FINAL OTC MULTIPOLLUTANT PROGRAM DEVELOPMENT STRATEGY

- as adopted by OTC Member States -
June 8, 2005

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Executive Summary

This document summarizes the Ozone Transport Commission's (OTC's) strategy for moving ahead with an effective Multi-Pollutant power plant control program. OTC adopted a multi-pollutant position on January 27, 2004. The OTC Multi-Pollutant Position (the OTC Position) established a very aggressive and timely control program for reducing nitrogen oxide (NOx), sulfur dioxide (SO_2) and mercury (Hg) from power plants across the country. Reductions similar to these are needed to reduce the transport component of the OTC member states' ozone and fine particle nonattainment problems.

The OTC Position was intended to serve two purposes. First, it was adopted to provide input to the Environmental Protection Agency (EPA) as they developed a federal program to control NOx, SO_2 and Hg from power plants. Second, the OTC Position serves as the basis for OTC state action if the federal response is inadequate.

Recently, EPA finalized the Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR) establishing federal control requirements for NOx, SO_2 and Hg. However, these rules do not provide reductions that are deep enough or soon enough to adequately address the sector's contribution to ozone and fine particulate problems.

There may also be a continued effort in Congress to establish new legislation to implement a national multi-pollutant control program for power plants. It is the hope of the OTC member states that if new federal legislation is proposed that it establishes emission reductions consistent with those in the OTC Position.

The OTC Position

The OTC Position establishes the following national caps:

	National Annual Cap Numbers
SO_2	• 2008: 3.0 Million Tons (MT) • 2012: 2.0 MT
NO_X	• 2008: 1.87 MT • 2012: 1.28 MT
Hg	• 2008: 15 ton target • 2012: 10 ton maximum target • 2015: Approximately 5 tons per year

As part of this strategy, the OTC will be updating these caps as new photochemical modeling and other technical analyses are made available.

Overview of the Strategy

The basic structure of the OTC Multi-Pollutant Program Development Strategy (the OTC Strategy) is to use a regional partnership and a model rule to implement a program that goes beyond CAIR for the electrical generating unit (EGU) and large industrial boiler sectors. Therefore, the program may be considered to be a CAIR "Plus" program across the eastern region of the U.S., using the basic structure of the CAIR rule to implement tougher caps based on current assessment of the OTC Position.

The regional partnership effort will be developed over the next year and finalized in the Spring of 2006. OTC plans to work with the other states, Regional Planning Organizations (RPOs), and stakeholders on the CAIR Plus partnership effort.

A model rule will be developed over the next 10 months and finalized at the 2006 OTC Annual meeting. The model rule will be developed with full stakeholder input and will allow states to adopt their own rules in time to ensure that the first phase of controls can be achieved. States hope to be able to use CAIR SIPs, due in late 2006, as the vehicle to implement CAIR Plus. The formal adoption of this implementation strategy serves as early notice to potentially affected sources of the process and intent for these regulatory efforts. The regional partnership and model rule efforts may be merged at some point in the future.

OTC is hopeful that through this effort, it will be successful in addressing the significant contribution of upwind emissions to nonattainment in the region.

Schedule

The general schedule for implementing the OTC Strategy is as follows:

- June 7, 2005 – OTC Multi-Pollutant Program Development Strategy adopted.
- 2005 to early 2006 – OTC works with other states in a regional and inter-regional partnership to implement CAIR Plus across the east.
- 2005 to early 2006 - OTC workgroups finalize model rule to implement the OTC Strategy. Rule to be developed in consultation with stakeholders.
- 2006 – Complete assessment of significant contribution to nonattainment in the OTR.
- Spring 2006 OTC Meeting – Model rule and CAIR Plus regional partnership finalized.
- 2006 – OTC states adopt regulations to implement CAIR Plus.
- Late 2006 – OTC states and upwind states submit State Implementation Plans (SIPs) and/or regulations to implement CAIR Plus.
- 2008 and 2009 – Phase 1 controls installed.
- 2012 – Phase 2 controls installed.
- 2015 – Facility-by-facility Hg controls installed

SECTION I: Background

This section summarizes the key technical and policy-making processes that have lead to the adoption of the OTC Strategy. The technical work includes air quality modeling and cost and feasibility analyses. The policy development process involved a series of actions by the OTC over the past three years.

Air Quality Modeling

The CALGRID 2.0 Model was used to compare contributions to air quality nonattainment by sector for ozone and fine particles. This data, and other data on cost and technological feasibility, was used to evaluate how different national caps, combined with additional controls on other sectors, would affect attainment. The modeling showed that the OTC states cannot achieve 8-hour ozone or fine particle attainment under the "business as usual" approach, the Clear Skies Act or Clean Air Interstate Rule (CAIR) by the federally mandated attainment dates.

As shown in Figure 1.1, with CAIR-like controls on EGUs and dramatic cuts in all other sectors "across the board" the OTR states still see significant nonattainment. As shown in Figure 1.2, it is only when we begin to implement tougher power sector controls throughout the Eastern U.S., like those in the OTC Position and additional reductions from mobile and area sources, that we begin to see attainment is possible in most (but still not all) areas.

