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May 10, 1999

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Via Hand Delivery and Electronic Mail

Environmental Quality Board
15th Floor
Rachel Carson State Office Building
P.O. Box 8477
Harrisburg, PA 17105-8477

Re: Proposed Modifications to NOx Allowance Regulations

Dear Chairman Seif and Members of the Environmental Quality Board:

ARIPPA hereby provides comments to the Board on behalf of its member companies concerning proposed modifications to the Board's existing regulations codified at 25 Pa. Code §§ 123.101 through 123.120 (the "NOx Allowance Regulations"). The NOx Allowance Regulations govern emissions of nitrogen oxides ("NOx") from certain fossil fuel fired combustion units in Pennsylvania. The Board published the proposed modifications to the NOx Allowance Regulations in the Pennsylvania Bulletin on March 6, 1999.

ARIPPA is a trade association of twelve independent power producers ("IPPs") that operate electric generating plants in Pennsylvania. Each of the ARIPPA facilities generates electricity for sale at a generation rate in excess of 15 MWe. In addition, each of the ARIPPA facilities is currently subject to the NOx Allowance Regulations, and would be affected by the Board's proposed modifications to the NOx Allowance Regulations.

Background – NOx Allowance Regulations

The governments of the Northeastern states recognized that the northeast region will continue to experience unhealthy levels of ground level ozone unless additional NOx reductions can be secured from existing sources, beyond that mandated by current regulations. The Northeastern states acted through the Ozone Transport Commission ("OTC") to address these interstate ozone transport issues by endorsing a Memorandum of Understanding ("MOU") intended to limit NOx emissions from certain sources.



In consideration of the MOU, this Board authorized the promulgation of the NOx Allowance Regulations. These NOx Allowance Regulations were published in the Pennsylvania Bulletin on November 1, 1997, and relate to NOx emissions from affected sources beginning with the 1999 ozone season. Under these NOx Allowance Regulations, each affected source is required to hold one NOx allowance for each ton of NOx emitted by the source during the ozone season. 25 Pa. Code § 123.102. In addition, the NOx Allowance Regulations include, as Appendix E, an initial allocation of NOx allowances to all affected sources specifically identified in the rule. Id., at Appendix E.

Comments on Proposed Regulatory Modifications

ARIPPA understands that the Department has determined that the original allocation scheme provided in the Chapter 123 NOx Allowance Regulations includes an "accounting" error that has resulted in the allocation to affected sources of more allowances than available within the Pennsylvania budget. We understand further that the Department has proposed to address this accounting error by proportionately reducing the allocations to all affected sources in the Commonwealth.

ARIPPA endorses the methodology set forth in the proposed modifications to the NOx Allowance Regulations. While ARIPPA obviously would prefer that the Board not modify the NOx Allowance Regulations so as to reduce the allocation of NOx allowances to its member facilities, ARIPPA recognizes that the allocation scheme included within the NOx Allowance Regulations must be numerically consistent with the Commonwealth's NOx emission budget in accordance with the MOU. Further, because the Board has proposed to reduce the allocation of allowances to all affected sources on a pro-rata basis, the allocation scheme included within the proposed modification to the NOx Allowance Regulations is consistent with the scheme utilized to provide initial allocations under that regulation. Because ARIPPA supported the allocation methodology adopted by the Board in allocating allowances under the NOx Allowance Regulations, and further because some reduction in allowances to affected sources appears necessary for reasons beyond the control of the Board or the Commonwealth, ARIPPA supports the Board's proposal to achieve these reductions in NOx allocations in a pro-rata, consistent and equitable manner.

Very truly yours,

Bart E. Cassidy by *Ter. L. Henning*
Bart E. Cassidy
For MANKO, GOLD & KATCHER, LLP

BEC/jc/10651.002

cc: J. Wick Havens
M. Dukes Pepper, Esquire
Billie Ramsey, Esquire
David Martin
ARIPPA Distribution

MACDONALD ILLIG JONES & BRITTON LLP

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May 7, 1999

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VIA FEDERAL EXPRESS

Environmental Quality Board
Rachel Carson State Office Building - 15th Floor
400 Market Street
Harrisburg, PA 17101-2301

Re: Proposed Amendments to the NO_x Allowance Regulations
Written Comments of International Paper Company

Dear Board Members:

International Paper Company is submitting these comments on the Proposed Amendments to the NO_x Allowance Regulations. International Paper has a pulp and paper mill in Erie, Pennsylvania. The Erie Mill is comprised of pulp, papermaking and converting operations and employs approximately 900 people. It is one of the largest industrial employers in Erie County, Pennsylvania.

In its amendment, the Department proposes to change the language of the definition of NO_x affected source from "all fossil fuel-fired electric generating facilities rated at 15 MW or greater" to "all fossil fuel-fired electric generating sources rated at 15 MW or greater." The Department explains that the language change is simply a clarification to meet the original intent of the regulation which was to include only individual fossil-fuel operating units which generate greater than 15 MW of electricity. International Paper fully supports this proposed amendment as consistent with the Department's original intent and the original intent of the OTC Model Rule. International Paper believes the confusion has arisen because the plural of facility seemingly precludes the concept of unit or source.

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HENRY A. MacDONALD
(1928-1984)
WILLIAM F. ILLIG
(1946-1989)
FREDERICK F. JONES
(RETIRED)
IRVING OLDS MURPHY
(RETIRED)
PETER G. SCHAAF
(RETIRED)
JOHN F. POTTER
(1963-1997)

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Although the preambles to the proposed and final NO_x Allowance Regulations do not specifically discuss the meaning of "facilities," the Department's original intent can be gleaned from those preambles and from the Department's responses to comments. The Department's original intent is evidenced by its responses to Comment 18 found in its July 17, 1997 Nitrogen Oxides Allowance Requirements Comment and Response Document. In response to comments regarding the "facility" language, after initially using the term facility, the Department thereafter referred continually to units as though facility and unit had the same meaning.

Further, it is clear from reviewing the preambles to the Department's proposed and final NO_x Allowance Program Regulations that the Department sought to adopt a regulation that was consistent with the Ozone Transport Commission ("OTC") NO_x Budget Model Rule ("Model Rule"). The Model Rule also uses the term "facility"; however, the preamble of the Model Rule clarifies facility by defining budget sources as "fossil fuel fired boilers and indirect heat exchangers of 250 million BTU or greater, and electric generating units of 15 MW or greater." The Model Rule preamble continues, stating, "budget sources are defined on a unit level, meaning that each boiler or utility generator is considered a separate budget source." The OTC Model Rule definition of facility is consistent with Pennsylvania's proposed action, and with the actions taken by all of the other states which have adopted the Model Rule. Thus, the Model Rule, upon which Pennsylvania's "facility" language is based, defined facility on a unit or source basis. Given the potential confusion over whether facilities means unit or source, it is entirely appropriate and necessary for the Department to make this clarification. In addition, this clarification is consistent with the position taken by the Department regarding the meaning of facility.

