

MEMORANDUM

TO: Melissa Mazza-Paquette, Agency of Administration

FROM: Heidi Hales, Director, Air Quality & Climate Division *HH*

DATE: April 27, 2018

RE: Proposed Amendments to Air Pollution Control Regulations and the Vermont CO₂ Budget Trading Program

Please find attached:

- 1) a proposed rule to amend the Vermont Air Pollution Control Regulations; and
- 2) a proposed rule to amend the Vermont CO₂ Budget Trading Program.

We look forward to discussing these proposed rules with the Interagency Committee on Administrative Rules on Monday, May 14, 2018. ANR staff attending the hearing will be:

Megan O'Toole

Brian Woods

Doug Elliott

If you have any questions about these proposed rules or need additional information, please do not hesitate to contact me at heidi.hales@vermont.gov or 802-498-7338 or Megan O'Toole (megan.otoole@vermont.gov) 802-249-9882.

Administrative Procedures – Proposed Coversheet

Instructions:

In accordance with Title 3 Chapter 25 of the Vermont Statutes Annotated and the “Rule on Rulemaking” adopted by the Office of the Secretary of State, this proposed filing will be considered complete upon the submission and acceptance of the following components:

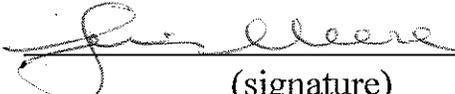
- Proposed Rule Coversheet
- Adopting Page
- Economic Impact Statement
- Public Input Statement
- Scientific Information Statement (if applicable)
- Incorporated by Reference Statement (if applicable)
- Clean text of the rule (Amended text without annotation)
- Annotated text (Clearly marking changes from previous rule)

All forms requiring a signature shall be original signatures of the appropriate adopting authority or authorized person, and all filings are to be submitted at the Office of the Secretary of State, no later than 3:30 pm on the last scheduled day of the work week.

The data provided in text areas of the proposed coversheet form will be used to generate a notice of rulemaking in the newspapers of record. Publication of notices will be charged back to the promulgating agency based on the word count of the notices.

Certification Statement: As the adopting Authority of this rule (see 3 V.S.A. § 801 (b) (11) for a definition), I approve the contents of this filing entitled:

Rule Title: Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

 _____, on 4/27/2018
 (signature) (date)

Printed Name and Title:

Julie Moore, Secretary, Agency of Natural Resources

RECEIVED BY: _____

- Proposed Rule Coversheet
- Adopting Page
- Economic Impact Statement
- Public Input Statement
- Scientific Information Statement (if applicable)
- Incorporated by Reference Statement (if applicable)
- Clean text of the rule (Amended text without annotation)
- Annotated text (Clearly marking changes from previous rule)
- ICAR Approval received by E-mail.

1. TITLE OF RULE FILING:

Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. PRIMARY CONTACT PERSON:

(A PERSON WHO IS ABLE TO ANSWER QUESTIONS ABOUT THE CONTENT OF THE RULE).

Name: Megan O'Toole

Agency: Agency of Natural Resources

Mailing Address: Vermont Department of Environmental Conservation, 1 National Life Drive, Davis 2, Montpelier, Vermont 05620

Telephone: 802 828 - 1288 Fax: 802 828 - 1250

E-Mail: megan.otoole@vermont.gov

Web URL *(WHERE THE RULE WILL BE POSTED)*:

<http://dec.vermont.gov/air-quality>

4. SECONDARY CONTACT PERSON:

(A SPECIFIC PERSON FROM WHOM COPIES OF FILINGS MAY BE REQUESTED OR WHO MAY ANSWER QUESTIONS ABOUT FORMS SUBMITTED FOR FILING IF DIFFERENT FROM THE PRIMARY CONTACT PERSON).

Name: Doug Elliott

Agency: Agency of Natural Resources

Mailing Address: Vermont Department of Environmental Conservation, 1 National Life Drive, Davis 2, Montpelier, Vermont 05620

Telephone: 802 828 - 1288 Fax: 802 828 - 1250

E-Mail: doug.elliott@vermont.gov

5. RECORDS EXEMPTION INCLUDED WITHIN RULE:

(DOES THE RULE CONTAIN ANY PROVISION DESIGNATING INFORMATION AS CONFIDENTIAL; LIMITING ITS PUBLIC RELEASE; OR OTHERWISE EXEMPTING IT FROM INSPECTION AND COPYING?) No

IF YES, CITE THE STATUTORY AUTHORITY FOR THE EXEMPTION:

PLEASE SUMMARIZE THE REASON FOR THE EXEMPTION:

6. LEGAL AUTHORITY / ENABLING LEGISLATION:

(THE SPECIFIC STATUTORY OR LEGAL CITATION FROM SESSION LAW INDICATING WHO THE ADOPTING ENTITY IS AND THUS WHO THE SIGNATORY SHOULD BE. THIS SHOULD BE A SPECIFIC CITATION NOT A CHAPTER CITATION).