Figure 1.1: Clear Skies and 25% Area and Mobile NOx Reductions

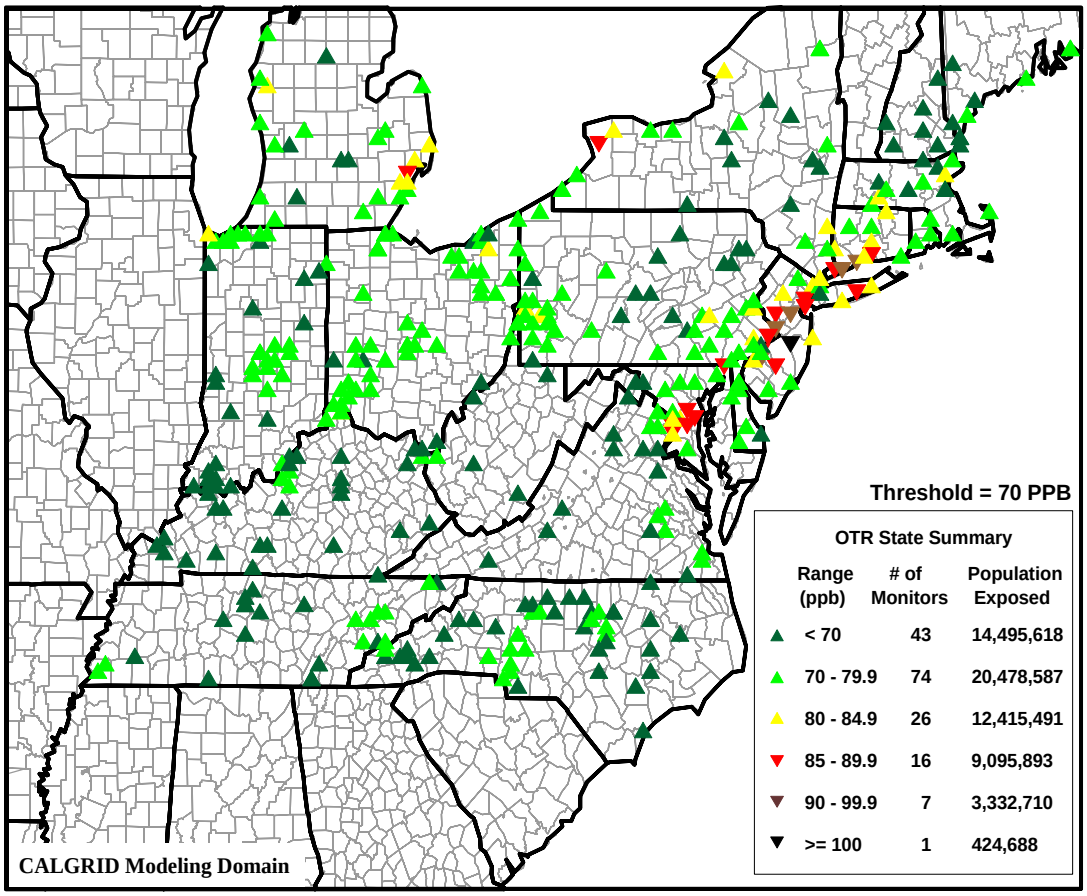
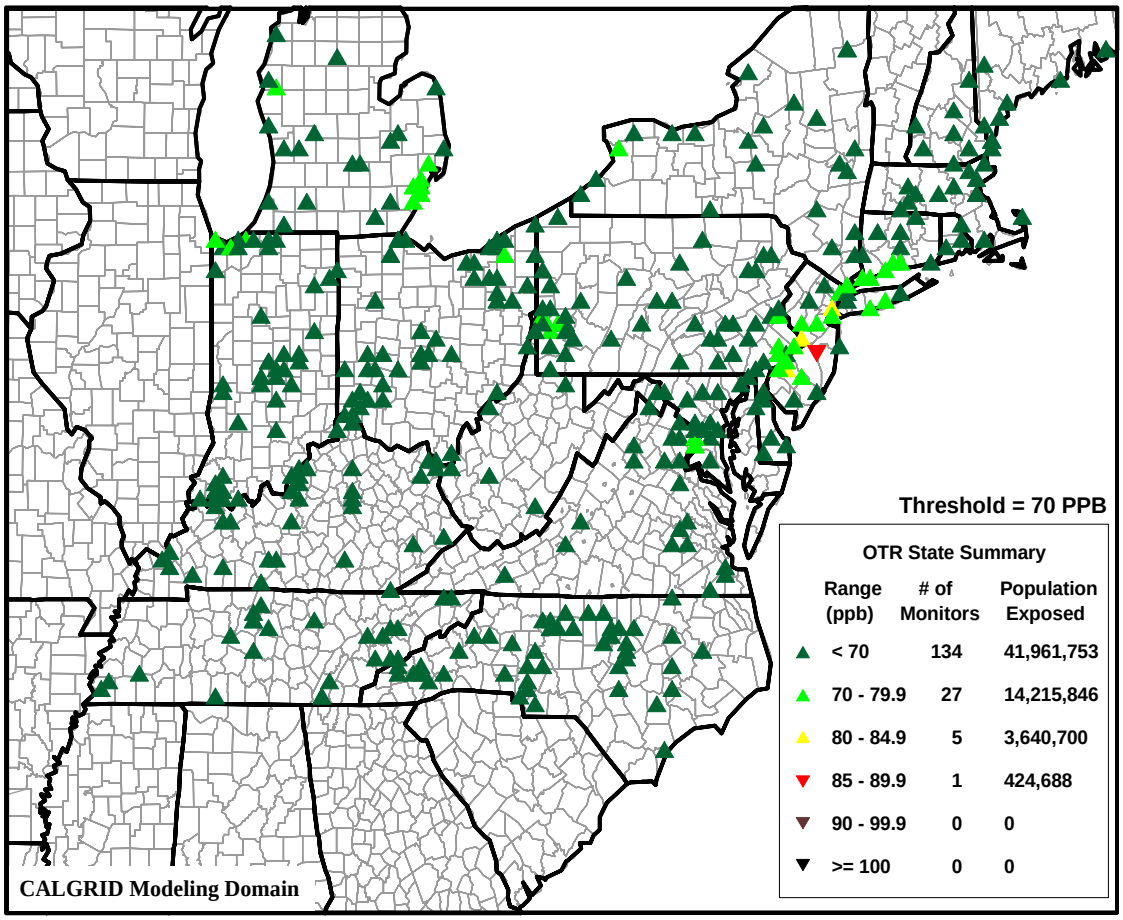


