

\* \* \* \* \* PCB 2006-121 \* \* \* \* \*

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD  
OF THE STATE OF ILLINOIS

SOUTHERN ILLINOIS POWER COOPERATIVE	)	
Selective Catalytic Reduction System	)	
	)	
	)	PCB 06-
	)	(Tax Certification)
PROPERTY IDENTIFICATION NUMBER	)	
10-26-200-002	)	

NOTICE

TO: Dorothy Gunn, Clerk  
Illinois Pollution Control Board  
State of Illinois Center  
100 W. Randolph Street, Suite 11-500  
Chicago, Illinois 60601

Richard G. Myott  
Southern Illinois Power Coop  
11543 Lake of Egypt Road  
Marion, Illinois 62959-8500

Steve Santarelli  
Illinois Department of Revenue  
101 West Jefferson  
P.O. Box 19033  
Springfield, Illinois 62794

PLEASE TAKE NOTICE that I have today filed with the Office of the Pollution Control Board the APPEARANCE and RECOMMENDATION of the Illinois Environmental Protection Agency, a copy of which is herewith served upon the applicant and a representative of the Illinois Department of Revenue.

Respectfully submitted by,

\_\_\_\_\_/s/\_\_\_\_\_  
Robb H. Layman  
Assistant Counsel

Date: December 30, 2005

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY  
1021 North Grand Avenue East  
P.O. Box 19276  
Springfield, IL 62794-9276  
Telephone: (217) 524-9137

\* \* \* \* \* PCB 2006-121 \* \* \* \* \*

**BEFORE THE ILLINOIS POLLUTION CONTROL BOARD  
OF THE STATE OF ILLINOIS**

SOUTHERN ILLINOIS POWER COOPERATIVE )  
Selective Catalytic Reduction System )  
 )  
 ) PCB 06-  
 ) (Tax Certification)  
PROPERTY IDENTIFICATION NUMBER )  
10-26-200-002 )

**APPEARANCE**

I hereby file my Appearance in this proceeding on behalf of the Illinois  
Environmental Protection Agency.

Respectfully submitted by,

\_\_\_\_\_/s/\_\_\_\_\_  
Robb H. Layman  
Assistant Counsel

Date: December 30, 2005

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1021 North Grand Avenue East  
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BEFORE THE ILLINOIS POLLUTION CONTROL BOARD  
OF THE STATE OF ILLINOIS

SOUTHERN ILLINOIS POWER COOPERATIVE	)	
Selective Catalytic Reduction System	)	
	)	
	)	PCB 06-
	)	(Tax Certification)
PROPERTY IDENTIFICATION NUMBER	)	
10-26-200-002	)	

RECOMMENDATION

NOW COMES the ILLINOIS ENVIRONMENTAL PROTECTION AGENCY ("Illinois EPA"), through its attorneys, and pursuant to 35 Ill. Adm. Code 125.204 of the ILLINOIS POLLUTION CONTROL BOARD'S ("Board") procedural regulations, files the Illinois EPA's Recommendation in the above-referenced request for tax certification of pollution control facilities. In support thereof, the Illinois EPA states as follows:

1. On August 22, 2005, the Illinois EPA received a request and supporting information from SOUTHERN ILLINOIS POWER COOPERATIVE ("SIPC") concerning the proposed tax certification of certain air emission sources and/or equipment located at its power plant in Williamson County, Illinois. A copy of the relevant portions of the application is attached hereto. **[Exhibit A]**.

2. The applicant's address is as follows:

Southern Illinois Power Cooperative  
11543 Lake of Egypt Road  
Marion, Illinois 62959-8500

3. The subject matter of this request consists of the Selective Catalytic Reduction System that is designed to remove and reduce nitrogen oxide emissions from the Unit No. 4 solid fuel coal-fired boiler. The system generally consists of reactor

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vessels and an ammonia injection grid system, including ammonia storage, handling and delivery.

