

**TITLE 35: ENVIRONMENTAL PROTECTION**  
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**CHAPTER I: POLLUTION CONTROL BOARD**  
**SUBCHAPTER c: EMISSION STANDARDS AND LIMITATIONS**  
**FOR STATIONARY SOURCES**

**PART 225**  
**CONTROL OF EMISSIONS FROM LARGE COMBUSTION SOURCES**

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**AUTHORITY:** Implementing Sections 9.10 and 10, and authorized by Sections 27, and 28.5 of the Illinois Environmental Protection Act [415 ILCS 5/9.10, 10, 27, and 28.5].

**SOURCE:** Adopted in Docket R06- at Ill. Reg. , effective , 2006.

### **SUBPART A: GENERAL PROVISIONS**

Section 225.120 Severability

If any Section, subsection or clause of this Part is found invalid, such finding shall not affect the validity of this Part as a whole or any Section, sentence or clause not found invalid.

Section 225.103 Abbreviations

Unless otherwise specified within this Part, the abbreviations used in this Part shall be the same as those found in 35 Ill. Adm. Code 211. The following abbreviations and acronyms are used in this Part:

Act	Environmental Protection Act [415 ILCS 5 <i>et seq.</i> ]
Btu	British thermal unit
CAA	Clean Air Act [42 U.S.C. 7401]
CAAPP	Clean Air Act Permit Program [415 ILCS 5/39.5]

CEMS	continuous emissions monitoring systems
EGU	electric generating unit
GO	Gross electrical output
HI	heat input
hr	hour
kg	kilogram
mmBtu	million Btu
MW	megawatt
MWe	megawatt electrical
MWh	megawatt hour
NO <sub>x</sub>	nitrogen oxides
ORIS	Office of Regulatory Information Systems
O <sub>2</sub>	oxygen
SO <sub>2</sub>	sulfur dioxide
USEPA	United State Environmental Protection Agency
yr	year

Section 225.130 Definitions

The definitions contained in this Section apply only to the provisions of this Part. Unless otherwise defined herein and unless a different meaning of a term is clear from its context, the definitions of terms used in this Part shall have the meanings specified for those terms in 35 Ill. Adm. Code Part 211, and 40 CFR §§ 96.102, 96.202, and 96.302, as incorporated by reference in Section 225.140 of this Subpart.

"Boiler" means an enclosed fossil or other fuel-fired combustion device used to produce heat and to transfer heat to recirculating water, steam, or other medium.

"Bottoming-cycle cogeneration unit" means a cogeneration unit in which the energy input to the unit is first used to produce useful thermal energy and at least some of the reject heat from the useful thermal energy application or process is then used for electricity production.

"CAIR authorized account representative" means, with regard to general accounts, a responsible natural person who is authorized, in accordance with 40 CFR 96 subparts BB, BBB, and BBBB, to transfer and otherwise dispose of CAIR NO<sub>x</sub> and SO<sub>2</sub> allowances, as applicable, held in the CAIR NO<sub>x</sub> general account, and with regard to a CAIR NO<sub>x</sub> compliance account, the CAIR designated representative of the source.

"CAIR designated representative" means for a CAIR NO<sub>x</sub> source and a CAIR SO<sub>2</sub> source and each CAIR NO<sub>x</sub> unit and CAIR SO<sub>2</sub> unit at the source, the natural person who is authorized by the owners and operators of the source and all such units at the source, in accordance with 40 CFR 96 subparts BB, BBB, and BBBB, as applicable, to represent and legally bind each owner and operator in matters pertaining to the CAIR NO<sub>x</sub> Annual Trading Program, CAIR SO<sub>2</sub> Trading Program, and the CAIR NO<sub>x</sub> Ozone Season Trading Program, as applicable. For any unit that is subject to one or more of the

following programs: CAIR NO<sub>x</sub> Annual Trading Program, the CAIR SO<sub>2</sub> Trading Program, the CAIR NO<sub>x</sub> Ozone Season Trading Program, or the federal Acid Rain Program, the designated representative for such unit shall be the same natural person for programs all applicable to the unit.

“CAIR NO<sub>x</sub> compliance account” means, for the purposes of Subparts D and E of this Part, a CAIR NO<sub>x</sub> Allowance Tracking System account, established by USEPA for a CAIR NO<sub>x</sub> source under 40 CFR 96 subparts FF and FFFF in which any CAIR NO<sub>x</sub> allowance allocations for the affected units at the source are initially recorded and in which are held any CAIR NO<sub>x</sub> allowances available for use for a control period in order to meet the source’s CAIR NO<sub>x</sub> emissions limitations in accordance with Sections 225.410 and 225.510 of this Part, and 40 CFR §§ 96.154 and 96.354, as incorporated by reference in Section 225.140 of this Subpart.

“CAIR Trading Programs” means the requirements of this Part, and those provisions of the federal CAIR NO<sub>x</sub> Annual Season, CAIR SO<sub>2</sub>, or CAIR NO<sub>x</sub> Ozone Season Trading Programs set forth in 40 CFR 96, as incorporated by reference in Section 225.140 of this Subpart.

“Coal-fired” means combusting any amount of coal or coal-derived fuel, alone or in combination with any amount of any other fuel, during a specified year.

"Cogeneration unit" means a stationary, fossil fuel-fired boiler or stationary, fossil fuel-fired combustion turbine:

- a) Having equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy; and
- b) Producing during the 12-month period starting on the date the unit first produces electricity and during any calendar year after the calendar year in which the unit first produces electricity:
  - 1) For a topping-cycle cogeneration unit:
    - i) Useful thermal energy not less than 5 percent of total energy output; and
    - ii) Useful power that, when added to one-half of useful thermal energy produced, is not less than 42.5 percent of total energy input, if useful thermal energy produced is 15 percent or more of total energy output, or not less than 45 percent of total energy input, if useful thermal energy produced is less than 15 percent of total energy output.

- 2) For a bottoming-cycle cogeneration unit, useful power not less than 45 percent of total energy input.

“Combined cycle system” means a system comprised of one or more combustion turbines, heat recovery steam generators, and steam turbines configured to improve overall efficiency of electricity generation or steam production.

“Combustion turbine” means:

An enclosed device comprising a compressor, a combustor, and a turbine and in which the flue gas resulting from the combustion of fuel in the combustor passes through the turbine, rotating the turbine; and

If the enclosed device under paragraph above is combined cycle, any associated heat recovery steam generator and steam turbine.

“Commence commercial operation” means, with respect to Subparts C, D and E of this Part, with regard to a unit serving a generator:

- a) To have begun to produce steam, gas, or other heated medium used to generate electricity for sale or use, including test generation, except as provided in 40 CFR § 96.105, 96.205, or 96.305, as incorporated by reference in Section 225.140 of this Subpart.
  - 1) For a unit that is an affected unit under 40 CFR § 96.104, 96.204 or 96.304 on the later of November 15, 1990 or the date the unit commence commercial operation as defined in paragraph (a) of this definition and that subsequently undergoes a physical change (other than replacement of the unit by a unit at the same source), such date shall remain the unit’s date of commencement of commercial operation, which shall continue to be treated as the same unit.
  - 2) For a unit that is an affected unit under 40 CFR § 96.104, 96.204 or 96.304 on the later of November 15, 1990 or the date the unit commence commercial operation as defined in paragraph (a) of this definition and that is subsequently replaced by a unit at the same source (e.g., repowered), such date shall remain the replace unit’s date of commencement of commercial operation, and the replacement unit shall be treated as a separate unit with a separate date for commencement of commercial operation as defined in paragraphs (a) or (b) of this definition as appropriate.
- b) Notwithstanding paragraph (a) of this definition and except as provided in 40 CFR § 96.105, 96.205, or 96.305 for a unit that is not an affected unit under 40 CFR § 96.104, 96.204 or 96.304 on the later of November 15,

1990 or the date the unit commences commercial operation as defined in paragraph (a) of this definition, the unit's date for commencement of commercial operation shall be the date on which the unit becomes an affected unit under 40 CFR § 96.104, 96.204, or 96.304.

- 1) For a unit with a date for commencement of commercial operation as defined in paragraph (b) of this definition and that subsequently undergoes a physical change (other than replacement of the unit by a unit at the same source), such date shall remain the unit's date of commencement of commercial operation.
  - 2) For a unit with a date for commencement of commercial operation as defined in paragraph (b) of this definition and that is subsequently replaced by a unit at the same source (e.g., repowered), such date shall remain the replacement unit's date of commencement of commercial operation, and the replacement unit shall be treated as a separate unit with a separate date for commencement of commercial operation as defined in paragraph (a) or (b) of this definition as appropriate.
- c) Notwithstanding paragraphs (a) and (b) of this definition, for a unit not serving a generator producing electricity for sale, the unit's date of commencement of operation shall also be the unit's date of commencement of commercial operation.

“Commence operation,” for purposes of Subparts of C, D and E of this Part, means:

- a) To have begun any mechanical, chemical, or electronic process, including, with regard to a unit, start-up of a unit's combustion chamber, except as provided in 40 CFR § 96.105, 96.205, or 96.305, as incorporated by reference in Section 225.140 of this Subpart.
  - 1) For a unit that undergoes a physical change (other than replacement of the unit by a unit as the same source) after the date the unit commences operations as defined in paragraph (a) of this definition, such date shall remain the date of commencement of operation of the unit, which shall continue to be treated as the same unit.
  - 2) For a unit that is replaced by a unit at the same source (e.g., repowered), after the date the unit commences operation as defined in paragraph (a) of this definition, such date shall remain the replaced unit's date of commencement of operation, and the replacement unit shall be treated as a separate unit with a separate date for commencement of operation as defined in paragraphs (a) or (b) of this definition as appropriate.

- b) Notwithstanding paragraph (a) of this definition and solely for the purposes of 40 CFR 96, subparts HH, HHH, and HHHH, for a unit that is not an affected unit under 40 CFR § 96.104, 96.204, or 96.304 on the later of November 15, 1990 or the date the unit commences operation as defined in paragraph (a) of this definition and subsequently becomes an affected unit, the unit's date for commencement of operation shall be the date on which the unit becomes an affected unit under 40 CFR § 96.104, 96.204, or 96.304.
- 1) For a unit with a date for commencement of operation as defined in paragraph (b) of this definition and that subsequently undergoes a physical change (other than replacement of the unit by a unit at the same source), such date shall remain the unit's date of commencement of operation.
  - 2) For a unit with a date for commencement of operation as defined in paragraph (b) of this definition and that is subsequently replaced by a unit at the same source (e.g., repowered), the replacement unit shall be treated as a separate unit with a separate date for commencement of operation as defined in paragraphs (a) or (b) of this definition as appropriate.

“Common stack” means a single flue through which emissions from two or more units are exhausted.

“Control period” means:

For the CAIR SO<sub>2</sub> and NO<sub>x</sub> Annual Trading programs in Subparts C and D of this Part, the period beginning January 1 of a calendar year, except as provided in Sections 225.310(d)(3) and 225.410(d)(3) of this Subpart, and ending on December 31 of the same year, inclusive; or

For the CAIR NO<sub>x</sub> Ozone Season Trading Program in Subpart E of this Part, the period beginning May 1 of a calendar year, except as provided in Section 225.510(d)(3) of this Subpart, and ending on September 30 of the same year, inclusive.

“Electric generating unit (EGU)” means a fossil fuel-fired stationary boiler, combustion turbine or combined cycle system that serves a generator that has a nameplate capacity greater than 25 MWe and produces electricity for sale.

“Fossil fuel” means natural gas, petroleum, coal, or any form of solid, liquid, or gaseous fuel derived from such material.

“Fossil fuel-fired” means the combusting any amount of fossil fuel, alone or in

combination with any other fuel in any calendar year.

“Generator” means a device that produces electricity.

“Gross electrical output” means the total electrical output from an electric generating unit (EGU) before making any deductions for energy output used in any way related to the production of energy. For an electric generating unit generating only electricity, the gross electrical output is the output from the turbine/generator set.

“Heat input” means, with regard Subparts C, D, and E of this Part, with regard to a specified period of time, the product (in mmBtu/hr) of the gross calorific value of the fuel (in Btu/lb) divided by 1,000,000 Btu/mmBtu and multiplied by the fuel feed rate into a combustion device (in lb of fuel/time), as measured, recorded and reported to USEPA by the CAIR designated representative and determined by USEPA in accordance with 40 CFR 96, subpart HH, HHH, or HHHH, if applicable, and excluding the heat derived from preheated combustion air, recirculated flue gases, or exhaust from other sources.

“Higher heating value (HHV)” means the total heat liberated per mass of fuel burned (Btu per pound), when fuel and dry air at standard conditions undergo complete combustion and all resultant products are brought to their standard states at standard conditions.

“Integrated gasification combined cycle (IGCC)” means a coal-fired electric utility steam generating unit that burns a synthetic gas derived from coal in a combined-cycle gas turbine. No coal is directly burned in the unit during operation.

"Nameplate Capacity" means, starting from the initial installation of a generator, the maximum electrical generating output (in MWe) that the generator is capable of producing on a steady state basis and during continuous operation (when not restricted by seasonal or other deratings) as specified by the manufacturer of the generator or, starting from the completion of any subsequent physical change in the generator resulting in an increase in the maximum electrical generating output (in MWe) that the generator is capable of producing on a steady state basis and during continuous operation (when not restricted by seasonal or other deratings), such increased maximum amount as specified by the person conducting the physical change.

“Oil-fired unit” means a unit combusting fuel oil for more than 15 percent of the annual heat input in a specified year and not qualifying as coal-fired.

“Project sponsor” means a person, including the owner or operator of an electric generating unit that implements or helps to implement an energy efficiency and conservation, renewable energy, or clean technology project as listed in Sections 225.460 and 225.560 of this Part.

“Potential electrical output capacity” means 33 percent of a unit’s maximum design heat input, expressed in mmBtu/hr divided by 3.413 mmBtu/MWh, and multiplied by 8,760



hr/yr.

“Rated-energy efficiency” means the percentage of thermal energy input that is recovered as useable energy in the form of gross electrical output, useful thermal energy, or both that is used for heating, cooling, industrial processes, or other beneficial uses as follows:

For electric generators, rated energy efficiency is calculated as one kilowatt hour (3,413 Btu) of electricity divided by the unit’s design heat rate using the higher heating value of the fuel, and expressed as a percentage.

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

$$\text{REE} = ((\text{GO} + \text{UTE})/\text{HI}) \times 100$$

Where:

REE = Rated-energy efficiency, expressed as percentage.  
GO = Gross electrical output of the system expressed in Btu/hr.  
UTE = Useful thermal output from the system that is used for heating, cooling, industrial processes or other beneficial uses, expressed in Btu/hr.  
HI = Heat input, based upon the higher heating value of fuel, in Btu/hr.

“Repowered” means, with regard to an electric generating unit, replacement of a coal-fired boiler with one of the following coal-fired technologies at the same source as the coal-fired boiler:

Atmospheric or pressurized fluidized bed combustion;

Integrated gasification combined cycle;

Magnetohydrodynamics;

Direct and indirect coal-fired turbines;

Integrated gasification fuel cells; or

As determined by the USEPA, a derivative of one or more of the technologies listed above, and any other coal-fired technology capable of controlling multiple combustion emissions simultaneously with improved boiler generation efficiency and with significantly greater waste reduction relative to the performance of technology in widespread commercial use as of January 1, 2005.

“Total energy output” means, with respect to a cogeneration unit, the sum of useful

power and useful thermal energy produced by the cogeneration unit.

“Useful thermal energy” means, with regard to a cogeneration unit, the thermal energy that is made available to an industrial or commercial process, excluding any heat contained in condensate return or makeup water:

Used in a heat application (e.g., space heating or domestic hot water heating); or

Used in a space cooling application (e.g., thermal energy used by an absorption chiller).

#### Section 225.140 Incorporations by Reference

The following materials are incorporated by reference. These incorporations do not include any later amendments or editions.

