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NOV 06 2000

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

STATE OF ILLINOIS
Pollution Control Board

IN THE MATTER OF:)
)
NATURAL GAS-FIRED PEAK-LOAD)
ELECTRICAL POWER GENERATING)
FACILITIES (PEAKER PLANTS))

R01-10

P.C. #163

NOTICE

TO: Dorothy Gunn, Clerk
Illinois Pollution Control Board
James R. Thompson Center
100 West Randolph, Suite 11-500
Chicago, IL 60601

Amy L. Jackson, Esq.
Hearing Officer
Illinois Pollution Control Board
600 South Second Street
Suite 402
Springfield, IL 62704

PLEASE TAKE NOTICE that I have today filed with the Office of the Clerk of Pollution Control Board the **Comments of Midwest Generation EME, LLC**, a copy of which is herewith served upon you.

Respectfully Submitted,
Midwest Generation EME, LLC

By: *Cynthia A. Faur*
One of its Attorneys

Dated: November 6, 2000

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11164344

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BEFORE THE ILLINOIS POLLUTION CONTROL BOARD NOV 06 2000

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Comments of Midwest Generation EME, LLC

Midwest Generation EME, LLC ("Midwest Generation") hereby submits the following comments in the Illinois Pollution Control Board's inquiry hearings concerning the potential environmental impact of natural gas-fired, peak-load electrical power generating facilities ("peaker plants").

Midwest Generation is a new company to Illinois with its headquarters in Chicago. It is a subsidiary of Edison Mission Energy, which is one of the largest independent power producers in the world with an installed capacity of over 27,000 megawatts of electrical generation. On December 15, 1999, Midwest Generation purchased the fossil fuel-fired assets of Commonwealth Edison ("ComEd"). These assets included coal-fired power plants located in Chicago, Waukegan, Romeoville (Will County), Joliet, and Pekin (Powerton), Illinois. Midwest Generation also acquired from ComEd a gas/oil-fired power plant near Morris, Illinois and 9 natural gas peaking sites. Midwest Generation has an installed capacity of approximately 10,000 megawatts in Illinois – nearly 1,000 megawatts of which is existing peaking capacity. Midwest Generation's existing peaking capacity is a critical component of the overall supply of electricity required to meet demand during peak periods.

While Midwest Generation is an independent power producer, it is currently contractually obligated to provide power on demand to ComEd to serve ComEd's customers. Typically, the peaking units in Midwest Generation's system are the last plants called upon to

provide power. These plants generally operate only a few hundred hours per year, but they are an important defense against power outages and brownouts. As demand for electricity continues to grow, the need for additional generating capacity in the State is apparent.

To improve its ability to help ensure a reliable supply of electricity in Illinois, Midwest Generation has applied to the Illinois Environmental Protection Agency (the "Agency") for a permit to install an additional 300 MW of peaking capacity at its existing Waukegan Generating Station. Specifically, Midwest Generation has applied for a permit to construct 2 simple cycle gas turbines, each equipped with dry low NOx combustors for NOx emission control. These peaking units will be subject to New Source Performance Standards ("NSPS"), which in this case will be equivalent to Best Available Control Technology ("BACT"), and NOx emissions from these units will be limited to less than 40 tons per year.

As stated above, Midwest Generation intends to install these units at the Waukegan Station as a modification of that existing source. Since purchasing the Waukegan Station from ComEd in December of 1999, Midwest Generation has commenced a project to significantly reduce NOx emissions from that station. Midwest Generation has already installed control equipment at the Waukegan station which has reduced NOx emissions from the coal-fired generating units at that station by 1,253 tons during this past ozone season and 2,300 tons annually. When the NOx emission reduction project is completed, there will be a total emission reduction of 4,000 tons annually and 2,000 tons during the ozone season. In permitting new peaking capacity at the Waukegan station, Midwest Generation is not using any of these emission reductions to offset emission increases from the new peaking units. Instead, Midwest Generation has elected to accept more stringent operating requirements on the peaking units themselves. As a result, the net effect of all the projects that Midwest Generation is undertaking

or proposing at Waukegan -- including the installation of 300 MW of new peaking unit capacity -
- would be to reduce nitrogen oxide emissions by almost 4,000 tons on an annual basis.