4. Section 11-10 of the Property Tax Code, 35 ILCS 200/11-10 (2004),

defines "pollution control facilities" as:

"any system, method, construction, device or appliance appurtenant thereto, or any portion of any building or equipment, that is designed, constructed, installed or operated for the primary purpose of: (a) eliminating, preventing, or reducing air or water pollution... or (b) treating, pretreating, modifying or disposing of any potential solid, liquid, gaseous pollutant which if released without treatment, pretreatment, modification or disposal might be harmful, detrimental or offensive to human, plant or animal life, or to property."

5. Pollution control facilities are entitled to preferential tax treatment, as provided by 35 ILCS 200/11-5 (2004).

6. Based on information in the application and the underlying purpose of the Selective Catalytic Reduction System to prevent, eliminate or reduce air pollution, it is the Illinois EPA's engineering judgment that the described project and/or equipment may be considered as "pollution control facilities" in accordance with the statutory definition and consistent with the Board's regulations at 35 Ill. Adm. Code 125.200. **[Exhibit B].**

7. Because the Selective Catalytic Reduction System satisfies the aforementioned criteria, the Illinois EPA recommends that the Board **grant** the applicant's requested tax certification.

ELECTRONIC FILING, RECEIVED, CLERK'S OFFICE, DECEMBER 30, 2005

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Respectfully submitted by,

ILLINOIS ENVIRONMENTAL PROTECTION  
AGENCY

\_\_\_\_\_/s/\_\_\_\_\_  
Robb H. Layman  
Assistant Counsel

DATED: December 30, 2005

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY  
1021 North Grand Avenue East  
P.O. Box 19276  
Springfield, Illinois 62794-9276  
Telephone: (217) 524-9137

\* \* \* \* \* **PCB 2006-121** \* \* \* \* \*

**CERTIFICATE OF SERVICE**

I hereby certify that on the 30<sup>th</sup> day of December, 2005, I electronically filed the following instruments entitled **NOTICE, APPEARANCE** and **RECOMMENDATION** with:

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

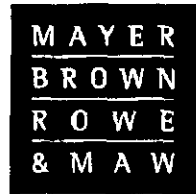
and, further, that I did send a true and correct copy of the same foregoing instruments, by First Class Mail with postage thereon fully paid and deposited into the possession of the United States Postal Service, to:

Steve Santarelli  
Illinois Department of Revenue  
101 West Jefferson  
P.O. Box 19033  
Springfield, Illinois 62794

Richard G. Myott  
Southern Illinois Power Coop  
11543 Lake of Egypt Road  
Marion, Illinois 62959-8500

\_\_\_\_\_/s/\_\_\_\_\_  
Robb H. Layman  
Assistant Counsel

\* \* \* \* \* PCB 2006-121 \* \* \* \* \*



August 19, 2005

Mayer, Brown, Rowe & Maw LLP  
71 South Wacker Drive  
Chicago, Illinois 60606-4637

VIA UPS

Main Tel (312) 782-0600  
Main Fax (312) 701-7711  
www.mayerbrownrowe.com

Mr. Donald E. Sutton  
Manager, Permit Section, Bureau of Air  
Illinois Environmental Protection Agency  
1021 N. Grand Ave. East  
Springfield, IL 62794-9276

**Patrick J. McNerney**  
Direct Tel (312) 701-7609  
Direct Fax (312) 706-8747  
pmcnerney@mayerbrownrowe.com

Re: Southern Illinois Power Cooperative ("SIPC")  
Application for Certification of Pollution Control Facility  
Selective Catalytic Reduction System

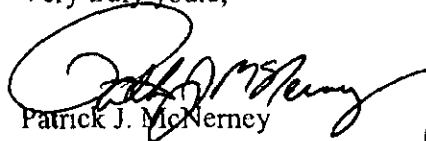
Dear Mr. Sutton:

Enclosed please find an original Application for Certification of Pollution Control Facility of SIPC's Selective Catalytic Reduction System ("SCR") located at the Marion Power Generating Facility in Marion, Illinois. The SCR is a device that is designed and operated primarily to reduce nitrogen oxide ("NO<sub>x</sub>") emissions from solid fuel coal-fired generating unit 4 located at the Facility and therefore qualifies as a pollution control device under Section 11-10 of the Property Tax Code (35 ILCS 200/11-10 West 2005).

