The redistribution costs in this estimate are assumed to occur between June 30 and August 1 of the compliance year.

PUBLIC HEARING ON

PROPOSED RULE

10 CSR 10-6.376

CROSS-STATE AIR POLLUTION RULE ANNUAL SO₂ TRADING ALLOWANCE ALLOCATIONS

The purpose of this rulemaking is to reallocate the annual sulfur dioxide (SO₂) emission allowances established in the U.S. Environmental Protection Agency's (EPA's) Cross-State Air Pollution Rule (CSAPR), starting with allowances distributed for 2017. CSAPR is an EPA-administered emission reduction program that aims to lessen the effect that emissions from air pollution sources in upwind states have on the attainment or maintenance of air quality standards in downwind states. CSAPR enables affected utilities to buy and sell emission allowances from other affected facilities in Missouri or other states. The rulemaking will reallocate 1,300 SO₂ allowances from the Iatan Unit 1 power plant to Empire District Electric's Asbury plant in order to increase the initial SO₂ allowance allocation for the Asbury plant.

NOTE - All unshaded text below this line is printed in the Missouri Register.

**Title 10 - DEPARTMENT OF
NATURAL RESOURCES**

Division 10 - Air Conservation Commission

**Chapter 6 – Air Quality Standards, Definitions, Sampling and Reference Methods and Air
Pollution Control Regulations for the Entire State of Missouri**

PROPOSED RULE

10 CSR 10-6.376 Cross-State Air Pollution Rule Annual SO₂ Allowance Trading Allocations. If the commission adopts this rule action, it will be the department's intention to submit this new rule to the U.S. Environmental Protection Agency for inclusion in the Missouri State Implementation Plan. The evidence supporting the need for this proposed rulemaking is available for viewing at the Missouri Department of Natural Resources' Air Pollution Control Program at the address listed in the Notice of Public Hearing at the end of this rule. More information concerning this rulemaking can be found at the Missouri Department of Natural Resources' Environmental Regulatory Agenda website, www.dnr.mo.gov/regs/index.html.

PURPOSE: The purpose of this rule is to reallocate annual sulfur dioxide (SO₂) emission allowances for use with the U.S. Environmental Protection Agency's (EPA's) annual SO₂ regional emission reduction program as established in the Cross-State Air Pollution Rule (CSAPR) for 2017 and beyond. The evidence supporting the need for this proposed rulemaking, per section 536.016, RSMo, is a November 7, 2011 email with agreement between Empire

District Electric Co. (Empire) and Kansas City Power and Light (KCP&L) and November 26, 2014 and March 24, 2015 meeting conference call notes.

- (1) **Applicability.** This rule shall apply to all Transport Rule (TR) sulfur dioxide (SO₂) Annual Group 1 units located in the state of Missouri.
- (2) **Definitions.**
 - (A) Definitions for key words and phrases used in this rule may be found in 40 CFR 97.602 and 97.603 promulgated as of June 30, 2014, and *Federal Register* Notice 79 FR 71663 promulgated on December 3, 2014, are hereby incorporated by reference as published by the Office of the Federal Register, U.S. National Archives and Records, 700 Pennsylvania Avenue NW, Washington, D.C. 20408.
 - (B) **Notification**—Any action by the director to convey information to affected sources and interested parties. This includes, but is not limited to, public web postings with email alerts.
 - (C) Definitions of certain terms specified in this rule, other than those defined in this rule section, may be found in 10 CSR 10-6.020.
- (3) **General Provisions.** This rule replaces 40 *Code of Federal Regulations* (CFR) 97.611(a), 40 CFR 97.611(b)(1) and 40 CFR 97.612(a) promulgated as of June 30, 2014, and *Federal Register* Notice 79 FR 71663 promulgated on December 3, 2014, as published by the Office of the Federal Register, U.S. National Archives and Records, 700 Pennsylvania Avenue NW, Washington, D.C. 20408.
 - (A) **Existing Units.**
 1. **Annual Submittal.** The director must submit to the U.S. Environmental Protection Agency (EPA) in a format prescribed by the administrator the TR SO₂ Annual allowances listed in Table I taking into account any modifications necessary in accordance with paragraph (3)(A)2. of this rule. This submittal must meet the following schedule:
 - A. By June 1, 2016, the director will submit to EPA allowances for TR SO₂ Annual units for the control periods in 2017 and 2018;
 - B. By June 1, 2017, the director will submit to EPA allowances for TR SO₂ Annual units for the control periods in 2019 and 2020;
 - C. By June 1, 2018, the director will submit to EPA allowances for TR SO₂ Annual units for the control periods in 2021 and 2022; and
 - D. By June 1, 2019, and June 1 of each year thereafter, the director will submit to EPA allowances for TR SO₂ Annual units for the control periods in the fourth year after the year in which the submission is made.
 2. **Non-operating Units.** If a unit in Table I of this rule does not operate during two (2) consecutive control periods after 2014, the submittal made under paragraph (3)(A)1. of this rule will show zero (0) TR Annual SO₂ allowances for such unit for the control period in the fifth year after these two (2) such years and in each year after that fifth year. All TR SO₂ Annual allowances that would otherwise have been allocated to such unit will be allocated to the new unit set-aside for the state for the respective

