

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074

MINORITY (202) 225-5051

<http://oversight.house.gov>

July 14, 2016

The Honorable Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, D.C. 20460

Dear Administrator McCarthy:

The Committee is examining the Environmental Protection Agency's (EPA) use of cost-benefit analysis. As you know, cost-benefit analysis generally can be a helpful tool for transparently showing the assumptions and rationale for regulations. Given the complexity of major environmental regulations, rigorous cost-benefit analysis is necessary to provide a clear indication of a proposed regulation's value. The Committee would like to better understand why key parameters within the cost-benefit analysis for major EPA regulations appear to be dramatically changing without apparent explanation.

One of the most important variables for calculating benefits of environmental regulation is the Value of a Statistical Life (VSL). For example, 94-98 percent of environmental benefits in the EPA's 2015 National Ambient Air Quality Standards for Ground-Level Ozone (Ozone Rule) come from the value of lives saved, which is entirely dependent on the VSL.¹

The Committee does not purport to know the correct dollar value for VSL, but it appears that EPA does not know either. Since 2005, EPA has used the following VSL estimates in its cost-benefit analyses (in 2016 dollars, adjusted for inflation):²

- \$6.8 million in 2005 for its Clean Air Mercury Rule.³
- \$9.3 million in 2011 for its Proposed Toxics Rule.⁴
- \$10.7 million in 2015 for its Ozone Rule.⁵

¹ Cong. Research Serv., *Ozone Air Quality Standards: EPA's 2015 Revision* (Jan. 2016) at 15, <https://fas.org/sgp/crs/misc/R43092.pdf>.

² Inflation adjustments made using the U.S. Bureau of Labor Statistics CPI Inflation Calculator, <http://data.bls.gov/cgi-bin/cpicalc.pl>.

³ U.S. Environmental Protection Agency, *Regulatory Impact Analysis of the Final Clean Air Mercury Rule* (March 2005) at 12-2 (\$5.5 million in 2005 dollars), https://www3.epa.gov/ttnecas1/docs/ria/utilities_ria_final-mercury-rule_2005-03.pdf.

⁴ U.S. Environmental Protection Agency, *Regulatory Impact Analysis of the Proposed Toxics Rule*, (March 2011) at 6-36, (\$7.8 million in 2006 dollars), https://www3.epa.gov/ttnecas1/docs/ria/utilities_ria_proposed-mact-nsps_2011-03.pdf.

EPA's use of the VSL appears to have changed dramatically in recent years, at a rate well in excess of inflation and inconsistently with other agencies. Since 2000, other agencies have used a variety of VSLs, including \$3 million and \$5 million.⁶

The effect of these discrepancies cannot be overstated. Simply using previously accepted VSLs in EPA's own cost-benefit analyses appears to weaken—or, in some cases, completely undermine—the economic case for several major regulations.

For example, for EPA's 2015 ozone regulation, EPA assessed at least \$4.1 billion in benefits and \$2.2 billion in costs using a VSL of \$10 million in 2011 dollars for a life saved in 2020.⁷ Applying the Department of Transportation's 2005 VSL proportionally to EPA's analysis,⁸ the estimated benefits decline to well under \$2 billion, at which point the EPA's own analysis would indicate the regulation was not worth pursuing.

The fact that EPA has repeatedly and abruptly changed its VSL estimate in the years leading up to major new rules raises questions. To address those questions, please produce the following documents by July 29, 2016:

1. All documents and communications referring or relating to changing the value of a statistical life from January 1, 2009, to December 31, 2015.
2. All documents and communications referring or relating to changing “mortality risk reduction” or equivalent terms meant to assess the value of a statistical life.
3. Documents sufficient to show what EPA's costs and benefits are for the following regulations using a VSL of \$3 million in 2000 dollars:
 - a. Cross-State Air Pollution Rule;
 - b. Clean Power Plan Rule;
 - c. Mercury and Air Toxics Standards;
 - d. GHGs from New Electric Utility Generating Units;
 - e. GHG Standards for Cars;
 - f. GHG Standards for Trucks;
 - g. Utility MACT Rule;
 - h. Boiler MACT Rule; and
 - i. Cement MACT Rule.

⁵ U.S. Environmental Protection Agency, *Regulatory Impact Analysis for the Proposed Cross-State Air Pollution Rule (CSAPR) Update for the 2008 Ozone National Ambient Air Quality Standards (NAAQS)*, (November 2015) at 6-15 (\$10 million in 2020, measured in 2011 dollars), https://www3.epa.gov/ttnecas1/docs/ria/transport_ria_update-csapr_2015-11.pdf.

⁶ Lisa A. Robinson, *How US Government Agencies Value Mortality Risk Reductions*, Review of Environmental Economics and Policy (2007) at 294-95, http://opim.wharton.upenn.edu/risk/downloads/RiskSeminar_2008-09-23_Robinson.pdf.

⁷ Cong. Research Serv., *Ozone Air Quality Standards: EPA's 2015 Revision* (Jan. 2016) at 15, <https://fas.org/sgp/crs/misc/R43092.pdf>.

⁸ Dep't of Transportation, Federal Motor Carrier Safety Administration, *Hours of Service of Drivers*, 70 Fed. Reg. 50000 (Aug. 25, 2005) (\$3 million in 2000 dollars, roughly \$4.2 million in 2016 dollars), <https://www.gpo.gov/fdsys/pkg/FR-2005-08-25/pdf/05-16498.pdf>

The Honorable Gina McCarthy

July 14, 2016

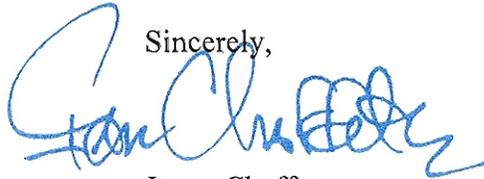
Page 3

When producing documents to the Committee, please deliver production sets to the Majority staff in Room 2157 of the Rayburn House Office Building and the Minority staff in Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format.

The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate “any matter” at “any time” under House Rule X. An attachment to this letter provides additional information about responding to the Committee’s request.

Please contact Jack Thorlin of the Committee staff at (202) 225-5074 with any questions about this request. Thank you for your prompt attention to this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason Chaffetz", with a stylized flourish at the end.

Jason Chaffetz
Chairman

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Minority Member

Responding to Committee Document Requests

1. In complying with this request, you are required to produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - (d) All electronic documents produced to the Committee should include the following fields of metadata specific to each document:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH,
PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE,
SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM,
CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE,
DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,
INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.
6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.

7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when the request was served.
8. When you produce documents, you should identify the paragraph in the Committee's schedule to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. Unless otherwise specified, the time period covered by this request is from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.
17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.

19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email (desktop or mobile device), text message, instant message, MMS or SMS message, regular mail, telexes, releases, or otherwise.
3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms “person” or “persons” mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.

5. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term “referring or relating,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.
7. The term “employee” means agent, borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, permanent employee, provisional employee, subcontractor, or any other type of service provider.