

SOUTHWEST CLEAN AIR AGENCY

Board of Directors Meeting
August 5, 2010
3:00 P.M.
Southwest Clean Air Agency
11815 N.E. 99th Street
Vancouver, Washington

Optional Conference Call Number for use by SWCAA Board of Directors
(360) 407-3780 and PIN No. 638125#

(Note: Please notify Tina at (360) 574-3058 Ext. 110
if you desire that SWCAA pay the cost of this long distance call because
in this circumstance a state SCAN Operator will need to telephone you.)

AGENDA

- I. Call to Order
 - A. SWCAA Chair Don Jensen.

- II. Roll Call/Determination of Quorum
 - A. SWCAA Chair Don Jensen.

- III. Board of Directors Minutes
 - A. Board of Directors Minutes of June 3, 2010.

- IV. Changes to the Agenda
 - V. A. SWCAA Chair Don Jensen.

- V. Public Comment
 - A. Public Comment.

- VI. Consent Agenda
 - A. Approval of Vouchers.
 - B. Financial Report.
 - C. Monthly Activity Report.

- VII. Public Hearing
 - A. None.

- VIII. Unfinished Business/New Business
 - A. None.

- IX. Control Officer Report
 - A. Massachusetts Releases Study on Woody Biomass.
 1. Issue - Massachusetts' research concluded that the assumption of carbon neutrality for woody biomass was too simplistic; that there is, in reality a "debt-then-dividend" model in which energy from forest biomass can

increase greenhouse gases for a period of time before it reduces them.

2. Summary - The report indicates the length of time it takes to pay off the carbon debt and begin accruing carbon dividends (i.e., greenhouse gas benefits) can vary widely, from five years to many decades. The type of biomass used, the fossil fuel it is replacing, and the growth potential of a forest all affect the length of time. The Massachusetts Department of Energy Resources and Manomet Center for Conservation Sciences released their study examining the feasibility of Massachusetts promoting and investing in forest biomass energy as an alternative energy source. The study used a comprehensive lifecycle accounting framework. Among other issues, the report looked at the common assumption that using wood for energy is "carbon neutral" and would, therefore, mitigate greenhouse gases and reduce climate change. EPA is also proposing new air emission rules for boilers and waste incinerators that could threaten the burgeoning biomass energy industry. EPA has proposed stringent new emissions, monitoring and reporting requirements for broad categories of new and existing non-residential boilers, including those fired by biomass. EPA also appears to be redefining which boiler units are considered to be solid waste incinerators and subject to even more stringent requirements in such a way that owners of biomass-fired units receiving fuel from off-site sources would be required to petition EPA for an exemption or comply with the incinerator standards.

B. Final EPA Greenhouse Gas Rule Published in Federal Register.

1. Issue - EPA published the final Prevention of Significant Deterioration (PSD) and Title V Tailoring Rule in the Federal Register.

2. Summary - The EPA Greenhouse Gas permitting program will begin on January 2, 2011. From January 2 until July 1, 2011, only those sources that increase greenhouse gas emissions by 75,000 tons per year or more of carbon dioxide equivalent (CO_{2e}) and are already subject to PSD permitting because of emissions of other pollutants will be required to address greenhouse gas emissions. In addition, only those sources subject to Title V for other pollutants will be required to address greenhouse gases between January 2 and July 1, 2011. After July 1, 2011 the PSD program will be extended to new facilities expected to emit at least 100,000 tons per year of CO_{2e} and all existing facilities increasing CO_{2e} emissions by 75,000 tons per year. Similarly, on July 1, 2011, all sources emitting 100,000 tons per year of CO_{2e} will be subject to the Title V program, even if they are not subject to Title V for other pollutants. EPA has also committed to undertake rulemaking beginning in 2011 and ending before July 1, 2012 in order to address greenhouse gas emissions permitting for smaller sources and ways to streamline permitting. EPA will not require greenhouse gas permitting for small sources emitting less than 50,000 tons per year CO_{2e} until at least April 30, 2016.

C. Southeastern Legal Foundation Files First Petition in Federal Court Challenging EPA's Greenhouse Gas Rule.

1. Issue - On the same day that EPA published its greenhouse gas rules in the Federal Register, the first petition challenging the rule was filed in the

U.S. Court of Appeals for the District of Columbia Circuit.

2. Summary - In *Southeastern Legal Foundation v. EPA* (No. 10-11319110) fourteen members of the House of Representatives and 15 Georgia-based businesses and business organizations joined the Southeastern Legal Foundation to challenge the EPA Greenhouse Gas rule.

D. Gorge Air Quality Strategy Update.

1. Issue - Oregon DEQ staff have announced their proposed options for the early shutdown of the PGE Boardman Coal-Fired Power Plant.

2. Summary - Three emission reduction options have been presented for public comment as representing DEQ's preliminary assessment of approvable Best Available Retrofit Technology (BART) requirements for the PGE Boardman power plant. All three options would still require the PGE Boardman power plant to meet the 2012 deadline for installing controls to meet DEQ's Mercury rules.

