

Regulation No. 1147 CO₂ Budget Trading Program

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1.0 CO₂ Budget Trading Program General Provisions

1.1 Purpose.

This Regulation establishes the State of Delaware component of the CO₂ Budget Trading Program, which is designed to stabilize and then reduce anthropogenic emissions of CO₂, a greenhouse gas, from CO₂ budget sources in an economically efficient manner.

1.2 Applicability.

1.2.1 *Units.* Any unit that, at any time on or after January 1, 2005, serves an electricity generator with a nameplate capacity equal to or greater than 25 MWe shall be a CO₂ budget unit, and any source that includes one or more such units shall be a CO₂ budget source, subject to the requirements of this regulation.

1.2.2 *Limited exemption for units with electrical output to the electric grid restricted by permit conditions.*

1.2.2.1 *Applicability.* Notwithstanding 1.2.1 of this regulation, a unit under 1.2.1 of this regulation that is covered by a permit issued pursuant to 7 DE Admin Code 1102 or 1130 containing a practically enforceable condition restricting the supply of the unit's annual electrical output to the electric grid to less than or equal to 10 percent of the annual gross generation of the unit, and which complies with the provisions in 1.2.3 of this regulation, shall be exempt from the requirements of Regulation 1147, except for the provisions of this section, sections 1.3, 1.4, 1.6 and, if applicable because of the allocation of CO₂ allowances during the pre-exemption time period, Sections 5, 6 and 7 of this regulation.

1.2.2.2 *Effective date.* The exemption under 1.2.2.1 of this regulation shall become effective as of the January 1 that is on or after the date on which the restriction on the percentage of annual gross generation that may be supplied to the electric grid and the provisions in the permit required under 1.2.2.1 of this regulation become final.

1.2.2.3 *Compliance.*

1.2.2.3.1 A unit exempt under 1.2.2.1 of this regulation shall comply with the restriction on percentage of annual gross generation that may be supplied to the electric grid described in 1.2.2.1 of this regulation.

1.2.2.3.2 A unit exempt under 1.2.2.1 of this regulation shall report to the Department the amount of annual gross generation and the

amount of annual gross generation supplied to the electric grid during the year by the following February 1.

1.2.2.3.3 A CO₂ Budget source which contains an exemption under section 1.2.2.1 of this regulation shall submit a climate action plan, approved by the Department, that addresses reduction of CO₂ emissions from the source through reasonably available reduction practices and includes the following elements:

- Baseline GHG emissions inventory
- Projected Emissions Forecast (thru 2050?)
- Absolute GHG reduction targets
 - Short or near term – Xx% below 19xx by 20xx
 - Long term – xx% below 19xx by 2050
- Adaptation Strategies?
- Mitigation Strategies
 - Current
 - Proposed
- Implementation
- Monitoring & Reporting
- Education & Outreach

1.2.2.3.4 A CO₂ Budget Source subject to the requirements of 1.2.2.3.3 of this regulation shall provide annual updates on reductions achieved by the approved climate action plan. The CO₂ Budget Source shall the option to meet their emission reduction targets specified by 1.2.2.3.3 of this regulation by purchase and retirement of CO₂ allowances for any calendar year.

1.2.2.3.5 For a period of 10 years from the date the records are created, the owners and operators of a unit exempt under 1.2.2.1 of this regulation shall retain, at the source that includes the unit, records demonstrating that the conditions of the permit under 1.2.2.1 of this regulation were met. The 10-year period for keeping records may be extended for cause, at any time prior to the end of the period, in writing by the Department. The owners and operators bear the burden of proof that the unit met the restriction on the percentage of annual gross generation that may be supplied to the electric grid.

1.2.2.3.6 The owners and operators and, to the extent applicable, the CO₂ authorized account representative of a unit exempt under 1.2.2.1 of this regulation shall comply with all the requirements of this Regulation concerning all time periods for which the exemption is not in effect, even if such requirements arise, or must be complied with, after the exemption takes effect.

1.2.2.3.7 On the earlier of the following dates, a unit exempt under 1.2.2.1 of this regulation shall lose its exemption:

1.2.2.3.7.1 the date on which the restriction on the percentage of annual gross generation that may be supplied to the electric grid described in 1.2.2.1 of this regulation is removed from the unit's permit or otherwise becomes no longer applicable in any year that commences on or after January 1, 2009; or

1.2.2.3.7.2 the first date on which the unit fails to comply, or on which the owners and operators fail to meet their burden of proving that the unit is complying, with the restriction on the percentage of annual gross generation that may be supplied to the electric grid described in 1.2.2.1 of this regulation during any year that commences on or after January 1, 2009.

1.2.2.3.8 A unit that loses its exemption in accordance with 1.2.2.3.7 of this regulation shall be subject to the requirements of Regulation 1147. For the purpose of applying permitting requirements under Section 3, allocating allowances under Section 5, and applying monitoring requirements under Section 8, the unit shall be treated as commencing operation on the date the unit loses its exemption.

1.2.2.4 *Deduction of tons from State of Delaware CO₂ Budget Trading Program limited industrial exemption set-aside account.* In the event that the Department grants an exemption 1.2.2 of this regulation to a CO₂ source, with one or more units that on January 1, 2005, serves an electricity generator with a nameplate capacity equal to or greater than 25 MWe, the Department shall retire for each subsequent allocation year the number of CO₂ tons equal to the exempt source's average annual emissions over the most recent three calendar years for which data are available. The retired tons shall be taken from the set-aside established for such purpose under section 5.3 of this regulation.

1.3 Definitions.

The following words and terms, when used in this regulation, should have the following meaning unless the context clearly indicates otherwise:

"Account number" means the identification number given by the Department or its agent to each CO₂ Allowance Tracking System account.

“Acid rain emissions limitation” means as defined in 40 CFR 72.2, a limitation on emissions of sulfur dioxide or nitrogen oxides under the Acid Rain Program under title IV of the Clean Air Act.

“Acid Rain Program” means a multi-state sulfur dioxide and nitrogen oxides air pollution control and emission reduction program established by the Administrator under title IV of the CAA and 40 CFR Parts 72 through 78.

“Administrator” means the Administrator of the United States Environmental Protection Agency or the Administrator’s authorized representative.

“Allocate or allocation” means the determination by the Department of the number of CO₂ allowances to be recorded in the compliance account of a CO₂ budget unit, an allocation set-aside account, the consumer benefit or strategic energy purpose account, or the general account of the sponsor of an approved CO₂ emissions offset project.

“Allocation year” means a calendar year for which the Department allocates or awards CO₂ allowances pursuant to Sections 5 and 10 of this regulation. The allocation year of each CO₂ allowance is reflected in the unique identification number given to the allowance pursuant to section 6.4.3 of this regulation.

“Alternate CO₂ authorized account representative” means for a CO₂ budget source and each CO₂ budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO₂ budget units at the source, in accordance with Section 2 of this regulation, to represent and legally bind each owner and operator in matters pertaining to the CO₂ Budget Trading Program or, for a general account, the natural person who is authorized, under Section 6 of this regulation, to transfer or otherwise dispose of CO₂ allowances held in the general account.

If the CO₂ budget source is also subject to the CAIR NO_x Ozone Season Trading Program, CAIR NO_x Annual Trading Program, or CAIR SO₂ Trading Program then, for a CO₂ Budget Trading Program compliance account, this natural person shall be the same person as the alternate CAIR designated representative under such programs. If the CO₂ budget source is also subject to the Acid Rain Program, then for a CO₂ Budget Trading Program compliance account, this natural person shall be the same person as the alternate designated representative under the Acid Rain Program.

“Attribute” means a characteristic associated with electricity generated using a particular renewable fuel, such as its generation date, facility geographic location, unit vintage, emissions output, fuel, state program eligibility, or other characteristic that can be identified, accounted for, and tracked.

“Attribute credit” means an attribute credit represents the attributes related to one megawatt-hour of electricity generation.

“Automated data acquisition and handling system or DAHS” means that component of the continuous emissions monitoring system, or other emissions monitoring system approved for use

under Section 8, designed to interpret and convert individual output signals from pollutant concentration monitors, flow monitors, diluent gas monitors, and other component parts of the monitoring system to produce a continuous record of the measured parameters in the measurement units required by Section 8 of this regulation.

“Award” means the determination by the Department of the number of CO₂ allowances to be recorded in the compliance account of a CO₂ budget unit for Early Reduction CO₂ Allowances pursuant to 5.3.3.5 of this regulation or the determination by the Department of the number of CO₂ offset allowances to be recorded in the general account of a project sponsor pursuant to 10.7 of this regulation. Award is a type of allocation.

“Billing meter” means to qualify as a billing meter, the measurement device must be used to measure electric or thermal output for commercial billing under a contract. The facility selling the electric or thermal output must have different owners from the owners of the party purchasing the electric or thermal output.

“Boiler” means an enclosed fossil or other fuel-fired combustion device used to produce heat and to transfer heat to recirculating water, steam, or other medium.

“CAIR NO_x Annual Trading Program” means a multi-state nitrogen oxides air pollution control and emission reduction program approved and administered by the Administrator in accordance with 40 CFR Part 96 Sections AA through II and 40 CFR 51.123(o)(1) or (2) or established by the Administrator in accordance with Sections AA through II of 40 CFR Part 97 and 40 CFR 51.123(p) and 52.35, as a means of mitigating interstate transport of fine particulates and nitrogen oxides.

“CAIR NO_x Ozone Season Trading Program” means a multi-state nitrogen oxides air pollution control and emission reduction program approved and administered by the Administrator in accordance with Sections AAAA through IIII of 40 CFR Part 96 and 40 CFR 51.123(aa)(1) or (2) (and (bb)(1)), (bb)(2), or (dd) or established by the Administrator in accordance with Sections AAAA through IIII of 40 CFR Part 97 and 40 CFR 51.123(ee) and 52.35, as a means of mitigating interstate transport of ozone and nitrogen oxides.

“CAIR SO₂ Trading Program” means a multi-state sulfur dioxide air pollution control and emission reduction program approved and administered by the Administrator in accordance with Sections AAA through III of 40 CFR Part 96 and 40 CFR 51.124(o)(1) or (2) or established by the Administrator in accordance with Sections AAA through III of 40 CFR Part 97 and 40 CFR 51.124(r) and 52.36, as a means of mitigating interstate transport of fine particulates and sulfur dioxide.

“CO₂ allowance” means a limited authorization by the Department or a participating state under the CO₂ Budget Trading Program to emit up to one ton of CO₂, subject to all applicable limitations contained in this Part.

“CO₂ allowance deduction or deduct CO₂ allowances” means the permanent withdrawal of CO₂ allowances by the Department or its agent from a CO₂ Allowance Tracking System compliance account to account for the number of tons of CO₂ emitted from a CO₂ budget source

for a control period, determined in accordance with Section 8, or for the forfeit or retirement of CO₂ allowances as provided by this Part.

“CO₂ allowance price” means the price for CO₂ allowances in the CO₂ Budget Trading Program for a particular time period as determined by the Department or its agent, calculated based on a volume-weighted average of transaction prices reported to the Department or its agent, and taking into account prices as reported publicly through reputable sources.

“CO₂ allowances held or hold CO₂ allowances” means the CO₂ allowances recorded by the Department or its agent, or submitted to the Department or its agent for recordation, in accordance with Sections 6 and 7 of this regulation, in a CO₂ Allowance Tracking System account.

“CO₂ Allowance Tracking System” means the system by which the Department or its agent records allocations, deductions, and transfers of CO₂ allowances under the CO₂ Budget Trading Program. The tracking system may also be used to track CO₂ emissions offset projects, CO₂ allowance prices and emissions from affected sources.

“CO₂ Allowance Tracking System account” means an account in the CO₂ Allowance Tracking System established by the Department or its agent for purposes of recording the allocation, holding, transferring, or deducting of CO₂ allowances.

“CO₂ allowance transfer deadline” means midnight of the March 1 occurring after the end of the relevant control period or, if that March 1 is not a business day, midnight of the first business day thereafter and is the deadline by which CO₂ allowances must be submitted for recordation in a CO₂ budget source’s compliance account in order for the source to meet the CO₂ requirements of 1.5.3 of this regulation for the control period immediately preceding such deadline.

“CO₂ authorized account representative” means for a CO₂ budget source and each CO₂ budget unit at the source, the natural person who is authorized by the owners and operators of the source and all CO₂ budget units at the source, in accordance with Section 2 of this regulation, to represent and legally bind each owner and operator in matters pertaining to the CO₂ Budget Trading Program or, for a general account, the natural person who is authorized, under Section 6 of this regulation, to transfer or otherwise dispose of CO₂ allowances held in the general account.

If the CO₂ budget source is also subject to the CAIR NO_x Ozone Season Trading Program, CAIR NO_x Annual Trading Program, or CAIR SO₂ Trading Program then, for a CO₂ Budget Trading Program compliance account, this natural person shall be the same person as the CAIR designated representative under such programs. If the CO₂ budget source is also subject to the Acid Rain Program, then for a CO₂ Budget Trading Program compliance account, this natural person shall be the same person as the designated representative under the Acid Rain Program.

“CO₂ budget emissions limitation” Means for a CO₂ budget source, the tonnage equivalent, in CO₂ emissions in a control period, of the CO₂ allowances available for compliance deduction for the source for a control period.

"CO₂ budget permit" means the portion of the legally binding permit issued by the Department pursuant to **Regulation 1102, 1130 and 1147** to a CO₂ budget source or CO₂ budget unit which specifies the CO₂ Budget Trading Program requirements applicable to the CO₂ budget source, to each CO₂ budget unit at the CO₂ budget source, and to the owners and operators and the CO₂ authorized account representative of the CO₂ budget source and each CO₂ budget unit.

"CO₂ budget source" means a source that includes one or more CO₂ budget units.

"CO₂ Budget Trading Program" means a multi-state CO₂ air pollution control and emissions reduction program established pursuant to this Part and corresponding regulations in other states as a means of reducing emissions of CO₂ from CO₂ budget sources.

"CO₂ budget unit" means a unit that is subject to the CO₂ Budget Trading Program requirements under section 1.2 of this regulation.

"CO₂ equivalent" means the quantity of a given greenhouse gas multiplied by its global warming potential (GWP).

"CO₂ offset allowance" means a CO₂ allowance that is awarded to the sponsor of a CO₂ emissions offset project pursuant to section 10.7 of this regulation and is subject to the relevant compliance deduction limitations of section 6.5.1.3 of this regulation.

"Combined cycle system" means a system comprised of one or more combustion turbines, heat recovery steam generators, and steam turbines configured to improve overall efficiency of electricity generation or steam production.

"Combustion turbine" means an enclosed fossil or other fuel-fired device that is comprised of a compressor (if applicable), a combustor, and a turbine, and in which the flue gas resulting from the combustion of fuel in the combustor passes through the turbine, rotating the turbine.

"Commence commercial operation" means with regard to a unit that serves a generator, to have begun to produce steam, gas, or other heated medium used to generate electricity for sale or use, including test generation. For a unit that is a CO₂ budget unit under section 1.2 of this regulation on the date the unit commences commercial operation, such date shall remain the unit's date of commencement of commercial operation even if the unit is subsequently modified, reconstructed, or repowered. For a unit that is not a CO₂ budget unit under section 1.2 of this regulation on the date the unit commences commercial operation, the date the unit becomes a CO₂ budget unit under section 1.2 of this regulation shall be the unit's date of commencement of commercial operation.

"Commence operation" means to begin any mechanical, chemical, or electronic process, including, with regard to a unit, start-up of a unit's combustion chamber. For a unit that is a CO₂ budget unit under section 1.2 of this regulation on the date of commencement of operation, such date shall remain the unit's date of commencement of operation even if the unit is subsequently modified, reconstructed, or repowered. For a unit that is not a CO₂ budget unit under section 1.2 of this regulation on the date of commencement of operation, the date the unit becomes a CO₂

budget unit under section 1.2 of this regulation shall be the unit's date of commencement of operation

"Compliance account" means a CO₂ Allowance Tracking System account, established by the Department or its agent for a CO₂ budget source under Section 6 of this regulation, in which the CO₂ allowance allocations for the source are initially recorded and in which are held CO₂ allowances available for use by the source for a control period for the purpose of meeting the CO₂ requirements of 1.5.3 of this regulation.

"Consumer benefit or strategic energy purpose account" means a general account established by the CONSUMER BENEFIT OR STRATEGIC ENERGY PURPOSE FUND ADMINISTRATOR from which allowances will be sold or distributed in order to provide funds to encourage and foster the following: promotion of energy efficiency measures, direct mitigation of electricity ratepayer impacts attributable to the implementation of the CO₂ Budget Trading Program, promotion of renewable or non-carbon-emitting energy technologies, stimulation or reward of investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential, and/or the administration of State of Delaware component of the CO₂ Budget Trading Program. **[This definition for the consumer benefit or strategic energy purpose account illustrates how this account could be defined and does not necessarily represent what an individual RGGI State will propose.]**

"Public Benefit Purpose" shall mean purposes including the promotion of energy efficiency, the mitigation of electricity ratepayer impacts attributable to RGGI, the promotion of distributed renewable or non-carbon-emitting energy technologies, the stimulation and reward of investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential, and funding of the administration of the Program established by this Chapter.

"Continuous emissions monitoring system or CEMS" means the equipment required under Section 8 of this regulation to sample, analyze, measure, and provide, by means of readings recorded at least once every 15 minutes (using an automated DAHS), a permanent record of stack gas volumetric flow rate, stack gas moisture content, and oxygen or carbon dioxide concentration (as applicable), in a manner consistent with 40 CFR Part 75 and Section 8 of this regulation. The following systems are types of continuous emissions monitoring systems required under Section 8 of this regulation.

- (1) A flow monitoring system, consisting of a stack flow rate monitor and an automated data acquisition and handling system and providing a permanent, continuous record of stack gas volumetric flow rate, in standard cubic feet per hour (scfh);
- (2) A nitrogen oxides emissions rate (or NO_x-diluent) monitoring system, consisting of a NO_x pollutant concentration monitor, a diluent gas (CO₂ or O₂) monitor, and an automated data acquisition and handling system and providing a permanent, continuous record of NO_x concentration, in parts per million (ppm), diluent gas concentration, in percent CO₂ or O₂; and NO_x emissions rate, in pounds per million British thermal units (lb/MMBtu);

A moisture monitoring system, as defined in 40 CFR 75.11(b)(2) and providing a permanent, continuous record of the stack gas moisture content, in percent H₂O;

A carbon dioxide monitoring system, consisting of a CO₂ pollutant concentration monitor (or an oxygen monitor plus suitable mathematical equations from which the CO₂ concentration is derived) and an automated data acquisition and handling system and providing a permanent, continuous record of CO₂ emissions, in percent CO₂; and

An oxygen monitoring system, consisting of an O₂ concentration monitor and an automated data acquisition and handling system and providing a permanent, continuous record of O₂, in percent O₂.

“Control period” means the control period is a three-calendar-year time period, unless extended to four years upon occurrence of a stage two trigger event. The first control period is from January 1, 2009 to December 31, 2011, inclusive, provided if a stage two trigger event occurs during the first control period, then the first control period will be extended one-year to December 31, 2012, inclusive. Each subsequent sequential three-calendar-year period is a separate control period that is subject to one one-year extension upon occurrence of a stage two trigger event during the control period. In no event may a control period be longer than four calendar years.

“Department” means the State of Delaware Department of Natural Resources and Environmental Control.

“Eligible biomass” means eligible biomass includes sustainably harvested woody and herbaceous fuel sources that are available on a renewable or recurring basis (excluding old-growth timber), including dedicated energy crops and trees, agricultural food and feed crop residues, aquatic plants, unadulterated wood and wood residues, animal wastes, other clean organic wastes not mixed with other solid wastes, biogas, and other neat liquid biofuels derived from such fuel sources. Sustainably harvested will be determined by the Department.

“Excess emissions” means any tonnage of CO₂ emitted by a CO₂ budget source during a control period that exceeds the CO₂ budget emissions limitation for the source.

“Fossil fuel” means natural gas, petroleum, coal, or any form of solid, liquid, or gaseous fuel derived from such material.

“Fossil fuel-fired” means

- (1) With regard to a unit that commenced operation prior to January 1, 2005, the combustion of fossil fuel, alone or in combination with any other fuel, where the fossil fuel combusted comprises, or is projected to comprise, more than 50 percent of the annual heat input on a Btu basis during any year.

- (2) With regard to a unit that commences operation on or after January 1, 2005, the combustion of fossil fuel, alone or in combination with any other fuel, where the fossil fuel combusted comprises, or is projected to comprise, more than 5 percent of the annual heat input on a Btu basis during any year.

"General account" means a CO₂ Allowance Tracking System account, established under Section 6, that is not a compliance account.

"Global warming potential (GWP)" means a measure of the radiative efficiency (heat-absorbing ability) of a particular gas relative to that of carbon dioxide (CO₂) after taking into account the decay rate of each gas (the amount removed from the atmosphere over a given number of years) relative to that of CO₂. Global warming potentials used in this Regulation are consistent with the values used in the Intergovernmental Panel on Climate Change, Third Assessment Report.

"Gross generation" means the electrical output (in MWe) at the terminals of the generator.

"Life-of-the-unit contractual arrangement" means a unit participation power sales agreement under which a customer reserves, or is entitled to receive, a specified amount or percentage of nameplate capacity and/or associated energy from any specified unit pursuant to a contract:

- (1) For the life of the unit;
- (2) For a cumulative term of no less than 25 years, including contracts that permit an election for early termination; or
- (3) for a period equal to or greater than 20 years or 70 percent of the economic useful life of the unit determined as of the time the unit is built, with option rights to purchase or release some portion of the nameplate capacity and associated energy generated by the unit at the end of the period.

"Market settling period" means the first fourteen months of any control period.

"Maximum design heat input" means the ability of a unit to combust a stated maximum amount of fuel per hour on a steady state basis, as determined by the physical design and physical characteristics of the unit.

"Maximum potential hourly heat input" means an hourly heat input used for reporting purposes when a unit lacks certified monitors to report heat input. If the unit intends to use appendix D of 40 CFR Part 75 to report heat input, this value should be calculated, in accordance with 40 CFR Part 75, using the maximum fuel flow rate and the maximum gross calorific value. If the unit intends to use a flow monitor and a diluent gas monitor, this value should be reported, in accordance with 40 CFR Part 75, using the maximum potential flow rate and either the maximum carbon dioxide concentration (in percent CO₂) or the minimum oxygen concentration (in percent O₂).

"Monitoring system" means any monitoring system that meets the requirements of Section 8, including a continuous emissions monitoring system, an excepted monitoring system, or an

alternative monitoring system.

“State of Delaware CO₂ Budget Trading Program Base Budget” means the annual amount of CO₂ tons available in the State of Delaware for allocation in a given allocation year, in accordance with the CO₂ Budget Trading Program. CO₂ offset allowances allocated to project sponsors are separate from and additional to CO₂ allowances allocated from the State of Delaware CO₂ Budget Trading Program Base Budget.

“Nameplate capacity” means the maximum electrical output (in MWe) that a generator can sustain over a specified period of time when not restricted by seasonal or other de-ratings as measured in accordance with the United States Department of Energy standards.

“Non-CO₂ budget unit” means a unit that does not meet the applicability criteria of section 1.2 of this regulation.

“Operator” means any person who operates, controls, or supervises a CO₂ budget unit or a CO₂ budget source and shall include, but not be limited to, any holding company, utility system, or plant manager of such a unit or source.

“Owner” means any of the following persons:

- (1) Any holder of any portion of the legal or equitable title in a CO₂ budget unit; or
- (2) any holder of a leasehold interest in a CO₂ budget unit, other than a passive lessor, or a person who has an equitable interest through such lessor, whose rental payments are not based, either directly or indirectly, upon the revenues or income from the CO₂ budget unit; or
- (3) Any purchaser of power from a CO₂ budget unit under a life-of-the-unit contractual arrangement in which the purchaser controls the dispatch of the unit; or
- (4) With respect to any general account, any person who has an ownership interest with respect to the CO₂ allowances held in the general account and who is subject to the binding agreement for the CO₂ authorized account representative to represent that person's ownership interest with respect to the CO₂ allowances.

“Participating state” means a state that has established a corresponding regulation as part of the CO₂ Budget Trading Program.

“Receive or receipt of” means when referring to the Department or its agent, to come into possession of a document, information, or correspondence (whether sent in writing or by authorized electronic transmission), as indicated in an official correspondence log, or by a notation made on the document, information, or correspondence, by the Department or its agent in the regular course of business.

“Recordation, record, or recorded” means with regard to CO₂ allowances, the movement of CO₂ allowances by the Department or its agent from one CO₂ Allowance Tracking System account to another, for purposes of allocation, transfer, or deduction.

“Serial number” means when referring to CO₂ allowances, the unique identification number assigned to each CO₂ allowance by the Department or its agent under section 6.4.3 of this regulation.

“Source” means any governmental, institutional, commercial, or industrial structure, installation, plant, building, or facility that emits or has the potential to emit any air pollutant. A “source,” including a “source” with multiple units, shall be considered a single “facility.”

“Stage one threshold price” means the monetary amount, established as of the first day of each calendar year, derived annually from use of the following formula:

$$S1TP(2005+n) = S1TP(2005) \times [1 + (CPI(2005+(n-1)) - CPI(2005)) / CPI(2005)]$$

Where:

“S1TP” is the stage one threshold price;

“S1TP(2005)” is \$7;

“n” is the number of years since 2005; and

“CPI” means, for purposes of the CO₂ Budget Trading Program, the U.S. Department of Labor, Bureau of Labor Statistics unadjusted Consumer Price Index for All Urban Consumers for the U.S. city average, for All Items on the latest reference base, or if such index is no longer published, such other index as the Department determines is appropriate. The CPI for any calendar year is the twelve-month average of the CPI published by the United States Department of Labor, as of the close of the twelve-month period ending on August thirty-first of each calendar year.

“Stage one trigger event” means the occurrence of any twelve month period that completely transpires following the market settling period and is characterized by an average CO₂ allowance price that is equal to or greater than the stage one threshold price.

“Stage two threshold price” means the monetary amount, established as of the first day of each calendar year, derived annually from use of the following formula:

$$S2TP(2005+n) = [S2TP(2005+(n-1)) \times \{[CPI(2005+(n-1)) - CPI(2005+(n-2))] / CPI(2005+(n-2))\} + 0.02] + S2TP(2005+(n-1))$$

Where:

“S2TP” is the stage two threshold price;

"S2TP(2005)" is \$10; and

"n" is the number of years since 2005.

“CPI” means, for purposes of the CO₂ Budget Trading Program, the U.S. Department of Labor, Bureau of Labor Statistics unadjusted Consumer Price Index for All Urban Consumers for the U.S. city average, for All Items on the latest reference base, or if such index is no longer published, such other index as the Department determines is appropriate. The CPI for any calendar year is the twelve-month average of the CPI published by the United States Department of Labor, as of the close of the twelve-month period ending on August thirty-first of each calendar year.

“Stage two trigger event” means the occurrence of any twelve month period that completely transpires following the market settling period and is characterized by an average CO₂ allowance price that is equal to or greater than the stage two threshold price.

“State” means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa and includes the Commonwealth of the Northern Mariana Islands.

“Submit or serve” means to send or transmit a document, information, or correspondence to the person specified in accordance with the applicable regulation:

- (1) in person;
- (2) by United States Postal Service; or
- (3) by other means of dispatch or transmission and delivery.

Compliance with any “submission,” “service,” or “mailing” deadline shall be determined by the date of dispatch, transmission, or mailing and not the date of receipt.

“Ton or tonnage” means any “short ton”, or 2,000 pounds. For the purpose of determining compliance with the CO₂ requirements of 1.5.3 of this regulation, total tons for a control period shall be calculated as the sum of all recorded hourly emissions (or the tonnage equivalent of the recorded hourly emissions rates) in accordance with Section 8 of this regulation, with any remaining fraction of a ton equal to or greater than 0.50 ton deemed to equal one ton and any fraction of a ton less than 0.50 ton deemed to equal zero tons. A short ton is equal to 0.9072 metric tons.