Figure 1.2 2010 OTC Position Plus: –75% Area NOx & VOC and 75% Mobile NOx



Technological Feasibility

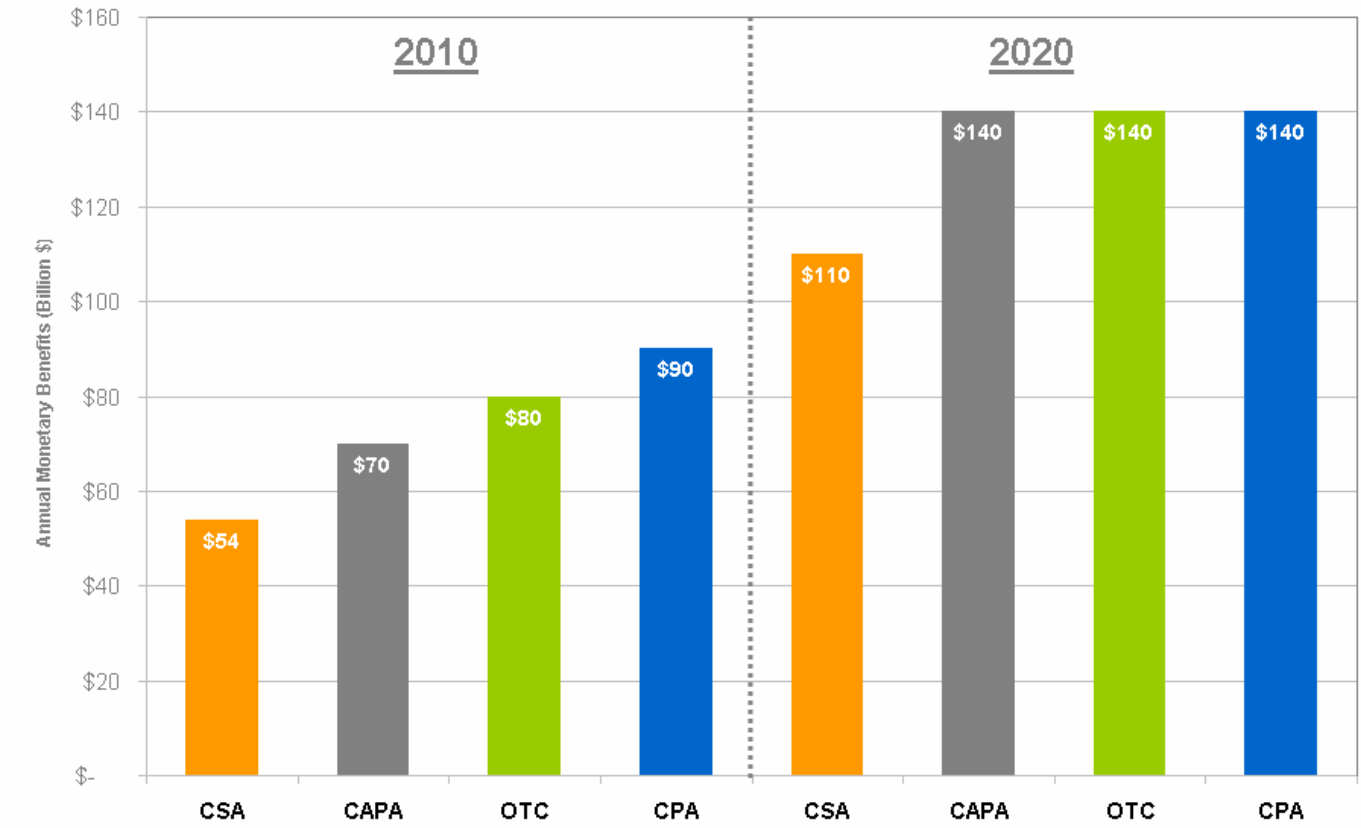
The objective of this analysis was to ensure that the controls proposed in the OTC Position were technologically feasible and achievable. Much of the OTC effort in this area builds off of the work of the State and Territorial Air Pollution Program Administrators Association of Local Air Pollution Control Officials (STAPPA/ALAPCO) - entitled "Analysis of STAPPA and ALAPCO'S May 7, 2002 Principles for a Multi-pollutant Strategy for Power Plants. STAPPA/ALAPCO first reviewed recent Best Available Control Technology (BACT) determinations in recent permitting decisions for new sources. Because the NOx and SO_2 emission cap ranges resulting from STAPPA/ALAPCO's relatively conservative analysis are at or below the lowest caps contemplated under various legislative proposals, it is reasonable to conclude that sufficient technology is available to reduce emissions at or below the targets considered in the Position.

Cost Benefit Analysis

OTC also conducted an independent analysis of the cost and benefits of implementing the OTC Position. The OTC analysis used the same modeling tools as those used by EPA to evaluate various federal multi-pollutant control programs. OTC coordinated data and other inputs with EPA and sought contractual assistance to perform the cost/benefit analysis.

Figures 1.3A and 1.3B show summary tables from the OTC analysis, comparing the costs and benefits of the OTC Position with several of the federal initiatives being evaluated at that time – finding CAIR is generally comparable to the "CSA" column.

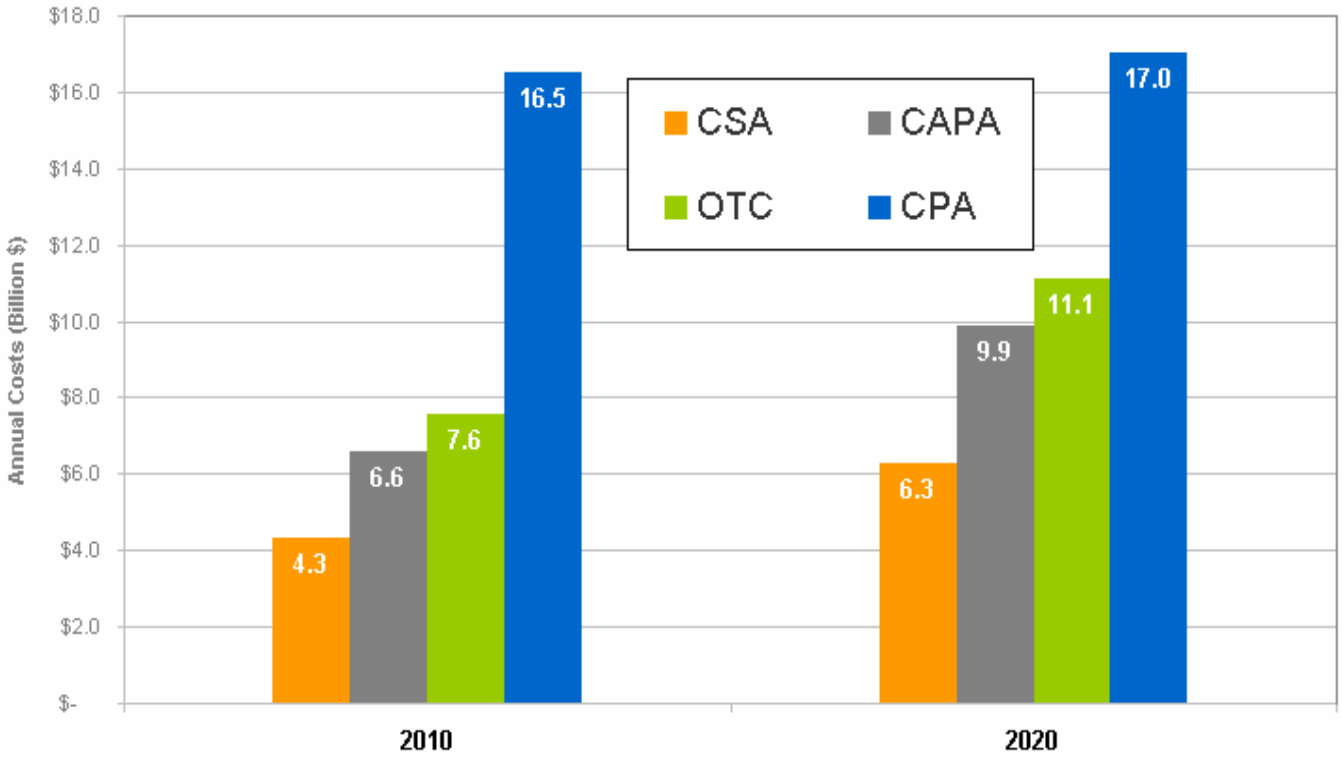
Figure 1.3A Relative Monetized Health Benefit (in Billion dollars) of Reduced Emissions



