

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, DC 20460
OFFICE OF AIR AND RADIATION

October 10, 2007

Dear Authorized Account Representative:

The 2007 ozone season is over, which means it is time for you and your company to begin gathering the necessary data for determining the number of allowances to be deducted under Annual Reconciliation for the NOx Budget Trading Program. The Clean Air Markets Division (CAMD) of EPA administers the NOx Budget Trading Program for the states. As the Authorized Account Representative, you are responsible for providing CAMD with accurate and timely information, which may be drawn from a variety of sources within your organization.

Important Information for 2007 Reconciliation

1. Please remember that progressive flow control (PFC) is in effect for year 2007 Annual Reconciliation. The PFC ratio this year is 0.24, and it applies to any banked allowances with a compliance use date of 2003 through 2006 held in your compliance or overdraft accounts at the time deductions are made. The first 24 percent of these banked allowances will be deducted at one allowance for each ton of NOx emissions. The remaining 76 percent will be deducted at two allowances for each ton of NOx emissions, if they are needed. (See: <http://www.epa.gov/airmarkets/fednox/flowcontrol.pdf>)

2. If you are responsible for a new unit that received an allocation from your state's new unit set-aside, please make sure you are familiar with your state's rule provision regarding an adjustment to that allocation for actual utilization. This adjustment may result in the deduction of allowances, a "new unit takeback," in addition to the deduction of allowances for emissions. Please make sure that if your unit is subject to this deduction that it does not put your unit out of compliance. For additional information, consult your state regulation, or contact Mary Shellabarger at 202-343-9188 (shellabarger.mary@epa.gov).

3. If you have any questions on your final emissions value, please contact Kirk Nabors at 202-343-9171 (nabors.kirk@epa.gov).

To facilitate the submission of the required form(s) for Annual Reconciliation, CAMD encourages people with a CAMD Business System (CBS) user ID and password to access and submit NOx Budget Trading Program true-up forms (the required Compliance Certification Report, as well as the optional Allowance Deduction and Common Stack Allowance Deduction Forms) online. For more information on the CAMD Business System, go to our website at <http://www.epa.gov/airmarkets/business/industry/index.html>.

For those of you who do not yet have a CBS user ID and password, contact Alex Salpeter at 202-343-9157, Karen Vansickle at 202-343-9122, or Paula Branch at 202-343-9168. Laurel DeSantis is also available to answer any general questions you may have about CBS at 202-343-9191 (desantis.laurel@epa.gov).

Although EPA encourages you to use CBS, for those of you who prefer to submit hardcopy forms, go to <http://www.epa.gov/airmarkets/business/forms.html#nox> to access the forms and instructions. All forms must be postmarked by November 30, 2007 to meet the submittal requirements.

Compliance is determined on an individual unit basis, so a surplus of allowances in one unit's account and a deficit in another means the latter unit has excess emissions, even if they are both part of the same plant or facility. We recommend that you make sure that each unit or overdraft account contains a "buffer" of allowances beyond what you anticipate will be deducted.

(10% to 20% more than the total ozone season emissions is reasonable based on past experience.) New Jersey has not authorized the use of overdraft accounts, so holding a buffer is especially important for sources in New Jersey.

The deadline for transferring allowances with 2003 through 2007 compliance use dates is November 30, 2007. You can use the CAMD Business System to transfer allowances online and receive instant transfer confirmation. If you choose to submit paper transfer forms and they are delayed in the mail, they will still be processed and the allowances will be available for use for Annual Reconciliation for 2007 as long as the postmark date is not later than November 30, 2007.

We anticipate completing the Annual Reconciliation process and deducting allowances by March 2008. You will be notified that the Annual Reconciliation process is complete when we send you the NOx Allowance Tracking System report titled "Allowance Deductions for Compliance Year 2007" for each of your affected units.

Please share the information in this mailing with all of the people that are involved in preparing your company for compliance with the Annual Reconciliation requirements. This is the only letter that will be sent for the plants for which you are the Authorized Account Representative; we are not mailing paper copies. (If you notice any incorrect email addresses in this correspondence for yourself or a colleague, please contact Laurel DeSantis at 202-343-9191 (desantis.laurel@epa.gov).)

If you need assistance completing the forms, or want general information concerning Annual Reconciliation for the NOx Budget Trading Program, please contact the Clean Air Markets Hotline at 202-343-9620 and leave your request in the "NOx Budget Trading Program" message box.

We look forward to working with you to achieve 100 percent compliance with the NOx Budget Trading Program this year.

Sincerely,

/s/ (October 10, 2007)

Janice Wagner
Chief, Market Operations Branch