The change also is important for two other reasons. First, as mentioned earlier, all of the other states that have adopted the Model Rule have adopted the "unit" language used in the Model Rule summary. Thus, in order to ensure consistency among the states subject to the OTC Model Rule, which was one of the primary goals of the OTC and its Model Rule, the Department needs to make the change.

Second, the change is important to avoid running afoul of Pennsylvania's Sunset Review. Under Executive Order 1996-1, Pennsylvania's regulations must not hamper its ability to compete effectively with other states, and the Department must determine that the costs of the regulation are outweighed by the benefits. If the term "facilities" were interpreted in the future by the

May 7, 1999

Page -3-

Department or even third parties to have a plural meaning, the regulation would violate both Sunset Review requirements. The regulation would hamper Pennsylvania's ability to compete effectively with other states because the scope of Pennsylvania's regulation would exceed that of all of the other OTC states. The cost effectiveness requirement also would be violated because Pennsylvania did not assess the cost effectiveness of applying the regulation to a broader or different definition of 15 MW electric-generating facilities, as opposed to 15 MW electric-generating units, as evidenced by Pennsylvania's expressed intent to adopt a regulation based upon the OTC Model Rule.

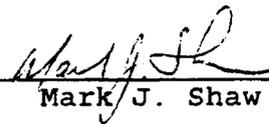
In summary, International Paper supports the Department's decision to clarify the regulation. International Paper believes that the clarification will eliminate the administrative burden incurred by the Department in resolving the confusion and it will protect against the incorrect application of this regulation to sources which were not intended to be covered, such as those sources which may be connected to a 15 MW turbine, but which alone cannot generate 15 MW.

International Paper appreciates the opportunity to comment on the proposed amendments to the NO_x Allowance Regulations. If the Department has any questions or wishes to discuss these comments further, please contact me at 814-870-7607.

Very truly yours,

MacDONALD, ILLIG, JONES & BRITTON LLP

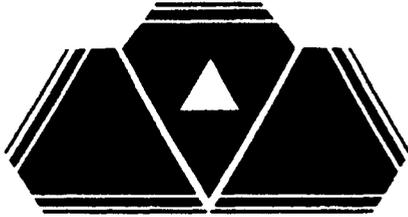
By



Mark J. Shaw

MJS/tmb/492310

cc: International Paper Company



Inter-Power/AhlCon Partners, L.P.

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Environmental Quality Board
15th Floor
Rachel Carson State Office Building
400 Market Street
Harrisburg, PA 17101-2301

Re: Proposed Modifications to NOx Allowance Regulations

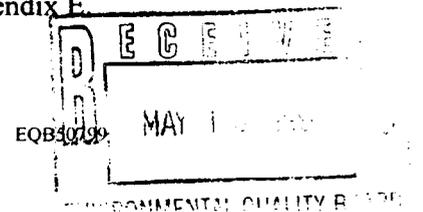
Dear Chairman Seif and Members of the Environmental Quality Board:

Inter-Power/AhlCon Partners L.P. ("IPAC") hereby provides comments to the Board concerning proposed modifications to the Board's existing regulations codified at 25 Pa. Code §§ 123.101 through 123.120 (the "NOx Allowance Regulations"). The NOx Allowance Regulations govern emissions of nitrogen oxides ("NOx") from certain fossil fuel-fired combustion units in Pennsylvania. The Board published the proposed modifications to the NOx Allowance Regulations in the Pennsylvania Bulletin on March 6, 1999.

IPAC owns and operates the Colver Power Project, an electric generating plant located in Cambria County, Pennsylvania. The Colver Power Project generates electricity for sale at a generation rate in excess of 15 MWe, and therefore is a "NOx Affected Source" subject to the NOx Allowance Regulations. See 25 Pa. Code §121.1. Indeed, the NOx Allowance Regulations provide a specific allocation of NOx allowances to the Colver Power Project within Appendix E thereof. Because the Colver Power Project would be affected by the Board's proposed modifications to the NOx Allowance Regulations, IPAC comments herein on two specific areas of the proposed modifications.

1. Allocation Adjustment

Pursuant to the NOx Allowance Regulations, each NOx Affected Source is required to hold one NOx allowance for each ton of NOx emitted by the source during the ozone season. 25 Pa. Code § 123.102. In addition, the NOx Allowance Regulations include, at Appendix E, an initial allocation of NOx allowances to all NOx Affected Sources specifically identified in the Rule, including the Colver Power Project. 25 Pa. Code Chapter 123, Appendix E.



IPAC understands that the Department has determined that the original allocation scheme provided in the NOx Allowance Regulations includes an accounting error that has resulted in the allocation of more allowances to NOx Affected Sources than are available in the Pennsylvania budget. IPAC further understands that the Department has proposed to address this accounting error by proportionately reducing the allocations to all NOx Affected Sources in Pennsylvania.

IPAC endorses the methodology set forth in the proposed modifications to the NOx Allowance Regulations. While IPAC obviously opposes the reduction in the NOx allowance allocation to the Colver Power Project, IPAC recognizes that the allocation scheme included within the NOx Allowance Regulations must be numerically consistent with Pennsylvania's NOx emission budget. Further, because the Board has proposed to reduce the allocation of all NOx Affected Sources on a pro-rata basis, the allocation scheme included within the proposed modifications to the NOx Allowance Regulations is consistent with the scheme utilized to provide initial allocations under that regulation. IPAC supported the allocation methodology adopted by the Board in its initial allocation of NOx allowances under the NOx Allowance Regulations. Accordingly, IPAC supports the Board's proposal to achieve the necessary reduction in the allocations to NOx Affected Sources on a pro rata, consistent and equitable basis.

2. Proposed Modification of 25 Pa. Code § 123.115

Separately, IPAC proposes that the Board delete Section 123.115(b) of the NOx Allowance Regulations. That section reads as follows:

The Washington Power Company and Colver Power Project sources identified in Appendix A shall receive the allocation identified in Appendix E upon operation of the source.

25 Pa. Code § 123.115(b).

This provision was included in the NOx Allowance Regulations to ensure the availability of an initial NOx allowance allocation to the Washington Power Company and the Colver Power Project facilities, on the premise that neither project had begun operation during the regulatory development of the NOx Allowance Regulations. The allocation for each of the two sources, as set forth at Appendix E of the NOx Allowance Regulations, was made contingent upon the startup and operation of each source. Id.