The vast majority of the monetized benefits result from reduced concentrations in fine particle concentrations (e.g., EPA does not estimate benefits attributable to reduced mercury exposure.)
Costs estimates of OTC Position based on the marginal cost curves that EPA developed in evaluating the "straw man" proposal

"CSA" is the Clear Skies Act - introduced in 2003, "CAPA" is the Clean Air Planning Act, and "CPA" is the Clean Power Act.

Figure 1.3B Relative Cost (in Billion dollars) of Installing Controls



The Costs of Continued Nonattainment

The public health consequences associated with continued nonattainment are significant. Continued nonattainment means millions of respiratory-related illness days each year, tens of thousands of additional hospital visits each year (over 50,000 emergency room visits in the northeast alone) and all the costs and public health impacts associated with exposing over 27 million children (2 million with asthma) to unhealthy air quality due to ozone. Failure to meet the fine particle standard on time means tens of thousands of additional premature deaths and tens of billions of dollars in health-related impacts each year of delay.

In addition to the significant public health costs, states will suffer economic costs for failure to comply with the Clean Air Act. These consequences include sanctions and other penalties that can cripple state transportation planning and have a significant negative effect on a state's economic development activities related to recruiting new manufacturing operations and other businesses. The transportation penalties alone could cost a state billions of dollars in transportation funds linked to requirements that ensure state transportation plans conform with the state air quality plans.

The OTC Process Leading to the Adoption of the OTC Position

The OTC Position was adopted on January 27, 2004. It proposed stringent, yet technically feasible, national caps for reductions needed from the power sector. Addressing power plant emissions in a multi-pollutant context has been a priority of the OTC since 2002 recognizing the cost and planning needs of affected facilities. Key actions leading up to the adoption of the OTC Strategy include:

- March 4, 2003 – (MISC 03-1) Statement of Principles Regarding Reductions of Ozone Precursor Emissions and other Related Regional Air Pollutant Emissions

- September 24, 2003 – (RES 03-01) Resolution Concerning Multi-Pollutant Emission Control of Electrical Generating Units

- January 27, 2004 – Multi-Pollutant Strategy Position of the Ozone Transport Commission

- November 10, 2004 – Charge to the Stationary and Area Source Committee Regarding Multi-Pollutant Emission Control for Electrical Generating Units and Large Industrial Boilers

The Commissioners' November 2004 Charge to the Stationary and Area Source (SAS) Committee directed the Committee to develop a strategy to implement OTC's Position for the June 2005 Annual Meeting. This document fulfills the November 2004 charge from the Commission.

The OTC Multi-Pollutant Position

The OTC Multi-Pollutant Position recommends that NOx and SO_2 emissions from power plants be capped at 1.87 million and 3.0 million tons respectively by 2008, and 1.28 million and 2.0 million tons by 2012. In addition, OTC believes 2008 and 2012 emission targets for mercury may be primarily achieved through co-benefit reductions from NOx and SO2 emission controls, and that by 2015 the mercury controls should be on a facility-by-facility basis and achieve an approximate 90% reduction from current emissions. The Position also calls for inclusion of large industrial boilers and other sources already participating in the OTC NOx Budget Program – NOx SIP Call.

Federal Action to Address the Issue of Transport

On March 10, 2005 the EPA released its final CAIR rule (published May 10, 2005). This rule establishes annual NOx and SO_2 caps for EGUs in the East. CAIR also establishes a seasonal cap for NOx. EPA estimates that by 2015 CAIR will reduce NOx emissions by 61% from 2003 levels and SO_2 emissions by 73% from 2003 levels in affected states. EGU annual emissions would be capped in 2015 at 1.3 million tons of NOx and 2.5 million tons of SO_2.

A variety of federal legislation has been proposed in Congress over the past two years. Most recently Senate Bill 131 (Clear Skies) failed to pass out of the Environmental and Public Works Committee. This bill had called for limits on SO_2, NOx, particulate matter, and mercury for EGUs. National SO_2 emissions would be limited to 4.5 million tons annually in 2013 and 3.0 million tons in 2018. National NOx emissions would be limited to roughly 1.78 million tons annually in 2018, with emissions in the Eastern U.S. capped at 1.07 million tons. The Clean Air Planning Act (CAPA) as also reintroduced in the House of Representatives this year.

While OTC supports strong national regulations or legislation as the preferred means for achieving these goals, a national approach must be consistent with the transport reduction needs and the nonattainment deadlines of the OTC member states.

Comparing the OTC Position to Federal Initiatives

The following tables compare the cap levels proposed by the OTC Position with those of the most recent Clear Skies Act (S131) for NOx and SO_2. Reductions proposed by OTC are more

stringent and come much earlier than those established by the Clear Skies Act. The reductions from CAIR are generally similar to those for S131.