“Twelve month period” means a period of twelve consecutive months determined on a rolling basis where a new twelve month period begins on the first day of each calendar month.

“Unit” means a fossil fuel-fired stationary boiler, combustion turbine, or combined cycle system.

“ Unit operating day” means a calendar day in which a unit combusts any fuel.

“Voluntary renewable energy purchase” means a purchase of electricity from renewable energy generation or renewable energy attribute credits by a retail electricity customer on a voluntary basis. Renewable energy includes electricity generated from biomass, wind, solar thermal, photovoltaic, geothermal, hydroelectric facilities certified by the Low Impact Hydropower Institute, wave and tidal action, and fuel cells powered by renewable fuels. The renewable energy generation or renewable energy attribute credits related to such purchases may not be used by the generator or purchaser to meet any regulatory mandate, such as a renewable portfolio standard.

1.4 Measurements, abbreviations and acronyms.

Measurements, abbreviations, and acronyms used in this regulation are defined as follows:

1.4.1 *CO₂-carbon dioxide.*

1.4.2 *hr-hour.*

1.4.3 *lb-pounds.*

1.4.4 *MWe-megawatt electrical.*

1.5 Standard requirements.

1.5.1 *Permit requirements.*

1.5.1.1 The CO₂ authorized account representative of each CO₂ budget source required to have an operating permit pursuant to Regulation 1102, 1130 and 1147 of this Title and each CO₂ budget unit required to have an operating permit pursuant to Regulation 1102, 1130 and 1147 of this Title shall:

1.5.1.1.1 submit to the Department a complete CO₂ budget permit application under 3.3 of this regulation in accordance with the deadlines specified in 3.2 of this regulation; and

1.5.1.1.2 Submit in a timely manner any supplemental information that the Department determines is necessary in order to review the CO₂ budget permit application and issue or deny a CO₂ budget permit.

1.5.1.2 The owners and operators of each CO₂ budget source required to have an operating permit pursuant to 1102, 1130 and 1147 of this Title and each CO₂ budget unit required to have an operating permit pursuant 1102, 1130 and 1147 of this Title for the source shall have a CO₂ budget permit and operate the CO₂ budget source and the CO₂ budget unit at the source in compliance with such CO₂ budget permit.

1.5.2 *Monitoring requirements.*

1.5.2.1 The owners and operators and, to the extent applicable, the CO₂ authorized account representative of each CO₂ budget source and each CO₂ budget unit at the source shall comply with the monitoring requirements of Section 8 of this regulation.

1.5.2.2 The emissions measurements recorded and reported in accordance with Section 8 of this regulation shall be used to determine compliance by the unit with the CO₂ requirements under subdivision (c) of this section.

1.5.3 *CO₂ requirements.*

1.5.3.1 The owners and operators of each CO₂ budget source and each CO₂ budget unit at the source shall hold CO₂ allowances available for compliance deductions under section 6.5 of this regulation, as of the CO₂ allowance transfer deadline, in the source's compliance account in an amount not less than the total CO₂ emissions for the control period from all CO₂ budget units at the source, as determined in accordance with Sections 6 and 8 of this regulation.

1.5.3.2 Each ton of CO₂ emitted in excess of the CO₂ budget emissions limitation shall constitute a separate violation of this Regulation and applicable state law.

1.5.3.3 A CO₂ budget unit shall be subject to the requirements under 1.5.3.1 of this regulation starting on the later, of January 1, 2009 or the date on which the unit commences operation.

1.5.3.4 CO₂ allowances shall be held in, deducted from, or transferred among CO₂ Allowance Tracking System accounts in accordance with Sections 5, 6, and 7, and section 10.7 of this regulation.

1.5.3.5 A CO₂ allowance shall not be deducted, in order to comply with the requirements under 1.5.3.1 of this regulation, for a control period that

ends prior to the year for which the CO₂ allowance was allocated. A CO₂ offset allowance shall not be deducted, in order to comply with the requirements under 1.5.3.1 of this regulation, beyond the applicable percent limitations set out in 6.5.1.3 of this regulation.

1.5.3.6 A CO₂ allowance under the CO₂ Budget Trading Program is a limited authorization by the Department or a participating state to emit one ton of CO₂ in accordance with the CO₂ Budget Trading Program. No provision of the CO₂ Budget Trading Program, the CO₂ budget permit application, or the CO₂ budget permit or any provision of law shall be construed to limit the authority of the Department or a participating state to terminate or limit such authorization.

1.5.3.7 A CO₂ allowance under the CO₂ Budget Trading Program does not constitute a property right.

1.5.4 *Excess emissions requirements.* The owners and operators of a CO₂ budget source that has excess emissions in any control period shall:

1.5.4.1 Forfeit the CO₂ allowances required for deduction under 6.5.4.1 of this regulation, provided CO₂ offset allowances may not be used to cover any part of such excess emissions; and

1.5.4.2 Pay any fine, penalty, or assessment or comply with any other remedy imposed under 6.5.4.2 of this regulation.

1.5.5 *Recordkeeping and reporting requirements.*

1.5.5.1 Unless otherwise provided, the owners and operators of the CO₂ budget source and each CO₂ budget unit at the source shall keep on site at the source each of the following documents for a period of 10 years from the date the document is created. This period may be extended for cause, at any time prior to the end of 10 years, in writing by the Department.

1.5.5.1.1 The account certificate of representation for the CO₂ authorized account representative for the source and each CO₂ budget unit at the source and all documents that demonstrate the truth of the statements in the account certificate of representation, in accordance with section 2.4 of this regulation, provided that the certificate and documents shall be retained on site at the source beyond such 10-year period until such documents are superseded because of the submission of a new account

certificate of representation changing the CO₂ authorized account representative.

1.5.5.2 All emissions monitoring information, in accordance with Section 8 of this regulation and 40 CFR 75.57.

1.5.5.3 Copies of all reports, compliance certifications, and other submissions and all records made or required under the CO₂ Budget Trading Program.

1.5.5.4 Copies of all documents used to complete a CO₂ budget permit application and any other submission under the CO₂ Budget Trading Program or to demonstrate compliance with the requirements of the CO₂ Budget Trading Program.

1.5.5.2 The CO₂ authorized account representative of a CO₂ budget source and each CO₂ budget unit at the source shall submit the reports and compliance certifications required under the CO₂ Budget Trading Program, including those under Section 4 of this regulation.

1.5.6 *Liability.*

1.5.6.1 No permit revision shall excuse any violation of the requirements of the CO₂ Budget Trading Program that occurs prior to the date that the revision takes effect.

1.5.6.2 Any provision of the CO₂ Budget Trading Program that applies to a CO₂ budget source (including a provision applicable to the CO₂ authorized account representative of a CO₂ budget source) shall also apply to the owners and operators of such source and of the CO₂ budget units at the source.

1.5.6.3 Any provision of the CO₂ Budget Trading Program that applies to a CO₂ budget unit (including a provision applicable to the CO₂ authorized account representative of a CO₂ budget unit) shall also apply to the owners and operators of such unit.

1.5.7 *Effect on other authorities.*

No provision of the CO₂ Budget Trading Program, a CO₂ budget permit application, or a CO₂ budget permit, shall be construed as exempting or excluding the owners and operators and, to the extent applicable, the CO₂ authorized account

representative of a CO₂ budget source or CO₂ budget unit from compliance with any other provisions of applicable State and federal law and regulations.

1.6 Computation of time.

- 1.6.1 Unless otherwise stated, any time period scheduled, under the CO₂ Budget Trading Program, to begin on the occurrence of an act or event shall begin on the day the act or event occurs.
- 1.6.2 Unless otherwise stated, any time period scheduled, under the CO₂ Budget Trading Program, to begin before the occurrence of an act or event shall be computed so that the period ends the day before the act or event occurs.
- 1.6.3 Unless otherwise stated, if the final day of any time period, under the CO₂ Budget Trading Program, falls on a weekend or a State or Federal holiday, the time period shall be extended to the next business day.

1.7 Severability.

If any provision of this Regulation, or its application to any particular person or circumstances, is held invalid, the remainder of this Regulation, and the application thereof to other persons or circumstances, shall not be affected thereby.

Section 2 CO₂ Authorized Account Representative for CO₂ Budget Sources

2.1 Authorization and responsibilities of the CO₂ authorized account representative.

- 2.1.1 Except as provided under section 2.2 of this regulation, each CO₂ budget source, including all CO₂ budget units at the source, shall have one and only one CO₂ authorized account representative, with regard to all matters under the CO₂ Budget Trading Program concerning the source or any CO₂ budget unit at the source.
- 2.1.2 The CO₂ authorized account representative of the CO₂ budget source shall be selected by an agreement binding on the owners and operators of the source and all CO₂ budget units at the source.
- 2.1.3 Upon receipt by the Department or its agent of a complete account certificate of representation under section 2.4 of this regulation, the CO₂ authorized account representative of the source shall represent and, by his or her representations, actions, inactions, or submissions, legally bind each owner and operator of the CO₂ budget source represented and each CO₂ budget unit at the source in all matters pertaining to the CO₂ Budget Trading Program, notwithstanding any agreement

between the CO₂ authorized account representative and such owners and operators. The owners and operators shall be bound by any decision or order issued to the CO₂ authorized account representative by the Department or a court regarding the source or unit.

- 2.1.4 No CO₂ budget permit shall be issued, and no CO₂ Allowance Tracking System account shall be established for a CO₂ budget source, until the Department or its agent has received a complete account certificate of representation under section 2.4 of this regulation for a CO₂ authorized account representative of the source and the CO₂ budget units at the source.
- 2.1.5 Each submission under the CO₂ Budget Trading Program shall be submitted, signed, and certified by the CO₂ authorized account representative for each CO₂ budget source on behalf of which the submission is made. Each such submission shall include the following certification statement by the CO₂ authorized account representative:

“I am authorized to make this submission on behalf of the owners and operators of the CO₂ budget sources or CO₂ budget units for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment.”

- 2.1.6 The Department or its agent will accept or act on a submission made on behalf of owners or operators of a CO₂ budget source or a CO₂ budget unit only if the submission has been made, signed, and certified in accordance with subdivision (e) of this section.

2.2 Alternate CO₂ authorized account representative.

- 2.2.1 An account certificate of representation may designate one and only one alternate CO₂ authorized account representative who may act on behalf of the CO₂ authorized account representative. The agreement by which the alternate CO₂ authorized account representative is selected shall include a procedure for authorizing the alternate CO₂ authorized account representative to act in lieu of the CO₂ authorized account representative.

2.2.2 Upon receipt by the Department or its agent of a complete account certificate of representation under section 2.4 of this regulation, any representation, action, inaction, or submission by the alternate CO₂ authorized account representative shall be deemed to be a representation, action, inaction, or submission by the CO₂ authorized account representative.

2.2.3 Except in 2.1.1, 2.3, 2.4, and 6.2 of this regulation, whenever the term “CO₂ authorized account representative” is used in this regulation, the term shall be construed to include the alternate CO₂ authorized account representative.

2.3 Changing the CO₂ authorized account representative and the alternate CO₂ authorized account representative; changes in the owners and operators.

2.3.1 *Changing the CO₂ authorized account representative.* The CO₂ authorized account representative may be changed at any time upon receipt by the Department or its agent of a superseding complete account certificate of representation under section 2.4 of this regulation. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous CO₂ authorized account representative or alternate CO₂ authorized account representative prior to the time and date when the Department or its agent receives the superseding account certificate of representation shall be binding on the new CO₂ authorized account representative and the owners and operators of the CO₂ budget source and the CO₂ budget units at the source.

2.3.2 *Changing the alternate CO₂ authorized account representative.* The alternate CO₂ authorized account representative may be changed at any time upon receipt by the Department or its agent of a superseding complete account certificate of representation under section 2.4 of this regulation. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous or alternate CO₂ authorized account representative or alternate CO₂ authorized account representative prior to the time and date when the Department or its agent receives the superseding account certificate of representation shall be binding on the new alternate CO₂ authorized account representative and the owners and operators of the CO₂ budget source and the CO₂ budget units at the source.

2.3.3 *Changes in the owners and operators.*

2.3.3.1 In the event a new owner or operator of a CO₂ budget source or a CO₂ budget unit is not included in the list of owners and operators submitted in the account certificate of representation, such new owner or operator shall be deemed to be subject to and bound by the account certificate of representation, the representations, actions, inactions, and submissions of the CO₂ authorized account representative and

any alternate CO₂ authorized account representative of the source or unit, and the decisions, orders, actions, and inactions of the Department, as if the new owner or operator were included in such list.

- 2.3.3.2 Within 30 days following any change in the owners and operators of a CO₂ budget source or a CO₂ budget unit, including the addition of a new owner or operator, the CO₂ authorized account representative or alternate CO₂ authorized account representative shall submit a revision to the account certificate of representation amending the list of owners and operators to include the change.

2.4 Account certificate of representation.

- 2.4.1 A complete account certificate of representation for a CO₂ authorized account representative or an alternate CO₂ authorized account representative shall include the following elements in a format prescribed by the Department or its agent:

- 2.4.1.1 Identification of the CO₂ budget source and each CO₂ budget unit at the source for which the account certificate of representation is submitted;
- 2.4.1.2 the name, address, e-mail address, telephone number, and facsimile transmission number of the CO₂ authorized account representative and any alternate CO₂ authorized account representative;
- 2.4.1.3 A list of the owners and operators of the CO₂ budget source and of each CO₂ budget unit at the source;
- 2.4.1.4 The following certification statement by the CO₂ authorized account representative and any alternate CO₂ authorized account representative:

“I certify that I was selected as the CO₂ authorized account representative or alternate CO₂ authorized account representative, as applicable, by an agreement binding on the owners and operators of the CO₂ budget source and each CO₂ budget unit at the source. I certify that I have all the necessary authority to carry out my duties and responsibilities under the CO₂ Budget Trading Program on behalf of the owners and operators of the CO₂ budget source and of each CO₂ budget unit at the source and that each such owner and operator shall be fully bound by my representations, actions, inactions, or submissions and by any decision or order issued to me by the Department or a court regarding the source or unit.”; and

2.4.1.5 The signature of the CO₂ authorized account representative and any alternate CO₂ authorized account representative and the dates signed.

2.4.2 Unless otherwise required by the Department or its agent, documents of agreement referred to in the account certificate of representation shall not be submitted to the Department or its agent. Neither the Department nor its agent shall be under any obligation to review or evaluate the sufficiency of such documents, if submitted.

2.5 Objections concerning the CO₂ authorized account representative.

2.5.1 Once a complete account certificate of representation under section 2.4 of this regulation has been submitted and received, the Department and its agent will rely on the account certificate of representation unless and until the Department or its agent receives a superseding complete account certificate of representation under section 2.4 of this regulation.

2.5.2 Except as provided in 2.3.1 or 2.3.2 of this regulation, no objection or other communication submitted to the Department or its agent concerning the authorization, or any representation, action, inaction, or submission of the CO₂ authorized account representative shall affect any representation, action, inaction, or submission of the CO₂ authorized account representative or the finality of any decision or order by the Department or its agent under the CO₂ Budget Trading Program.

2.5.3 Neither the Department nor its agent will adjudicate any private legal dispute concerning the authorization or any representation, action, inaction, or submission of any CO₂ authorized account representative, including private legal disputes concerning the proceeds of CO₂ allowance transfers.

2.6 Delegation by CO₂ authorized account representative and alternate CO₂ authorized account representative

2.6.1 A CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the Department or its agent under this regulation.

2.6.2 An alternate CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the

Department or its agent under this regulation.

2.6.3 In order to delegate authority to make an electronic submission to the Department or its agent in accordance with 2.6.1 and 2.6.2 of this section, the CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, must submit to the Department or its agent a notice of delegation, in a format prescribed by the Department that includes the following elements:

2.6.3.1 The name, address, e-mail address, telephone number, and facsimile transmission number of such CO₂ authorized account representative or alternate CO₂ authorized account representative;

2.6.3.2 The name, address, e-mail address, telephone number and facsimile transmission number of each such natural person, herein referred to as the “electronic submission agent”;

2.6.3.3 For each such natural person, a list of the type of electronic submissions under 2.6.1 or 2.6.2 of this section for which authority is delegated to him or her; and

2.6.3.4 The following certification statements by such CO₂ authorized account representative or alternate CO₂ authorized account representative:

2.6.3.4.1 *“I agree that any electronic submission to the Department or its agent that is by a natural person identified in this notice of delegation and of a type listed for such electronic submission agent in this notice of delegation and that is made when I am a CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, and before this notice of delegation is superseded by another notice of delegation under 2.6.4 of this regulation shall be deemed to be an electronic submission by me.”*

2.6.3.4.2 *“Until this notice of delegation is superseded by another notice of delegation under 2.6.4 of this regulation, I agree to maintain an e-mail account and to notify the Department or its agent immediately of any change in my e-mail address unless all delegation authority by me under section 2.6 of this regulation is terminated.”*

2.6.4 A notice of delegation submitted under subdivision 2.6.3 of this section shall be effective, with regard to the CO₂ authorized account representative or alternate CO₂ authorized account representative identified in such notice, upon receipt of such

notice by the Department or its agent and until receipt by the Department or its agent of a superseding notice of delegation by such CO₂ authorized account representative or alternate CO₂ authorized account representative as appropriate. The superseding notice of delegation may replace any previously identified electronic submission agent, add a new electronic submission agent, or eliminate entirely any delegation of authority.

- 2.6.5 Any electronic submission covered by the certification in 2.6.3.4.1 of this section and made in accordance with a notice of delegation effective under 2.6.4 of this section shall be deemed to be an electronic submission by the CO₂ authorized account representative or alternate CO₂ authorized account representative submitting such notice of delegation.

Section 3 Permits

3.1 General CO₂ budget permit requirements.

- 3.1.1 Each CO₂ budget source must have a permit issued by the Department pursuant to Regulation 1102, 1130 and 1147 of this Title.
- 3.1.2 Each CO₂ budget permit shall contain all applicable CO₂ Budget Trading Program requirements and shall be a complete and distinguishable portion of the permit under subdivision (a) of this section.

3.2 Submission of CO₂ budget permit applications.

For any CO₂ budget source, the CO₂ authorized account representative shall submit a complete CO₂ budget permit application under section 3.3 of this regulation covering such CO₂ budget source to the Department by the later of January 1, 2009 or 12 months before the date on which the CO₂ budget source, or a new unit at the source, commences operation.

3.3 Information requirements for CO₂ budget permit applications.

3.3.1 A complete CO₂ budget permit application shall include the following elements concerning the CO₂ budget source for which the application is submitted, in a format prescribed by the Department:

- 3.3.1.1 identification of the CO₂ budget source, including plant name and the ORIS (Office of Regulatory Information Systems) or facility code assigned to the source by the Energy Information Administration of the United States Department of Energy, if applicable;
- 3.3.1.2 Identification of each CO₂ budget unit at the CO₂ budget source; and
- 3.3.1.3 The standard requirements under section 1.5 of this regulation.

Section 4 Compliance Certification

4.1 Compliance certification report.

4.1.1 *Applicability and deadline.* For each control period in which a CO₂ budget source is subject to the CO₂ requirements of 1.5.3 of this regulation, the CO₂ authorized account representative of the source shall submit to the Department by the March 1 following the relevant control period, a compliance certification report.

4.1.2 *Contents of report.* The CO₂ authorized account representative shall include in the compliance certification report under 4.1 of this section the following elements, in a format prescribed by the Department:

- 4.1.2.1 Identification of the source and each CO₂ budget unit at the source;
- 4.1.2.2 at the CO₂ authorized account representative's option, the serial numbers of the CO₂ allowances that are to be deducted from the source's compliance account under section 6.5 of this regulation for the control period, including the serial numbers of any CO₂ offset allowances that are to be deducted subject to the limitations of 6.5.1.3 of this regulation; and

4.1.2.3 The compliance certification under 4.3 of this section.

4.1.3 *Compliance certification.* In the compliance certification report under 4.1 of this section, the CO₂ authorized account representative shall certify, based on reasonable inquiry of those persons with primary responsibility for operating the source and the CO₂ budget units at the source in compliance with the CO₂ Budget Trading Program, whether the source and each CO₂ budget unit at the source for which the compliance certification is submitted was operated during the calendar years covered by the report in compliance with the requirements of the CO₂ Budget Trading Program, including:

4.1.3.1 Whether the source was operated in compliance with the CO₂ requirements of 1.5.3 of this regulation;

4.1.3.2 whether the monitoring plan applicable to each unit at the source has been maintained to reflect the actual operation and monitoring of the unit, and contains all information necessary to attribute CO₂ emissions to the unit, in accordance with Section 8 of this regulation;

4.1.3.3 whether all the CO₂ emissions from the units at the source were monitored or accounted for through the missing data procedures and reported in the quarterly monitoring reports, including whether conditional data were reported in the quarterly reports in accordance with Section 8 of this regulation. If conditional data were reported, the owner or operator shall indicate whether the status of all conditional data has been resolved and all necessary quarterly report resubmissions have been made;

4.1.3.4 whether the facts that form the basis for certification under Section 8 of each monitor at each unit at the source, or for using an excepted monitoring method or alternative monitoring method approved under Section 8 of this regulation, if any, have changed; and

4.1.3.5 If a change is required to be reported under 4.1.3.4 of this section, specify the nature of the change, the reason for the change, when the change occurred, and how the unit's compliance status was determined subsequent to the change, including what method was used to determine emissions when a change mandated the need for monitor recertification.

4.2 Department’s action on compliance certifications.

- 4.2.1 The Department or its agent may review and conduct independent audits concerning any compliance certification or any other submission under the CO₂ Budget Trading Program and make appropriate adjustments of the information in the compliance certifications or other submissions.
- 4.2.2 The Department or its agent may deduct CO₂ allowances from or transfer CO₂ allowances to a source’s compliance account based on the information in the compliance certifications or other submissions, as adjusted under 4.1 of this section.

Section 5 CO₂ Allowance Allocations

5.1 STATE OF DELAWARE CO₂ trading program base budget.

- 5.1.1 For the 2009 through 2014 allocation years, the STATE OF DELAWARE CO₂ Budget Trading Program annual base budget is 7,559,787 tons.
- 5.1.2 For the 2015 allocation year, the STATE OF DELAWARE CO₂ Budget Trading Program annual base budget is 7,370,792 tons.
- 5.1.3 For the 2016 allocation year, the STATE OF DELAWARE CO₂ Budget Trading Program annual base budget is 7,181,798 tons.
- 5.1.4 For the 2017 allocation year, the STATE OF DELAWARE CO₂ Budget Trading Program annual base budget is 6,992,803 tons.
- 5.1.5 For the 2018 allocation year and each succeeding allocation year, the STATE OF DELAWARE CO₂ Budget Trading Program annual base budget is 6,803,808 tons.

5.2 Timing requirements for CO₂ allowance allocations.

- 5.2.1 By January 1, 2009, the Department will determine the CO₂ allowance allocations under 5.3.1 and 5.3.2 of this regulation for the 2009, 2010, 2011, and 2012 allocation years.
- 5.2.2 By January 1, 2010 and January 1 of each year thereafter, the Department will allocate CO₂ allowances under 5.3.1 and 5.3.2 of this regulation for the allocation year that commences in the year that is three years after the applicable deadline for allocation under this regulation.

5.3 CO₂ allowance allocations.

5.3.1 General allocations.

Beginning with 2009 CO₂ allowances, the Department shall auction 60% of allowances available to Delaware and allocate 40% to each applicable unit as defined in 1.2.1 of this regulation in proportion to their average annual emissions from 2000-2002. The percentage of allowances auctioned by the Department shall increase by 8% per year, such that 100% of Delaware's allowances for 2014 shall be auctioned. The allowances shall be distributed in accordance with the following calculation:

Allocated tons/unit = (% of Budget/unit x DE RGGI Budget) x (% available for allocation x DE RGGI Budget)

Where: DE RGGI Budget = 7,557,787 tons – Limited Industrial Exemption Set Aside

5.3.2 Consumer benefit or strategic energy purpose allocation. The Department shall direct auction proceeds to the following uses:

5.3.2.1 65% of the CO₂ allowance proceeds shall be directed to the Sustainable Energy Utility (SEU), established in 29 Del C §8059. The SEU shall apply these funds to further the goals and activities of the SEU including, but not limited to, the promotion of energy conservation, energy efficiency, renewable energy, and energy financing pursuant to Section 8059(j)(3).

5.3.2.2 A total of 15% of the CO₂ allowance proceeds shall be directed to low income consumers, of which 10% shall be directed to the federally funded and state administered Weatherization Assistance Program (WAP), and up to 5% shall be directed to the federally funded and state administered fuel assistance (LIHEAP) programs. Participants in the LIHEAP program funded pursuant to this section shall also participate in the WAP program within two years of receiving assistance through LIHEAP, subject to funding availability. These programs are administered by the office of Community Services, which is located within the Division for State Service Centers, and Delaware Department of Health and Social Services.

5.3.2.3 Percentage allocations of funds to the SEU and low income consumers may be reviewed and adjusted annually by a committee comprised of the Secretary of DNREC, who shall serve as committee chair, the

Chair of the Board of the SEU, and the program managers of the State Weatherization Assistance Program and Low Income Home Energy Assistance Program.

5.3.2.4 10% of CO₂ allowance proceeds shall be directed to Greenhouse Gas Reduction Projects, selected by the Department following a periodic competitive proposal process. The Department shall utilize an advisory body composed of electric generators, environmental advocates, legislators and such others as the Department may find useful in developing guidelines for the proposal process and in soliciting and ranking of projects. Projects must result in quantifiable and verifiable reductions in Greenhouse gas emissions in Delaware not otherwise required by federal or state law and not receiving funding from any other state sources.

5.3.2.5 The Department shall use up to 10% of CO₂ allowance proceeds as detailed in Section 6046(d). Expenses for running the RGGI program shall be met first, prior to distribution of funds as outlined above.

5.3.3 *Early reduction CO₂ allowances.* The Department may award early reduction CO₂ allowances (ERAs) to a CO₂ budget source for reductions in the CO₂ budget source's CO₂ emissions (inclusive of all emissions from CO₂ budget units at the CO₂ budget source) that are achieved by the source during the early reduction period (2006, 2007, and 2008), subject to the requirements of this subdivision. Total facility shutdowns shall not be eligible for ERAs.

5.3.3.1 The CO₂ budget source must submit its application for the award of ERAs by May 1, 2009.

5.3.3.2 The CO₂ budget source must demonstrate that all CO₂ budget units that existed at the source during the baseline period (2003, 2004, and 2005) are included as CO₂ budget units for the early reduction period. New CO₂ budget units added at the CO₂ budget source must also be accounted for during the early reduction period.