The Board has proposed a modification to Section 123.115(b) of the NOx Allowance Regulations to remove the reference to the Washington Power Company, since the Washington Power Company no longer holds a plan approval authorizing its construction, and is therefore not entitled to a NOx allowance allocation. This modification would result in the Colver Power Project being the sole source in Pennsylvania identified in Section 123.115(b) for separate regulatory treatment.

The Colver Power Project began operation in accordance with its plan approval on November 18, 1994. The Department acknowledges the operational status of the Colver Power Project. In fact, the Department provided the Colver Power Project with the initial NOx allowance allocation identified at Appendix E of the NOx Allowance Regulations, pursuant to an amended operating permit issued by the Department on December 31, 1998.

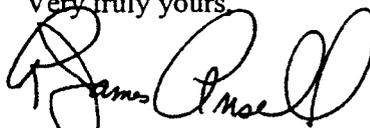
Therefore, since the Colver Power Project has begun operation and has in fact received its NOx allowance allocation, the required predicate of Section 123.115(b) has been satisfied with respect to the Colver Power Project. Accordingly, Section 123.115(b) no longer has any relevance with respect to the Colver Power Project. For these reasons, there is no basis for distinguishing the Colver Power Project from the other NOx Affected Sources listed in Appendix E of the NOx Allowance Regulations.

Although IPAC recognizes that a proposed modification to Section 123.115(b) might not be warranted as a separate rulemaking effort, the Board is currently proposing revisions to the NOx Allowance Regulations. Moreover, the Board's proposed revisions include a proposed modification directly to Section 123.115(b). IPAC's proposal would allow for a straightforward deletion of Section 123.115(b), and the resulting streamlining of the NOx Allowance Regulations. In addition, this proposed deletion would not require any changes in cross-references currently included within the NOx Allowance Regulations.

Accordingly, for purposes of clarity and consistency, IPAC requests that the Board delete § 123.115(b) of the NOx Allowance Regulations as part of the proposed modification package.

We appreciate this opportunity to provide these comments on the Board's proposed modifications to the NOx Allowance Regulations.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. James Ansell". The signature is written in a cursive style with a large initial "R" and "A".

R. James Ansell
General Manager
Inter-Power/AhlCon Partners, L.P.

cc: J. Wick Havens
Dean Van Orden

Nitrogen Oxides Allowance Amendments Hearing
April 6, 1999

Testimony of International Paper Company
Presented by
Mark J. Shaw, Esq.
MacDonald, Illig, Jones & Britton LLP
100 State Street, Suite 700
Erie, PA 16507-1498

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I am presenting this testimony on behalf of the Erie Mill of International Paper Company. The Erie Mill is comprised of pulp, papermaking and converting operations and employs approximately 900 people. It is one of the largest industrial employers in Erie County, Pennsylvania. We are here today to comment upon the proposed amendment of the NO_x Allowance Regulations which is intended to clarify the definition of NO_x affected source.

In its amendment, the Department proposes to change the language of the definition of NO_x affected source from "all fossil fuel-fired electric generating facilities rated at 15 MW or greater" to "all fossil fuel-fired electric generating sources rated at 15 MW or greater." The Department explains that the language change is simply a clarification to meet the original intent of the regulation which was to include only individual fossil-fuel operating units which generate greater than 15 MW of electricity. International Paper fully supports this proposed amendment as consistent with the Department's original intent and the original intent of the OTC Model Rule. International Paper believes the confusion has arisen because the plural of facility seemingly precludes the concept of unit or source.

Although the preambles to the proposed and final NO_x Allowance Regulations do not specifically discuss the meaning of "facilities," the Department's original intent can be gleaned from those preambles and from the Department's responses to comments. The Department's original intent is evidenced by its responses to Comment 18 found in its July 17, 1997 Nitrogen Oxides Allowance Requirements Comment and Response Document. In response to comments regarding the "facility" language, after initially using the term facility, the Department thereafter referred continually to units as though facility and unit had the same meaning.

Further, it is clear from reviewing the preambles to the Department's proposed and final NO_x Allowance Program Regulations that the Department sought to adopt a regulation that was consistent with the Ozone Transport Commission ("OTC") NO_x Budget Model Rule ("Model Rule"). The Model Rule also uses the term "facility"; however, the preamble of the Model Rule clarifies facility by defining budget sources, meaning those sources subject to the Rule, as "fossil fuel fired boilers and indirect heat exchangers of 250 million BTU or greater, and electric generating units of 15 MW or greater." The Model Rule preamble continues, stating, "budget sources are defined on a unit level, meaning that each boiler or utility generator is considered a separate budget source." This definition of facility is consistent with Pennsylvania's proposed action, and with the actions taken by all

of the other states which have adopted the Model Rule. Thus, the Model Rule, upon which Pennsylvania's "facility" language is based, defined facility on a unit or source basis. Given the potential confusion over whether facilities means unit or source, it is entirely appropriate and necessary for the Department to make this clarification. In addition, this clarification is consistent with the position taken by the Department regarding the meaning of facility.

The change also is important for two other reasons. First, as mentioned earlier, all of the other states that have adopted the Model Rule have adopted the "unit" language used in the Model Rule summary. Thus, in order to ensure consistency among the states subject to the OTC Model Rule, which was one of the primary goals of the OTC and its Model Rule, the Department needs to make the change.

Second, the change is important to avoid running afoul of Pennsylvania's Sunset Review. Under Executive Order 1996-1, Pennsylvania's regulations must not hamper its ability to compete effectively with other states, and the Department must determine that the costs of the regulation are outweighed by the benefits. If the term "facilities" were interpreted in the future by the Department or even third parties to have a plural meaning, the regulation would violate both Sunset Review requirements. The

regulation would hamper Pennsylvania's ability to compete effectively with other states because the scope of Pennsylvania's regulation would exceed that of all of the other OTC states. The cost effectiveness requirement also would be violated because Pennsylvania did not assess the cost effectiveness of applying the regulation to a broader or different definition of 15 MW electric-generating facilities, as opposed to 15 MW electric-generating units, as evidenced by Pennsylvania's expressed intent to adopt a regulation based upon the OTC Model Rule.

In summary, International Paper supports the Department's decision to clarify the regulation. International Paper believes that the clarification will eliminate the administrative burden incurred by the Department in resolving the confusion and it will protect against the incorrect application of this regulation to sources which were not intended to be covered, such as those sources which may be connected to a 15 MW turbine, but which alone cannot generate 15 MW.

