The Supreme Court’s ruling, the Administrative Procedure Act, and this Court’s precedent all require that the Rule be vacated.

The Supreme Court held that the foundation for the entire Rule—EPA’s finding under 42 U.S.C. § 7412 that it is “appropriate” to regulate hazardous air pollutants emitted by power plants—is unlawful. *Michigan v. EPA*, 135 S. Ct. 2699 (2015). By “stray[ing] far beyond” the statute’s bounds, *id.* at 2707, EPA enacted the Rule without authority. Under the APA, agency action taken in excess
of statutory authority “shall” be “set aside.” 5 U.S.C. § 706(2). Because the Supreme Court determined the Rule has no lawful basis, the whole Rule exceeds EPA’s statutory authority and so must be vacated.

EPA and the other parties seeking remand without vacatur never cite this on-point, controlling statute or address EPA’s lack of authority. Instead, they skip to the test in *Allied-Signal, Inc. v. U.S. Nuclear Regulatory Commission*, 988 F.2d 146 (D.C. Cir. 1993). But even if that test applies to agency action taken without authority, it leads to the same conclusion. Under *Allied-Signal*, vacatur is required when there is no possibility an agency can clarify or explain its action; in that situation, any disruptive consequences of vacatur deserve no weight. Here, EPA fully explained its interpretation that costs are irrelevant when deciding whether regulation is appropriate, and the Supreme Court held that interpretation was unreasonable. Under *Allied-Signal*, this Court must vacate the Rule.

Further, EPA’s claim that it *might* adopt a new rationale on remand to justify regulating hazardous air pollutants from power plants under § 7412 does not support leaving the Rule in place. EPA plans to rely on the benefits from addressing a different environmental problem (emissions of fine particulate matter, which is not a hazardous air pollutant) that EPA already regulates under a different Clean Air Act provision (the national ambient air quality standards under § 7409). Indeed, EPA has already imposed standards under § 7409 that regulate fine
particular matter at a level that, in EPA’s own judgment, protect public health by an “adequate margin of safety.” If EPA now believes that public health is not adequately protected from fine particulate matter and wants to impose stricter regulations on that pollutant, it should do so under § 7409. Any benefits from further reducing fine particulate matter are not relevant for deciding whether regulating hazardous air pollutants is appropriate under § 7412. And that rationale is not a clarification of EPA’s action; it is a new basis for a different “appropriate” finding and thus does not support leaving the Rule in place under Allied-Signal.

ARGUMENT

I. The Rule must be vacated under the Administrative Procedure Act.

The APA states that a court “shall . . . set aside agency action” that is “in excess of statutory . . . authority . . . .” 5 U.S.C. § 706(2)(C). Here, the Supreme Court held that “EPA interpreted § 7412(n)(1)(A) unreasonably when it deemed cost irrelevant to the decision to regulate power plants.” Michigan, 135 S. Ct. at 2712. EPA cannot regulate hazardous air pollutants emitted by power plants under § 7412 until it first makes a finding that regulation is “appropriate” based on its review of both the “advantages and the disadvantages” of regulation and whether the benefits are worth the cost of $9.6 billion each year. Id. at 2707.

EPA failed to satisfy that essential prerequisite before it promulgated the Rule, and therefore had no authority to promulgate it. That lack of authority means
all of the Rule’s requirements have no legal underpinning and are invalid.

Pursuant to the APA, the unlawful Rule must be set aside and vacated.

What other governmental entity could, in the absence of authority, impose a rule that binds private citizens? Imagine if a court did what EPA did. Imagine if a federal court issued a permanent injunction when the court lacked jurisdiction. No reviewing court would leave that ultra vires injunction in place on the theory that the lower court might acquire jurisdiction later.

That situation directly parallels this one: like federal courts, federal agencies have limited jurisdiction—“It is axiomatic that an administrative agency’s power to promulgate legislative regulations is limited to the authority delegated by Congress.” Bowen v. Georgetown Univ. Hosp., 488 U.S. 204, 208 (1988). And just as courts cannot issue permanent injunctions without first having jurisdiction (authority), here EPA lacks authority—still, to this day—to regulate power plants because it has not yet fulfilled the substantive precondition of considering costs.

