



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

DEPUTY ADMINISTRATOR

MEMORANDUM

Subject: Fiscal Years (FY) 2005-2007 National Program Managers Guidance--
Supplement

From: Marcus Peacock, Deputy Administrator

To: Regional Administrators
State Environmental Commissioners

We need to accelerate the pace of environmental protection. In order to do that, we must achieve substantial emission reductions from the U.S. coal-fired power sector. Since the 1990s the Agency has worked on a comprehensive strategy to reduce these emissions. That strategy is working: power sector air emissions are regulated more strictly now than ever before, producing significant environmental benefits for the American people.

Over the past few years, EPA has accelerated progress in improving air quality through targeted enforcement and aggressive rulemakings. For instance, substantial financial and human resources have been dedicated to our power plant enforcement initiative. In addition, since May 2004, EPA promulgated two rules that will significantly reduce coal-fired power plant emissions: the Clean Air Interstate Rule (CAIR) and the Clean Air Visibility rule. CAIR will reduce emissions in the eastern U.S. by approximately 70 percent, resulting in \$85 billion to \$100 billion in health benefits. In addition, Clean Air Visibility rule controls will result in annual estimated NOx reductions of about 600,000 tons, and emission reductions for SO2 of approximately 400,000 tons annually.

These rulemakings, particularly CAIR, will reduce powerplant emissions deeper, faster, and more efficiently than would be achieved by continuing costly and uncertain litigation in case-by-case enforcement actions of existing NSR regulations. CAIR offers a more comprehensive approach, resulting in more significant and more certain emissions reductions and greater environmental benefits.

Consequently, it is time to update the agency's coal-fired NSR enforcement strategy. I have asked EPA's Office of Enforcement and Compliance Assurance (OECA) to modify the FY 2005 to 2007 National Program Managers Guidance and refocus its resources on other areas that will likely produce significant environmental benefits. EPA should continue to pursue existing filed utility cases and those matters in ongoing negotiations. In deciding which additional cases to pursue, it is appropriate to focus on those that would violate our NSR reform rules and our latest NSR utility proposal, which the Agency is releasing today.

If adopted, this proposed rule would make the NSR applicability test for coal-fired power plants very similar to the existing New Source Performance Standards applicability test (*i.e.*, a maximum achievable hourly test). This proposed rule would continue the agency's efforts to improve the NSR program in ways that reduce the prospect of litigation, and instead encourage installation of new, innovative technologies that promote energy efficiency and reliability.