years involved. If this subsection is applicable, any resulting changes to the submittal under paragraph (3)(A)1. of this rule will be determined in accordance with the following:

- A. Every year, the director will review the operation of each unit listed in Table I and issue a notification that lists any unit in Table I that has not operated during two (2) consecutive control periods after 2014. Any notification made under this subparagraph will specify the first year in which allowances listed in Table I will be terminated for the applicable unit(s) under paragraph (3)(A)2. of this rule;
- B. For each notification required in subparagraph (3)(A)2.A. of this rule, the director will provide an opportunity for submission of objections to the units referenced in such notice that must be submitted by the deadline specified in such notification in order to be considered; and
- C. If there are objections, the director will review them and issue a notification responding to objections received along with any adjustments made to the list.

Table I

Source Name	Source ID	Unit ID	TR SO ₂ Group 1 unit allowances (tons) for 2017 and thereafter
Asbury	2076	1	4,480
Audrain Power Plant	55234	CT1	0
Audrain Power Plant	55234	CT2	0
Audrain Power Plant	55234	CT3	0
Audrain Power Plant	55234	CT4	0
Audrain Power Plant	55234	CT5	0
Audrain Power Plant	55234	CT6	0
Audrain Power Plant	55234	CT7	0
Audrain Power Plant	55234	CT8	0
Blue Valley	2132	3	452
Chamois Power Plant	2169	2	893
Chillicothe	2122	GT1A	0
Chillicothe	2122	GT1B	0
Chillicothe	2122	GT2A	1
Chillicothe	2122	GT2B	0
Columbia	2123	6	78
Columbia	2123	7	215
Columbia	2123	8	0
Columbia Energy Center (MO)	55447	CT01	0
Columbia Energy Center (MO)	55447	CT02	0
Columbia Energy Center (MO)	55447	CT03	0

Columbia Energy Center (MO)	55447	CT04	0
Dogwood Energy Facility	55178	CT-1	1
Dogwood Energy Facility	55178	CT-2	1
Empire District Elec Co Energy Ctr	6223	1	0
Empire District Elec Co Energy Ctr	6223	2	0
Empire District Elec Co Energy Ctr	6223	3A	1
Empire District Elec Co Energy Ctr	6223	3B	1
Empire District Elec Co Energy Ctr	6223	4A	1
Empire District Elec Co Energy Ctr	6223	4B	1
Essex Power Plant	7749	1	0
Fairgrounds	2082	CT01	1
Greenwood Energy Center	6074	1	1
Greenwood Energy Center	6074	2	0
Greenwood Energy Center	6074	3	0
Greenwood Energy Center	6074	4	1
Hawthorn	2079	5A	2,643
Hawthorn	2079	6	0
Hawthorn	2079	7	0
Hawthorn	2079	8	0
Hawthorn	2079	9	1
Higginsville Municipal Power Plant	2131	4A	0
Higginsville Municipal Power Plant	2131	4B	0
Holden Power Plant	7848	1	0
Holden Power Plant	7848	2	1
Holden Power Plant	7848	3	0
Howard Bend	2102	CT1A	1
Howard Bend	2102	CT1B	1
Iatan	6065	1	9,833
James River	2161	GT1	0
James River	2161	GT2	0
James River	2161	3	747
James River	2161	4	847
James River	2161	5	1,566
John Twitty Energy Center	6195	1	2,883
John Twitty Energy Center	6195	CT1A	0
John Twitty Energy Center	6195	CT1B	0
John Twitty Energy Center	6195	CT2A	0
John Twitty Energy Center	6195	CT2B	0
Labadie	2103	1	9,056
Labadie	2103	2	9,265
Labadie	2103	3	9,633
Labadie	2103	4	9,929
Lake Road	2098	6	1,490
Lake Road	2098	GT5	2
McCartney Generating Station	7903	MGS1A	0
McCartney Generating Station	7903	MGS1B	0