The attempt by Industry Respondent Intervenors to bifurcate EPA’s unlawful finding and the Rule is without merit. The Supreme Court ruled that EPA has no authority to promulgate the Rule until it first makes a lawful “appropriate” finding. If anything, thinking of the two separately highlights that the finding is a substantive precondition to EPA’s authority to promulgate the Rule.
II. The Rule must also be vacated under *Allied-Signal*.

   EPA’s claim—that this Court should weigh both the possibility that EPA might better explain its “appropriate” finding and the consequences of vacating the Rule—misapplies the Court’s precedent.

   Under this Court’s decisions, remand without vacatur is available only in “certain, limited circumstances.” *EME Homer City Generation, LP v. EPA*, 795 F3d 118, 132 (D.C. Cir. 2015). “The decision whether to vacate depends on [1] ‘the seriousness of the order’s deficiencies (and thus the extent of doubt whether the agency chose correctly) and [2] the disruptive consequences of an interim change that may itself be changed.’” *Allied-Signal*, 988 F.2d at 150–51.

   The first *Allied-Signal* factor addresses the likelihood an agency that has not adequately explained that its action was lawful can do so on remand. If there is little doubt the agency’s action was lawful, then the Court may presume the agency acted within its statutory authority and that it need only provide a better explanation. *Heartland Reg’l Med. Ctr v. Sibelius*, 566 F.3d 193, 198 (D.C. Cir. 2009) (“When an agency may be able readily to cure a defect in its explanation of a decision, the first factor in *Allied-Signal* counsels remand without vacatur.”).

   The cases that EPA and its allies cite reinforce that point. E.g., *Black Oak Energy, LLC v. FERC*, 725 F.3d 230, 244 (remanding without vacatur where there was a “failure of explanation”); *Sierra Club v. EPA*, 167 F.3d 658, 664 (D.C. Cir. 1999)
(remanding “for further explanation by EPA”); *Nat’l Ass’n of Clean Water Agencies v. EPA*, 734 F.3d 1115, 1161 (D.C. Cir. 2013) (“we remand to EPA portions of its rule for further explanation”); *Mississippi v. EPA*, 744 F.3d 1334, 1362 (D.C. Cir. 2013) (same); *Nat’l Lime Ass’n v. EPA*, 233 F.3d 625, 641 (D.C. Cir. 2000) (“we remanded to [EPA] for further explanation”). But if there is “little or no prospect” of a rule “being readopted upon the basis of a more adequate explanation of the agency’s reasoning, the court’s practice is ordinarily to vacate the rule.” *Ill. Pub. Telecomms. Ass’n v. FCC*, 123 F.3d 693, 693 (D.C. Cir. 1998).

This Court cannot presume that EPA acted within its authority when it promulgated the Rule. Quite the opposite, the Supreme Court has held that EPA did not. There is no doubt whether EPA chose correctly; the Supreme Court ruled that EPA chose *incorrectly* when it concluded it had authority to regulate power plants without first considering costs.

EPA’s assertion that it simply needs to “reaffirm” its finding is also incorrect. Motion at 10. The Supreme Court ruled that EPA must undertake a *new* analysis of both the costs and benefits of regulation. On remand, EPA must, *for the first time*, do what it steadfastly has refused to do: decide whether the benefits of regulating power plants under § 7412 are worth the costs.

Moreover, EPA is mistaken when it asserts “there should be little doubt” that regulating hazardous air pollutants from power plants under § 7412 is appropriate.
Motion at 12. EPA argues the Rule’s costs are justified because of the benefits from reducing a pollutant that is not a hazardous air pollutant: fine particulate matter. Pursuant to an executive order, EPA estimated that nearly all of the Rule’s benefits ($37 to $90 billion) are from reduced emissions of fine particulate matter ($36 to $89 billion). 77 Fed. Reg. 9304, 9306 (Feb. 16, 2012).

EPA cannot, however, rely on the benefits of reducing fine particulate matter to decide it is appropriate to regulate hazardous air pollutants. Congress directed EPA to address a particular problem in § 7412(n)(1)(A) (the emission of hazardous air pollutants from power plants) and to decide whether regulation is “appropriate” to address that problem. Indeed, co-benefits are not relevant even under EPA’s own guidelines for cost-benefit analysis. The guidelines instruct EPA to identify the “relevant economic variables” based on the “environmental problem the regulation addresses.” U.S. EPA, Guidelines for Preparing Economic Analyses, 5-3 (updated May 2014). Both § 7412’s text and EPA’s own guidelines show that benefits from reducing fine particulate matter are not relevant economic variables for finding it is appropriate to regulate hazardous air pollutants.

