

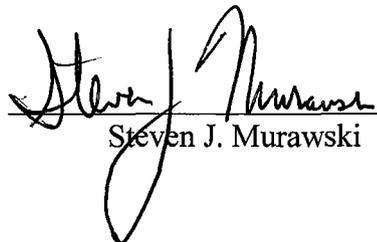
BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

IN THE MATTER OF:)
)
PROPOSED NEW CAIR SO₂, CAIR NO_x)
ANNUAL AND CAIR NO_x OZONE SEASON) R06-26
TRADING PROGRAMS, 35 ILL. ADM.) (Rulemaking- Air)
CODE 225, CONTROL OF EMISSIONS)
FROM LARGE COMBUSTION SOURCES,)
SUBPARTS A, C, D and E)

NOTICE OF FILING

To: See Attached Certificate of Service

PLEASE TAKE NOTICE that on December 21, 2006, we filed with the Clerk of the Illinois Pollution Control Board the attached Post-Hearing Comments of Jason M. Goodwin, a copy of which is attached hereto and hereby served upon you.



Steven J. Murawski

Dated: December 21, 2006

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POST-HEARING COMMENTS OF JASON M. GOODWIN

My name is Jason M. Goodwin and I previously filed written comments in the above-cited rulemaking on behalf of Zion Energy LLC (Zion) on November 10, 2006. Zion owns and operates a peaking power electric generating facility called the Zion Energy Center located at 5701 West 9th Street, Zion, Illinois (Facility). On November 28, 2006, I also testified before the Illinois Pollution Control Board (Board) to better describe Zion's positions and answer questions regarding the Illinois Environmental Protection Agency's (Illinois EPA) proposal for a state-based Clean Air Interstate Rule (CAIR), 35 IAC Part 225 (Proposed Rule). During the November 28, 2006 hearing, I was asked by various members of the Board, Illinois EPA and the public to clarify Zion's positions on fuel weighting/fuel neutrality and the proposed Clean Air Set Aside (CASA), including, in some cases, my thoughts on potential compromise solutions. As a follow-up to my prior written comments and testimony, I offer the following additional information in an effort to respond to some of those questions raised during my testimony.

In this filing, I have attempted to avoid reiterating any of the points I previously made in detail during this public comment process. Instead, I have attempted to describe additional facts and other thoughts that could potentially provide a bridge between the seemingly divergent views expressed throughout the public comment period regarding fuel weighting/fuel neutrality

and the proposed CASA. It is important to note that, while I have not reiterated my earlier points, Zion contends that those initial points reflect its primary position on the issues.

I. Fuel-Weighting/Fuel Neutrality

During my testimony at the November 28, 2006 hearing, Board Member and Senior Environmental Scientist Anand Rao asked me whether there is an alternative (e.g., a compromise weighting factor) that Zion would be willing to support. Hearing Transcript, November 28, 2006, 93:23 - 94:4. In response, I made it clear that Zion preferred a fuel-neutral allocation mechanism, but that it was willing to consider and discuss a more balanced alternative as a compromise. *Id.* at 94:5 - 94:10.

Since the November 28, 2006 hearing, I have conducted an evaluation of potential alternatives between the Illinois EPA's proposed fuel weighting factors and Zion's proposed fuel neutrality position and offer the following recommendation and reasoning. While Zion's first preference remains fuel neutrality, we recognize the diverse positions surrounding this issue and appreciate the reasoning behind them.

As a result of its evaluation, Zion is willing to consider a compromise alternative fuel weighting factor that closes the gap between the fuel neutral option and the Illinois EPA's current proposal. Specifically, Zion suggests a compromise factor of 0.7 for both gas-fired and oil-fired units. This number represents the mid-point between 1.0 for coal-fired units and 0.4 for gas-fired units and is a minimal increase from the 0.6 factor for oil-fired units/operating modes. As we see it, a revised oil-fired factor that is consistent with the proposed gas-fired factor is necessary to streamline the process for determining the quantity of allowance allocations. It also provides additional consideration for reliability (through enhanced allocation treatment) for units

operating in gas-curtailed situations when (a) natural gas is unavailable, (b) power demand is potentially very high or (c) reliability of the electric power supply is critical.