Figure1.4 - Comparison OTC and Clear Skies Act NOx Caps

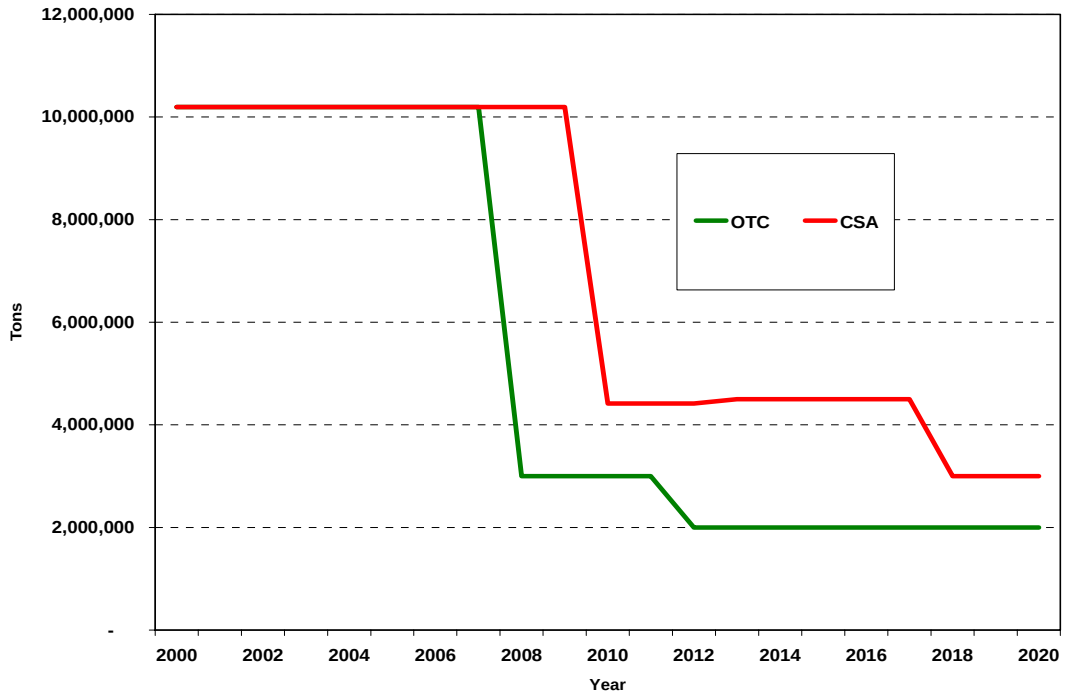
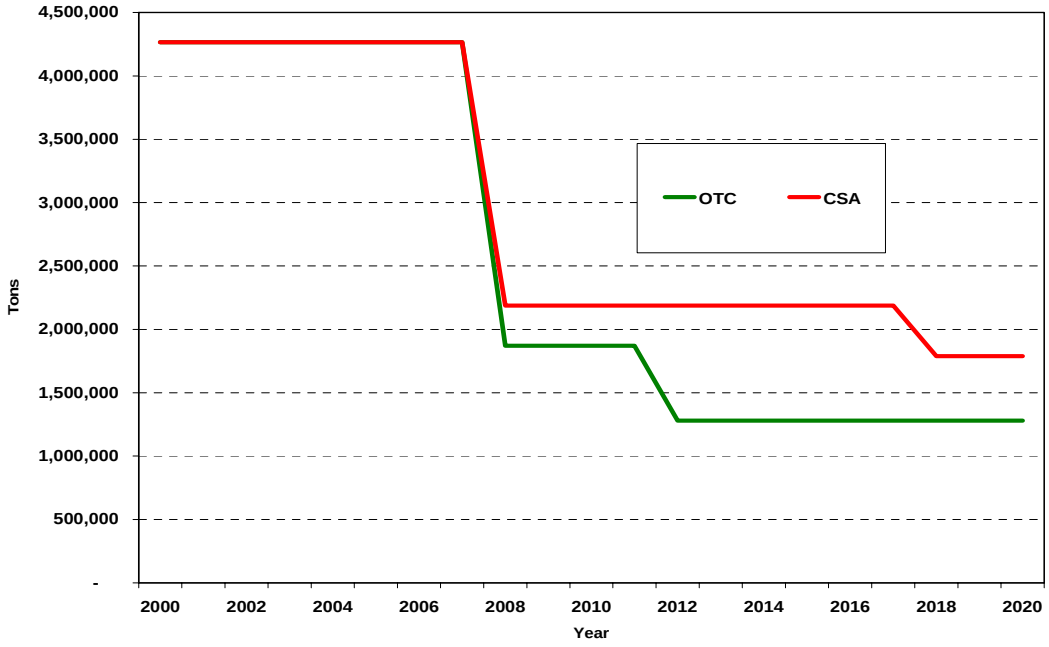


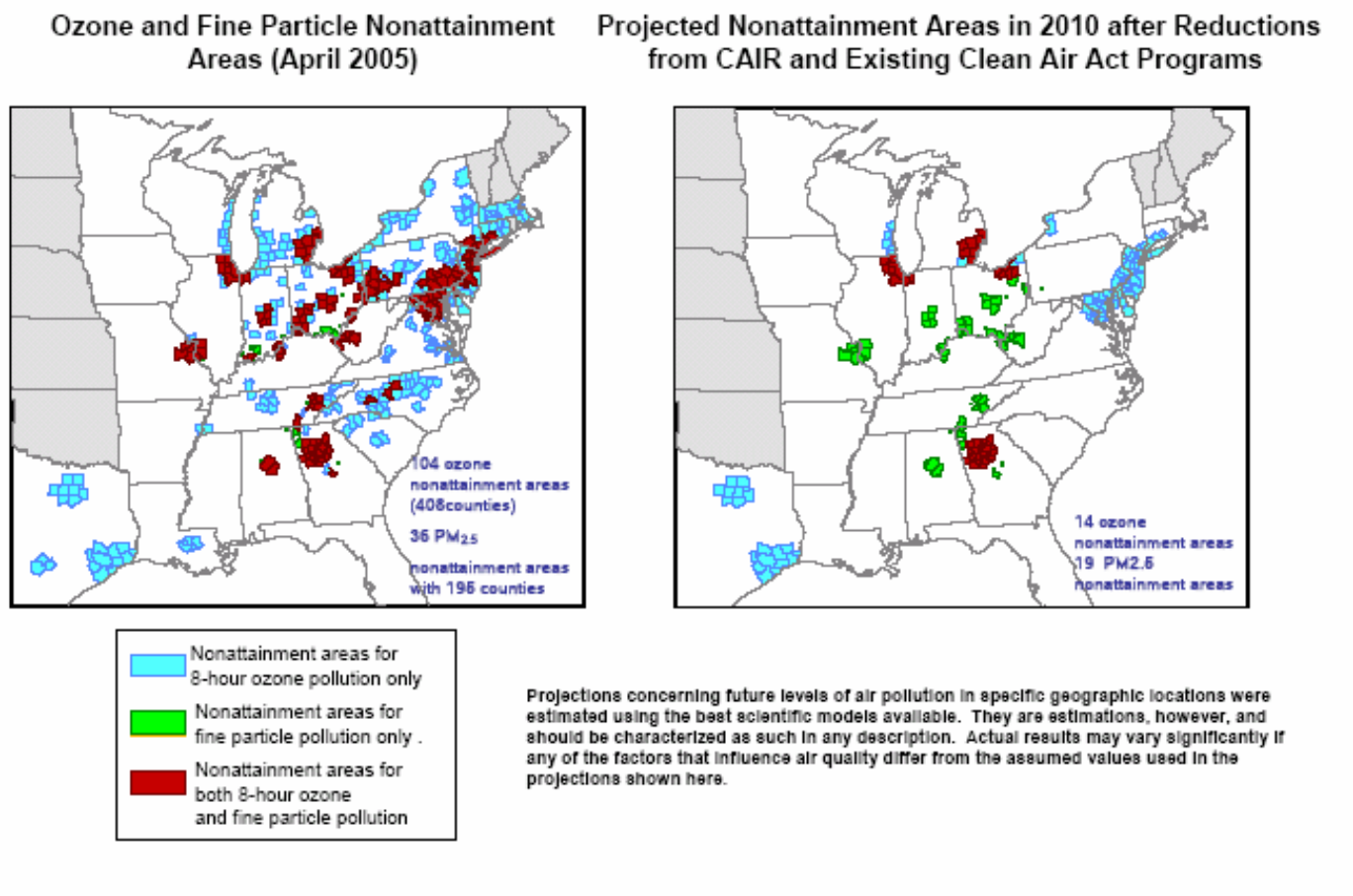
Figure 1.5 - Comparison of OTC and Clear Skies Act SO_2 Caps