EPA cannot justify regulation based almost entirely on the benefits from addressing a wholly different problem, especially when Congress enacted a separate statutory program for fine particulate matter: the national ambient air quality standards (“NAAQS”) under § 7409. Under § 7409, EPA sets NAAQS for
particulate matter and five other “criteria” pollutants considered harmful to public health and the environment (ozone, nitrogen oxides, carbon monoxide, sulfur dioxide, and lead). The standards set limits for those pollutants with an “adequate margin of safety” to protect public health. § 7409(b)(1). EPA must review the standards every five years and update them when needed to ensure they provide adequate health protection based on the latest scientific information. § 7409(d)(1).

EPA revised the standard for fine particulate matter in both 2006 and 2013 to make it more stringent. 71 Fed. Reg. 61,144 (Oct. 17, 2006); 78 Fed. Reg. 3086 (Jan. 15, 2013). If EPA has information demonstrating the standard is still not sufficiently protective, then it has authority under § 7409 to make further revisions. But EPA cannot claim it is “appropriate” to regulate hazardous air pollutants from power plants under § 7412 based on the benefits from additional reductions of fine particulate matter. Under § 7412’s text, those ancillary co-benefits are not relevant benefits for the appropriate finding. Indeed, at oral argument, Chief Justice Roberts described relying on co-benefits as “an end run” around § 7409’s restrictions. Tr. of Oral Argument at 59–61, *Michigan v. EPA*, No. 14-46. At the least, if EPA wants to rely on irrelevant co-benefits for a new appropriate finding on remand, it must do so through notice-and-comment rulemaking.

The second *Allied-Signal* factor (the disruptive consequences of vacatur) “is weighty only insofar as the agency may be able to rehabilitate its rationale for the
regulation.” *Comcast Corp. v. FCC*, 579 F.3d 1, 9 (D.C. Cir. 2009). To cure the defect the Supreme Court identified, EPA cannot simply make minor adjustments to clarify its rationale. It must reverse course altogether and take costs into account when making a new appropriate finding. Any disruptive consequences from vacatur therefore deserve no weight.

But even if the disruptive consequences of vacatur could be considered, EPA and the Respondent Intervenors fail to identify any such effects. For example, they claim vacatur might result in some plants not operating some of the control equipment already installed, and that some hazardous air pollutants that would have otherwise been controlled may be emitted. But that consequence is not severe or disruptive; it just means that a portion of the modest $4 to $6 million in benefits EPA quantified may not occur during remand.

The purported disruptive effects on states’ environmental planning also do not withstand scrutiny. For example, EPA contends North Carolina has “relied on” the Rule to demonstrate the Charlotte area should be redesignated as having attained the NAAQS for ozone. Motion at 17. In fact, North Carolina’s demonstration is based on ozone levels in 2012 to 2014, before the Rule’s compliance deadline of April 16, 2015. Exhibit 1, at ii, iv. EPA also asserts that states are “permitted to rely on reductions under the Rule” to achieve the NAAQS for sulfur dioxide, but makes no showing that any have actually done so. Motion
at 17; McCabe Declaration ¶30. And EPA asserts some states have relied on the
Rule to reduce mercury in lakes and streams, but the document EPA cites is from
2007, more than four years before EPA promulgated the Rule. *Id.*, Att. J.

The examples identified by Industry Respondent Intervenors fare no better.
They assert that vacatur will undermine investments some companies have already
made in air pollution control equipment. But financial impacts are not the
environmentally disruptive impacts to which this Court typically gives weight. See
*EME Homer*, 795 F.3d at 132 (vacatur would disrupt cap-and-trade system to
achieve the NAAQS); *North Carolina v. EPA*, 550 F.3d 1176, 1178–79 (Rogers, J.,
concurring in granting rehearing in part) (vacatur would interfere with states’
ability to meet the NAAQS). And the Industry Respondent-Intervenors would
compound the financial impacts by imposing more costs to meet the unlawful
Rule’s requirements during remand. Neither power plants nor their customers
should be required to bear those costs.