5.3.3.3 The Department will calculate the number of ERAs to be awarded to a particular CO₂ budget source for the early reduction period pursuant to the following methodology:

5.3.3.3.1 If total heat input to all CO₂ budget units at the CO₂ budget source during the early reduction period is less than or equal to the total heat input to all the CO₂ budget units at the CO₂ budget source during the baseline period, then:

5.3.3.3.1.1 ERAs shall be calculated as follows:

$$\text{ERAs} = ((\text{AEER}_{\text{BASELINE}} - \text{AEER}_{\text{ERP}}) \times (\text{EO}_{\text{ERP}} + (\text{TO}_{\text{ERP}} / 3.413))) / 2000$$

Where:

“AEER_{BASELINE}” is the average CO₂ emissions rate resulting from electric energy output and thermal energy output for all of the CO₂ budget units at the CO₂ budget source during the baseline period (in pounds of CO₂/MWh_{th+e});

“AEER_{ERP}” is the average CO₂ emissions rate resulting from electric energy output and thermal energy output for all of the CO₂ budget units at the CO₂ budget source during the early reduction period (in pounds of CO₂/ MWh_{th+e});

“EO_{ERP}” is the total electric energy output from all CO₂ budget units at the CO₂ budget source during the early reduction period (in MWh_e);

“TO_{ERP}” is the total useful thermal energy output from all CO₂ budget units at the CO₂ budget source during the early reduction period (in MMBtu);

Table 1. CO2 Budget Unit Allocation (2009-2014)

Analysis with Valero CO2 Budget Units			2009	2010	2011	2012	2013	2014
Plant Name	Boiler ID	Gen. ID	40% Allocation (60% Auction)	32% Allocation (68% Auction)	24% Allocation (76% Auction)	16% Allocation (84% Auction)	8% Allocation (92% Auction)	10% Allocation (95% Auction)
Conectiv Christina	3		907	725	544	408	227	
Conectiv Christina	4		876	701	526	394	219	
Conectiv Edge Moor	3	3	236,979	189,583	142,187	106,640	59,245	
Conectiv Edge Moor	4	4	388,482	310,785	233,089	174,817	97,120	
Conectiv Edge Moor	5	5	266,033	212,826	159,620	119,715	66,508	
NRG Indian River	1	1	174,107	139,286	104,464	78,348	43,527	
NRG Indian River	2	2	189,267	151,413	113,560	85,170	47,317	
NRG Indian River	3	3	204,590	163,672	122,754	92,065	51,147	
NRG Indian River	4	4	622,557	498,045	373,534	280,151	155,639	
City of Dover McKee Run	3	3	60,128	48,102	36,077	27,058	15,032	
Conectiv Hay Road	1	1	69,398	55,519	41,639	31,229	17,350	
Conectiv Hay Road	2	2	72,576	58,061	43,546	32,659	18,144	
Conectiv Hay Road	3	3	75,105	60,084	45,063	33,797	18,776	
Conectiv Hay Road	4	4	0	0	0	0	0	
Conectiv Hay Road	5	5	58,216	46,572	34,929	26,197	14,554	
Conectiv Hay Road	6	6	59,261	47,409	35,557	26,667	14,815	
Conectiv Hay Road	7	7	60,986	48,789	36,592	27,444	15,247	
Conectiv Hay Road	8	8	0	0	0	0	0	
City of Dover Van Sant	11	1	2,056	1,645	1,234	925	514	
Warren F. Beasley Station	1	1	5,420	4,336	3,252	2,439	1,355	
NRG Energy Center Dover	2	2	4,068	3,255	2,441	1,831	1,017	
NRG Energy Center Dover	3	3	3,598	2,878	2,159	1,619	900	

Analysis with Valero CO2 Budget Units			2009	2010	2011	2012	2013	2014
Plant Name	Boiler ID	Gen. ID	40% Allocation (60% Auction)	32% Allocation (68% Auction)	24% Allocation (76% Auction)	16% Allocation (84% Auction)	8% Allocation (92% Auction)	10% Allocation (98% Auction)
Valero Refinery	BLR1	G1	115,803	92,643	69,482	52,111	28,951	
Valero Refinery	BLR2	G2	90,173	72,138	54,104	40,578	22,543	
Valero Refinery	BLR3	G3	95,791	76,633	57,475	43,106	23,948	
Valero Refinery	DCPP 4	G4	125,163	100,130	75,098	56,323	31,291	
Valero Refinery	MECC U1	CT1	27,188	21,750	16,313	12,234	6,797	
Valero Refinery	MECC U2	CT2	15,188	12,151	9,113	6,835	3,797	

Table 2. CO2 Budget Unit Allocation without Valero Refinery CO2 Budget Units (2009-2014)

Analysis without Valero CO2 Budget Units			2009	2010	2011	2012	2013	2014
Plant Name	Boiler ID	Gen. ID	40% Allocation (60% Auction)	32% Allocation (68% Auction)	24% Allocation (76% Auction)	16% Allocation (84% Auction)	8% Allocation (92% Auction)	10% Allocation (98% Auction)
Conectiv Christina	3		902	722	541	406	225	
Conectiv Christina	4		872	697	523	392	218	
Conectiv Edge Moor	3	3	235,707	188,565	141,424	106,068	58,927	
Conectiv Edge Moor	4	4	386,397	309,117	231,838	173,878	114,962	
Conectiv Edge Moor	5	5	264,605	211,684	158,763	119,072	78,726	
NRG Indian River	1	1	173,173	138,538	103,904	77,928	51,523	
NRG Indian River	2	2	188,251	150,601	112,950	84,713	56,009	
NRG Indian River	3	3	203,492	162,793	122,095	91,571	60,544	
NRG Indian River	4	4	619,215	495,372	371,529	278,647	184,232	
City of Dover McKee Run	3	3	59,805	47,844	35,883	26,912	17,793	
Conectiv Hay Road	1	1	69,026	55,221	41,415	31,062	20,537	
Conectiv Hay Road	2	2	72,187	57,749	43,312	32,484	21,477	

Analysis without Valero CO2 Budget Units			2009	2010	2011	2012	2013	2014
Plant Name	Boiler ID	Gen. ID	40% Allocation (60% Auction)	32% Allocation (68% Auction)	24% Allocation (76% Auction)	16% Allocation (84% Auction)	8% Allocation (92% Auction)	10% Allocation (98% Auction)
Conectiv Hay Road	3	3	74,702	59,761	44,821	33,616	22,226	
Conectiv Hay Road	4	4	0	0	0	0	0	
Conectiv Hay Road	5	5	57,903	46,322	34,742	26,056	17,228	
Conectiv Hay Road	6	6	58,943	47,154	35,366	26,524	17,537	
Conectiv Hay Road	7	7	60,659	48,527	36,395	27,297	18,048	
Conectiv Hay Road	8	8	0	0	0	0	0	
City of Dover Van Sant	11	1	2,045	1,636	1,227	920	608	
Warren F. Beasley Station	1	1	5,391	4,313	3,235	2,426	1,604	
NRG Energy Center Dover	2	2	4,046	3,237	2,428	1,821	1,204	
NRG Energy Center Dover	3	3	3,579	2,863	2,147	1,610	1,065	

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5.3.3.3.1.2 For the purposes of this section, thermal energy output will be converted to units of MWh by the conversion factor 1 MWh = 3.413 MMBtu.

5.3.3.3.1.3 For the purposes of this section, output shall be monitored in accordance with Section 8 of this regulation.

5.3.3.3.2 If total heat input to all CO₂ budget units at the CO₂ budget source during the early reduction period is greater than or equal to the total heat input to all the CO₂ budget units at the CO₂ budget source during the baseline period, then:

$$\text{ERAs} = E_{\text{BASELINE}} - E_{\text{ERP}}$$

where:

“E_{BASELINE}” are total CO₂ emissions from the all of the CO₂ budget units at the CO₂ budget source during the baseline period (in tons); and

“E_{ERP}” are total CO₂ emissions from the all of the CO₂ budget units at the CO₂ budget source during the early reduction period (in tons).

5.3.3.4 The CO₂ budget source must demonstrate that the data submitted in support of the early reduction application was recorded in compliance with the requirements of Section 8 for all of the baseline years and the early reduction years for which the CO₂ budget source was required to report CO₂ data pursuant to 40 CFR part 75. A CO₂ budget source that was not required to submit CO₂ data pursuant to 40 CFR part 75 for any of the years contained in the baseline period or early reduction period may petition the Department as part of its application under this Section for the use of an alternative data source or sources for the calculation of early reduction allowances.

5.3.3.5 Once the Department confirms a CO₂ budget source’s early reductions of CO₂ emissions, it will award the ERAs to the CO₂ budget source’s compliance account by December 31, 2009.

5.3.5 *Limited industrial exemption set-aside allocation.* The limited industrial exemption set-aside allocation will consist of **1,207,544** tons from the STATE OF DELAWARE CO₂ Budget Trading Program base budget set forth in section 5.1 of this regulation,

as applicable. For each control period, the Department will determine CO₂ allowance allocations in accordance with the following procedures.

- 5.3.5.1 The Department will open and manage a general account for the limited exemption set-aside for each control period.
- 5.3.5.2 As of the January 1 that is after the date that an exemption under subdivision 1.2.2 has been granted, for each allocation year the Department will retire CO₂ allowances in the limited industrial exemption set-aside general account as determined pursuant to 1.2.2.4 of this regulation.
- 5.3.5.3 After retirement of allowances pursuant to 5.3.5.2 of this regulation, the Department will determine whether any CO₂ allowances remain in the limited industrial exemption set-aside general account for the control period. The Department will transfer any such remaining CO₂ allowances from the limited industrial exemption set-aside allocation general account to the compliance account of each CO₂ budget source that was allocated allowances pursuant to 5.3.5.1 of this regulation using the following methodology:

Existing CO₂ budget unit's share of the CO₂ allowances remaining in the limited industrial exemption set-aside general account = Total CO₂ allowances remaining in the limited industrial exemption set-aside general account x (The individual CO₂ budget unit's CO₂ allowance allocation determined in accordance with 5.3.1 of this regulation ÷ the State of Delaware CO₂ Budget Trading Program annual base budget, as applicable)

Where:

“Total CO₂ allowances remaining in the limited industrial exemption set-aside allocation general account” is the total number of CO₂ allowances remaining in the limited industrial exemption set-aside allocation general account (established under 5.3.5.1 of this section) for the particular control period to which the limited industrial exemption set-aside allocation applies; and

“The individual CO₂ budget unit's CO₂ allowance allocation” is the number of CO₂ allowances allocated under 5.3.1 this section to the individual CO₂ budget unit for the control period to which the limited industrial exemption set-aside allocation applies.

The Department will only transfer CO₂ allowances in whole ton increments. The Department will continue to hold any fractional shares of CO₂ allowances in the name of the CO₂ budget unit as banked CO₂ allowances until they may be combined with other fractional shares of CO₂ allowances in future years and then transferred as whole ton increments.

Section 6 CO₂ Allowance Tracking System

6.1 CO₂ Allowance Tracking System accounts.

6.1.1 *Nature and function of compliance accounts.* Consistent with 6.2.1 of this regulation, the Department or its agent will establish one compliance account for each CO₂ budget source. Allocations of CO₂ allowances pursuant to Section 5 of this regulation and deductions or transfers of CO₂ allowances pursuant to sections 4.2, 6.5, 6.7, or Section 7 of this regulation will be recorded in the compliance accounts in accordance with this Section.

6.1.2 *Nature and function of general accounts.* Consistent with 6.2.2 of this regulation, the Department or its agent will establish, upon request, a general account for any person. Transfers of CO₂ allowances pursuant to Section 7 of this regulation will be recorded in the general account in accordance with this Section.

6.2 Establishment of accounts.

6.2.1 *Compliance accounts.* Upon receipt of a complete account certificate of representation under section 2.4 of this regulation, the Department or its agent will establish a compliance account for each CO₂ budget source for which the account certificate of representation was submitted.

6.2.2 *General accounts.*

6.2.2.1 *Application for general account.* Any person may apply to open a general account for the purpose of holding and transferring CO₂ allowances. An application for a general account may designate one and only one CO₂ authorized account representative and one and only one alternate CO₂ authorized account representative who may act on behalf of the CO₂ authorized account representative. The agreement by which the alternate CO₂ authorized account representative is selected shall include a procedure for authorizing the alternate CO₂ authorized account representative to act in lieu of the CO₂ authorized account representative. A complete application for a general account

shall be submitted to the Department or its agent and shall include the following elements in a format prescribed by the Department or its agent:

- 6.2.2.1.1 name, address, e-mail address, telephone number, and facsimile transmission number of the CO₂ authorized account representative and any alternate CO₂ authorized account representative;
- 6.2.2.1.2 at the option of the CO₂ authorized account representative, organization name and type of organization;
- 6.2.2.1.3 a list of all persons subject to a binding agreement for the CO₂ authorized account representative or any alternate CO₂ authorized account representative to represent their ownership interest with respect to the CO₂ allowances held in the general account;
- 6.2.2.1.4 The following certification statement by the CO₂ authorized account representative and any alternate CO₂ authorized account representative:

“I certify that I was selected as the CO₂ authorized account representative or the CO₂ alternate authorized account representative, as applicable, by an agreement that is binding on all persons who have an ownership interest with respect to CO₂ allowances held in the general account. I certify that I have all the necessary authority to carry out my duties and responsibilities under the CO₂ Budget Trading Program on behalf of such persons and that each such person shall be fully bound by my representations, actions, inactions, or submissions and by any order or decision issued to me by the Department or its agent or a court regarding the general account.”;
- 6.2.2.1.5 The signature of the CO₂ authorized account representative and any alternate CO₂ authorized account representative and the dates signed; and
- 6.2.2.1.6 Unless otherwise required by the Department or its agent, documents of agreement referred to in the application for a general account shall not be submitted to the Department or its agent. Neither the Department nor its agent shall be under any obligation to review or evaluate the sufficiency of such

documents, if submitted.

6.2.2.2 *Authorization of CO₂ authorized account representative.*

6.2.2.2.1. Upon receipt by the Department or its agent of a complete application for a general account under 6.2.2.1 of this section:

6.2.2.2.1.1 The Department or its agent will establish a general account for the person or persons for whom the application is submitted.

6.2.2.2.1.2 The CO₂ authorized account representative and any alternate CO₂ authorized account representative for the general account shall represent and, by his or her representations, actions, inactions, or submissions, legally bind each person who has an ownership interest with respect to CO₂ allowances held in the general account in all matters pertaining to the CO₂ Budget Trading Program, notwithstanding any agreement between the CO₂ authorized account representative or any alternate CO₂ authorized account representative and such person. Any such person shall be bound by any order or decision issued to the CO₂ authorized account representative or any alternate CO₂ authorized account representative by the Department or its agent or a court regarding the general account.

6.2.2.2.1.3 Any representation, action, inaction, or submission by any alternate CO₂ authorized account representative shall be deemed to be a representation, action, inaction, or submission by the CO₂ authorized account representative.

6.2.2.2.2 Each submission concerning the general account shall be submitted, signed, and certified by the CO₂ authorized account representative or any alternate CO₂ authorized account representative for the persons having an ownership interest with respect to CO₂ allowances held in the general account. Each such submission shall include the following certification statement by the CO₂ authorized account representative or any alternate CO₂ authorized account representative:

"I am authorized to make this submission on behalf of the

persons having an ownership interest with respect to the CO₂ allowances held in the general account. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment.”

6.2.2.2.3 The Department or its agent will accept or act on a submission concerning the general account only if the submission has been made, signed, and certified in accordance with 6.2.2.2.2 of this section.

6.2.2.3 *Changing CO₂ authorized account representative and alternate CO₂ authorized account representative; changes in persons with ownership interest.*

6.2.2.3.1 The CO₂ authorized account representative for a general account may be changed at any time upon receipt by the Department or its agent of a superseding complete application for a general account under 6.2.2.1 of this section. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous CO₂ authorized account representative, or the previous alternate CO₂ authorized account representative, prior to the time and date when the Department or its agent receives the superseding application for a general account shall be binding on the new CO₂ authorized account representative and the persons with an ownership interest with respect to the CO₂ allowances in the general account.

6.2.2.3.2 The alternate CO₂ authorized account representative for a general account may be changed at any time upon receipt by the Department or its agent of a superseding complete application for a general account under 6.2.2.1 of this section. Notwithstanding any such change, all representations, actions, inactions, and submissions by the previous CO₂ authorized account representative, or the previous alternate CO₂ authorized account representative, prior to the time and date

when the Department or its agent receives the superseding application for a general account shall be binding on the new alternate CO₂ authorized account representative and the persons with an ownership interest with respect to the CO₂ allowances in the general account.

6.2.2.3.3 In the event a new person having an ownership interest with respect to CO₂ allowances in the general account is not included in the list of such persons in the application for a general account, such new person shall be deemed to be subject to and bound by the application for a general account, the representations, actions, inactions, and submissions of the CO₂ authorized account representative and any alternate CO₂ authorized account representative, and the decisions, orders, actions, and inactions of the Department or its agent, as if the new person were included in such list.

6.2.2.3.4 Within 30 days following any change in the persons having an ownership interest with respect to CO₂ allowances in the general account, including the addition or deletion of persons, the CO₂ authorized account representative or any alternate CO₂ authorized account representative shall submit a revision to the application for a general account amending the list of persons having an ownership interest with respect to the CO₂ allowances in the general account to include the change.

6.2.2.4 *Objections concerning CO₂ authorized account representative.*

6.2.2.4.1 Once a complete application for a general account under 6.2.2.1 of this section has been submitted and received, the Department or its agent will rely on the application unless and until a superseding complete application for a general account under 6.2.2.1 of this section is received by the Department or its agent.

6.2.2.4.2 Except as provided in 6.2.2.3.1 and 6.2.2.3.2 of this section, no objection or other communication submitted to the Department or its agent concerning the authorization, or any representation, action, inaction, or submission of the CO₂ authorized account representative or any alternate CO₂ authorized account representative for a general account shall affect any representation, action, inaction, or submission of the CO₂ authorized account representative or any alternate CO₂

authorized account representative or the finality of any decision or order by the Department or its agent under the CO₂ Budget Trading Program.

6.2.2.4.3 Neither the Department nor its agent will adjudicate any private legal dispute concerning the authorization or any representation, action, inaction, or submission of the CO₂ authorized account representative or any alternate CO₂ authorized account representative for a general account, including private legal disputes concerning the proceeds of CO₂ allowance transfers.

6.2.2.5 *Delegation by CO₂ authorized account representative and alternate CO₂ authorized account representative.*

6.2.2.5.1 A CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the Department or its agent provided for under Sections 6 and 7 of this regulation.

6.2.2.5.2 An alternate CO₂ authorized account representative may delegate, to one or more natural persons, his or her authority to make an electronic submission to the Department or its agent provided for under Sections 6 and 7 of this regulation.

6.2.2.5.3 In order to delegate authority to make an electronic submission to the Department or its agent in accordance with 6.2.2.5.1 and 6.2.2.5.2 of this regulation, the CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, must submit to the Department or its agent a notice of delegation, in a format prescribed by the Department that includes the following elements:

6.2.2.5.3.1 The name, address, e-mail address, telephone number, and facsimile transmission number of such CO₂ authorized account representative or alternate CO₂ authorized account representative;

6.2.2.5.3.2 The name, address, e-mail address, telephone number and facsimile transmission number of each such natural person, herein referred to as “electronic submission agent”;

6.2.2.5.3.3 For each such natural person, a list of the type of electronic submissions under subdivision (a) or (b) of this section for which authority is delegated to him or her; and

6.2.2.5.3.4 The following certification statements by such CO₂ authorized account representative or alternate CO₂ authorized account representative:

6.2.2.5.3.4.1 *“I agree that any electronic submission to the Department or its agent that is by a natural person identified in this notice of delegation and of a type listed for such electronic submission agent in this notice of delegation and that is made when I am a CO₂ authorized account representative or alternate CO₂ authorized account representative, as appropriate, and before this notice of delegation is superseded by another notice of delegation under 6.2.2.5.4 of this regulation shall be deemed to be an electronic submission by me.”*

6.2.2.5.3.4.2 *“Until this notice of delegation is superseded by another notice of delegation under 6.2.2.5.4 of this regulation, I agree to maintain an e-mail account and to notify the Department or its agent immediately of any change in my e-mail address unless all delegation authority by me under 6.2.2.5 of this regulation is terminated.”*

6.2.2.5.4 A notice of delegation submitted under 6.2.2.5.3 of this regulation shall be effective, with regard to the CO₂ authorized account representative or alternate CO₂ authorized account representative identified in such notice, upon receipt of such notice by the Department or its agent and until receipt by the Department or its agent of a superseding notice of delegation by such CO₂ authorized account representative or alternate CO₂ authorized account representative as appropriate. The superseding notice of delegation may replace any previously identified electronic submission agent, add a new electronic submission agent, or eliminate entirely any delegation of authority.

6.2.2.5.5 Any electronic submission covered by the certification in 6.2.2.5.3.4.1 of this regulation and made in accordance with a

notice of delegation effective under 6.2.2.5.4 of this regulation shall be deemed to be an electronic submission by the CO₂ authorized account representative or alternate CO₂ authorized account representative submitting such notice of delegation.

6.2.3 *Account identification.* The Department or its agent will assign a unique identifying number to each account established under 6.2.1 or 6.2.2 of this section.

6.3 CO₂ Allowance Tracking System responsibilities of CO₂ authorized account representative.

Following the establishment of a CO₂ Allowance Tracking System account, all submissions to the Department or its agent pertaining to the account, including, but not limited to, submissions concerning the deduction or transfer of CO₂ allowances in the account, shall be made only by the CO₂ authorized account representative for the account.

6.4 Recordation of CO₂ allowance allocations.

6.4.1 By January 1, 2009, the Department or its agent will record in the following accounts the CO₂ allowances for the allocation years of 2009, 2010, 2011, and 2012:

6.4.1.1 in each CO₂ budget source's compliance account, the CO₂ allowances allocated for CO₂ budget units at the source (if any) under 5.3.1 of this regulation; and

6.4.1.2 The CO₂ allowances allocated for the consumer benefit or strategic energy purpose account under 5.3.2 of this regulation.

6.4.2 Each year the Department or its agent will record CO₂ allowances, as allocated to the unit under Section 5 of this regulation, in the compliance account for the year after the last year for which CO₂ allowances were previously allocated to the compliance account. Each year, the Department or its agent will also record CO₂ allowances, as allocated under Section 5 of this regulation, in an allocation set-aside for the year after the last year for which CO₂ allowances were previously allocated to an allocation set-aside.

6.4.3 *Serial numbers for allocated CO₂ allowances.* When allocating CO₂ allowances to and recording them in an account, the Department or its agent will assign each CO₂ allowance a unique identification number that will include digits identifying the year for which the CO₂ allowance is allocated.

6.4.4 On or before December 31, 2009, the Department shall record any ERAs awarded pursuant to 5.3.3.5 of this regulation in the CO₂ budget source's compliance account.

6.5 Compliance.

6.5.1 *Allowances available for compliance deduction.* CO₂ allowances that meet the following criteria are available to be deducted in order for a CO₂ budget source to comply with the CO₂ requirements of 1.5.3 of this regulation for a control period.

6.5.1.1 The CO₂ allowances, other than CO₂ offset allowances, are of allocation years that fall within a prior control period or the same control period for which the allowances will be deducted.

6.5.1.2 The CO₂ allowances are held in the CO₂ budget source's compliance account as of the CO₂ allowance transfer deadline for that control period or are transferred into the compliance account by a CO₂ allowance transfer correctly submitted for recordation under section 7.1 of this regulation by the CO₂ allowance transfer deadline for that control period.

6.5.1.3 For CO₂ offset allowances, the number of CO₂ offset allowances that are available to be deducted in order for a CO₂ budget source to comply with the CO₂ requirements of 1.5.3 of this regulation for a control period may not exceed the number of tons representing the following percentages of the CO₂ budget source's CO₂ emissions for that control period, as determined in accordance with Sections 6 and 8 of this regulation:

6.5.1.3.1 Unless the provisions of 6.5.1.2 and 6.5.1.3 of this regulation apply, 3.3 percent;

6.5.1.3.2 If the Department determines that there has been a stage one trigger event, 5 percent;

6.5.1.3.3 If the Department determines that there has been a stage two trigger event, 10 percent.

6.5.1.4 The CO₂ allowances are not necessary for deductions for excess emissions for a prior control period under 6.4 of this regulation.

6.5.2 *Deductions for compliance.* Following the recordation, in accordance with section 7.2 of this regulation, of CO₂ allowance transfers submitted for recordation in the

CO₂ budget source's compliance account by the CO₂ allowance transfer deadline for a control period, the Department or its agent will deduct CO₂ allowances available under 6.1 of this regulation to cover the source's CO₂ emissions (as determined in accordance with Section 8 of this regulation for the control period, as follows:

6.5.2.1 until the amount of CO₂ allowances deducted equals the number of tons of total CO₂ emissions, less any CO₂ emissions attributable to the burning of eligible biomass, determined in accordance with Section 8 of this regulation, from all CO₂ budget units at the CO₂ budget source for the control period; or

6.5.2.2 If there are insufficient CO₂ allowances to complete the deductions 6.2.1 of this section, until no more CO₂ allowances available under 6.5.1 of this section remain in the compliance account.

6.5.3 *Identification of available CO₂ allowances by serial number; default compliance deductions.*

6.5.3.1 The CO₂ authorized account representative for a source's compliance account may request that specific CO₂ allowances, identified by serial number, in the compliance account be deducted for emissions or excess emissions for a control period in accordance with 6.5.2 or 6.5.4 of this section. Such identification shall be made in the compliance certification report submitted in accordance with section 4.1 of this regulation.

6.5.3.2 The Department or its agent will deduct CO₂ allowances for a control period from the CO₂ budget source's compliance account, in the absence of identification or in the case of a partial identification of available CO₂ allowances by serial number under 6.5.3.1 of this regulation, in the following order:

6.5.3.2.1 First, subject to the relevant compliance deduction limitations under 6.5.1.3 and 6.5.4.1 of this regulation, CO₂ offset allowances. CO₂ offset allowances shall be deducted in chronological order (i.e., CO₂ offset allowances from earlier allocation years shall be deducted before CO₂ offset allowances from later allocation years). In the event that some, but not all, CO₂ offset allowances from a particular allocation year are to be deducted, CO₂ offset allowances shall be deducted by serial number, with lower serial number allowances deducted before higher serial number allowances.

6.5.3.2.2 Second, any CO₂ allowances, other than CO₂ offset allowances, that are available for deduction under subdivision 6.5.1 of this section. CO₂ allowances shall be deducted in chronological order (i.e., CO₂ allowances from earlier allocation years shall be deducted before CO₂ allowances from later allocation years). In the event that some, but not all, CO₂ allowances from a particular allocation year are to be deducted, CO₂ allowances shall be deducted by serial number, with lower serial number allowances deducted before higher serial number allowances.

6.5.4 *Deductions for excess emissions.*

6.5.4.1 After making the deductions for compliance under 6.5.2 of this section, the Department or its agent will deduct from the CO₂ budget source's compliance account a number of CO₂ allowances, from allocation years that occur after the control period in which the source has excess emissions, equal to three times the number of the source's excess emissions. In the event that a source has insufficient CO₂ allowances to cover three times the number of the source's excess emissions, the source shall be required to immediately transfer sufficient allowances into its compliance account. No CO₂ offset allowances may be deducted to account for the source's excess emissions.

6.5.4.2 Any CO₂ allowance deduction required under 6.5.4.1 of this section shall not affect the liability of the owners and operators of the CO₂ budget source or the CO₂ units at the source for any fine, penalty, or assessment, or their obligation to comply with any other remedy, for the same violation, as ordered under applicable State law. The following guidelines will be followed in assessing fines, penalties or other obligations.

6.5.4.2.1 For purposes of determining the number of days of violation, if a CO₂ budget source has excess emissions for a control period, each day in the control period constitutes a day in violation unless the owners and operators of the unit demonstrate that a lesser number of days should be considered.

6.5.4.2.2 Each ton of excess emissions is a separate violation.

6.5.4.3 The propriety of the Department's determination that a CO₂ budget source had excess emissions and the concomitant deduction of CO₂ allowances from that CO₂ budget source's account may be later

challenged in the context of the initial administrative enforcement, or any civil or criminal judicial action arising from or encompassing that excess emissions violation. The commencement or pendency of any administrative enforcement, or civil or criminal judicial action arising from or encompassing that excess emissions violation will not act to prevent the Department or its agent from initially deducting the CO₂ allowances resulting from the Department's original determination that the relevant CO₂ budget source has had excess emissions. Should the Department's determination of the existence or extent of the CO₂ budget source's excess emissions be revised either by a settlement or final conclusion of any administrative or judicial action, the Department will act as follows.