MJS/485586

**Proposed Revisions to 25 PA Code Chapters 123 and new Chapter 145
Interstate Ozone Transport Reduction Implementation Regulations
Summary of the Comments of the Electric Power Generation Association
Submitted May 10, 1999**

ORIGINAL: 2008/MCGINLEY

E-MAIL FORWARDED TO: Smith, Sandusky, Legal

Issue: §145.4(2) - Unit Applicability Below 25 MW - The proposed applicability criterion is more restrictive than federal requirements (25 MW cutoff) because the PA proposal would apply to units that serve generators greater than or equal to 15 megawatts.

Recommendation: Consistent with the April 23, 1999 ACTAC recommendation, revise the applicability criterion upward to cover units that serve generators greater than or equal to 25 megawatts. Also summer net unit capability should be designated as the applicable criterion.

Issue: §145.42 Single Year Allocation Methodology - Single year allocations based on a unit's heat input four years prior to the year for which the allocation is being calculated would not reflect normal utilization of a unit and could result in an abnormally high or low unit allocation.

Recommendation: Revise Section 145.42 to reflect a three-year allocation approach using the same methodology proposed for the initial allocation period (2003-2005).

Issue: §145.42(b)(1) Overall NO_x Allocation Methodology - §145.42(b)(1), which prescribes the manner in which NO_x allowances will be allocated, deviates from the language in the federal rule.

Recommendation: Revise §145.42(b)(1) to be consistent with the federal rule language, as unanimously approved by the PA DEP Air Quality Technical Advisory Committee.

Issue: §145.44(c) - Carry Forward Banking Limitations - Limiting the number of banked allowances carried forward from 2002 to 2003 would be environmentally counterproductive because such limitation would be an economic disincentive to early emission reductions.

Recommendation: Section 145.55(c) should be deleted. The final rule should not provide any restrictions on the number of banked allowances carried forward from 2002 to 2003.

Issue: §145.70 General Monitoring Requirements - Proposed Chapter 145 monitoring requirements are significantly different from those in the existing Chapter 123. These changes will result in the surrender of allowances for emissions which never occur and also require sources currently compliant with Chapter 123 to expend significant additional monies for software and hardware with no commensurate increase in the accuracy of the data.

Recommendation: The proposed regulations should incorporate the existing monitoring requirements of 25 PA Chapter 123.108, which were incorporated from the Ozone Transport Commission (OTC) "NO_x Model Rule".

Issue: Subchapter B Diesel Generator Exemption - Subchapter B sets prescriptive emission limits for internal combustion engines that would require extremely costly emission control technology for negligible NO_x emissions. The subchapter should provide an appropriate exemption for low utilization diesel generators.

Recommendation: §145.101(d) should be revised to focus simply on operating hours, per each diesel generator using the following suggested language: §145.101(d) *A diesel generator which has a maximum cumulative operation of 208 hours per control period is exempt from the requirements of this subchapter.*

Proposed Revisions to 25 PA Code Chapters 123 and new Chapter 145
Interstate Ozone Transport Reduction Implementation Regulations
Summary of Duquesne Light Company Comments
Submitted May 10, 1999

Implementing this rule will subject all Pennsylvania electric generators to an intolerably competitive disadvantage if other states do not adopt essentially identical requirements on the same schedule. The EQB should insure that Pennsylvania does not get out in front of this Program if other states cited in the SIP Call do not follow-through with their rulemakings.

The 1992 Amendments to the PA Air Pollution Control Act requires substantive review and discussion of control strategies adopted in State Implementation Plans. The PA DEP limited discussion of this rulemaking to implementation issues only despite the enormous policy, economic and air quality implications of this rule. The EQB should be acutely aware of this serious shortfall to the regulation development process.

Issue: §145.4(2) - Unit Applicability Below 25 MW - The proposed applicability criterion is more restrictive than federal requirements (25 MW cutoff) because the PA proposal would apply to units that serve generators greater than or equal to 15 megawatts.

Recommendation: Consistent with the April 23, 1999 ACTAC recommendation, revise the applicability criterion upward to cover units that serve generators greater than or equal to 25 megawatts. Also summer net unit capability should be designated as the applicable criterion.

Issue: §145.42 Single Year Allocation Methodology - Single year allocations based on a unit's heat input four years prior to the year for which the allocation is being calculated would not reflect normal utilization of a unit and could result in an abnormally high or low unit allocation.

Recommendations: Revise Section 145.42 to reflect a three-year allocation approach using the same methodology proposed for the initial allocation period (2003-2005).

Issue: §145.42(b)(1) Overall NO_x Allocation Methodology - §145.42(b)(1), which prescribes the manner in which NO_x allowances will be allocated, deviates from the language in the federal rule.

Recommendation: Revise §145.42(b)(1) to be consistent with the federal rule language, as unanimously approved by the PA DEP Air Quality Technical Advisory Committee.

Issue: §145.44(c) - Carry Forward Banking Limitations - Limiting the number of banked allowances carried forward from 2002 to 2003 would be environmentally counterproductive because such limitation would be an economic disincentive to early emission reductions.

Recommendation: Section 145.55(c) should be deleted. The final rule should not provide any restrictions on the number of banked allowances carried forward from 2002 to 2003.

Issue: §145.70 General Monitoring Requirements - Proposed Chapter 145 monitoring requirements are significantly different from those in the existing Chapter 123. These changes will result in the surrender of allowances for emissions which never occur and also require sources currently compliant with Chapter 123 to expend significant additional monies for software and hardware with no commensurate increase in the accuracy of the data.

Recommendation: The proposed regulations should incorporate the existing monitoring requirements of 25 PA Chapter 123.108, which were incorporated from the Ozone Transport Commission (OTC) "NO_x Model Rule".

Issue: Subchapter B Diesel Generator Exemption - Subchapter B sets prescriptive emission limits for internal combustion engines that would require extremely costly emission control technology for negligible NO_x emissions. The subchapter should provide an appropriate exemption for low utilization diesel generators.

Recommendation: §145.101(d) should be revised to focus simply on operating hours, per each diesel generator using the following suggested language: §145.101(d) *A diesel generator which has a maximum cumulative operation of 208 hours per control period is exempt from the requirements of this subchapter.*

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Testimony before
The Environmental Quality Board

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April 8, 1999
Conshohocken, PA

Citizens for Pennsylvania's Future

John Hanger
Executive Director

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E-Mail: hanger@pafuture.org



Good afternoon. My name is John Hanger, and I am Executive Director of Citizens for Pennsylvania's Future. With our main office in Harrisburg and offices to open soon in Pittsburgh and Philadelphia, Citizens for Pennsylvania's Future is a newly-founded environmental organization dedicated to finding public policies that both benefit the economy and protect and restore the Commonwealth's air, land, water and wildlife. CPF thanks the Environmental Quality Board for the opportunity to testify here today and to be a part of the search for an air quality State Implementation Plan that best serves the public's overarching interests in a clean, healthy environment.