**CONCLUSION AND RELIEF REQUESTED**

For these reasons, the undersigned State and Industry Petitioners respectfully
ask this Court to grant their joint motion and issue a judgment vacating the Rule.

Dated: October 21, 2015  Respectfully submitted,
Bill Schuette  
Michigan Attorney General

/s/ Eric A. Groten  
Eric A. Groten  
Vinson & Elkins LLP  
2801 Via Fortuna, Suite 100  
Austin, TX 78746-7568  
(512) 542-8709  
egroten@velaw.com

Counsel for White Stallion Energy Center, LLC

Aaron D. Lindstrom  
Solicitor General

/s/ Neil D. Gordon  
Neil D. Gordon  
Assistant Attorney General  
Michigan Department of Attorney General  
Environment, Natural Resources, and Agriculture Division  
P.O. Box 30212  
Lansing, MI  48909  
(517) 373-1124  
lindstroma@michigan.gov  
gordonn1@michigan.gov

Counsel for the State of Michigan
/s/ Peter S. Glaser
Peter S. Glaser
Troutman Sanders LLP
401 Ninth Street, N.W.
Suite 100
Washington, D.C. 20004
(202) 274-2998
Peter.glaser@troutmansanders.com

/s/ Luther Strange
Luther Strange
Attorney General
State of Alabama
Office of the Attorney General
501 Washington Avenue
Montgomery, AL 36130
(334) 242-7445

Carroll W. McGuffey III
Justin Wong
Troutman Sanders LLP
600 Peachtree Street, NE
Suite 5200
Atlanta, GA 30308-2216

Counsel for the State of Alabama

Counsel for National Mining Association

/s/ Mark L. Walters
Mark L. Walters
Michael Nasi
Jackson Walker LLP
100 Congress Ave.
Suite 1100
Austin, Texas 78759
(512) 236-2000 (phone)
(512)236-2002 (fax)
mwalters@jw.com
mnasi@jw.com

/s/ Steven E. Mulder
Michael C. Geraghty
Attorney General
State of Alaska
Steven E. Mulder
Assistant Attorney General
1031 W. 4th Avenue, Suite 200
Anchorage, AK 99501-1994

Counsel for the State of Alaska

Counsel for Gulf Coast Lignite Coalition
Mark Brnovich
Attorney General
State of Arizona

James T. Skardon
Assistant Attorney General
Environmental Enforcement Section
1275 W. Washington Street
Phoenix, AZ 85007
(602) 542-8553
James.Skardon@azag.gov
Counsel for the State of Arizona

Leslie Rutledge
Attorney General
State of Arkansas
323 Center Street, Suite 200
Little Rock, AR 72201
(501) 682-5310
Counsel for the State of Arkansas, ex rel. Leslie Rutledge, Attorney General
/s/ Lawrence G. Wasden
Lawrence G. Wasden
Attorney General
State of Idaho
P.O. Box 83720
Boise, ID  83720-0010

Counsel for the State of Idaho

/s/ Valerie Tachtiris
Gregory F. Zoeller
Attorney General
State of Indiana
Valerie Tachtiris
Deputy Attorney General
Office of the Attorney General
IGC-South, Fifth Floor
302 West Washington St.
Indianapolis, IN  46204
(317) 232-6290
Valerie.Tachtiris@atg.in.gov

Counsel for the State of Indiana

/s/ Michael Bousselot
Michael Bousselot
1007 East Grand Avenue
Des Moines, IA  50319
Michael.Bousselot@iowa.gov

Counsel for Terry E. Branstad,
Governor of the State of Iowa on behalf
of the People of Iowa

/s/ Jeffrey A. Chanay
Derek Schmidt
Attorney General
State of Kansas
Jeffrey A. Chanay
Chief Deputy Attorney General
Office of the Attorney General of
Kansas
120 SW  10th Avenue, 3rd Floor
Topeka, KS  66612-1597
(785) 368-8435
Jeff.chanay@ag.ks.org

Counsel for the State of Kansas
/s/ Jack Conway
Jack Conway
Attorney General
Commonwealth of Kentucky
700 Capital Avenue, Suite 188
Frankfort, KY  40601