McCartney Generating Station	7903	MGS2A	0
McCartney Generating Station	7903	MGS2B	0
Meramec	2104	1	2,326
Meramec	2104	2	2,192
Meramec	2104	3	3,869
Meramec	2104	4	5,394
Meramec	2104	CT01	1
Meramec	2104	CT2A	0
Meramec	2104	CT2B	0
Mexico	6650	CT01	1
Moberly	6651	CT01	2
Montrose	2080	1	2,608
Montrose	2080	2	2,555
Montrose	2080	3	2,684
Moreau	6652	CT01	1
New Madrid Power Plant	2167	1	8,190
New Madrid Power Plant	2167	2	7,628
Nodaway Power Plant	7754	1	0
Nodaway Power Plant	7754	2	0
Northeast Generating Station	2081	11	0
Northeast Generating Station	2081	12	0
Northeast Generating Station	2081	13	0
Northeast Generating Station	2081	14	0
Northeast Generating Station	2081	15	0
Northeast Generating Station	2081	16	0
Northeast Generating Station	2081	17	1
Northeast Generating Station	2081	18	0
Peno Creek Energy Center	7964	CT1A	0
Peno Creek Energy Center	7964	CT1B	0
Peno Creek Energy Center	7964	CT2A	0
Peno Creek Energy Center	7964	CT2B	0
Peno Creek Energy Center	7964	CT3A	0
Peno Creek Energy Center	7964	CT3B	0
Peno Creek Energy Center	7964	CT4A	0
Peno Creek Energy Center	7964	CT4B	0
Ralph Green Station	2092	3	0
Rush Island	6155	1	9,492
Rush Island	6155	2	8,700
Sibley	2094	1	799
Sibley	2094	2	788
Sibley	2094	3	5,037
Sikeston	6768	1	4,564
Sioux	2107	1	6,743
Sioux	2107	2	6,083
South Harper Peaking Facility	56151	1	0
South Harper Peaking Facility	56151	2	0

South Harper Peaking Facility	56151	3	0
St. Francis Power Plant	7604	1	1
St. Francis Power Plant	7604	2	1
State Line (MO)	7296	1	0
State Line (MO)	7296	2-1	2
State Line (MO)	7296	2-2	3
Thomas Hill Energy Center	2168	MB1	2,982
Thomas Hill Energy Center	2168	MB2	4,665
Thomas Hill Energy Center	2168	MB3	9,621
Viaduct	2096	CT01	0
Total			160,959

Note: Being included or excluded on the list of sources in Table I does not constitute a determination that such source is or is not a TR SO₂ Annual unit. The determination of applicability for TR SO₂ Annual units is in 40 CFR 97.604.

(B) New Units.