In considering Zion's proposed compromise alternative fuel weighting factor, it is essential for the Board to place this recommendation into context with what other states are currently doing. As described below, we believe that Zion's recommended position on fuel-weighting is entirely consistent with the majority of fuel-weighting concepts being used in other states where Calpine Operating Services Company, Inc.(COSCI) ¹ has been involved:

- **Alabama** – fuel-neutral
- **Arkansas** – fuel-neutral
- **Florida** – 0.4 gas/0.6 oil/1.0 coal (consistent with federal model)
- **Louisiana** – 0.4 gas/0.6 oil/1.0 coal (consistent with federal model)
- **Minnesota** – 0.4 gas/0.6 oil/1.0 coal (consistent with federal model)
- **South Carolina** – 0.6 gas/0.6 oil/1.0 coal (state-based custom approach)
- **Wisconsin** – fuel-neutral

II. CASA

In response to my comments and testimony on November 28, 2006 about the Illinois EPA's proposed CASA size, Mr. Stephen J. Bonebrake suggested that I offer a view as what the appropriate percentage for a CASA set-aside should be. Hearing Transcript, November 28, 2006, 52:9 - 52:10. At the time, I did not have a specific recommendation, but I do now based on an evaluation of the set-aside concepts accepted in other states where COSCI has been involved. Id. at 52:11 - 52:13; see also id. at 90:4 – 90:9.

As shown below, the Illinois EPA's proposed 25% CASA is far out of line with the proposed set-aside pools in many other CAIR states:

- **Alabama** – no provision for renewable sources or energy efficiency projects; clean coal projects are considered through new source/main pool allocations

¹ See November 10, 2006 Testimony of Jason M. Goodwin, p. 1-2 for details about the relationship between COSCI and Zion.

- **Arkansas** – no provision for renewable sources; energy efficiency projects (made by generators) are accounted for through output-based allocations; clean coal projects are considered through new source/main pool allocations
- **Florida** – no provision for renewable sources or energy efficiency projects; clean coal projects are considered through new source/main pool allocations
- **Louisiana** – no provision for renewable sources or energy efficiency projects; clean coal projects are considered through new source/main pool allocations
- **Minnesota** – no provision for renewables, energy efficiency projects or other special projects (will follow federal model); original stakeholder concept (since cancelled) proposed 15% for renewable generating sources
- **South Carolina** – no provision for renewable sources or energy efficiency projects; clean coal projects are considered through new source/main pool allocations
- **Wisconsin** – new renewable facilities may apply for allocations from the main pool once an operating baseline is established; energy efficiency projects (made by generators) are accounted for through output-based allocations; no allocations for non-generators; clean coal projects are considered through new source/main pool allocations

Consequently, Zion believes that the CASA in the Proposed Rule should be revised based on two factors. First, a smaller proportion of the total allowance budget should be made available for non-emitting sources. We suggest a CASA set-aside percentage in the 5-10% range, rather than the proposed 25%, because setting aside such a large portion of the allowance pool (i.e., 25%) unjustifiably increases the compliance burden on facilities that already face significant emission reduction obligations though an artificial reduction in allowances available for allocations. Second, we suggest that CASA applicants be restricted to electric generating sources and that non-generating sources (e.g., energy efficiency project, demand-side management, etc.) be eliminated from consideration in the Proposed Rule.

III. Conclusion

For the above-described reasons, Zion asks that the Board adopt a rule that reasonably incorporates and considers Zion's comments above, as well as Zion's earlier written comments and testimony.

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Post-Hearing Comments of Jason M. Goodwin was served on this 21st day of December, 2006,

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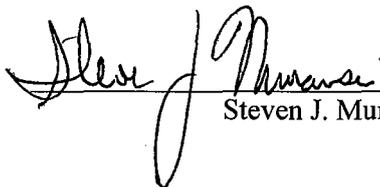
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