Counsel for Jack Conway, Attorney General of Kentucky

/s/ Harold E. Pizzetta III
Jim Hood
Attorney General
State of Mississippi
Harold E. Pizzetta III
Assistant Attorney General
Director, Civil Litigation Division
550 High Street, Suite 1100
P.O. Box 220
Jackson, MS  39205-0220
(601) 359-3816
hpizz@ago.state.ms.us

Counsel for the State of Mississippi

/s/ James R. Layton
Chris Koster
Attorney General
State of Missouri
James R. Layton
P.O. Box 899
Jefferson City, MO  65102
(573) 751-1800
James. Layton@ago.mo.gov

Counsel for the State of Missouri

/s/ Doug Peterson
Doug Peterson
Attorney General
State of Nebraska
Dave Bydalek
Chief Deputy Attorney General
Blake Johnson
Assistant Attorney General
2115 State Capitol
Lincoln, NE  68509
(402) 471-2682
Blake.johnson@nebraska.gov

Counsel for the State of Nebraska
Margaret I. Olson  
Wayne Stenehjem  
Attorney General  
State of North Dakota  
Margaret I. Olson  
Assistant Attorney General  
Office of Attorney General  
500 North 9th Street  
Bismarck, ND  58501-4509  
(701) 328-3640  
maiolson@nd.gov  

Counsel for the State of North Dakota

E. Scott Pruitt  
Attorney General  
State of Oklahoma  
Patrick Wyrick  
Solicitor General  
P. Clayton Eubanks  
Deputy Solicitor General  
Office of the Attorney General of Oklahoma  
313 N.E. 21st Street  
Oklahoma City, OK  73105  
(405) 522-8992  
Clayton.eubanks@oag.ok.gov  
Patrick.wyrick@oag.ok.gov  

Counsel for the State of Oklahoma

Dale T. Vitale  
Michael DeWine  
Attorney General  
State of Ohio  
Dale T. Vitale  
30 E. Broad St., 17th Floor  
Columbus, OH  43215-  

Counsel for the State of Ohio

James Emory Smith, Jr.  
Alan Wilson  
Attorney General  
State of South Carolina  
Robert D. Cook  
Solicitor General  
James Emory Smith, Jr.  
Deputy Attorney General  
Office of the Attorney General  
P.O. Box 11549  
Columbia, SC  29211  

Counsel for the State of South Carolina
Ken Paxton
Attorney General of Texas
Charles E. Roy
First Assistant Attorney General
James E. Davis
Deputy Attorney General for Civil Litigation
Jon Niermann
Chief, Environmental Protection Division

/s/ Mary E. Smith
Mary E. Smith
Lead Attorney
Assistant Attorney General
TX Bar No. 24041947
Mary.Smith@texasattorneygeneral.gov
Office of the Attorney General of Texas
Environmental Protection Division
P.O. Box 12548, MC-066
Austin, Texas 78711-2548
Tel: (512) 475-4041
Fax: (512) 320-0911

Counsel for the State of Texas, Texas Commission on Environmental Quality, Texas Public Utility Commission, and Railroad Commission of Texas
Counsel for the State of West Virginia

/s/ Elbert Lin
Patrick Morrisey
Attorney General
State of West Virginia
Elbert Lin
Solicitor General
J. Zak Ritchie
Assistant Attorney General
State Capitol
Building 1, Room 26-E
Charleston, WV 25305
Tel. (304) 558-2021
Fax (304) 558-0140
elbert.lin@wvago.gov

Counsel for the State of Wyoming

/s/ Peter K. Michael
Peter K. Michael
Attorney General
State of Wyoming
Michael J. McGrady
Senior Assistant Attorney General
123 State Capitol
Cheyenne, WY 82002

Counsel for the State of West Virginia
CERTIFICATE OF SERVICE

I certify that on October 21, 2015, the foregoing document was served on all parties or their counsel of record through the Court’s CM/ECF system.