1. Annual Submittal. For the TR SO₂ Annual control period in 2017 and each control period thereafter, the director must submit to EPA in a format prescribed by the administrator the TR SO₂ Annual allowances as determined under this subsection by July 1 of the applicable control period.
2. New unit set-asides.
 - A. Allowance Calculation. Every year, the director will calculate the TR SO₂ Annual allowance allocation to each TR SO₂ Annual unit in a state, in accordance with subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule, for the control period in the year of the applicable submittal deadline under paragraph (3)(B)1. of this rule. Once the calculations are complete, the director will contact all facilities that will receive allocations under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule for the control period in the year of the applicable submittal deadline under paragraph (3)(B)1. of this rule to confirm that the calculations were performed in accordance with this rule, and make adjustments to the calculations if necessary.
 - B. Excess Allowances. If the new unit set-aside for such control period has any TR SO₂ Annual allowances remaining after the calculations performed under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this rule have been completed, then allowances will be calculated in accordance with subparagraph (3)(B)3.I. of this rule.
 - C. Industry Requests for Excess Allowances. If an entity wishes to receive allowances in accordance with subparagraph (3)(B)3.I. of this rule, for any control period, then by April 5 of the applicable control period, the entity must submit information to the director confirming that a TR SO₂ Annual unit commenced commercial

operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period. The submittal must also include the calculation of eligible allowances for use in subparagraph (3)(B)3.I. of this rule, for each TR SO₂ Annual unit that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period.

- (I) The calculation of eligible allowances must be in accordance with part (3)(B)3.I.(III) of this rule in order for such units to be eligible to receive any allowances in accordance with subparagraph (3)(B)3.I. of this rule.
- (II) Each year, the director will review any submissions made in accordance with this paragraph to confirm that units identified in the submissions are TR SO₂ Annual units that commenced commercial operation during the year of such control period and ending March 31 of the year of such control period. The director will also confirm that the submission includes the correct calculations for eligible allowances in accordance with part (3)(B)3.I.(III) of this rule. If, during the review, the director identifies any discrepancies with the identified units or the calculations in a submission made in accordance with this paragraph, the director may request additional information from the entity that made the submission. If additional information is requested, the entity must provide the requested information by the deadline specified in the information request; otherwise, units identified in such submission will not be eligible for allowances in accordance with subparagraph (3)(B)3.I. of this rule for the applicable control period.

D. Public Notification. The director will determine the TR SO₂ Annual allowance allocation to each TR SO₂ Annual unit in accordance with subparagraphs (3)(B)3.I., (3)(B)3.J., and (3)(B)3.L. of this rule and 40 CFR 97.606(b)(2) and 40 CFR 97.630 through 40 CFR 97.635. By June 1 of each year, the director will issue a notification making available the results of all allowance determinations from the new unit set-aside for the control period in which the notification is made.

- (I) For each notification required in part (3)(B)2.D(II) of this rule, the director will provide an opportunity for submission of objections to the calculations referenced in such notice.
- (II) If there are objections, the director will review them and provide notification stating the outcome.

- E. Allowance Changes. If any TR SO₂ Annual allowances are added to the new unit set-aside after submittals as required in subparagraph (3)(B)2.C. of this rule, the director will issue additional notifications, as deemed appropriate, of the allocation of such TR SO₂ Annual allowances in accordance with subparagraph (3)(B)3.J. of this rule.
3. New Unit Annual Allowance Allocation Methodology. For each control period in 2017 and thereafter and for the TR SO₂ Annual units in Missouri, the director will allocate TR SO₂ Annual allowances to the TR SO₂ Annual units as follows:
- A. Units Eligible to Receive Allowances. The TR SO₂ Annual allowances will be allocated to the following TR SO₂ Annual units, except as provided in subparagraph (3)(B)3.J. of this rule:
 - (I) TR SO₂ Annual units that are not listed in Table I in paragraph (3)(A)2. of this rule;
 - (II) TR SO₂ Annual units whose allocation of an amount of TR SO₂ Annual allowances for such control period listed in Table I in paragraph (3)(A)2. of this rule is covered by 40 CFR 97.611(c)(2) or (3);
 - (III) TR SO₂ Annual units that are listed in Table I in paragraph (3)(A)2. of this rule and the allocation to such unit(s) is terminated for the applicable control period pursuant to paragraph (3)(A)2. of this rule, and that operate during the control period immediately preceding such control period; or
 - (IV) For purposes of subparagraph (3)(B)3.I. of this rule, TR SO₂ Annual units under 40 CFR 97.611(c)(1)(ii) whose allocation of an amount of TR SO₂ Annual allowances for such control period under paragraph (3)(B)2. of this rule is covered by 40 CFR 97.611(c)(2) or (3);
 - B. Total Allowances Available. The director will establish a separate new unit set-aside for the state for each such control period. Each such new unit set-aside will be allocated TR SO₂ Annual allowances in an amount equal to the difference between the Missouri TR SO₂ Annual trading budget for 2017 and thereafter, as set forth in 40 CFR 97.610(a), and the total number of allowances allocated in accordance with paragraph (3)(A)1. of this rule for such control period. The new unit set-aside will be allocated additional TR SO₂ Annual allowances (if any) in accordance with paragraph (3)(A)2. of this rule and 40 CFR 97.611(c)(5);
 - C. Eligible Control Periods. The director will determine, for each TR SO₂ Annual unit described in subparagraph (3)(B)3.A. of this rule, an allocation of TR SO₂ Annual allowances for the later of the following control periods and for each subsequent control period:
 - (I) The control period in 2017;

