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BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

JAN 05 2007

IN THE MATTER OF:	)	
	)	
PROPOSED NEW CAIR SO <sub>2</sub> , CAIR NO <sub>x</sub>	)	
ANNUAL AND CAIR NO <sub>x</sub> OZONE SEASON	)	R06-026
TRADING PROGRAMS, 35 ILL. ADM.	)	(Rulemaking – Air)
CODE 225, CONTROL OF EMISSIONS	)	
FROM LARGE COMBUSTION SOURCES,	)	
SUBPARTS A, C, D and E	)	

STATE OF ILLINOIS  
Pollution Control Board

**POST-HEARING COMMENTS OF AMEREN CORPORATION**

*pc#4*

Ameren Corporation ("Ameren"), by and through its attorneys, McGuireWoods LLP, files these Post-Hearing Comments with regard to the above rulemaking. Ameren participated in all of the hearings on this matter and presented its own witness in support of its position expressed below. In general, Ameren supports the Proposal filed by the Agency as amended by the Amended Proposal filed on November 11, 2006 ("Amended Proposal") but requests that the Board allow the use of Clean Air Act ("CASA") allowances to support advanced Over Fire Air ("OFA") NO<sub>x</sub> reduction strategies and to adopt the amendment proposed by Ameren in Attachment A to its testimony (Ameren Exhibit 1).

Ameren supports the Board's adoption of the Agency's Amended Proposal for First Notice. The Proposal follows the national CAIR approach adopted by the USEPA and will allow energy companies in Illinois to participate in the nationwide trading program for NO<sub>x</sub> and SO<sub>x</sub> allowances as part of their compliance strategy. The SO<sub>2</sub> provisions accurately track the CAIR provisions, so that the USEPA and IEPA SO<sub>2</sub> reduction program can be implemented seamlessly. Ameren urges the Board to adopt these rules to allow Illinois to proceed expeditiously through the SIP process.

Ameren also supports the adoption of the CASA program for NO<sub>x</sub> reductions. As

stated in the testimony of Michael Menne (delivered by Steve Whitworth at the November 29 hearing, and admitted as Ameren Exhibit 1), Ameren supports the IEPA in establishing an innovative approach to promote important energy and environmental goals. Ameren believes that CASA represents a useful balancing of technology, economic, energy and environmental considerations in achieving those goals. Ameren views the CASA as an opportunity for generating companies which can organize their projected activities to use CASA to meet their own objectives while working with the IEPA to meet Governor Blagojevich's energy strategy. Therefore Ameren views the CASA as a "win- win" for energy companies to deliver efficient, reliable and clean energy in concert with the goals of the Blagojevich administration.

In this regard, Ameren specifically requests the Board to adopt those portions of the Amended Proposal which allow Ameren and other companies which seek to utilize the Multi-Pollutant Strategy ("MPS") to obtain CASA allowances. In Section 225.460(d)(2)(B) of the Amended Proposal, the Agency specifically identifies projects undertaken to meet the MPS as eligible for credits, as an exception to the exclusion for projects performed to meet state and federal legal requirements. Jim Ross testified that it was the Agency's intention to include MPS projects as eligible for allowances (October 30, T. 48, 49) and the IEPA made this change in response to questions regarding this language. This change is consistent with Ameren's understanding of the Proposal and should be adopted by the Board.

Similarly, Ameren asks the Board to adopt language proposed by the Agency also in Section 225.460(d)(3) that makes projects performed pursuant to consent decrees entered into after the date the original proposal was filed eligible for CASA. A party

which constructs the additional projects to reduce NO<sub>x</sub> as contemplated by CASA, by doing that work either earlier than required or obtaining additional reductions than required should still be eligible for CASA allowances, even if that work is subsequently required in a later entered consent decree.

Ameren was specifically asked by Keith Harley from ELPC whether it had plans to construct additional renewable energy facilities or energy efficiency projects and to take advantage of CASA allowances identified for these activities. At this time, Ameren has not finalized any plans either to construct renewable energy facilities or energy efficiency projects or to seek allowances for them if they choose to perform these types of projects. Should Ameren proceed with such projects it would probably seek such CASA allowances as are provided under these rules.

Ameren respectfully suggests however that the Board should consider Ameren's position that advanced OFA projects should be eligible for CASA allowances. Sections 225.460(c)(1) and 225.560(c) specifically exclude "overfired air techniques" from the list of projects eligible for CASA clean technology allowances. Ameren included as Attachment B to its testimony (Ameren Exhibit 1) a proposal to make eligible projects which provide advanced OFA to achieve at least a 30% reduction of the baseline NO<sub>x</sub>, or OFA projects which are included as part of a comprehensive NO<sub>x</sub> reduction strategy with other technologies listed in the section. Ameren believes that it has justified this proposed change and that it should be adopted.

The Agency's basis for not including this proposal in its Amended Proposal is based almost entirely on policy rather than technical grounds. In response to questions on this issue, Jim Ross testified that the Agency excluded OFA because it was not expected

to be as effective as the listed technologies in reducing NO<sub>x</sub> and because it was not as capital intensive as the listed technologies. (October 11 T. 60-64). Mr. Ross indicated that the Agency wanted to preserve the allowances to provide incentives for higher cost technologies which may not otherwise be economical in the absence of such allowances. Mr. Ross did state that the Agency would continue to evaluate the issue during the hearings and did not close the door on any revisions.

