2547

Kathy Cooper

From: Brisini, Vincent J [vbrisini@reliant.com]
Sent: Friday, August 25, 2006 4:14 PM
To: IRRC
Subject: FW: Comments to the proposed mercury regulations, Pa.B. 3185, Saturday June 24,2006


Environmental Quality Board ltr...

One page summary of the Relian...

Reliant Response to Specific Q...

Mercury_Annex A Reliant commen...

Comparison of PaDEP Hg proposa..

I listed an incorrect address. My apologies.

Vince Brisini

> -----Original Message-----
> From: Brisini, Vincent J
> Sent: Friday, August 25, 2006 4:12 PM
> To: 'RegComments@state.pa.us'
> Cc: 'jeepps@state.pa.us'; 'jslade@state.pa.us'; 'kramamurth@state.pa.us'; 'irrc@1rrc.state.pa.us'
> Subject: Comments to the proposed mercury regulations, Pa.B. 3185, Saturday June 24,2006
>
> Attached are Reliant Energy's comments to the proposed mercury
> regulation. The attachments include a submittal letter, a one page
> summary of the proposal for distribution to the EQB members, specific
> comments to the AQTAC questions, specific comments in the proposed
> regulation (they are in red in the proposed regulation) and a
> comparison of the PaDEP proposed regulation and the Reliant Energy
> alternative proposal.
>
> If you have any questions or comments, please contact me via this
> email address or by phone at (office) 724-597-8037 or (cell)
> 814-659-3764.
>
> Vince Brisini
>
> > <<Environmental Quality Board ltr.pdf>> > > <<One page summary of
> > the Reliant Proposal.pdf>> > > <<Reliant Response to Specific
> > Questions Asked by the AQTAC.pdf>> > > <<Mercury_Annex A Reliant
> > comments.pdf>> > > <<Comparison of PaDEP Hg proposal to the Reliant
> > Hg proposal.pdf>>

2547

121 Champion Way
Canonsburg, PA 15317
Writer's Direct Dial Number
724-597-8037

August 25, 2006

Environmental Quality Board
P.O. Box 8477
Rachel Carson State Office Building, 15th Floor
400 Market Street
Harrisburg, PA 17101

Re: ***Comments to Proposed Rulemaking for Mercury, 25 PA Code Ch 123, 36 Pa.B. 3185, Saturday June 24, 2006***

Dear Sir or Madame:

Reliant Energy owns and/or operates 18 power plants in the Commonwealth of Pennsylvania. We welcome the opportunity to comment on the referenced proposed mercury regulation. We believe that the proposed mercury regulation, if promulgated without a "cap and trade" provision, will have a significant negative impact on the viability of Pennsylvania electric generators, coal suppliers and other industries that rely upon cost effective energy supplies.

To alleviate this situation, Reliant Energy is offering an alternative plan that preserves the unit and facility specific reductions but allows for a separate "cap and trade" regulation rather than using the "nontradable allowance concept contained in the proposed regulation. Reliant Energy believes this represents a compromise that best serves the needs of the Commonwealth.

Reliant Energy alternative proposal to the proposed mercury regulation:

Reliant proposes that PaDEP utilize a mercury control strategy that mimics the highly effective nitrogen oxides control strategy. Under this strategy, Pennsylvania would implement a Pennsylvania specific rule that requires all major source coal-fired boilers to install either presumptive mercury control technology or other measures or technology that control mercury emissions by Jan. 1, 2010. Simultaneously, PaDEP would issue a separate regulation that implements the "cap and trade" provisions of the CAMR. This multi-regulation approach has been extremely effective in controlling nitrogen oxides emissions as they relate to not only local concerns, but also relative to transport issues.

The Pennsylvania specific regulation:

- Applies on a unit specific basis.
- Results in unit specific emission limitations that could not be exceeded through emission allowance trading or use of emission reduction credits
- Is required regardless of the type of coal burned

- Allows alternative technologies to define the appropriate control technologies and strategies of smaller units
- Satisfies the EQB approval to develop a PA specific mercury rule

In addition to the Pennsylvania specific mercury rule, generators would still be required to comply with Pennsylvania CAMR emissions budgets ("cap"), which would include participation in the nationwide "cap-and-trade" program.

Benefits:

- Eliminates concerns about "hotspots" by requiring mercury emissions reductions at every PA coal-fired generating facility
- Does not significantly disadvantage Pennsylvania wholesale electric generators, coal suppliers and support services and industries relative to out-of-state competitors even though it is more stringent than the CAMR requirements alone
- Helps to control electricity costs which helps to stimulate economic growth in Pennsylvania
- Provides for the most cost-effective "co-benefits" control strategies to be implemented through the implementation of CAIR
- Provides for certainty of compliance which is a critical need relative to obtaining financing and satisfying shareholders
- Accelerates installation of control equipment at many PA generating facilities by "front loading" the control measures at some facilities that would otherwise not be implemented until 2018 which then achieves the full mercury reductions by 2015 rather than 2018 through the implementation of Phase II of CAIR.
- Preserves the Environmental Quality Board's approval of the PaDEP recommendation to develop a Pennsylvania specific Hg rule
- Does not disadvantage Pennsylvania wholesale electric generation in the event the CAMR is over-turned

If there are any questions relating to this proposal, please don't hesitate to contact me at 724-597-8037 or vbrisini@reliant.com.

