

increase of emissions and thus do not need to be evaluated under major NSR.

A blanket exclusion for non-emitting units could create problems of interpretation because the term "non-emitting components" is ambiguous when considering certain components. Commenters asserted that identifying and separating out non-emitting components can be a complex undertaking, and may be contrary to the goal of a clear and straightforward option. One commenter provided the following examples: (1) Piping systems (although pipe connectors are a source of fugitive emissions, the pipe normally is not); and (2) structural supports for a process unit (separating out the cost of supports from an investment basis throughout a facility will be difficult).

Another commenter believed it would be difficult to separate the costs of emitting and non-emitting equipment when determining the cost of the process unit. The commenter also believed it would be difficult to determine allocation of shared equipment in the cost analysis.

We are concerned that, if owners or operators were allowed to strip away all of the non-emitting components from a process unit definition, it would create significant ambiguity in the rule and could result in significant variation in how the rule is applied to similar sources in different jurisdictions. In addition, we simply do not think it is practical or logical to separate "non-emitting" components of a process unit from "emitting" components. We believe that integrated manufacturing operations (that is, process units) typically include both types of equipment. Separating emitting from non-emitting equipment would create an artificial divide that contrasts sharply with physical and operational reality.

As noted above, however, we do believe that a distinction should be made between non-emitting equipment that is part of a process unit and non-emitting equipment that is functionally distinct from the process unit. For example, most production facilities have buildings or space to house administrative offices, such as offices for the plant accounting staff. Such non-emitting facilities should not be considered part of any process unit under today's rule.

H. What Is the Accounting Basis for the Process Unit?

In the proposal, the accounting basis for the ERP discussed was the same as for the NSPS reconstruction provision, which is the fixed capital cost that would be required to construct an entirely new unit. We also discussed for

the annual maintenance, repair and replacement allowance using the invested cost of a unit as the accounting basis. We proposed that it would be appropriate to require that costs be calculated using an approach along the lines set out in the EPA Air Pollution Control Cost Manual (http://www.epa.gov/ttn/catc/dir1/c_allchs.pdf). Finally, we solicited comment on whether the costs associated with the unanticipated shutdown of equipment, due to component failure or catastrophic failures such as explosions or fires, should be included in evaluating costs under the ERP.

In reviewing comments, we recognized that some commenters appeared to direct their comments on the accounting methods at the annual maintenance, repair and replacement allowance, and not necessarily the ERP. Often, we came to this conclusion simply by the way the commenters organized their comments, and not by any specific statements in the comment letter. However, since we asked for comment on the accounting approaches as they would be applied to both the annual maintenance, repair and replacement allowance and the ERP, we believe that comments that appeared to be dedicated to the annual maintenance, repair and replacement allowance should also apply to our evaluation of the accounting for the ERP, except in the case where the commenter specified that their comments on the proposed accounting methods applied only to the annual maintenance, repair and replacement allowance or the ERP. Likewise, for considering whether costs associated with unanticipated shutdown of equipment, we considered the comments to apply to both the ERP and the annual maintenance, repair and replacement allowance unless the commenter specifically noted that the comment should not be applied to both of the proposed rule provisions.

Most commenters asked for flexibility on whether a facility should use replacement value, invested cost or insurance valuation as the basis for the calculations. They felt that all were of equal merit and different ones would be available at different facilities so EPA should not prescribe only one type.

Most commenters did not support the sole use of the EPA Air Pollution Control Cost Manual (APCCM) to standardize calculations for replacement and repair costs for RMRR in general. Most commenters felt that the APCCM is a worthy reference for costing but also that sources should not be limited to only one manual, because a single manual is likely to have shortcomings

and not be able to represent every situation.

Many commenters supported an exclusion of costs for unanticipated shutdowns and failures. They noted that strong incentives exist to avoid fires, explosions and other unanticipated equipment failures because of the risk of human injury and production interruptions and because of the expense involved in restoring lost capacity. As a result, they contend that a catastrophic event already penalizes the facility dramatically, but then to impose the case-by-case analysis would only exacerbate their troubles. They explained that failures take place occasionally and can result in a sudden, unplanned partial or total loss of equipment. When such a failure occurs at a natural gas compressor station, the turbine or engine concerned must be replaced immediately to avoid a disruption in gas supply. Other facilities may have similar pressures to maintain their product around the clock. Such replacement fits easily within most elements of the equipment replacement test. Commenters asserted that replacing a catastrophically failed turbine or engine is clearly "routine," since companies will always replace such failures.

Other commenters, however, opposed an exclusion for unanticipated shutdowns and failures on the grounds that maintenance activities performed during forced outages are simply maintenance and should be considered as such, particularly given that the proposed RMRR rule approaches and the December 2002 final rules already have given the industry a number of exclusion options.

We are allowing sources to determine the applicability of today's rule on the basis of replacement value, with an option for sources to notify their reviewing authority in writing if they desire to use another option (for example, invested cost or insurance value where the insurance value covers only the complete replacement of the process unit). The equipment replacement cost should be based on the current replacement value of the entire process unit at the time of conducting the activity.

Typically, replacement value is more easily obtained than invested cost. Most manufacturers will have information concerning the replacement value of a process unit, because such costs are commonly used when evaluating various business scenarios relating to manufacturing costs. Also, use of replacement value is consistent with the NSPS provisions.