The development of a NOx Trading Program presents Pennsylvania with a unique opportunity to do something good for the economy and something better for the environment. Indeed, with one simple change in the State Implementation Plan to reserve allowances for those who invest in energy efficiency and renewable energy, policymakers can double the benefits to both.

New math? No, but it is a new path toward converting from a 20th Century economy powered by fossil fuels, to a 21st Century economy built on clean, efficient, renewable energy.

To provide the catalyst for this transformation, Citizens for Pennsylvania's Future urges the Environmental Quality Board to recommend that 10 percent, or 4,940 allowances from the state's NOx budget for electricity generating units be reserved for use by companies, manufacturers, schools, hospitals, energy service companies, aggregators and others who invest in energy efficiency and renewable energy.

CPF believes that its proposed allowances will dramatically reduce harmful emissions — benefits to the health of our land, our watersheds and our people that are reason enough to justify the program. But the program we propose will also trigger a virtuous circle of savings and investment that can lower compliance costs, save consumers millions of dollars in electricity bills and, when those savings are passed into the cost of doing business in Pennsylvania, create thousands of jobs.

It should be noted that this opportunity exists, in part, because of a far-sighted decision by Governor Ridge, the Department of Environmental Protection and Secretary Seif, who

determined in August, 1997, to file a petition with the EPA seeking an abatement of excess emissions under Section 126 (b) of the Clean Air Act. Pennsylvania's petition relied on data that showed that large fossil-fired combustion units in 22 of the 37 states comprising the Ozone Transport Assessment Group (OTAG) contributed significantly to the region's failure to reduce ground-level ozone. The Commonwealth requested that EPA establish emissions limits for certain large NOx emitters and create a cap and trade compliance system. These actions laid the foundation for the process we are now embarked upon, and CPF commends the Governor and Secretary Seif for their role in bringing about this cap and trade program.

Encouragingly, the Environmental Protection Agency has said it welcomes state cap and trade programs that make a portion of NOx allowance budgets available to those who invest in renewable energy or energy efficiency. In March of this year, EPA issued a detailed guidance document that describes how to establish an Energy Efficiency/ Renewable Energy (EE/RE) allowance program within each state's NOx budget trading proposal. Citizens for Pennsylvania's Future's proposal is consistent with the program requirements EPA has established, and we hope the Board will agree that it sets out sensible, affordable and attainable goals that will improve the quality of our natural resources, protect the public's health and improve the competitiveness of Pennsylvania's economy. Specifically, we ask the Board to recommend that 10 percent of the state's NOx emissions budget be reserved for projects that meet EPA guidelines for energy efficiency and renewable energy investments.

ECONOMIC BENEFITS OF ENERGY EFFICIENCY/RENEWABLES NOx TRADING

Making NOx allowances available to businesses, schools, government agencies, non-profit organizations such as hospitals, energy service providers, builders and others who invest in energy efficiency and renewables would benefit the economy in two ways. First, companies that qualify for these Trading Program allowances would be stronger business competitors. The savings from energy efficiency would enable them to increase their profits, invest in new products and processes and create new jobs. Second, there is the financial benefit embedded in the allowance itself. EPA projections indicate that allowances, pegged at one ton of NOx emissions per allowance, will be worth as much as \$7,500 when traded on the open market as

part of a full Trading Program. At that price, 4,940 allowances would be worth over \$37,000,000 per season — a pleasant boost to any company's ledgers.

More important, the availability of these allowances would free capital to further spur economic growth. Energy efficiency reduces employers' operating costs — a savings that goes straight to the profit margin. Energy costs can exceed the cost of labor in steel plants and other energy-intensive manufacturing businesses. In some instances, the cost of electricity accounts for as much as 70 percent of the total costs of production. These costs also represent a huge percentage of the overhead for other businesses as well, from the soft drink coolers in a mom-and-pop store to the cost of renting office space and running all the computer systems of the Information Age. Energy costs absorb precious dollars in schools, hospitals and government agencies. Indeed, schools spend more on energy than they do on computers and textbooks combined.

An EPA analysis of the economic benefits of linking a 5 percent NOx allowance to energy efficiency and renewable energy investments throughout the SIP Call Region — that is, in 22 states and the District of Columbia — indicates just how powerful a tool for economic development it can be. The EPA estimates that reserving just 5 percent of allowances for an energy efficiency would produce approximately \$5 billion in savings on energy bills by 2003 and cut emissions compliance costs by \$150 million over the same time frame. It would also create 2,250 jobs.

Analysts at Citizens for Pennsylvania's Future have made projections based on the EPA data, and we believe that a program to reserve 10 percent of the state's NOx allowances would generate 2,250 jobs, save \$750,000,000 on energy bills and result in over \$18 million in compliance cost savings here in Pennsylvania.

But for all the immediate benefits of energy efficiency, the most important contribution of the program we propose lies in its ability to jump-start the transition to renewable energy. Just as surely as 18th Century water power gave way to coal in the 19th Century and fossil fuel in the 20th, so today's power sources will, in the coming century, yield to clean, safe renewable energy generated by the ancient forces of nature, such as solar and wind power, and by such futuristic

and elegantly efficient technologies as fuel cells. The question is not *whether* we shall make the transition to renewable energy; it is *when* we will make it.

And just as the nations and economies that mastered the old energy systems prospered and grew powerful, so will those who master the renewable economy. The quicker the Commonwealth makes the transition to renewable energy, the more its attractiveness to the entrepreneurs forging the new economy. To take the most obvious example, renewable energy is an industry in itself, one that can be expected to gravitate toward those communities where workers, sub-contractors and suppliers experienced with renewable technologies create economies of agglomeration. It once worked that way for textiles in Philadelphia and steel in Pittsburgh. It can work that way again here in Pennsylvania for the technologies of the next century. Moreover, the cleaner our air, our water and our countryside, the stronger its appeal to the job creators of the information age, for whom the quality of life is a key element of infrastructure.

A renewable energy NO_x trading program could hasten this transition by ameliorating two of the key barriers to investment in energy efficiency and renewables: lack of information and up-front capital costs. Allowances could tip the balance for the financing of renewable energy generation. Capital flows towards incentives, and in this case, the incentive could provide Pennsylvania with a leg up on developing a renewable energy-based economy. Energy efficiency, on the other hand, is comparatively inexpensive to implement. It's lack of information about current costs and the rate of return on investment that slows its development. The existence of a NO_x allowances program would address the information gap at both the investor and consumer level, thus working to develop both the supply and demand side of the market.