- a) CAIR SO<sub>2</sub> Trading Program, 40 CFR 96, subpart AAA (CAIR SO<sub>2</sub> Trading Program General Provisions, excluding 40 CFR §§ 96.204, and 96.206); 40 CFR 96, subpart BBB (CAIR Designated Representative for CAIR SO<sub>2</sub> Sources); 40 CFR 96, subpart FFF (CAIR SO<sub>2</sub> Allowance Tracking System); 40 CFR 96, subpart GGG (CAIR SO<sub>2</sub> Allowance Transfers); and 40 CFR 96, subpart HHH (Monitoring and Reporting).
- b) CAIR NO<sub>x</sub> Annual Trading Program, 40 CFR 96, subpart AA (NO<sub>x</sub> Annual Trading Program General Provisions, excluding 40 CFR §§ 96.104, 96.105(b)(2), and 96.106); 40 CFR 96, subpart BB (CAIR Designated Representative for CAIR NO<sub>x</sub> Sources); 40 CFR 96, subpart FF (CAIR NO<sub>x</sub> Allowance Tracking System); 40 CFR 96, subpart GG (CAIR NO<sub>x</sub> Allowance Transfers); and 40 CFR 96, subpart HH (Monitoring and Reporting).
- c) CAIR NO<sub>x</sub> Ozone Season Trading Program 40 CFR 96, subpart AAAA (CAIR NO<sub>x</sub> Ozone Season Trading Program General Provisions) (excluding 40 CFR §§ 96.304, 96.305(b)(2), and 96.306); 40 CFR 96, subpart BBBB (CAIR Designated Representative for CAIR NO<sub>x</sub> Ozone Season Sources); 40 CFR 96, subpart FFFF (CAIR NO<sub>x</sub> Ozone Season Allowance Tracking System); 40 CFR 96, subpart GGGG (CAIR NO<sub>x</sub> Ozone Season Allowance Transfers); and 40 CFR 96, subpart HHHH (Monitoring and Reporting).
- d) 40 CFR 75 (2005).
- e) 40 CFR 78 (2005).
- f) Federal Energy Management Program, *M&V Measurement and Verification for Federal Energy Projects*, U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, Version 2.2, DOE/GO-102000-0960 (September 2000).

## **SUBPART C: CAIR SO<sub>2</sub> TRADING PROGRAM**

### **Section 225.300 Purpose**

The purpose of this Subpart is to control the emissions of sulfur dioxide (SO<sub>2</sub>) from electric generating units (EGUs) annually by implementing the CAIR SO<sub>2</sub> Trading Program pursuant to 40 CFR 96, as incorporated by reference in Section 225.140 of this Subpart.

### **Section 225.305 Applicability**

- a) A fossil fuel-fired stationary boiler, combustion turbine or combined cycle system is an electric generating unit if it serves a generator that has a nameplate capacity greater than 25 MWe and produces electricity for sale and is not included in Appendix D of 35 Ill. Adm. Code Part 217. An electric generating unit is subject to the SO<sub>2</sub> Trading Program contained in this Subpart and is a CAIR SO<sub>2</sub> unit or an affected unit for the purposes of this Subpart.
- b) Notwithstanding subsection (a) of this Section, an EGU shall not be an affected unit and is not subject to the CAIR SO<sub>2</sub> Trading Program contained in this Subpart if it meets the requirements of either subsection (b)(1)(A) or (b)(2)(A) of this Section, as follows:
  - 1) A unit that:
    - A) Meets the definition of a cogeneration unit in Section 225.130 of this Part; and
      - i) Qualifies as a cogeneration unit during the 12-month period starting on the date the unit first produces electricity, and continues to qualify as a cogeneration unit; and
      - ii) Does not serve at any time, since the later of November 15, 1990, or the start-up of the unit's combustion chamber, a generator with a nameplate capacity of more than 25 MWe, and which supplies in any calendar year more than one-third of the unit's potential electrical output capacity or 219,000 MWh, whichever is greater, to a utility power distribution system for sale.
    - B) If a unit qualifies as a cogeneration unit during the 12-month period starting on the date the unit first produces electricity but subsequently no longer qualifies as a cogeneration unit, the unit shall be subject to subsection (a) of this Section starting on the January 1 after which the unit first no longer qualifies as a cogeneration unit.

- 2) A unit that:
  - A) Qualifies as a solid waste incineration unit as defined by Section 129(g) of the CAA [42 U.S.C. § 7429(g)]; and
    - i) Commences operation on or after January 1, 1985; and
    - ii) Has an average annual fuel consumption of non-fossil fuel for the first three calendar years of operation exceeding 80 percent (on a Btu basis) and an average annual fuel consumption of non-fossil fuel for any three consecutive calendar years after 1990 exceeding 80 percent (on a Btu basis).
  - B) If a unit qualifies as a solid waste incineration unit and meets the requirements of subsection (b)(2)(A) of this Section for at least three consecutive calendar years, but subsequently no longer meets all such requirements, the unit shall become an affected unit starting on the January 1 after which the unit has an average annual fuel consumption of fossil fuel of 20 percent or more.

Section 225.310 Compliance Requirements

An affected unit shall comply with the following:

- a) The requirements of the CAIR SO<sub>2</sub> Trading Program for Illinois as set forth in this Subpart and 40 CFR 96, subpart AAA (CAIR SO<sub>2</sub> Trading Program General Provisions, excluding 40 CFR §§ 96.204, and 96.206); 40 CFR 96, subpart BBB (CAIR Designated Representative for CAIR SO<sub>2</sub> Sources); 40 CFR 96, subpart FFF (CAIR SO<sub>2</sub> Allowance Tracking System); 40 CFR 96, subpart GGG (CAIR SO<sub>2</sub> Allowance Transfers); and 40 CFR 96, subpart HHH (Monitoring and Reporting); as incorporated by reference in Section 225.140 of this Part.
- b) Permit requirements:
  - 1) The owner or operator of each source with one or more affected units at the source must apply for a permit issued by the Agency with federally enforceable conditions covering the CAIR SO<sub>2</sub> Trading Program (“CAIR SO<sub>2</sub> permit”) that complies with the requirements of Section 225.320 of this Subpart (Permit Requirements).
  - 2) The owner or operator of each affected source and each affected unit at the source must operate the affected unit in compliance with such CAIR SO<sub>2</sub> permit.

- c) Monitoring requirements:
- 1) The owner or operator of each affected source and each affected unit at the source must comply with the monitoring requirements of 40 CFR 96, subpart HHH. The CAIR designated representative of each affected source and each affected unit at the affected source must comply with those sections of the monitoring requirements of 40 CFR 96, subpart HHH, applicable to the CAIR designated representative.
  - 2) The compliance of each affected unit with the emissions limitation under subsection (d) of this Section shall be determined by the emissions measurements recorded and reported in accordance with 40 CFR 96, subpart HHH and 40 CFR 75.
- d) Emission requirements:
- 1) By the allowance transfer deadline, March 1, 2011, and by March 1 of each subsequent year, the CAIR designated representative of each affected source and each affected unit at the source shall hold CAIR SO<sub>2</sub> allowances available for compliance deductions under 40 CFR §§ 96.254(a) and (b) in the affected source's CAIR SO<sub>2</sub> Allowance System Tracking account. The number of allowances held shall not be less than the tons of SO<sub>2</sub> emissions for the control period from all affected units at the affected source, rounded to the nearest whole ton, as determined in accordance with 40 CFR 96, subpart HHH, plus any number of allowances necessary to account for actual utilization (e.g., for testing, start-up, malfunction, and shut down).
  - 2) Each ton of SO<sub>2</sub> emitted by an affected unit in excess of the number of CAIR SO<sub>2</sub> allowances held by the owner or operator for each affected unit in its CAIR SO<sub>2</sub> Allowance System Tracking account for each control period shall constitute a separate violation of this Subpart and the Act.
  - 3) Each affected unit shall be subject to the monitoring and compliance requirements of subsections (c)(1) and (d)(1) of this Section starting on the later of January 1, 2010, or the deadline for meeting the unit's monitoring certification requirements under 40 CFR § 96.270(b)(1) or (2).
  - 4) CAIR SO<sub>2</sub> allowances shall be held in, deducted from, or transferred among allowance accounts in accordance with this Subpart and 40 CFR 96, subparts FFF and GGG.
  - 5) In order to comply with the requirements of subsection (d)(1) of this Section, a CAIR SO<sub>2</sub> allowance may not be utilized for a control period in a year prior to the year for which the allowance is allocated.

- 6) A CAIR SO<sub>2</sub> allowance allocated by USEPA under the CAIR SO<sub>2</sub> Trading Program is a limited authorization to emit SO<sub>2</sub> in accordance with the CAIR SO<sub>2</sub> Trading Program. No provision of the CAIR SO<sub>2</sub> Trading Program, the CAIR SO<sub>2</sub> permit application, the CAIR SO<sub>2</sub> permit, or a retired unit exemption under 40 CFR § 96.205, and no provision of law, shall be construed to limit the authority of the United States or the State to terminate or limit this authorization.
  - 7) A CAIR SO<sub>2</sub> allowance allocated by USEPA under the CAIR SO<sub>2</sub> Trading Program does not constitute a property right.
  - 8) Upon recordation by USEPA under 40 CFR 96, subpart FFF or 40 CFR 96, subpart GGG, every allocation, transfer, or deduction of an allowance to or from an affected source is deemed to amend automatically, and become a part of, any CAIR SO<sub>2</sub> permit of the affected source. This automatic amendment of the CAIR SO<sub>2</sub> permit shall be deemed an operation of law and will not require any further review.
- e) Recordkeeping and reporting requirements:
- 1) Unless otherwise provided, the owner or operator of the affected source and each affected unit at the source shall keep on site at the source each of the documents listed in subsections (e)(1)(A) through (e)(1)(D) of this Section for a period of five (5) years from the date the document is created. This period may be extended for cause, at any time prior to the end of five years, in writing by the Agency or USEPA.
    - A) The certificate of representation for the CAIR designated representative for the source and each affected unit at the source, all documents that demonstrate the truth of the statements in the certificate of representation, provided that the certificate and documents must be retained on site at the source beyond such five-year period until such documents are superseded because of the submission of a new certificate of representation under 40 CFR § 96.213, changing the CAIR designated representative.
    - B) All emissions monitoring information, in accordance with 40 CFR 96, subpart HHH.
    - C) Copies of all reports, compliance certifications, and other submissions and all records made or required under the CAIR SO<sub>2</sub> Trading Program or documents necessary to demonstrate compliance with the requirements of the CAIR SO<sub>2</sub> Trading Program or with the requirements of this Subpart.

- D) Copies of all documents used to complete a CAIR SO<sub>2</sub> permit application and any other submission under the CAIR SO<sub>2</sub> Trading Program.
- 2) The CAIR designated representative of an affected source and each affected unit at the source must submit to the Agency and USEPA the reports and compliance certifications required under the CAIR SO<sub>2</sub> Trading Program, including those under 40 CFR 96, subpart HHH.
- f) Liability:
  - 1) No revision of a permit for an affected unit shall excuse any violation of the requirements of the CAIR SO<sub>2</sub> Trading Program.
  - 2) Each affected source and each affected unit shall meet the requirements of the CAIR SO<sub>2</sub> Trading Program.
  - 3) Any provision of the CAIR SO<sub>2</sub> Trading Program that applies to an affected source (including any provision applicable to the CAIR designated representative of an affected source) shall also apply to the owner and operator of such affected source and to the owner and operator of each affected unit at the source.
  - 4) Any provision of the CAIR SO<sub>2</sub> Trading Program that applies to an affected unit (including any provision applicable to the CAIR designated representative of an affected unit) shall also apply to the owner and operator of such affected unit. Except with regard to the requirements applicable to affected units with a common stack under 40 CFR 96, subpart HHH, the owner, the operator, and the CAIR designated representative of an affected unit shall not be liable for any violation by any other affected unit of which they are not an owner or operator or the CAIR designated representative.
  - 5) The CAIR designated representative of an affected unit that has excess SO<sub>2</sub> emissions in any control period shall surrender the allowances as required for deduction under 40 CFR § 96.254(d)(1).
  - 6) The owner or operator of an affected unit that has excess SO<sub>2</sub> emissions in any control period shall pay any fine, penalty, or assessment or comply with any other remedy imposed under the Act and 40 CFR § 96.254(d)(2).
- g) Effect on other authorities. No provision of the CAIR SO<sub>2</sub> Trading Program, a CAIR SO<sub>2</sub> permit application, a CAIR SO<sub>2</sub> permit, or a retired unit exemption under 40 CFR § 96.205 shall be construed as exempting or excluding the owner and operator and, to the extent applicable, the CAIR designated representative of an affected source or affected unit, from compliance with any other regulation

promulgated under the CAA, the Act, any State regulation or permit, or a federally enforceable permit.

Section 225.315      Appeal Procedures

The appeal procedures for decisions of USEPA under the CAIR SO<sub>2</sub> Trading Program are set forth in 40 CFR 78, as incorporated by reference in Section 225.140 of this Part.

Section 225.320      Permit Requirements

a)      Permit requirements:

- 1)      The owner or operator of each source with an affected unit is required to submit a complete permit application addressing all applicable CAIR SO<sub>2</sub> Trading Program requirements for a permit meeting the requirements of this Section, applicable to each affected unit at the source. Each CAIR SO<sub>2</sub> permit shall contain elements required for a complete CAIR SO<sub>2</sub> permit application under subsection (b)(2) of this Section.
- 2)      Each CAIR SO<sub>2</sub> permit shall contain federally enforceable conditions addressing all applicable CAIR SO<sub>2</sub> Trading Program and requirements and shall be a complete and segregable portion of the source's entire permit under subsection (a)(1) of this Section.
- 3)      No CAIR SO<sub>2</sub> permit shall be issued and no CAIR SO<sub>2</sub> Allowance System Tracking account shall be established for an affected source, until the Agency and USEPA have received a complete certificate of representation for a CAIR designated representative or alternate designated representative under 40 CFR 96, subpart BBB, for an source and the affected unit at the source.
- 4)      For all affected units that commenced operation before July 1, 2008, the owner or operator of such unit must submit a CAIR SO<sub>2</sub> permit application meeting the requirements of this Section on or before July 1, 2008.
- 5)      For affected units and that commence operation on or after July 1, 2008, and that are and are not subject to Section 39.5 of the Act, the owner or operator of such units must submit applications for construction and operating permits pursuant to the requirements of Sections 39 and 39.5 of the Act, as applicable, and 35 Ill. Adm. Code 201 and such applications must specify that they are applying for CAIR SO<sub>2</sub> permits, and must address the CAIR SO<sub>2</sub> permit application requirements of this Section.

b)      Permit applications:



- 1) Duty to apply. The owner or operator of any source with one or more affected units shall submit to the Agency a CAIR SO<sub>2</sub> permit application for the source covering each affected unit under subsection (b)(2) of this Section by the applicable deadline in subsection (a)(4) or (a)(5) of this Section. The owner or operator of any source with one or more affected units shall reapply for a CAIR SO<sub>2</sub> permit for the source as required by this Subpart, 35 Ill. Adm. Code 201, and, as applicable, Sections 39 and 39.5 of the Act.
- 2) Information requirements for CAIR SO<sub>2</sub> permit applications. A complete CAIR SO<sub>2</sub> permit application shall include the following elements concerning the source for which the application is submitted:
  - A) Identification of the source, including plant name. The ORIS (Office of Regulatory Information Systems) or facility code assigned to the source by the Energy Information Administration shall also be included, if applicable;
  - B) Identification of each affected unit at the source; and
  - C) The compliance requirements applicable to each affected unit as set forth in Section 225.310 of this Subpart.
- 3) An application for a CAIR SO<sub>2</sub> permit shall be treated as a modification of the affected source's existing federally enforceable permit, if such a permit has been issued for that affected source, and shall be subject to the same procedural requirements. When the Agency issues a CAIR SO<sub>2</sub> permit pursuant to the requirements of this Section, it shall be incorporated into and become part of that affected source's existing federally enforceable permit.