10 V.S.A. §554

10 V.S.A. §558

7. CONCISE SUMMARY (150 WORDS OR LESS):

These amendments address updates to regulations pertaining to the control of emissions from sources of volatile organic compounds (VOCs), as prescribed by the Clean Air Act 2008 Ozone Standards and required to be included in Vermont's State Implementation Plan.

The public comment period and hearing for this rule will also serve as the comment period and hearing required under 40 C.F.R. §51.102 for corresponding revisions to Vermont's State Implementation Plan (SIP) in compliance with the Clean Air Act (CAA).

8. EXPLANATION OF WHY THE RULE IS NECESSARY:

Each of the VOC regulations proposed are federally required by the Clean Air Act to reduce emissions of ozone precursors.

9. LIST OF PEOPLE, ENTERPRISES AND GOVERNMENT ENTITIES AFFECTED BY THIS RULE:

Any people, enterprises, or government entities (meeting certain size thresholds) performing any of the regulated activities covered in the VOC regulations, including those:

- using industrial adhesives
- engaged in lithographic printing
- engaged in coating of flat wood paneling
- engaged in coating of metal and plastic parts, and
- using industrial cleaning solvents

10. BRIEF SUMMARY OF ECONOMIC IMPACT (150 WORDS OR LESS):

The VOC regulations are each federally required and similar to existing regulations in neighboring states. As a result, compliant materials are readily available and not expected to impose significant economic impacts.

11. A HEARING IS SCHEDULED .

12. HEARING INFORMATION

(THE FIRST HEARING SHALL BE NO SOONER THAN 30 DAYS FOLLOWING THE POSTING OF NOTICES ONLINE).

IF THIS FORM IS INSUFFICIENT TO LIST THE INFORMATION FOR EACH HEARING PLEASE ATTACH A SEPARATE SHEET TO COMPLETE THE HEARING INFORMATION NEEDED FOR THE NOTICE OF RULEMAKING.

Date: 7/9/2018

Time: 11:00 AM

Street Address: Vermont Dept of Environmental Conservation
1 National Life Drive, Davis 2
Montpelier, Vermont

Zip Code: 05620

Date:

Time: AM

Street Address:

Zip Code:

Date:

Time: AM

Street Address:

Zip Code:

Date:

Time: AM

Street Address:

Zip Code:

- 13. DEADLINE FOR COMMENT (NO EARLIER THAN 7 DAYS FOLLOWING LAST HEARING):

7/16/2018

- 14. KEYWORDS (PLEASE PROVIDE AT LEAST 3 KEYWORDS OR PHRASES TO AID IN THE SEARCHABILITY OF THE RULE NOTICE ONLINE).

VOC

Ozone

Air pollution

RACT

Administrative Procedures – Adopting Page

Instructions:

This form must be completed for each filing made during the rulemaking process:

- Proposed Rule Filing
- Final Proposed Filing
- Adopted Rule Filing
- Emergency Rule Filing

Note: To satisfy the requirement for an annotated text, an agency must submit the entire rule in annotated form with proposed and final proposed filings. Filing an annotated paragraph or page of a larger rule is not sufficient. Annotation must clearly show the changes to the rule.

When possible the agency shall file the annotated text, using the appropriate page or pages from the Code of Vermont Rules as a basis for the annotated version. New rules need not be accompanied by an annotated text.

1. TITLE OF RULE FILING:

Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. AGENCY REFERENCE NUMBER, IF ANY:

4. TYPE OF FILING (*PLEASE CHOOSE THE TYPE OF FILING FROM THE DROPDOWN MENU BASED ON THE DEFINITIONS PROVIDED BELOW*):

- **AMENDMENT** - Any change to an already existing rule, even if it is a complete rewrite of the rule, it is considered an amendment as long as the rule is replaced with other text.
- **NEW RULE** - A rule that did not previously exist even under a different name.
- **REPEAL** - The removal of a rule in its entirety, without replacing it with other text.

This filing is **AN AMENDMENT OF AN EXISTING RULE** .

5. LAST ADOPTED (*PLEASE PROVIDE THE SOS LOG#, TITLE AND LAST DATE OF ADOPTION FOR THE EXISTING RULE*):

16-057

Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

November 30, 2016

Administrative Procedures – Economic Impact Statement

Instructions:

In completing the economic impact statement, an agency analyzes and evaluates the anticipated costs and benefits to be expected from adoption of the rule. This form must be completed for the following filings made during the rulemaking process:

- Proposed Rule Filing
- Final Proposed Filing
- Adopted Rule Filing
- Emergency Rule Filing

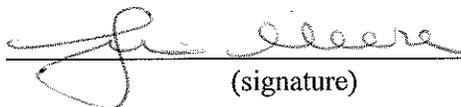
Rules affecting or regulating public education and public schools must include cost implications to local school districts and taxpayers in the impact statement (see 3 V.S.A. § 832b for details).

The economic impact statement also contains a section relating to the impact of the rule on greenhouse gases. Agencies are required to explain how the rule has been crafted to reduce the extent to which greenhouse gases are emitted (see 3 V.S.A. § 838(c)(4) for details).