ENVIRONMENTAL BENEFITS OF ENERGY EFFICIENCY/RENEWABLE NO_x TRADING

As considerable as the economic benefits may be, they are no more important than the environmental benefits. Investments in energy efficiency or renewable energy clean our air and water and protect our health. They are also a crucial weapon in the battle to avert catastrophic global climate change.

Today, about 70 percent of the nation's SO_x emissions, 30 percent of the NO_x emissions and 32 percent of CO₂ emissions are caused by fossil-fired plants. All of these emissions are deeply implicated in pressing environmental problems. Nearly 25 percent of the nitrogen in the Chesapeake Bay comes from airborne NO_x emissions settling on the watershed. The scientific evidence linking ground-level ozone to serious health problems such as asthma grows each year.

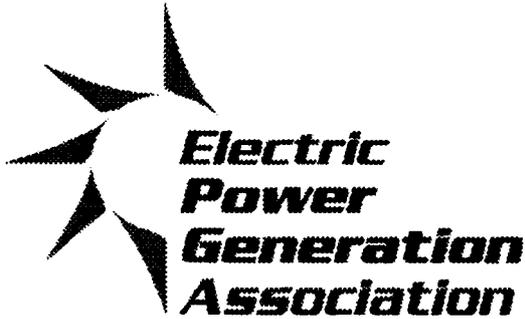
There is no better way to reduce these emissions than energy efficiency and renewable energy. Every kilowatt-hour saved by energy efficiency reduces NO_x and other emissions that harm the environment. THE EPA estimates that the entire SIP call region could save 90 billion kilowatt-hours by the year 2003 by reserving of 5 percent of its total allowances for energy efficiency and renewable energy development. Again, Citizens for Pennsylvanians has analyzed the data to generate projections of the impact of reserving 10 percent of allowances for energy efficiency and renewables in our state. We believe that linking 4,940 allowances — each allowance equal to 1 ton of NO_x emissions — would reduce NO_x emissions statewide by 3,700 tons. According to our analysis, total electric consumption could be expected to decline by almost 10 billion kilowatt-hours. Finally, the allowances could provide enough new demand for renewable energy to create 300 megawatts of new renewable generation by 2003.

And it should always be remembered that every kilowatt-hour generated by non-polluting renewable energy sources displaces a kilowatt-hour that would otherwise have been produced by generators that have a range of environmental problems. Although some consumers around the state already have the opportunity to purchase renewable energy at prices below the rates they paid before electricity deregulation, power generated by fossil fuels so far remains somewhat cheaper than renewables. However, that price advantage exists in large part because the costs of NO_x, CO₂, mercury and particulate emissions are not yet fully included in the price of electricity from fossil-fired plants. Making NO_x allowances available to electricity users who use renewable energy would help to correct the market distortion caused by inaccurate price signals about the full costs of fossil-fired plants.

While I don't wish to take up more of the Board's time today, Citizens for Pennsylvania's Future would like to offer further, written testimony on other key issues relating to a reserve program,

including the design of the program, implementation and such technical issues as the modification of plant size requirements.

Let me just say in closing that the Board has before it an historic opportunity. You will determine policies that will, quite literally, help to create the future of our state. Citizens for Pennsylvania's Future hopes that you will make choices that affirm the importance of a clean, healthy environment to the economy of the 21st Century.



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Proposed Revisions to 25 PA Code Chapter 123 and New Chapter 145

**Interstate Ozone Transport Reduction
Implementation Regulations**

Comments of the Electric Power Generation Association

Dear Environmental Quality Board Members:

Introduction

The Electric Power Generation Association (EPGA) appreciates the opportunity to comment on this important rulemaking. EPGA is a regional trade association comprised of six electric generating companies that provide electric power to the Mid-Atlantic region. These comments are submitted on behalf of all of our members:

Allegheny Power
Duquesne Light Company
FirstEnergy Corporation
GPU Generation, Inc.
PECO Energy Company
PP&L, Inc.

These proposed regulations will result in further dramatic reductions of nitrogen oxides (NOx) from fossil-fired electric generating facilities. Approximately 60 percent of EPGA members' electric generation in Pennsylvania is produced at fossil-fueled plants (58 percent from coal, 2 percent from oil and natural gas plants, the remaining 40 percent is produced at emission-free nuclear and hydroelectric plants).

Pennsylvania's fossil-fired plants have already reduced their NOx emissions by 55 to 65 percent from 1990 levels in accordance with the requirements of the Ozone Transport Commission's NOx Memorandum of Understanding. The expense incurred

to install and operate the control equipment to achieve these emission reductions constitute a significant economic disadvantage for electric generators in Pennsylvania, versus less regulated states, at a time when power markets are being opened to competition. The NOx SIP Call Rule will require emission reductions of approximately 85 percent. Implementing this rule will subject Pennsylvania generators to an intolerable competitive disadvantage if other states do not adopt essentially identical emission reduction requirements on the same time schedule.

In January of this year, Pennsylvania began to implement one of the most significant laws in the history of our state electric utility industry – the Pennsylvania Electric Generation Customer Choice and Competition Act. EPGA believes that Governor Ridge and all the supporters of the historic legislation intended for Pennsylvania's economy to benefit from competitive power markets. But, if Pennsylvania electric generators lose market share as a result of more stringent environmental requirements, Pennsylvania's economy may be weakened by electric competition as energy dollars flow to other producing states. Accordingly, while we support Pennsylvania's efforts to improve air quality in the Commonwealth, EPGA urges the EQB, and all Pennsylvania policy makers, to do all they can to minimize the economic impact of these proposed regulations, and to ensure a level playing field for the Commonwealth's affected sources.

AQTAC Review Has Focused Only on Implementation Issues

The EPA NO_x SIP Call is one of the most significant national and state level regulatory programs ever promulgated for existing sources. Yet the Pennsylvania Department of Environmental Protection (the Department), in its presentation of the proposed rule to the Air Quality Technical Advisory Committee (AQTAC), established that the Department will not discuss any of the policy issues, economic impacts or national regulatory considerations at the AQTAC. The 1992 APCA requires substantive review and evaluation of control strategies which are adopted in State Implementation Plans. AQTAC is the established citizens' advisory group designated for such discussions. In considering the implementing regulations, the Environmental Quality Board should note that AQTAC's review has been limited to the consideration of implementation issues.