Section 225.325      Trading Program

- a) The CAIR SO<sub>2</sub> Trading Program is administered by USEPA. CAIR SO<sub>2</sub> allowances are determined by USEPA pursuant to the Acid Rain Program, Title IV of the CAA, 42 U.S.C. § 7651. The amount of such CAIR SO<sub>2</sub> allowances to be credited to an affected source's CAIR SO<sub>2</sub> Allowance Tracking System account for an affected unit shall be determined by USEPA.
- b) A CAIR SO<sub>2</sub> allowance is a limited authorization to emit SO<sub>2</sub> during the calendar year for which the allowance is allocated or any calendar year thereafter under the CAIR SO<sub>2</sub> Trading Program as follows:
  - 1) For a control period in a year before 2010, the retirement ratio shall be one ton of SO<sub>2</sub> to 1.0 CAIR SO<sub>2</sub> allowance, except as provided for in the compliance deductions under 40 CFR § 96.254(b);

- 2) For a control period in 2010 through 2014, the retirement ratio shall be one ton of SO<sub>2</sub> to 2.0 CAIR SO<sub>2</sub> allowances, except as provided for in the compliance deductions under 40 CFR § 96.254(b); and
- 3) For a control period in 2015 or later, the retirement ration shall be one ton of SO<sub>2</sub> to 2.86 CAIR SO<sub>2</sub> allowances, except as provided for in the compliance deductions under 40 CFR § 96.254(b).

#### **SUBPART D: CAIR NO<sub>x</sub> ANNUAL TRADING PROGRAM**

##### Section 225.400 Purpose

The purpose of this Subpart is to control the annual emissions of nitrogen oxides (NO<sub>x</sub>) from electric generating units (EGU) by determining unit allocations and implementing the CAIR NO<sub>x</sub> Annual Trading Program.

##### Section 225.405 Applicability

- a) A fossil fuel-fired stationary boiler, combustion turbine or combined cycle system is an electric generating unit if it serves a generator that has a nameplate capacity greater than 25 MWe and produces electricity for sale and is not included in Appendix D of 35 Ill. Adm. Code Part 217. An electric generation unit is subject to the NO<sub>x</sub> Trading Program contained in this Subpart and is a CAIR NO<sub>x</sub> unit or affected unit for the purposes of this Subpart.
- b) Notwithstanding subsection (a) of this Section, an EGU shall not be an affected unit and is not subject to the NO<sub>x</sub> Trading Program contained in this Subpart if it meets the requirements of either subsection (b)(1)(A) or (b)(2)(A) of this Section, as follows:
  - 1) A unit that:
    - A) Meets the definition of a cogeneration unit in Section 225.130 of this Part; and
      - i) Qualifies as a cogeneration unit during the 12-month period starting on the date the unit first produces electricity and continues to qualify as a cogeneration unit; and
      - ii) Does not serve at any time, since the later of November 15, 1990, or the start-up of the unit's combustion chamber, a generator with a nameplate capacity of more than 25 MWe, and which supplies in any calendar year more than one-third of the unit's potential electrical output capacity or 219,000 MWh, whichever is greater, to a utility power

distribution system for sale.

B) If a unit qualifies as a cogeneration unit during the 12-month period starting on the date the unit first produces electricity but subsequently no longer qualifies as a cogeneration unit, the unit shall be subject to subsection (a) of this Section starting on the January 1 after which the unit first no longer qualifies as a cogeneration unit.

2) A unit that:

A) Qualifies as a solid waste incineration unit as defined by Section 129(g) of the CAA [42 U.S.C. § 7429(g)]; and

i) Commences operation on or after January 1, 1985; and

ii) Has an average annual fuel consumption of non-fossil fuel for the first three calendar years of operation exceeding 80 percent (on a Btu basis) and an average annual fuel consumption of non-fossil fuel for any three consecutive calendar years after 1990 exceeding 80 percent (on a Btu basis).

B) If a unit qualifies as a solid waste incineration unit and meets the requirements of subsection (b)(2)(A) of this Section for at least three consecutive calendar years, but subsequently no longer meets all such requirements, the unit shall become an affected unit starting on the January 1 after which the unit has an average annual fuel consumption of fossil fuel of 20 percent or more.

#### Section 225.410 Compliance Requirements

An affected unit shall comply with the following:

a) The requirements of the CAIR NO<sub>x</sub> Annual Trading Program for Illinois are set forth in this Subpart and 40 CFR 96, subpart AA (NO<sub>x</sub> Annual Trading Program General Provisions, excluding 40 CFR §§ 96.104, 96.105(b)(2), and 96.106); 40 CFR 96, subpart BB (CAIR Designated Representative for CAIR NO<sub>x</sub> Sources); 40 CFR 96, subpart FF (CAIR NO<sub>x</sub> Allowance Tracking System); 40 CFR 96, subpart GG (CAIR NO<sub>x</sub> Allowance Transfers); and 40 CFR 96, subpart HH (Monitoring and Reporting); as incorporated by reference in Section 225.140 of this Part.

b) Permit requirements:

1) The owner or operator of each source with one or more affected units at

the source must apply for a permit issued by the Agency with federally enforceable conditions covering the CAIR NO<sub>x</sub> Annual Trading Program (“CAIR NO<sub>x</sub> permit”) that complies with the requirements of Section 225.420 of this Subpart (Permit Requirements).

- 2) The owner or operator of each affected source and each affected unit at the source must operate the affected unit in compliance with such CAIR NO<sub>x</sub> permit.
- c) Monitoring requirements:
- 1) The owner or operator of each affected source and each affected unit at the source must comply with the monitoring requirements of 40 CFR 96, subpart HH and Section 225.450 of this Subpart. The CAIR designated representative of each affected source and each affected unit at the affected source must comply with those sections of the monitoring requirements of 40 CFR 96, subpart HH, applicable to a CAIR designated representative.
  - 2) The compliance of each affected unit with the NO<sub>x</sub> emissions limitation under subsection (d) of this Section shall be determined by the emissions measurements recorded and reported in accordance with 40 CFR 96, subpart HH.
- d) Emission requirements:
- 1) By the allowance transfer deadline, March 1, 2010, and by March 1 of each subsequent year, the allowance transfer deadline, the CAIR designated representative of each affected source and each affected unit at the source shall hold allowances available for compliance deductions under 40 CFR § 96.154(a) in the affected source’s CAIR NO<sub>x</sub> compliance account. The number of allowances held shall not be less than the tons of NO<sub>x</sub> emissions for the control period from all affected units at the source, rounded to the nearest whole ton, as determined in accordance with 40 CFR 96, subpart HH, plus any number of allowances necessary to account for actual utilization, including, but not limited to testing, start-up, malfunction, and shut down.
  - 2) Each ton of NO<sub>x</sub> emitted in excess of the number of CAIR NO<sub>x</sub> allowances held by the owner or operator for each affected unit in its CAIR NO<sub>x</sub> compliance account for each control period shall constitute a separate violation of this Subpart and the Act.
  - 3) Each affected unit shall be subject to the monitoring and compliance requirements of subsections (c)(1) and (d)(1) of this Section starting on the later of January 1, 2009, or the deadline for meeting the unit’s monitoring

certification requirements under 40 CFR § 96.170(b)(1) or (b)(2).

- 4) CAIR NO<sub>x</sub> allowances shall be held in, deducted from, or transferred among allowance accounts in accordance with this Subpart and 40 CFR 96, subparts FF and GG.
  - 5) In order to comply with the requirements of subsection (d)(1) of this Section, a CAIR NO<sub>x</sub> allowance may not be utilized for a control period in a year prior to the year for which the allowance is allocated.
  - 6) A CAIR NO<sub>x</sub> allowance allocated by the Agency or USEPA under the CAIR NO<sub>x</sub> Annual Trading Program is a limited authorization to emit one ton of NO<sub>x</sub> in accordance with the CAIR NO<sub>x</sub> Trading Program. No provision of the CAIR NO<sub>x</sub> Trading Program, the CAIR NO<sub>x</sub> permit application, the CAIR NO<sub>x</sub> permit, or a retired unit exemption under 40 CFR § 96.105, and no provision of law, shall be construed to limit the authority of the United States or the State to terminate or limit this authorization.
  - 7) A CAIR NO<sub>x</sub> allowance allocated by the Agency or USEPA under the CAIR NO<sub>x</sub> Annual Trading Program does not constitute a property right.
  - 8) Upon recordation by USEPA under 40 CFR 96, subpart FF or 40 CFR 96, subpart GG, every allocation, transfer, or deduction of an allowance to or from a CAIR NO<sub>x</sub> source compliance account is deemed to amend automatically, and become a part of, any CAIR NO<sub>x</sub> permit of the affected source. This automatic amendment of the CAIR NO<sub>x</sub> permit shall be deemed an operation of law and will not require any further review.
- e) Recordkeeping and reporting requirements:
- 1) Unless otherwise provided, the owner or operator of the affected source and each affected unit at the source shall keep on site at the source each of the documents listed in subsections (e)(1)(A) through (e)(1)(E) of this Section for a period of five years from the date the document is created. This period may be extended for cause, at any time prior to the end of five years, in writing by the Agency or USEPA.
    - A) The certificate of representation for the CAIR designated representative for the source and each affected unit at the source, all documents that demonstrate the truth of the statements in the certificate of representation, provided that the certificate and documents must be retained on site at the source beyond such five-year period until such documents are superseded because of the submission of a new certificate of representation under 40 CFR § 96.113, changing the CAIR designated representative.

- B) All emissions monitoring information, in accordance with 40 CFR 96, subpart HH.
  - C) Copies of all reports, compliance certifications, and other submissions and all records made or required under the CAIR NO<sub>x</sub> Annual Trading Program or documents necessary to demonstrate compliance with the requirements of the CAIR NO<sub>x</sub> Annual Trading Program or with the requirements of this Subpart.
  - D) Copies of all documents used to complete a CAIR NO<sub>x</sub> permit application and any other submission under the CAIR NO<sub>x</sub> Annual Trading Program.
  - E) Copies of all records and logs for gross electrical output and useful thermal energy required by Section 225.450 of this Subpart.
- 2) The CAIR designated representative of an affected source and each affected unit at the source must submit to the Agency and USEPA the reports and compliance certifications required under the CAIR NO<sub>x</sub> Annual Trading Program, including those under 40 CFR 96, subpart HH.
- f) Liability:
- 1) No revision of a permit for an affected unit shall excuse any violation of the requirements of the CAIR NO<sub>x</sub> Annual Trading Program.
  - 2) Each affected source and each affected unit shall meet the requirements of the CAIR NO<sub>x</sub> Annual Trading Program.
  - 3) Any provision of the CAIR NO<sub>x</sub> Annual Trading Program that applies to an affected source (including any provision applicable to the CAIR designated representative of an affected source) shall also apply to the owner and operator of such affected source and to the owner and operator of each affected unit at the source.
  - 4) Any provision of the CAIR NO<sub>x</sub> Annual Trading Program that applies to an affected unit (including any provision applicable to the CAIR designated representative of an affected unit) shall also apply to the owner and operator of such affected unit. Except with regard to the requirements applicable to affected units with a common stack under 40 CFR 96, subpart HH, the owner, the operator, and the CAIR designated representative or alternate designated representative of an affected unit shall not be liable for any violation by any other affected unit of which they are not an owner or operator or the CAIR designated representative.

- 5) The CAIR designated representative of an affected unit that has excess emissions in any control period shall surrender the allowances as required for deduction under 40 CFR § 96.154(d)(1).
- 6) The owner or operator of an affected unit that has excess NO<sub>x</sub> emissions in any control period shall pay any fine, penalty, or assessment or comply with any other remedy imposed under the Act and 40 CFR § 96.154(d)(2).
- g) Effect on other authorities. No provision of the CAIR NO<sub>x</sub> Annual Trading Program, a CAIR NO<sub>x</sub> permit application, a CAIR NO<sub>x</sub> permit, or a retired unit exemption under 40 CFR § 96.105 shall be construed as exempting or excluding the owner and operator and, to the extent applicable, the CAIR designated representative of an affected source or an affected unit, from compliance with any other regulation promulgated under the CAA, the Act, any State regulation or permit, or a federally enforceable permit.

#### Section 225.415 Appeal Procedures

The appeal procedures for decisions of USEPA under the CAIR NO<sub>x</sub> Annual Trading Program are set forth in 40 CFR 78, as incorporated by reference in Section 225.140 of this Part.

#### Section 225.420 Permit Requirements

- a) Permit requirements:
  - 1) The owner or operator of each source with an affected unit is required to submit a complete permit application addressing all applicable CAIR NO<sub>x</sub> Annual Trading Program requirements for a permit meeting the requirements of this Section, applicable to each affected unit at the source. Each CAIR NO<sub>x</sub> permit shall contain elements required for a complete CAIR NO<sub>x</sub> permit application under subsection (b)(2) of this Section.
  - 2) Each CAIR NO<sub>x</sub> permit shall contain federally enforceable conditions addressing all applicable CAIR NO<sub>x</sub> Annual Trading Program requirements and shall be a complete and segregable portion of the source's entire permit under subsection (a)(1) of this Section.
  - 3) No CAIR NO<sub>x</sub> permit shall be issued, and no CAIR NO<sub>x</sub> compliance account shall be established for an affected source, until the Agency and USEPA have received a complete certificate of representation for a CAIR designated representative under 40 CFR 96, subpart BB, for the affected source and the affected unit at the source.
  - 4) For all affected units that commenced operation before July 1, 2007, the owner or operator of such unit must submit a CAIR NO<sub>x</sub> permit application meeting the requirements of this Section on or before July 1,

2007.

- 5) For all affected units and that commence operation on or after July 1, 2008, the owner or operator of such units must submit applications for construction and operating permits pursuant to the requirements of Sections 39 and 39.5 of the Act, as applicable, and 35 Ill. Adm. Code 201 and such applications must specify that they are applying for CAIR NO<sub>x</sub> permits, and must address the CAIR NO<sub>x</sub> permit application requirements of this Section.
- b) Permit applications:
- 1) Duty to apply. The owner or operator of any source with one or more affected units shall submit to the Agency a CAIR NO<sub>x</sub> permit application for the source covering each affected unit under subsection (b)(2) of this Section by the applicable deadline in subsection (a)(4) or (a)(5) of this Section. The owner or operator of any source with one or more affected units shall reapply for a CAIR NO<sub>x</sub> permit for the source as required by this Subpart, 35 Ill. Adm. Code 201, and, as applicable, Sections 39 and 39.5 of the Act.
  - 2) Information requirements for CAIR NO<sub>x</sub> permit applications. A complete CAIR NO<sub>x</sub> permit application shall include the following elements concerning the source for which the application is submitted:
    - A) Identification of the source, including plant name. The ORIS (Office of Regulatory Information Systems) or facility code assigned to the source by the Energy Information Administration shall also be included, if applicable;
    - B) Identification of each affected unit at the source; and
    - C) The compliance requirements applicable to each affected unit as set forth in Section 225.410 of this Subpart.
  - 3) An application for a CAIR NO<sub>x</sub> permit shall be treated as a modification of the affected source's existing federally enforceable permit, if such a permit has been issued for that source, and shall be subject to the same procedural requirements. When the Agency issues a CAIR NO<sub>x</sub> permit pursuant to the requirements of this Section, it shall be incorporated into and become part of that source's existing federally enforceable permit.

Section 225.425      Annual Trading Budget

The CAIR NO<sub>x</sub> Annual Trading budget available for allowance allocations for each control period shall be determined as follows:



- a) The total base CAIR NO<sub>x</sub> Annual Trading budget is 76,230 tons per control period for the years 2009 through 2014, subject to a reduction for two set-asides, the New Unit Set-Aside (NUSA) and the Clean Air Set-Aside (CASA). Five percent of the budget shall be allocated to the NUSA and 25 percent shall be allocated to the CASA, resulting in a CAIR NO<sub>x</sub> Annual Trading budget of 53,361 tons available for allocation per control period pursuant to Section 225.440 of this Subpart. The requirements of the NUSA are set forth in Section 225.445 of this Subpart, and the requirements of the CASA are set forth in Sections 225.455 through 225.470 of this Subpart.
- b) The total base CAIR NO<sub>x</sub> Annual Trading budget is 63,525 tons per control period for the year 2015 and thereafter, subject to a reduction for two set-asides, the NUSA and the CASA. Five percent of the budget shall be allocated to the NUSA and 25 percent shall be allocated to the CASA, resulting in a CAIR NO<sub>x</sub> Annual Trading budget of 44,468 tons available for allocation per control period pursuant to Section 225.440 of this Subpart.
- c) If USEPA adjusts the total base CAIR NO<sub>x</sub> Annual Trading budget for any reason, the Agency shall adjust the base CAIR NO<sub>x</sub> Annual Trading budget and the CAIR NO<sub>x</sub> Annual Trading budget available for allocation, accordingly.