On behalf of SIPC, we respectfully request that you cause your staff to review the enclosed Application and recommend certification of the SCR as a pollution control device to the Illinois Pollution Control Board.

Thank you for your attention to this matter. Please contact me if you need any additional information or documentation to support the enclosed Application.

Very truly yours,

  
Patrick J. McNerney

PJM:mg

Enclosure

cc: Ms. Stephanie L. Oxford

RECEIVED

AUG 22 2005

IEPA - DAPC - SPFLD



— Exhibit A

Berlin Brussels Charlotte Chicago Cologne Frankfurt Houston London Los Angeles  
Independent Mexico City Correspondent Jauregui, Mariani, & Havel LLP

Mayer, Brown, Rowe & Maw LLP operates in combination with our associated English limited liability partnership in the offices listed above.

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**SOUTHERN ILLINOIS POWER COOPERATIVE**

**Application for Certification (Property Tax Treatment)  
Pollution Control Facility**

**Selective Catalytic Reduction System**

**Mayer, Brown, Rowe & Maw LLP  
71 South Wacker Drive  
Chicago, IL 60606**



\* \* \* \* \* PCB 2006-121 \* \* \* \* \*

APPLICATION FOR CERTIFICATION (PROPERTY TAX TREATMENT)  
 POLLUTION CONTROL FACILITY  
 AIR  WATER



ILLINOIS ENVIRONMENTAL PROTECTION AGENCY  
 P. O. Box 19276, Springfield, IL 62794-9276

This Agency is authorized to request this information under Illinois Revised Statutes, 1979, Chapter, 120, Section 502a-5. Disclosure of this information is voluntary. However, failure to comply could prevent your application from being processed or could result in denial of your application for certification.

FOR AGENCY USE			
File No.	Date Received	Certification No.	Date
APPLICANT	Sec. A Company Name Southern Illinois Power Cooperative		
	Person Authorized to Receive Certification Mr. Richard G. Myott		Person to Contact for Additional Details Mr. Patrick J. McNerney
	Street Address 11543 Lake of Egypt Road		Street Address 71 S. Wacker Drive
	Municipality, State & Zip Code Marion, IL 62959-8500		Municipality, State & Zip Code Chicago, IL 60606
	Telephone Number (618) 964-1448		Telephone Number (312) 701-7609
	Location of Facility Quarter Section      Township      Range 26                      105                      2E		Municipality      Township Marion
	Street Address 11543 Lake of Egypt Road		County      Book Number Williamson
	Property Identification Number 10-26-200-002		Parcel Number
MANUFACTURING OPERATIONS	Sec. B Nature of Operations Conducted at the Above Location Southern Illinois Power Cooperative ("SIPC") generates electricity through the process of carbon combustion.		
	Water Pollution Control Construction Permit No.	Date Issued	
	NPDES PERMIT No.	Date Issued	Expiration Date
	Air Pollution Control Construction Permit No. 00070028 (See Exhibit A attached)	Date Issued June 15, 2001	
MANUFACTURING PROCESS	Sec. C Describe Unit Process See narrative description of Unit Process attached as Exhibit B		
	Materials Used in Process Ammonia used as No <sub>x</sub> reducing agent.		
POLLUTION CONTROL FACILITY DESCRIPTION	Sec. D Describe Pollution Abatement Control Facility See narrative description of SCR attached as Exhibit C and copy of June 15, 2001 IEPA Construction Permit attached as Exhibit A.		

