

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

IN THE MATTER OF:)	
)	
PROPOSED NEW 35 ILL. ADM. CODE)	R06-025
225 CONTROL OF EMISSIONS FROM)	(Rulemaking – Air)
LARGE COMBUSTION SOURCES)	

NOTICE OF FILING

TO: Ms. Dorothy M. Gunn	Marie E. Tipsord, Esq.
Clerk of the Board	Illinois Pollution Control Board
Illinois Pollution Control Board	James R. Thompson Center
100 West Randolph Street	100 West Randolph Street
Suite 11-500	Suite 11-500
Chicago, Illinois 60601	Chicago, Illinois 60601
(VIA ELECTRONIC MAIL)	(VIA FIRST CLASS MAIL)

(SEE PERSONS ON ATTACHED SERVICE LIST)

PLEASE TAKE NOTICE that I have today filed with the Office of the Clerk of the Illinois Pollution Control Board a **LETTER FROM THE ILLINOIS ENVIRONMENTAL REGULATORY GROUP TO THE DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY REQUESTING AN ECONOMIC IMPACT STUDY, ON BEHALF OF THE ILLINOIS ENVIRONMENTAL REGULATORY GROUP**, a copy of which is herewith served upon you.

Respectfully submitted,

ILLINOIS ENVIRONMENTAL
REGULATORY GROUP,

By: /s/ Katherine D. Hodge
One of Its Attorneys

Dated: May 19, 2006

Katherine D. Hodge
N. LaDonna Driver
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Post Office Box 5776
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(217) 523-4900

CERTIFICATE OF SERVICE

I, Katherine D. Hodge, the undersigned, hereby certify that I have served the attached **LETTER FROM THE ILLINOIS ENVIRONMENTAL REGULATORY GROUP TO THE DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY REQUESTING AN ECONOMIC IMPACT STUDY, ON BEHALF OF THE ILLINOIS ENVIRONMENTAL REGULATORY GROUP**

upon:

Ms. Dorothy M. Gunn
Clerk of the Board
Illinois Pollution Control Board
100 West Randolph Street
Suite 11-500
Chicago, Illinois 60601

via electronic mail on May 19, 2006; and upon:

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by depositing said documents in the United States Mail, postage prepaid, in Springfield,
Illinois, on May 19, 2006.

/s/ Katherine D. Hodge
Katherine D. Hodge



Illinois Environmental Regulatory Group

May 18, 2006

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Director Jack Lavin
Department of Commerce and Economic Opportunity
620 East Adams Street, S-6
Springfield, IL 62704

RE: Illinois Pollution Control Board's Request for Economic Impact Study for:
Proposed New 35 Ill. Admin. Code 225; Control of Emissions from Large
Combustion Sources (R06-25)

Dear Director Lavin:

I am submitting this letter on behalf of the Illinois Environmental Regulatory Group ("IERG"), an organization composed of fifty-three (53) member companies engaged in power generation, industry, commerce, manufacturing, agriculture, trade and transportation, which are regulated by governmental agencies that promulgate, administer or enforce environmental laws, regulations, rules or policies. IERG is an affiliate of the Illinois State Chamber of Commerce and has a significant stake in the development of environmental regulations impacting Illinois' industries. A list of IERG's Member Companies is attached.

I am writing in regard to the Illinois Pollution Control Board's ("Board") request for an Economic Impact study for In the Matter of: Proposed New 35 Ill. Admin. Code 225; Control of Emissions from Large Combustion Sources (R06-25) (the "Mercury Proposal"). The Board's request, pursuant to Section 27(b) of the Illinois Environmental Protection Act, was forwarded to your office by letter dated May 10, 2006. IERG respectfully requests that the Department of Commerce and Economic Opportunity conduct an economic impact study on the impact that the Illinois Environmental Protection Agency's ("Agency") proposal will have on utilities, consumers, the Illinois economy, the business community, and other affected industries, which specifically includes economic data that will be provided by the impacted utilities in the rulemaking currently pending before the Board.

As you may know, the Agency's proposal seeks to essentially reduce overall mercury emissions from coal-fired power plants by 90% by July 2009 and does not allow emissions trading. The Mercury Proposal drastically deviates from the federal Clean Air Mercury Rule ("CAMR") issued by the U. S. Environmental Protection Agency ("USEPA"). See Standards of Performance for New and Existing Stationary Sources: Electric Utility Steam Generating Units, 70 Fed. Reg. 28606 (May 18, 2005) (to be codified at 40 C.F.R. pts. 60, 72, 75). CAMR establishes limits on mercury emissions from new and existing coal-fired power plants, and creates a market-based cap-and-trade program that will reduce emissions in two phases. The first phase, effective in 2010, caps nationwide mercury emissions at 38 tons, with reductions to be achieved through co-benefits under USEPA's Clean Air Interstate Rule ("CAIR"). The

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second phase is due in 2018. Id. When fully implemented, the rules will have reduced mercury emissions from 48 to 15 tons a year, a nearly 70% reduction. The USEPA chose this two-phase approach specifically because:

EPA recognized that the air pollution control retrofits that result from a program to achieve highly cost-effective reductions are quite significant and cannot be immediately installed. Such retrofits require a large pool of specialized labor resources . . . the availability of which will be a major limiting factor in the amount and timing of reductions.