/s/ Neil D. Gordon
Neil D. Gordon
Assistant Attorney General
Michigan Department of Attorney General
P.O. Box 30755
Lansing, Michigan 48909
(517) 373-7540
gordonn1@michigan.gov
Exhibit 1

to

Response of Certain State and Industry Petitioners to Motions to Govern Further Proceedings of Respondent and Respondent-Intervenors
Redesignation Demonstration
and
Maintenance Plan
for
The Charlotte-Gastonia-Salisbury, North Carolina
2008 8-Hour Ozone Marginal Nonattainment Area

Prepared by
North Carolina Department of Environment and Natural Resources
Division of Air Quality

April 16, 2015
Preface: This document contains the technical support for North Carolina’s Division of Air Quality to request the Charlotte-Gastonia-Salisbury 2008 8-hour ozone nonattainment area be redesignated as attainment for the 2008 8-hour ozone national ambient air quality standard pursuant to §§107(d)(3)(D) and (E) of the Clean Air Act, as amended.
EXECUTIVE SUMMARY

Introduction

Ozone is formed by a complex set of chemical reactions involving volatile organic compounds (VOCs), nitrogen oxides (NOx) and to a lesser extent carbon monoxide (CO). These gases are generated by utilities, combustion processes, certain industrial processes and even by natural sources such as trees. Tailpipe emissions from mobile sources (vehicles) are also significant sources of these pollutants. Emissions from smaller sources such as boat engines, lawn mowers and construction equipment also contribute to the formation of ozone. Ozone formation is promoted by strong sunlight, warm temperatures and light winds and is hence a problem predominantly during the hot summer months.

The 2008 8-hour ozone National Ambient Air Quality Standard (NAAQS) is 0.075 parts per million (ppm). An exceedance of the 2008 8-hour ozone NAAQS occurs when a monitor measures ozone above 0.075 ppm on average for an 8-hour period. A violation of this NAAQS occurs when the average of the annual fourth highest daily maximum 8-hour ozone values over three consecutive years is greater than or equal to 0.076 ppm. This three-year average is termed the “design value” for the monitor. The design value for a nonattainment area is the highest monitor design value in the area.

Charlotte-Gaston-Salisbury Nonattainment Designation

The area surrounding Charlotte-Gaston-Salisbury, North Carolina, called the Charlotte nonattainment area, was designated as marginal nonattainment for the 2008 8-hour ozone NAAQS on May 21, 2012 (77 Federal Register (FR) 30088). The nonattainment designation was an action taken by the U. S. Environmental Protection Agency (EPA) under Section 107(d) of the Clean Air Act (CAA). The CAA requires that some area be designated as nonattainment if a monitor is found to be in violation of a NAAQS. For the 2008 8-hour ozone NAAQS, the EPA took designation action in 2012 based on 2009-2011 design values. At that time, the design value for the Charlotte area was 0.079 ppm.

The Charlotte nonattainment area includes the entire county of Mecklenburg and parts of Cabarrus, Gaston, Iredell, Lincoln, Rowan and Union Counties (see Figure 1). The partial counties include the townships listed in Table 1. Note that the EPA also designated the portion of York County, South Carolina that is adjacent to the Charlotte nonattainment area for the 2008 8-hour ozone NAAQS. The South Carolina Department of Health & Environmental Control (SCDHEC) has developed a redesignation request and maintenance plan for the South Carolina portion of the Charlotte nonattainment area which is available upon request.
Table 1 Counties and Townships within the Charlotte Nonattainment Area

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<thead>
<tr>
<th>Cabarrus County Townships</th>
<th>Central Cabarrus</th>
<th>Concord*</th>
<th>Georgeville</th>
<th>Harrisburg</th>
<th>Kannapolis</th>
<th>Midland</th>
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<td>New Gilead</td>
<td>Rimertown</td>
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<td>Gastonia</td>
<td>Riverbend</td>
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<td>Davidson</td>
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<td>Ironton</td>
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<tr>
<td>Mecklenburg County – All Townships</td>
<td>Providence</td>
<td>Salisbury</td>
<td>Steele</td>
<td>Unity</td>
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<td>Rowan County Townships</td>
<td>Atwell</td>
<td>China Grove</td>
<td>Franklin</td>
<td>Gold Hill*</td>
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<td>Sandy Ridge</td>
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*Note: Concord Township in Cabarrus County and Gold Hill Township in Rowan County were inadvertently left out of North Carolina’s recommendation and EPA’s final designations. In a letter dated January 28, 2014, the DAQ requested the EPA to add the missing townships in the state’s 2008 marginal ozone nonattainment area definition.
Current Air Quality

