

## **Chapter 145 NOx Budget Program New Source Allocations for 2005**

*The Department is encouraging operators of new NOx Budget Units (“units”) to apply for allowances from the New Source Set-Aside during October 2004. This will allow unit operators to ask questions and address concerns that result from the Department’s review of each NOx allocation request, well before the deadline of January 1, 2005.*

*New units that commenced operation before May 1, 2003 will be allocated regular allowances in 2005 for the 2008-2012 control periods based upon the average heat input for 2002, 2003 and 2004, and those sources not operating in the 2002 control period will be allocated regular allowances based on the average heat input for the 2003 and 2004 control periods. These units may request New Source Set-Aside allocations up to and including the 2007 control period.*

*New units that commenced operation on or after May 1, 2003 and have at least one complete control period of heat input data, may request a regular allowance allocation for the 2008 – 2012 control periods. Otherwise these sources will receive a regular allowance allocation beginning with the 2013 control period. These sources are eligible to receive New Source Set-Aside allowances up to and including the 2012 control period.*

Operators seeking New Source Set-Aside allowances for the 2005 control period are reminded that the application deadline is January 1, 2005. An application letter requesting NOx allowances should be sent from the unit’s Authorized Account Representative (AAR) to the Department at:

The Pennsylvania Department of Environmental Protection  
Bureau of Air Quality  
Division of Air Resource Management – NOx Budget  
400 Market Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101

Letters should contain all information required under 25 Pa. Code § 145.42 (d) for each “new” unit. A NOx allocation application (attached) may be filled out for each unit and mailed to the Department. The information will be used by the Department to verify that the unit qualifies as a “new” affected unit as well as to calculate and make the allocation. The information should include: unit name and location, date of commencement of operation (as defined by Chapter 145), nameplate capacity, maximum design heat input, megawatt rating, (NATS) compliance account number, the unit’s most stringent NOx emission limitation in pounds per million BTU, any cumulative heat input limits (annual, rolling average, monthly, etc.), and the lesser of 3672 hours or the operating permit limits on hours of operation, or, and as reduced to the number of control period hours remaining from the day the unit is projected to commence operation if startup occurs after the control period.

New unit operators have to apply for allocations each year until the unit qualifies for normal block allocations. For assistance understanding the NOx Budget Program as well as important details regarding how and when new units can begin receiving normal block allocations, refer to the technical guidance document posted at:

<http://www.dep.state.pa.us/eps/docs/cab200149b1126000/fldr200149e0051190/fldr200149e04541a1/doc20026pa12520d6/271-5000-002.pdf>

The number of allowances available in the new source set-aside is limited and units may only receive a pro-rata share of those allowances. An operator may need to acquire additional allowances when the unit's actual emissions exceed the number of allowances that remain in the unit's account after the "take-back," which are based upon the unit's actual control period heat input and its most stringent NOx emission limitation. In order to assist operators in understanding the allocation and take-back procedures and calculations, an example allocation and take-back spreadsheet have been attached to this document. Please review the spreadsheet and contact me if you have any questions or need assistance.

A new unit that does not have enough NOx allowances in its account to cover its actual emissions by November 30<sup>th</sup> of each year will incur a 3:1 allowance penalty, by regulation. The 3:1 penalty is assessed against the next year's allowance allocation. The unit also may be subject to other enforcement actions, in accordance with Chapter 145 and the Air Pollution Control Act.