Specific Comments on Proposed Chapter 123 Revisions and New Chapter 145 Regulations

Issue: §145.4(2) - Unit Applicability Below 25 MW - The proposed applicability criterion is more restrictive than federal requirements because the proposal would apply to units that serve generators greater than or equal to 15 megawatts.

Recommendation: The EPGA recommends the following language revision for Section 145.4(2):

"A unit that, any time on or after January 1, 1995, serves a generator with a unit summer net capacity greater than or equal to 25 Mwe". This is consistent with the AQTAC recommendation of April 23, 1999.

Discussion: EPA's SIP call sets an applicability level of 25 megawatts for electric generation units. Pennsylvania's program should be consistent with the federal

program in this regard to avoid the risk of placing Pennsylvania generators at a competitive disadvantage with respect to generators in other states. Using the federal applicability level will allow Pennsylvania to meet EPA SIP call requirements and to join in a regional emission trading program with states that elect to conform to the federal model rule. If it should depart from the federal applicability level, Pennsylvania would have to take into account the emission budget difference between the group of generating units greater than 15 megawatts and the group of generating units greater than 25 megawatts. Accounting for that budget difference would require a significant amount of quality assurance effort by EPA, the Department and the affected sources. A preferable alternative to accounting for the difference in emission budgets is to conform to the federal applicability level. Conforming would not only remove the risk of emission budget inconsistencies, but would also assure that Pennsylvania generating units in the 15 to 25 megawatt range would not be competitively disadvantaged by the rule with regard to comparable sources in neighboring states. Using the federal applicability criterion was endorsed by the Department's Air Technical Advisory Committee at its April 23, 1999 meeting.

The rating basis for the applicability criterion should be specified in the rule to add clarity. Unit performance capability varies with ambient temperature. Electric generation supply planning commonly utilizes different unit net capability ratings for winter and for summer. Because the proposed rule applies only during the summer ozone season, which extends from May 1 through September 30, the summer net unit capability should be specified in the rule.

Issue: §145.42 Single Year Allocation Methodology - A single year allocation based on a unit's heat input four years prior to the year for which the allocation is being calculated would not reflect normal utilization of a unit and could result in an abnormally high or low allocation year for an individual unit.

Recommendation: - Section 145.42 should be revised to reflect a three-year allocation using the same methodology proposed for the initial allocation period (2003-2005). For example, the control period 2006-2008 allocation would be based on the best two of three unit utilization years from 2000-2002.

Discussion: - Five of the six EPGA Companies⁽¹⁾ support the Department's proposed methodology to use the average of the two highest amounts of the unit's heat input for the control periods in 1995, 1996 and 1997 for calculating the NO_x allowance allocations for the initial 2003-2005 allocation period. However, we do not support the Department's proposed methodology to use the unit's heat input from the single control period in the year that is four years prior to the year of subsequent allocation periods beginning 2006 and thereafter. For instance, heat input for 2002 would be used to calculate the 2006 allocation. Instead, we recommend the Department use the average of the two highest utilization years for the three years that begin six years before the first year of the subsequent three-year allocation period. For example, the best two years of three unit utilization years for 2000, 2001, and 2002 would be used to calculate the 2006-2008 allocation. The two-out-of-three period method would prevent an abnormal single period utilization, either high or low, from skewing the future period allocation. The three-year allocation would allow for longer range planning on the part of the

⁽¹⁾ First Energy Corp. supports a single, one-time allocation of NO_x allowances to existing sources.

electric generation facilities and would reduce the administrative burden on the Department for recalculating the allocation every year. Such a revision is well within the State Implementation Plan (SIP) approval guidelines contained in the EPA's NOx SIP call rule.

Issue: §145.42 (b)(1) Overall NOx Allowance Allocation Methodology - The method of NOx allocation outlined in this Section deviates from the §96.42 of the federal rule by providing an additional condition in allocation of NOx allowances to sources. Specifically, §142.42 allocates NOx allowance as follows: "...in an amount equaling 0.15 lb/mmBtu or allowable emission level, whichever is lower, multiplied by the heat input..."(emphasis added).

Recommendation: - The proposed language should be changed to become consistent with the language in the federal rule by dropping the underscored text above in the issue statement.

Discussion: - The adoption of the language in the federal rule is advantageous for several reasons. First, it simplifies the language by giving all sources, irrespective of type or emission rate, allowances calculated by the same methodology. This eliminates game playing by special interests to carve out specific provisions that would benefit them disproportionately over other sources and provides a level playing field.

Adoption of the federal language also encourages construction of new or repowered sources with emission rates lower than 0.15 lb NOx/mmBtu by providing economic incentives to these sources. The currently proposed language would eliminate such an inducement for new and repowered sources.

Finally, by adopting the language in the federal rule, Pennsylvania's rule becomes closer and more consistent with the federal rule, and the chances that U.S. EPA would take exception to the proposed rule are diminished. It should be noted that adoption of the language of the Federal Rule is consistent with the AQTAC Recommendation of April 23, 1999.

Issue: §145.55(c) - Carry Forward Banking Limitations - Limiting the number of banked allowances carried forward from 2002 to 2003 would be environmentally counterproductive because such limitation would provide an economic disincentive for making early emission reductions.

Recommendation: - The final rule should not provide any restrictions on the number of banked allowances carried forward from 2002 to 2003. To eliminate the unnecessary restrictions in the proposed rule, subsection 145.55 (c) should be deleted.

Discussion: Limiting credit for early NOx reductions will provide no benefit to the environment. The proposed rule limits the number of banked allowances in Pennsylvania that can be carried forward into 2003 to 13,716 tons. There is no environmental basis for imposing such a restriction. In fact, the restriction on carry forward of banked allowances would be environmentally counterproductive

because it would discourage early reduction by introducing economic uncertainty into the compliance planning process – particularly for those sources most adversely affected by the costs of NO_x reductions. Early reductions are beneficial because early

reductions can accelerate the rate at which ambient air quality standards are being attained, and the reductions are obtained at a time when air quality is worse. Any potential concerns about NO_x emissions exceeding annual budgets are addressed by the flow control provisions of the rule.

The 13,716 ton proposed limit is based on the “compliance supplement pool” (CSP) number assigned to Pennsylvania by EPA. EPA developed the CSP number based on the number of allowances a state may need to phase in the implementation of control technologies over a one year period so as to avoid disruption of electric supply. The compliance supplement pool number bears no rational relationship to the number of allowances that will be banked due to overcompliance during the Northeast Ozone Transport Region cap and trade program.

