Dave Freudenthal, Governor

Department of Environmental Quality

To protect, conserve and enhance the quality of Wyoming's environment for the benefit of current and future generations.

John Corra, Director

July 21, 2008

RE: Interim Policy on Demonstration of Compliance with WAQSR Chapter 6, Section 2(c)(ii) for Sources in Sublette County

Dear Sublette County Operators:

Attached is the Division's interim Chapter 6, Section 2 permitting policy for Sublette County. Under this policy, permit applications (i.e., those received in the future, as well as applications currently under AQD analysis) for new or modified emission sources in Sublette County must be accompanied by a WAQSR Chapter 6, Section 2(c)(ii) demonstration. Permit applications that do not currently contain an applicant's affirmative demonstration as required by Chapter 6, Section 2(c)(ii), will be deemed incomplete. An applicant may either withdraw the incomplete application, in which case the emission source(s) requested to be permitted cannot be operated; or may submit the required demonstration.

Attached is a listing, if applicable to your company, of applications under AQD review that are considered incomplete. For these existing applications under review, a Chapter 6, Section 2(c)(ii) demonstration is required by August 31, 2008. Should you require additional time to prepare any demonstration, please send a letter requesting an extension. Limited extensions will be granted for good cause.

If you have questions please contact Chad Schlichtemeier or me at (307)777-7391.

Sincerely,

David A. Finley
Administrator
Air Quality Division

Cc: Chad Schlichtemeier
Darla Potter
Cynthia Madison
John Corra
Ryan Lance

Interim Policy on Demonstration of Compliance with WAQSR Chapter 6, Section 2(c)(ii) for Sources in Sublette County (Issued July 21, 2008)

1. WAQSR, Chapter 6, Section 2(c)(ii)

Under the Wyoming Air Quality Standards and Regulations (WAQSR), applicants for permits are required to demonstrate to the Administrator of the Air Quality Division (AQD), that "[t]he proposed facility will not prevent the attainment or maintenance of any ambient air quality standard." [WAQSR Chapter 6, Section 2(c)(ii)]

Historically, AQD has required differing types of demonstrations from permit applicants to satisfy that the Section 2(c)(ii) requirement has been met. For larger sources (e.g., compressor stations, mines, power plants), AQD has typically required air quality modeling as a demonstration that ambient standards will not be exceeded if the permit is issued. AQD also uses professional judgment to simply allow submission of a permit application for a source without requiring a specific demonstration for the Section 2(c)(ii) requirement, if AQD judges it to be highly unlikely that the source would prevent the attainment or maintenance of any ambient air quality standard. For example, this approach has been used to permit smaller sources of particulate matter, such as gravel pits or crushing/screening equipment. In these cases, AQD has experience in modeling compliance at much larger sources (coal mines), and can determine through judgment and experience that the much smaller source will not prevent the attainment or maintenance of an air quality standard. Furthermore, AQD has also been able to take note of existing ambient air quality in a region where monitors are showing low levels of air contaminants as support for its decision to issue permits without a specific demonstration for Section 2(c)(ii).

Additionally, AQD has also never required ambient air modeling for ozone—from any source—as a precondition for the demonstration required of applicants by Section 2(c)(ii). There are two reasons for this: Until February, 2008, compliance with the ozone ambient air standard has never been considered to be threatened in Wyoming, and there are no good, practical models available to evaluate the impacts of a single permitted discharge of ozone precursors on ambient air quality for ozone. Ozone models are used to evaluate the impacts of significant emission control strategies, such as implementation of a motor vehicle emission inspection/maintenance program, which have the expected outcome of lowering emissions from large numbers of motor vehicles within the area.

2. Ozone Levels

On February 22, 2008, the Division's ambient air quality monitor located west of Boulder recorded an eight-hour ozone concentration of 122 ppb, which is well over the new ozone standard of 75 ppb. When considered with the other monitor data at that station for the previous two year period, the preliminary design value for the Boulder station is 80 ppb. The design value is the three-year average of the fourth highest eight-hour ozone level measured each year. If a monitor's design value is higher than an ambient air standard, the area represented by the monitor can be found to be in nonattainment with the standard. Additional quality control checks will be made to ensure these data meet all requirements for being included in a design value calculation. Given these ambient ozone data, AQD believes that permit applications for sources in Sublette County must include a specific demonstration of compliance with the Section 2(c)(ii) requirement for ozone.

Additionally, AQD has concluded that allowing increases to the existing ozone precursor emission levels within Sublette County cannot be justified. These precursors are volatile organic compounds (VOC) and oxides of nitrogen (NO_x). AQD has also concluded that the existing emission levels for these precursors must be reduced to avoid elevated ozone levels, which pose an unacceptable risk to human health and the environment in the Upper Green River Basin.