All forms requiring a signature shall be original signatures of the appropriate adopting authority or authorized person.

Certification Statement: As the adopting Authority of this rule (see 3 V.S.A. § 801 (b) (11) for a definition), I conclude that this rule is the most appropriate method of achieving the regulatory purpose. In support of this conclusion I have attached all findings required by 3 V.S.A. §§ 832a, 832b, and 838(c) for the filing of the rule entitled:

Rule Title: Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

 _____, on 4/27/2018
(signature) (date)

Printed Name and Title:

Julie Moore, Secretary, Agency of Natural Resources

BE AS SPECIFIC AS POSSIBLE IN THE COMPLETION OF THIS FORM, GIVING FULL INFORMATION ON YOUR ASSUMPTIONS, DATABASES, AND ATTEMPTS TO GATHER OTHER INFORMATION ON THE NATURE OF THE COSTS AND BENEFITS INVOLVED. COSTS AND BENEFITS CAN INCLUDE ANY TANGIBLE OR INTANGIBLE ENTITIES OR FORCES WHICH WILL MAKE AN IMPACT ON LIFE WITHOUT THIS RULE.

1. TITLE OF RULE FILING:

Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. CATEGORY OF AFFECTED PARTIES:

LIST CATEGORIES OF PEOPLE, ENTERPRISES, AND GOVERNMENTAL ENTITIES POTENTIALLY AFFECTED BY THE ADOPTION OF THIS RULE AND THE ESTIMATED COSTS AND BENEFITS ANTICIPATED:

Any people, enterprises, or government entities (meeting certain size thresholds) performing any of the regulated activities covered in the VOC regulations, including those:

- using industrial adhesives
- engaged in lithographic printing
- engaged in coating of flat wood paneling
- engaged in coating of metal and plastic parts, and
- using industrial cleaning solvents

4. IMPACT ON SCHOOLS:

INDICATE ANY IMPACT THAT THE RULE WILL HAVE ON PUBLIC EDUCATION, PUBLIC SCHOOLS, LOCAL SCHOOL DISTRICTS AND/OR TAXPAYERS:

The VOC regulations are not expected to impact schools. As members of the public, schools would expect to benefit from air pollution control programs.

5. COMPARISON:

COMPARE THE ECONOMIC IMPACT OF THE RULE WITH THE ECONOMIC IMPACT OF OTHER ALTERNATIVES TO THE RULE, INCLUDING NO RULE ON THE SUBJECT OR A RULE HAVING SEPARATE REQUIREMENTS FOR SMALL BUSINESS:

The VOC regulations are federally required by the US EPA with little flexibility. The regulations as proposed meet the federal requirements, but are not

more stringent. Failure to comply with these requirements would result in repercussions that would potentially affect federal funding coming to Vermont and impose more stringent permitting requirements for new or modifying air pollution sources. The size thresholds in the regulations exempt small sources.

6. FLEXIBILITY STATEMENT:

COMPARE THE BURDEN IMPOSED ON SMALL BUSINESS BY COMPLIANCE WITH THE RULE TO THE BURDEN WHICH WOULD BE IMPOSED BY ALTERNATIVES CONSIDERED IN 3 V.S.A. § 832a:

While the VOC regulations are federally required by the US EPA with little flexibility, the size thresholds in the regulations exempt small sources.

7. GREENHOUSE GAS IMPACT: *EXPLAIN HOW THE RULE WAS CRAFTED TO REDUCE THE EXTENT TO WHICH GREENHOUSE GASES ARE EMITTED, EITHER DIRECTLY OR INDIRECTLY, FROM THE FOLLOWING SECTORS OF ACTIVITIES:*

a. TRANSPORTATION —

IMPACTS BASED ON THE TRANSPORTATION OF PEOPLE OR PRODUCTS (e.g., “THE RULE HAS PROVISIONS FOR CONFERENCE CALLS INSTEAD OF TRAVEL TO MEETINGS” OR “LOCAL PRODUCTS ARE PREFERENTIALLY PURCHASED TO REDUCE SHIPPING DISTANCE.”):

The VOC rules are not expected to have a GHG impact on transportation.

b. LAND USE AND DEVELOPMENT —

IMPACTS BASED ON LAND USE AND DEVELOPMENT, FORESTRY, AGRICULTURE ETC. (e.g., “THE RULE WILL RESULT IN ENHANCED, HIGHER DENSITY DOWNTOWN DEVELOPMENT.” OR “THE RULE MAINTAINS OPEN SPACE, FORESTED LAND AND /OR AGRICULTURAL LAND.”):

The VOC rules are not expected to have a GHG impact on land use and development.

c. BUILDING INFRASTRUCTURE —

IMPACTS BASED ON THE HEATING, COOLING AND ELECTRICITY CONSUMPTION NEEDS (e.g., “THE RULE PROMOTES WEATHERIZATION TO REDUCE BUILDING HEATING AND COOLING DEMANDS.” OR “THE PURCHASE AND USE OF EFFICIENT ENERGY STAR APPLIANCES IS REQUIRED TO REDUCE ELECTRICITY CONSUMPTION.”):