As stated above, Midwest Generation believes that additional generating capacity is necessary in the State of Illinois to meet the growing demand for electricity. In these proceedings, Richard Bulley, Executive Director for the Mid-America Interconnected Network (“MAIN”) testified that peaking plants have been responsible for keeping the electricity reserve margin in the required 17%-20% range. See Transcript of the August 24, 2000 Hearing (“August 24 Hearing Transcript”), p. 317. With the increase in electrical demand, however, the existing peaking capacity in Illinois, not including the new peaker plants that have been proposed, would have reserve margins for 2001, 2002, and 2003 of 13 %, 11%, and 10%, respectively – significantly below the 17% percent reserve minimum. Id. Additional peaking capacity is necessary to meet these reserve minimums and keep pace with increasing demand.

Midwest Generation is working to meet this increased demand in a manner that minimizes environmental impacts, and it believes that under the existing regulatory framework in Illinois, Midwest Generation and other entities can install new capacity in a manner that recognizes environmental protection goals. With this preface in mind, Midwest Generation would like to turn to the questions posed by the Board in this inquiry hearing.¹

1. Do peaker plants need to be regulated more strictly than Illinois’ current air quality statutes and regulations provide?

Midwest Generation does not believe that peaker plants warrant more stringent regulation than currently provided in existing and proposed Illinois requirements. New peaker plants constructed in Illinois are required to submit detailed information, including modeling data, to

¹ As several other commenters have addressed the regulatory regimes applicable to peaker plants in other states, Midwest Generation has not addressed that question in its comments.

the Agency in order to obtain construction permits for their project. As both Chris Romaine and Kathleen Bassi of the Agency testified in these proceedings, based upon the modeling performed and the information provided in the applications, peaker plants do not threaten air quality. See Transcript of the August 23, 2000 hearing (“August 23 Hearing Transcript”), p. 101 (testimony of Chris Romaine); Transcript of the October 6, 2000 hearing (“October 6 Hearing Transcript”), p. 204 (testimony of Kathleen Bassi); see also Agency’s Response to Questions, p. 6.

While there has been much focus in these hearings on the permitted NO_x emission levels for many of the new peaking units being constructed in the this State, it is important to note that these new peaking units are required to meet the NSPS for Stationary Gas Turbines, 40 CFR § 60.330 et. seq. This NSPS contains requirements which limit the amount of NO_x and SO₂ that can be emitted from peaking units. In the case of Midwest Generation’s proposed peaking units in Waukegan, Midwest Generation is installing BACT-equivalent technology to comply with NSPS requirements.

Additionally, the construction permits issued for the peaking units contain both short and long-term emission limitations. Where a peaking unit is located at an existing facility, the requirements can be more stringent. In the case of Midwest Generation’s proposed peaking units to be installed at its Waukegan station, Midwest Generation accepted an annual NO_x limitation of approximately 39 tons on emissions from its two peaking units combined to ensure that the addition of these units would be treated as a minor modification to the Waukegan station. Since Midwest Generation significantly reduced emissions from the Waukegan station in the past year, it could have used some of those emission reductions to offset emissions from the new peaking unit – thus enabling the peaking unit to operate for more hours in the year. Midwest Generation, however, elected not to use any of these emission reductions to offset the peaking units.

Peaker plants generally operate a few 100 hours per year. In fact, in 1999, the peaking units currently owned by Midwest Generation ran only 2% of the time or less than 200 hours.

The peaker plants proposed for construction in Illinois burn natural gas, which is the "cleanest" form of fossil fuel. The primary emissions from these plants will be NO_x, but peaker plants will only be a small portion of the NO_x emitted in the State. Other NO_x sources, including boilers and mobile sources, like cars, account for a large percentage of the NO_x emitted in the State. For example, on-road sources accounted for 36% of all the NO_x emitted in the State according to the Agency's 1996 emission inventory.

With regard to water use, not all peaking units use a great deal of water. In fact, Midwest Generation's existing peaking units, as well as those proposed to be installed at the Waukegan station, use very little water. Midwest Generation does not believe that its peaking units have a noticeable effect on the groundwater supply.