RECEIVED  
 AUG 22 2005  
 IEPA - DAPC - SPFLD

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POLLUTION CONTROL FACILITY - CONTAMINANTS	Sec. E (1) Nature of Contaminants or Pollutants		
			Material Retained, Captured or Recovered
	Contaminant or Pollutant	DESCRIPTION	DISPOSAL OR USE
	NO <sub>x</sub>		NO <sub>x</sub> is eliminated through chemical process
	(2) Point(s) of Waste Water Discharge		
			Plans and Specifications Attached
			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
	(3)	Are contaminants (or residues) collected by the control facility?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
	(4)	Date installation completed _____ status of installation on date of application _____	
	ACCOUNTING DATA	(5) a.	FAIR CASH VALUE IF CONSIDERED REAL PROPERTY:
b.		NET SALVAGE VALUE IF CONSIDERED REAL PROPERTY:	\$ 0
c.		PRODUCTIVE GROSS ANNUAL INCOME OF CONTROL FACILITY:	\$ 0
d.		PRODUCTIVE NET ANNUAL INCOME OF CONTROL FACILITY:	\$ 0
e.		PERCENTAGE CONTROL FACILITY BEARS TO WHOLE FACILITY VALUE:	%
SIGNATURE	Sec. F The following information is submitted in accordance with the Illinois Property Tax Code, as amended, and to the best of my knowledge, is true and correct. The facilities claimed herein are "pollution control facilities" as defined in Section 11-10 of the Illinois Property Tax Code.		
	  Signature Title		
INSTRUCTIONS	Sec. G INSTRUCTIONS FOR COMPILING AND FILING APPLICATION		
	General: Separate applications must be completed for each control facility claimed. Do not mix types (water and air). Where both air and water operations are related, file two applications. If attachments are needed, record them consecutively on an index sheet.		
	Sec. A	Information refers to applicant as listed in the tax records and the person to be contacted for further details or for inspection of facilities. Define facility location by street address or legal description. A plat map location is required for facilities located outside of municipal boundaries. The property identification number is required.	
	Sec. B	Self-explanatory. Submit copies of all permits issued by local pollution control agencies. (e.g. MSD Construction Permit)	
	Sec. C	Refers to manufacturing processes or materials on which pollution control facility is used.	
	Sec. D	Narrative description of the pollution control facility, indicating that its primary purpose is to eliminate, prevent or reduce pollution. State the type of control facility. State permit number, date, and agency issuing permit. A narrative description and a process flow diagram describing the pollution control facility. Include a listing of each major piece of equipment included in the claimed fair cash value for real property. Include an average analysis of the influent and effluent of the control facility stating the collection efficiency.	
	Sec. E	List air contaminants, or water pollution substances released as effluents to the manufacturing processes. List also the final disposal of any contaminants removed from the manufacturing processes. Item (1) - Refers to pollutants and contaminants removed from the process by the pollution control facility. Item (2) - Refers to water pollution but can apply to water-carried wastes from air pollution control facilities. Submit drawings, which clearly show (a) Point(s) of discharge to receiving stream, and (b) Sewers and process piping to and from the control facility. Item (3) - If the collected contaminants are disposed of other than as wastes, state the disposition of the materials, and the value in dollars reclaimed by sale or reuse of the collected substances. State the cost of reclamation and related expense. Item (4) - State the date which the pollution control facility was first placed in service and operated. If not, explain. Item (5) - This information is essential to the certification and assessment actions. This accounting data must be completed to activate project review prior to certification by this Agency.	
Sec. F	Self-explanatory. Signature must be a corporate authorized signature.		
	Submit to:	Attention:	Attention:
	Illinois EPA P.O. Box 19276 Springfield, IL 62794-9276	Thomas McSwiggin Permit Section Division of Water Pollution Control	Donald E. Sutton Permit Section Division of Air Pollution Control

\*Completion of this section is not an acknowledgment that the property constitutes real property for ad valorem property tax purposes.

