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BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

JAN 0 4 2001

IN THE MATTER OF:

PROPOSED NEW 35 ILL. ADM. CODE 217. SUBPART V, ELECTRICAL POWER GENERATION)

STATE OF ILLINOIS Pollution Control Board

R01-16

(Rulemaking Air)

NOTICE

P.C.#1

To:

Dorothy Gunn, Clerk Illinois Pollution Control Board State of Illinois Center

100 West Randolph, Suite 11-500 Chicago, Illinois 60601

Bob Beauchamp, Hearing Officer Illinois Pollution Control Board State of Illinois Center 100 West Randolph, Suite 11-500 Chicago, Illinois 60601

SEE ATTACHED SERVICE LIST

Please take notice that Dominion Generation is filing with the Clerk of the Office of the Illinois Pollution Control Board the following comments, copies of which are hereby served on you.

DOMINION GENERATION

Lement A. Orminis

Leonard R. Dupuis

Manager, Environmental Policy

Dated: January 3, 2001

Leonard R. Dupuis Manager, Environmental Policy **Dominion Generation** 5000 Dominion Blvd. Glen Allen, Virginia 23060

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COMMENTS SUBMITTED BY DOMINION GENERATION

Dominion Generation submits the following comments for the Illinois Pollution Control Board's (IPCB) consideration regarding the Illinois Environmental Protection Agency's (IEPA) Proposed New 35 ILL. ADM. CODE 217, Subpart V rule, which was filed with the Board on October 16, 2000. Dominion is a fully integrated, investor owned electric and gas energy provider headquartered in Richmond, VA with power generating facilities located in Illinois, Virginia, West Virginia, North Carolina, Ohio and Pennsylvania. Our Corporation operates two 600-MW coal-fired units at the Kincaid Generating Station in Kincaid, Illinois that will be subject to the requirements of this rule, which IEPA is proposing as a means of achieving the National Ambient Air Quality Standard (NAAQS) for ozone for the Metro-East St. Louis area. The Kincaid units are also subject to the requirements of IEPA's Subpart W rule, which has been developed to implement the requirements of EPA's NOx SIP Call rule and was adopted by this Board in a final order issued on December 21, 2000.

The Subpart V rule will require affected sources to reduce NOx emissions to meet a 0.25 lb/mmBtu emission rate over the 5-month ozone season (May-September) beginning in May 2003. The Subpart W rule (NOx SIP Call rule) will require even steeper emission reductions in order to achieve very stringent ozone season NOx emisson budgets (caps) set by U.S EPA. Initially, the IEPA intended to use the Subpart W rule to address both the Agency's obligations to submit a state implementation plan (SIP) complying with EPA's NOx SIP Call and to achieve attainment of the ozone standard in the Metro-East St. Louis nonattainment area and the Lake Michigan/Chicago nonattainment area. However, the U.S. Court of Appeals in the DC Circuit issued an order in August 2000 extending the SIP Call compliance date from May 1, 2003 to May 31, 2004. Subsequently, IEPA filed a motion to amend the Subpart W rule changing the compliance date from May 1, 2003 to May 31, 2004. IEPA is therefore proposing to implement the Subpart V rule beginning in May 2003 in order to achieve NOx emission reductions needed in order to meet the State's target date to address the Metro-East St. Louis During the public hearing held by the Board on nonattainment problem. November 28, 2000 IEPA stated its intention to continue the implementation of the Subpart V rule even after the more stringent Subpart W rule takes effect.

While Dominion continues to support a rate-based 0.25 lb/mmBtu approach and recognizes that the Subpart V rule is needed during the 2003 ozone season as a "stop-gap" measure, we believe it will no longer be necessary for the IEPA to continue implementation of the Subpart V rule once the more stringent Subpart W rule is implemented. As noted above, the Subpart W rule will require electric generating units in Illinois to reduce NOx emission levels well below the 0.25 lb/mmBtu rate in order to meet the state NOx emission budgets set by U.S. EPA. In fact, due to the erroneously low growth factors assumed by U.S. EPA in developing the NOx SIP budget for electric generating units in Illinois, the emission rates actually needed to comply with the budgets will be below the stringent 0.15 lb/mmBtu limit used by U.S. EPA in calculating the budgets. Therefore, the emission reductions required under the Subpart W rule will be more than sufficient to achieve the NAAQS for the Metro-East St. Louis nonattainment area. IEPA itself has recognized this and had fully intended on using the Subpart W (SIP Call) rule to achieve attainment targets for both the Metro-East and Chicago ozone nonattainment areas prior to the Court's order extending the compliance date for the NOx SIP Call. In addition, the Subpart V rule and Subpart W rules will require different compliance and reporting requirements. Since the sources subject to the Subpart V rule are also affected by the Subpart W rule, the simultaneous implementation of these rules is superfluous and will impose additional burden on sources affected by the rules. For these reasons, Dominion urges the Board to revoke the Subpart V rule once the Subpart W rule takes effect.

Another issue Dominion urges the Board to carefully consider is the availablility of early reduction credits (ERC's) generated under the provisions of the Subpart W rule once the Subpart V rule becomes effective in May 2003. Dominion is concerned about IEPA's interpretation of the Subpart W language specifying the emission reductions required to attain ERC's, for eventual NOx allowances from the compliance supplement pool (CSP), in which the Agency would require reductions 30% beyond the level (rate) required under the Subpart V rule. Dominion believes that ERC's should be granted for any reductions achieved during the 2003 ozone season that are below the 0.25 lb/mmBtu rate required by the Subpart V rule, provided that both the 0.25 lb/mmBtu rate and the emission rate achieved are at least 30% below the unit's Title IV emission rate or other federally enforceable limit at the time the Subpart W rule is adopted. In other words, a source should be allowed to achieve ERC's only for that portion of equivalent tonnage reduction below 0.25 lb/mmBtu that is also 30% below its Title IV or other applicable permit level at the time the Subpart W rule is adopted. We believe that such an interpretation would provide reasonable assurances that meaningful reductions were being achieved by sources requesting ERC's. While there is some uncertainty as to how many allowances will still be left in the state's CSP for issuance for ERC's generated in the 2003 ozone season, Dominion believes that a reasonable possibility exists that as much as 50% of the CSP allowances may be available in 2003 if U.S. EPA does not approve IEPA's SIP revision (submitted in October 2000) for the NOx SIP Call by May 1, 2001.

Should approval from U.S. EPA not occur by May 2001, reductions achieved during the 2001 ozone season will not qualify for ERC's under the Subpart W rule, and up to (but no more than) 50% of the allowances from the CSP will then be available for ERC's generated in 2002 and the remaining allowances will be available for ERC's generated in 2003.

In closing, Dominion commends the IEPA and this Board for its efforts in allowing affected stakeholders the opportunity to provide meaningful input through face-to-face meetings, public hearings and written comment throughout the development of both the Subpart W and Subpart V rules. Thank you for this opportunity to provide comment, and we again urge the Board to consider the concerns we've expressed regarding the continued implementation of the Subpart V rule once the more stringent Subpart W rule becomes effective.

Leonard R. Dupuis Manager, Environmental Policy Dominion Generation

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