PG&E National Energy Group

44 East Mifflin Street
Suite 905
Madison, WI 53703
608.256.2290
Fax: 608.256.2275

November 6, 2000

R01-10
P.C. 170

Dorothy Gunn, Clerk
Illinois Pollution Control Board
100 West Randolph Street, Suite 11-500
Chicago, IL 60601

Dear Ms. Gunn:

Please find enclosed one original and five copies of comments by PG&E National Energy Group in Docket R01-10 concerning peaking power plants.

Please contact me if there is need for clarification or for further information.

Thank you very much.

Sincerely,

Stephen Brick

Stephen Brick
Director, External Relations and Environmental Affairs

COMMENTS OF PG&E NATIONAL ENERGY GROUP

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

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

DOCKET R01-10

September 6, 2000

PG&E National Energy group appreciates the opportunity to offer the following comments to the Illinois Pollution Control Board (IPCB) in connection with the above-captioned docket. We have attended the hearings held by the IPCB and have read the testimony of all parties with great interest. We commend the members and staff of the IPCB for taking the time to hear testimony on this complex and emotional issue.

While we believe that individual peaking power plants do not present unique environmental threats *per se*, the sheer number of plants being simultaneously permitted creates an unprecedented situation. This potential proliferation of plants creates the appearance, if not the actuality, that a great number of power generation facilities will be built and operated and that these plants will negatively affect the environment and the quality of life in areas near these plants.

It is critical that a balance be struck between the pressing need for new sources of electricity and the desire to maintain and improve environmental quality.

Need for the Plants

The testimony in the record supports the need for additional sources of generation to serve need in Illinois and elsewhere. Demand in the state and across the region is growing significantly, with past investments not keeping pace. By the passage of the state's restructuring law, Illinois determined that the best way to encourage additional plant development is through market mechanisms.

In such a system, the market determines the need for new capacity. Imposing a system in which need were determined through a regulatory process would hamper the newly created competitive market. The state does not determine the need for other types of industrial facilities, and it should not do so for power plants. The temptation to adopt a system for determining whether a specific plant is needed should be resisted, as it is anti-hetical to the competitive principals embraced by the Illinois legislature in 1997.

Local Land Use Control

Decisions concerning the suitability of a proposed project should ultimately be left to the affected jurisdiction. Local zoning boards should determine which land use

classifications are acceptable for power projects and which are not, with present and future residential land use development patterns being carefully considered.

Many local zoning boards have adequate resources and expertise to conduct a comprehensive analysis of a proposed power project. DuPage County submitted to this record a comprehensive study of peaking power plant impacts. The County also outlined in testimony a proposed set of standards for siting power plants. The City of Libertyville conducted a comprehensive analysis of a proposed project, and was able to make a determination as to the suitability of the project.

In fact, in the case of Libertyville, the project developer bore the cost of outside experts for the local zoning authorities; this is common in the industry and something that localities can require. In addition, the local zoning boards can share information and experiences, and we encourage the state to develop a process to facilitate this sort of exchange.

State Environmental Review

The Illinois Environmental Protection Agency (IEPA) issues air permits for power projects. This is generally the most significant state level regulatory approval needed for a power plant.

Most of the power projects permitted thus far in Illinois have been permitted as synthetic minor sources, and in this respect, a great deal of controversy has arisen. Projects that are permitted as synthetic minors are exempted from the air quality modeling requirements of the Federal Prevention of Significant Deterioration of Air Quality (PSD) program. This modeling shows both the expected impacts of the project's emissions on the National Ambient Air Quality Standards (NAAQS) as well as its consumption of PSD increment. For non-attainment pollutants, synthetic minors are not required to obtain offsets or reach the lowest achievable emission rates (LAER).

Most of the proposed projects – ranging in size from 250 MW to almost 1,000 MW – have submitted applications that request permits allowing them to emit just up to the major source threshold. For example, numerous developers have requested permits to emit nitrogen oxide emissions (NO_x) in the range of 245 to 249 tons per year. At present, the major source threshold is 250 tons per year. By contrast, a 1,000 MW gas-fired combined cycle project will emit in the vicinity of 350 to 400 tons of NO_x per year, and will be required to carry out full air quality modeling.

Because Illinois was granted a waiver under Section 182(f) of the Clean Air Act, the major source threshold for NO_x emissions is 250 tons per year. If this waiver were revoked, the threshold would drop to 25 tons per year. In another docket, this Board is considering proposed rules to implement the so-called NO_x SIP call. The 182(f) waiver was granted on the presumption that NO_x emission reductions were counter- productive to attaining the ozone standard in certain regions. This has since proven to be untrue, and states are in the process of implementing the SIP call on the assumption that broad, regional reductions of NO_x are needed to attain the ozone standard.

The state could revise its permitting policy, and lower the major source threshold to 25 tons per year for NO_x. This would greatly increase the credibility of air permits issued for peaking projects. This would provide more information to local communities and regulators on the impacts of proposed projects on local air quality. In addition, if peakers were treated as major sources, interactive air-quality modeling would be required where projects are in close proximity to each other or to other sources.

The agency could also take care to insure that US EPA policies are followed in estimating emissions from start-up and shut-down, and to make sure that potential emissions estimates and worst case modeling includes these emissions, when appropriate. Finally, the agency could insure that particulate emissions from proposed projects are being estimated using the required EPA methods that include both front-half and back-half emissions.

We note that the agency has required modeling from some applicants, even though they applied as synthetic minors. It is unclear whether the full gamut of regulatory requirements is being met under this scenario. By permitting these projects as major sources, these uncertainties will be removed.

Need for a State Administered Siting Process

Some parties have argued that a siting process, similar to the one administered by the IPCB under the SB 172 procedure, is needed. Although the process could have benefits, it could also pose significant costs and delays that could threaten reliability.

In most states that have comprehensive power facility siting processes, the decisions of the state run boards overrule local jurisdictional authority. This is the case in Wisconsin, New York, Massachusetts, Connecticut, California, and Florida, among others. This type of process has cause delays in facilities siting in a number of these states, with delays in California being the most significant.

From the perspective of power plant developers, siting boards offer a venue in which local concerns can be balanced against other issues. In some cases, siting boards decide to certify a project over the objections of local citizens, deeming a proposed site the best alternative.

From the perspective of home political authorities and citizens, however, such boards have the ability to run roughshod over local preferences.

Perhaps a middle ground is needed to achieve a balance. A process could be adopted to allow individuals or organizations with standing in a local proceeding to appeal to a state run board for assistance. This could occur if local authorities lack adequate resources to review project proposals, or if citizens or developers feel that a local process has produced an inappropriate result. The board could promulgate siting criteria in advance that would be applied to cases brought before the board. We believe the IPCB would be the appropriate agency in which to locate such authority.