6.5.4.3.1 In any instance where the Department's determination of the extent of excess emissions was too low, the Department will take further action under 6.5.4.1 and 6.5.4.2 of this section to address the expanded violation.

6.5.4.3.2 In any instance where the Department's determination of the extent of excess emissions was too high, the Department will distribute to the relevant CO₂ budget source a number of CO₂ allowances equaling the number of CO₂ allowances deducted which are attributable to the difference between the original and final quantity of excess emissions. Should such CO₂ budget source's compliance account no longer exist, the CO₂ allowances will be provided to a general account selected by the owner or operator of the CO₂ budget source from which they were originally deducted.

6.5.5 The Department or its agent will record in the appropriate compliance account all deductions from such an account pursuant to 6.5.2 and 6.5.4 of this section.

6.5.6 *Action by the Department on submissions.*

6.5.6.1 The Department may review and conduct independent audits concerning any submission under the CO₂ Budget Trading Program and make appropriate adjustments of the information in the submissions.

6.5.6.2 The Department may deduct CO₂ allowances from or transfer CO₂ allowances to a source's compliance account based on information in the submissions, as adjusted under 6.5.6.1 of this section.

6.6 Banking.

Each CO₂ allowance that is held in a compliance account or a general account will remain in such account unless and until the CO₂ allowance is deducted or transferred under section 4.2, section 6.5, section 6.7, or Section 7 of this regulation.

6.7 Account error.

The Department or its agent may, at its sole discretion and on his or her own motion, correct any error in any CO₂ Allowance Tracking System account. Within 10 business days of making such correction, the Department or its agent will notify the CO₂ authorized account representative for the account.

6.8 Closing of general accounts.

- 6.8.1 A CO₂ authorized account representative of a general account may instruct the Department or its agent to close the account by submitting a statement requesting deletion of the account from the CO₂ Allowance Tracking System and by correctly submitting for recordation under section 7.1 of this regulation a CO₂ allowance transfer of all CO₂ allowances in the account to one or more other CO₂ Allowance Tracking System accounts.
- 6.8.2 If a general account shows no activity for a period of six years or more and does not contain any CO₂ allowances, the Department or its agent may notify the CO₂ authorized account representative for the account that the account will be closed in the CO₂ Allowance Tracking System 20 business days after the notice is sent. The account will be closed after the 20-day period unless before the end of the 20-day period the Department or its agent receives a correctly submitted transfer of CO₂ allowances into the account under section 7.1 of this regulation or a statement submitted by the CO₂ authorized account representative demonstrating to the satisfaction of the Department or its agent good cause as to why the account should not be closed. The Department or its agent will have sole discretion to determine if the owner or operator of the unit demonstrated that the account should not be closed.

Section 7 CO₂ Allowance Transfers

7.1 Submission of CO₂ allowance transfers.

The CO₂ authorized account representatives seeking recordation of a CO₂ allowance transfer shall submit the transfer to the Department or its agent. To be considered correctly submitted, the CO₂ allowance transfer shall include the following elements in a format specified by the Department or its agent:

- 7.1.1 The numbers identifying both the transferor and transferee accounts;
- 7.1.2 A specification by serial number of each CO₂ allowance to be transferred;
- 7.1.3 The printed name and signature of the CO₂ authorized account representative of the transferor account and the date signed;
- 7.1.4 The date of the completion of the last sale or purchase transaction for the allowance, if any; and
- 7.1.5 The purchase or sale price of the allowance that is the subject of a sale or purchase transaction under 7.1.4 of this section.

7.2 Recordation.

- 7.2.1 Within 5 business days of receiving a CO₂ allowance transfer, except as provided in 7.2.2 of this regulation, the Department or its agent will record a CO₂ allowance transfer by moving each CO₂ allowance from the transferor account to the transferee account as specified by the request, provided that:
 - 7.2.1.1 The transfer is correctly submitted under section 7.1 of this regulation; and
 - 7.2.1.2 The transferor account includes each CO₂ allowance identified by serial number in the transfer.
- 7.2.2 A CO₂ allowance transfer into or out of a compliance account that is submitted for recordation following the CO₂ allowance transfer deadline and that includes any CO₂ allowances that are of allocation years that fall within a control period prior to or the same as the control period to which the CO₂ allowance transfer deadline applies will not be recorded until after completion of the process pursuant to 6.5.2 of this regulation.
- 7.2.3 Where a CO₂ allowance transfer submitted for recordation fails to meet the requirements of 7.2.1 of this section, the Department or its agent will not record such transfer.

7.3 Notification.

- 7.3.1 *Notification of recordation.* Within 5 business days of recordation of a CO₂ allowance transfer under section 7.2 of this regulation, the Department or its agent will notify each party to the transfer. Notice will be given to the CO₂ authorized

account representatives of both the transferor and transferee accounts.

7.3.2 *Notification of non-recording.* Within 10 business days of receipt of a CO₂ allowance transfer that fails to meet the requirements of 7.2.1 of this regulation, the Department or its agent will notify the CO₂ authorized account representatives of both accounts subject to the transfer of:

7.3.2.1 A decision not to record the transfer, and

7.3.2.2 The reasons for such non-recording.

7.3.3 Nothing in this section shall preclude the submission of a CO₂ allowance transfer for recording following notification of non-recording.

Section 8 Monitoring and Reporting

8.1 General requirements.

The owners and operators, and to the extent applicable, the CO₂ authorized account representative of a CO₂ budget unit, shall comply with the monitoring, recordkeeping and reporting requirements as provided in this Section and all applicable sections of 40 CFR part 75. Where referenced in section 8 of this regulation, the monitoring requirements of 40 CFR Part 75 shall be adhered to in a manner consistent with the purpose of monitoring and reporting CO₂ mass emissions pursuant to these regulations. For purposes of complying with such requirements, the definitions in section 1.3 of this regulation and in 40 CFR 72.2 shall apply, and the terms “affected unit,” “designated representative,” and “continuous emissions monitoring system” (or “CEMS”) in 40 CFR part 75 shall be replaced by the terms “CO₂ budget unit,” “CO₂ authorized account representative,” and “continuous emissions monitoring system” (or “CEMS”), respectively, as defined in section 1.3 of this regulation.

For units not subject to an Acid Rain emissions limitation, the term “Administrator” in 40 CFR Part 75 shall be replaced with “the Department or its agent.” Owners or operators of a CO₂ budget unit who monitor a non-CO₂ budget unit pursuant to the common, multiple, or bypass stack procedures in 40 CFR 75.72(b)(2)(ii), or 40 CFR 75.16 (b)(2)(ii)(B) as pursuant to 40 CFR 75.13, for purposes of complying with [these regulations], shall monitor and report CO₂ mass emissions from such non-CO₂ budget unit according to the procedures for CO₂ budget units established in 8.1 through 8.7 of this regulation.

8.1.1 *Requirements for installation, certification, and data accounting.* The owner or operator of each CO₂ budget unit must meet the following requirements.

- 8.1.1.1 Install all monitoring systems necessary to monitor CO₂ mass emissions in accordance with 40 CFR Part 75, except for equation G-1. Equation G-1 in Appendix G shall not be used to determine CO₂ emissions under this Regulation for determining CO₂ mass emissions from coal-fired units. This may require systems to monitor CO₂ concentration, stack gas flow rate, O₂ concentration, heat input, and fuel flow rate.
- 8.1.1.2 Successfully complete all certification tests required under section 8.2 of this regulation and meet all other requirements of this Section and 40 CFR part 75 applicable to the monitoring systems under 8.1.1 of this section.
- 8.1.1.3 Record, report and quality-assure the data from the monitoring systems under 8.1.1 of this section.
- 8.1.2 *Compliance dates.* The owner or operator shall meet the monitoring system certification and other requirements of 8.1.1 through 8.1.3 of this section on or before the following dates. The owner or operator shall record, report and quality-assure the data from the monitoring systems under 8.1.1 of this section on and after the following dates.
- 8.1.2.1 The owner or operator of a CO₂ budget unit, except for a CO₂ budget unit under 8.1.2.2 of this section, that commences commercial operation before July 1, 2008, must comply with the requirements of this Section by January 1, 2009.
- 8.1.2.2 The owner or operator of a CO₂ budget unit that commences commercial operation on or after July 1, 2008 must comply with the requirements of this Section by the later of the following dates:
- 8.1.2.2.1 January 1, 2009; or
- 8.1.2.2.2 The earlier of:
- 8.1.2.2.2.1 90 unit operating days after the date on which the unit commences commercial operation; or
- 8.1.2.2.2.2 180 calendar days after the date on which the unit commences commercial operation.

8.1.2.3 For the owner or operator of a CO₂ budget unit for which construction of a new stack or flue installation is completed after the applicable deadline under 8.1.2.1 or 8.1.2.2 of this section by the earlier of:

8.1.2.3.1 90 unit operating days after the date on which emissions first exit to the atmosphere through the new stack or flue; or

8.1.2.3.2 180 calendar days after the date on which emissions first exit to the atmosphere through the new stack or flue.

8.1.3 *Reporting data.*

8.1.3.1 Except as provided in 8.1.3.2 of this section, the owner or operator of a CO₂ budget unit that does not meet the applicable compliance date set forth in 8.1.2.1, 8.1.2.2 and 8.1.2.3 of this section for any monitoring system under 8.1.1 of this regulation shall, for each such monitoring system, determine, record, and report maximum potential (or as appropriate minimum potential) values for CO₂ concentration, CO₂ emissions rate, stack gas moisture content, fuel flow rate, heat input, and any other parameter required to determine CO₂ mass emissions in accordance with 40 CFR 75.31(b)(2) or (c)(3), or section 2.4 of appendix D of 40 CFR part 75 as applicable.

8.1.3.2 The owner or operator of a CO₂ budget unit that does not meet the applicable compliance date set forth in 8.2.3 of this section for any monitoring system under 8.1.1 of this section shall, for each such monitoring system, determine, record, and report substitute data using the applicable missing data procedures in Section D, or appendix D of 40 CFR part 75, in lieu of the maximum potential (or as appropriate minimum potential) values for a parameter if the owner or operator demonstrates that there is continuity between the data streams for that parameter before and after the construction or installation under 8.2.3 of this section.

8.1.3.3

8.1.3.3.1 CO₂ budget units subject to an acid rain emissions limitation (Regulation 1136) or the NO_x Budget Trading Program (Regulation 1139) that qualify for the optional SO₂, NO_x, and CO₂ (for acid rain) or NO_x (for NO_x Budget) emissions calculations for low mass emissions (LME) units under 40 CFR 75.19 and report emissions for such programs using the calculations under 40 CFR 75.19, shall also use the CO₂

emissions calculations for LME units under 40 CFR 75.19 for purposes of compliance with these regulations (Regulation 1136 and 1139).

8.1.3.3.2 CO₂ budget units subject to an acid rain emissions limitation (Regulation 1136) or NO_x Budget Trading program (Regulation 1139) that do not qualify for the optional SO₂, NO_x, and CO₂ (for acid rain) or NO_x (NO_x Budget) emissions calculations for LME units under 40 CFR 75.19, shall not use the CO₂ emissions calculations for LME units under 40 CFR 75.19 for purposes of compliance with these regulations.

8.1.3.3.3 CO₂ budget units not subject to an acid rain emissions limitation (Regulation 1136) or NO_x Budget Trading program (Regulation 1139) shall qualify for the optional CO₂ emissions calculation for LME units under 40 CFR 75.19, provided that they emit less than 100 tons of NO_x annually and no more than 25 tons of SO₂ annually.

8.1.4 *Prohibitions.*

8.1.4.1 No owner or operator of a CO₂ budget unit shall use any alternative monitoring system, alternative reference method, or any other alternative for the required continuous emissions monitoring system without having obtained prior written approval in accordance with section 8.6 of this regulation.

8.1.4.2 No owner or operator of a CO₂ budget unit shall operate the unit so as to discharge, or allow to be discharged, CO₂ emissions to the atmosphere without accounting for all such emissions in accordance with the applicable provisions of this Section and 40 CFR part 75.

8.1.4.3 No owner or operator of a CO₂ budget unit shall disrupt the continuous emissions monitoring system, any portion thereof, or any other approved emissions monitoring method, and thereby avoid monitoring and recording CO₂ mass emissions discharged into the atmosphere, except for periods of recertification or periods when calibration, quality assurance testing, or maintenance is performed in accordance with the applicable provisions of this Section and 40 CFR part 75.

8.1.4.4 No owner or operator of a CO₂ budget unit shall retire or permanently discontinue use of the continuous emissions monitoring system, any component thereof, or any other approved emissions monitoring

system under this Section, except under any one of the following circumstances:

- 8.1.4.4.1 The owner or operator is monitoring emissions from the unit with another certified monitoring system approved, in accordance with the applicable provisions of this Section and 40 CFR part 75, by the Department for use at that unit that provides emissions data for the same pollutant or parameter as the retired or discontinued monitoring system; or
- 8.1.4.4.2 The CO₂ authorized account representative submits notification of the date of certification testing of a replacement monitoring system in accordance with 8.2.4.3.1 of this regulation.

8.2 Initial certification and recertification procedures.

- 8.2.1 The owner or operator of a CO₂ budget unit shall be exempt from the initial certification requirements of this section for a monitoring system under 8.1.1.1 of this regulation if the following conditions are met:
 - 8.2.1.1 The monitoring system has been previously certified in accordance with 40 CFR part 75; and
 - 8.2.1.2 The applicable quality-assurance and quality-control requirements of 40 CFR 75.21 and appendix B and appendix D of 40 CFR part 75 are fully met for the certified monitoring system described in 8.2.1.1 of this section.
- 8.2.2 The recertification provisions of this section shall apply to a monitoring system under 8.1.1.1 exempt from initial certification requirements under 8.2.1 of this section.
- 8.2.3 Notwithstanding 8.2.1 of this regulation, if the Administrator has previously approved a petition under 40 CFR 75.72(b)(2)(ii), or 40 CFR 75.16(b)(2)(ii)(B) as pursuant to 40 CFR 75.13 for apportioning the CO₂ emissions rate measured in a common stack or a petition under 40 CFR 75.66 of this chapter for an alternative requirement in 40 CFR part 75, the CO₂ authorized account representative shall submit the petition to the Department under 8.6.1 of this regulation to determine whether the approval applies under this program.
- 8.2.4 Except as provided in 8.2.1 of this section, the owner or operator of a CO₂ budget unit shall comply with the following initial certification and recertification procedures for a continuous emissions monitoring system and an excepted monitoring system under appendix D of 40 CFR part 75 and under 8.1.1.1 of this regulation. The owner

or operator of a unit that qualifies to use the low mass emissions excepted monitoring methodology in 40 CFR 75.19 or that qualifies to use an alternative monitoring system under Section E of 40 CFR part 75 shall comply with the procedures in subdivision 8.5 and 8.6 of this regulation, respectively.

8.2.4.1 *Requirements for initial certification.* The owner or operator shall ensure that each continuous emissions monitoring system required under 8.1.1.1 of this regulation (which includes the automated data acquisition and handling system) successfully completes all of the initial certification testing required under 40 CFR 75.20 by the applicable deadlines specified in 8.1.2 of this regulation. In addition, whenever the owner or operator installs a monitoring system in order to meet the requirements of this Section in a location where no such monitoring system was previously installed, initial certification in accordance with 40 CFR 75.20 is required.

8.2.4.2 *Requirements for recertification.*

8.2.4.2.1 Whenever the owner or operator makes a replacement, modification, or change in a certified continuous emissions monitoring system under 8.1.1.1 of this regulation that the Administrator or the Department determines significantly affects the ability of the system to accurately measure or record CO₂ mass emissions or to meet the quality-assurance and quality-control requirements of 40 CFR 75.21 or appendix B to 40 CFR part 75, the owner or operator shall recertify the monitoring system according to 40 CFR 75.20(b).

8.2.4.2.2 For systems using stack measurements such as stack flow, stack moisture content, CO₂ or O₂ monitors, whenever the owner or operator makes a replacement, modification, or change to the flue gas handling system or the unit's operation that the Administrator or the Department determines to significantly change the flow or concentration profile, the owner or operator shall recertify the continuous emissions monitoring system according to 40 CFR 75.20(b). Examples of changes which require recertification include: replacement of the analyzer, change in location or orientation of the sampling probe or site, or changing of flow rate monitor polynomial coefficients.

8.2.4.3 *Approval process for initial certifications and recertification.* 8.2.4.3.1 Through 8.2.4.3.4 of this section apply to both initial certification and recertification of a monitoring system under 8.1.1.1 of this regulation.

For recertifications, replace the words “certification” and “initial certification” with the word “recertification,” replace the word “certified” with “recertified,” and proceed in the manner prescribed in 40 CFR 75.20(b)(5) and (g)(7) in lieu of 8.2.4.3.5 of this regulation.

- 8.2.4.3.1 *Notification of certification.* The CO₂ authorized account representative shall submit to the Department or its agent, the appropriate EPA Regional Office and the Administrator a written notice of the dates of certification in accordance with section 8.4 of this regulation.
- 8.2.4.3.2 *Certification application.* The CO₂ authorized account representative shall submit to the Department or its agent a certification application for each monitoring system. A complete certification application shall include the information specified in 40 CFR 75.63.
- 8.2.4.3.3 *Provisional certification data.* The provisional certification date for a monitor shall be determined in accordance with 40 CFR 75.20(a)(3). A provisionally certified monitor may be used under the CO₂ budget Trading Program for a period not to exceed 120 days after receipt by the Department of the complete certification application for the monitoring system or component thereof under 8.2.4.3.2 of this section. Data measured and recorded by the provisionally certified monitoring system or component thereof, in accordance with the requirements of 40 CFR part 75, will be considered valid quality-assured data (retroactive to the date and time of provisional certification), provided that the Department does not invalidate the provisional certification by issuing a notice of disapproval within 120 days of receipt of the complete certification application by the Department.
- 8.2.4.3.4 *Certification application approval process.* The Department will issue a written notice of approval or disapproval of the certification application to the owner or operator within 120 days of receipt of the complete certification application under 8.2.4.3.2 of this section. In the event the Department does not issue such a notice within such 120-day period, each monitoring system which meets the applicable performance requirements of 40 CFR part 75 and is included in the certification application will be deemed certified for use under the CO₂ Budget Trading Program.

- 8.2.4.3.4.1** *Approval notice.* If the certification application is complete and shows that each monitoring system meets the applicable performance requirements of 40 CFR part 75, then the Department will issue a written notice of approval of the certification application within 120 days of receipt.
- 8.2.4.3.4.2** *Incomplete application notice.* If the certification application is not complete, then the Department will issue a written notice of incompleteness that sets a reasonable date by which the CO₂ authorized account representative must submit the additional information required to complete the certification application. If the CO₂ authorized account representative does not comply with the notice of incompleteness by the specified date, then the Department may issue a notice of disapproval under 8.2.4.3.4.3 of this section. The 120 day review period shall not begin before receipt of a complete certification application
- 8.2.4.3.4.3** *Disapproval notice.* If the certification application shows that any monitoring system or component thereof does not meet the performance requirements of 40 CFR part 75, or if the certification application is incomplete and the requirement for disapproval under 8.2.4.3.4.2 of this section is met, then the Department will issue a written notice of disapproval of the certification application. Upon issuance of such notice of disapproval, the provisional certification is invalidated by the Department and the data measured and recorded by each uncertified monitoring system or component thereof shall not be considered valid quality assured data beginning with the date and hour of provisional certification. The owner or operator shall follow the procedures for loss of certification in 8.2.4.3.5 of this section for each monitoring system or component thereof, which is disapproved for initial certification.
- 8.2.4.3.4.4** *Audit decertification.* The Department may issue a notice of disapproval of the certification status of a monitor in accordance with 8.3.2 of this regulation.

8.2.4.3.5 *Procedures for loss of certification.* If the Department issues a notice of disapproval of a certification application under 8.2.4.3.4.3 of this section or a notice of disapproval of certification status under 8.2.4.3.4.4 of this section, then:

8.2.4.3.5.1 The owner or operator shall substitute the following values for each disapproved monitoring system, for each hour of unit operation during the period of invalid data beginning with the date and hour of provisional certification and continuing until the time, date, and hour specified under 40 CFR 75.20(a)(5)(i) or 40 CFR 75.20(g)(7):

8.2.4.3.5.1.1 for units using or intending to monitor for CO₂ mass emissions using heat input or for units using the low mass emissions excepted methodology under 40 CFR 75.19, the maximum potential hourly heat input of the unit; or

8.2.4.3.5.1.2 For units intending to monitor for CO₂ mass emissions using a CO₂ pollutant concentration monitor and a flow monitor, the maximum potential concentration of CO₂ and the maximum potential flow rate of the unit under section 2.1 of appendix A of 40 CFR part 75.

8.2.4.3.5.2 The CO₂ authorized account representative shall submit a notification of certification retest dates and a new certification application in accordance with 8.2.4.3.1 and 8.2.4.3.2 of this section; and

8.2.4.3.5.3 The owner or operator shall repeat all certification tests or other requirements that were failed by the monitoring system, as indicated in the Department's notice of disapproval, no later than 30 unit operating days after the date of issuance of the notice of disapproval.

8.2.5 *Initial certification and recertification procedures for low mass emissions units using the excepted methodologies under 8.1.3.3 of this regulation.* The owner or operator of a unit qualified to use the low mass emissions excepted methodology under 8.1.3.3 of this regulation shall meet the applicable certification and recertification requirements of 40 CFR 75.19(a)(2), 40 CFR 75.20(h) and section 8.2 of this regulation. If the owner or operator of such a unit elects to certify a fuel flow meter

system for heat input determinations, the owner or operator shall also meet the certification and recertification requirements in 40 CFR 75.20(g).

8.2.6 *Certification/recertification procedures for alternative monitoring systems.* The CO₂ authorized account of each unit for which the owner or operator intends to use an alternative monitoring system approved by the Administrator and, if applicable, the Department under Section E of 40 CFR part 75 shall comply with the applicable notification and application procedures of 40 CFR 75.20(f).

8.3 Out-of-control periods.

8.3.1 Whenever any monitoring system fails to meet the quality assurance and quality control requirements or data validation requirements of 40 CFR part 75, data shall be substituted using the applicable procedures in Section D or appendix D of 40 CFR part 75.

8.3.2 *Audit decertification.* Whenever both an audit of a monitoring system and a review of the initial certification or recertification application reveal that any monitoring system should not have been certified or recertified because it did not meet a particular performance specification or other requirement under section 8.2 of this regulation or the applicable provisions of 40 CFR part 75, both at the time of the initial certification or recertification application submission and at the time of the audit, the Department or Administrator will issue a notice of disapproval of the certification status of such monitoring system. For the purposes of this paragraph, an audit shall be either a field audit or an audit of any information submitted to the Department or the Administrator. By issuing the notice of disapproval, the Department or Administrator revokes prospectively the certification status of the monitoring system. The data measured and recorded by the monitoring system shall not be considered valid quality-assured data from the date of issuance of the notification of the revoked certification status until the date and time that the owner or operator completes subsequently approved initial certification or recertification tests for the monitoring system. The owner or operator shall follow the initial certification or recertification procedures in section 8.2 of this regulation for each disapproved monitoring system.

8.4 Notifications.

The CO₂ authorized account representative for a CO₂ budget unit shall submit written notice to the Department and the Administrator in accordance with 40 CFR 75.61.

8.5 Recordkeeping and reporting.

8.5.1 *General provisions.* The CO₂ authorized account representative shall comply with all recordkeeping and reporting requirements in this section, the applicable record

keeping and reporting requirements under 40 CFR 75.73 and with the requirements of 2.1.5 of this regulation.

- 8.5.2 *Monitoring plans.* The owner or operator of a CO₂ budget unit shall submit a monitoring plan in the manner prescribed in 40 CFR 75.62.
- 8.5.3 *Certification applications.* The CO₂ authorized account representative shall submit an application to the Department within 45 days after completing all CO₂ monitoring system initial certification or recertification tests required under section 8.2 of this regulation including the information required under 40 CFR 75.63 and 40 CFR 75.53(e) and (f).
- 8.5.4 *Quarterly reports.* The CO₂ authorized account representative shall submit quarterly reports, as follows:
- 8.5.4.1 The CO₂ authorized account representative shall report the CO₂ mass emissions data for the CO₂ budget unit, in an electronic format prescribed by the Administrator unless otherwise prescribed by the Department for each calendar quarter beginning with:
- 8.5.4.1.1 for a unit that commences commercial operation before July 1, 2008, the calendar quarter covering January 1, 2009 through March 31, 2009; or
- 8.5.4.1.2 for a unit commencing commercial operation on or after July 1, 2008, the calendar quarter corresponding to, the earlier of the date of provisional certification or the applicable deadline for initial certification under 8.1.2 of this regulation or, unless that quarter is the third or fourth quarter of 2008, in which case reporting shall commence in the quarter covering January 1, 2009 through March 31, 2009.
- 8.5.4.2 The CO₂ authorized account representative shall submit each quarterly report to the Department or its agent within 30 days following the end of the calendar quarter covered by the report. Quarterly reports shall be submitted in the manner specified in Section H of 40 CFR part 75 and 40 CFR 75.64. Quarterly reports shall be submitted for each CO₂ budget unit (or group of units using a common stack), and shall include all of the data and information required in Section G of 40 CFR part 75, except for opacity, NO_x, and SO₂ provisions.
- 8.5.4.3 *Compliance certification.* The CO₂ authorized account representative shall submit to the Department or its agent a compliance certification in

support of each quarterly report based on reasonable inquiry of those persons with primary responsibility for ensuring that all of the unit's emissions are correctly and fully monitored. The certification shall state that:

- 8.5.4.3.1 The monitoring data submitted were recorded in accordance with the applicable requirements of this Section and 40 CFR part 75, including the quality assurance procedures and specifications;
- 8.5.4.3.2 for a unit with add-on CO₂ emissions controls and for all hours where data are substituted in accordance with 40 CFR 75.34(a)(1), the add-on emissions controls were operating within the range of parameters listed in the quality assurance/quality control program under appendix B of 40 CFR part 75 and the substitute values do not systematically underestimate CO₂ emissions; and
- 8.5.4.3.3 The CO₂ concentration values substituted for missing data under Section D of 40 CFR part 75 do not systematically underestimate CO₂ emissions.

8.6 Petitions.

- 8.6.1 Except as provided in subdivision (c) of this section, the CO₂ authorized account representative of a CO₂ budget unit that is subject to an Acid Rain emissions limitation may submit a petition to the Administrator under 40 CFR 75.66 and to the Department requesting approval to apply an alternative to any requirement of 40 CFR Part 75. Application of an alternative to any requirement of 40 CFR Part 75 is in accordance with this Section only to the extent that the petition is approved in writing by the Administrator, and subsequently approved in writing by the Department.
- 8.6.2 Petitions for a CO₂ budget unit that is not subject to an Acid Rain emissions limitation.
 - 8.6.2.1 The CO₂ authorized account representative of a CO₂ budget unit that is not subject to an Acid Rain emissions limitation may submit a petition to the ADMINISTRATOR under 40 CFR 75.66 and to the Department requesting approval to apply an alternative to any requirement of 40 CFR PART 75. Application of an alternative to any requirement of 40 CFR PART 75 is in accordance with this Section only to the extent that

the petition is approved in writing by the Administrator and subsequently approved in writing by the Department.

8.6.2.2 In the event that the Administrator declines to review a petition under 8.6.2.1 of this regulation, the CO₂ authorized account representative of a CO₂ budget unit that is not subject to an Acid Rain emissions limitation may submit a petition to the Department requesting approval to apply an alternative to any requirement of section 8 of this regulation. That petition shall contain all of the relevant information specified in 40 CFR 75.66. Application of an alternative to any requirement of section 8 of this regulation is in accordance with 8 only to the extent that the petition is approved in writing by the Department.