\* \* \* \* \*

PCB 2006-121

\* \* \* \* \*

Exhibit A

217/782-2113

CONSTRUCTION PERMIT

PERMITTEE

Southern Illinois Power Cooperative  
Attn: Mr. Richard G. Myott  
11543 Lake of Egypt Road  
Marion, Illinois 62959-8500

Application No.: 00070028

I.D. No.: 199856AAC

Applicant's Designation: Unit #4 SCR

Date Received: July 12, 2000

Subject: Selective Catalytic Reduction System

Date Issued: June 15, 2001

Location: 11543 Lake of Egypt Road, Marion

Permit is hereby granted to the above-designated Permittee to CONSTRUCT air pollution control equipment consisting of a Selective Catalytic Reduction (SCR) system for Unit 4 system which includes reactor vessels, an ammonia injection grid system and catalyst as described in the above referenced application. This Permit is subject to Standard Conditions attached hereto and the following Special Condition(s):

1. This permit is issued based on adding the SCR system to Unit 4, in order to reduce emissions of nitrogen oxides (NO<sub>x</sub>) to comply with new requirements and ensuring that other contemporaneous projects at Marion Generating Station do not result in a significant net increase in NO<sub>x</sub> emissions.
2. The Permittee is allowed to operate the SCR system under this construction permit for one year following the initial loading of catalyst for purposes of initial startup, routine shakedown, and trial operation. This period may be extended by the Illinois EPA upon written request of the Permittee if additional time is needed for shakedown and trial operation.
- 3a. The Permittee shall fulfill applicable provisions of the federal Acid Rain Program as related to the SCR system, including revising the NO<sub>x</sub> compliance plan if needed; performing continuous emissions monitoring for NO<sub>x</sub> and opacity; and reporting of NO<sub>x</sub> emissions and opacity, pursuant to Title IV of the Clean Air Act and regulation thereunder.
- b. i. The Permittee shall also records of the following items for the SCR system on:
  - A. Operating and maintenance procedures.
  - B. Operating log.
  - C. Maintenance and repair log; including:

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1. Usage of reagent, addition or replacement of a catalyst layer,
- ii. The Permittee shall keep a current catalyst management plan on site.

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iii. These records shall be retained for three years and shall be available for inspection and copying by the Illinois EPA.

- 4a. The Permittee shall submit a quarterly report describing the project status until such time as the Permittee notifies the Illinois EPA that the SCR system has successfully demonstrated reliable operation. This report shall be sent to the following addresses:

Illinois Environmental Protection Agency  
Division of Air Pollution Control  
2009 Mall Street  
Collinsville, Illinois 62234  
Telephone: 618/346-5120 Facsimile: 618/346-5155

Illinois Environmental Protection Agency  
Division of Air Pollution Control  
Air Permit Section  
P. O. Box 19506  
Springfield, Illinois 62794-9506  
Telephone: 217/782-2113 Facsimile: 217/524-5023

- b. The Permittee shall notify the Illinois EPA within 30 days after the SCR system begins initial operation, i.e., NO<sub>x</sub> reducing agent is first introduced into the flue gas.
- c. The Permittee shall notify the Illinois EPA when the SCR system has successfully demonstrated reliable operation. With this notification the Permittee shall discuss the effect of the SCR system on opacity levels, as determined by both monitoring and visual observation, and particulate matter emissions, including the results of any tests for particulate matter emissions conducted with the SCR system in operation.
5. The Illinois EPA has determined that this project, as described in the application, will not constitute a modification of Unit 4 under the federal New Source Performance Standards, 40 CFR 60 because the SCR system has the primary function of reducing air pollutants and therefore, is not considered a modification pursuant to 40 CFR 60.14(e)(5).
6. The Illinois EPA has determined that this project, as described in the application, will not constitute a modification for the SIPC, Marion Station under the federal Prevention of Significant Deterioration of air quality (PSD) rules because it is a pollution control project and therefore is not considered a modification pursuant to 40 CFR 52.21(b)(2)(iii)(h), and (b)(32).

If you have any questions concerning this permit, please contact Shashi Shah at 217/782-2113.