DEP’s proposed rule is based in large part on EPA’s model program, which is intended to apply to states in addition to those in the OTR. As a result, some of the EPA provisions that DEP incorporated into its proposed rule to address issues in non-OTR states are inappropriate for states that already have established emission cap and trade programs. The OTR program currently has a mechanism for banking early reductions, and has progressive flow control provisions intended to address concerns about high annual emissions that might result from an accumulation of a large number of banked emission allowances. The CSP limitations is an unnecessary and counterproductive complication for states such as Pennsylvania that are already participating in the OTR program.

Issue: § 145.70 **General Monitoring Requirements** - The monitoring requirements in the proposed Chapter 145 are different from those in the existing Chapter 123. These changes will result in the surrender of allowances for emissions which never occur. They also will require sources compliant with Chapter 123 to expend significant additional monies for software and hardware with no commensurate increase in the accuracy of the data.

Recommendation: - The proposed regulations should incorporate the monitoring requirements of existing 25 PA Chapter 123.108 of the Department’s regulations. These requirements were incorporated from the Ozone Transport Commission (OTC) “NO_x Model Rule.” The “Model Rule” was developed by a stakeholder group consisting of state regulators, U.S. EPA, environmental groups and industry representatives to implement the “OTCs NO_x Memorandum of Understanding.”

Discussion: - The monitoring requirements of this section are significantly different from those required by Chapter 123. The proposed Chapter 145 relies on the new 40 CFR 75.19. The specific difficulties with that section are for establishing unit-specific default NO_x emission rates for low mass emitter units.

In Part 2, (G) of the "Guidance for Implementation of Emission Monitoring Requirements for the NO_x Budget Program" ("Guidance Document") incorporated into 25 PA Chapter 123 by Pennsylvania Department of Environmental Protection (PaDEP) and also used by the other OTC states, oil and gas fired peaking units (in the case of electric generators these are simple-cycle combustion turbines) are permitted to use a tested NO_x default rate coupled with long-term fuel flow measurement methods to achieve cost effective compliance with OTC NO_x monitoring and reporting requirements. Page 17 specifies that the average NO_x emission rate be used as the default value. This includes the average of a series of peak load tests of a single unit or, in the case of testing multiple "identical units," would involve averaging the peak load NO_x rates for a number of units to calculate a default rate that all units would use for reporting. This is consistent with the language that requires representative testing of multiple units to have a NO_x emission rate within 10% of the average of all units tested.

Further deviation from the specifications of the OTC Guidance Document also creates problems for sources that are using CEMS to meet 40 CFR Part 60 on PA 25 Chapter 139 monitoring requirements. These sources have invested significantly in upgrading data acquisition and handling system hardware and software to comply with the Chapter 123 requirements. Deviation from Chapter 123 monitoring requirements under the proposed Chapter 145 means these sources will need to make additional expenditures to satisfy the new requirements. This has been identified as a "cost of doing business," however, it is an unnecessary cost as it does not improve the representativeness of the emissions data.

Consequently, it is strongly recommended that the proposed Chapter 145 use the monitoring requirements specified in Chapter 123. Use of these monitoring requirements solves all of the problems associated with the monitoring provisions of the proposed Chapter 145.

Issue: Subchapter B. Emissions of NO_x from Stationary Reciprocating Internal Combustion Engines - The major potential impact of proposed Subchapter B to the electric generation industry is its treatment of diesel generators.

Recommendation: - In its proposed March 6, 1999 regulation, DEP added new language to the Applicability section of Subchapter B at §145.101(d) which we believe was intended to provide an exemption for diesel generators. However, we are concerned that in its current form, it may not allow sufficient flexibility to exempt companies' diesel generators.

EPGA believes that the only eligibility constraint for gaining an exemption from the subchapter under §145.101(d) should be on the number of operating hours allowed. The proposed exemption language should be revised as follows:

(d) A diesel generator which has a permit limitation of a maximum cumulative operation of 208 hours per control period is exempt from the requirements of this subchapter.

An exemption, such as the one above, provides the desired environmental protection (by capping operating hours) while simultaneously providing appropriate flexibility in the use of diesel generators to allow for the multiple real and potential scenarios in which they may be utilized.

Discussion: - EPGA strongly believes that diesel generators should be exempt from the requirements of Subchapter B and the NOx SIP Call program based on the following considerations:

Diesel generators are very small (e.g. usually in a range between 1 and 4 megawatts). They are utilized primarily to provide a source of electric power to power plants during times of real or potential loss of the normal electric supply used to operate the plant and its equipment. During such times of emergency, diesel generators can be used for a variety of purposes, including the safe shut-down/operation of the power plant they support, or to provide electric power to start the power plant if it is not operating.

Diesel generators located at fossil generating plants may also directly, or indirectly by covering auxiliary boiler load, supply electric power to the grid during periods of real or potential power grid failure. Their operation with regard to power grid support during periods of potential grid difficulty may also be subject to PJM mandated operating requirements. It should be noted that with regard to diesel generators located at nuclear power plants that the Nuclear Regulatory Commission (NRC) prohibits their use for any purposes other than providing standby power.

Regardless of their specific use, diesel generators operate at very low capacity factors (generally well under 5%). Many diesel generators are also permit restricted to a 5%, or other very low, capacity factor as part of their NOx RACT permits. Absent an emergency event during the ozone season, the majority of diesel generator NOx emissions are usually associated with periodic reliability testing which may take place for one, or several, hours on a weekly or monthly basis. Ozone season NOx mass emissions per emergency diesel generator are typically measured in the low single digits (e.g. no more than a few tons).

Post-combustion NOx emission controls for diesel generators would be extremely costly in comparison to emission controls at other sources. Costs to control diesel generators would be measured in the 10s of thousands of dollars per ton removed - far in excess of the cost of any other EPA NOx control requirements. EPGA believes limited capital dollars should be directed at the most cost-effective NOx reduction opportunities - diesel generators do not represent such an opportunity. Also, diesel generator emission control costs at nuclear power plants would be doubled or tripled due to rigorous Nuclear Regulatory Commission (NRC) quality and testing requirements (see 10 CFR 50, Appendix B).

Additional emissions monitoring, reporting and record keeping for diesel generators beyond current requirements would consume significant staff time and resources which could be better used by electric generators in meeting the general requirements of the NOx SIP Call at their generating units above 25 megawatts.

Subchapter B also sets prescriptive NOx emission concentration levels and does not allow for NOx allowance trading to satisfy the regulatory requirements. Unless diesel generators are exempted, the result will be a gross mis-allocation of capital dollars to some of the least cost effective, lowest aggregate NOx ton emission sources.

We thank you for the opportunity to submit the above comments.

Sincerely,

Douglas L. Biden
Secretary-Treasurer
Electric Power Generation Association

c: EPGA Member Companies