8.6.3 The CO₂ authorized account representative of a CO₂ budget unit that is subject to an Acid Rain emissions limitation may submit a petition to the Administrator under 40 CFR 75.66 and to the Department requesting approval to apply an alternative to a requirement concerning any additional CEMS required under the common stack provisions of 40 CFR 75.72 or a CO₂ concentration CEMS used under 40 CFR 75.71(a)(2). Application of an alternative to any such requirement is in accordance with this Section only to the extent the petition is approved in writing by the Administrator and subsequently approved in writing by the Department.

8.7 CO₂ budget units that co-fire eligible biomass.

8.7.1 The CO₂ authorized account representative of a CO₂ budget unit that co-fires eligible biomass as a compliance mechanism under this regulation shall report the following information to the Department or its agent for each calendar quarter:

8.7.1.1 For each shipment of solid eligible biomass fuel fired at the CO₂ budget unit, the total eligible biomass fuel input, on an as-fired basis, in pounds.

8.7.1.2 For each shipment of solid eligible biomass fuel fired at the CO₂ budget unit, the moisture content, on an as-fired basis, as a fraction by weight.

8.7.1.3 For each distinct type of gaseous eligible biomass fuel fired at the CO₂ budget unit, the density of the biogas, on an as-fired basis, in pounds per standard cubic foot.

8.7.1.4 For each distinct type of gaseous eligible biomass fuel fired at the CO₂ budget unit, the moisture content of the biogas, as a fraction by total weight.

- 8.7.1.5 For each distinct type of gaseous eligible biomass fuel fired at the CO₂ budget unit, the total eligible biomass fuel input, in standard cubic feet.
- 8.7.1.6 For each distinct type of eligible biomass fuel fired at the CO₂ budget unit, the dry basis carbon content of the fuel type, as a fraction by dry weight.
- 8.7.1.7 For each distinct type of eligible biomass fuel fired at the CO₂ budget unit, the dry basis higher heating value, in MMBtu per dry pound.
- 8.7.1.8 For each distinct type of eligible biomass fuel fired at the CO₂ budget unit, the total dry basis eligible biomass fuel input, in pounds, calculated in accordance with 8.7.2 of this regulation.
- 8.7.1.9 The total amount of CO₂ emitted from the CO₂ budget unit due to firing eligible biomass fuel, in tons, calculated in accordance with 8.7.3 of this regulation.
- 8.7.1.10 For each distinct type of eligible biomass fuel fired at the CO₂ budget unit, the total eligible biomass fuel heat input, in MMBtu, calculated in accordance with 8.7.4.1 of this regulation.
- 8.7.1.11 The total amount of heat input to the CO₂ budget unit due to firing eligible biomass fuel, in MMBtu, calculated in accordance with 8.7.4.2 of this regulation.
- 8.7.1.12 Description and documentation of monitoring technology employed, and description and documentation of fuel sampling methodology employed, including sampling frequency; and,
- 8.7.1.13 For each distinct type of eligible biomass fuel fired at the CO₂ budget unit, chemical analysis, including heating value and carbon content.
- 8.7.2 An owner or operator of a CO₂ budget unit shall calculate and submit to the Department or its agent on a quarterly basis the total dry weight for each distinct type of eligible biomass fired by the CO₂ budget unit during the reporting quarter. The total dry weight shall be determined for each fuel type as follows:

8.7.2.1 For solid fuel types:

$$F_j = \sum_{i=1}^m (1 - M_i) \times F_i$$

where:

F_j = Total eligible biomass dry basis fuel input (lbs) for fuel type j ;

F_i = Eligible biomass as fired fuel input (lbs) for fired shipment i ;

M_i = Moisture content (fraction) for fired shipment i ;

i = fired fuel shipment;

j = fuel type; and,

m = number of shipments.

8.7.2.2 For gaseous fuel types:

$$F_j = D_j \times V_j \times (1 - M_j)$$

Where:

F_j = Total eligible biomass dry basis fuel input (lbs) for fuel type j ;

D_j = Density of biogas (lbs/scf) for fuel type j ;

V_j = Total volume (scf) for fuel type j ;

M_j = Moisture content (fraction) for fuel type j ,

j = fuel type.

8.7.3 CO₂ emissions due to firing of eligible biomass shall be determined as follows:

8.7.3.1 For any full calendar quarter during which no fuel other than eligible biomass is combusted at the CO₂ budget unit, as measured and recorded in accordance with 8.1 through 8.6 of this regulation; or

8.7.3.2 For any full calendar quarter during which fuels other than eligible biomass are combusted at the CO₂ budget unit, as determined using the following equation:

$$\text{CO}_2 \text{ tons} = \sum_{j=1}^n F_j \times C_j \times O_j \times 44/12 \times 0.0005$$

Where:

CO_2 tons = CO_2 emissions due to firing of eligible biomass for the reporting quarter;

F_j = Total eligible biomass dry basis fuel input (lbs) for fuel type j , as calculated in 8.7.2 of this regulation;

C_j = carbon fraction (dry basis) for fuel type j ;

O_j = Oxidation factor for eligible biomass fuel type j , derived for solid fuels based on the ash content of the eligible biomass fired and the carbon content of this ash, as determined pursuant to 8.7.1.12 of this regulation; for gaseous eligible biomass fuels, a default oxidation factor of 0.995 may be used;

$44/12$ = The number of tons of carbon dioxide that are created when one ton of carbon is combusted ($44/12$);

0.0005 = The number of short tons which is equal to one pound;

j = fuel type; and,

n = number of distinct fuel types.

8.7.4 Heat input due to firing of eligible biomass for each quarter shall be determined as follows:

8.7.4.1 For each distinct fuel type:

$$H_j = F_j \times HHV_j \times 0.0005$$

Where:

H_j = Heat input (MMBtu) for fuel type j ;

F_j = Total eligible biomass dry basis fuel input (lbs) for fuel type j , as calculated in 8.7(b);

HHV_j = Higher heating value (MMBtu/lb), dry basis, for fuel type j , as determined through chemical analysis;

j = fuel type.

8.7.4.2 For all fuel types:

$$\text{Heat Input MMBtu} = \sum_{j=1}^n H_j$$

Where:

H_j = Heat input (MMBtu) for fuel type j ;

j = fuel type; and,

n = number of distinct fuel types.

8.7.5 Fuel sampling methods and fuel sampling technology shall be consistent with the New York State Renewable Portfolio Standard Biomass Guidebook, May 2006.

8.8 Additional requirements to provide output data for early reduction allowances.

8.8.1 A CO₂ budget unit applying for early reduction allowances pursuant to 5.3.3 of this regulation shall submit to the department or its agent information in accordance with 8.8.3.1 of this regulation. A CO₂ budget source whose electrical output is not used in ISO energy market settlement determinations shall propose to the department a method for quantification of net electrical output.

8.8.2 CO₂ budget sources selling steam should use billing meters to determine net steam output. A CO₂ budget source whose steam output is not measured by billing meters or whose steam output is combined with output from a non-CO₂ budget unit prior to measurement by the billing meter shall propose to the Department an alternative method for quantification of net steam output. If data for steam output is not available, the CO₂ budget source may report heat input providing useful steam output as a surrogate for steam output.

8.8.3 *Monitoring.* The owner or operator of each CO₂ budget unit, in a state that requires the CO₂ budget unit's net output, must meet the following requirements. Each CO₂ budget source must submit an output monitoring plan. The output monitoring plan must include a description and diagram as stated below.

8.8.3.1 Submit a diagram of the electrical and/or steam system for which output is being monitored, specifically including the following.

8.8.3.1.1 If the CO₂ budget unit monitors net electric output, the diagram should contain all CO₂ budget units and all generators served by

each CO₂ budget unit and the relationship between CO₂ budget units and generators. If a generator served by a CO₂ budget unit is also served by a non-affected unit, the non-affected unit and its relationship to each generator should be indicated on the diagram as well. The diagram should indicate where the net electric output is measured and should include all electrical inputs and outputs to and from the plant. If net electric output is determined using a billing meter, the diagram should show each billing meter used to determine net sales of electricity and should show that all electricity measured at the point of sale is generated by the CO₂ budget units.

- 8.8.3.1.2 If the CO₂ budget unit monitors net thermal output, the diagram should include all steam or hot water coming into the net steam system, including steam from CO₂ budget units and non-affected units, and all exit points of steam or hot water from the net steam system. In addition, each input and output stream will have an estimated temperature, pressure and phase indicator, and an enthalpy in Btu/lb. The diagram of the net steam system should identify all useful loads, house loads, parasitic loads, any other steam loads and all boiler feedwater returns. The diagram will represent all energy losses in the system as either usable or unusable losses. The diagram will also indicate all flow meters, temperature or pressure sensors or other equipment used to calculate gross thermal output. If a sales agreement is used to determine net thermal output, the diagram should show the monitoring equipment used to determine the sales of steam.
- 8.8.3.2 Submit a description of each output monitoring system. The description of the output monitoring system should include a written description of the output system and the equations used to calculate output. For net thermal output systems descriptions and justifications of each useful load should be included.
- 8.8.3.3 Submit a detailed description of all quality assurance/quality control activities that will be performed to maintain the output system in accordance with subdivision 8.8.5 of this regulation.
- 8.8.3.4 Submit documentation supporting any output value(s) to be used as a missing data value should there be periods of invalid output data. The missing data output value must be either zero or an output value that is likely to be lower than a measured value and that is approved as part of the monitoring plan required under this subdivision.

- 8.8.4 *Initial certification.* A certification statement must be submitted by the CO₂ authorized account representative stating that either the output monitoring system consists entirely of billing meters or that the output monitoring system meets one of the accuracy requirements for non-billing meters at 8.8.4.2 of this regulation. This statement may be submitted with the certification application required under subdivision 8.5.3 of this regulation.
- 8.8.4.1 *Billing meters.* The billing meter must record the electric or thermal output. Any electric or thermal output values that the facility reports must be the same as the values used in billing for the output. Any output measurement equipment used as a billing meter in commercial transactions requires no additional certification or testing.
- 8.8.4.2 *Non-billing meters.* For non-billing meters, the output monitoring system must either meet an accuracy of within 10% of the reference value, or each component monitor for the output system must meet an accuracy of within 3% of the full scale value, whichever is less stringent.
- 8.8.4.2.1 *System approach to accuracy.* The system approach to accuracy must include a determination of how the system accuracy of 10% is achieved using the individual components in the system and should include data loggers and any watt-meters used to calculate the final net electric output data and/or any flow meters for steam or condensate, temperature measurement devices, absolute pressure measurement devices, and differential pressure devices used for measuring thermal energy.
- 8.8.4.2.2 *Component approach to accuracy.* If testing a piece of output measurement equipment shows that the output readings are not accurate to within 3.0 percent of the full scale value, then the equipment should be repaired or replaced to meet that requirement. Data shall remain invalid until the output measurement equipment passes an accuracy test or is replaced with another piece of equipment that passes the accuracy test.
- 8.8.5 *Ongoing QA/QC.* Ongoing quality assurance/quality control activities must be performed in order to maintain the output system.
- 8.8.5.1 *Billing meters.* In the case where billing meters are used to determine output, no QA/QC activities beyond what are already performed are

required.

8.8.5.2 *Non-billing meters.* Certain types of equipment such as potential transformers, current transformers, nozzle and venture type meters, and the primary element of an orifice plate only require an initial certification of calibration and do not require periodic recalibration unless the equipment is physically changed. However, the pressure and temperature transmitters accompanying an orifice plate will require periodic retesting. For other types of equipment, either recalibrate or re-verify the meter accuracy at least once every two years (i.e., every eight calendar quarters), unless a consensus standard allows for less frequent calibrations or accuracy tests. For non-billing meters, the output monitoring system must either meet an accuracy of within 10% of the reference value, or each component monitor for the output system must meet an accuracy of within 3% of the full scale value, whichever is less stringent. If testing a piece of output measurement equipment shows that the output readings are not accurate to within 3.0 percent of the full scale value, then the equipment should be repaired or replaced to meet that requirement.

8.8.5.3 *Out-of-control periods.* If testing a piece of output measurement equipment shows that the output readings are not accurate to the certification value, data remain invalid until the output measurement equipment passes an accuracy test or is replaced with another piece of equipment that passes the accuracy test. All invalid data shall be replaced by either zero or an output value that is likely to be lower than a measured value and that is approved as part of the monitoring plan required under subdivision 8.8.5 of this regulation.

8.8.6 *Recordkeeping and reporting.*

8.8.6.1 *General provisions.* The CO₂ authorized account representative shall comply with all recordkeeping and reporting requirements in this section and with the requirements of 1.5.5 and 2.1.5 of this regulation.

8.8.6.2 *Recordkeeping.* Facilities shall retain data used to monitor, determine, or calculate net generation for ten years.

8.8.6.3 *Annual reports.* The CO₂ authorized account representative shall submit annual output reports, as follows. The data must be sent both electronically and in hardcopy by March 1 for the immediately preceding calendar year to the Department or its agent. The annual report shall include unit level MWh, all useful steam output and a

certification statement from the CO₂ authorized account representative stating the following, *“I am authorized to make this submission on behalf of the owners and operators of the CO₂ budget sources or CO₂ budget units for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment.”*

Section 9 RESERVED

Section 10 CO₂ Emissions Offset Projects

10.1 Purpose

The Department will provide for the award of CO₂ offset allowances to sponsors of CO₂ emissions offset projects or CO₂ emissions credit retirements that have reduced or avoided atmospheric loading of CO₂, CO₂ equivalent or sequestered carbon as demonstrated in accordance with the applicable provisions of this Section. The requirements of this Section seek to ensure that CO₂ offset allowances awarded represent CO₂ equivalent emission reductions or carbon sequestration that are real, additional, verifiable, enforceable, and permanent within the framework of a standards-based approach. Subject to the relevant compliance deduction limitations of 6.5.1.3 of this regulation, CO₂ offset allowances may be used by any CO₂ budget source for compliance purposes.

10.2 Definitions

The following words and terms, when used in this Section, should have the following meaning unless the context clearly indicates otherwise:

“Anaerobic digester” means a device that promotes the decomposition of organic material to simple organics and gaseous biogas products, usually accomplished by means of controlling temperature and volume, and including a methane recovery system.

“Anaerobic digestion” means the degradation of organic material including manure brought about through the action of microorganisms in the absence of elemental oxygen.

“Anaerobic storage” means storage of organic material in an oxygen-free environment, or under oxygen-free conditions, including but not limited to, holding tanks, ponds, and lagoons.

“ANSI” means the American National Standards Institute.

“ASHRAE” means the American Society of Heating, Refrigerating and Air-Conditioner Engineers.

“Biogas” means a gas resulting from the decomposition of organic matter under anaerobic conditions. The principle constituents are methane and carbon dioxide.

“Boiler (commercial)” means a self contained, low-pressure appliance for supplying steam or hot water to a commercial building.

“Boiler (residential)” means a self contained, low-pressure appliance for supplying steam or hot water to a residential building.

“Building envelope” means the elements of a building that separate conditioned space from unconditioned space, or that enclose semi-heated space, through which thermal energy may be transferred to or from the exterior, unconditioned space, or conditioned space. Includes all elements that separate the interior of a building from the outdoor environment, including walls, windows, foundation, basement slab, ceiling, roof, and insulation.

“CO₂e” means the CO₂e means carbon dioxide equivalent.

“Commercial building” means a building to which the provisions of ANSI/ASHRAE/IESNA Standard 90.1 apply, which includes buildings except low-rise residential buildings. Low-rise residential buildings include single family homes, multifamily structures of three stories or fewer above grade, and manufactured homes (modular and mobile).

“Conflict of interest” means a situation that may arise with respect to an individual in relation to any specific project sponsor, CO₂ emissions offset project or category of offset projects, such that the individual’s other activities or relationships with other persons or organizations render or may render the individual incapable of providing an impartial certification opinion, or otherwise compromise the individual’s objectivity in performing certification functions.

“Condensing mode” means the design and operation of furnaces or boilers in a mode that leads to the production of condensate in flue gases.

“Cooperating Regulatory Agency” means a regulatory agency in a state or United States jurisdiction that is not a participating state that has entered into a memorandum of understanding with the appropriate regulatory agencies of all participating states- to carry out certain obligations relative to CO₂ emissions offset projects in that state or United States jurisdiction, including but not limited to the obligation to perform audits of offset project sites, and report violations of this

Section.

“Energy conservation measure (ECM) or energy efficiency measure (EEM)” means a set of activities designed to increase the energy efficiency of a building or improve the management of energy demand. An ECM/EEM may involve one or more of the following: physical changes to facility equipment, modifications to a building, revisions to operating and maintenance procedures, software changes, or new means of training or managing users of the building or operations and maintenance staff.

“Energy performance” means a measure of the relative energy efficiency of a building, building equipment, or building components, as measured by the amount of energy required to provide building services. For building equipment and components, a relative measure of the impact of equipment or components on building energy usage.

“Energy services” means a provision of useful services to building occupants, such as heating and hot water, cooling, and lighting.

“Forested condition” means a land shall be deemed to be in a forested condition if it is:

- (1) At least 1.0 acre in size and 120.0 feet wide measured stem-to-stem from the outermost edge. Forested strips must be 120.0 feet wide for a continuous length of at least 363.0 feet in order to meet the acre threshold; and
- (2) meets at least one of the two following stocking criteria:
 - (i) the condition is at least 10-percent stocked by trees of any size or has been at least 10-percent stocked in the past, and the condition is not subject to non-forest use(s) that prevent normal tree regeneration and succession such as regular mowing, intensive grazing, or recreation activities; or
 - (ii) In several western woodland species where stocking cannot be determined, the condition has at least 5-percent crown cover by trees of any size, or has had at least 5-percent cover in the past, and the condition is not subject to non-forest use that prevents normal regeneration and succession such as regular mowing, chaining, or recreation activities.

“Furnace (residential)” means a self-contained, indirect-fired appliance that supplies heated air to a residential building through ducts to conditioned spaces and that has a heat input rate of less than 225,000 Btu/hr. May apply to a furnace that meets the above heat input rate criteria and is installed in a commercial building.

“HVAC system” means the system or systems that provide, either collectively or individually, heating, ventilation, or air conditioning to a building, including the equipment, distribution network,

and terminals.

“IESNA” means Illuminating Engineering Society of North America.

“Independent verifier” means an individual that has been approved by the Department or its agent to conduct verification activities.

“Market penetration rate” means a measure of the diffusion of a technology, product, or practice in a defined market, as represented by the percentage of annual sales for a product or practice, or as a percentage of the existing installed stock for a product or category of products, or as the percentage of existing installed stock that utilizes a practice. The Department may determine an appropriate market definition and market penetration metric for a category of technology, product or practice, and may issue guidance specifying the technologies, products or practices that meet a specified market penetration rate.

“Non-census water” means streams, sloughs, estuaries, and canals more than 120 feet and less than 1/8 of a mile wide. Lakes, reservoirs, and ponds one (1) to 40 acres in size.

“Non-forested condition” means land that does not meet the definition of “forested condition.” Non-forested land includes areas used for crops, improved pasture, residential areas, city parks, improved roads of any width and adjoining rights-of-way, power line clearings of any width, and non-census water. If intermingled in forest areas, unimproved roads and non-forest strips must be more than 120.0 feet wide, and clearings more than one acre in size, to qualify as non-forest land.

“Offset project” means an offset project includes all equipment, materials, items, or actions directly related to the reduction of CO₂ equivalent emissions or the sequestration of carbon specified in a consistency application submitted pursuant to section 10.4. Equipment, materials, items, or actions unrelated to an offset project reduction of CO₂ equivalent emissions or the sequestration of carbon, but occurring at a location where an offset project occurs, shall not be considered part of an offset project, unless specified at section 10.5.

“On-site combustion” means the combustion of fossil fuel at a building to provide building services, such as heating, hot water, or electricity.

“Passive solar” means a combination of building design features and building components that utilize solar energy to reduce or eliminate the need for mechanical heating and cooling and daytime artificial lighting.

“Permanently retired” means a greenhouse gas allowance or credit has been “permanently retired” if it has been placed in a retirement account controlled by the jurisdiction that generated the allowance or credit, or has been placed in an allowance retirement account controlled by the

Department, or is otherwise determined by the Department to have been rendered unusable.

"Project commencement" means for an offset project involving physical construction, other work at an offset project site, or installation of equipment or materials, the date of the beginning of such activity. For an offset project that involves the implementation of a management activity or protocol, the date on which such activity is first implemented or such protocol first utilized.

"Regional-type anaerobic digester" means an anaerobic digester using feedstock from more than one agricultural operation, or importing feedstock from more than one agricultural operation. Also commonly referred to as a "community digester" or "centralized digester."

"Renewable portfolio standard" means a statutory or regulatory requirement that a load-serving entity provide a certain portion of the electricity it supplies to its customers from renewable energy sources, or any other statutory or regulatory requirement that a certain portion of electricity supplied to the electricity grid be generated from renewable energy sources.

"Residential building" means a low-rise residential building to which the provisions of ANSI/ASHRAE/IESNA Standard 90.1 do not apply. Includes single family homes, multifamily structures of three stories or fewer above grade, and manufactured homes (modular and mobile).

"RESNET" means Residential Energy Services Network.

"SF₆-containing operating equipment" means any equipment used for the transmission and distribution of electricity that contains SF₆.

"System benefit fund" means any fund collected directly from retail electricity or natural gas ratepayers.

"Total solids" means total solids are the total of all solids in a sample. They include the total suspended solids, total dissolved solids, and volatile suspended solids.

"Transmission and/or distribution entity" means the assets and equipment used to transmit and distribute electricity from an electric generator to the electrical load of a customer. Includes all related assets and equipment located within the service territory of the entity, defined as the service territory of a load-serving entity specified by the applicable state regulatory agency.

"Verification" means the verification by an independent verifier that certain parts of a CO₂ emissions offset project consistency application and/or measurement, monitoring or verification report conforms to the requirements of this Section.

"Volatile solids" means the fraction of total solids that is comprised primarily of organic matter.

“Whole-building energy performance” means the overall energy performance of a building, taking into account the integrated impact on energy usage of all building components and systems.

“Whole-building retrofit” means any building project that involves the replacement of more than one building system, or set of building components, and also requires a building permit.

“Zero net energy building” means a building designed to produce as much energy, using renewable energy sources, as the building is projected to use, as measured on an annual basis.

10.3 General requirements

10.3.1 *Eligible CO₂ emissions offset projects.* To qualify for the award of CO₂ offset allowances, offset projects shall satisfy all the applicable requirements of section 10 of this regulation.

10.3.1.1 *Offset project types.* The following types of offset projects are eligible for the award of CO₂ offset allowances.

10.3.1.1.1 Landfill methane capture and destruction;

10.3.1.1.2 Reduction in emissions of sulfur hexafluoride (SF₆);

10.3.1.1.3 Sequestration of carbon due to afforestation;

10.3.1.1.4 Reduction or avoidance of CO₂ emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency; and

10.3.1.1.5 Avoided methane emissions from agricultural manure management operations.

10.3.1.2 *Offset project locations.* To qualify for the award of CO₂ allowances under section 10 of this regulation, eligible offset projects may be located in any of the following locations:

10.3.1.2.1 In the State of Delaware

10.3.1.2.1.1 Partly in the State of Delaware and partly in one or more other participating states, provided that the larger part of the CO₂ equivalent emissions reduction or carbon sequestration due to the offset project is projected to occur in the State of Delaware.

- 10.3.1.2.1.2 In any state or United States jurisdiction, other than a participating state, in which a cooperating regulatory agency has entered into a memorandum of understanding with the appropriate regulatory agencies of all participating states to carry out certain obligations relative to CO₂ emissions offset projects in that state, including but not limited to the obligation to perform audits of offset project sites, and report violations of section 10 of this regulation.
- 10.3.2. *Eligible CO₂ emissions credit retirements.* To qualify for the award of CO₂ offset allowances, CO₂ emissions credit retirement shall satisfy all the applicable requirements of section 10 of this regulation.
- 10.3.2.1 CO₂ emissions credit retirements include the permanent retirement of greenhouse gas allowances or credits issued pursuant to any governmental mandatory carbon constraining program outside the United States that places a specific tonnage limit on greenhouse gas emissions, provided the allowances or credits are acceptable and valid for use in that program at the time of the filing of the consistency application under 10.4 of this regulation, or certified greenhouse gas emissions reduction credits issued pursuant to the United Nations Framework Convention on Climate Change (UNFCCC) or protocols adopted through the UNFCCC process.
- 10.3.2.2 The Department may award CO₂ offset allowances for CO₂ emissions credit retirements only after the occurrence of a stage two trigger event.
- 10.3.3 *Project sponsor.* Any person may act as the sponsor of an eligible CO₂ emissions offset project or CO₂ emissions credit retirement, provided that person meets the requirements at section 10.4 of this regulation.
- 10.3.4 *General additionality requirements.* Except as provided with respect to specific offset project standards in section 10.5 of this regulation, the following general requirements shall apply.
- 10.3.4.1 CO₂ offset allowances shall not be awarded to an offset project or CO₂ emissions credit retirement that is required pursuant to any local, state or federal law, regulation, or administrative or judicial order. If an offset project receives a consistency determination under section 10.4 of this regulation and is later required by local, state or federal law, regulation, or administrative or judicial order, then the offset project

shall remain eligible for the award of CO₂ offset allowances until the end of its current allocation period but its eligibility shall not be extended for an additional allocation period.

- 10.3.4.2 CO₂ offset allowances shall not be awarded to an offset project that includes an electric generation component, unless the project sponsor transfers legal rights to any and all attribute credits (other than the CO₂ offset allowances awarded under section 10.7 of this regulation) generated from the operation of the offset project that may be used for compliance with a renewable portfolio standard or other regulatory requirement, to the Department or its agent.
- 10.3.4.3 CO₂ offset allowances shall not be awarded to an offset project that receives funding or other incentives from any system benefit fund, or funds or other incentives provided through the consumer benefit or strategic energy purpose allocation required pursuant to subdivision 5.3.2 of this regulation.
- 10.3.4.4. CO₂ offset allowances shall not be awarded to an offset project or CO₂ emissions credit retirement that is awarded credits or allowances under any other mandatory or voluntary greenhouse gas program.

10.3.5 Maximum allocation periods for CO₂ emissions offset projects.

- 10.3.5.1 *Maximum allocation periods.* Except as provided in 10.3.5.2 of this section, the Department may award CO₂ offset allowances under section 10.7 of this regulation for an initial 10-year allocation period. At the end of the initial 10-year allocation period, the Department may award CO₂ offset allowances for a second 10-year allocation period, provided the offset sponsor has submitted a consistency application pursuant to section 10.4 of this regulation prior to the expiration of the initial allocation period, and the Department has issued a consistency determination pursuant to 10.4.5.2 of this regulation.
- 10.3.5.2 *Maximum afforestation allocation period.* The Department may award CO₂ offset allowances under section 10.7 of this regulation for any afforestation offset project for an initial 20-year allocation period. At the end of the initial 20-year allocation period, the Department may award CO₂ offset allowances for a second 20-year allocation period, provided the offset sponsor has submitted a consistency application for the afforestation offset project pursuant to section 10.4 of this regulation prior to the expiration of the initial allocation period, and the Department has issued a consistency determination pursuant to

10.4.5.2 of this regulation. At the end of the second 20-year allocation period, the Department may award CO₂ offset allowances for a third 20-year allocation period, provided the offset sponsor has submitted a consistency application for the afforestation offset project pursuant to section 10.4 of this regulation prior to the expiration of the second allocation period, and the Department has issued a consistency determination pursuant 10.4.5.2 of this regulation. In no event may an afforestation offset project be awarded CO₂ offset allowances for more than a total of 60 allocation years.

10.3.6 *Timing of offset projects.* The Department may award CO₂ offset allowances under section 10.7 of this regulation only for offset projects that are initially commenced on or after December 20, 2005.