OTC Response to CAIR and S131

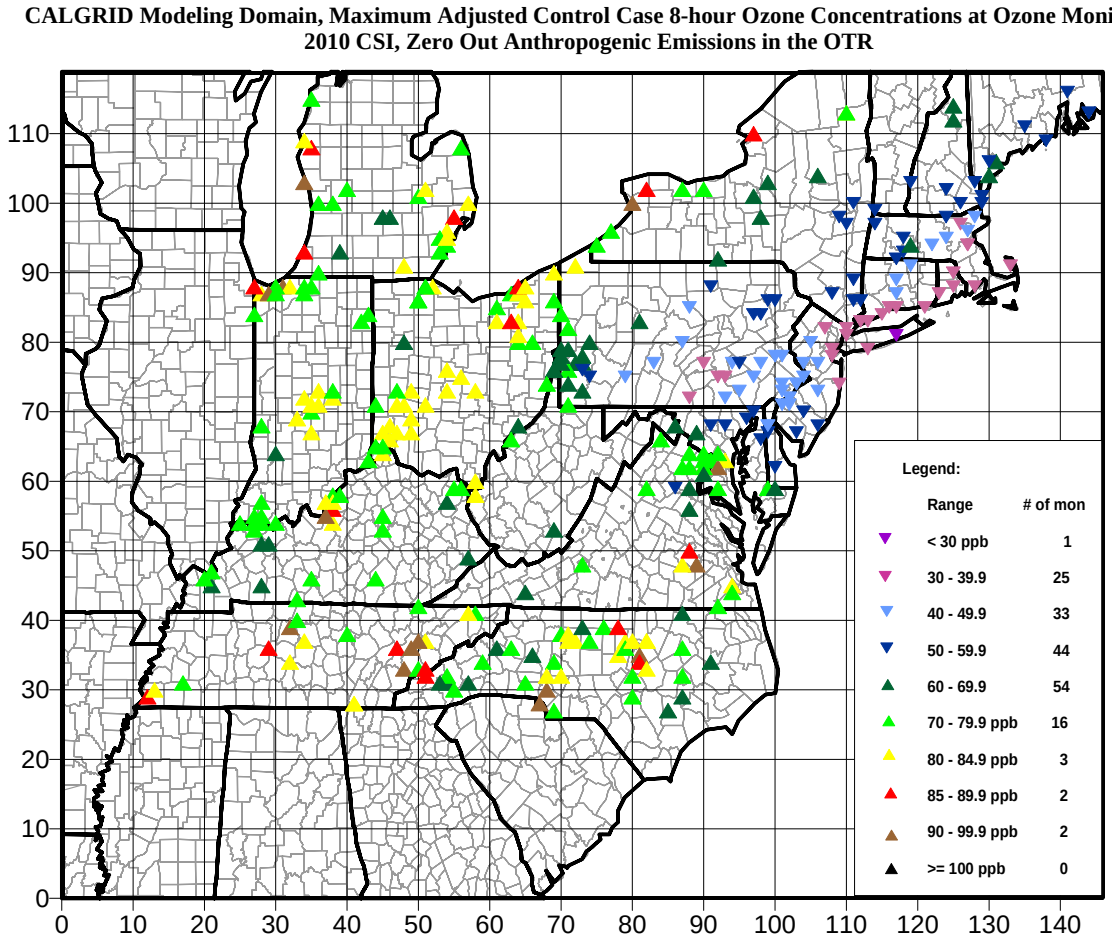
According to EPA modeling, approximately 106 counties would fail to meet the 8-hour ozone standard by 2010 without CAIR or S131. Implementation of either CAIR or S131 would improve this situation by only 3 counties. Figure 1.6 shows the projected benefits from CAIR.

Figure 1.6 – Projected Benefits from U.S. EPA CAIR



OTC modeling shows that several of the nonattainment areas in the OTR will not be able to attain the ozone standard with CAIR-like reductions in transport, even if all local emissions are zeroed out. Figure 1.7 shows the OTC zero-out modeling results.

Figure 1.7 – Zero Anthropogenic Emissions in OTR



OTC and it member states have submitted comments and formal testimony elucidating their concerns regarding CAIR. Though significant reductions are achieved in the second phase or the program, they do not provide sufficient relief of transported ozone precursor in the timeframe required by the NAAQS.

Proceeding with Local Controls

The OTC States have already implemented very aggressive and costly pollution control measures to reduce both volatile organic compounds (VOCs) and NOx. Much of the OTR has already implemented the VOC and NOx control programs required for serious and severe ozone nonattainment areas. In addition to these aggressive "base" controls, the OTC states have also adopted a suite of regional measures including the OTC NOx Budget Trading Program, the OTC area source controls for paints and other consumer products and in many areas the California Low-Emission Vehicle Standards. In addition, our member states continue to work on other regional initiates and state and local measures.

Because no level of emission reductions from the power sector alone will bring the area into attainment, OTC is working with states to identify additional control strategies. There are several initiatives under way to identify new control measures for the OTC states to implement, but this does not obviate the need to gain additional reductions from EGU and large industrial boiler sectors.