Finally, with regard to noise concerns, peaking units constructed in Illinois are subject to stringent noise regulations which require the operators of peaking units to address noise issues. As Greg Zak of the Agency testified, Illinois has been one of the most active states in regulating noise, and all of the noise emissions associated with peaker plants will be addressed by the existing noise requirements. See August 23 Hearing Transcript, pp. 135, 198-199. Mr. Zak further noted in his testimony that the Agency has not received any noise complaints with regard to the existing peaking units in Illinois. August 23 Hearing Transcript, pp. 136-137. Midwest Generation believes that the State's noise requirements are sufficient to address any noise concerns with peaking units. Given these noise requirements, Midwest Generation does not believe that noise from these peaking units will constitute a unique threat.

3. Should new or expanding peaker plants be subject to siting requirements beyond applicable, local zoning requirements?

Midwest Generation believes that while the Agency can provide technical expertise on the air quality impacts of peaker plants, local governments are the best suited to make land use determinations for their jurisdictions. As the Agency Director, Tom Skinner testified, local governments have the authority to deny siting approval for a peaker plant even if the Agency grants a construction permit for the proposed project. See August 23 Hearing Transcript, p. 63. Recent actions taken by localities, like the Village of Libertyville, to deny peaker plant applications evidences this local authority.

Midwest Generation believes that in order for zoning requirements to be effective, the source must be willing to work with local government and citizens to ensure that they have the information that they need regarding the project and that the information is presented in an easily understood form. Midwest Generation also believes that it is vital to conduct outreach in the local community and address concerns raised by local citizens. Midwest Generation is committed to working with local government officials and local citizens to address any questions or concerns that may arise concerning its proposed projects, and it strives to be flexible when addressing these concerns. Midwest Generation believes that where there is an open exchange of information and concerns, local zoning requirements can be sufficient to address the siting of peaker plants.

4. If the Board determines that peaker plants should be more strictly regulated or restricted, should additional regulations or restrictions apply to currently permitted facilities or only to new facilities or expansions?

Should the Board propose that more stringent requirements be adopted for peaker plants, Midwest Generation does not believe that such requirements should apply retroactively to existing peaking units. Midwest Generation currently operates 9 existing peaking sites – all of which are located in sites that are zoned for that purpose or at existing power plants. These

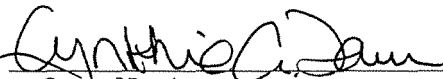
peaker plants are a vital portion of the Illinois power supply. Generally, these peakers run only during peak periods when their ability to rapidly fire up is crucial to meeting demand and maintaining reliability. In 1999, Midwest Generation's peakers ran about 2% of the time or less than 200 hours. As Chris Romaine testified, these existing plants "have had a critical place in the power supply system as they have operated to meet the demand for electricity when the demand [was] at its highest." August 23 Hearing, p. 73. These peak periods can occur at any time. Recently, peaker plants were called upon to provide additional power during a nuclear plant outage. If additional requirements were made applicable to these peakers, it could significantly impact the ability of these units to provide needed power during peak periods. Therefore, Midwest Generation believes that additional or retroactive regulation of existing peaker plants is not warranted at this time.

Conclusion

In conclusion, Midwest Generation believes strongly that peaker plants perform a vital function in meeting the electricity needs of the citizens and businesses in Illinois. Without additional peaking capacity in the State, it would be difficult, if not impossible, to maintain reliable electric service. Peaker plants are the final source of supply and defense against power outages and brownouts. While peak power is necessary in Illinois, Midwest Generation believes that peaker plants can be constructed in a manner consistent with both the State's generation needs and environmental protection goals. Midwest Generation further believes that these needs and goals can be met through the existing regulatory framework and that owners and operators of peaker plants can work one on one with local governments and citizens to address concerns and the needs of individual communities. Midwest Generation thanks the Board for the opportunity to present these comments.

Respectfully Submitted,

MIDWEST GENERATION EME, LLC

By: 
One of Its Attorneys

Dated: November 6, 2000

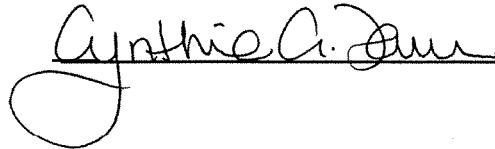
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CERTIFICATE OF SERVICE

The undersigned, an attorney, certify that I have served upon the individuals named below true and correct copies of **Comments of Midwest Generation EME, LLC** by Messenger, as indicated or First Class Mail, postage prepaid on November 6, 2000.

A handwritten signature in cursive script, reading "Cynthia A. Jann", is written over a horizontal line. A large, stylized loop is drawn below the line, extending from the start of the signature.

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