10.3.7 *Offset project audit.* Project sponsors shall provide, in writing, an access agreement to the Department granting the Department or its agent access to the physical location of the offset project to inspect for compliance with this Section. For offset projects located in any state or other U.S. jurisdiction that is not a participating state, project sponsors shall also provide, in writing, an access agreement to the Department granting the cooperating regulatory agency with access to the physical location of the offset project to inspect for compliance with this Section.

10.3.8 *Ineligibility due to noncompliance.* If at any time the Department determines that a project sponsor has not complied with the requirements of this Section, then the Department may revoke and retire any and all CO₂ offset allowances in the project sponsor's account. If at any time the Department determines that an offset project does not comply with the requirements of this Section, then the Department may revoke any approvals it has issued relative to an offset project.

10.4 Application process

10.4.1 *Establishment of general account.* The sponsor of an offset project or CO₂ emissions credit retirement must establish a general account under 6.2.2 of this regulation. All submissions to the Department required for the award of CO₂ offset allowances under this Section must be from the CO₂ authorized account representative for the general account of the sponsor of the relevant offset project or CO₂ emissions credit retirement, herein referred to as "project sponsor."

10.4.2 *Consistency application deadlines.*

10.4.2.1 For offset projects commenced prior to January 1, 2009, the project sponsor must submit the consistency application by June 30, 2009.

- 10.4.2.2 For offset projects commenced on or after January 1, 2009, the consistency application must be submitted by the date that is 6 months after the offset project is commenced.
- 10.4.2.3 Any consistency application that fails to meet the deadlines of this subdivision will result in the denial of the consistency application and the continued ineligibility of the subject offset project.

10.4.3 *Consistency application contents.*

- 10.4.3.1 For an offset project, the consistency application must include the following information.
- 10.4.3.1.1 The project's sponsor's name, address, e-mail address, telephone number, facsimile transmission number, and account number.
- 10.4.3.1.2 The offset project description as required by the relevant provisions of section 10.5 of this regulation.
- 10.4.3.1.3 A demonstration that the offset project meets all applicable requirements set forth in this Section.
- 10.4.3.1.4 The emissions baseline determination as required by the relevant provisions of section 10.5 of this regulation.
- 10.4.3.1.5 An explanation of how the projected reduction or avoidance of atmospheric loading of CO₂ or CO₂ equivalent or the sequestration of carbon is to be quantified, monitored, and verified as required by the relevant provisions of section 10.5 of this regulation.
- 10.4.3.1.6 A completed consistency application agreement that reads as follows:
- “The undersigned project sponsor recognizes and accepts that the application for, and the receipt of, CO₂ offset allowances under the CO₂ Budget Trading Program is predicated on the project sponsor following all the requirements of Section 10 of this regulation. The undersigned project sponsor holds the legal rights to the offset project, or has been granted the right to act on behalf of a party that holds the legal rights to the offset project. I understand that eligibility for the award of CO₂ offset*

allowances under Section 10 of this regulation is contingent on meeting the requirements of Section 10 of this regulation. I authorize the Department or its agent to audit this offset project for purposes of verifying that the offset project, including the monitoring and verification plan, has been implemented as described in this application. I understand that this right to audit shall include the right to enter the physical location of the offset project. I submit to the legal jurisdiction of the State of Delaware.”

10.4.3.1.7 A statement and certification report signed by the offset project sponsor certifying that all offset projects for which the sponsor has received CO₂ offset allowances under this Section (or similar provisions in the rules of other participating states), under the sponsor’s ownership or control (or under the ownership or control of any entity which controls, is controlled by, or has common control with the sponsor) are in compliance with all applicable requirements of the CO₂ Budget Trading Program in all participating states.

10.4.3.1.8 A verification report and certification statement signed by an independent verifier accredited pursuant to section 10.6 that expresses that the independent verifier has reviewed the entire application and evaluated the following in relation to the applicable requirements at sections 10.3 and 10.5 of this regulation, and any applicable guidance issued by the Department.

10.4.3.1.8.1 The adequacy and validity of information supplied by the project sponsor to demonstrate that the offset project meets the applicable eligibility requirements of sections 10.3 and 10.5 of this regulation.

10.4.3.1.8.2 The adequacy and validity of information supplied by the project sponsor to demonstrate baseline emissions pursuant to the applicable requirements at section 10.5 of this regulation.

10.4.3.1.8.3 The adequacy of the monitoring and verification plan submitted pursuant to the applicable requirements at section 10.5 of this regulation.

10.4.3.1.8.4 Such other evaluations and statements as may be required by the Department.

10.4.3.1.9 Disclosure of any voluntary or mandatory programs, other than the CO₂ Budget Trading Program, to which greenhouse gas emissions data related to the offset project has been, or will be reported.

10.4.3.1.10 For offset projects located in a state or United States jurisdiction that is not a participating state, a demonstration that the project sponsor has complied with all requirements of the cooperating regulatory agency in the state or United States jurisdiction where the offset project is located.

10.4.3.2 For a CO₂ emissions credit retirement, the consistency application must include sufficient information to demonstrate that the CO₂ emissions credit is eligible pursuant to 10.3.2 of this regulation, was lawfully held by the project sponsor, and has been permanently and irrevocably retired.

10.4.3.3 Consistency applications shall be submitted in a format approved by the Department.

10.4.4 Prohibition against filing consistency applications in more than one participating state.

10.4.4.1 Consistency applications may not be submitted to the Department if a consistency application has already been submitted for the same project, or any portion of the same project, in another participating state, unless the consistency application was rejected by another participating state solely because more of the CO₂ equivalent emissions reduction or carbon sequestration due to the offset project is projected to occur in the State of Delaware than in any other participating state.

10.4.4.2 Consistency applications may not be submitted to the Department if a consistency application has already been submitted for the same CO₂ emissions credit retirement in another participating state.

10.4.5 *Department action on consistency applications.*

10.4.5.1 *Completeness determination.* Within 30 days following receipt of the consistency application filed pursuant to subdivision (b) of this section,

the Department will notify the project sponsor whether the consistency application is complete. A complete consistency application is one that is in an approved form and is determined by the Department to be complete for the purpose of commencing review of the consistency application. In no event shall a completeness determination prevent the Department from requesting additional information in order to enable the Department to make a consistency determination under 10.4.5.2 of this regulation.

- 10.4.5.2 *Consistency determination.* Within 90 days of making the completeness determination under 10.4.5.1 of this regulation, the Department will issue a determination as to whether the offset project is consistent with the requirements of sections 10.3 and 10.4 of this regulation and the requirements of the applicable offset project standard of section 10.5 of this regulation. For any offset project found to lack consistency with these requirements, the Department will inform the project sponsor of the offset project's deficiencies.

10.5 CO₂ emissions offset project standards

10.5.1 *Landfill methane capture and destruction.* To qualify for the award of CO₂ offset allowances under section 10 of this regulation, offset projects that capture and destroy methane from landfills shall meet the requirements of 10.5.1 of this regulation and all other applicable requirements of section 10 of this regulation.

- 10.5.1.1 *Eligibility.* Eligible offset projects shall occur at landfills that are not subject to the New Source Performance Standards (NSPS) for municipal solid waste landfills, 40 CFR Part 60, Section Cc and Section WWW.

10.5.1.2 *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of 10.5.1.1 of this regulation. The project narrative shall include the following information.

- 10.5.1.2.1 Owner and operator of the offset project;
- 10.5.1.2.2 Location and specifications of the landfill where the offset project will occur, including waste in place;
- 10.5.1.2.3 Owner and operator of the landfill where the offset project will occur; and

10.5.1.2.4 Specifications of the equipment to be installed and a technical schematic of the offset project.

10.5.1.3 *Emissions baseline determination.* The emissions baseline shall represent the potential fugitive landfill emissions of CH₄ (in tons of CO₂e), as represented by the CH₄ collected and metered for thermal destruction as part of the offset project, and calculated in accordance with this paragraph.

$$\text{Emissions (tons CO}_2\text{e)} = (V \times M \times (1 - \text{OX}) \times \text{GWP}) / 2000$$

Where:

V = Volume of CH₄ collected (ft³)

M = Mass of CH₄ per cubic foot (0.04246 lbs/ft³ default value at 1 atmosphere and 20° C)

OX = Oxidation factor (0.10), representing estimated portion of collected CH₄ that would have eventually oxidized to CO₂ if not collected

GWP = CO₂e global warming potential of CH₄ (23)

10.5.1.4 *Calculating emissions reductions.* Emissions reductions shall be determined based on potential fugitive CH₄ emissions that would have occurred at the landfill if metered CH₄ collected from the landfill for thermal destruction as part of the offset project was not collected and destroyed. CO₂e emissions reductions shall be calculated as follows:

$$\text{Emissions Reductions (tons CO}_2\text{e)} = (V \times M \times (1 - \text{OX}) \times C_{\text{ef}} \times \text{GWP}) / 2000$$

Where:

V = Volume of CH₄ collected (ft₃)

M = Mass of CH₄ per cubic foot (0.04246 lbs/ft³ default value at 1 atmosphere and 20° C)

OX = Oxidation factor (0.10), representing estimated portion of collected CH₄ that would have eventually oxidized to CO₂ if not collected

C_{ef} = Combustion efficiency of methane control technology (0.98)

GWP = CO₂e global warming potential of CH₄ (23)

10.5.1.5 *Monitoring and verification requirements.* Offset projects shall employ a landfill gas collection system that provides continuous metering and data computation of landfill gas volumetric flow rate and CH₄ concentration. Annual monitoring and verification reports shall include monthly volumetric flow rate and CH₄ concentration data, including documentation that the CH₄ was actually supplied to the combustion source. Monitoring and verification is also subject to the following requirements.

10.5.1.5.1 The project sponsor shall submit a monitoring and verification plan as part of the consistency application that includes a quality assurance and quality control program associated with equipment used to determine landfill gas volumetric flow rate and CH₄ composition. The monitoring and verification plan shall also include provisions for ensuring that measuring and monitoring equipment is maintained, operated, and calibrated based on manufacturer recommendations, as well as provisions for the retention of maintenance records for audit purposes. The monitoring and verification plan shall be certified by an independent verifier accredited pursuant to section 10.6 of this regulation.

10.5.1.5.2 The project sponsor shall annually verify landfill gas CH₄ composition through landfill gas sampling and independent laboratory analysis using applicable U.S. Environmental Protection Agency laboratory test methods.

10.5.2 *Reduction in emissions of sulfur hexafluoride (SF₆).* To qualify for the award of CO₂ offset allowances under section 10 of this regulation, offset projects that prevent emissions of sulfur hexafluoride to the atmosphere from equipment in the electricity transmission and distribution sector, through capture and storage, recycling, or destruction, shall meet the requirements of 10.5.2 of this regulation and all other applicable requirements of section 10 of this regulation.

10.5.2.1 *Eligibility.*

10.5.2.1.1 Eligible offset projects shall consist of incremental actions beyond those taken during the baseline year to achieve a reduction in SF₆ emissions relative to the baseline year. Eligible

actions may include an expansion of existing actions. The identified actions to be taken shall be consistent with the guidance provided in International Electrotechnical Commission (IEC) 1634, “High-voltage switchgear and control gear—Use and handling of sulfur hexafluoride (SF₆) in high-voltage switchgear and control gear,” (CEI/IEC 1634, 1995-04), and Electric Power Research Institute (EPRI), “Practical Guide to SF₆ Handling Practices,” (TR-113933, 2002).

10.5.2.1.2 Except as provided in 10.5.2.1.3 of this regulation, eligible offset projects shall have an SF₆ entity-wide emissions rate for the baseline year that is less than the applicable emissions rate in Table 3. The entity-wide SF₆ emissions rate shall be calculated as follows:

$$\text{SF}_6 \text{ Emissions Rate (\%)} = \frac{\text{Total SF}_6 \text{ Emissions for Reporting Year}}{\text{Total SF}_6 \text{ Nameplate Capacity at End of Reporting Year}}$$

Where:

SF₆ Nameplate Capacity refers to all SF₆-containing equipment owned and/or operated by the entity, at full and proper SF₆ charge of the equipment rather than the actual charge of the equipment (which may reflect leakage).

Table 3. SF₆ Emissions Rate Performance Standards

A. Emission Regions

<u>Region A</u>	<u>Region B</u>	<u>Region C</u>	<u>Region D</u>	<u>Region E</u>
Connecticut	Alabama	Colorado	Arkansas	Alaska
Delaware	District of Columbia	Illinois	Iowa	Arizona
Maine	Florida	Indiana	Kansas	California
Massachusetts	Georgia	Michigan	Louisiana	Hawaii
New Jersey	Kentucky	Minnesota	Missouri	Idaho
New York	Maryland	Montana	Nebraska	Nevada
New Hampshire	Mississippi	North Dakota	New Mexico	Oregon
Pennsylvania	North Carolina	Ohio	Oklahoma	Washington
Rhode Island	South Carolina	South Dakota	Texas	
Vermont	Tennessee	Utah		
	Virginia	Wisconsin		
	West Virginia	Wyoming		

B. Emissions Rate Performance Standards

<u>Region</u>	<u>Emission Rate^a</u>
Region A	9.68%
Region B	5.22%
Region C	9.68%
Region D	5.77%
Region E	3.65%
U.S. (National)	9.68%

^a Based on weighted average 2004 emissions rates for U.S. EPA SF₆ Partnership utilities in each region. If the weighted average emissions rate in a region is higher than the national weighted average, the default performance standard is the national weighted average emissions rate.

10.5.2.1.3

An SF₆ offset project shall be eligible even if the SF₆ entity-wide emissions rate in the baseline year exceeds the applicable rate in 10.5.2.1.2 of this regulation, provided that the project sponsor demonstrates and the Department determines that the project is being implemented at a transmission and/or distribution entity serving a predominantly urban service territory and that at least two of the following factors prevent optimal management of SF₆.

- 10.5.2.1.3.1 The entity is comprised of older than average installed transmission and distribution equipment in relation to the national average age of equipment.
- 10.5.2.1.3.2 A majority of the entity's electricity load is served by equipment that is located underground, and poor accessibility of such underground equipment precludes management of SF₆ emissions through regular ongoing maintenance.
- 10.5.2.1.3.3 The inability to take a substantial portion of equipment out of service, as such activity would impair system reliability.
- 10.5.2.1.3.4 Required equipment purpose or design for a substantial portion of entity transmission and distribution equipment results in inherently leak-prone equipment.
- 10.5.2.2 *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of 10.5.2.1 of this regulation. The offset project narrative shall include the following information.
 - 10.5.2.2.1 Description of the transmission and/or distribution entity suitable in detail to specify the service territory served by the entity.
 - 10.5.2.2.2 Owner and operator of the transmission and/or distribution entity.
- 10.5.2.3 *Emissions baseline determination.* If the consistency application is filed on or after January 1, 2009, baseline SF₆ emissions shall be determined based on annual entity-wide reporting of SF₆ emissions for the calendar year immediately preceding the calendar year in which the consistency application is filed (designated the baseline year). If the consistency application is filed prior to 2009, the baseline year may be 2005, but no earlier. The reporting entity shall systematically track and account for all entity-wide uses of SF₆ in order to determine entity-wide emissions of SF₆. The scope of such tracking and accounting shall include all electric transmission and distribution assets and all SF₆-containing and SF₆-handling equipment owned and/or operated by the reporting entity.

10.5.2.3.1 Emissions shall be determined based on the following mass balance method:

$$\text{SF}_6 \text{ Emissions (lbs.)} = (\text{SF}_6 \text{ Change in Inventory}) + (\text{SF}_6 \text{ Purchases and Acquisitions}) - (\text{SF}_6 \text{ Sales and Disbursements}) - (\text{Change in Total SF}_6 \text{ Nameplate Capacity of Equipment})$$

Where:

Change in Inventory is the difference between the quantity of SF₆ gas in storage at the beginning of the reporting year and the quantity in storage at the end of the reporting year. The term “quantity in storage” includes all SF₆ gas contained in cylinders (such as 115-pound storage cylinders), gas carts, and other storage containers. It does not refer to SF₆ gas held in SF₆-using operating equipment. The change in inventory will be negative if the quantity of SF₆ gas in storage increases over the course of the year.

Purchases and Acquisitions of SF₆ is the sum of all the SF₆ gas acquired from other parties during the reporting year, as contained in storage containers or SF₆-using operating equipment.

Sales and disbursements of SF₆ is the sum of all the SF₆ gas sold or otherwise disbursed to other parties during the reporting year, as contained in storage containers and SF₆-using operating equipment.

Change in Total SF₆ Nameplate Capacity of Equipment is the net change in the total volume of SF₆-containing operating equipment during the reporting year. The net change in nameplate capacity is equal to new equipment nameplate capacity, minus retired equipment nameplate capacity. This quantity will be negative if the retired equipment has a total nameplate capacity larger than the total nameplate capacity of the new equipment. “Total nameplate capacity” refers to the full and proper SF₆ charge of the equipment rather than to the actual charge, which may reflect leakage.

10.5.2.3.2 Emissions shall be calculated as follows:

$$\text{Emissions (tons CO}_2\text{e)} = \frac{[(V_{iby} - V_{iey}) + (PA_{psd} + PA_e + PA_{rre}) - (SD_{op} + SD_{rs} + SD_{df} + SD_{sor}) - (CNP_{ne} - CNP_{rse})]}{\text{GWP}/2000}$$

Where (all SF₆ values in lbs.):

V_{iby} = SF₆ inventory in cylinders, gas carts, and other storage containers (not SF₆-containing operating equipment) at the beginning of the reporting year

V_{iey} = SF₆ inventory in cylinders, gas carts, and other storage containers (not SF₆-containing operating equipment) at the end of the reporting year

PA_{psd} = SF₆ purchased from suppliers or distributors in cylinders

PA_e = SF₆ provided by equipment manufacturers with or inside SF₆-containing operating equipment

PA_{rre} = SF₆ returned to the reporting entity after off-site recycling

SD_{op} = Sales of SF₆ to other parties, including gas left in SF₆-containing operating equipment that is sold

SD_{rs} = Returns of SF₆ to supplier (producer or distributor)

SD_{df} = SF₆ sent to destruction facilities

SD_{sor} = SF₆ sent off-site for recycling

CNP_{ne} = Total SF₆ nameplate capacity of new SF₆-containing operating equipment at proper full charge

CNP_{rse} = Total SF₆ nameplate capacity of retired or sold SF₆-containing operating equipment at proper full charge

GWP = CO_{2e} global warming potential of SF₆ (22,200)

10.5.2.3.3

As part of the consistency application required pursuant to 10.4.2 and 10.4.3 of this regulation and in annual monitoring and verification reports required pursuant to 10.7.2 and 10.7.3 of this regulation, the project sponsor shall provide the documentation required at 10.5.2.5.1 through 10.5.2.5.3 of this regulation to support emissions calculations.

10.5.2.4 *Calculating emissions reductions.* Emissions reductions shall represent the annual entity-wide emissions reductions of SF₆ for the reporting entity, relative to emissions in the baseline year. Emissions

reductions shall be determined as follows, using the quantification method outlined in 10.5.2.3.2 of this regulation to determine emissions in both the baseline year and reporting year(s):

$$\text{Emissions Reduction (tons CO}_2\text{e)} = (\text{Total Pounds of SF}_6\text{ Emissions in Baseline Reporting Year}) - (\text{Total Pounds of SF}_6\text{ Emissions in Reporting Year}) \times \text{GWP}/2000$$

Where:

GWP = CO₂e global warming potential of SF₆ (22,200)

10.5.2.5 *Monitoring and verification requirements.* The annual monitoring and verification report shall include supporting material detailing the calculations and data used to determine SF₆ emissions reductions, and shall also provide the following documentation.

10.5.2.5.1 The project sponsor shall identify a facility(ies) managed by the entity from which all SF₆ gas is procured and disbursed and maintain an entity-wide log of all SF₆ gas procurements and disbursals. The entity-wide log shall include the weight of each cylinder transported before shipment from the facility(ies) and the weight of each cylinder after return to the facility(ies). A specific cylinder log shall also be maintained for each cylinder that is used to fill equipment with SF₆ or reclaim SF₆ from equipment. The cylinder log shall be retained with the cylinder and indicate the location and specific identifying information of the equipment being filled, or from which SF₆ is reclaimed, and the weight of the cylinder before and after this activity. The cylinder log shall be returned with the cylinder to the facility when the activity is complete or the cylinder is empty.

10.5.2.5.2 A current entity-wide inventory of all SF₆-containing operating equipment and all other SF₆-related items, including cylinders, gas carts, and other storage containers used by the entity. The inventory shall be certified by an independent verifier accredited pursuant to section 10.6 of this regulation.

10.5.2.5.3 The project sponsor shall provide a monitoring and verification plan as part of the consistency application, which shall include an SF₆ inventory management and auditing protocol and a process for quality assurance and quality control of inventory

data. The monitoring and verification plan shall be certified by an independent verifier accredited pursuant to section 10.6.

10.5.3 *Sequestration of carbon due to afforestation.* To qualify for the award of CO₂ offset allowances under 10, offset projects that sequester carbon through the conversion of land from a non-forested to forested condition shall meet the requirements of 10.5.3 of this regulation and all other applicable requirements of section 10 of this regulation.

10.5.3.1 *Eligibility.*

10.5.3.1.1 Eligible offset projects shall occur on land that has been in a non-forested state for at least 10 years preceding the commencement of the offset project.

10.5.3.1.2 Eligible offset projects shall be managed in accordance with widely accepted environmentally sustainable forestry practices and designed to promote the restoration of native forests by using mainly native species and avoiding the introduction of invasive non-native species. If commercial timber harvest activities are to occur, certification must be obtained, prior to any harvest activities at the site, through the Forest Stewardship Council (FSC), Sustainable Forestry Institute (SFI), American Tree Farm System (ATFS), or such other similar organizations as may be approved by the Department.

10.5.3.2 *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of 10.5.3.1 of this regulation. The offset project narrative shall include the following information.

10.5.3.2.1 Owner of the land within the offset project boundary;

10.5.3.2.2 Detailed map of the land within the offset project boundary and areas adjacent to the offset project boundary;

10.5.3.2.3 A copy of the permanent conservation easement required pursuant 10.5.3.6 of this regulation;

10.5.3.2.4 For offset projects located in a state or United States jurisdiction that is not a participating state, a written legal opinion from an attorney licensed to practice in the state where the offset project

is located, or from the cooperating regulatory agency, confirming the enforceability of the permanent conservation easement; and

10.5.3.2.5 Plant species to be planted or established via natural regeneration, and a forest management plan consistent with the requirements at 10.5.3.1.2 of this regulation.

10.5.3.3 *Carbon sequestration baseline determination.* The existing sequestered carbon within the offset project boundary shall be calculated prior to commencement of the offset project. The carbon sequestration baseline shall be determined based on a sum of measurements, made no more than 12 months prior to offset project commencement, of the carbon content of the following carbon pools.

10.5.3.3.1 Carbon content shall be calculated for the following required carbon pools:

10.5.3.3.1.1 Live above-ground tree biomass;

10.5.3.3.1.2 Live below-ground tree biomass;

10.5.3.3.1.3 Soil carbon; and

10.5.3.3.1.4 Dead organic matter, coarse woody debris, unless the baseline measurement for this carbon pool is at or near zero, in which case measurement of this carbon pool during the allocation period is optional.

10.5.3.3.2 Carbon content may be calculated for the following optional carbon pools:

10.5.3.3.2.1 Live above-ground non-tree biomass; and

10.5.3.3.2.2 Dead organic matter, forest floor.

10.5.3.3.3 Carbon content shall be calculated individually for each carbon pool within the offset project boundary.

10.5.3.3.4 To increase the accuracy of measurement and verification, the area within the offset project boundary shall be divided into sub-populations that form relatively homogenous units. When defining sub-populations, the project sponsor shall consider

vegetation and tree species (including existing vegetation and trees and those to be utilized as part of the offset project activity) and site factors (soil type, elevation, slope, age class, and other factors as warranted).

10.5.3.3.5 Calculation of sequestered carbon for each carbon pool in each reporting sub-population shall be based on the following:

$$\text{CO}_2 \text{ tons} = [(A \times C/\text{ha})(44/12)] / 0.9072$$

Where:

A = Area in hectares within each reporting sub-population

C = Carbon content (metric tons of carbon for each carbon pool)

C/ha = Mean carbon content per hectare for each carbon pool

10.5.3.3.6 Total carbon contained within the offset project boundary (represented in CO₂ tons, calculated pursuant to 10.5.3.3.5 of this regulation) shall be calculated as follows:

$$\text{TC}_{\text{pb}} = \text{TC}_{\text{latb}} + \text{TC}_{\text{lbtb}} + \text{TC}_{\text{s}} [+ \text{TC}_{\text{lantb}} + \text{TC}_{\text{doff}} + \text{TC}_{\text{docwd}}]$$

Where:

TC_{pb} = Total carbon content within the offset project boundary (sum of carbon content of all carbon pools in all reporting sub-populations)

TC_{latb} = Sum of carbon content of live above-ground tree biomass in all reporting sub-populations

TC_{lbtb} = Sum of carbon content of live below-ground tree biomass in all reporting sub-populations

TC_s = Sum of carbon content of soil carbon in all reporting sub-populations

TC_{lantb} [option] = Sum of carbon content of live above-ground non-tree biomass in all reporting sub-populations

TC_{doff} [option] = Sum of carbon content of dead organic matter, forest floor in all reporting sub-populations

TC_{docwd} [mandatory/option, as applicable pursuant to 10.5.3.3.1.4 of this regulation] = Sum of carbon content of dead organic matter, coarse woody debris in all reporting sub-populations

10.5.3.3.7 Each individual carbon pool to be measured must be directly measured using a measurement protocol and sample size that achieves a demonstrated quantified accuracy for the combined carbon pool measurement such that there is 95% confidence that the resulting reported value is within 10% of the true mean. Measurement and sampling practices shall meet the following requirements.

10.5.3.3.7.1 An adequate sample size that meets the requirements of 10.5.3.3.7 of this regulation shall be determined for each sub-population.

10.5.3.3.7.2 The minimum number of required sampling plots for each sub-population shall be determined based on the following:

$$n = (s \times 1.960) / (\text{mean} \times re)^2$$

Where:

n = required number of sample plots for each reporting sub-population

s = standard deviation

mean = mean reported carbon content for the sample population

re = level of sampling error (0.08) to assure a total maximum error of 10% for the 95% confidence interval, which assumes total error due to measurement error of 0.02

10.5.3.3.8 Direct measurement procedures shall be consistent with current forestry good practice and the guidance contained in U.S. Department of Energy, Technical Guidelines Voluntary Reporting of Greenhouse Gases (1605(b)) Program; Chapter 1, Emissions Inventories; Part 1 Appendix: Forestry; Section 3: Measurement Protocols for Forest Carbon Sequestration (March 2006).

10.5.3.4 *Calculating carbon sequestered.* Carbon sequestration shall be determined using a base year approach, where the amount of carbon sequestered is measured as a net increase in carbon relative to the base year measurement. Carbon sequestration shall be the amount of net additional carbon sequestered during each reporting period, based upon aggregate carbon uptake and carbon emissions for the sum of carbon pools, relative to the baseline carbon content or the carbon content as of the previous reporting period (if above the baseline carbon content), as applicable. CO₂ offset allowances shall be issued based on the amount of net additional carbon sequestered within the offset project boundary during each reporting period, as represented in tons of CO₂. Sequestered carbon shall be calculated using a stock-change approach as follows:

$$NCS_t = I_t - I_{t-1}$$

Where:

NCS_t = Net carbon sequestered in reporting period t

I_t = Inventory of carbon stock for all carbon pools in all reporting sub-populations within the offset project boundary in reporting period t

I_{t-1} = Inventory of carbon stock for all carbon pools in all reporting sub-populations within the offset project boundary in the reporting period immediately preceding reporting period t

10.5.3.4.1 Except as provided in 10.5.3.3.1.4 of this regulation, each of the carbon pools that were measured as part of the baseline determination must be re-measured using the same methodology, and to the same or better quantified precision consistent with the requirements of 10.5.3.3.7 and 10.5.3.3.8 of this regulation, as that used for the baseline determination.