Sincerely,

Vincent J. Brisini /jk

Vincent J. Brisini
CEMS Program Manager

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Reliant Energy Comments
to
Specific questions of the Air Quality Technical Advisory Committee
EQB (25 PA. Code CH. 123)
Standards for Contaminants: Mercury
(36 Pa.B. 3185)
(Saturday, June 24, 2006)

1. Advantages/Disadvantages of Supplemental Mercury Pool

Reliant Energy does not believe the Supplemental Mercury "nontradable" allowance pool will provide adequate "nontradable" allowances to allow averaging across units to ensure meeting the annual budget cap imposed by the Clean Air Mercury Rule (CAMR). As has been identified many times by PaDEP, Pennsylvania electric generating units (EGUs) have received fewer allowances than EGUs in other states. This circumstance imposes considerably greater emission reductions on PA EGUs than those in other states. As the supplemental pool cannot be counted upon to provide adequate "nontradable" allowances to meet the needs of the Commonwealth's EGUS, these sources cannot rely upon the supplemental pool for compliance needs.

This concern over the inadequacy of allowances is due to the lack of economic incentive for the "over-control" of units under this proposed mercury rule. As currently proposed, the Department will simply take any allowances resulting from "over-control" of a unit and give them to a competitor wholesale electric generator (EWG) that hasn't met their annual emission limit. This provides a great disincentive for any company to optimize or enhance the mercury removal at a single unit or facility. This transfer occurs with no compensation to the unit(s) that has paid to achieve the "over-control."

Due to the likely inadequate number of allowances in the supplemental pool and the need to ensure compliance, EGUs in Pennsylvania will include the use of non-Pennsylvania coal supplies in their mercury control strategies. This is due to Pennsylvania coals having the highest mercury content bituminous coals.

A much more desirable option to the use of the proposed supplemental mercury allowance pool is the use of a cap and trade program, as is allowed under CAMR, to meet the allowances needs of the PA EGUs. This can be accomplished through the separate implementation of the unit specific control as proposed in this regulation, but then implement the CAMR cap and trade provisions as a separate regulation. This would be in place of the supplemental allowance pool and petition process under the proposed regulation to meet the CAMR annual PA mercury budget.

2. New Source Set Aside Provisions

A new source set aside (NSSA) should be part of any regulation. However, the unused "non-tradable" allowances in the new source set aside should not be retained in

the supplemental pool. Those unused "non-tradable" allowances should be returned to the affected units. Under the proposed rule, if there are unused "non-tradable" allowances available after they have been returned to the affected units, they will be taken and used in the supplemental pool, regardless. This could determine whether or not a unit can comply with its annual emission limit. As currently proposed, this is simply adding additional control requirements to the existing units even if there aren't any new units requesting from the NSSA.

Importantly, a NSSA provision is best managed as part of a market based cap and trade regulation as is allowed under the federal CAMR.

3. Coal Preparation as Part of Reducing Mercury

Mercury removed through coal cleaning or other coal preparation should be credited toward meeting the mercury removal requirements of this proposed rule. This would encourage the use of what will likely be the most cost effective mercury removal to be part of the compliance strategy. This would also help preserve the opportunity to use Pennsylvania bituminous coals.

4. Compression of Phase I & II Compliance Schedules

The U.S. EPA has established a Phase 2 implementation date of 2018 based on its assessment control technology availability. DEP has proposed to compress that date to 2015 without showing that technology will be available earlier. This raises concerns relative to availability of control technologies to meet the Phase 2 reduction requirements.

The proposed rule attempts to address this concern in a provision that provides for the consideration of alternative schedules and technologies. This provision is commendable and is necessary to address concerns with units that cannot economically install presumptive technologies or other maximum controls to achieve the unit specific removal requirements or the annual emission limit. However, an unrestricted "cap and trade" program, as allowed under CAMR, best implements this type of provision. "Non-tradable" allowances are not certain to be available to allow for this provision to be implemented. This is because there is reliance on "over-control" by units without any economic incentive to "over-control" and any unused "non-tradable" allowances that are not used in a vintage year are not held for future use when there may be insufficient "non-tradable" allowances. This same supplemental pool will be used to provide "non-tradable" allowances to units that can't meet the unit/facility annual limit as well as to provide for alternative controls and schedules. Without any certainty relative to the availability of "non-tradable allowances" this provision isn't adequate to address the alternative technologies or timing concerns of the accelerated schedule.

5. Start-Up Provisions, Cost Sharing Between Sources

It is not clear how start-up provisions can be included in the proposed rule.

6. Expansion of Daily Sampling of Coal from Feeders to "As Received"

We recommend the proposed rule be revised to allow a variety of existing sampling programs to be used to demonstrate mercury removal from the coal being burned.

It is not necessary to demonstrate removal on a daily basis to comply with the proposed rule as the proposed demonstration is on an annual basis. Implementation of an "as fired" sampling system would be very expensive and will not provide information necessary for the success of the mercury emissions reduction provisions.

Acceptable samples should be as purchased, as received, as fired or pre-processing.

7. Encouragement of Over-Compliance

Under the proposed rule, plant owners do not recoup their investment in air pollution controls that exceed the reduction requirements. This is because DEP takes, with no compensation to the over-controlling EGU, any unused "non-tradable" allowances and distributes them to others, in most cases a competitor in the wholesale power market that has not complied. Under a market based cap and trade regulation, as is allowed under CAMR, the ability to market unused allowances provides the incentive necessary to achieve over-control.