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Donald E. Sutton, P.E.  
Manager, Permit Section  
Division of Air Pollution Control

DES:SRS:jar

cc: Region 3

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Exhibit B

**Section C – Describe Unit Process**

Southern Illinois Power Cooperative (“SIPC”) retrofitted its remaining solid fuel coal-fired boiler with a selective Catalytic Reduction (“SCR”) system to significantly reduce nitrogen oxide NO<sub>x</sub> emissions (associated with acid rain). The SCR is designed to meet the strictest air quality standards while allowing for the continued use of locally available, high sulfur content coal and coal fines. The process includes reactor vessels, an ammonia injection grid system and catalyst.

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Exhibit C

**Section D – Describe Pollution Abatement Control Facility**

Southern Illinois Power Cooperative (“SIPC”) formerly operated four solid fuel coal-fired generating units at its Marion power generating facility. Recently, SIPC replaced coal-fired units 1-3 with a new Circulating Fluidized Bed Boiler (“CFB”), which was certified as a low sulfur dioxide emission coal fueled device as defined in Title 25, Subtitle A, Chapter 1, Section 125.200(b)(1) of the Illinois Administrative Code and in Section 11-40 of the Illinois Property Tax Code (35 ILCS 200/11-40 West 2005), on January 6, 2005. SIPC also installed and implemented a Selective Catalytic Reduction (“SCR”) system on the remaining solid fuel coal-fired generating unit (“Unit 4”) to significantly reduce nitrogen oxide emissions (NOx associated with acid rain), from Unit 4. The SCR begins initial operation through the introduction of a NOx reducing agent, ammonia into the flue gas. The SCR system enables the Unit 4 coal-fired boiler and steam turbine to meet the strictest clean air standards while allowing for the continued use of high sulfur coal and coal fines (*i.e.* discarded coal byproducts from mine processing) from locally available sources of coal located in southern Illinois, as encouraged by Section 11-35 of the Illinois Property Tax Code<sup>1</sup>.

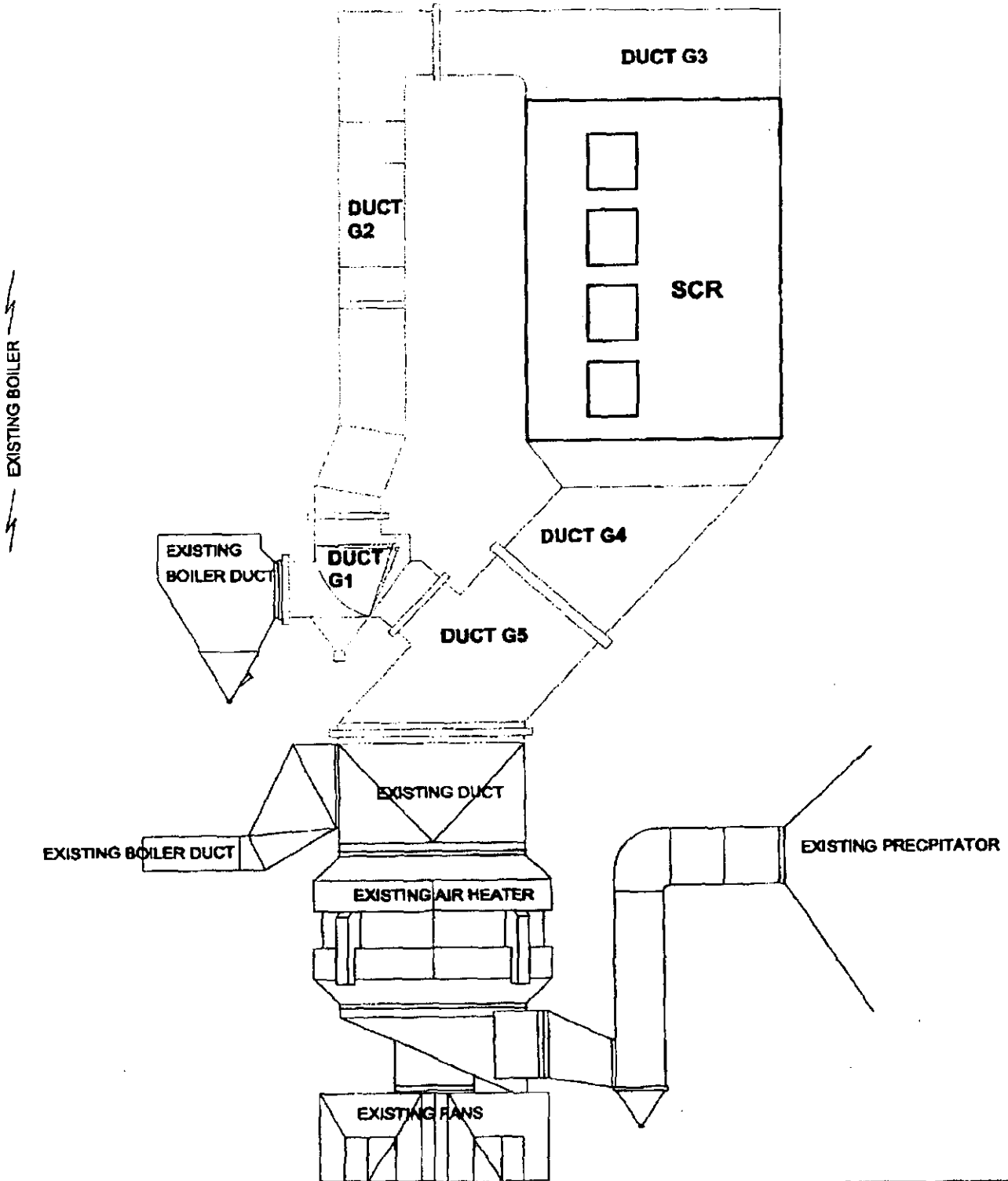
The SCR is a pollution control device that includes reactor vessels, an ammonia injection grid system including ammonia storage, handling and delivery. The primary purpose and function of the SCR is to reduce or eliminate nitrogen oxide (NOx) emissions from Unit 4.