10.5.3.4.2 The net change in each carbon pool's carbon stock in each reporting sub-population is calculated by subtracting the baseline carbon stock (or carbon stock at the previous monitoring, if above the baseline carbon content) from the carbon stock at the time of the current monitoring. Determination of carbon stock shall be in accordance with the formulas and procedures in 10.5.3.3 of this regulation.

- 10.5.3.4.3 Net carbon stock change for the offset project is the sum of the net changes in the carbon stock of all applicable pools in all reporting sub-populations within the offset project boundary, less ten percent (10%) to account for potential losses of sequestered carbon. This 10% discount shall not be required, provided the project sponsor retains long-term insurance, approved by the Department, that guarantees replacement of any lost sequestered carbon for which CO₂ offset allowances were awarded pursuant to 10.7.1.1 of this regulation.
- 10.5.3.5 *Monitoring and verification requirements.* Total carbon stock within the offset project boundary shall be calculated not less than every five years. Monitoring and verification is subject to the following requirements.
- 10.5.3.5.1 Monitoring and verification reports shall include data from direct measurement of carbon content for all plots used to determine baseline and reporting period carbon content.
- 10.5.3.5.2 The consistency application shall include a monitoring and verification plan certified by the Department or an independent verifier accredited pursuant to section 10.6 of this regulation. The monitoring and verification plan shall include the following:
- 10.5.3.5.2.1 Direct carbon measurement procedures consistent with the requirements at 10.5.3.3.8 of this regulation.
- 10.5.3.5.2.2 The designation of sub-populations pursuant to 10.5.3.3.4 of this regulation. The determination of the minimum number of sampling plots pursuant to 10.5.3.3.7 of this regulation.
- 10.5.3.5.2.3 If commercial timber harvest activities have occurred or will occur, an assessment of management practices to ensure that the offset project has been or will be managed in accordance with environmentally sustainable forestry practices consistent with the Forest Stewardship Council (FSC), Sustainable Forestry Institute (SFI), American Tree Farm System (ATFS), or such other similar organizations as may be approved by the Department.

10.5.3.6 *Carbon sequestration permanence.* The offset project shall meet the following requirements to address permanence of sequestered carbon.

10.5.3.6.1 The project sponsor shall place the land within the offset project boundary under a legally binding permanent conservation easement, approved by the Department, that requires the land to be maintained in a forested state in perpetuity.

10.5.3.6.2 The conservation easement shall include a requirement that the carbon density within the offset project boundary be maintained at long-term levels at or above that achieved as of the end of the CO₂ offset crediting period pursuant to 10.3.5.2 of this regulation.

10.5.3.6.3 The conservation easement shall require that the land be managed in accordance with environmentally sustainable forestry practices.

10.5.4 *Reduction or avoidance of CO₂ emissions from natural gas, oil, or propane end-use combustion due to end-use energy efficiency.* To qualify for the award of CO₂ offset allowances under section 10 of this regulation, offset projects that reduce CO₂ emissions by reducing on-site combustion of natural gas, oil, or propane for end-use in an existing or new commercial or residential building by improving the energy efficiency of fuel usage and/or the energy-efficient delivery of energy services shall meet the requirements of 10.5.4 of this regulation and all other applicable requirements of section 10 of this regulation. Eligible new buildings are limited to new buildings that are designed to replace an existing building on the offset project site, or new buildings designed to be zero net energy buildings.

10.5.4.1 *Eligibility.*

10.5.4.1.1 Eligible offset projects shall reduce CO₂ emissions through one or more of the following energy conservation measures (ECMs):

10.5.4.1.1.1 improvements in the energy efficiency of combustion equipment that provide space heating and hot water, including a reduction in fossil fuel consumption through the use of solar and geothermal energy;

10.5.4.1.1.2 Improvements in the efficiency of heating distribution systems, including proper sizing and commissioning of heating systems;

- 10.5.4.1.1.3 Installation or improvement of energy management systems;
 - 10.5.4.1.1.4 Improvement in the efficiency of hot water distribution systems and reduction in demand for hot water;
 - 10.5.4.1.1.5 Measures that improve the thermal performance of the building envelope and/or reduce building envelope air leakage;
 - 10.5.4.1.1.6 Measures that improve the passive solar performance of buildings and utilization of active heating systems using renewable energy; and
 - 10.5.4.1.1.7 Fuel switching to a less carbon-intensive fuel for use in combustion systems, including the use of liquid or gaseous eligible biomass, provided that conversions to electricity are not eligible.
- 10.5.4.1.2 *Performance standards.*
- 10.5.4.1.2.1 *All end-use energy efficiency offset projects.* All offset projects under this subdivision shall meet the applicable performance criteria set forth in this regulation.
 - 10.5.4.1.2.1.1 *Installation best practice.* Any combustion equipment and related air handling equipment (HVAC systems) installed as part of an offset project shall be sized and installed in accordance with the applicable requirements and specifications outlined in this regulation.
 - 10.5.4.1.2.1.1.1 Commercial HVAC systems shall meet the applicable sizing and installation requirements of ANSI/ASHRAE/IESNA Standard 90.1-2004: Energy Standard for Buildings Except Low-Rise Residential Buildings and ANSI/ASHRAE Standard 62.1-2004: Ventilation for Acceptable Indoor Air Quality.

10.5.4.1.2.1.1.2 Residential HVAC systems shall meet the applicable sizing specifications of Air Conditioner Contractors of America (ACCA) Manual J: Residential Load Calculation (Eight Edition), and the applicable installation specifications of “Specification of Energy-Efficient Installation and Maintenance Practices for Residential HVAC Systems,” Consortium for Energy Efficiency, 2000.

10.5.4.1.2.1.2 *Whole-building energy performance.* Eligible new buildings or whole-building retrofits that are part of an offset project shall meet the requirements of this regulation.

10.5.4.1.2.1.2.1 Commercial buildings shall exceed the energy performance requirements of ANSI/ASHRAE/IESNA Standard 90.1-2004: Energy Standard for Buildings Except Low-Rise Residential Buildings by 30%, with the exception of multi-family residential buildings classified as commercial by ANSI/ASHRAE/IESNA Standard 90.1-2004, which shall exceed these energy performance requirements by 20%.

10.5.4.1.2.1.2.2 Residential buildings shall exceed the energy performance requirements of the 2004 International Energy Conservation Code Supplement by 30%.

10.5.4.1.2.2 *Offset projects commenced before January 1, 2009.* Energy conservation measures implemented as part of

an offset project commenced before January 1, 2009 shall meet the performance and prescriptive criteria set forth in this regulation.

10.5.4.1.2.2.1 *Combustion equipment.* Combustion equipment installed as part of an offset project commenced before January 1, 2009 shall meet the energy efficiency performance standards contained in this regulation.

10.5.4.1.2.2.1.1 *Commercial boilers.* Commercial boilers shall meet or exceed the energy efficiency criteria in Table 4 below.

<u>Technology</u>	<u>Size (Btu/hr)</u>	<u>Rating Method</u>	<u>Minimum Efficiency</u>
Gas-fired ^a	125,000-300,000	AFUE	≥88.0%
	300,000-12,500,000	Thermal Efficiency ^b	≥90.0%
Oil-fired	>300,000	Thermal Efficiency	≥88.0%

^a Gas-fired boilers shall be installed with controls that allow the boiler to operate in condensing mode and installed with vents designed for positive vent static pressure and vent gas temperature that leads to condensate production in the vent.

^b Thermal Efficiency is defined as useful energy output (Btu) divided by energy input (Btu), and presented as a percentage. This shall be measured under steady state conditions, at full rated useful thermal output, 140°F supply from, and 120°F return water temperature to, the boiler.

10.5.4.1.2.2.1.2

Residential combustion equipment. Residential combustion equipment, including furnaces, boilers, and water heaters, shall meet or exceed the energy efficiency criteria in Table 5 below.

<u>Table 5</u> Minimum Residential Combustion Equipment ^a Energy Efficiency		
<u>Technology</u>	<u>Rating Method</u>	<u>Minimum Efficiency</u>
Gas-fired furnace	AFUE	≥94%
Oil-fired furnace	AFUE	≥92%
Gas/oil-fired boiler	AFUE	≥90%
Gas/oil-fired water heater	Energy Factor	≥0.62

^a For furnaces, defined as equipment with a heat input rate of less than 225,000 Btu/hr; for boilers, defined as equipment with a heat input rate of less than 300,000 Btu/hr; for water heaters, defined as equipment subject to 10 CFR 430.

10.5.4.1.2.2.2

Other energy conservation measures. All other energy conservation measures implemented as part of an offset project shall meet the prescriptive requirements, as applicable, in Energy Benchmark for High Performance Buildings, Version 1.1, New Buildings Institute, 2005 (herein referred to as EBHPB), or state building energy codes, whichever result in better energy performance. Energy conservation measures without specified performance criteria in the referenced EBHPB shall meet the requirements of Federal Energy Management Program (FEMP) Product Energy Efficiency Recommendations,

issued pursuant to Executive Orders 13123 and 13221, or Energy Star criteria issued jointly by the U.S. Environmental Protection Agency and U.S. Department of Energy, whichever result in better energy performance.

- 10.5.4.1.2.3 *Maximum market penetration rate for offset projects commenced on or after January 1, 2009.* For offset projects initiated on or after January 1, 2009, the project sponsor shall demonstrate, to the satisfaction of the Department, that the energy conservation measures implemented as part of the offset project have a market penetration rate of less than 5%.
- 10.5.4.2 *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of 10.5.4.1 of this regulation. The offset project narrative shall include the following information.
- 10.5.4.2.1 Location and specifications of the building(s) where the offset project actions will occur;
 - 10.5.4.2.2 Owner and operator of the building(s);
 - 10.5.4.2.3 The parties implementing the offset project, including lead contractor(s), subcontractors, and consulting firms;
 - 10.5.4.2.4 Specifications of equipment and materials to be installed as part of the offset project; and
 - 10.5.4.2.5 Building plans and offset project technical schematics, as applicable.
- 10.5.4.3 *Emissions baseline determination.* The emissions baseline shall be determined in accordance with the requirements of this paragraph, based on energy usage (MMBtu) by fuel type for each energy conservation measure, derived using historic fuel use data from the most recent calendar year for which data is available, and multiplied by an emissions factor and oxidation factor for each respective fuel in Table 6 below.

<u>Table 6</u> Emissions and Oxidation Factors		
<u>Fuel</u>	<u>Emissions Factor</u> (lbs. CO ₂ /MMBtu)	<u>Oxidation Factor</u>
Natural Gas	116.98	0.995
Propane	139.04	0.995
Distillate Fuel Oil	161.27	0.99
Kerosene	159.41	0.99

10.5.4.3.1 *Isolation of applicable energy conservation measure baseline.*
 The baseline energy usage of the application to be targeted by the energy conservation measure shall be isolated in a manner consistent with the guidance at 10.5.4.5 of this regulation.

10.5.4.3.2 Annual baseline energy usage shall be determined as follows:

$$\text{Energy Usage (MMBtu)} = \text{BEU}_{\text{AECM}} \times A$$

Where:

BEU_{AECM} = Annual pre-installation baseline energy use by fuel type (MMBtu) attributable to the application(s) to be targeted by the energy conservation measure(s). If applicable building codes or equipment standards require that equipment or materials installed as part of the offset project meet certain minimum energy performance requirements, baseline energy usage for the application shall assume that equipment or materials are installed that meet such minimum requirements. For offset projects that replace existing combustion equipment, the assumed

minimum energy performance required by applicable building codes or equipment standards shall be that which applies to new equipment that uses the same fuel type as the equipment being replaced. Baseline energy usage shall be determined in accordance with the applicable requirements at 10.5.4.5 of this regulation.

A = Adjustments to account for differing conditions during the two time periods (pre-installation and post-installation), such as weather, building occupancy, and changes in building use or function. Adjustments shall be determined in accordance with the applicable requirements at 10.5.4.5 of this regulation.

10.5.4.3.3 Annual baseline emissions shall be determined as follows:

$$\text{Emissions (lbs. CO}_2\text{)} = \sum_{i=1}^n \text{BEU}_i \times \text{EF}_i \times \text{OF}_i$$

Where:

BEU_i = Annual baseline energy usage for fuel type i (MMBtu) demonstrated pursuant to the requirements at 10.5.4.5.1 through 10.5.4.5.4 of this regulation.

EF_i = Emissions factor (lbs. CO_2 /MMBtu) for fuel type i listed at 10.5.4.3 of this regulation, Table 3 of this subdivision.

OF_i = Oxidation factor for fuel type i listed at 10.5.4.3 of this regulation, Table 3 of this subdivision.

10.5.4.4 *Calculating emissions reductions.* Emissions reductions shall be determined based upon annual energy savings by fuel type (MMBtu) for each energy conservation measure, multiplied by the emissions factor and oxidation factor for the respective fuel type at 10.5.4.3 of this regulation, Table 3 of this subdivision.

10.5.4.4.1 Annual energy savings shall be determined as follows:

$$\text{Energy Savings (MMBtu)} = (\text{BEU}_{\text{AECM}} \times A) - (\text{PIEU}_{\text{ECM}} \times A)$$

Where:

BEU_{AECM} = Annual pre-installation baseline energy use by fuel type (MMBtu) calculated pursuant to 10.5.4.5.1 through 10.5.4.5.4 of this regulation.

$PIEU_{ECM}$ = Annual post-installation energy use by fuel type (MMBtu) attributable to the energy conservation measure. Post-installation energy usage shall be determined in accordance with the applicable requirements at 10.5.4.5.1 through 10.5.4.5.4 of this regulation.

A = Adjustments to account for any differing conditions during the two time periods (pre-installation and post-installation), such as weather, building occupancy, and changes in building use or function. Adjustments shall be determined in accordance with the applicable requirements at 10.5.4.5 of this regulation.

10.5.4.4.2 Annual emissions reductions shall be determined as follows:

$$\text{Emissions Reduction (lbs. CO}_2\text{)} = \sum_{i=1}^n ES_i \times EF_i \times OF_i$$

Where:

ES_i = Energy savings for fuel type i (MMBtu) demonstrated pursuant to the requirements at 10.5.4.5 of this regulation.

EF_i = Emissions factor (lbs. CO₂/MMBtu) for fuel type i listed at 10.5.4.3 of this regulation, Table 3 of this subdivision.

OF_i = Oxidation factor for fuel type i listed at 10.5.4.3 of this regulation, Table 3 of this subdivision.

10.5.4.5 *Monitoring and verification requirements.* As part of the consistency application, the project sponsor shall provide a monitoring and verification plan certified by an independent verifier accredited pursuant to section 10.6 of this regulation. Annual monitoring and verification reports shall be certified by an independent verifier accredited pursuant to section 10.6 of this regulation. Independent verifiers must conduct a site audit when reviewing the first monitoring and verification report submitted by the project sponsor, except for offset projects that save less than 1,500 MMBtu per year. For offset projects that save less than 1,500 MMBtu per year, the project sponsor

must provide the independent verifier with equipment specifications and copies of equipment invoices and other relevant offset project-related invoices. All offset project documentation, including the consistency application and monitoring and verification reports, shall be signed by a Professional Engineer, identified by license number. Monitoring and verification shall also meet the following requirements.

10.5.4.5.1 *General energy measurement and verification requirements.* Monitoring and verification of energy usage shall be demonstrated through a documented process consistent with the following protocols and procedures, as applicable.

10.5.4.5.1.1 For existing commercial buildings, determination of baseline energy usage shall be consistent with the International Performance Measurement & Verification Protocol, Volume I: Concepts and Options for Determining Energy and Water Savings (IPMVP), “Option B. Retrofit Isolation” and “Option D. Calibrated Simulation.” If a building project involves only energy conservation measures implemented as part of a CO₂ emissions offset project, a process consistent with IPMVP “Option C. Whole Facility” may be used, as applicable. Application of the IPMVP general guidance shall be consistent with the applicable detailed specifications in ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings.

10.5.4.5.1.2 For new commercial buildings, determination of baseline energy usage shall be consistent with the International Performance Measurement & Verification Protocol, Volume III: Concepts and Options for Determining Energy Savings in New Construction (IPMVP), “Option D. Calibrated Simulation.” Application of the IPMVP general guidance shall be consistent with the applicable detailed specifications in ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings.

10.5.4.5.1.3 For existing and new residential buildings, determination of baseline energy usage shall be consistent with the requirements of the RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

10.5.4.5.2 *Isolation of applicable energy conservation measure.* In calculating both baseline energy usage and energy savings, the applicant shall isolate the impact of each eligible energy conservation measure (ECM), either through direct metering or energy simulation modeling. For offset projects with multiple ECMs, and where individual ECMs can affect the performance of others, the sum of energy savings due to individual ECMs shall be adjusted to account for the interaction of ECMs. For commercial buildings, this process shall be consistent with the requirements of ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004: Energy Standard for Buildings Except Low-Rise Residential Buildings. For residential buildings, this process shall be consistent with the requirements of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

10.5.4.5.2.1 Reductions in energy usage due to the energy conservation measure shall be based upon actual energy usage data. Energy simulation modeling shall only be used to determine the relative percentage contribution to total fuel usage (for each respective fuel type) of the application targeted by the energy conservation measure.

10.5.4.5.3 *Calculation of energy savings.* Annual energy savings are to be determined based on the following:

$$\text{Energy Savings (MMBtu)} = (\text{BEU}_{\text{AECM}} \times A) - (\text{PIEU}_{\text{ECM}} \times A)$$

Where:

BEU_{AECM} = Annual pre-installation baseline energy use by fuel type (MMBtu) attributable to the application(s) to be targeted by the energy conservation measure(s), based upon annual fuel usage data for the most recent calendar year for which data is available. For new buildings, baseline energy use for a reference building equivalent in basic configuration, orientation, and location to the building in which the eligible energy conservation measure(s) is implemented shall be determined according to ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and

Appendix G. Where energy simulation modeling is used to evaluate an existing building, modeling shall be conducted in accordance with ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and Appendix G. For existing and new residential buildings, energy simulation modeling shall be conducted in accordance with the requirements of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

$PIEU_{ECM}$ = Annual post-installation energy use by fuel type (MMBtu) attributable to the energy conservation measure, to be verified based on annual energy usage after installation of the energy conservation measure(s), consistent with the requirements of ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings. Where energy simulation modeling is used to evaluate a new or existing building, modeling shall be conducted in accordance with ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and Appendix G. For existing and new residential buildings, energy simulation modeling shall be consistent with the requirements of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

A = Adjustments to account for any differing conditions during the two time periods (pre-installation and post-installation), such as weather (weather normalized energy usage based on heating and cooling degree days), building occupancy, and changes in building use or function. For commercial buildings, adjustments shall be consistent with the specifications of ASHRAE Guideline 14-2002, Measurement of Energy and Demand Savings, and ANSI/ASHRAE/IESNA Standard 90.1-2004, Section 11 and Appendix G. For residential buildings, adjustments shall be consistent with the specifications of RESNET National Home Energy Rating Technical Guidelines, 2006 (Chapter 3 and Appendix A of 2006 Mortgage Industry National Home Energy Rating System Standards).

10.5.4. 5.4 *Provision for sampling of multiple like offset projects in residential buildings.* Offset projects that implement similar measures in multiple residential buildings may employ representative sampling of buildings to determine aggregate

baseline energy usage and energy savings. Sampling protocols shall employ sound statistical methods such that there is 95% confidence that the reported value is within 10% of the true mean. Any sampling plan shall be certified by an independent verifier, accredited pursuant to section 10.6 of this regulation.

10.5.5 *Avoided methane emissions from agricultural manure management operations.* To qualify for the award of CO₂ offset allowances under section 10 of this regulation, offset projects that capture and destroy methane from animal manure and organic food waste using anaerobic digesters shall meet the requirements of 10.5.5 of this regulation and all other applicable requirements of section 10 of this regulation.

10.5.5.1 *Eligibility.*

10.5.5.1.1 Eligible offset projects shall consist of the destruction of that portion of methane generated by an anaerobic digester that would have been generated in the absence of the offset project through the uncontrolled anaerobic storage of manure or organic food waste.

10.5.5.1.2 Eligible offset projects shall employ only manure-based anaerobic digester systems using livestock manure as the majority of digester feedstock, defined as more than 50% of the mass input into the digester on an annual basis. Organic food waste used by an anaerobic digester shall only be that which would have been stored in anaerobic conditions in the absence of the offset project.

10.5.5.1.3 The provisions of 10.3.4.2 and 10.3.4.3 of this regulation shall not apply to agricultural manure management offset projects provided either of the following requirements are met.

10.5.5.1.3.1 The offset project is located in a state that has a market penetration rate for anaerobic digester projects of 5% or less. The market penetration determination shall utilize the most recent market data available at the time of submission of the consistency application pursuant to section 10.4 of this regulation and shall be determined as follows:

$$MP (\%) = MG_{AD} / MG_{STATE}$$

Where:

MG_{AD} = Average annual manure generation for the number of dairy cows and swine serving all anaerobic digester projects in the applicable state at the time of submission of a consistency application pursuant to section 10.4 of this regulation.

MG_{STATE} = average annual manure production of all dairy cows and swine in the state at the time of submission of a consistency application pursuant to section 10.4 of this regulation.

10.5.5.1.3.2 The offset project is located at a farm with 4,000 or less head of dairy cows, or a farm with equivalent animal units, assuming an average live weight for dairy cows (lbs./cow) of 1,400 lbs., or, if the project is a regional-type digester, total annual manure input to the digester is designed to be less than the average annual manure produced by a farm with 4,000 or less head of dairy cows, or a farm with equivalent animal units, assuming an average live weight for dairy cows (lbs./cow) of 1,400 lbs.

10.5.5.2 *Offset project description.* The offset project sponsor shall provide a detailed narrative of the offset project actions to be taken, including documentation that the offset project meets the eligibility requirements of 10.5.5.1 of this regulation. The offset project narrative shall include the following information.

10.5.5.2.1 Owner and operator of the offset project;

10.5.5. 2.2 Location and specifications of the facility where the offset project will occur;

10.5.5. 2.3 Owner and operator of the facility where the offset project will occur;

10.5.5. 2.4 Specifications of the equipment to be installed and a technical schematic of the offset project; and

10.5.5. 2.5 Location and specifications of the facilities from which anaerobic digester influent will be received, if different from the facility where the offset project will occur.

10.5.5.3 *Emissions baseline determination.* The emissions baseline shall represent the potential emissions of the CH₄ that would have been produced in a baseline scenario under uncontrolled anaerobic storage conditions and released directly to the atmosphere in the absence of the offset project.

10.5.5.3.1 Baseline CH₄ emissions shall be calculated as follows:

$$\text{CO}_2\text{e (tons)} = (V_m \times M) / 2000 \times \text{GWP}$$

Where:

CO₂e = Potential CO₂e emissions due to calculated CH₄ production under site-specific anaerobic storage and weather conditions

V_m = Volume of CH₄ produced each month from degradation of volatile solids in a baseline uncontrolled anaerobic storage scenario under site-specific storage and weather conditions for the facility at which the manure or organic food waste is generated (ft³)

M = Mass of CH₄ per cubic foot (0.04246 lb/ft³ default value at one atmosphere and 20°C)

GWP = Global warming potential of CH₄ (23)

10.5.5.3.2 The estimated amount of volatile solids degraded each month under the uncontrolled anaerobic storage baseline scenario (kg) shall be calculated as follows:

$$\text{VS}_{\text{deg}} = \text{VS}_{\text{avail}} \times f$$

Where:

VS = volatile solids as determined from the equation:

$$\text{VS} = M_m \times \text{TS}\% \times \text{VS}\%$$

where:

M_m = mass of manure or organic food waste produced per month (kg)

$TS_{\%}$ = concentration (percent) of total solids in manure or organic food waste as determined through EPA 160.3 testing method (U.S.EPA Method Number 160.3, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020))

$VS_{\%}$ = concentration (percent) of volatile solids in total solids as determined through EPA 160.4 testing method (U.S.EPA Method Number 160.4, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020))

VS_{avail} = volatile solids available for degradation in manure or organic food waste storage each month as determined from the equation:

$$VS_{avail} = VS_p + \frac{1}{2} VS_{in} - VS_{out}$$

Where:

VS_p = volatile solids present in manure or organic food waste storage at beginning of month (left over from previous month) (kg)

VS_{in} = volatile solids added to manure or organic food waste storage during the course of the month (kg). The factor of $\frac{1}{2}$ is multiplied by this number to represent the average mass of volatile solids available for degradation for the entire duration of the month.

VS_{out} = volatile solids removed from the manure or organic food waste storage for land application or export (assumed value based on standard farm practice)

f = van't Hoff-Arrhenius factor for the specific month as determined using the equation below. Using a base temperature of 30° C, the equation is as follows:

$$f = \exp\left\{\frac{E(T_2 - T_1)}{(GC \times T_1 \times T_2)}\right\}$$

Where:

f = conversion efficiency of VS to CH₄ per month

E = activation energy constant (15,175 cal/mol)

T₂ = average monthly ambient temperature for facility where manure or organic food waste is generated (converted from ° Celsius to ° Kelvin) as determined from the nearest National Weather Service certified weather station (if reported temperature ° C > 5° C; if reported temperature ° C < 5° C, then F = 0.104)

T₁ = 303.15 (30° C converted to °K)

GC = ideal gas constant (1.987 cal/K mol)

10.5.5.3.3 The volume of CH₄ produced (ft³) from degradation of volatile solids shall be calculated as follows:

$$V_m = (VS_{deg} \times B_o) \times 35.3147$$

Where:

V_m = volume of CH₄ (ft³)

VS_{deg} = volatile solids degraded (kg)

B_o = manure or organic food waste type-specific maximum methane generation constant (m³ CH₄/kg VS degraded). For dairy cow manure, B_o = 0.24 m³ CH₄/kg VS degraded. The methane generation constant for other types of manure shall be those cited at U.S. EPA, Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2004, Annex 3, Table A-162 (U.S. EPA, April 2007), unless the project sponsor proposes an alternate methane generation constant. If the project sponsor proposes to use a methane generation constant other than the ones found in the above-cited reference, the project sponsor must provide justification and documentation to the Department.

10.5.5.4 *Calculating emissions reductions.* Emissions reductions shall be determined based on the potential emissions (in tons of CO₂e) of the CH₄ that would have been produced in the absence of the offset

project under a baseline scenario that represents uncontrolled anaerobic storage conditions, as calculated pursuant to 10.5.5.3.1 through 10.5.5.3.3 of this regulation, and released directly to the atmosphere. Emissions reductions may not exceed the potential emissions of the anaerobic digester, as represented by the annual volume of CH₄ produced by the anaerobic digester, as monitored pursuant to 10.5.5.5 of this regulation. If the project is a regional-type digester, CO₂ emissions due to transportation of manure and organic food waste from the site where the manure and organic food waste was generated to the anaerobic digester shall be subtracted from the emissions reduction calculated pursuant to 10.5.5.3.1 through 10.5.5.3.3 of this regulation. Transport CO₂ emissions shall be determined through one of the following methods.

10.5.5.4.1 Documentation of transport fuel use for all shipments of manure and organic food waste from off-site to the anaerobic digester during each reporting year and a log of transport miles for each shipment. CO₂ emissions shall be determined through the application of an emissions factor for the fuel type used. If this option is chosen, the following emissions factors shall be applied as appropriate.

10.5.5.4.1.1 Diesel fuel: 22.912 lbs. CO₂/gallon.

10.5.5.4.1.2 Gasoline: 19.878 lbs. CO₂/gallon.

10.5.5.4.1.3 Other fuel: submitted emissions factor approved by the Department.

10.5.5.4.2 Documentation of total tons of manure and organic food waste transported from off-site for input into the anaerobic digester during each reporting year, as monitored pursuant to 10.5.5.5.1 of this regulation, and a log of transport miles and fuel type used for each shipment. CO₂ emissions shall be determined through the application of a ton-mile transport emission factor for the fuel type used. If this option is chosen, the following emissions factors shall be applied as appropriate for each ton of manure delivered, and multiplied by the number of miles transported.

