

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

In The Matter of:

**Proposed New Clean Air Interstate Rule
(CAIR) SO₂, NO_x Annual and NO_x Ozone Season
Trading Programs, 35 Ill. Adm. Code 225.
Subparts A, C, D and E.**

) **No. R06-26**
) **(Rulemaking -Air)**

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JUN 28 2007

STATE OF ILLINOIS
Pollution Control Board

PC#17

First Notice Comments of Kincaid Generation, LLC

NOW COMES Participant KINCAID GENERATION, L.L.C. ("Kincaid") and respectfully submits its comments on the First Notice of this rulemaking. Kincaid has participated throughout this long rulemaking process and we appreciate this opportunity to provide the Illinois Pollution Control Board with comment on the proposed Clean Air Interstate Rule (CAIR).

Dominion owns and operates electric generating facilities in ten states, including the 1250 megawatt coal-fired Kincaid Generation LLC power plant, located in Kincaid, Illinois. Dominion also owns a 50% interest in the 1400-megawatt natural gas-fired Elwood Energy, LLC combustion turbine plant, located in Elwood, Illinois.

Subparts D (CAIR NO_x Annual Trading Program) and E (CAIR NO_x Ozone Season Trading Program) of the Illinois CAIR proposal far exceed the federal CAIR requirements and will competitively disadvantage Illinois businesses and electricity ratepayers.

As we have stated previously, Dominion has concerns regarding the Illinois EPA proposal under Subparts D and E. Specifically, we do not support the 25% set-aside of NO_x allowances under proposed Sections 225.455 and 225.555, the "Clean Air Set-Aside (CASA)". The agency has not provided justification that the level of the proposed set-aside is necessary from an air quality perspective. Second, these provisions will significantly increase compliance costs for Illinois sources and competitively disadvantage the state relative to surrounding states. It may also deny

Illinois the economic advantages of the EPA trading program that many other surrounding states will realize through their adoption of the EPA rule.

In addition, we do not support the proposed withholding of allowances from the compliance supplement pool (CSP) under Section 225.480 of the CAIR NO_x Annual Trading Program proposal. These additional NO_x allowances have been provided in the federal rule to encourage early reductions during 2007 and 2008. Illinois included early reduction provisions in its rules implementing the NO_x SIP Call. These early reduction incentives not only provide companies added compliance flexibility that ease the burden once the requirements take effect, but benefit the environment as well by providing real emission reductions sooner.

The Illinois EPA should justify any “beyond CAIR” NO_x reductions with a thorough modeling demonstration.

Should there remain local areas in Illinois that fail to meet the air quality standards following implementation of the CAIR regional reductions, the IEPA should thoroughly evaluate the amount of additional air quality improvement needed and the amount of emission reductions needed in the more localized nonattainment area in order to achieve the needed air quality improvements in the most cost-effective manner. Requiring all Illinois sources subject to CAIR to implement “beyond CAIR” reductions across-the-board for the purpose of resolving local problems is not reasonable or environmentally justified. We urge IEPA to conduct a thorough modeling demonstration to determine the level of reductions that may be necessary to resolve any residual non-attainment problems following implementation of the CAIR reductions. The 25% NO_x “set-aside” is unreasonably burdensome to Illinois generators and their customers and has not been demonstrated to be necessary to achieve attainment with the ambient air quality standards. As USEPA has stated, the program is designed “to balance the burden for achieving attainment between regional-scale and local-scale control programs”¹.

For the purposes of implementation of CAIR, we do not believe it is necessary for IEPA to propose the “beyond CAIR” NO_x reductions and urges IPCB to reject the IEPA proposal and, instead, approve full adoption of USEPA’s federal “model rule” on the same schedule established by USEPA.