Section 225.430      Timing for Annual Allocations

- a) By October 31, 2006, the Agency shall submit to USEPA the CAIR NO<sub>x</sub> allowance allocations, in accordance with Sections 225.435 and 225.440 of this Subpart, for the 2009, 2010, and 2011 control periods.
- b) By October 31, 2009, and October 31 of each year thereafter, the Agency shall submit to USEPA the CAIR NO<sub>x</sub> allowance allocations in accordance with Sections 225.435 and 225.440 of this Subpart, for the control period three years after the year of the applicable deadline for submission under this Section. For example, on October 31, 2009, the Agency shall submit to USEPA the allocations for the 2012 control period.
- c) The Agency shall allocate allowances from the NUSA to affected units that commence commercial operation on or after January 1, 2006. The Agency shall report these allocations to USEPA by February 15 after the applicable control period. For example, on February 15, 2010, the Agency shall submit to USEPA the allocations from the NUSA for the 2009 control period.
- d) The Agency shall allocate allowances from the CASA to energy efficiency, renewable energy, and clean technology projects pursuant to the criteria in Sections 225.455 through 225.470 of this Subpart. The Agency shall report these allocations to USEPA by December 1 of each year. For example, on December 1, 2010, the Agency shall submit to USEPA the allocations from the CASA for

the 2010 control period, based on reductions made in the 2009 control period.

Section 225.435 Methodology for Calculating Annual Allocations

The Agency shall calculate converted gross electrical output (CGO), in MWh, for each affected unit that has operated during at least one calendar year prior to the calendar year in which the Agency reports the allocations to USEPA as follows:

- a) For control periods 2009, 2010, and 2011, the unit's converted gross electrical output (CGO) shall be:
  - 1) If the unit has four or five control periods of data, then the gross electrical output (GO) shall be the average of the unit's three highest gross electrical outputs from the 2001, 2002, 2003, 2004, or 2005 control periods. If the unit has three or fewer control periods of gross electrical output data, the gross electrical output shall be the average of those control periods. If the unit does not have gross electrical output for the 2004 and 2005 control periods, the gross electrical output shall be the gross electrical output data from the 2005 control period. If the unit does not have gross electrical output, heat input shall be used pursuant to subsection (a)(2) of this Section. If a generator is served by two or more units, the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the control period. The unit's converted gross electrical output (CGO) shall be calculated as follows:
    - A) If the unit is coal-fired:  
$$\text{CGO (in MWh)} = \text{GO} \times \text{MWh} \times 1.0;$$
    - B) If the unit is oil-fired:  
$$\text{CGO (in MWh)} = \text{GO} \times \text{MWh} \times 0.6;$$
    - C) If the unit is neither coal-fired nor oil-fired:  
$$\text{CGO (in MWh)} = \text{GO} \times \text{MWh} \times 0.4.$$
  - 2) If gross electrical output data is not provided to the Agency, heat input (HI) shall be used. If the unit has four or five control periods of data, the average of the unit's three highest heat input's from the 2001, 2002, 2003, 2004 or 2005 control period, shall be used. If the unit has heat inputs from the 2003, 2004, or 2005 control period, the heat input shall be the average of those years. If the unit does not have heat input from the 2004 and 2005 control periods, the heat input from the 2005 control period shall be used. The unit's converted gross electrical output (CGO) shall be calculated as follows:
    - A) If the unit is coal-fired:

$$\text{CGO (in MWh)} = \text{HI (in mmBtu)} \times 0.0967;$$

- B) If the unit is oil-fired:  
 $\text{CGO (in MWh)} = \text{HI (in mmBtu)} \times 0.0580$ ; or
- C) If the unit is neither coal-fired nor oil-fired:  
 $\text{CGO (in MWh)} = \text{HI (in mmBtu)} \times 0.0387$ .

b) For control period 2012 and thereafter, the unit's gross electrical output shall be the average of the unit's two most recent years of control period gross electrical output, if available; otherwise the unit's most recent control period's gross electrical output. If a generator is served by two or more units, the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the control period. The unit's converted gross electrical output shall be calculated as follows:

- 1) If the unit is coal-fired:  
 $\text{CGO (in MWh)} = \text{GO} \times 1.0$ ;
- 2) If the unit is oil-fired:  
 $\text{CGO (in MWh)} = \text{GO} \times 0.6$ ; or
- 3) If the unit is neither coal-fired nor oil-fired:  
 $\text{CGO (in MWh)} = \text{GO} \times 0.4$ .

c) For a unit that is a combustion turbine or boiler and has equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy, the Agency shall add the converted gross electrical output calculated for electricity pursuant to subsections (a) or (b) of this Section to the converted useful thermal energy (CUTE) to determine the total converted gross electrical output for the unit (TCGO). The Agency shall determine the converted useful thermal energy by using the average of the unit's control period useful thermal energy for the prior two control periods, if available, otherwise the unit's control period useful thermal output for the prior year shall be used. The converted useful thermal energy shall be determined using the following equations:

- 1) If the unit is coal-fired:  
 $\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.2930$ ;
- 2) If the unit is oil-fired:  
 $\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.1758$ ; or
- 3) If the unit is neither coal-fired nor oil-fired:  
 $\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.1172$ .

- d) The affected unit's gross electrical output and converted useful thermal energy in subsections (a)(1), (b), and (c) of this Section for each control period shall be based on the best available data reported or available to the Agency for the affected unit pursuant to the provisions of Section 225.450 of this Subpart.
- e) The affected unit's heat input in subsection (a)(2) of this Section for each control period shall be determined in accordance with 40 CFR 75, as incorporated by reference in Section 225.140 of this Part.

Section 225.440 Annual Allocations

- a) For the 2009 control period, and each control period thereafter, the Agency shall allocate CAIR NO<sub>x</sub> allowances to all affected units in Illinois for which the Agency has calculated the total converted gross electrical output pursuant to Section 225.435 of this Subpart, a total amount of CAIR NO<sub>x</sub> allowances equal to tons of NO<sub>x</sub> emissions in the CAIR NO<sub>x</sub> Annual Trading budget available for allocation as determined in Section 225.525 of this Subpart and allocated pursuant to Section 225.440 of this Subpart.
- b) The Agency shall allocate CAIR NO<sub>x</sub> allowances to each affected unit on a pro-rata basis using the unit's total converted gross electrical output calculated pursuant to Section 225.435 of this Subpart. If there are insufficient allowances to allocate whole allowances, such unallocated allowances shall be retained by the Agency and shall be available for allocation in later control periods.

Section 225.445 New Unit Set-Aside (NUSA)

For the 2009 control period and each control period thereafter, the Agency shall allocate CAIR NO<sub>x</sub> allowances from the NUSA to affected units that commenced commercial operation on or after January 1, 2006, and do not yet have an allocation for the particular control period pursuant to Section 225.440 of this Subpart, in accordance with the following procedures:

- a) Beginning with the 2009 control period and each control period thereafter, the Agency shall establish a separate NUSA for each control period. Each NUSA shall be allocated CAIR NO<sub>x</sub> allowances equal to 5 percent of the amount of tons of NO<sub>x</sub> emissions in the base CAIR NO<sub>x</sub> Annual Trading budget in Section 225.425 of this Subpart.
- b) The CAIR designated representative of such an affected unit may submit to the Agency a request, in a format specified by the Agency, to be allocated CAIR NO<sub>x</sub> allowances from the NUSA starting with the first control period in which the new unit commences commercial operation and until the first control period for which the unit may use CAIR NO<sub>x</sub> allowances allocated to the unit under Section 225.440 of this Subpart. The NUSA allowance allocation request may only be submitted after a new unit has operated during one control period, and no later than January 15 after the control period for which allowances from the NUSA are

being requested.

- c) In a NUSA allowance allocation request under subsection (b) of this Section, the CAIR designated representative must provide in its request information for gross electrical output and useful thermal energy, if any, for the new affected unit for that control period.
- d) The Agency shall allocate allowances from the NUSA to a new affected unit using the following procedures:
  - 1) For each new affected unit that has operated in at least one control period, the unit's gross electrical output for the most recent control period shall be used to calculate the unit's gross electrical output. If a generator is served by two or more units, the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the control period. The new unit's converted gross electrical output shall be calculated as follows:
    - A) If the unit is coal-fired:  
 $CGO \text{ (in MWh)} = GO \times 1.0;$
    - B) If the unit is oil-fired:  
 $CGO \text{ (in MWh)} = GO \times 0.6;$  or
    - C) If the unit is neither coal-fired nor oil-fired:  
 $CGO \text{ (in MWh)} = GO \times 0.4.$
  - 2) If the unit is a combustion turbine or boiler and has equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy, the Agency shall add the converted gross electrical output calculated for electricity pursuant to subsection (c)(1) of this Section to the converted useful thermal energy to determine the total converted gross electrical output for the unit. The Agency shall determine the converted useful thermal energy using the unit's useful thermal energy for the most recent control period. The converted useful thermal energy shall be determined using the following equations:
    - A) If the unit is coal-fired:  
 $CUTE \text{ (in MWh)} = UTE \text{ (in mmBtu)} \times 0.2930;$
    - B) If the unit is oil-fired:  
 $CUTE \text{ (in MWh)} = UTE \text{ (in mmBtu)} \times 0.1758;$  or
    - C) If the unit is neither coal-fired nor oil-fired:  
 $CUTE \text{ (in MWh)} = UTE \text{ (in mmBtu)} \times 0.1172.$

- 3) The gross electrical output and useful thermal energy in subsections (d)(1) and (d)(2) of this Section for each control period shall be based on the best available data reported or available to the Agency for the affected unit pursuant to the provisions of Section 225.450 of this Subpart.
- 4) The Agency shall determine a unit's un-prorated allocation ( $UA_y$ ) using the unit's converted gross electrical output (CGO) plus the unit's converted useful thermal energy, if any, calculated in subsections (d)(1) and (d)(2) of this Section, converted to approximate NO<sub>x</sub> tons (the unit's un-prorated allocation), as follows:

$$UA_y = \frac{TCGO_y * (1.0\text{lbs/MWh})}{2000\text{lbs/ton}}$$

Where:

- |          |   |  |
|----------|---|--|
| $UA_y$   | = | un-prorated allocation to a new affected unit.                   |
| $TCGO_y$ | = | total converted gross electrical output for a new affected unit. |

- 5) The Agency shall allocate CAIR NO<sub>x</sub> allowances from the NUSA to new affected units as follows:
  - A) If the NUSA for the control period for which CAIR NO<sub>x</sub> allowances are requested has a number of allowances greater than or equal to the total un-prorated allocations for all new units requesting allowances, the Agency shall allocate the number of allowances using the un-prorated allocation determined for that unit pursuant to subsection (d)(4) of this Section. If there are insufficient allowances to allocate whole allowances, such unallocated allowances shall be retained by the Agency and shall be available for allocation in a later control period.
  - B) If the NUSA for the control period for which the allowances are requested has a number of CAIR NO<sub>x</sub> allowances less than the total un-prorated allocation to all new affected units requesting allocations, the Agency shall allocate the available allowances for new affected units on a pro-rata basis, using the un-prorated allocation determined for that unit pursuant to subsection (d)(4) of this Section. If there are insufficient allowances to allocate whole allowances, such unallocated allowances shall be retained by the Agency and shall be available for allocation in a later control period.

- C) If the gross electrical output or useful thermal energy reported to the Agency in subsection (d) of this Section is later determined to be greater than the unit's actual gross electrical output or useful thermal energy for the applicable control period, the Agency shall reduce the unit's allocation from the NUSA for the current control period to account for the excess allowances allocated in the prior control period or periods.
- e) The Agency shall review each NUSA allowance allocation request under subsection (b) of this Section. The Agency shall accept a NUSA allowance allocation request only if the request meets, or is adjusted by the Agency as necessary to meet, the requirements of this Section.
- f) By February 8 after the applicable control period, the Agency shall notify each CAIR designated representative that submitted a NUSA allowance request of the amount of CAIR NO<sub>x</sub> allowances from the NUSA, if any, allocated for the control period to the new unit covered by the request.
- g) The Agency shall allocate CAIR NO<sub>x</sub> allowances to new units from the NUSA no later than February 15 after the applicable control period.
- h) After a new affected unit has operated in one control period, it becomes an existing unit for the purposes of Section 225.440 of this Subpart only, and the Agency shall allocate CAIR NO<sub>x</sub> allowances for that unit, for the control period commencing four years in the future pursuant to Section 225.440 of this Subpart. For example, if a unit commences commercial operation in 2009, in 2010, the Agency shall allocate to that unit allowances pursuant to Section 225.440 for the 2013 control period. The new affected unit shall continue to receive CAIR NO<sub>x</sub> allowances from the NUSA according to this Section until the unit is eligible to use the CAIR NO<sub>x</sub> allowances allocated to the unit pursuant to Section 225.440 of this Subpart.
- h) If, after the completion of the procedures in subsection (c) of this Section for a control period, any unallocated CAIR NO<sub>x</sub> allowances remain in the NUSA for the control period, the Agency shall, at a minimum, accrue those CAIR NO<sub>x</sub> allowances for future control period allocations to new affected units. The Agency may from time to time elect to retire CAIR NO<sub>x</sub> allowances in the NUSA that are in excess of 19,080, for the purposes of continued progress toward attainment and maintenance of National Ambient Air Quality Standards pursuant to the CAA.

Section 225.450      Monitoring, Recordkeeping and Reporting Requirements for Gross  
Electrical Output and Useful Thermal Energy

- a) By January 1, 2007, or within 180 days of commencing commercial operation, whichever is later, the owner or operator of an affected unit shall install, calibrate, maintain, and operate a wattmeter; and shall measure gross electrical output in megawatt-hours on a continuous basis; and shall record the output of the wattmeter. If a generator is served by two or more units, the information to determine each unit's heat input for that control period shall also be recorded, so as to allow each unit's share of the gross electrical output to be determined. If heat input data is used, the owner or operator shall comply with the applicable provisions 40 CFR 75, as incorporated by reference in Section 225.140 of this Part.
- b) By January 1, 2007, or within 180 days of commencing operation, whichever is later, the owner or operator of an affected unit with cogeneration capabilities shall install, calibrate, maintain, and operate meters for steam flow in lbs/hr, temperature in degrees Fahrenheit, and pressure in PSI, to measure and record the useful thermal energy in mmBtu/hr on a continuous basis. Owners and operators of an affected unit with cogeneration capabilities that do not use steam as the energy transfer medium, i.e., water, glycol, shall install, calibrate, maintain, and operate the necessary meters to measure and record the necessary data to express the useful thermal energy in mmBtu/hr on a continuous basis.
- c) By September 30, 2006, the owner or operator of an affected unit shall report to the Agency the gross electrical output for control periods 2001, 2002, 2003, 2004 and 2005, if available, and, the unit's useful thermal energy data, if applicable. If gross electric output is not available, heat input shall be used for those control periods 2001, 2002, 2003, 2004, and 2005 for which gross electrical output data is not available. If a generator is served by two or more units, the documentation needed to determine each unit's share of the heat input of such units for that control period shall also be submitted. If heat input data is used, the owner or operator shall comply with the applicable provisions 40 CFR 75, as incorporated by reference in Section 225.140 of this Part.
- d) Beginning with year 2007, the designated representative of the affected unit shall submit to the Agency quarterly, by no later than January 31, April 30, July 31, and October 31 of each year, information for the affected unit's gross electrical output, on a monthly basis, and, if applicable, the unit's useful thermal energy for each month.
- e) The owner or operator of an affected unit shall maintain on-site the monitoring plan detailing the monitoring system, maintenance of the monitoring system, including quality assurance activities.
- f) The owner or operator of an affected unit shall retain records for at least 5 years from the date the record is created or the data collected in subsections (a) and (b) of this Section, and the reports submitted to the Agency and USEPA in accordance with subsections (c) and (d) of this Section. The owner or operator of



an affected unit shall retain the monitoring plan required in subsection (e) of this Section for at least five years from the date that it is replaced by a new or revised monitoring plan.