10.5.5.4.2.1 Diesel fuel: 0.131 lbs. CO₂ per ton-mile.

10.5.5.4.2.2 Gasoline: 0.133 lbs. CO₂ per ton-mile.

10.5.5.4.2.3 Other fuel: submitted emissions factor approved by the Department.

10.5.5.5 *Monitoring and verification requirements.* Offset projects shall employ a system that provides metering of biogas volumetric flow rate and determination of CH₄ concentration. Annual monitoring and verification reports shall include monthly biogas volumetric flow rate and CH₄ concentration determination. Monitoring and verification shall also meet the following requirements.

10.5.5.5.1 If the offset project is a regional-type digester, manure and organic food waste from each distinct source supplying to the anaerobic digester shall be sampled monthly to determine the amount of volatile solids present. Any emissions reduction will be calculated according to mass of manure and organic food waste (kg) being digested and percentage of volatile solids present before digestion, consistent with the requirements at 10.5.5.3 and 10.5.5.5.3 of this regulation, and apportioned accordingly among sources. The project sponsor shall provide supporting material and receipts tracking the monthly receipt of manure and organic food waste (kg) used to supply the anaerobic digester from each supplier.

10.5.5.5.2 If the offset project includes the digestion of organic food waste eligible pursuant to 10.5.5.1.2 of this regulation, organic food waste shall be sampled monthly to determine the amount of volatile solids present before digestion, consistent with the requirements at 10.5.5.3 and 10.5.5.5.3 of this regulation, and apportioned accordingly.

10.5.5.5.3 The project sponsor shall submit a monitoring and verification plan as part of the consistency application that includes a quality assurance and quality control program associated with equipment used to determine biogas volumetric flow rate and CH₄ composition. The monitoring and verification plan shall be specified in accordance with the applicable monitoring requirements listed in Table 7. The monitoring and verification plan shall also include provisions for ensuring that measuring and monitoring equipment is maintained, operated, and calibrated based on manufacturer's recommendations, as well

as provisions for the retention of maintenance records for audit purposes. The monitoring and verification plan shall be certified by an independent verifier accredited pursuant to section 10.6 of this regulation.

Table 7
 Input Monitoring Requirements

Input Parameter	Measurement Unit	Frequency of Sampling	Sampling Method(s)
Influent flow (mass) into the digester	Kilograms (kg) per month (wet weight)	Monthly total into the digester	a) Recorded weight b) Digester influent pump flow c) Livestock population and application of American Society of Agricultural and Biological Engineers (ASABE) standard (ASAE D384.2, March 2005)
Influent total solids concentration (TS)	Percent (of sample)	Monthly, depending upon recorded variations	U.S. EPA Method Number 160.3, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020)
Influent volatile solids (VS) concentration	Percent (of TS)	Monthly, depending upon recorded variations	USEPA Method Number 160.4, Methods for the Chemical Analysis of Water and Wastes (MCAWW) (EPA/600/4-79/020)
Average monthly ambient temperature	Temperature °C	Monthly (based on farm averages)	Closest National Weather Service-certified weather station

10.5.5.5.4 The project sponsor shall verify biogas CH₄ composition quarterly through gas sampling and third party laboratory analysis using applicable U.S. EPA test methods.

10.6 Accreditation of independent verifiers

- 10.6.1 *Standards for accreditation.* Independent verifiers may be accredited by the Department to provide verification services as required of project sponsors under this Section, provided that independent verifiers meet all of the requirements of this section.
- 10.6.1.1 *Verifier minimum requirements.* Each accredited independent verifier shall demonstrate knowledge of the following topics:
- 10.6.1.1.1 Utilizing engineering principles;
 - 10.6.1.1.2 Quantifying greenhouse gas emissions;
 - 10.6.1.1.3 Developing and evaluating air emissions inventories;
 - 10.6.1.1.4 Auditing and accounting principles;
 - 10.6.1.1.5 Knowledge of information management systems;
 - 10.6.1.1.6 Knowledge of the requirements of this Section and other applicable requirements of this Regulation; and
 - 10.6.1.1.7 Such other qualifications as may be required by the Department to provide competent verification services as required for individual offset categories specified at section 10.5.
- 10.6.1.2 *Organizational qualifications.* Accredited independent verifiers shall demonstrate that they meet the following requirements:
- 10.6.1.2.1 Verifiers shall have no direct or indirect financial relationship, beyond a contract for provision of verification services, with any offset project developer or project sponsor;
 - 10.6.1.2.2 verifiers shall employ staff with professional licenses, knowledge, and experience appropriate to the specific category(ies) of offset projects at section 10.5 of this regulation that they seek to verify;
 - 10.6.1.2.3 Verifiers shall hold a minimum of one million U.S. dollars of professional liability insurance. If the insurance is in the name of a related entity, the verifier shall disclose the financial

relationship between the verifier and the related entity, and provide documentation supporting the description of the relationship; and

10.6.1.2.4 verifiers shall demonstrate that they have implemented an adequate management protocol to identify potential conflicts of interest with regard to an offset project, offset project developer, or project sponsor, or any other party with a direct or indirect financial interest in an offset project that is seeking or has been granted approval of a consistency application pursuant to 10.4.5 of this regulation, and remedy any such conflicts of interest prior to providing verification services.

10.6.1.3 *Pre-qualification of verifiers.* The Department may require prospective verifiers to successfully complete a training course, workshop, or test developed by the Department or its agent, prior to submitting an application for accreditation.

10.6.2 *Application for accreditation.* An application for accreditation shall not contain any proprietary information, and shall include the following:

10.6.2.1 The applicant's name, address, e-mail address, telephone number, and facsimile transmission number;

10.6.2.1.1 Documentation that the applicant has at least two years of experience in each of the knowledge areas specified at 10.6.1.1.1 through 10.6.1.1.5 of this regulation, and as may be required pursuant to 10.6.1.1.7 of this regulation;

10.6.2.1.2 Documentation that the applicant has successfully completed the requirements at 10.6.1.3 of this regulation, as applicable;

10.6.2.1.3 A sample of at least one work product that provides supporting evidence that the applicant meets the requirements at 10.6.1.1 and 10.6.1.2 of this regulation. The work product shall have been produced, in whole or part, by the applicant and shall consist of a final report or other material provided to a client under contract in previous work. For a work product that was jointly produced by the applicant and another entity, the role of the applicant in the work product shall be clearly explained;

10.6.2.1.4 Documentation that the applicant holds professional liability insurance as required pursuant to 10.6.1.2.3 of this regulation.

10.6.2.1.5 Documentation that the applicant has implemented an adequate management protocol to address and remedy any conflict of interest issues that may arise, as required pursuant to 10.6.1.2.4 of this regulation.

10.6.3 *Department action on applications for accreditation.* The Department shall approve or deny a complete application for accreditation within 45 days after submission. Upon approval of an application for accreditation, the independent verifier shall be accredited for a period of three years from the date of application approval.

10.6.4 *Reciprocity.* Independent verifiers accredited in other participating states may be deemed to be accredited in the State of Delaware, at the discretion of the Department.

10.6.5 *Conduct of accredited verifiers.*

10.6.5.1 Prior to engaging in verification services for an offset project sponsor, the accredited verifier shall disclose all relevant information to the department to allow for an evaluation of potential conflict of interest with respect to an offset project, offset project developer, or project sponsor. The accredited verifier shall disclose information concerning its ownership, past and current clients, related entities, as well as any other facts or circumstances that have the potential to create a conflict of interest.

10.6.5.2 Accredited verifiers shall have an ongoing obligation to disclose to the Department any facts or circumstances that may give rise to a conflict of interest with respect to an offset project, offset project developer, or project sponsor.

10.6.5.3 The Department may reject a verification report and certification statement from an accredited verifier, submitted as part of a consistency application required pursuant to 10.4.2 of this regulation or submitted as part of a monitoring and verification report submitted pursuant to 10.7.2 of this regulation, if the Department determines that the accredited verifier has a conflict of interest related to the offset project, offset project developer, or project sponsor.

10.6.5.4 The Department may revoke the accreditation of a verifier at any time given cause, for the following:

- 10.6.5.4.1 Failure to fully disclose any issues that may lead to a conflict of interest situation with respect to an offset project, offset project developer, or project sponsor;
- 10.6.5.4.2 The verifier is no longer qualified due to changes in staffing or other criteria;
- 10.6.5.4.3 Negligence or neglect of responsibilities pursuant to the requirements of this Section; and
- 10.6.5.4.4 Intentional misrepresentation of data or other intentional fraud.

10.7 Award and Recordation of CO₂ offset allowances.

10.7.1 Quantities of CO₂ offset allowances awarded, and subsequently recorded.

10.7.1.1 Award of CO₂ offset allowances.

10.7.1.1.1 *CO₂ emissions offset projects.* Following the issuance of a consistency determination under 10.4.5.2 of this regulation and the approval of a monitoring and verification report under the provisions of 10.7.5 of this section, the Department will award one CO₂ offset allowance for each ton of demonstrated reduction in CO₂ or CO₂ equivalent emissions or sequestration of CO₂.

10.7.1.1.2 *CO₂ emissions credit retirement.* If a project sponsor received a consistency determination pursuant to 10.4.5.2 of this regulation, one CO₂ offset allowance will be awarded for each ton of reduction of CO₂ or CO₂ equivalent or sequestration of CO₂, represented by the relevant credits or allowances retired. If a credit or allowance is represented in metric tons, 1.1023 tons will be awarded for every metric ton, provided that total CO₂ offset allowances awarded shall be rounded down to the nearest whole ton.

10.7.1.2 Recordation of CO₂ offset allowances. After CO₂ offset allowances are awarded under 10.7.1.1 of this regulation, the Department shall record such CO₂ offset allowances in the project sponsor's general account.

10.7.2 Deadlines for submittal of monitoring and verification reports.

- 10.7.2.1 For CO₂ emissions offset projects undertaken prior to January 1, 2009, the project sponsor must submit the monitoring and verification report covering the pre-2009 period by June 30, 2009.
- 10.7.2.2 For CO₂ emissions offset projects undertaken on or after January 1, 2009, the monitoring and verification report must be submitted within 6 months following the completion of the last calendar year during which the offset project achieved CO₂ equivalent reductions or sequestration of CO₂ for which the project sponsor seeks the award of CO₂ offset allowances.
- 10.7.3 *Contents of monitoring and verification reports.* For an offset project, the monitoring and verification report must include the following information.
- 10.7.3.1 The project's sponsor's name, address, e-mail address, telephone number, facsimile transmission number, and account number.
- 10.7.3.2 The CO₂ emissions reduction or CO₂ sequestration determination as required by the relevant provisions of section 10.5 of this regulation, including a demonstration that the project sponsor complied with the required quantification, monitoring, and verification procedures under section 10.5 of this regulation, as well as those outlined in the consistency application approved pursuant to 10.4.5.2 of this regulation.
- 10.7.3.3 A signed statement that reads
- “The undersigned project sponsor hereby confirms and attests that the offset project upon which this monitoring and verification report is based is in full compliance with all of the requirements of Section 10 of this regulation. The project sponsor holds the legal rights to the offset project, or has been granted the right to act on behalf of a party that holds the legal rights to the offset project.*
- I understand that eligibility for the award of CO₂ offset allowances under Section 10 of this regulation is contingent on meeting the requirements of Section 10 of this regulation. I authorize the Department or its agent to audit this offset project for purposes of verifying that the offset project, including the monitoring and verification plan, has been implemented as described in the consistency application that was the subject of a consistency determination by the Department.*

I understand that this right to audit shall include the right to enter the physical location of the offset project and to make available to the Department or its agent any and all documentation relating to the offset project at the Department's request. I submit to the legal jurisdiction of the State of Delaware."

- 10.7.3.4 A certification signed by the offset project sponsor certifying that all offset projects for which the sponsor has received offset allowances under this Section (or similar provisions in the rules of other participating states), under the sponsor's ownership or control (or under the ownership or control of any entity which controls, is controlled by, or has common control with the sponsor) are in compliance with all applicable requirements of the CO₂ Budget Trading Program in all participating states.
- 10.7.3.5 A verification report and certification statement signed by an independent verifier accredited pursuant to section 10.6 of this regulation that documents that the independent verifier has reviewed the monitoring and verification report and evaluated the following in relation to the applicable requirements at section 10.5 of this regulation, and any applicable guidance issued by the Department.
- 10.7.3.5.1 The adequacy and validity of information supplied by the project sponsor to determine CO₂ emissions reductions or CO₂ sequestration pursuant to the applicable requirements at section 10.5 of this regulation.
- 10.7.3.5.2 The adequacy and consistency of methods used to quantify, monitor, and verify CO₂ emissions reductions and CO₂ sequestration in accordance with the applicable requirements at section 10.5 of this regulation and as outlined in the consistency application approved pursuant to 10.4.5.2 of this regulation.
- 10.7.3.5.3 Such other evaluations and verification reviews as may be required by the Department. The adequacy and validity of information supplied by the project sponsor to demonstrate that the offset project meets the applicable eligibility requirements of section 10.5 of this regulation.
- 10.7.3.6 Disclosure of any voluntary or mandatory programs, other than the CO₂ Budget Trading Program, to which greenhouse gas emissions data related to the offset project has been, or will be reported.

- 10.7.3.7 For offset projects located in a state or United States jurisdiction that is not a participating state, a demonstration that the project sponsor has complied with all requirements of the cooperating regulatory agency in the state or United States jurisdiction where the offset project is located.
- 10.7.4 Prohibition against filing monitoring and verification reports in more than one participating state. Monitoring and verification reports may only be filed under 10.7 of this regulation for projects that have received consistency determinations under 10.4.5.2 of this regulation. Monitoring and Verification reports may not be filed under 10.7 of this regulation for projects that have received consistency determinations in other participating states.
- 10.7.5 *Department action on monitoring and verification reports.* The Department will approve or deny a complete monitoring and verification report, in a format approved by the Department, filed with the Department pursuant to 10.7.4 of this regulation, within 45 days following receipt of a complete report. A complete monitoring and verification report is one that is in an approved form and is determined by the Department to be complete for the purpose of commencing review of the monitoring and verification report. In no event shall a completeness determination prevent the Department from requesting additional information in order to enable the Department to approve or deny a monitoring and verification report submitted in a format approved by the Department, and filed under 10.7 of this regulation.

Section 11 CO₂ Emissions Auction

11.1 Purpose

The purpose of this section is to provide for the administration and implementation by the Department of CO₂ Allowance Auctions and programs to promote the purposes of the CO₂ Budget Trading Program.

11.2 Definitions

The following words and terms, when used in this section, should have the following meaning unless the context clearly indicates otherwise:

“Ascending Price, Multiple Round Auction” means a multiple round auction starting with an opening price with increases each round by predetermined increments. In each round, bidders offer the quantity they are willing to purchase at the posted price. Rounds continue so long as demand exceeds the quantity offered for sale. At the completion of the final round, allowances may be allocated, subject to Section 11.5 of this regulation:

- (1) At the final price to remaining bidders and withhold unsold allowances for a future auction, or
- (2) At the penultimate price, first to final round bidders and then to bidders in the penultimate round in chronological order of bid during the penultimate round for all remaining allowances, or
- (3) According to an alternative mechanism designed to effectuate the objectives of this section.

“CO₂ Allowance Auction Website” means the website containing information regarding the auctions to be conducted pursuant to this Regulation. The website shall be available through a link from the Department’s main website at <http://www.dnrec.delaware.gov/>.

“Control Period” means the time periods established by the Department under section 1.3 of this regulation.

“Participating State” means a state that has established a corresponding regulation or statute as part of the CO₂ Budget Trading Program.

“Single Round Sealed-Bid Uniform Price Auction” means a single round sealed-bid uniform price auction format, under which bidders may submit multiple bids at different prices; the price paid by all awarded bidders will be uniform and equal to the highest rejected bid price.

11.3 Multi-State Auctions

11.3.1 The with Department shall participate in a multi-state CO₂ Allowance Auction or Auctions if the Department determines, in consultation the Delaware Public Service Commission that:

- 11.3.1.1 A multi-state auction capability and process is in place for the Participating States;
- 11.3.1.2 The multi-state auction can provide benefits that meet or exceed the objectives of the auction and purposes of the Account, as described in this Regulation, and;
- 11.3.1.3 The multi-state auction process would be consistent with the process described in this section.

11.3.2 Should the Department, in consultation with the Public Service Commission, find that these conditions have not been satisfied, the Department may conduct a

Delaware State auction or auctions pursuant to this Regulation or may take such other action as the Secretary deems appropriate.

11.3.3 Proceeds associated with the sale of all of State of Delaware's CO₂ Allowances, whether sold in a multi-state or a Delaware State CO₂ Allowance Auction shall be appropriated as provided for in 7 Del C Section -----.

11.4 Implementation of CO₂ Allowance Auctions

11.4.1 The Department may design, implement and administer CO₂ Allowance Auctions in the event a regional auction is not held or does not meet the needs of the Department or this regulation. The Department shall make every effort to participate in a regional auction if at all possible.

11.4.2 Implementation and administrative support functions for any auction conducted pursuant to this Regulation and with respect to the administration of the Account may be delegated by the Department to a contractor deemed qualified by the Department to perform such functions, provided that such designee shall perform all such functions under the direction and oversight of the Department.

11.5 Commencement, Frequency and Quantity of CO₂ Allowance Auctions

11.5.1 **Commencement:** The Department or its agent shall participate in or conduct CO₂ Allowance Auctions to sell such allowances pursuant to this section. The initial auction shall be conducted at such time and manner as determined by the Department in consultation with the Delaware Public Service Commission.

11.5.2 **Frequency:** CO₂ Allowance Auctions will be held quarterly, or as often as practical and necessary to effectuate the objectives of the CO₂ Program.

11.5.3 **Calendar:** The Department or its agent shall maintain a calendar of anticipated auction dates on its Website. The calendar shall indicate the auction format and the number of allowances and allocation years of allowances to be auctioned at each auction. The Department or its agent may periodically revise the calendar, provided that the information relevant to the next scheduled CO₂ Allowance Auction shall be fixed no later than 45 calendar days prior to such auction. The calendar shall include the dates of at least the next four (4) CO₂ Allowance Auctions and may also include the anticipated number of allowances to be auctioned at each Auction. The Department or its agent may periodically modify the anticipated dates of Auctions listed on such calendar.

11.5.4 Quantity: Prior to the end of each Control Period, CO₂ Allowances for such Control Period will be made available for sale. CO₂ Allowances will be made available for sale by allocation year. Up to 50% of the allowances from an allocation year may be made available for sale in advance of the respective allocation year; such allowances may be made available for sale up to four (4) years in advance of such allocation year. Specific quantities of CO₂ Allowances that will be offered for sale will be included in each Notice of CO₂ Allowance Auction.

11.5.5 Lot Sizes: The Department shall make CO₂ Allowances available for sale in lot sizes of 1,000 allowances, except where available supply requires a smaller lot size.

11.5.6 Reserve Price: In administering Auctions, the Department may employ the use of a Reserve Price and the Department shall publish or announce such reserve price prior to each CO₂ Allowance Auction.

11.5.7 Unsold Allowances: Unsold CO₂ Allowances may be made available for sale in subsequent auctions or otherwise disposed after consultation with the Public Service Commission.

11.6 Auction Format

The initial auction shall be conducted as a Single Round Sealed-Bid Uniform Price Auction. The Department, in consultation with the Delaware Public Service Commission, may employ a Single Round Sealed-Bid Uniform Price Auction or an Ascending Price, Multiple Round Auction in subsequent auctions.

11.7 Participant Eligibility and Limitations

11.7.1 The owners or operators of CO₂ Budget Units located in the State of Delaware shall be eligible to participate in all auctions.

11.7.2 Categories of bidders that may be eligible to participate in auctions include but are not limited to:

11.7.2.1 Owners or operators of CO₂ Budget Units within a Participating State

11.7.2.2 Owners or operators of a generation source located outside of the Participating States,

11.7.2.3 Brokers,

11.7.2.4 Environmental groups,

11.7.2.5 Financial and investment institutions, and

11.7.2.6 Other market participants.

11.7.3 The Department, in consultation with the Delaware Public Service Commission, may preclude or limit the participation of any one or all of the categories of bidders. Notification of eligible categories of bidders will be included in each Notice of CO₂ Allowance Auction.

11.7.4 Any party wishing to participate in a CO₂ Allowance Auction will be required to open and maintain a compliance or general account pursuant to the provisions in section 6 of this regulation.

11.7.5 Limitations: Participation in any auction may be limited to the level of financial security provided.

11.7.6 The Department may institute a purchasing and/or bidding limitation in each auction. In no instance shall this limitation be greater than 25% of the allowances available in an auction. Any such limitations shall be included in the Notice of CO₂ Allowance Auction.

11.7.7 Any applicant or bidder that has been found to have violated any rule, regulation, or law associated with any commodity market or exchange may be denied eligibility or precluded from participation in CO₂ Allowance Auctions.

11.8 Participation Requirements

11.8.1 **Qualification:** Any party wishing to participate in a CO₂ Allowance Auction or Auctions shall submit an application for qualification in the form and manner provided in the Notice of CO₂ Allowance Auction to the Department or its agent on or before the application deadline date specified in the Notice of CO₂ Allowance Auction. As a part of their application, applicants will be required to provide information and documentation relating to their ability and authority to execute bids and honor contractual obligations. Such documentation may include but may not be limited to:

11.8.1.1 Information and documentation regarding the corporate identity, ownership, affiliations, and capital structure of the applicant;

11.8.1.2 Declarations as to the beneficial ownership of any allowance that may be acquired through the auction;

- 11.8.1.3 The identification of any indictment or felony conviction of any member, director, principle, partner or officer of the applicant or any affiliate or related entity;
- 11.8.1.4 A statement by the applicant as to prior findings of non-responsibility with regard to any XXX procurement including findings under Section XXX of the XXX Finance Law;
- 11.8.1.5 A statement by the applicant as to certification under XXX State Tax Law Section XXX.
- 11.8.1.6 The identification of any previous or pending investigation with respect to any alleged violation of any rule, regulation, or law associated with any commodity market or exchange.
- 11.8.1.7 Evidence demonstrating that such applicant has opened a general or compliance account as provided for in the provisions in Section 6 of this regulation and identification of relationships with any other account holder.
- 11.8.1.8 Applicants may be denied qualification based on the information provided or upon information as to such applicant obtained independent of the application process.
- 11.8.2 The Department and/or its agent will review each application for qualification and make determinations as to qualification to participate or otherwise submit bids in CO₂ Allowance Auctions. Failure to provide any information required by the Notice of CO₂ Allowance Auction may result in the application being declared incomplete or otherwise deficient. If an application for qualification is determined to be incomplete or otherwise deficient, the Department shall notify the Applicant and state the reason therefore. The Department may offer an opportunity for the applicant to remedy their application by the deadline pursuant to the Auction Notice. Qualified applicants will be notified by the Department pursuant to the Auction Notice.
- 11.8.3 Parties found qualified for participation under subsection (b) will be qualified for subsequent CO₂ Allowance Auctions, and will be qualified to participate in such auctions within the financial security limitations of 11.9.7 of this regulation; provided that there has been no material change to the information provided in the application, that the party is within one of the categories of eligible bidders described in the Notice of CO₂ Allowance Auction for such auction, and such party meets all other requirements for participation. Any party found qualified shall notify the Department of any material change in the information provided in the application for qualification by the date on which qualification applications for the next auction are

due. Such notification shall state the date the change occurred and describe the change in sufficient detail to enable the Department to determine if a change in the qualification status to participate in future auctions is warranted.

- 11.8.4 The Department may require parties previously found qualified to up-date and re-file applications for qualification on an annual basis.
- 11.8.5 The Department may suspend or revoke previously granted qualification of any party if such party fails to comply with this section and/or the provisions of this regulation.
- 11.8.6 Bid Submittal Instructions. All bids shall be in a form prescribed by the Department, which shall be made available electronically on the CO₂ Allowance Auction Website, as appropriate. All bids submitted will be considered binding offers for the purchase of allowances under the rules of the auction, this section, and regulation.
- 11.8.7 If the Department determines that a bidder has provided false or misleading information, or has withheld pertinent information in its application, or has otherwise failed to comply with any material provision of this Regulation or has violated any part of the auctions rules, the bidder may be prohibited from participating in any future CO₂ Allowance Auctions.
- 11.8.8 To receive approval to participate in any specific auction, otherwise qualified bidders will be required to provide financial security in the form of a bond, cash, certified funds, or an irrevocable stand-by letter of credit, in a form acceptable to the Department. Financial security shall be provided in a form and manner as described in the Notice of CO₂ Allowance Auction.
- 11.8.8.1 Parties who have posted financial security may request return of their financial security at any time prior to or following any CO₂ Allowance Auction, and the Department shall return said financial security provided that the Department has no current or pending claim to such security as a result of a failure of the party to comply with these regulations or to pay the full amount of its accepted bid when due.
- 11.8.8.2 Financial security may be forfeited to and retained by the Department or its agent in the event the bidder's offer is accepted in a CO₂ Allowance Auction and the bidder fails to tender payment of the full amount when due.

11.9 Notice of Auctions

11.9.1 A Notice of CO₂ Allowance Auction (“Notice”) shall be published on the CO₂ Allowance Auction Website and the Notice Bulletin (“NB”) no later than 45 days prior to the date upon which each auction may be conducted. Such Notices may be transmitted electronically to parties requesting such notification provided they have submitted an electronic-mail address to the Department or its agent.

11.9.2 Each Notice will provide a specific description of all auction participation requirements, and shall include but not be limited to information including the date, time and location of the CO₂ Allowance Auction, the categories of bidders who will be eligible to bid, the quantity of CO₂ Allowances to be auctioned, the auction format, amount and type of security required, any participation limitations, information regarding settling and clearing of allowance payments, instructions as to qualification applications, a standard allowance purchase and sale contract, other pertinent rules of the auction, and provide a point of contact for further information.

11.10 Auction Reporting and Transfer of CO₂ Allowances

An independent monitor such as a certified public accounting firm or similar entity shall observe the conduct and outcome of each auction and issue a report to the Department or its agent in accordance with professional auditing standards addressing whether the auction was conducted in accordance with the rules and procedures in the respective Notice of CO₂ Allowance Auction. Upon receipt and approval by the Department of the report and upon payment in full by successful bidders, the Department shall transfer or have transferred the corresponding CO₂ Allowances to each successful bidder’s applicable compliance or general account.

11.11 Auction and Secondary Market Monitoring

11.11.1 In advising the Department or its agent, the professional independent auction monitor will monitor each CO₂ Allowance Auction and develop and apply data collection methods, metrics, and analytic techniques, and thresholds for identifying any bidding behavior or activity that may have a significant impact on the efficiency and performance of such auctions, including, but not limited to:

- 11.11.1.1 Collusion,
- 11.11.1.2 Market power, and/or
- 11.11.1.3 Price manipulation.

11.11.2 The independent auction monitor shall also monitor allowance market data and information known to the Department including allowance transactions and

associated pricing reported in the CO₂ Allowance Tracking System, and other relevant data and information to ensure fair competition, efficient pricing, and protection against collusive or manipulative behavior in the CO₂ Allowance Auctions and the CO₂ Budget Trading Program.

11.12 Antideceptive Practices.

It is unlawful for a bidder to use or employ any manipulative, misleading, or deceptive practice in connection with its prequalification application or purchase of allowances from the Department, including but not limited to any practice that is in contravention of any applicable federal or state law or regulation.

11.13 Publication of Results

Within 10 days of the Transfer of CO₂ Allowances provided for under Section 11.11, the Department shall publish on its website the auction clearing price and the total amount of Allowances sold in such Auction.

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