Option No. 1 - Closure in 2020

This option would require the same pollution controls in 2011 and 2014 for NO_x, and SO₂, but not the additional NO_x, controls in 2017. This option would eliminate all emissions after 2020. Cost of this option is approximately \$320 million which is a savings of \$180 million over the current DEQ requirements approved in June 2009.

Option No. 2 - Closure in 2018

This option would require the same NO_x emission controls in 2011, but replace the SO₂ controls (i.e., semi-dry scrubbers) in 2014 with less costly emission controls (i.e., dry sorbent injection), and not require the NO_x controls in 2017. If PGE selected this option, it would require plant closure by December 2018. This option would achieve the same reduction in NO_x by 2011, but only one-half of the reductions in SO₂ by 2014, none of the additional NO_x reductions in 2017, but eliminate all emissions after 2018. Cost of this option is approximately \$100 million which is \$400 million less than the current DEQ requirements approved in June 2009.

Option No. 3 - Closure in 2015-2016

This option would require the same NO_x emission controls in 2011, but no controls after that date. This approach is based on the federal requirement to install BART controls within five years of the approval of Oregon's regional haze plan. This EPA approval is expected to occur before early 2011. This option would achieve the same reduction in NO_x by 2011, but then eliminate all emissions after 2016. Cost of this option is approximately \$35 million which is \$465 less than the current DEQ requirements approved in June 2009.

The Environmental Quality Commission's (EQC) final decision as Oregon DEQ's governing body on a possible amendment of the current DEQ BART rule might occur in December 2010.

E. Sierra Club Files Appeal for Direct Review of PCHB Decision for TransAlta by Washington Court of Appeals.

1. Issue - The Sierra Club has filed an appeal of the Pollution Control Hearings Board (PCHB) with a request to bypass Thurston County Superior Court and have a direct review of the PCHB decision by the Washington Court of Appeals.
2. Summary - The Sierra Club alleges in its Petition for Review that the "PCHB's Order Granting Summary Judgment to SWCAA is an erroneous interpretation and application of the law." The filing concludes that the "PCHB's incorrect legal conclusions are contrary to the purpose and requirements of the Clean Air Act and the Title V Air Operating Permit program, as well as established federal, state and regulatory precedent." Sierra Club asks the Washington State Court of Appeals for a remand to the PCHB with an order to vacate its Order Granting Summary Judgment for SWCAA and also to remand the Title V Permit back to SWCAA with instructions for SWCAA to establish permit terms including emissions limits for carbon dioxide and mercury, particular control technologies, or operating standards, if necessary, that assures compliance with all applicable requirements, including the general emissions standard's prohibition on detrimental emissions and need to meet reasonably available control technology (RACT) requirements. SWCAA's Fiscal Year 2010/2011 budget will need to be amended in August 2010 to reflect the Thurston County Superior Court appeal pass through expenses to TransAlta.

XI. Board Policy Discussion Issues

- A. As Necessary.

XII. Issues for Next Meeting

- A. Public Hearing.
 1. None.
- B. New Business/Unfinished Business.
 1. As Necessary.
- C. Control Officer Report.
 1. As Necessary.
- D. Board Policy Discussion Issues.
 1. As Necessary.
- E. Meeting Date and Location
 1. September 2, 2010 at 3:00 p.m. Southwest Clean Air Agency, 11815 NE 99th Street, Vancouver, Washington.

XIII. Adjournment

Mission Statement
"To Preserve and Enhance Air Quality in Southwest Washington"

Board of Director Values

1. It is important for the region to first achieve healthy air before focusing on other air quality issues.
2. Local control of southwest Washington air pollution issues should be apparent to our constituency.
3. It is important that compliance with federal and state air pollution regulations be achieved.
4. A partnership that is fully reciprocal is desired with the Washington Department of Ecology and U.S. Environmental Protection Agency.
5. All decisions made by the Board should be guided by a principle of doing what is best for the region as a whole.
6. It is important to strive for a good working relationship with the residents and industries of southwest Washington.
7. The effort to obtain stakeholder input on agency actions is *a* key component of the agency's public involvement process.
8. The pursuit of reductions in air pollution should be based on achieving the largest air quality benefits first.
9. The basis for air pollution reduction measures should be rooted in sound science.
10. Education should be utilized as an important tool for achieving sustained voluntary compliance.
11. The priority of enforcement decisions should first be on ensuring education is achieved and then issuance of civil penalties.
12. Effective enforcement means that recalcitrant sources are brought into clear compliance.
13. The Board prefers to be involved at the policy setting level for the agency rather than the day-to-day management issues.
14. Fiscal expenditures by the agency should be consistent with the Board approved budget.
15. The fair treatment of the agency's employees is an important goal of the Board.

Note: (1) Served by C-TRAN Routes: 7, 72 and 76.
(2) Accommodation of the needs for disabled persons can be made upon request. For more information, please call (360) 574-308 extension 110.