Section 225.455      Clean Air Set-Aside (CASA)

- a) A project sponsor may apply for allowances from the CASA for sponsoring an energy efficiency and conservation, renewable energy, or clean technology project as set forth in Section 225.460 of this Subpart by submitting the application required by Section 225.470 of this Subpart.
- b) Notwithstanding subsection (a) of this Section, a project sponsor with an affected source that is out of compliance with this Subpart for a given control period may not apply for allowances from the CASA for that control period. If a source receives CAIR NO<sub>x</sub> allowances from CASA and then is subsequently found to have been out of compliance with this Subpart for the applicable control period or periods, the project sponsor must restore the CAIR NO<sub>x</sub> allowances that it received pursuant to its CASA request or an equivalent number of CAIR NO<sub>x</sub> allowances to the CASA within six months of an Agency finding of noncompliance. These allowances shall be assigned to the fund from which they were distributed.
- c) The Agency will not act as a mediator in situations where more than one project sponsor requests CAIR NO<sub>x</sub> allowances for the same project. If more than one project sponsor submits an application for allowances for the same project for the same control period, the Agency shall reject all such applications.
- d) CAIR NO<sub>x</sub> allowances from CASA shall be allocated in accordance with the criteria in Section 225.475 of this Subpart.
- e) The project sponsor may submit an application that aggregates two or more projects under a CASA project category that would individually result in less than one allowance, but that equal at a minimum one whole allowance when aggregated. The Agency shall not allocate allowances for projects totaling less than one whole allowance after rounding.

Section 225.460      Energy Efficiency and Conservation, Renewable Energy, and Clean Technology Projects

- a) Energy efficiency and conservation projects means any of the following projects implemented in Illinois:
  - 1) Demand side management projects that reduce overall power demand by using less energy, include:

- A) Smart building management software that more efficiently regulates power flows.
  - B) The use of or replacement to high efficiency motors, pumps, compressors, or steam systems.
- 2) Energy efficient new construction building projects include:
- A) ENERGY STAR qualified new home projects.
  - B) Measures to reduce conserve energy consumption beyond the requirements of the Illinois Energy Conservation Code for Commercial Buildings (20 ILCS 687/6-3).
  - C) New residential construction projects that qualify for Energy Efficient Tax Incentives under the Energy Policy Act of 2005, 42 U.S.C. §15801 (2005).
- 3) Supply-side energy efficiency projects include projects implemented to improve the efficiency in electricity generation by coal-fired power plants, and the efficiency of electrical transmission and distribution systems.
- 4) Efficient operation projects including highly efficient power generation, such as, but not limited to, combined cycle projects, combined heat and power, and microturbines. To be considered a highly efficient power generator under this subsection, must meet the thresholds listed below:
- A) For combined heat and power projects generating both electricity and thermal energy used for space, water, or industrial process heat, a rated-energy efficiency of at least 60 percent.
  - B) For combined cycle projects rated at greater than 0.50 MW, a rated-energy efficiency of at least 50 percent.
  - C) For microturbine projects rated at or below 0.50 MW and all other projects rated-energy efficiency of at least 40 percent.
- b) Renewable energy units means any of the following projects implemented in Illinois:
- 1) Zero-emission units, including wind, solar (thermal or photovoltaic), and hydropower projects. Eligible hydropower plants are restricted to projects that commenced operation of a generator after January 1, 2006, and do not involve the significant expansion of existing dam or the construction of new dams.

- 2) Renewable energy units are those units that generate electricity using more than 50 percent of the heat input, on an annual basis, from dedicated crops grown for energy production; the capture of methane gas from landfills, water treatment plants or sewage treatment plants, and organic waste biomass; and other similar sources of non-fossil fuel energy. Renewable energy projects do not include energy from incineration by burning or heating of waste wood, tires, garbage, general household, institutional lunchroom or office waste, landscape waste, or construction or demolition debris.
- c) Clean technology projects for reducing emissions from producing electricity and useful thermal energy means any of the following projects implemented in Illinois:
- 1) Air pollution control equipment upgrades at existing coal-fired electric generating units, including installing flue gas desulfurization (FGD), selective catalytic reduction (SCR), selective non-catalytic reduction (SNCR) systems, and other emission control technologies. Pollution control upgrades do not include the addition of low NO<sub>x</sub> burners, overfired air techniques, gas reburning techniques, flue gas conditioning techniques, or control equipment, such as activated carbon injection specifically used for control of mercury. For purposes of this project category, a unit at a fossil fuel-fired power plants shall be considered “existing” after it has been in commercial operation for at least eight years.
  - 2) Clean coal technologies include:
    - A) Integrated gasification combined cycle (IGCC) plants.
    - B) Fluidized bed coal combustion.
- d) Energy efficiency, renewable energy, or clean technology projects listed in subsections (a) through (c) of this Section, shall include nuclear power projects, projects required to meet State or federal statutory or regulatory requirements, projects used to meet the requirements of a consent decree or a Supplemental Environmental Project (SEP). CASA allowances shall not be issued to such projects.
- e) Applications for projects that that are not specifically listed in subsections (a) through (c) of this Section, and that are not specifically excluded by subsection (d) of this Section may be submitted to the Agency. Such application shall designate which category or categories from those listed in subsections (a)(1) through (c)(3) of this Section best fits the proposed project and the applicable formula under Section 225.465(b) of this Section to calculate the number of allowances that it is requesting. The Agency shall determine whether the

application is approvable based on a sufficient demonstration by the project sponsor that the project is a new type of energy efficiency, renewable energy, or clean technology, similar in effects as the projects specifically listed in subsection (a) through (c) of this Section.

- f) Early adopter projects include projects that meet the criteria for any energy efficiency and conservation, renewable energy, or clean technology project listed in subsections (a) , (b), (c), and (e) of this Section and commence construction between July 1, 2006, and December 31, 2012.

Section 225.465      CASA Allowances

- a) The CAIR NO<sub>x</sub> allowances for the CASA for each control period shall be assigned to the following categories of projects:

	Phase I (2009-2014)	Phase II (2015 and thereafter)
1) Energy Efficiency and Conservation/ Renewable Energy	9149	7625
2) Air Pollution Control Equipment Upgrades	3811	3175
3) Clean Coal Technology	4573	3810
4) Early Adopters	1525	1271

- b) In a CASA allowance allocation request made under Section 225.470 of this Subpart, the project sponsor may request CAIR NO<sub>x</sub> allowances for a control period not to exceed the following:

- 1) For an energy efficiency and conservation project pursuant to Sections 225.460(a)(1) through (a)(3) of this Subpart claiming allowances based upon the reduction in the consumption of electricity, using the number of megawatt hours of electricity that was not consumed during a control period and the following formula:

$$A = (MWh_c) \times (1.5 \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project.

MWh<sub>c</sub> = The number of megawatt hours of electricity

conserved during a control period by a project.

- 2) For a zero emission unit pursuant to Section 225.460(b)(1) of this Subpart, using the number of megawatt hours of electricity generated during a control period and the following formula:

$$A = (\text{MWh}_g) \times (2.0 \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project  
MWh<sub>g</sub> = The number of megawatt hours of electricity generated during a control period by a project.

- 3) For a renewable energy emission unit pursuant to Section 225.460(b)(2) of this Subpart, using the number of megawatt hours of electricity generated during a control period and the following formula:

$$A = (\text{MWh}_g) \times (0.5 \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project.  
MWh<sub>g</sub> = The number of MW hours of electricity generated during a control period by a project.

- 4) For an air pollution control equipment upgrade project pursuant to Section 225.460(c)(1) of this Subpart and claiming allowances based on:

- A) For NO<sub>x</sub> control projects, the difference in emitted NO<sub>x</sub> per control period using the emission rate before and after replacement or improvement, according to the following formula:

$$A = (\text{MWh}_g) \times 0.10 \times (\text{ER}_B \text{ lb/MWh} - \text{ER}_A \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project.  
MWh<sub>g</sub> = The number of megawatt hours of electricity generated during a control period by a project.  
ER<sub>B</sub> = Average emission rate based on CEMS data from the most recent two control periods

prior to the installation of the control equipment in lb/MWh.

$ER_A$  = Annual average emission rate for the applicable control period data based on CEMS data in lb/MWh.

B) For FGD, baghouse, and other air pollution control equipment projects for a pollutant other than NO<sub>x</sub>, on an annual basis only:

$$A = (MWh_g) \times (0.015 \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

$A$  = The number of un-prorated allowances for a particular project.

$MWh_g$  = The number of megawatt hours of electricity generated during a control period by a project.

5) For efficient operation and IGCC projects pursuant to Sections 225.460(a)(4) and (c)(2) of this Subpart using the number of megawatt hours of electricity the project generates during a control period and the following formula:

$$A = (MWh_g) \times (1.0 \text{ lb/MWh} - ER \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

$A$  = The number of un-prorated allowances for a particular project.

$MWh_g$  = The number of megawatt hours of electricity generated during a control period by a project.

$ER$  = Annual average emission rate based on CEMS data in lb/MWh.

6) For a CASA project that commenced construction before December 31, 2012, in addition to the allowances allocated under subsections (b)(1) through (b)(5) of this Section, a project sponsor may also request additional allowances under the early adopter project category pursuant to Section 225.460(e) of this Section based on the following formula:

$$A = 1.0 + 0.10 \times \sum A_i$$

Where:

$A$  = The number of un-prorated allowances for a

$A_i$  = particular project as determined in subsections (b)(1) through (b)(5) of this Section.  
The number of allowances as determined in subsection (b)(1), (b)(2), (b)(3), (b)(4) or (b)(5) of this Section for a given project.

Section 225.470      CASA Applications

- a) A project sponsor may request allowances if the project commenced construction on or after the dates listed below. The project sponsor may request allowances from more than one CASA category per project, if applicable.
  - 1) Demand side management, energy efficient new construction, and supply side energy efficiency and conservation projects that commenced construction on or after January 1, 2003;
  - 2) Fluidized bed coal combustion projects, efficient operations projects, or renewable energy emission units, which commenced construction on or after January 1, 2001; and
  - 3) All other projects on or after July 1, 2006.
- b) Beginning with the 2009 control period and each control period thereafter, a project sponsor may request allowances from the CASA. The application must be submitted to the Agency by May 1 of the control period for which the allowances are being requested.
- c) The allocation shall be based on the energy saved or generated in the control period preceding the calendar year in which the application is submitted. To apply for a CAIR NO<sub>x</sub> allocation from the CASA, project sponsors must provide the Agency with the following information:
  - 1) Identification of the project sponsor, including name, address, type of organization, and name(s) of the principals or corporate officials.
  - 2) The number of the CAIR NO<sub>x</sub> general or compliance account for the project and the name of the associated CAIR account representative.
  - 3) A description of the project or projects, location, the role of the project sponsor in the projects, and a general explanation of how the amount of energy conserved or generated was measured, verified, and calculated, and the number of allowances requested and the with supporting calculations.
  - 4) Detailed information to support the request for allowances, including the following types of documentation of the measurement and verification of the NO<sub>x</sub> emissions reductions, energy generated, or energy saved using

established measurement verification procedures, as applicable. The measurement and verification required shall depend on the type of project proposed.

- A) As applicable, documentation of the project's base and control period conditions and resultant base and control period energy data, using the procedures and methods included in *M&V Guidelines: Measurement and Verification for Federal Energy Projects*, incorporated by reference in Section 225.140 of this Part, or other method approved by the Agency. Examples include:
    - i) Energy consumption and demand profiles;
    - ii) Occupancy type;
    - iii) Density and periods;
    - iv) Space conditions or plant throughput for each operating period and season. (For example, in a building this would include the light level and color, space temperature, humidity and ventilation);
    - v) Equipment inventory, nameplate data, location, condition; and
    - vi) Equipment operating practices (schedules and set points, actual temperatures/pressures).
  - B) Emissions data, including, if applicable, CEMS data;
  - C) Information for rated-energy efficiency including supporting documentation and calculations; and
  - D) MWh generated or conserved for the applicable control period.
- 5) Notwithstanding the requirements of subsections (c)(4) of this Section, applications for fewer than five allowances may propose other reliable and applicable methods of quantification acceptable to the Agency.
  - 6) Any additional information requested by the Agency to determine the correctness of the requested number of allowances, including site information, project specifications, supporting calculations, operations, and maintenance procedures.
  - 7) The following certification by the responsible official for the project sponsor and the applicable CAIR account representative for the project:



“I am authorized to make this submission on behalf of the project sponsor and the holder of the CAIR NO<sub>x</sub> general account or compliance account for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with the statements and information submitted in this application and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information.”

- d) A project sponsor may renew a request for allowances from the CASA for additional control periods, not to exceed the number of control periods listed below. The renewal request shall include the information required by subsections (c)(1), (c)(2), (c)(3) and (c)(7) of this Section and a description of any changes, modifications, or further improvements made to the project.
  - 1) For energy efficiency and conservation projects (except for efficient operation and renewable energy projects), a project sponsor may reapply each year not to exceed eight control periods.
  - 2) For early adopter projects, a project sponsor may reapply each year not to exceed ten control periods.
  - 3) For air pollution control equipment upgrades, a project sponsor may reapply each year not to exceed 15 control periods.
  - 3) For renewable energy projects, clean coal technology, and efficient operation projects, a project sponsor may reapply each year while the project is in operation.
- e) A project sponsor must keep copies of all CASA applications and the documentation used to support the application for at least five years.

Section 225.475 Agency Action on CASA Applications

- a) By October 1, 2009, and each October 1 thereafter, the Agency shall determine the total number of allowances that are approvable for allocation to project sponsors based upon the applications submitted pursuant to Section 225.470 of this Subpart.
  - 1) The Agency shall determine the number of CAIR NO<sub>x</sub> allowances that are approvable based on the formulas and the criteria for such projects. The Agency shall notify a project sponsor within 90 days after receipt of an application if the project is not approvable, the number of allowances

requested is not approvable, or additional information is needed by the Agency to complete its review of the application.

- 2) If the total number of CAIR NO<sub>x</sub> allowances requested for approved projects is less than or equal to the number of CAIR NO<sub>x</sub> allowances in the CASA project category, the number of allowances that are approved shall be allocated to each CAIR NO<sub>x</sub> compliance or general account.
  - 3) If more CAIR NO<sub>x</sub> allowances are requested than the number of CAIR NO<sub>x</sub> allowances in a given CASA project category, allowances shall be allocated on a pro-rata basis based on the number of allowances available, subject to further adjustment as provided for by subsection (b) of this Section. CAIR NO<sub>x</sub> allowances shall be allocated, transferred, or used as whole allowances. The number of whole allowances shall be determined by rounding down for decimals less than 0.5 and rounding up for decimals of 0.5 or greater.
- b) If there are, after the completion of the procedures in subsection (a) of this Section for a control period, any CAIR NO<sub>x</sub> allowances that are unallocated to a CASA project for the control period:
- 1) The remaining allowances in each CASA project category will accrue up to twice the number of allowances that are assigned to the project category each control period as set forth in Section 225.465 of this Subpart.
  - 2) For control period 2011 and thereafter, allowances in a project category that are in excess of twice the number designated for the control period as set forth in Section 225.465 of this Subpart shall be redistributed to project categories that have fewer than twice the number of allowances assigned to that project category for the control period.
  - 3) For control period 2011 and thereafter, the Agency shall then reallocate allowances to projects that received fewer allowances than requested and approved on a pro-rata basis, based on the total number of approved allowances for the projects.
  - 4) For control period 2011 and thereafter, if after the redistribution of allowances pursuant to subsection (b)(2) any allowances remain, these allowances shall be reassigned to project categories that have fewer than twice the number of allowances annually assigned to that project category as set forth in Section 225.465 of this Subpart, after the allocation in subsection (b)(3) of this Section.
  - 5) The Agency shall repeat the process of allocating allowances to CASA projects that received fewer allowances than requested and approved, and to reassigning allowances to project categories as set forth in subsections

(b)(2) and (b)(3) of this Section, until no allowances remain to be reassigned between project categories, and the approved allowance requests have been filled. If allowances still remain unallocated, the Agency may elect to retire any CAIR NO<sub>x</sub> allowances that remain after all approved requests for allowances have been met and each project category has accrued twice the number of allowances assigned for that project category to continue progress toward attainment or maintenance of the National Ambient Air Quality Standards pursuant to the CAA.

Section 225.480 Compliance Supplement Pool

In addition to the CAIR NO<sub>x</sub> allowances allocated under Section 225.435 of this Subpart, the USEPA has provided an additional 11,299 CAIR NO<sub>x</sub> allowances from the federal compliance supplement pool to Illinois for the control period in 2009. On January 1, 2009, the Agency shall retire all 11,299 NO<sub>x</sub> allowances for public health and air quality improvements.