The VOC regulations are not expected to have a GHG impact on building infrastructure.

d. WASTE GENERATION / REDUCTION —

IMPACTS BASED ON THE GENERATION OF WASTE OR THE REDUCTION, REUSE, AND

RECYCLING OPPORTUNITIES AVAILABLE (e.g., “THE RULE WILL RESULT IN REUSE OF PACKING MATERIALS.” OR “AS A RESULT OF THE RULE, FOOD AND OTHER ORGANIC WASTE WILL BE COMPOSTED OR DIVERTED TO A ‘METHANE TO ENERGY PROJECT’.”):

The VOC regulations are not expected to have a GHG impact on waste generation or reduction.

e. OTHER —

IMPACTS BASED ON OTHER CRITERIA NOT PREVIOUSLY LISTED:

Administrative Procedures – Public Input Statement

Instructions:

In completing the public input statement, an agency describes what it did do, or will do to maximize the involvement of the public in the development of the rule. This form must be completed for the following filings made during the rulemaking process:

- Proposed Rule Filing
- Final Proposed Filing
- Adopted Rule Filing
- Emergency Rule Filing

1. TITLE OF RULE FILING:

Miscellaneous Amendments to the Vermont Air Pollution Control Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. PLEASE LIST THE STEPS THAT HAVE BEEN OR WILL BE TAKEN TO MAXIMIZE PUBLIC INVOLVEMENT IN THE DEVELOPMENT OF THE PROPOSED RULE:

The proposed rule amendments will be noticed in accordance with the Vermont Administrative Procedure Act requirements, as well as federal Clean Air Act requirements, and will be posted on the Air Quality and Climate Division (AQCD) website. For the VOC regulations, AQCD will notify all registered air pollution sources.

4. BEYOND GENERAL ADVERTISEMENTS, PLEASE LIST THE PEOPLE AND ORGANIZATIONS THAT HAVE BEEN OR WILL BE INVOLVED IN THE DEVELOPMENT OF THE PROPOSED RULE:

The US EPA has reviewed draft VOC regulations to ensure that the proposed regulations will meet federal requirements. AQCD has sought stakeholder input on the lithographic and flat wood paneling regulations.

Administrative Procedures – Proposed Coversheet

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Certification Statement: As the adopting Authority of this rule (see 3 V.S.A. § 801 (b) (11) for a definition), I approve the contents of this filing entitled:

Rule Title: Amendments to the Vermont CO2 Budget Trading Program Regulations

, on 4/27/2018
 (signature) (date)

Printed Name and Title:
 Julie Moore, Secretary, Agency of Natural Resources

RECEIVED BY: _____

- Proposed Rule Coversheet
- Adopting Page
- Economic Impact Statement
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- Clean text of the rule (Amended text without annotation)
- Annotated text (Clearly marking changes from previous rule)
- ICAR Approval received by E-mail.

1. TITLE OF RULE FILING:

Amendments to Vermont CO2 Budget Trading Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. PRIMARY CONTACT PERSON:

(A PERSON WHO IS ABLE TO ANSWER QUESTIONS ABOUT THE CONTENT OF THE RULE).

Name: Megan C. O'Toole

Agency: Natural Resources

Mailing Address: Vermont Department of Environmental Conservation, Air Quality and Climate Division, Davis 2, One National Life Drive, Montpelier VT 05602-3802

Telephone: 802 249 - 9882 Fax: -

E-Mail: megan.otoole@vermont.gov

Web URL *(WHERE THE RULE WILL BE POSTED)*:

<http://dec.vermont.gov/air-quality/laws>

4. SECONDARY CONTACT PERSON:

(A SPECIFIC PERSON FROM WHOM COPIES OF FILINGS MAY BE REQUESTED OR WHO MAY ANSWER QUESTIONS ABOUT FORMS SUBMITTED FOR FILING IF DIFFERENT FROM THE PRIMARY CONTACT PERSON).

Name: Brian Woods

Agency: Natural Resources

Mailing Address: Vermont Department of Environmental Conservation, Air Quality and Climate Division, Davis 2, One National Life Drive, Montpelier VT 05602-3802

Telephone: 802 272 - 4496 Fax: -

E-Mail: brian.woods@vermont.gov

5. RECORDS EXEMPTION INCLUDED WITHIN RULE:

(DOES THE RULE CONTAIN ANY PROVISION DESIGNATING INFORMATION AS CONFIDENTIAL; LIMITING ITS PUBLIC RELEASE; OR OTHERWISE EXEMPTING IT FROM INSPECTION AND COPYING?) No

IF YES, CITE THE STATUTORY AUTHORITY FOR THE EXEMPTION:

PLEASE SUMMARIZE THE REASON FOR THE EXEMPTION:

6. LEGAL AUTHORITY / ENABLING LEGISLATION:

(THE SPECIFIC STATUTORY OR LEGAL CITATION FROM SESSION LAW INDICATING WHO THE ADOPTING ENTITY IS AND THUS WHO THE SIGNATORY SHOULD BE. THIS SHOULD BE A SPECIFIC CITATION NOT A CHAPTER CITATION).