- (II) The first control period after the control period in which the TR SO₂ Annual unit commences commercial operation;
 - (III) For a unit described in part (3)(B)3.A.(II) of this rule, the first control period in which the TR SO₂ Annual unit operates in the state after operating in another jurisdiction and for which the unit is not already allocated one (1) or more TR SO₂ Annual allowances; and
 - (IV) For a unit described in part (3)(B)3.A.(III) of this rule, the first control period after the control period in which the unit resumes operation, or the first control period in which the allocation for such unit listed in Table I in paragraph (3)(A)2. of this rule is terminated pursuant to paragraph (3)(A)2. of this rule, whichever is later;
- D. Allocations. The allocation to each TR SO₂ Annual unit described in parts (3)(B)3.A.(I) through (3)(B)3.A.(III) of this rule and for each control period described in subparagraph (3)(B)3.C. of this rule will be an amount equal to the unit's total tons of SO₂ emissions during the immediately preceding control period. The director will adjust the allocation amount in this subparagraph in accordance with subparagraphs (3)(B)3.E. through (3)(B)3.G. and (3)(B)3.L. of this rule;
 - E. Sum of Allowances. The director will calculate the sum of the TR SO₂ Annual allowances determined for all such TR SO₂ Annual units under subparagraph (3)(B)3.D. of this rule in the state for such control period;
 - F. Extra Allowance Allocation. If the amount of TR SO₂ Annual allowances in the new unit set-aside for the state for such control period is greater than or equal to the sum under subparagraph (3)(B)3.E. of this rule, then the director will allocate the amount of TR SO₂ Annual allowances determined for each such TR SO₂ Annual unit under subparagraph (3)(B)3.D. of this rule;
 - G. Insufficient Allowance Allocation. If the amount of TR SO₂ Annual allowances in the new unit set-aside for the state for such control period is less than the sum under subparagraph (3)(B)3.E. of this rule, then the director will allocate to each such TR SO₂ Annual unit the amount of the TR SO₂ Annual allowances determined under subparagraph (3)(B)3.D. of this rule for the unit, multiplied by the amount of TR SO₂ Annual allowances in the new unit set-aside for such control period, divided by the sum under subparagraph (3)(B)3.E. of this rule, and rounded to the nearest allowance;
 - H. Confirmation of Allowances. The director will contact facilities as described in subparagraph (3)(B)2.A. of this rule to confirm the amount of TR SO₂ Annual allowances allocated under subparagraphs (3)(B)3.B. through (3)(B)3.G. and (3)(B)3.L. of this

rule for such control period to each TR SO₂ Annual unit eligible for such allocation;

- I. Allowance Calculation for Units That Recently Began Operation. If, after completion of the procedures under subparagraphs (3)(B)3.E. through (3)(B)3.H. of this rule for such control period, any unallocated TR SO₂ Annual allowances remain in the new unit set-aside for the state for such control period, the director will allocate such TR SO₂ Annual allowances as follows:
 - (I) For any submission made in accordance with subparagraph (3)(B)2.B. of this rule, the submitting entity may include the calculation of eligible allowances for such control period as specified in part (3)(B)3.I.(III) of this rule. If such submission is not made or fails to include the calculation of eligible allowances under this part by the April 5 deadline, or if the entity fails to provide additional information requested in accordance with part (3)(B)2.C.(II) of this rule by the applicable deadline, then no allowances will be awarded to such unit in accordance with this subparagraph for such control period;
 - (II) The director will review submissions made in accordance with subparagraph (3)(B)2.C. of this rule, as specified in part (3)(B)2.C.(II) of this rule and may adjust the units identified in such submission if they are not eligible for allowances under this subparagraph, and the director may also adjust the calculation of eligible allowances included in such submission to ensure they are in accordance with part (3)(B)3.I.(III) of this rule;
 - (III) The calculation of eligible TR SO₂ Annual allowances for a specific control period for TR SO₂ Annual units that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period must be as follows;