**SUBPART E: CAIR NO<sub>x</sub> OZONE SEASON TRADING PROGRAM**

Section 225.500 Purpose

The purpose of this Subpart is to control the seasonal emissions of nitrogen oxides (NO<sub>x</sub>) from electric generating units by determining unit allocations and implementing the CAIR NO<sub>x</sub> Ozone Season Trading Program.

Section 225.505 Applicability

- a) A fossil fuel-fired stationary boiler, combustion turbine or combined cycle system is an electrical generating unit if it serves a generator that has a nameplate capacity greater than 25 MWe and produces electricity for sale and is not included in Appendix D of 35 Ill. Adm. Code Part 217. An electric generating unit is subject to the CAIR NO<sub>x</sub> Ozone Season Trading Program contained in this Subpart and is a CAIR NO<sub>x</sub> Ozone Season unit or affected unit for the purposes of this Subpart.
- b) Notwithstanding subsection (a) of this Section, an EGU shall not be an affected unit and is not subject to the CAIR NO<sub>x</sub> Ozone Season Trading Program contained in this Subpart if it meets the requirements of either subsection (b)(1)(A) or (b)(2)(A) of this Section, as follows:
  - 1) A unit that:
    - A) Meets the definition of a cogeneration unit in Section 225.130 of this Part; and
    - i) Qualifies as a cogeneration unit during the 12-month period starting on the date the unit first produces electricity and

continues to qualify as a cogeneration unit; and

- ii) Does not serve at any time, since the later of November 15, 1990, or the start-up of the unit's combustion chamber, a generator with a nameplate capacity of more than 25 MWe, and which supplies in any calendar year more than one-third of the unit's potential electrical output capacity or 219,000 MWh, whichever is greater, to a utility power distribution system for sale.

- B) If a unit qualifies as a cogeneration unit during the 12-month period starting on the date the unit first produces electricity but subsequently no longer qualifies as a cogeneration unit, the unit shall be subject to subsection (a) of this Section starting on the January 1 after which the unit first no longer qualifies as a cogeneration unit.

2) A unit that:

- A) Qualifies as a solid waste incineration unit as defined by Section 129(g) of the CAA [42 U.S.C. 7429(g)]; and

- i) Commences operation on or after January 1, 1985; and
- ii) Has an average annual fuel consumption of non-fossil fuel for the first three calendar years of operation exceeding 80 percent (on a Btu basis) and an average annual fuel consumption of non-fossil fuel for any three consecutive calendar years after 1990 exceeding 80 percent (on a Btu basis).

- B) If a unit qualifies as a solid waste incineration unit and meets the requirements of subsection (b)(2)(A) of this Section for at least three consecutive calendar years, but subsequently no longer meets all such requirements, the unit shall become an affected unit starting on the January 1 after which the unit has an average annual fuel consumption of fossil fuel of 20 percent or more.

#### Section 225.510 Compliance Requirements

An affected unit shall comply with the following:

- a) The requirements of the CAIR NO<sub>x</sub> Ozone Season Trading Program for Illinois as set forth in this Subpart and 40 CFR 96, subpart AAAA (CAIR NO<sub>x</sub> Ozone Season Trading Program General Provisions) (excluding 40 CFR §§ 96.304, 96.305(b)(2), and 96.306); 40 CFR 96, subpart BBBB (CAIR Designated

Representative for CAIR NO<sub>x</sub> Ozone Season Sources); 40 CFR 96, subpart FFFF (CAIR NO<sub>x</sub> Ozone Season Allowance Tracking System); 40 CFR 96, subpart GGGG (CAIR NO<sub>x</sub> Ozone Season Allowance Transfers); and 40 CFR 96, subpart HHHH (Monitoring and Reporting); as incorporated by reference in Section 225.140 of this Part.

b) Permit requirements:

- 1) The owner or operator of each source with one or more affected units at the source must apply for a permit issued by the Agency with federally enforceable conditions covering the CAIR NO<sub>x</sub> Ozone Season Trading Program (“CAIR NO<sub>x</sub> Ozone Season permit”) that complies with the requirements of Section 225.520 of this Subpart (Permit Requirements).
- 2) The owner or operator of each affected source and each affected unit at the source must operate the affected unit in compliance with such CAIR NO<sub>x</sub> Ozone Season permit.

c) Monitoring requirements:

- 1) The owner or operator of each affected source and each affected unit at the source must comply with the monitoring requirements of 40 CFR 96, subpart HHHH; 40 CFR 75; and Section 225.550 of this Subpart. The CAIR designated representative of each affected source and each affected unit at the source must comply with those sections of the monitoring requirements of 40 CFR 6, subpart HHHH, applicable to a CAIR designated representative.
- 2) The compliance of each affected unit with the CAIR NO<sub>x</sub> Ozone Season emissions limitation under subsection (d) of this Section shall be determined by the emissions measurements recorded and reported in accordance with 40 CFR 96, subpart HHHH.

d) Emission requirements:

- 1) By November 30, 2009, and by November 30, of each subsequent year, the allowance transfer deadline, the CAIR designated representative of each affected source and each affected unit at the source shall hold allowances available for compliance deductions under 40 CFR § 96.354(a) in the CAIR NO<sub>x</sub> Ozone Season source’s compliance account. The number of allowances held shall not be less than the tons of NO<sub>x</sub> emissions for the control period from all affected units at the affected source, rounded to the nearest whole ton, as determined in accordance with 40 CFR 96, subpart HHHH, plus any number of allowances necessary to account for actual utilization including, but not limited to, testing, start-up, malfunction, and shut down.

- 2) Each ton of NO<sub>x</sub> emitted in excess of the number of CAIR NO<sub>x</sub> Ozone Season allowances held by the owner or operator for each affected unit in its CAIR NO<sub>x</sub> Ozone Season compliance account for each control period shall constitute a separate violation of this Subpart and the Act.
  - 3) Each affected unit shall be subject to the monitoring and compliance requirements of subsections (c)(1) and (d)(1) of this Section starting on the later of January 1, 2009, or the deadline for meeting the unit's monitoring certification requirements under 40 CFR § 96.370(b)(1), (b)(2) or (b)(3).
  - 4) CAIR NO<sub>x</sub> Ozone Season allowances shall be held in, deducted from, or transferred among allowance accounts in accordance with this Subpart and 40 CFR 96, subparts FFFF and GGGG.
  - 5) In order to comply with the requirements of subsection (d)(1) of this Section, a CAIR NO<sub>x</sub> Ozone Season allowance may not be utilized for a control period in a year prior to the year for which the allowance is allocated.
  - 6) A CAIR NO<sub>x</sub> Ozone Season allowance allocated by the Agency or USEPA under the CAIR NO<sub>x</sub> Ozone Season Trading Program is a limited authorization to emit one ton of NO<sub>x</sub> in accordance with the CAIR NO<sub>x</sub> Ozone Season Trading Program. No provision of the CAIR NO<sub>x</sub> Ozone Season Trading Program, the CAIR NO<sub>x</sub> Ozone Season permit application, the CAIR NO<sub>x</sub> Ozone Season permit, or a retired unit exemption under 40 CFR § 96.305, and no provision of law, shall be construed to limit the authority of the United States or the State to terminate or limit this authorization.
  - 7) A CAIR NO<sub>x</sub> Ozone Season allowance allocated by the Agency or USEPA under the CAIR NO<sub>x</sub> Ozone Season Trading Program does not constitute a property right.
  - 8) Upon recordation by USEPA under 40 CFR 96, subpart FFFF or subpart GGGG, every allocation, transfer, or deduction of an allowance to or from a CAIR NO<sub>x</sub> Ozone Season source compliance account is deemed to amend automatically, and become a part of, any CAIR NO<sub>x</sub> Ozone Season permit of the affected source. This automatic amendment of the CAIR NO<sub>x</sub> Ozone Season permit shall be deemed an operation of law and will not require any further review.
- e) Recordkeeping and reporting requirements:
- 1) Unless otherwise provided, the owner or operator of the affected source and each affected unit at the source shall keep on site at the source each of

the documents listed in subsections (e)(1)(A) through (e)(1)(E) of this Section for a period of five years from the date the document is created. This period may be extended for cause, at any time prior to the end of five years, in writing by the Agency or USEPA.

- A) The certificate of representation for the CAIR designated representative for the source and each affected unit at the source, all documents that demonstrate the truth of the statements in the certificate of representation, provided that the certificate and documents must be retained on site at the source beyond such five-year period until such documents are superseded because of the submission of a new certificate of representation under 40 CFR § 96.313, changing the CAIR designated representative.
  - B) All emissions monitoring information, in accordance with 40 CFR 96, subpart HHHH.
  - C) Copies of all reports, compliance certifications, and other submissions and all records made or required under the CAIR NO<sub>x</sub> Ozone Season Trading Program or documents necessary to demonstrate compliance with the requirements of the CAIR NO<sub>x</sub> Ozone Season Trading Program or with the requirements of this Subpart.
  - D) Copies of all documents used to complete a CAIR NO<sub>x</sub> Ozone Season permit application and any other submission under the CAIR NO<sub>x</sub> Ozone Season Trading Program.
  - E) Copies of all records and logs for gross electrical output and useful thermal energy required by Section 225.550 of this Subpart.
- 2) The CAIR designated representative of an affected source and each affected unit at the source must submit to the Agency and USEPA the reports and compliance certifications required under the CAIR NO<sub>x</sub> Ozone Season Trading Program, including those under 40 CFR 96, subpart HHHH and Section 225.550 of this Subpart.
- f) Liability:
- 1) No revision of a permit for an affected unit shall excuse any violation of the requirements of the CAIR NO<sub>x</sub> Ozone Season Trading Program.
  - 2) Each affected source and each affected unit shall meet the requirements of the CAIR NO<sub>x</sub> Ozone Season Trading Program.
  - 3) Any provision of the CAIR NO<sub>x</sub> Ozone Season Trading Program that

applies to an affected source (including any provision applicable to the CAIR designated representative of an affected source) shall also apply to the owner and operator of such affected source and to the owner and operator of each affected unit at the source.

- 4) Any provision of the CAIR NO<sub>x</sub> Ozone Season Trading Program that applies to an affected unit (including any provision applicable to the CAIR designated representative of an affected unit) shall also apply to the owner and operator of such affected unit. Except with regard to the requirements applicable to affected units with a common stack under 40 CFR 96, subpart HHHH, the owner, the operator, and the CAIR designated representative or alternate designated representative of an affected unit shall not be liable for any violation by any other affected unit of which they are not an owner or operator or the CAIR designated representative.
  - 5) The CAIR designated representative of an affected unit that has excess emissions in any control period shall surrender the allowances as required for deduction under 40 CFR § 96.354(d)(1).
  - 6) The owner or operator of an affected unit that has excess NO<sub>x</sub> emissions in any control period shall pay any fine, penalty, or assessment or comply with any other remedy imposed under the Act and 40 CFR § 96.354(d)(2).
- g) Effect on other authorities. No provision of the CAIR NO<sub>x</sub> Ozone Season Trading Program, a CAIR NO<sub>x</sub> Ozone Season permit application, a CAIR NO<sub>x</sub> Ozone Season permit, or a retired unit exemption under 40 CFR § 96.305 shall be construed as exempting or excluding the owner and operator and, to the extent applicable, the CAIR designated representative of an affected source or an affected unit, from compliance with any other regulation promulgated under the CAA, the Act, any State regulation or permit, or a federally enforceable permit.

#### Section 225.515      Appeal Procedures

The appeal procedures for decisions of USEPA under the CAIR NO<sub>x</sub> Ozone Season Trading Program are set forth in 40 CFR 78, as incorporated by reference in Section 225.140 of this Part.

#### Section 225.520      Permit Requirements

- a) Permit requirements:
  - 1) The owner or operator of each source with an affected unit is required to submit a complete permit application addressing all applicable CAIR NO<sub>x</sub> Ozone Season Trading Program requirements for a permit meeting the requirements of this Section, applicable to each affected unit at the source. Each CAIR NO<sub>x</sub> Ozone Season permit shall contain elements required for a complete CAIR NO<sub>x</sub> Ozone Season permit application under subsection



(b)(2) of this Section.

- 2) Each CAIR NO<sub>x</sub> Ozone Season permit shall contain federally enforceable conditions addressing all applicable CAIR NO<sub>x</sub> Ozone Season Trading Program requirements and shall be a complete and segregable portion of the source's entire permit under subsection (a)(1) of this Section.
- 3) No CAIR NO<sub>x</sub> Ozone Season permit shall be issued, and no CAIR NO<sub>x</sub> Ozone Season compliance account shall be established for an affected source, until the Agency and USEPA have received a complete certificate of representation for a CAIR designated representative under 40 CFR 96, subpart BBBB, for the affected source and the affected unit at the source.
- 4) For all affected units that commenced operation before July 1, 2007, the owner or operator of such unit must submit a CAIR NO<sub>x</sub> Ozone Season permit application meeting the requirements of this Section on or before July 1, 2007.
- 5) For all affected units and that commence operation on or after July 1, 2008, the owner or operator of such units must submit applications for construction and operating permits pursuant to the requirements of Sections 39 and 39.5 of the Act, as applicable, and 35 Ill. Adm. Code 201, and such applications must specify that they are applying for CAIR NO<sub>x</sub> Ozone Season permits, and must address the CAIR NO<sub>x</sub> Ozone Season permit application requirements of this Section.

b) Permit applications:

- 1) Duty to apply. The owner or operator of any source with one or more affected units shall submit to the Agency a CAIR NO<sub>x</sub> Ozone Season permit application for the source covering each affected unit under subsection (b)(2) of this Section by the applicable deadline in subsection (a)(4) or (a)(5) of this Section. The owner or operator of any source with one or more affected units shall reapply for a CAIR NO<sub>x</sub> Ozone Season permit for the source as required by this Subpart, 35 Ill. Adm. Code 201, and, as applicable, Sections 39 and 39.5 of the Act.
- 2) Information requirements for CAIR NO<sub>x</sub> Ozone Season permit applications. A complete CAIR NO<sub>x</sub> Ozone Season permit application shall include the following elements concerning the source for which the application is submitted:
  - A) Identification of the source, including plant name. The ORIS (Office of Regulatory Information Systems) or facility code assigned to the source by the Energy Information Administration shall also be included, if applicable;

- B) Identification of each affected unit at the source; and
  - C) The compliance requirements applicable to each affected unit as set forth in Section 225.510 of this Subpart.
- 3) An application for a CAIR NO<sub>x</sub> Ozone Season permit shall be treated as a modification of the affected source's existing federally enforceable permit, if such a permit has been issued for that source, and shall be subject to the same procedural requirements. When the Agency issues a CAIR NO<sub>x</sub> Ozone Season permit pursuant to the requirements of this Section, it shall be incorporated into and become part of that source's existing federally enforceable permit.

Section 225.525 Ozone Season Trading Budget

The CAIR NO<sub>x</sub> Ozone Season Trading budget available for allowance allocations for each control period shall be determined as follows:

- a) The total base CAIR NO<sub>x</sub> Ozone Season Trading budget is 30,701 tons per control period for the years 2009 through 2014, subject to a reduction for two set-asides, the NUSA and the CASA. Five percent of the budget shall be allocated to the NUSA and 25 percent shall be allocated to the CASA, resulting in a CAIR NO<sub>x</sub> Ozone Season Trading budget available for allocation of 21,491 tons per control period pursuant to Section 225.540 of this Subpart. The requirements of the NUSA are set forth in Section 225.545 of this Subpart, and the requirements of the CASA are set forth in Sections 225.555 through 225.570 of this Subpart.
- b) The total base CAIR NO<sub>x</sub> Ozone Season Trading budget is 28,981 tons per control period for the year 2015 and thereafter, subject to a reduction for two set-asides, the NUSA and the CASA. Five percent of the budget shall be allocated to the NUSA and 25 percent shall be allocated to the CASA, resulting in a CAIR NO<sub>x</sub> Ozone Season Trading budget available for allocation of 20,287 tons per control period pursuant to Section 225.540 of this Subpart.
- c) If USEPA adjusts the total base CAIR NO<sub>x</sub> Ozone Season Trading budget for any reason, the Agency shall adjust the base CAIR NO<sub>x</sub> Ozone Season Trading budget available for allocation, accordingly.