10 V.S.A. §558 and 30 V.S.A. §255

7. CONCISE SUMMARY (150 WORDS OR LESS):

The proposed rule amends the Vermont CO2 Budget Trading Program Regulations which implement the Regional Greenhouse Gas Initiative (RGGI) in Vermont. The amendments reflect revisions agreed to by the RGGI states (CT, DE, ME, MD, MA, NH, NY, RI and VT) to the RGGI model rule made during the most recent program review, most notably establishing a regional emissions cap of 75,147,784 short tons for 2021, declining by 2,275,000 short tons a year through 2030, resulting in a 30% reduction in the regional cap from 2020 to 2030. The amendments establish Vermont's base CO2 budgets for 2021-2030; remove two of the five existing offset project categories; and make some minor technical changes and typographical corrections. Model rule changes regarding the allowance auction, including an additional budget adjustment for banked allowances, revision of the size of the cost containment reserve, and implementation of an emissions containment reserve will be implemented by the Public Utilities Commission.

8. EXPLANATION OF WHY THE RULE IS NECESSARY:

The RGGI program review that concluded in 2017 resulted in the RGGI states' mutual commitment to program changes that increase regional program stringency, provide increased market stability and eliminate unused program elements. To fulfill this commitment and to satisfy the requirements of 30 V.S.A. §255(c) which directs the Agency of Natural Resources to establish by rule annual carbon budgets for emissions for the electric power sector that are consistent with RGGI program reviews, the Agency is proposing these amendments.

9. LIST OF PEOPLE, ENTERPRISES AND GOVERNMENT ENTITIES AFFECTED BY THIS RULE:

Environmental and energy advocates, electricity generators, distribution companies, independent system operators (ISOs) such as ISO New England, non-electric

generator business interests, government stakeholders, other stakeholders and individuals interested in reducing greenhouse gas emissions.

10. BRIEF SUMMARY OF ECONOMIC IMPACT (150 WORDS OR LESS):

A macro-economic impact study (REMI analysis) of the proposed revisions to the RGGI program concluded that the impacts on the economies of the nine RGGI states as measured by total employment, gross regional product and real income would be slightly positive (less than +0.02%) over the 30-year time frame of the analysis. In Vermont the economic impact is near zero. Vermont electric rates are modeled to increase slightly (less than 2%) as compared to the reference case. However, proceeds investments in thermal energy efficiency and continued improvements in end-use electric energy efficiency from other programs will act to mitigate any increase in consumer electricity costs. In addition, the proposed amendments will provide numerous unquantified public health and environmental benefits from reduced pollutant emissions in Vermont and the region.

11. A HEARING IS SCHEDULED .

12. HEARING INFORMATION

(THE FIRST HEARING SHALL BE NO SOONER THAN 30 DAYS FOLLOWING THE POSTING OF NOTICES ONLINE).

IF THIS FORM IS INSUFFICIENT TO LIST THE INFORMATION FOR EACH HEARING PLEASE ATTACH A SEPARATE SHEET TO COMPLETE THE HEARING INFORMATION NEEDED FOR THE NOTICE OF RULEMAKING.

Date: 7/9/2018

Time: 11:00 AM

Street Address: Vermont Dept of Environmental Conservation
1 National Life Drive, Davis 2
Montpelier, Vermont
Zip Code: 05620

Date:

Time: AM

Street Address:

Zip Code:

Date:

Time: AM

Street Address:

Zip Code:

Date:

Time: AM

Street Address:

Zip Code:

13. DEADLINE FOR COMMENT (NO EARLIER THAN 7 DAYS FOLLOWING LAST HEARING):

7/16/2018

14. KEYWORDS (PLEASE PROVIDE AT LEAST 3 KEYWORDS OR PHRASES TO AID IN THE SEARCHABILITY OF THE RULE NOTICE ONLINE).

RGGI

CO2

cap and trade

greenhouse gas

Regional Greenhouse Gas Initiative

Administrative Procedures – Adopting Page

Instructions:

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- Proposed Rule Filing
- Final Proposed Filing
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- Emergency Rule Filing

Note: To satisfy the requirement for an annotated text, an agency must submit the entire rule in annotated form with proposed and final proposed filings. Filing an annotated paragraph or page of a larger rule is not sufficient. Annotation must clearly show the changes to the rule.

When possible the agency shall file the annotated text, using the appropriate page or pages from the Code of Vermont Rules as a basis for the annotated version. New rules need not be accompanied by an annotated text.