$$EA = \frac{(ER)(HR)(NP_{Cap})(CP_{Tot})(CF)(24^{hours}/day)(1,000^{kW}/MW_e)}{(2,000^{lb}/ton)(1,000,000^{BTU}/mmBTU)}$$

Where:

- EA = eligible TR SO₂ Annual Allowances
- ER = the unit's permitted emission rate from the unit's construction permit approved under 10 CSR 10-6.060 (lb/mmBTU)
- HR = the heat rate efficiency for the generator that the unit serves (BTU/kW-hr)
- NP_{Cap} = nameplate capacity of the generator that

the unit serves (MWe)
 CP_{Tot} = number of days in the control period
 CF = the unit's default capacity factor from
 Table II below

Table II – Default Capacity Factors for New Units

Unit Types	Annual SO ₂ & NO _x Programs	Ozone Season NO _x Program
Coal-Fired Steam Boiler	0.85	0.92
IGCC (Coal Gasification)	0.74	0.73
Oil-Fired Steam Boiler	0.30	0.39
Natural Gas-Fired Steam Boiler	0.44	0.47
Simple Cycle Combustion Turbine	0.24	0.32
Combined Cycle Combustion Turbine	0.66	0.71

- (IV) The director will determine, for each unit described in subparagraph (3)(B)3.A. of this rule that commenced commercial operation during the period starting January 1 of the year before the year of such control period and ending March 31 of the year of such control period, the positive difference (if any) between the unit's emissions during the previous control period and the amount of eligible TR SO₂ Annual allowances as calculated under part (3)(B)3.I.(III) of this rule;
- (V) The director will determine the sum of the positive differences determined under part (3)(B)3.I.(IV) of this rule;
- (VI) If the amount of unallocated TR SO₂ Annual allowances remaining in the new unit set-aside for the state for such control period is greater than or equal to the sum determined under part (3)(B)3.I.(V) of this rule, then the director will allocate the amount of TR SO₂ Annual allowances determined for each such TR SO₂ Annual unit under part (3)(B)3.I.(IV) of this rule; and
- (VII) If the amount of unallocated TR SO₂ Annual allowances remaining in the new unit set-aside for the state for such control period is less than the sum under part (3)(B)3.I.(V) of this rule, then the director will allocate to each such TR SO₂ Annual unit the amount of the TR SO₂ Annual

allowances determined under part (3)(B)3.I.(IV) of this rule for the unit, multiplied by the amount of unallocated TR SO₂ Annual allowances remaining in the new unit set-aside for such control period, divided by the sum under part (3)(B)3.I.(V) of this rule, and rounded to the nearest allowance;