Section 225.530 Timing for Ozone Season Allocations

- a) By October 31, 2006, the Agency shall submit to USEPA the CAIR NO<sub>x</sub> Ozone Season allowance allocations, in accordance with Sections 225.535 and 225.540 of this Subpart for the 2009, 2010, and 2011 control periods.

- b) By July 31, 2009, and July 31 of each year thereafter, the Agency shall submit to USEPA the CAIR NO<sub>x</sub> Ozone Season allowance allocations in accordance with Sections 225.535 and 225.540 of this Subpart, for the control period three years after the year of the applicable deadline for submission under this Section. For example, on July 31, 2009, the Agency shall submit to USEPA the allocation for the 2012 control period.
- c) The Agency shall allocate allowances from the NUSA to affected units that commence commercial operation on or after May 1, 2006. The Agency shall report these allocations to USEPA by November 15 after the applicable control period. For example, on November 15, 2009, the Agency shall submit to USEPA the allocations for the 2009 control period.
- d) The Agency shall allocate allowances from the CASA to energy efficiency, renewable energy, and clean technology projects pursuant to the criteria in Sections 225.555 through 225.570 of this Subpart. The Agency shall report these allocations to USEPA by December 1 of each year. For example, on December 1, 2010, the Agency shall submit to USEPA the allocations from the CASA for the 2010 control period, based on reductions made in the 2009 control period.

#### Section 225.535 Methodology for Calculating Ozone Season Allocations

The Agency shall calculate converted gross electrical output (CGO), in MWh, for each affected unit that has operated during at least one control period prior to the calendar year in which the Agency reports the allocations to USEPA as follows:

- a) For control periods 2009, 2010, and 2011, the unit's converted gross electrical output (CGO) shall be:
  - 1) If the unit has four or five control periods of data, then the gross electrical output (GO) shall be the average of the unit's three highest gross electrical outputs from the 2001, 2002, 2003, 2004, or 2005 control periods. If the unit has three or fewer control periods of gross electrical outputs, the gross electrical output shall be the average of those control periods. If the unit does not have gross electrical output for the 2004 and 2005 control periods, the gross electrical output shall be the gross electrical output from the 2005 control period. If the unit does not have gross electrical output, then heat input shall be used pursuant to subsection (a)(2) of this Section. If a generator is served by two or more units, then the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the control period. The unit's converted gross electrical output shall be calculated as follows:
    - A) If the unit is coal-fired:  

$$\text{CGO (in MWh)} = \text{GO} \times \text{MWh} \times 1.0;$$

- B) If the unit is oil-fired:  
 $CGO \text{ (in MWh)} = GO \times MWh \times 0.6;$
- C) If the unit is neither coal-fired nor oil-fired:  
 $CGO \text{ (in MWh)} = GO \times MWh \times 0.4.$
- 2) If gross electrical output is not provided to the Agency, heat input (HI) shall be used. If the unit has four or five control periods of data, the average of the unit's three highest control period heat inputs from 2001, 2002, 2003, 2004 or 2005 shall be used. If the unit has heat input from the 2003, 2004, or 2005 control periods, the heat input shall be the average of those control periods. If the unit does not have heat input from the 2004 and 2005 control periods, the heat input from the 2005 control period shall be used. The unit's converted gross electrical output shall be calculated as follows:
- A) If the unit is coal-fired:  
 $CGO \text{ (in MWh)} = HI \text{ (in mmBtu)} \times 0.0967;$
- B) If the unit is oil-fired:  
 $CGO \text{ (in MWh)} = HI \text{ (in mmBtu)} \times 0.0580;$  or
- C) If the unit is neither coal-fired nor oil-fired:  
 $CGO \text{ (in MWh)} = HI \text{ (in mmBtu)} \times 0.0387.$
- b) For control period 2012 and thereafter, the unit's gross electrical output shall be the average of the unit's two most recent control period's gross electrical output, if available, otherwise the unit's most recent control period gross electrical output. If a generator is served by two or more units, the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the control period. The unit's converted gross electrical output shall be calculated as follows:
- 1) If the unit is coal-fired:  
 $CGO \text{ (in MWh)} = GO \times 1.0;$
- 2) If the unit is oil-fired:  
 $CGO \text{ (in MWh)} = GO \times 0.6;$  or
- 3) If the unit is neither coal-fired nor oil-fired:  
 $CGO \text{ (in MWh)} = GO \times 0.4.$
- c) For a unit that is a combustion turbine or boiler and has equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy, the Agency shall add

the converted gross electrical output calculated for electricity pursuant to subsections (a) or (b) of this Section to the converted useful thermal energy (CUTE) to determine the total converted gross electrical output for the unit (TCGO). The Agency shall determine the converted useful thermal energy by using the average of the unit's control period useful thermal energy for the prior two control periods, if available, otherwise the unit's control period useful thermal output for the prior year shall be used. The converted useful thermal energy shall be determined using the following equations:

- 1) If the unit is coal-fired:  
$$\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.2930;$$
  - 2) If the unit is oil-fired:  
$$\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.1758; \text{ or}$$
  - 3) If the unit is neither coal-fired nor oil-fired:  
$$\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.1172.$$
- d) The affected unit's gross electrical output and converted useful thermal energy in subsections (a)(1), (b), and (c) of this Section for each control period shall be based on the best available data reported or available to the Agency for the affected unit pursuant to the provisions of Section 225.550 of this Subpart.
- e) The affected unit's heat input in subsection (a)(2) of this Section for each control period shall be determined in accordance with 40 CFR 75, as incorporated by reference in Section 225.140 of this Part.

#### Section 225.540 Ozone Season Allocations

- a) For the 2009 control period, and each control period thereafter, the Agency shall allocate CAIR NO<sub>x</sub> Ozone Season allowances to all affected units in Illinois for which the Agency has calculated the total converted gross electrical output, including converted useful thermal energy, if any, as determined in Section 225.535 of this Subpart, a total amount of CAIR NO<sub>x</sub> Ozone Season allowances equal to tons of NO<sub>x</sub> emissions in the CAIR NO<sub>x</sub> Ozone Season Trading budget available for allocation determined in Section 225.525 of this Subpart and allocated pursuant to Section 225.540 of this Subpart.
- b) The Agency shall allocate CAIR NO<sub>x</sub> Ozone Season allowances to each affected unit on a pro-rata basis using the unit's total converted gross electrical output calculated pursuant to Section 225.535 of this Subpart. If there are insufficient allowances to allocate whole allowances, such unallocated allowances shall be retained by the Agency and shall be available for allocation in later control periods.

#### Section 225.545 New Unit Set-Aside (NUSA)

For the 2009 control period and each control period thereafter, the Agency shall allocate CAIR NO<sub>x</sub> Ozone Season allowances from the NUSA to affected units that commenced commercial operation on or after May 1, 2006, and do not yet have an allocation for the particular control period pursuant to Section 225.540 of this Subpart, in accordance with the following procedures:

- a) Beginning with the 2009 control period and each control period thereafter, the Agency shall establish a separate NUSA for each control period. Each new unit set-aside shall be allocated CAIR NO<sub>x</sub> Ozone Season allowances equal to 5 percent of the amount of tons of NO<sub>x</sub> emissions in the base CAIR NO<sub>x</sub> Ozone Season Trading budget in Section 225.525 of this Subpart.
- b) The CAIR designated representative of such an affected unit may submit to the Agency a request, in a format specified by the Agency, to be allocated CAIR NO<sub>x</sub> Ozone Season allowances from the NUSA starting with the first control period in which the new unit commences commercial operation and until the first control period for which the unit may use CAIR NO<sub>x</sub> Ozone Season allowances allocated to the unit under Section 225.540 of this Subpart. The NUSA allowance allocation request may only be submitted after a new unit has operated during one control period, and no later than October 15 after the control period for which allowances from the NUSA are being requested.
- c) In a NUSA allowance allocation request under subsection (b) of this Section, the CAIR designated representative must include in its request must provide in its request the information for the gross electrical output and useful thermal energy, if any, for the new affected unit for that control period.
- d) The Agency shall allocate allowances from the NUSA to a new affected unit using the following procedures:
  - 1) For each new affected unit that has operated during at least one control period, the unit's gross electrical output for the most recent control period, shall be used to calculate the unit's gross electrical output. If a generator is served by two or more units, the gross electrical output of the generator shall be attributed to each unit in proportion to the unit's share of the total control period heat input of such units for the control period. The new unit's converted gross electrical output shall be calculated as follows:
    - A) If the unit is coal-fired:  
CGO (in MWh) = GO × 1.0;
    - B) If the unit is oil-fired:  
CGO (in MWh) = GO × 0.6; or
    - C) If the unit is neither coal-fired nor oil-fired:  
CGO (in MWh) = GO × 0.4.

- 2) If the unit is a combustion turbine or boiler and has equipment used to produce electricity and useful thermal energy for industrial, commercial, heating, or cooling purposes through the sequential use of energy, the Agency shall add the converted gross electrical output calculated for electricity pursuant to subsection (c)(1) of this Section to the converted useful thermal energy to determine the total converted gross electrical output for the unit. The Agency shall determine the converted useful thermal energy using the unit's useful thermal energy for the most recent control period. The converted useful thermal energy shall be determined using the following equations:
- A) If the unit is coal-fired:  

$$\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.2930;$$
- B) If the unit is oil-fired:  $\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.1758;$  or
- C) If the unit is neither coal-fired nor oil-fired:  

$$\text{CUTE (in MWh)} = \text{UTE (in mmBtu)} \times 0.1172.$$
- 3) The gross electrical output and useful thermal energy in subsections (d)(1) and (d)(2) of this Section for the control period in each year shall be based on the best available data reported or available to the Agency for the affected unit pursuant to the provisions of Section 225.550 of this Subpart.
- 4) The Agency shall determine a unit's un-prorated allocation ( $UA_y$ ) using the unit's converted gross electrical output plus the unit's converted useful thermal energy, if any, calculated in subsections (d)(1) and (d)(2) of this Section, converted to approximate  $\text{NO}_x$  tons (the unit's un-prorated allocation), as follows:

$$UA_y = \frac{\text{TCGO}_y \times (1.0\text{lbs/MWh})}{2000\text{lbs/ton}}$$

Where:

- $UA_y$  = un-prorated allocation to a new affected unit.
- $\text{TCGO}_y$  = total converted gross electrical output for a new affected unit.

- 5) The Agency shall allocate CAIR  $\text{NO}_x$  Ozone Season allowances from the NUSA to new affected units as follows:

- A) If the NUSA for the control period for which CAIR NO<sub>x</sub> Ozone Season allowances are requested has a number of allowances greater than or equal to the total un-prorated allocations for all new unit's requesting allowances, the Agency shall allocate the number of allowances using the un-prorated allocation determined for that unit in subsection (d)(4) of this Section. If there are insufficient allowances to allocate whole allowances, such unallocated allowances shall be retained by the Agency and shall be available for allocation in a later control period.
  - B) If the NUSA for the control period for which the allowances are requested has a number of CAIR NO<sub>x</sub> Ozone Season allowances less than the total un-prorated allocation to all new affected units requesting allocations, the Agency shall allocate the available allowances for new affected units on a pro-rata basis, using the un-prorated allocation determined for that unit pursuant to subsection (d)(4) of this Section. If there are insufficient allowances to allocate whole allowances, such unallocated allowances shall be retained by the Agency and shall be available for allocation in a later control period.
  - C) If the gross electrical output or useful thermal energy reported to the Agency pursuant to subsection (d) of this Section is later determined to be greater than the unit's actual gross electrical output or useful thermal energy for the applicable control period, the Agency shall reduce the unit's allocation from the NUSA for the current control period to account for the excess allowances allocated in the prior control period or periods.
- e) The Agency shall review each NUSA allowance allocation request under subsection (b) of this Section. The Agency shall accept a NUSA allowance allocation request only if the request meets, or is adjusted by the Agency as necessary to meet, the requirements of this Section.
  - f) By November 8 after the applicable control period, the Agency shall notify each CAIR designated representative that submitted a NUSA allowance request of the amount of CAIR NO<sub>x</sub> Ozone Season allowances from the NUSA, if any, allocated for the control period to the new unit covered by the request.
  - g) The Agency shall allocate CAIR NO<sub>x</sub> Ozone Season allowances to new units from the NUSA no later than November 15 after the applicable control period.
  - h) After a new affected unit has operated in one control period, it becomes an existing unit for the purposes of Section 225.540 of this Subpart only, and the Agency shall allocate CAIR NO<sub>x</sub> Ozone Season allowances for that unit, for the control period commencing four years in the future pursuant to Section 225.540



of this Subpart. The new affected unit shall continue to receive CAIR NO<sub>x</sub> Ozone Season allowances from the NUSA according to this Section until the unit is eligible to use the CAIR NO<sub>x</sub> Ozone Season allowances allocated to the unit pursuant to Section 225.540 of this Subpart.

- i) If, after the completion of the procedures in subsection (c) of this Section for a control period any unallocated CAIR NO<sub>x</sub> Ozone Season allowances remain in the NUSA for the control period, the Agency shall, at a minimum, accrue those CAIR NO<sub>x</sub> Ozone Season allowances for future control period allocations to new affected units. The Agency may from time to time elect to retire CAIR NO<sub>x</sub> Ozone Season allowances in the NUSA that are in excess of 7,625 for the purposes of continued progress toward attainment and maintenance of National Ambient Air Quality Standards pursuant to the CAA.

Section 225.550      Monitoring, Recordkeeping and Reporting Requirements for Gross Electrical Output and Useful Thermal Energy

- a) By January 1, 2007, or within 180 days of commencing commercial operation, whichever is later, the owner or operator of an affected unit shall install, calibrate, maintain, and operate a wattmeter; and shall measure gross electrical output in megawatt-hours on a continuous basis; and shall record the output of the wattmeter. If a generator is served by two or more units, the information to determine each unit's heat input for that control period shall also be recorded, so as to allow each unit's share of gross electrical output to be determined. If heat input data is used, the owner or operator shall comply with the applicable provisions 40 CFR 75, as incorporated by reference in Section 225.140 of this Part.
- b) By January 1, 2007, or within 180 days of commencing operation, whichever is later, the owner or operator of an affected unit with cogeneration capabilities shall install, calibrate, maintain, and operate meters for steam flow in lbs/hr, temperature in degrees Fahrenheit, and pressure in PSI, to measure and record the useful thermal energy in mmBtu/hr on a continuous basis. Owners and operators of an affected unit with cogeneration capabilities that do not use steam as the energy transfer medium, i.e., water, glycol, shall install, calibrate, maintain, and operate the necessary meters to measure and record the necessary data to express the useful thermal energy in mmBtu/hr on a continuous basis.
- c) By September 30, 2006, the owner or operator of an affected unit shall report to the Agency the gross electrical output for control periods 2001, 2002, 2003, 2004 and 2005, if available, and, the unit's useful thermal energy data, if applicable. If gross electric output is not available, heat input shall be used for control periods 2001, 2002, 2003, 2004, and 2005 that gross electrical output is not available. If a generator is served by two or more units, the documentation needed to determine each unit's share of the heat input of such units for that control period shall also be submitted. If heat input data is used, the owner or operator shall comply with

the applicable provisions 40 CFR 75, as incorporated by reference in Section 225.140 of this Part.

- d) Beginning with calendar year 2007, the designated representative of the affected unit shall submit to the Agency quarterly, by no later than January 31, April 30, July 31, and October 31 of each year, information for the affected unit's gross electrical output, on a monthly basis, and, if applicable, the unit's useful thermal energy for each month.
- e) The owner or operator of an affected unit shall maintain on-site the monitoring plan detailing the monitoring system, maintenance of the monitoring system, including quality assurance activities.
- f) The owner or operator of an affected unit shall retain records for at least 5 years from the date the record is created or the data collected in subsections (a) and (b) of this Section, the reports submitted to the Agency and USEPA in accordance with subsections (c) and (d) of this Section. The owner or operator of an affected unit shall retain the monitoring plan required in subsection (e) of this Section for at least five years from the date that it is replaced by a new or revised monitoring plan.