The OTC Control Measure Analysis

This analysis would serve as the backbone of the attainment strategies to be adopted for the region, including: 1) RACT (Reasonably Available Control Technology) analysis, including updating of CTGs and ACTs, 2) RACT benchmarking, and 3) analysis of all possible control measures for the region.

Clean Corridors

The OTC clean corridor initiative bundles together several strategies to address emissions from mobile sources including on-road diesel engines, including: truck stop electrification, on-board auxiliary power units, retrofit/reflash/rebuild on diesel engines as well as consideration of port and locomotive measures.

New Stationary and Area Source Initiatives

The OTC SAS Committee is also analyzing several new potential control strategies. These include the effort to update stationary source RACT described above – including distributed generation and "peaking" units, and new efforts to analyze architectural and industrial maintenance coatings, consumer products, marine engines and locomotives for further control.

State Initiatives

All of the OTC states with ozone and fine particulate nonattainment are also pursuing additional local control programs that may be unique to that area. Examples include the wind energy and innovative voluntary bundle efforts in Maryland, and NOx limitations for Municipal Waste Combustors and load/demand response programs in Connecticut.

SECTION II: Overview of the Multi-Pollutant Program Development Strategy

The basic structure of the OTC Multi-Pollutant Program Development Strategy (the OTC Strategy) is to use a regional partnership and a model rule to implement a program that goes beyond CAIR for the electrical generating unit (EGU) and large industrial boiler sectors. Therefore, the program may be considered to be a CAIR "Plus" program across the eastern region of the U.S., using the basic structure of the CAIR rule to implement tougher caps or retirement ratios consistent with the OTC Position.

There are two key components of the CAIR Plus structure.

- The Multi-Pollutant Regional Partnership – An effort to work with other states and EPA to implement the CAIR Plus caps across the East.

- The OTC Multi-Pollutant Strategy Model Rule – An effort to develop a model rule that OTC states could use to implement the tougher CAIR Plus caps within the OTC states.

The two components would be developed and implemented simultaneously and may be merged into a single effort at some later date.

The Overall Schedule

- June 7, 2005 - OTC adopts a CAIR Plus multi-pollutant strategy
    - Model Rule work initiated

- June 2005 to June 2006
    - OTC states work with other states and EPA on implementing CAIR Plus through a voluntary agreement or a national rule
    - OTC states works with stakeholders to develop a model rule
    - Assessment of significant contribution.

- June 2006
    - Present Model Rule to Commissioners for approval
    - Voluntary agreement/national rule to implement CAIR Plus in the East.
    - States begin promulgating regulations based upon Model Rule
    - Determination on significant contribution.

- Summer & Fall 2006 - OTC states finalize regulations to implement CAIR Plus within the OTR

- Late 2006 - States submit CAIR Plus SIP revisions/regulations

- 2008 - Sources begin to install controls to meet the requirements of the CAIR Plus program.

- 2009/2010 - Moderate area ozone and fine particulate attainment dates

The Multi-Pollutant Regional Partnership

The OTC states will work through the existing Regional Planning Organization (RPO) process to build a multi-state coalition to implement CAIR Plus in states beyond the OTR. The EPA will also be a critical partner in this process, as they must be involved to ensure a smooth transition from the current requirements of OTC NOx Budget Program and NOx SIP Call to CAIR Plus.

The partnership effort will also include comprehensive stakeholder involvement. The CAIR Plus program will be implemented through SIP revisions and CAIR Plus state regulations submitted to EPA in the same timeframe currently required under CAIR. The CAIR Plus effort could also be implemented by amending the current CAIR rule or by new federal legislation. The ideal way to implement this program, would be quick federal legislation that requires the implementation of CAIR Plus by 2008.

The Model Rule

The OTC states will work through the Multi-Pollutant Workgroup to develop a model rule for adoption at the June 2006 OTC Annual meeting. The model rule will build off of the CAIR framework adopted by EPA but require quicker and deeper reductions based on a current assessment of the OTC Multi-Pollutant Position.

There will be considerable stakeholder involvement as the model rule is developed and finalized. Stakeholders include representatives from the power sector, the environmental community, other states, EPA, and other interested parties.

OTC began to solicit stakeholder input at its April 2005 Committee meetings. As part of the adoption process for this strategy, OTC requests input on the issues to be addressed in the CAIR Plus model rule development process.

The model rule will be finalized in June of 2006. States will use the model rule to promulgate state regulations and SIPs to fulfill their CAIR SIP submittal responsibilities. These rules will require reductions starting in 2008 and 2009, with a second phase of controls in 2012. Reductions are needed in 2008 to ensure that there are three years of demonstrable emission reductions to support the 2010 attainment dates for the 8-hour ozone and fine particulate standards to which most of the OTC states are subject.

Significant Contribution Backstop

The OTC states will also develop and prepare documentation and modeling for any remaining contribution to nonattainment in the OTR. At that time, member states will evaluate the need to act on such information, based on the reductions available from the regional program and other control strategies.

Preliminary Emission Caps

The regional caps summarized in tables 2.1 and 2.2 are provided only to begin a discussion on the appropriate approach for setting caps and developing a budget. These tables summarize the preliminary work completed by the OTC states to establish caps consistent with the CAIR Plus requirements.

The tables were developed using the national caps proposed in the OTC Position as a starting point. OTC member states will be evaluating new information, including CAIR photochemical and economic modeling and data developed to support individual state multipollutant programs, to refine and, if appropriate, adjust the caps proposed in the January 2004 OTC Position.

Table 2.1 shows preliminary results for the methodologies to calculate the regional caps. These methodologies are:

- CAIR – Follows the methodology used by EPA in the CAIR
- Traditional— An input-based method similar to those used in existing programs (NOx only)
- Output Based – A methodology based on electrical generation

Table 2.1
Estimated Regional Caps: NOx Phase II
(tons)

NOx Caps in Eastern U.S.
(tons)

	Phase I	Phase II
OTC CAIR Method	1,605,388	1,098,875
Traditional	1,623,791	1,111,472
Output	1,632,395	1,117,361

Emission rates may vary by state. Emission rates listed reflect a regional average for that methodology.

NOx Emission Rates in Eastern U.S.

	Phase I	Phase II
OTC CAIR Method (lb/MMBtu)	0.16	0.11
Traditional (lb/MMBtu)	0.15	0.10
Output (lb/MW-hr)	1.45	0.99

Table 2.2
Estimated Regional Caps: SO_2 Phase II
(tons)

SO2 Caps in Eastern U.S.
(tons)

	SO2 I	SO2 II
OTC CAIR Method	2,750,469	1,833,648
Output	2,627,872	1,751,914

SO2 Emission Rates in Eastern U.S.