1. TITLE OF RULE FILING:

Amendments to the Vermont CO2 Budget Trading Program Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. AGENCY REFERENCE NUMBER, IF ANY:

4. TYPE OF FILING (*PLEASE CHOOSE THE TYPE OF FILING FROM THE DROPDOWN MENU BASED ON THE DEFINITIONS PROVIDED BELOW*):

- **AMENDMENT** - Any change to an already existing rule, even if it is a complete rewrite of the rule, it is considered an amendment as long as the rule is replaced with other text.
- **NEW RULE** - A rule that did not previously exist even under a different name.
- **REPEAL** - The removal of a rule in its entirety, without replacing it with other text.

This filing is **AN AMENDMENT OF AN EXISTING RULE** .

5. LAST ADOPTED (*PLEASE PROVIDE THE SOS LOG#, TITLE AND LAST DATE OF ADOPTION FOR THE EXISTING RULE*):

SOS Log #13-037, Vermont CO2 Budget Trading Program Regulations, adopted 2008; amended 2013

Administrative Procedures – Economic Impact Statement

Instructions:

In completing the economic impact statement, an agency analyzes and evaluates the anticipated costs and benefits to be expected from adoption of the rule. This form must be completed for the following filings made during the rulemaking process:

- Proposed Rule Filing
- Final Proposed Filing
- Adopted Rule Filing
- Emergency Rule Filing

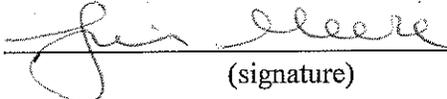
Rules affecting or regulating public education and public schools must include cost implications to local school districts and taxpayers in the impact statement (see 3 V.S.A. § 832b for details).

The economic impact statement also contains a section relating to the impact of the rule on greenhouse gases. Agencies are required to explain how the rule has been crafted to reduce the extent to which greenhouse gases are emitted (see 3 V.S.A. § 838(c)(4) for details).

All forms requiring a signature shall be original signatures of the appropriate adopting authority or authorized person.

Certification Statement: As the adopting Authority of this rule (see 3 V.S.A. § 801 (b) (11) for a definition), I conclude that this rule is the most appropriate method of achieving the regulatory purpose. In support of this conclusion I have attached all findings required by 3 V.S.A. §§ 832a, 832b, and 838(c) for the filing of the rule entitled:

Rule Title: Amendments to the Vermont CO2 Budget Trading Program Regulations

 _____, on 4/27/2018
(signature) (date)

Printed Name and Title:

Julie Moore, Secretary, Agency of Natural Resources

BE AS SPECIFIC AS POSSIBLE IN THE COMPLETION OF THIS FORM, GIVING FULL INFORMATION ON YOUR ASSUMPTIONS, DATABASES, AND ATTEMPTS TO GATHER OTHER INFORMATION ON THE NATURE OF THE COSTS AND BENEFITS INVOLVED. COSTS AND BENEFITS CAN INCLUDE ANY TANGIBLE OR INTANGIBLE ENTITIES OR FORCES WHICH WILL MAKE AN IMPACT ON LIFE WITHOUT THIS RULE.

1. TITLE OF RULE FILING:

Amendments to the Vermont CO2 Budget Trading Program Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. CATEGORY OF AFFECTED PARTIES:

LIST CATEGORIES OF PEOPLE, ENTERPRISES, AND GOVERNMENTAL ENTITIES POTENTIALLY AFFECTED BY THE ADOPTION OF THIS RULE AND THE ESTIMATED COSTS AND BENEFITS ANTICIPATED:

Based on modeling, regional monthly electric bills are predicted to be, on average, about 0.8% higher for residential customers, 1.6% higher for commercial customers, and 1.2% higher for industrial customers from 2017 to 2031 as compared to a scenario without the proposed rule changes. Modeling results for Vermont show that electric bills are predicted to be 1.2% higher for residential customers, 1.6% higher for commercial customers, and 2% higher for industrial customers, but the model did not account for consumer savings due to fossil fuel energy efficiency investments, which are what Vermont's RGGI proceeds are directed to fund. These investments, plus Vermont's investments in end-use electric efficiency from other state programs and Vermont's relatively high percentage of electricity generated from low-emitting sources will likely mitigate the potential increase in customer electric bills.

Overall, the proposed amendments are modeled to have an overall positive effect on the regional economy. Through the investment of program proceeds in initiatives such as end-use energy efficiency and renewable energy, the program is projected to result in an additional \$8.64 billion (+0.013%) in gross state product across the region; 130,120 job-years (+ 0.016%)

spread across the region; and a \$9.8 billion (+0.012%) increase in real personal income. For additional information about the estimated costs and anticipated benefits of the proposed rule, see Attachment A.

4. IMPACT ON SCHOOLS:

INDICATE ANY IMPACT THAT THE RULE WILL HAVE ON PUBLIC EDUCATION, PUBLIC SCHOOLS, LOCAL SCHOOL DISTRICTS AND/OR TAXPAYERS:

Like other ratepayers, public schools may experience a modest (1.6%) increase in their electric bills as described in the section "Potential Impacts to Ratepayers" (see Attachment A).