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<sup>1</sup> Section 11-35 explicitly references the policy of the State to promote the “use of abundant, high sulfur, locally available coal” while also promoting the health and well-being of the people of Illinois. 35 ILCS 200/11-35.



\*\*\*\*\* PCB 2006-121 \*\*\*\*\*



				PROPOSED <del>XXXXXXXXXXXXXXXXXXXX</del> <del>XXXXXXXXXXXXXXXXXXXX</del> ELEVATION	
	APPROVED	REV.			
	REV. DATE				KEY PLAN

\* \* \* \* \*

PCB 2006-121

\* \* \* \* \*

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY



1021 NORTH GRAND AVENUE EAST, P.O. BOX 19506, SPRINGFIELD, ILLINOIS 62794-9506 - (217) 782-2113

ROD R. BLAGOJEVICH, GOVERNOR

DOUGLAS P. SCOTT, DIRECTOR

**Memorandum**

**Technical Recommendation for Tax Certification Approval**

Date: October 27, 2005

To: Robb Layman

From: Don Sutton *DES*

Subject: Southern Illinois Power Cooperative TC05-08-22C

This Agency received a request on August 22, 2005 from Southern Illinois Power Cooperative for a Selective Catalytic Reduction System pursuant to 35 Ill. Adm. Code 125.200(b)(1). I offer the following recommendation.

The air pollution control facilities in this request include the following:

The Selective Catalytic Reduction System is a device which reduces NOX emissions from solid fuel coal-fired generating unit 4. Because the primary purpose of this unit is to reduce or eliminate air pollution, it is certified as a pollution control facility.

This facility is located at 11543 Lake of Egypt Rd, Marion  
The property identification number is 10-26-200-002

Based on the information included in this submittal, it is my engineering judgement that the proposed facility may be considered "Pollution Control Facilities" under 35 IAC 125.200(a), with the primary purpose of eliminating, preventing, or reducing air pollution, or as otherwise provided in this section, and therefore eligible for tax certification from the Illinois Pollution Control Board. Therefore, it is my recommendation that the Board issue the requested tax Certification for this facility.

\_\_\_\_\_

— *Exhibit B* —