There are currently six ozone monitors located throughout the Charlotte nonattainment area and one monitor located in York County, South Carolina, just outside of the nonattainment area. The latest design value for the nonattainment area is 0.073 ppm based on the data from 2012-2014. The 2014 8-hour ozone monitoring data for the Charlotte nonattainment area was fully quality assured and officially submitted to the EPA for certification approval on December 12, 2014. The EPA concurred with the North Carolina Division of Air Quality (DAQ) and Mecklenburg County Air Quality (MCAQ) certification on December 15, 2014. A detailed discussion of air quality levels in the region is provided in Section 2.0.

Maintenance Plan Requirements

The state of North Carolina has implemented permanent and enforceable state and federal actions to reduce ozone precursor emissions in the North Carolina portion of the Charlotte nonattainment area. In addition, MCAQ has implemented actions to reduce ozone precursor emissions. This combination of state, federal, and local actions has resulted in cleaner air in the Charlotte nonattainment area, and the anticipated future benefits from these programs are expected to result in continued maintenance of the 2008 8-hour ozone NAAQS in this region. State actions include the Clean Smokestacks Act; the on-board diagnostic (OBDII) vehicle inspection and maintenance (I/M) program that began on July 1, 2002; and voluntary programs to reduce emissions from diesel engines. Local actions implemented by MCAQ include a prohibition on open burning and a very effective voluntary program called Grants to Replace Aging Diesel Engines (GRADE). The GRADE program is designed to reduce NOx emissions by providing businesses and organizations funding incentives to replace or repower heavy-duty non-road equipment with newer, cleaner, less polluting engines.

Several federal actions have resulted in lower emissions throughout the eastern portion of the country. For on-road and nonroad vehicles, federal actions include the Tier 2 engine standards for light- and medium-duty vehicles, heavy-duty engine standards, the low-sulfur gasoline and diesel requirements, and off-road engine standards. For stationary sources, federal actions include the Mercury and Air Toxics (MATS) rule for electricity generating units (EGUs) and the National Emissions Standards for Hazardous Air Pollutants (NESHAP) for industrial, commercial and institutional boilers and reciprocating internal combustion engines (RICE). In addition, there are several federal actions that will be implemented starting in 2015. These actions will provide for additional NOx emissions reductions in and near the Charlotte nonattainment area. For EGU, future federal actions include compliance with the Cross State Air Pollution Rule (CSAPR)

1 http://charmeck.org/mecklenburg/county/LUESA/AirQuality/MobileSources/Pages/GRADE.aspx.
and the Tennessee Valley Authority (TVA) consent decree. For on-road vehicles, the future federal actions include compliance with the Tier 3 vehicle emissions and fuel standards and corporate average fuel economy standards for on-road vehicles.

Emissions

A base year inventory for NOx and VOC emissions was developed for 2014 since the design value for the 2012-2014 period shows attainment of the 2008 8-hour ozone NAAQS. Future year emissions inventories were also developed for the interim years 2015, 2018, 2022, and a final year emission inventory was developed for 2026. For each future year, the total NOx and VOC emissions is lower than the 2014 base year emissions. Furthermore, emissions modeling and air quality modeling for 2018 and 2030 performed by the EPA for the new Tier 3 engine and fuel standards and modeling performed by the Southeastern states for 2018 indicate that the area will be in attainment of the 2008 ozone NAAQS. The emission inventory comparison demonstrates that the Charlotte area is expected to maintain the 2008 8-hour ozone NAAQS through 2026 since in no future year are the emissions expected to be greater than they were in the base year. The area is also in compliance with Section 110 and Part D requirements of the CAA.

Conclusion and Request for Redesignation

Based on the information provided in this State Implementation Plan (SIP) and criteria established in Section 107(d)(3)(E) of the CAA, North Carolina is requesting that the EPA redesignate the Charlotte-Gastonia-Salisbury nonattainment area to attainment. The monitoring data clearly show that the region has attained the 2008 8-hour ozone standard, and the maintenance demonstration shows that the future emission inventories are expected to be lower than the attainment year inventory through the implementation of the various federal and state control measures.