5. COMPARISON:

COMPARE THE ECONOMIC IMPACT OF THE RULE WITH THE ECONOMIC IMPACT OF OTHER ALTERNATIVES TO THE RULE, INCLUDING NO RULE ON THE SUBJECT OR A RULE HAVING SEPARATE REQUIREMENTS FOR SMALL BUSINESS:

One alternative would be for Vermont to not adopt the proposed amendments to the RGGI program. This option would be in direct conflict with the mandate of 30 V.S.A. §255(c) and therefore not legally appropriate. This would also be in conflict with the RGGI Principles to Accompany Model Rule Amendments (December 2017). 30 V.S.A. §255(c) directs the Agency to participate in the RGGI program and to adopt rules establishing a cap-and-trade program to reduce carbon emissions from electricity power plants, and the RGGI Principles document commits the participating states to implement the agreed upon changes to the program. As discussed below, the proposed rule amendments do not impose requirements on small businesses. Consequently ANR did not consider an alternative rule with separate requirements for small businesses.

6. FLEXIBILITY STATEMENT:

COMPARE THE BURDEN IMPOSED ON SMALL BUSINESS BY COMPLIANCE WITH THE RULE TO THE BURDEN WHICH WOULD BE IMPOSED BY ALTERNATIVES CONSIDERED IN 3 V.S.A. § 832a:

The proposed rule only applies to fossil fuel fired electric generating units that have a nameplate capacity equal to or greater than 25 megawatts. In Vermont, there are only two facilities, both gas combustion turbines fueled with distillate fuel, that

meet these criteria. The facilities subject to the rule are owned by the City of Burlington and Green Mountain Power Corp., neither of which meets the definition of a small business set forth in 30 V.S.A. §801(b)(12).

7. **GREENHOUSE GAS IMPACT: EXPLAIN HOW THE RULE WAS CRAFTED TO REDUCE THE EXTENT TO WHICH GREENHOUSE GASES ARE EMITTED, EITHER DIRECTLY OR INDIRECTLY, FROM THE FOLLOWING SECTORS OF ACTIVITIES:**

a. **TRANSPORTATION —**

IMPACTS BASED ON THE TRANSPORTATION OF PEOPLE OR PRODUCTS (e.g., "THE RULE HAS PROVISIONS FOR CONFERENCE CALLS INSTEAD OF TRAVEL TO MEETINGS" OR "LOCAL PRODUCTS ARE PREFERENTIALLY PURCHASED TO REDUCE SHIPPING DISTANCE."):

The proposed rule amendments are intended to reduce greenhouse gas emissions from the electric power sector. It is unlikely that the rule will affect greenhouse gas emissions from the transportation sector.

b. **LAND USE AND DEVELOPMENT —**

IMPACTS BASED ON LAND USE AND DEVELOPMENT, FORESTRY, AGRICULTURE ETC. (e.g., "THE RULE WILL RESULT IN ENHANCED, HIGHER DENSITY DOWNTOWN DEVELOPMENT." OR "THE RULE MAINTAINS OPEN SPACE, FORESTED LAND AND /OR AGRICULTURAL LAND."):

The proposed amended rule would continue to allow regulated power plants to offset a small percentage of their carbon dioxide emissions through forestry offset projects either implemented by them or by a third party. It is possible that the rule could lead to increased sequestration of carbon in Vermont forests. However, regulated units throughout the region have to date not utilized forest offsets and allowance price modeling indicates that the likelihood of a project being proposed will remain low through 2030. Therefore it is unlikely that the proposed rule would have significant impact on greenhouse gas emissions from the land use and development sector.

c. **BUILDING INFRASTRUCTURE —**

IMPACTS BASED ON THE HEATING, COOLING AND ELECTRICITY CONSUMPTION NEEDS (e.g., "THE RULE PROMOTES WEATHERIZATION TO REDUCE BUILDING HEATING AND COOLING DEMANDS." OR "THE PURCHASE AND USE OF EFFICIENT ENERGY STAR APPLIANCES IS REQUIRED TO REDUCE ELECTRICITY CONSUMPTION."):

Pursuant to 30 V.S.A. §255 Vermont is required to invest 100% of the net proceeds from the auction of carbon dioxide allowances to provide "the maximum long-term benefit to Vermont consumers," less any

administrative expenses. Currently, 98% of revenues from the auction of allowances are invested in fossil fuel energy efficiency programs. Vermont expects to continue to invest in such programs under the updated rule. Energy efficiency measures reduce energy consumption and thus avoid the emission of greenhouse gases related to energy production.

d. WASTE GENERATION / REDUCTION —

IMPACTS BASED ON THE GENERATION OF WASTE OR THE REDUCTION, REUSE, AND RECYCLING OPPORTUNITIES AVAILABLE (e.g., "THE RULE WILL RESULT IN REUSE OF PACKING MATERIALS." OR "AS A RESULT OF THE RULE, FOOD AND OTHER ORGANIC WASTE WILL BE COMPOSTED OR DIVERTED TO A 'METHANE TO ENERGY PROJECT'."):