EPA also recognized that the regulated industry will need to secure large amounts of capital to meet the control requirements while managing an already large debt load, and is facing other large capital requirements to improve the transmission system. Furthermore allowing pollution control retrofits to be installed over time enables the Industry to take advantage of planned outages at power plants (unplanned outages can lead to lost revenue and adversely impact consumers) and to enable project management to learn from early installations how to deal with some of the engineering challenges that some plants/facilities/units pose, especially for the smaller units those often present space limitations. In addition, such phased installation of controls also minimized any potential impact on the power grid and its stability and reliability.

Id. at 28618.

Further, in September 2004, the Agency issued its Fossil Fuel-Fired Power Plants Report to the Illinois House and Senate Environment and Energy Committees ("Report"). The Report, requested by the Illinois General Assembly pursuant to Section 9.10 of the Illinois Environmental Protection Act ("Act"), addresses several concerns including mercury emissions from power plants and the impact of such emissions on public health and the environment. In addition, the Report summarizes the "potential costs that Illinois power generators could experience with several of the proposed national multi-pollutant programs . . ." Id. at 60. The Agency concluded:

Illinois EPA believes that independent, full, and complete economic assessments should be performed on the full economic impacts in Illinois of the final CAIR proposal, the Mercury Reduction Rule, the Carper and Jeffords Bills, and any others that surface in the next several months. The impact to Illinois' coal jobs and power industry jobs must be fully understood. Certainly, the deregulated electricity market that exists in Illinois, the cost of impacts on generation and, ultimately, to Illinois citizens and businesses needs to be fully understood. Such assessments can only be properly performed once certainty exists at the federal

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level. These cost analyses will be vital in fully assessing the appropriate timing and scope of additional emission reductions from power plants in Illinois.

Id. at 70. If the Agency concluded that these more reasoned and methodical federal proposals needed to be evaluated for the economic impact they would have on the people and business of Illinois, it is reasonable to believe that it is also necessary for the Agency's Mercury Proposal to be analyzed for its economic impact.

It is vital that the Board have a full and adequate record, which includes an economic impact study, when it determines whether to amend or adopt the Mercury Proposal. Section 27 of the Act states, in relevant part:

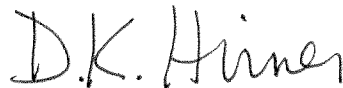
In adopting any such new rule, the Board shall, in its written opinion, make a determination, based upon the evidence in the public hearing record, including but not limited to the economic impact study, as to whether the proposed rule has any adverse economic impact on the people of the State of Illinois.

415 ILCS 5/27(b)(2). Accordingly, IERG requests that the DCEO conduct an economic impact study and consider the economic information that has been developed by the Agency, affected industries, and other participants in the rulemaking.

If you need any additional information or if you have any questions, please feel free to contact me.

Very truly yours,

ILLINOIS ENVIRONMENTAL REGULATORY
GROUP



Deirdre K. Hirner
Executive Director

DKH:MTR:crs

IERG:001/Corr/Draft Lavin Ltr re R6-25

IERG Member Companies May 2006

A D M
Abbott Laboratories
Ameren Services Company
Aventine Renewable Energy, Inc.
B P Products North America Inc.
Black Beauty Coal
Bunge North America, Inc.
Burlington Northern and Santa Fe Railway
Buzzi Unicem USA, Inc.
Cabot Corp.
Calpine Morris Operations
Caterpillar Inc.
CITGO Petroleum Corporation
Cognis Corporation
Commonwealth Edison Company (Exelon)
Conoco Phillips Company
Corn Products International, Inc.
DaimlerChrysler
Deere & Company
Dominion Kincaid Generation, L. L. C.
Dow Chemical Company
Dynege, Inc.
Electric Energy
Equistar Chemical, L P
ExxonMobil Corporation
Flint Hills Resources
G E Plastics

G. E. Company
General Mills
Huntsman
INEOS Styrenics
Kinder Morgan Inc.
Lonza Inc.
Marathon Ashland Petroleum- L L C
Midwest Generation E M E, L L C
Nestle U S A
Nicor Gas Company
Noveon, Inc.
Olin Corporation
ONDEO Nalco Company
Peoples Energy
S & C Electric Company
Solae, Inc.
Southern Illinois Power Cooperative
Soyland Power Cooperative Inc.
Springfield C W L P
Stepan Company
Sterling Steel LLC
Tate & Lyle
Teepak L L C
The Sherwin-Williams Company
US Steel, Granite City
Waste Management