Recent air quality modeling by LADCO (Lake Michigan Air Directors Consortium) suggests additional NO_x reductions from the EGU (electric generating unit) sector beyond the reductions expected from the federal CAIR program will not solve the residual ozone and PM_{2.5} non-attainment problem in the Chicago area. A comprehensive attainment plan should be thoroughly researched and fully developed that clearly and conclusively demonstrates the level of emissions reductions needed and the source categories for which the most efficient and effective reductions can be achieved. Only when this plan has been fully developed will IEPA have the justification to proceed with “beyond CAIR” reductions.

Further EGU reductions of SO₂ and NO_x are not likely to impact PM_{2.5} concentrations sufficiently to achieve attainment in any residual PM_{2.5} nonattainment areas in Illinois or in other states. Accordingly, mandated beyond-CAIR EGU reductions of SO₂ and NO_x may not be necessary, cost effective or even have any beneficial effect on reducing the particle concentration of monitored PM_{2.5}. The PM_{2.5} particle composition may well be driven by mobile sources in winter. Another source mix may drive the PM_{2.5} composition in summer. Until additional speciated monitoring data is available, it is premature to require “beyond CAIR” SO₂ or NO_x reductions from EGUs because the absolute value of PM_{2.5} concentrations measured in the field may not be driven by SO₂ or NO_x reductions.

Recent modeling funded by the Midwest Ozone Group (MOG), the Illinois Environmental Regulatory Group (IERG), the Illinois Energy Association (IEA) and others, conducted by Alpine

¹ 70 Fed. Reg. 25166 (May 12, 2005)

Geophysics, using a finer, 4 kilometer grid and 2005 as a base year, indicates that all the monitors in the 5-state (Illinois, Indiana, Wisconsin, Ohio and Michigan) region will attain both the ozone and the PM_{2.5} ambient air quality standards by 2015, when Phase 2 of the federal CAIR rules becomes effective.² We have reviewed these results with the LADCO staff.

It does not appear that further regional reductions in the utility sector will make a significant difference in the attainment status of the Chicago MSA. Indeed, based on one analysis presented at the October 18, 2005 Indiana Department of Environmental Management Utility Rules Workgroup meeting, further reductions in the utility sector actually cause ozone levels to increase in the Chicago MSA. Dominion therefore supports the approach to implement CAIR essentially as established by USEPA, and then work with sources in local nonattainment areas to determine the appropriate mix of reductions needed to resolve the remaining local nonattainment area issues.

Source apportionment data provided by LADCO bears this reasoning out. Data presented at the October 18, 2005 Indiana Utility Rules Workgroup meeting clearly indicates that Illinois EGUs make up only a small part of the ozone non-attainment problem in the Chicago MSA. The data indicate that 38% of the ozone comes from NO_x and VOC emissions from "Boundary Conditions" or sources outside the 5-state Midwest region. More important, 26% of the ozone problem appears to come from "Illinois On-road" or mobile sources. Illinois EGU NO_x emissions make up only about 4% of the ozone contribution, behind "Illinois Non-road", "Illinois Non-EGU", and "Indiana On-road" sources.³

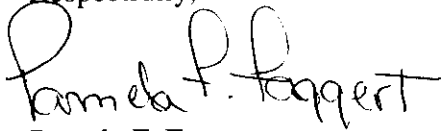
² "Ozone/PMOzone/PM2.5 Attainment Modeling for 2015 in the Upper Midwest Region", T. W. Tesche, Dennis McNally, Greg Stella, Cyndi Loomis, (Alpine Geophysics, LLC) and Ralph Morris (ENVIRON Int'l Corp), March 20, 2007.

³ Mark Derf, "Photochemical Modeling Update: Round 3 – 8 Hour Ozone and PM_{2.5}", Presentation for the Utility Rules Workgroup, Indiana Department of Environmental Management, October 18, 2005.

Dominion supports implementation of the federal CAIR and urges the Illinois Pollution Control Board to adopt regulations that follow the federal CAIR principles.

If you have any questions about these comments or want additional information,
Please contact Bob Asplund at (804)273-3012.

Respectfully,



Pamela F. Faggert