The proposed amended rule intends to reduce greenhouse gas emissions from the electric power sector. Therefore it is unlikely that the amended rule will directly affect greenhouse gas emissions from waste generation/reduction. The amended rule would continue to allow regulated power plants to offset a small percentage of their carbon dioxide emissions through agricultural methane management or landfill methane capture and destruction offset projects either implemented by them or by a third party. However, to date only one offset project (for landfill methane) has been approved in the region and allowance price modeling indicates that the likelihood of another project being proposed will remain low through 2030.

e. OTHER —

IMPACTS BASED ON OTHER CRITERIA NOT PREVIOUSLY LISTED:

The proposed amended rule is designed to reduce greenhouse gas emissions from electricity generation. The amended rule would lower the existing cap on the mass of carbon dioxide that may be emitted from fossil-fuel fired electric generating units with a capacity of 25 megawatts or more. The 2021 regional cap would be set at 75,147,784 short tons, and decrease by 2,275,000 short tons a year through 2030. Region-wide this is expected to reduce regional carbon dioxide emissions from electricity generation by over 115 million short tons from 2022 to 2031 as compared to a reference case without these amendments.

Administrative Procedures – Public Input Statement

Instructions:

In completing the public input statement, an agency describes what it did do, or will do to maximize the involvement of the public in the development of the rule. This form must be completed for the following filings made during the rulemaking process:

- Proposed Rule Filing
- Final Proposed Filing
- Adopted Rule Filing
- Emergency Rule Filing

1. TITLE OF RULE FILING:

Amendments to the Vermont CO2 Budget Trading Program Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. PLEASE LIST THE STEPS THAT HAVE BEEN OR WILL BE TAKEN TO MAXIMIZE PUBLIC INVOLVEMENT IN THE DEVELOPMENT OF THE PROPOSED RULE:

The proposed amendments would adopt changes to the RGGI program that were developed by the RGGI participating states during a comprehensive program review that took place in 2016-2017. This effort was supported by an extensive regional stakeholder process that engaged the regulated community, environmental nonprofits, consumer and industry advocates, other organizations with technical expertise in the design of cap-and-trade programs, and other interested stakeholders. The participating RGGI states have been working with program review stakeholders since 2016, convening 13 stakeholder meetings, webinars and learning sessions. All of the stakeholder materials are available at: <https://www.rggi.org/program-overview-and-design/program-review>. The Agency held a Vermont stakeholder information session on March 22, 2018 and intends to hold a public hearing on the proposed rule amendments during the rulemaking process. Details about the public hearing will be made available in public notices as required by the Administrative Procedures Act. Additionally, the proposed rule and rule adoption schedule will be available online at the Air Quality

and Climate Division web site

<http://dec.vermont.gov/air-quality/climate-change/rggi>.

4. BEYOND GENERAL ADVERTISEMENTS, PLEASE LIST THE PEOPLE AND ORGANIZATIONS THAT HAVE BEEN OR WILL BE INVOLVED IN THE DEVELOPMENT OF THE PROPOSED RULE:

Numerous people and organizations have been or will be involved in the development of the proposed amendments, including environmental and energy advocates, electricity generators, distribution companies, the New England Independent System Operator ISO-NE, non-electric generator business interests, consumer representatives, offset stakeholders, government stakeholders, other stakeholders and individuals interested in reducing greenhouse gas emissions.

Administrative Procedures – Scientific Information Statement

Instructions:

In completing the Scientific Information Statement, an agency shall provide a brief summary of the scientific information including reference to any scientific studies upon which the proposed rule is based, for the purpose of validity.

This form is only required when a rule relies on scientific information for its validity.

1. TITLE OF RULE FILING:

Amendments to the Vermont CO2 Budget Trading Program Regulations

2. ADOPTING AGENCY:

Agency of Natural Resources

3. BRIEF EXPLANATION OF SCIENTIFIC INFORMATION:

The rationale for the RGGI program to reduce greenhouse gas emissions from electricity generation is based on a large body of scientific research documenting the relationship between atmospheric carbon dioxide concentration and climate change. The latest report from the Intergovernmental Commission on Climate Change (AR5, November 2014) concludes that "Human influence has been detected in warming of the atmosphere and the ocean, in changes in the global water cycle, in reductions in snow and ice, in global mean sea level rise, and in changes in some climate extremes. This evidence for human influence has grown since the previous report of the IPCC. It is extremely likely that human influence has been the dominant cause of the observed warming since the mid-20th century. Continued emissions of greenhouse gases will cause further warming and changes in all components of the climate system. Limiting climate change will require substantial and sustained reductions of greenhouse gas emissions."

4. CITATION OF SOURCE DOCUMENTATION OF SCIENTIFIC INFORMATION:

IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel

on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland, 151 pp.

5. INSTRUCTIONS ON HOW TO OBTAIN COPIES OF THE SOURCE DOCUMENTS OF THE SCIENTIFIC INFORMATION FROM THE AGENCY OR OTHER PUBLISHING ENTITY:

Available online for download at:
<https://www.ipcc.ch/report/ar5/syr/>