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INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT  
*We make Indiana a cleaner, healthier place to live.*

---

*Mitchell E. Daniels, Jr.*  
Governor

*Thomas W. Easterly*  
Commissioner

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Ms. Jodi Swanson-Wilson  
EPA Project Officer  
77 West Jackson Boulevard E-13J  
US EPA, Region 5  
Chicago, IL 60604-3507

August 22, 2008  
Via E-Mail

Dear Ms. Swanson:

Re: 2006 State Innovations Grant Program

Attached is the Indiana Department of Environmental Management's State Innovations Grant Program progress report for the Environmental Stewardship Program (ESP) as stipulated in our agreement. This quarterly progress report contains a summary of activities for the sixth three months of the three-year grant (sixth quarterly report).

If you have further questions about the information provided, please contact me at (317) 233-5554.

Sincerely,

Stacey Martindale  
ESP Program Manager  
Office of Pollution Prevention & Technical Assistance

Attachment: Grant Track form

CC: Fred Saylor  
Jennifer Schick  
Michael Mendyk  
Laura Seifert

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**Grant Track System**

**General Information**

Grant Name	State Innovation Grant – Environmental Stewardship Program
Cooperative Agreement No.	PI-00E00101-0
Year Awarded	2006
Number of Amendments	0
Grant Type	66.611 Environmental Policy and Innovation Grants
Region	5

**Summary Description**

To develop and implement a voluntary program designed to encourage positive environmental actions that potentially will include reduced air, land, and water emissions and discharges by Indiana businesses and industry. The goal of the Environmental Stewardship Program (ESP) program is to encourage beyond compliance activities to decrease industry’s negative impact on the environment. This program will create new partnerships between the State, local industry, and business, and will require implementation of an Environmental Management System (EMS) to promote beyond compliance environmental initiatives.

Under this Cooperative Agreement, IDEM will develop and implement ESP. Upon acceptance to ESP, each facility will begin to implement one of three pre-determined environmental improvement initiatives as defined in their application. IDEM will publicly recognize those facilities that are accepted into ESP. In addition, IDEM will track the environmental benefits achieved by participating municipalities and provide regulatory incentives where practicable.

**Contact Information**

State Project Contact

EPA Project Officer

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State	Indiana	Region	5
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EPA Grant Specialist

EPA Grant Specialist Name	Karen Sykes
EPA Grant Specialist Phone	(312) 886-7571

**Project Status Information**

Date Awarded	August 15, 2006
Original Planned Completion Date	August 14, 2009
Scheduled Planned Completion Date	August 14, 2009
Project Actual Completion Date	To be determined
Last Progress Report Received on	December 20, 2007
Progress Report through	February 15, 2008
Project Status	Ongoing

**Project Funding**

**Confidential business information removed by EPA.**

**Target Dates and Milestones**

IDEM continues to make progress and achieve the milestones identified in the 2006 State Innovations Grant Program project narrative.

Summer/Fall 2006

Milestone: *Promotion: Web site complete; application developed; brochures and booth drafted; press event held to announce program; contractor RFP issued; requests for quote issued and contract drafts begun for EMS website/software; innovations grant received.*

Status: COMPLETE – see previous quarterly report for details

Summer/Fall 2006

Milestone: *Implementation: Responding to requests for assistance; amount and type of assistance provided; providing on-site assistance to facilities, offering EMS training programs to facilities; accepting applications to join the program; brochures printed and distributed; booth available for use; advertising the program at various conferences and workshops; EMS/P2OA Assistance contractor selected. Conduct site visits at applicants with approved EMS's and conduct site visit and EMS assessment at other applicants.*

Status: ON-GOING

IDEM continues to respond to phone and email inquiries requesting assistance with the program application and identifying pollution prevention opportunities. IDEM also continues to respond to inquiries concerning ESP program requirements, regulatory incentives, and application procedures.

IDEM received two responses to the Request for Proposal for the onsite EMS development contract and completed the initial proposal scoring criteria. The contract award is anticipated for the seventh quarter.

#### Winter 2007 – Summer 2009

Milestone: *Implementation and Modifications: Reviewing applications and announcing facilities meeting the program requirements; continue assisting potential applicants and promoting the program; speaking at meetings, workshops, and conferences to promote the program; begin offering incentives to successful applicants and tracking outcomes; modify the program as necessary; continue identifying potential incentives; quantify success stories through monetary and environmental benefits; continue working with EPA NCEI to identify and implement additional incentives to state and federal environmental leadership programs.*

Status: ON-GOING

During the fifth quarter, IDEM received ten new program applications and finished the internal review process during this quarter. During the internal review period, compliance checks were completed on all ten applicants, environmental initiatives were verified with each facility, and site visits were conducted at all ten applicants. ESP program managers coordinated dual ESP/PT applications with EPA, including combining site visits at a current PT member facility and new ESP applicant (December 17, 2007) as well as visiting a PT member facility who is not yet a member of ESP (December 18, 2007). Site visit results and compliance check summaries were provided to the IDEM Commissioner for membership determinations. Nine of the ten applicants were awarded ESP membership. The tenth applicant did not meet ESP's requirements for compliance and needed to improve upon elements of its EMS. ESP currently has 33 members.