Section 225.555      Clean Air Set-Aside (CASA)

- a) A project sponsor may apply for allowances from the CASA for sponsoring an energy efficiency and conservation, renewable energy, or clean technology project listed set forth Section 225.560 of this Subpart by submitting the application required by Section 225.570 of this Subpart.
- b) Notwithstanding subsection (a) of this Section, a project sponsor with an affected source that is out of compliance with this Subpart for a given control period may not apply for allowances from the CASA for that control period. If a source receives CAIR NO<sub>x</sub> allowances from CASA and then is subsequently found to have been out of compliance with this Subpart for the applicable control period or periods, the project sponsor must restore the CAIR NO<sub>x</sub> allowances that it received pursuant to its CASA request or an equivalent number of CAIR NO<sub>x</sub> allowances to the CASA within six months of an Agency finding of noncompliance. These allowances shall be assigned to the fund from which they were distributed.
- c) The Agency will not act as a mediator in situations where more than one project sponsor requests CAIR NO<sub>x</sub> allowances for the same project. If more than one project sponsor submits an application for allowances for the same project for the same control period, the Agency shall reject all such applications.
- d) CAIR NO<sub>x</sub> allowances from CASA shall be allocated in accordance with the criteria in Section 225.575 of this Subpart.

- e) The project sponsor may submit an application that aggregates two or more projects under a CASA project category that would individually result in less than one allowance, but that equal at a minimum one whole allowance when aggregated. The Agency shall not allocate allowances for projects totaling less than one whole allowance after rounding.

Section 225.560 Energy Efficiency and Conservation, Renewable Energy, and Clean Technology Projects

- a) Energy efficiency and conservation projects means any of the following projects implemented in Illinois:
  - 1) Demand side management projects include:
    - A) Projects that reduce the power demand peak, by shifting power loads between times of day or seasons to fill the power demand valleys to better utilize existing electric power resources, or reducing the overall power demand by using less energy.
    - B) Smart building management software that more efficiently regulates power flows.
    - C) The use of or replacement to high efficiency motors, pumps, compressors, or steam systems.
  - 2) Energy efficient new construction projects include:
    - A) ENERGY STAR qualified new home projects.
    - B) Measures to reduce conserve energy consumption beyond the requirements of the Illinois Energy Conservation Code for Commercial Buildings (20 ILCS 687/6-3).
    - C) New residential construction projects that qualify for Energy Efficient Tax Incentives under the Energy Policy Act of 2005, 42 U.S.C. §15801 (2005).
  - 3) Supply-side energy efficiency projects include projects implemented to improve the efficiency in electricity generation by coal-fired power plants, and the efficiency of electrical transmission and distribution systems.
  - 4) Efficient operation projects including highly efficient power generation, such as, but not limited to, combined cycle projects, combined heat and power, and microturbines. To be considered a highly efficient power generator under this subsection, must meet the thresholds listed below:

- A) For combined heat and power projects generating both electricity and thermal energy used for space, water, or industrial process heat, a rated-energy efficiency of at least 60 percent.
  - B) For combined cycle projects rated at greater than 0.50 MW, a rated-energy efficiency of at least 50 percent.
  - C) For microturbine projects rated at or below 0.50 MW and all other projects rated-energy efficiency of at least 40 percent.
- b) Renewable energy units means any of the following projects implemented in Illinois:
- 1) Zero-emission units, including wind, solar (thermal or photovoltaic), and hydropower projects. Eligible hydropower plants are restricted to projects that commenced operation of a generator after January 1, 2006, and do not involve the significant expansion of existing dam or the construction of new dams.
  - 2) Renewable energy units are those units that generate electricity using more than 50 percent of the heat input, on an annual basis, from dedicated crops grown for energy production; the capture of methane gas from landfills, water treatment plants or sewage treatment plants, and organic waste biomass; and other similar sources of non-fossil fuel energy. Renewable energy projects do not include energy from incineration by burning or heating of waste wood, tires, garbage, general household, institutional lunchroom or office waste, landscape waste, or construction or demolition debris.
- c) Clean technology projects for reducing emissions from producing electricity and useful thermal energy means any of the following projects implemented in Illinois:
- 1) Air pollution control equipment upgrades at existing coal-fired electric generating units, including installing selective catalytic reduction (SCR), selective non-catalytic reduction (SNCR) systems, and other emission control technologies. Pollution control upgrades do not include the addition of low NO<sub>x</sub> burners, overfired air techniques, gas reburning techniques, flue gas conditioning techniques, or control equipment, such as activated carbon injection specifically used for control of mercury. For purposes of this project category, a unit at a fossil fuel-fired power plants shall be considered “existing” after it has been in commercial operation for at least eight years.
  - 2) Clean coal technologies include:

- A) Integrated gasification combined cycle (IGCC) plants.
  - B) Fluidized bed coal combustion.
- d) Applications for projects that are not specifically listed in subsections (a) through (c) of this Section may be submitted to the Agency. Such application should designate which category or categories from those listed in subsections (a)(1) through (c)(3) of this Section best fits the proposed project. The Agency shall determine whether the application is approvable based on the criteria in subsections (a) through (c) and a sufficient demonstration by the project sponsor that the project is a new type of energy efficiency, renewable energy, or clean technology.
- e) Early adopter projects include projects that meet the criteria for any energy efficiency and conservation, renewable energy, or clean technology project listed in subsections (a) through (d) of this Section and commence construction between July 1, 2006, and December 31, 2012.
- f) Energy efficiency, renewable energy, or clean technology projects listed in subsections (a) through (e) of this Section do not include nuclear power projects, projects required to meet State or federal statutory or regulatory requirements, projects used to meet the requirements of a consent decree or a Supplemental Environmental Project (SEP). CASA allowances shall not be issued to such projects.

Section 225.565      CASA Allowances

- a) The CAIR NO<sub>x</sub> allowances for the CASA for each control period shall be assigned to the following categories of projects:

	Phase I (2009-2014)	Phase II (2015 and thereafter)
1) Energy Efficiency and Conservation/ Renewable Energy units	3684	3479
2) Air Pollution Control Equipment Upgrades	1535	1448
3) Clean Coal Technology Projects	1842	1738
4) Early Adopters:	614	580

- b) In a CASA allowance allocation request made under Section 225.570 of this

Subpart, the project sponsor may request CAIR NO<sub>x</sub> allowances for a control period not to exceed the following:

- 1) For an energy efficiency and conservation project pursuant to Sections 225.560(a)(1) through (a)(3) of this Subpart claiming allowances based upon the reduction in the consumption of electricity, using the number of megawatt hours of electricity that was not consumed during a control period and the following formula:

$$A = (\text{MWh}_c) \times (1.5\text{lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project.

MWh<sub>c</sub> = The number of megawatt hours of electricity conserved during a control period by a project.

- 2) For a zero emission unit pursuant to Section 225.560(b)(1) of this Subpart, using the number of megawatt hours of electricity generated during a control period and the following formula:

$$A = (\text{MWh}_g) \times (2.0\text{lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project

MWh<sub>g</sub> = The number of megawatt hours of electricity generated during a control period by a project.

- 3) For a renewable energy emission unit pursuant to Section 225.560(b)(2) of this Subpart, using the number of megawatt hours of electricity generated during a control period and the following formula:

$$A = (\text{MWh}_g) \times (0.5\text{lb/MWh}) / 2000 \text{ lb}$$

Where:

A = The number of un-prorated allowances for a particular project.

MWh<sub>g</sub> = The number of MW hours of electricity generated during a control period by a project.

- 4) For an air pollution control equipment upgrade project pursuant to Section 225.560(c)(1) of this Subpart and claiming allowances based on the

difference in emitted NO<sub>x</sub> per control period using the emission rate before and after replacement or improvement, according to the following formula:

$$A = (\text{MWh}_g) \times 0.10 \times (\text{ER}_B \text{ lb/MWh} - \text{ER}_A \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

- A = The number of un-prorated allowances for a particular project.
- MWh<sub>g</sub> = The number of megawatt hours of electricity generated during a control period by a project.
- ER<sub>B</sub> = Average emission rate based on CEMS data from most recent 2 control periods prior to the installation of the control equipment in lb/MWh.
- ER<sub>A</sub> = Average emission rate for the applicable control period data based on CEMS data in lb/MWh.

- 5) For efficient operation and IGCC projects pursuant to Sections 225.560(a)(4) and (c)(2) of this Subpart using the number of megawatt hours of electricity the project generates during a control period and the following formula:

$$A = (\text{MWh}_g) \times (1.0 \text{ lb/MWh} - \text{ER} \text{ lb/MWh}) / 2000 \text{ lb}$$

Where:

- A = The number of un-prorated allowances for a particular project.
- MWh<sub>g</sub> = The number of megawatt hours of electricity generated during a control period by a project.
- ER = Annual average emission rate based on CEMS data in lb/MWh.

- 6) For a CASA project that commenced construction before December 31, 2012, in addition to the allowances allocated under subsections (b)(1) through (b)(5) of this Section, a project sponsor may also request additional allowances under the early adopter project category pursuant to Section 225.560(e) of this Section based on the following formula:

$$A = 1.0 + 0.10 \times \sum A_i$$

Where:

- A = The number of un-prorated allowances for a particular project as determined in subsections

$A_i$  = (b)(1) through (b)(5) of this Section.  
The number of allowances as determined in subsection (b)(1), (b)(2), (b)(3), (b)(4) or (b)(5) of this Section for a given project.

Section 225.570      CASA Applications

- a) A project sponsor may request allowances if the project commenced construction on or after the dates listed below. The project sponsor may request allowances from more than one CASA category per project, if applicable.
  - 1) Demand side management, energy efficient new construction, and supply side energy efficiency and conservation projects that commenced construction on or after January 1, 2003;
  - 2) Fluidized bed coal combustion projects, efficient operations projects, or renewable energy emission units, which commenced construction on or after January 1, 2001; and
  - 3) All other projects on or after July 1, 2006.
- b) Beginning with the 2009 control period and each control period thereafter, a project sponsor may request allowances from the CASA. The application must be submitted to the Agency by May 1 of the control period for which the allowances are being requested.
- c) The allocation shall be based on the energy saved or generated in the control period preceding the calendar year in which the application is submitted. To apply for a CAIR NO<sub>x</sub> allocation from the CASA, project sponsors must provide the Agency with the following information:
  - c) The allocation shall be based on the energy saved or generated in the control period preceding the calendar year in which the application is submitted. To apply for a CAIR NO<sub>x</sub> allocation from the CASA, project sponsors must provide the Agency with the following information:
    - 1) Identification of the project sponsor, including name, address, type of organization, and name(s) of the principals or corporate officials.
    - 2) The number of the CAIR NO<sub>x</sub> general or compliance account for the project and the name of the associated CAIR account representative.
    - 3) A description of the project or projects, location, the role of the project sponsor in the projects, and a general explanation of how the amount of energy conserved or generated was measured, verified, and calculated, and the number of allowances requested and the with supporting calculations.



- 4) Detailed information to support the request for allowances, including the following types of documentation of the measurement and verification of the NO<sub>x</sub> emissions reductions, energy generated, or energy saved using established measurement verification procedures, as applicable. The measurement and verification required shall depend on the type of project proposed.
  - A) As applicable, documentation of the project's base and control period conditions and resultant base and control period energy data, using the procedures and methods included in *M&V Guidelines: Measurement and Verification for Federal Energy Projects*, incorporated by reference in Section 225.140 of this Part, or other method approved by the Agency. Examples include:
    - i) Energy consumption and demand profiles;
    - ii) Occupancy type;
    - iii) Density and periods;
    - iv) Space conditions or plant throughput for each operating period and season. (For example, in a building this would include the light level and color, space temperature, humidity and ventilation);
    - v) Equipment inventory, nameplate data, location, condition; and
    - vi) Equipment operating practices (schedules and set points, actual temperatures/pressures).
  - B) Emissions data, including, if applicable, CEMS data;
  - C) Information for rated-energy efficiency including supporting documentation and calculations; and
  - D) MWh generated or conserved for the applicable control period.
- 5) Notwithstanding the requirements of subsections (c)(4) of this Section, applications for fewer than five allowances may propose other reliable and applicable methods of quantification acceptable to the Agency.
- 6) Any additional information requested by the Agency to determine the correctness of the requested number of allowances, including site

information, project specifications, supporting calculations, operations, and maintenance procedures.

- 7) The following certification by the responsible official for the project sponsor and the applicable CAIR account representative for the project:

“I am authorized to make this submission on behalf of the project sponsor and the holder of the CAIR NO<sub>x</sub> general account or compliance account for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with the statements and information submitted in this application and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information.”

- d) A project sponsor may renew a request for allowances from the CASA for additional control periods, not to exceed the number of control periods listed below. The renewal request shall include the information required by subsections (c)(1), (c)(2), (c)(3) and (c)(7) of this Section and a description of any changes, modifications, or further improvements made to the project.
- 1) For energy efficiency and conservation projects (except for efficient operation and renewable energy projects), a project sponsor may reapply each year not to exceed eight control periods.
  - 2) For early adopter projects, a project sponsor may reapply each year not to exceed ten control periods.
  - 3) For air pollution control equipment upgrades, a project sponsor may reapply each year not to exceed 15 control periods.
  - 3) For renewable energy projects, clean coal technology, and efficient operation projects, a project sponsor may reapply each year while the project is in operation.
- e) A project sponsor must keep copies of all CASA applications and the documentation used to support the application for at least five years.

#### Section 225.575 Agency Action on CASA Applications

- a) By October 1, 2009, and each October 1 thereafter, the Agency shall determine the total number of allowances that are approvable for allocation to project sponsors based upon the applications submitted pursuant to Section 225.570 of this Subpart.

- 1) The Agency shall determine the number of CAIR NO<sub>x</sub> allowances that are approvable based on the formulas and the criteria for such projects. The Agency shall notify a project sponsor within 90 days after receipt of an application if the project is not approvable, the number of allowances requested is not approvable, or additional information is needed by the Agency to complete its review of the application.
  - 2) If the total number of CAIR NO<sub>x</sub> allowances requested for approved projects is less than or equal to the number of CAIR NO<sub>x</sub> allowances in the CASA project category, the number of allowances that are approved shall be allocated to each CAIR NO<sub>x</sub> compliance or general account.
  - 3) If more CAIR NO<sub>x</sub> allowances are requested than the number of CAIR NO<sub>x</sub> allowances in a given CASA project category, allowances shall be allocated on a pro-rata basis based on the number of allowances available, subject to further adjustment as provided for by subsection (b) of this Section. CAIR NO<sub>x</sub> allowances shall be allocated, transferred, or used as whole allowances. The number of whole allowances shall be determined by rounding down for decimals less than 0.5 and rounding up for decimals of 0.5 or greater.
- b) If there are, after the completion of the procedures in subsection (a) of this Section for a control period, any CAIR NO<sub>x</sub> allowances that are unallocated to a CASA project for the control period:
- 1) The remaining allowances in each CASA project category will accrue up to twice the number of allowances that are assigned to the project category each control period as set forth in Section 225.565 of this Subpart.
  - 2) For control period 2011 and thereafter, allowances in a project category that are in excess of twice the number designated for the control period as set forth in Section 225.565 of this Subpart shall be redistributed to project categories that have fewer than twice the number of allowances assigned to that project category for the control period.
  - 3) For control period 2011 and thereafter, the Agency shall then reallocate allowances to projects that received fewer allowances than requested and approved on a pro-rata basis, based on the total number of approved allowances for the projects.
  - 4) For control period 2011 and thereafter, if after the redistribution of allowances pursuant to subsection (b)(2) any allowances remain, these allowances shall be reassigned to project categories that have fewer than twice the number of allowances annually assigned to that project category

as set forth in Section 225.565 of this Subpart, after the allocation in subsection (b)(3) of this Section.

- 5) The Agency shall repeat the process of allocating allowances to CASA projects that received fewer allowances than requested and approved, and to reassigning allowances to project categories as set forth in subsections (b)(2) and (b)(3) of this Section, until no allowances remain to be reassigned between project categories, and the approved allowance requests have been filled. If allowances still remain unallocated, the Agency may elect to retire any CAIR NO<sub>x</sub> allowances that remain after all approved requests for allowances have been met and each project category has accrued twice the number of allowances assigned for that project category to continue progress toward attainment or maintenance of the National Ambient Air Quality Standards pursuant to the CAA.