AQD is, therefore, pursuing a comprehensive approach to secure needed emission reductions and to allow companies to continue to apply for permits for new and modified sources in the Jonah and Pinedale Anticline fields, and elsewhere in Sublette County. Operators in those areas have been requested to propose and implement a series of voluntary emission reduction activities to lower the overall emissions of VOC and NO_x. AQD is also engaged in development of ambient air models capable of predicting the impact on ozone formation of various reductions in VOC and/or NO_x emissions, but cannot at the present time calculate absolute emission limits for those pollutants which guarantee acceptable ozone levels in the Upper Green River Basin.

3. Description

To allow applications for new or modified emission sources of VOC and/or NO_x to be processed while AQD and industry initiatives are taken to reduce the overall emission levels for VOC and/or NO_x, AQD has adopted the following interim policy. The interim policy describes options that DEQ will consider as an adequate WAQSR Chapter 6, Section 2(c)(ii) demonstration for permit applications (i.e., new as well as applications currently under AQD analysis) for new or modified emission sources in Sublette County. During the implementation of the interim policy, other long-term approaches (e.g., development of a regional ozone model and implementation of additional control strategies) to deal with unacceptable ozone levels in the Upper Green River Basin, will continue to be pursued by AQD.

This interim policy does not alter the requirements for construction of new or modified emission sources as allowed by the Division's August 1, 2007 Guidance (*Oil and Gas Production Facilities Chapter 6, Section 2 Permitting Guidance*), except that for sources in Sublette County a Chapter 6, Section 2(c)(ii) demonstration must accompany the application.

4. Policy

NSR (New Source Review) permit applications (i.e., new as well as applications currently under AQD analysis) for new or modified emission sources in Sublette County must be accompanied by a WAQSR Chapter 6, Section 2(c)(ii) demonstration (Demonstration). Options for the Demonstration include:

a. Ambient ozone modeling for any application requesting increases in VOC and/or NO_x emissions.

b. Emission reductions for VOC and/or NO_x emissions.

c. Applicants may propose alternate Demonstrations which meet the requirements of Chapter 6, Section 2(c)(ii) to the AQD.

AQD expects that option *b. Emission reductions for VOC and/or NO_x emissions* is the most practical Demonstration for sources. However, this interim policy is not a regulation and permit applicants may use either option a. or c. for the Demonstration. If option b. is chosen by the permit applicant, AQD would accept as the Demonstration a proposal as follows:

a. For applications currently under AQD analysis: An equivalent offset (i.e., a 1:1 reduction) of any increases in VOC and/or NO_x emissions as a result of the permitting action, and
b. For applications received after August 1, 2008: An offset of 1.5:1 for VOC (i.e. 1 tpy VOC increase requires a 1.5 tpy VOC reduction) and 1.1:1 for NO_x (i.e., 1 tpy NO_x increase requires a 1.1 tpy NO_x reduction)for any emissions increases as a result of the permitting action.

Emission reductions that may be used for offsets are as follows:

a. An applicant may propose enforceable reductions in VOC and/or NO_x *at the facility where the permitted increase is being sought.*

b. An applicant may propose enforceable reductions in VOC and/or NO_x *at facilities owned or controlled by the applicant within Sublette County.*

c. An applicant may propose *a project* which results in other VOC and/or NO_x emission reductions within Sublette County, such as *projects which result in a change of operation* (e.g., reductions in vehicle miles travelled which will result from construction or modification of the facility).

Further guidance as to what constitutes allowable emission reductions for purposes of this interim policy are as follows:

Area:	Sublette County.
Baseline:	Emission reductions should have resulted after April 1, 2008.
Sources:	Stationary point sources (if enforceable) Mobile sources (if approved by the AQD Administrator) Other sources, as approved by the AQD Administrator
Pollutants:	VOC and NO_x
Timing:	Decreases prior to increases Other timing, as approved by the AQD Administrator
Trading:	No trading (i.e., inter-company emission reductions) will be allowed.

NSR permit applications (i.e., new as well as applications currently under AQD analysis) for new or modified emissions sources within Sublette County that do not currently contain an applicant's affirmative Demonstration as required by Chapter 6, Section 2(c)(ii), will be deemed incomplete. An applicant may either withdraw the incomplete application, in which case the

emission source(s) requested to be permitted cannot be operated; or may submit the required Demonstration on a schedule to be established by AQD following consultation with the applicant.

5. Long-Term Strategy

AQD and industry need to ensure that any permits for new or modified sources of VOC and/or NO_x issued for sources in Sublette County do not consume, or offset, the voluntary emission reduction projects being implemented by industry to lower ozone levels in the Upper Green River Basin. To that end, the emission offsets discussed above are intended to allow new or modified permits to be issued on an interim basis. Further work is underway which will allow AQD to refine its overall emission reduction goals for the existing emission inventory to enable the area to meet the ozone ambient air quality standards, including during winter episodic ozone seasons. When such overall emission reduction goals have been established, AQD will reconsider this interim permitting policy for sources in Sublette County. It is, and will remain the objective of AQD that emissions from any new or modified sources should not cause or contribute to a violation of the ambient air quality standard for ozone.

Issued: 7/21/08

Approved: _____
David A. Finley, Administrator