	Phase I	Phase II
OTC CAIR Method (lb/MMBtu)	0.24	0.16
Output (lb/MW-hr)	2.33	1.55
CAIR Actual (lb/MMBtu)	0.31	0.23

Addressing Mercury

The OTC Position establishes a two-phased approach for mercury. In Phase 1, mercury reductions will be achieved by maximizing co-benefit mercury reductions as the 2008/2009 and 2012 NOx and SO_2 caps are implemented. Phase 2 of the OTC Position will result in stringent facility-by-facility limits by no later than 2015. The OTC Position calls for the OTC states to establish the facility-by-facility mercury caps by no later than 2012.

Mercury will be part of the process for both the regional partnership effort and the OTC model rule. The OTC states will continue to promote a two-phased approach but will push to establish the Phase 2, facility-by-facility limits, as expeditiously as possible.

OTC continues to be supportive of a more stringent, MACT-based, approach to addressing Mercury emissions. OTC does not support any approach that achieves reductions solely through trading.

SECTION III: The Regional Multi-Pollutant Partnership

A common need for additional power plant and large industrial boiler emission reductions in the eastern region provides an opportunity for a collaborative process. Recent work on regional haze and fine particulate contribution shows that in areas of the South, like Shenandoah National Park, the contribution from EGU generated sulfates is roughly 1/3 from the South, 1/3 from the Northeast and 1/3 from the Midwest. Additionally, preliminary modeling completed by the Midwest RPO indicates that additional reductions from EGUs may be needed to support attainment of the fine particle standard.

Recent actions at the Environmental Council of States (ECOS) also signal that there is a significant opportunity to develop a large coalition of states to support a CAIR Plus effort. On February 18, 2005, ECOS adopted Resolution 05-1 that delineated an approach for multi-pollutant emission reductions from power plants entitled “Principles for Developing a Multi-Pollutant Emissions Control Strategy”. The ECOS resolution is included in Appendix B.

The partnership effort will build off of the substantial, ongoing analysis between the RPOs for the past four years. In the summer of 2005, the OTC commissioners will host a multi-pollutant summit to begin the policy discussions on how to have the Eastern states work together to implement CAIR Plus. The issue of transport is now accepted as a critical part of the strategy needed to address the ozone, fine particulate and regional haze problems in the South, the Midwest and the Northeast.

OTC, as part of this strategy, is proposing that, unlike the very large “OTAG” (Ozone Transport Assessment Group) process, that one or two commissioners representing each region and the Director of each of the RPOs, begin developing the overarching partnership process. The details of how the partnership process will be managed will be developed cooperatively as part of the Fall 2005 summit.

OTC is also proposing that there be significant stakeholder involvement in the partnership process as the details of the CAIR Plus program are developed. Again, as part of the adoption of this strategy, OTC is seeking input from stakeholders on the list of key issues to address over the next year.

Using the CAIR Framework

One of the issues that will be evaluated is whether the states could use the CAIR model rule and the CAIR SIPs and regulations that they are required to submit in 2007 as the vehicle to implement CAIR Plus.

EPA participation will be critical as these issues are considered. Some of the key questions are:

- Could states simply use the CAIR framework to implement the cap-and-trade provisions of CAIR plus, but simply reduce the number of allowances distributed to be consistent with the lower CAIR Plus caps?
- Could an early reduction incentive provision be built into the CAIR framework to encourage controls in 2008? CAIR currently calls for the first round of NOx reductions in 2009.

Section IV: Model Rule Development Plan

Goal and Structure

The Model Rule will establish a regional trading program for implementing the CAIR Plus program within the OTC states. The model rule effort and the regional partnership may be merged into a single initiative at some later date. Participating states may use the model rule as template to develop the regulations and SIPs required to comply with CAIR.

A CAIR Plus program would favor the adaptation of the U.S. EPA's final CAIR language, making amendments as necessary to accommodate the OTC Position. The OTC model rule may vary from CAIR on provisions regarding applicability, emission caps, amount of allocations, the Compliance Supplement Pool, etc.

Process

In developing the model rule, the OTC Multipollutant Workgroup will seek feedback from representatives of affected sources and other interested parties. Participation by the U.S. EPA will also be essential.

During the model rule development process, the Workgroup must also consider the impact of new developments in federal rulemaking or legislation. The model rule will also take into account existing state multi-pollutant programs, as well as those under development.

Section V: Options for Addressing Significant Contribution

The OTC's preferred option to implement the CAIR Plus program is to work through the regional partnership with other states and EPA to implement the program cooperatively. The OTC states also believe that it is important to have a back-stop to ensure that reductions from upwind sources contributing to nonattainment in the OTR are addressed. OTC member states are evaluating options, including the following, to identify and address emissions within and beyond the OTR that contribute to nonattainment in the region:

- Section 110a(2)D – Allows EPA to require states to take action if a states SIP fails to address any significant contribution to downwind nonattainment areas.
- Section 126 – Allows states to petition EPA to require reductions at specific sources if those specific sources significantly contribute to nonattainment in downwind areas

- Section 176A – Allows the EPA to add states or portions of states to existing interstate transport commissions (increasing the size of the OTC) as long as it is proven that the newly added state is impacting the regions ability to attain a standard.

SECTION VI: Summary

OTC member states will need significant reductions from upwind and local sources to meet the new ozone and fine particle standards. OTC member states are actively developing control strategies through multi-state and individual efforts.

The federal response to reduce transport has been, to date, inadequate. Because of the weak federal response, the OTC states have developed a strategy to pursue tougher controls on EGUs that builds off of the recent CAIR rule finalized by EPA. This tougher-than-CAIR initiative is called CAIR Plus.

Implementing CAIR Plus involves the development of a regional partnership across eastern states and a model rule for use by OTC member states. The regional partnership and the model rule would build off CAIR but adjust the NOx and SO_2 emission reductions to appropriate caps after assessment of the OTC Multi-Pollutant Position in the context of the current regulatory framework. The model rule is scheduled to be finalized and adopted as expeditiously as possible, but no later than June, 2006. At some point, the regional partnership and the model rule efforts may be merged into a single initiative.

The model rule would include a methodology for determining an emissions budget under the OTC caps. This methodology will be selected through an analysis of various calculation options based upon the best data available at the time of the Model Rule's development.