- J. Distribution of Remaining Allocations. If, after completion of the procedures under subparagraphs (3)(B)3.I. and (3)(B)3.L. of this rule for such control period, any unallocated TR SO₂ Annual allowances remain in the new unit set-aside for the state for such control period, the director will allocate to each TR SO₂ Annual unit that is in the state, is allocated an amount of TR SO₂ Annual allowances listed in Table I in paragraph (3)(A)2. of this rule, and continues to be allocated TR SO₂ Annual allowances for such control period in accordance with paragraph (3)(A)2. of this rule, an amount of TR SO₂ Annual allowances equal to the following: the total amount of such remaining unallocated TR SO₂ Annual allowances in such new unit set-aside, multiplied by the unit's allocation listed in Table I in paragraph (3)(A)2. of this rule for such control period, divided by the remainder of the amount of tons in the applicable state SO₂ Annual trading budget minus the amount of tons in such new unit set-aside for the state for such control period, and rounded to the nearest allowance;
- K. Public Notification. The director will issue notifications as described in subparagraphs (3)(B)2.D. and (3)(B)2.E. of this rule, of the amount of TR SO₂ Annual allowances allocated under subparagraphs (3)(B)3.B. through (3)(B)3.G., (3)(B)3.I., (3)(B)3.J., and (3)(B)3.L. of this rule for such control period to each TR SO₂ Annual unit eligible for such allocation; and
- L. Allocation Tabulations That Exceed or Are Less Than the New Unit Set-Aside.
 - (I) Notwithstanding the requirements of subparagraphs (3)(B)3.B. through (3)(B)3.K. of this rule, if the calculations of allocations of a new unit set-aside for a control period in a given year under subparagraph (3)(B)3.G. of this rule, subparagraph (3)(B)3.F. and part (3)(B)3.I.(VII) of this rule, or subparagraph (3)(B)3.F., part (3)(B)3.I.(VI), and subparagraph (3)(B)3.J. of this rule would otherwise result in total allocations of such new unit set-aside exceeding the total amount of such new unit set-aside, then the director will adjust the results of the calculations under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, as follows. The director will list the TR SO₂ Annual units in descending order based on the amount of such units' allocations under subparagraph (3)(B)3.G., part

(3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, and, in cases of equal allocation amounts, in alphabetical order of the relevant source's name and numerical order of the relevant unit's identification number, and will reduce each unit's allocation under subparagraph (3)(B)3.G., part (3)(B)3.I.(VII), or subparagraph (3)(B)3.J. of this rule, as applicable, by one (1) TR SO₂ Annual allowance (but not below zero (0)) in the order in which the units are listed and will repeat this reduction process as necessary, until the total allocations of such new unit set-aside equal the total amount of such new unit set-aside.

(II) Notwithstanding the requirements of subparagraphs (3)(B)3.J. and (3)(B)3.K. of this rule, if the calculations of allocations of a new unit set-aside for a control period in a given year under subparagraph (3)(B)3.F., part (3)(B)3.I.(VI), and subparagraph (3)(B)3.J. of this rule would otherwise result in a total allocations of such new unit set-aside less than the total amount of such new unit set-aside, then the director will adjust the results of the calculations under subparagraph (3)(B)3.J. of this rule, as follows. The director will list the TR SO₂ Annual units in descending order based on the amount of such units' allocations under subparagraph (3)(B)3.J. of this rule and, in cases of equal allocation amounts, in alphabetical order of the relevant source's name and numerical order of the relevant unit's identification number, and will increase each unit's allocation under subparagraph (3)(B)3.J. of this rule by one (1) TR SO₂ Annual allowance in the order in which the units are listed and will repeat this increase process as necessary, until the total allocations of such new unit set-aside equal the total amount of such new unit set-aside.

(4) Reporting and Record Keeping. The director shall maintain TR SO₂ Annual unit allowance records submitted to EPA for each TR SO₂ Annual control period for a minimum of five (5) years.

(5) Test Methods. (*Not Applicable*).

AUTHORITY section 643.050, RSMo Supp. 2014. Original rule filed May 15, 2015.

PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than five-hundred dollars (\$500) in the aggregate.

PRIVATE COST: This proposed rule will not cost private entities more than five hundred dollars (\$500) in the aggregate.

NOTICE OF PUBLIC HEARING AND NOTICE TO SUBMIT COMMENTS: A public hearing on this proposed rule will begin at 1:30 p.m., August 3, 2015. The public hearing will be held at the Elm Street Conference Center, 1730 East Elm Street, Lower Level, Bennett Springs Conference Room, Jefferson City, Missouri. Opportunity to be heard at the hearing shall be afforded any interested person. Interested persons, whether or not heard, may submit a written or email statement of their views until 5:00 p.m., August 10, 2015. Written comments shall be sent to Chief, Air Quality Planning Section, Missouri Department of Natural Resources' Air Pollution Control Program, PO Box 176, Jefferson City, MO 65102-0176. Email comments shall be sent to apcprulespn@dnr.mo.gov.