Ameren believes that it addressed these objections in its testimony and justified the proposed revisions. Steve Whitworth testified extensively in support of Ameren's OFA position (November 29 T. 73-132). He described how OFA works and the differences between advanced OFA and first generation OFA. He further described the results that Ameren had been able to achieve at several of their Missouri facilities and that a suite of OFA technologies could achieve results similar to the 30% reductions which the Agency expected for SNCR. Mr. Whitworth further testified that OFA had none of the potential environmental downsides of SNCR. Prominently among these, it did not require the storage of reagents such as ammonia or urea. More importantly, even advanced OFA would be less costly to install and operate than SNCR and therefore could result in more cost effective reductions of NO<sub>x</sub>.

From a policy standpoint, the only issue should be whether, as Mr. Whitworth testified, NO<sub>x</sub> reductions can be achieved. Substantial NO<sub>x</sub> reductions achieved cost effectively benefits the entire process. Given a choice between two essentially equal technologies to achieve NO<sub>x</sub> goals, companies should not be given incentives to choose the higher cost technology simply because allowance credits may be available. While the Agency's goal of preserving credits to help companies pay for higher cost items is

laudable, the Agency presented no evidence that the use of allowances for advanced OFA would significantly diminish the available pool or, more importantly that it would lessen the total NOx reductions achieved by use of credited allowances.

The Agency questioned whether allowances should be available for advanced OFA if the cost of installing OFA is less than the cost of purchasing allowances. Yet, the Agency's implied argument is without support. First, the cost of allowances has dropped significantly and with a current market value of around \$850 for 2007 vintage NOx Budget Trading program allowances rather than the \$1,500 per ton suggested by the IEPA. Secondly the costs of advanced OFA controls are estimated to be in a range of \$30/kw to \$95kw depending on generating unit size and configuration. Based on budgetary estimates the capital cost of installing advanced OFA controls would range from \$8 to \$10 million for units with capacities of 80 to 350 MW. Ameren estimates that NOx emissions can be reduced by 40 to 50% with advanced OFA controls.

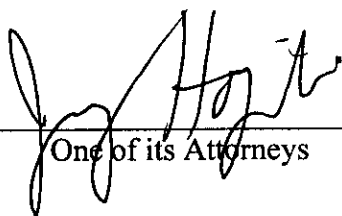
Ameren's proposed language, included as Attachment B to Ameren Exhibit 1 is designed to create a narrow and limited eligibility for OFA projects. First, such projects can only be eligible if they achieve 30% reductions. This number was chosen to represent a clear dividing line between first generation OFA and advanced OFA and also represents the level at which advanced OFA becomes directly comparable to SNCR and distinct from the first generation OFA which is utilized at some facilities in Illinois.

Secondly such projects could be eligible if they were part of a phased NOx control program which includes an advanced computerized combustion control system or a NOx control reduction strategy already identified as eligible under Sections 225.460(c) and 225.560(c). The idea of a phased NOx control program is necessary to avoid

potential disincentives to rationally staged NOx control strategies. As discussed in Ameren's filed testimony (Ameren Exhibit 1, P. 7) the installation of OFA before an approved NOx reduction control strategy would have the effect of raising the baseline for the approved strategy and thus reducing the allowances for which such a strategy would be eligible. Under Ameren's proposal, a company could propose to group or phase NOx control strategies and base its allowance request on the reductions obtained by the whole system. This would include both reductions obtained by the first elements in that phased reduction approach and total reductions obtained by the entire process.

In conclusion, Ameren believes that the Board should adopt the Agency's Amended Proposal for First Notice but also include Ameren's proposed amendments for Section 225.460(c) and 225.560(c). As always, Ameren appreciates the opportunity to participate in these hearings and to present these comments to the Board.

RESPECTFULLY SUBMITTED  
AMEREN CORPORATION

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**NOTICE OF FILING**

TO: Those Individuals as Listed on attached Certificate of Service

Please take notice that on January 5, 2007 the undersigned caused to be filed with the Clerk of the Illinois Pollution Control Board the attached Post-Hearing Comments of Ameren Corporation, a copy of which is herewith served upon you.

Dated this 05<sup>th</sup> day of January, 2007.

Respectfully submitted,

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AMEREN ENERGY RESOURCES GENERATING  
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CERTIFICATE OF SERVICE

The undersigned, one of the attorneys for Petitioners, hereby certifies that I served a copy of the attached document, Post-Hearing Comments of Ameren Corporation, upon those listed below on January 5, 2007 via First Class United States Mail, postage prepaid.

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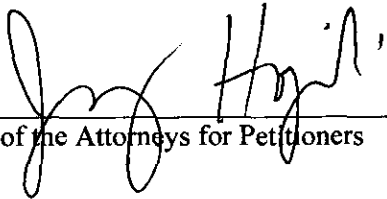
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