

## MEMORANDUM

**TO:** Docket

**FROM:** EPA, Clean Air Markets Division

**SUBJECT:** Revisions to Unit Level Allocations and State Emissions Budgets for the Proposed Mercury Trading Rulemaking

**DATE:** April 5, 2004

The January 30, 2004 Notice of Proposed Rulemaking (NPR) established the total number of tons for the Hg Budget Trading Program within a specific state for the Phase II of the program beginning in 2018. Hypothetical unit level allocations for 2018 were derived and those unit allocations at the state level were added to develop a state level emission budget. While the formula determines the States' emission budgets, each State is given discretion on how to distribute allocations within a State.

As part of the March 16, 2004 Supplemental Notice of Proposed Rulemaking (SNPR), EPA submitted to the docket a memorandum entitled "Allocation Adjustment Factors for the Proposed Mercury Trading Rulemaking," along with two electronic spreadsheet (EPA docket entries OAR-2002-0056-0962, -0964, and -0965). The memorandum and spreadsheets detailed the methodology and data used to calculate the hypothetical unit allocations used to derive the state emissions budgets.

EPA inadvertently made errors in its calculation of the hypothetical unit level allocations and therefore the state emission budgets derived therefrom. This memorandum and accompanying electronic spreadsheets provide revisions to the hypothetical unit allocations and state emission budgets.

EPA's revisions to the hypothetical unit allocations and state emission budgets are based on the most currently available data and information. However, as discussed in the proposed rule, EPA is taking comment on the data and methodology used to derive the state emission budgets. Any further changes or corrections to the data as a result of public comment would result in revisions to the state emission budgets.

EPA notes that it is not revising the methodology it proposed to calculate hypothetical unit allocations used to derive the state emission budgets, but rather is making revisions based solely on errors in applying the methodology. The revisions are provided in two electronic spreadsheet files: (1) Revised State Hg Allocations 2018.xls, which contains a summary of allocations at the state level, and (2) Revised Unit Allocations 2018.xls, which contains unit allocations. These revisions would replace the hypothetical unit allocations in Appendix B of the SNPR and the state emission budgets in the regulatory text of the SNPR.

Specifically, EPA is making the following revisions:

- (1) The hypothetical unit allocations are based on the proportionate share of the baseline heat input to total heat input of the affected units. Each unit's baseline heat input is adjusted to reflect the rank of coal combusted by the unit during the baseline period. To calculate the unit's baseline heat input, EPA inadvertently used the average of the highest three annual heat input years in the 1997 to 2002 period. As discussed in the proposed rule, EPA proposed the baseline heat input to be calculated using the average of the highest three annual heat input years in the 1998 to 2002 period. The hypothetical unit allocations have been revised to use heat input from 1998 to 2002 in the accompanying electronic spreadsheet file: Revised Unit Allocations 2018.xls.
- (2) EPA also had some inconsistencies between the reported hypothetical unit allocations in Appendix B and the those in the supplemental electronic spreadsheet added to the record (Unit Allocations 2018.xls). For non-Acid Rain units, EPA incorrectly reported these units' hypothetical allocations as 0 in the supplemental electronic spreadsheet to the record, but correctly reported them in Appendix B of the SNPR. The hypothetical unit allocations for non-Acid Rain units have been revised in the accompanying electronic spreadsheet file: Revised Unit Allocations 2018.xls.
- (3) As a result of revisions to the calculation of hypothetical unit allocations, state emission budgets have been revised in the accompanying electronic spreadsheet: Revised State Hg Allocations 2018.xls.