ESP program managers began discussions with several ESP members for creation of an "ESP Corporate Membership." Corporate membership criteria will be finalized during the next quarter. ESP program managers are working with PT coordinators and other states to draft the corporate membership criteria.

During this quarter, ESP program managers participated in one PT teleseminar called the Habitat Challenge Goal (January 29, 2008) and two state call (December 6, 2008, and February 7, 2008).

ESP program managers met with IDEM Enforcement staff to discuss the development and implementation of an EMS as a Supplemental

Environmental Project at Indiana facilities fined for environmental violations.

During the sixth quarter, an IDEM assistant commissioner conducted three ESP recognition ceremonies (December 4, 2007, and January 4 and February 8, 2008). IDEM issued two press releases to the media. ESP program managers scheduled upcoming ceremonies with Commissioner Thomas Easterly at five ESP members. These five ceremonies will occur after the Indiana legislative session (during the next quarter).

ESP program managers are developing a two year marketing plan to increase ESP and PT membership. The final marketing plan will be available during the next quarter.

The rules affording ESP members with regulatory incentives became effective during the fourth quarter. The incentives requested by the spring 2007 ESP members are currently awaiting approval from one last IDEM program office before all spring 2007 member incentives are implemented. IDEM sought incentive requests from fall 2007 members, which will be processed during the next quarter.

IDEM continues to work with EPA Region 5 and Headquarters to sign a Memorandum of Agreement for implementation of federal regulatory incentives for program members. During this quarter, ESP program managers provided a summary to Commissioner Easterly explaining why the MOA was not yet signed by EPA and IDEM. Regardless of the summary, Commissioner Thomas Easterly and Assistant Commissioner Dan Murray (Office of Air Quality) continue to push for the incentive for monthly compliance methods for VOCs and will not allow this particular incentive to be removed from the MOA. EPA will not sign the MOA with this incentive included; therefore, the MOA is yet to be signed and appears to be at a standstill. ESP program managers are developing a new MOA summary for Commissioner Easterly, which will outline the difficulties and program setbacks that could arise should the MOA not be signed, especially before the upcoming November elections. ESP program managers are also trying to identify new regulatory incentives to replace the monthly averaging for VOCs incentive in order to remove this incentive from the MOA for IDEM and EPA signature.

Summer/Fall 2009

Milestone:

*Implementation and Documentation: Continue program as described above; measure results and outcomes of program and begin development of final report; begin consideration of future of program. Complete and submit final report to EPA; Innovations Grant completed; determine future of program including funding and office responsible for management.*

Status:

NOT YET IN TIMEFRAME

**Project Timetable**

In addition to the on-going milestones, the project timetable and activities to be completed during the next quarter are listed below:

- Receive ESP and PT annual performance reports and quantify environmental achievements.
- The fourth ESP application round begins April 1, 2008, and closes May 31, 2008. ESP program managers will determine eligibility of applicants to the fourth application round of ESP using their application, compliance check, review of their EMS materials, and site visit, and will coordinate review with EPA.
- ESP program managers will work with EPA to update the PT Annual Performance Report to include a section for dual Indiana PT / ESP members to submit the next ESP commitment. Otherwise, Indiana PT / ESP members must submit the annual performance report to EPA using PTrack and then email the ESP program managers which of the PT commitments will be used for ESP membership that calendar year.
- Assist members of program with incentives including modifications to permits to allow them to benefit from incentives.
- Speak at meetings, conferences, and workshops promoting the program.
- Sign a contract for onsite EMS development assistance.
- Provide EMS assistance to facilities wishing to pursue ESP membership.
- Submit quarterly report to EPA on various measures.

The project timetable and activities to be completed throughout the remaining life of the grant are listed in the following table:

Winter 2008 / On-going	Collect annual surveys and compare to baselines. Coordinate with NEPT.
On-going	Continue working with IDEM program offices to limit barriers to pollution prevention opportunities to members of the program and identify or expand regulatory flexibility incentives.
Annually	In cooperation with NEPT, modify state program where needed.
Spring 2008	Submit quarterly report to EPA on various measures.
Summer 2008	Submit quarterly report to EPA on various measures.
Fall 2008	Submit quarterly report to EPA on various measures.
Winter 2009	Submit quarterly report to EPA on various measures.
Spring 2009	Submit quarterly report to EPA on various measures.
Summer 2009	Submit quarterly report to EPA on various measures.
Summer/Fall 2009	Provide final report to EPA on the effectiveness of focusing on high priority entities and on what was found and accomplished related to promoting the use of EMSs and removing barriers to pollution prevention.

**Project Funding**

**Confidential business information removed by EPA.**