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BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

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

HEARING DAY ONE

Proceedings held on October 10th, 2006, at
1:30 p.m., at the Illinois Pollution Control
Board, 1021 North Grand Avenue East, Springfield,
Illinois, before John Knittle, Hearing Officer.

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1 HEARING OFFICER KNITTLE: We're
2 returning after a lunch break, and as I recall we
3 were -- Mr. Bonebrake and Ms. Bassi were asking
4 questions of this particular panel, and I remind
5 you you're all sworn in. You're aware of that
6 I'm sure. I guess we can just proceed. We have
7 a new -- just so you know, we have a new
8 reporter.

9 MR. BONEBRAKE: Mr. Ross, before lunch
10 we were talking a little bit about the ICF
11 prediction of costs associated with the -- with
12 the CASA. In assessing potential impacts on
13 Illinois jobs, did the Agency consider the
14 impacts of the tens of millions of dollars that
15 the Illinois Generators were predicting by ICF to
16 incur as a result of the CASA?

17 MR. ROSS: No, I don't believe we
18 assessed a potential loss of jobs at power plants
19 which would be implied by additional costs at
20 power plants as projected by IPM.

21 MR. BONEBRAKE: You mentioned, I
22 think, Mr. Ross, that ICF was predicting that
23 emissions in Kentucky would increase as a result
24 of the CASA, do you recall that, Mr. Ross?

1 MR. ROSS: That emissions in Kentucky
2 would decrease as a result of what was modeled by
3 ICF. ICF found that the reductions would -- most
4 of the reductions would occur in Florida and
5 Kentucky.

6 MR. BONEBRAKE: Yeah, thank you. I
7 had -- I stated that incorrectly. And do you
8 happen to know with respect to Kentucky, and if
9 you answered -- you probably answered this
10 morning, do you happen to know what Kentucky is
11 proposing or has adopted with respect to CAIR
12 implementation including set asides?

13 MR. ROSS: No, I don't. I think it's
14 important to note in regards to loss of potential
15 jobs at power plants that the modeling did not
16 project any shutdowns as a result of Illinois
17 policy, that is, shutdowns of units, EGUs at any
18 of the power plants.

19 MR. BONEBRAKE: Can reduced generation
20 at an electric generated unit lead to a decrease
21 in the number of jobs even if the unit is not
22 shut down?

23 MR. ROSS: Could it potentially lead
24 to?

1 MR. BONEBRAKE: Sure.

2 MR. ROSS: Oh, potentially I believe
3 it could be a factor since you would assume that
4 revenue would be affected by such loss
5 generation.

6 MR. BONEBRAKE: Mr. Ross, in your
7 written testimony I think you were indicating
8 that one of the things that the CASA does is
9 provide incentives for zero emission electric
10 generation, do you recall that?

11 MR. ROSS: That's correct.

12 MR. BONEBRAKE: Is nuclear generation
13 zero emission generation technology?

14 MR. ROSS: That's not the type of
15 generation I'm referring to in my testimony. And
16 we'll get into this, I believe, a little bit more
17 when we specifically discuss the categories and
18 there's a presentation on this, but I think we're
19 specifically referring to solar, wind, and hydro
20 power.

21 MR. BONEBRAKE: Does that mean that
22 the Agency has made a decision to carve nuclear
23 out of the CASA to zero emission generation for
24 whatever reason?

1 MR. KALEEL: Yes. I don't believe
2 nuclear generation -- and I'm certain nuclear
3 generation is not eligible for the CASA.

4 MR. BONEBRAKE: What was the basis for
5 the decision for excluding nuclear generation?

6 MR. ROSS: There are --

7 MR. DAVIS: With respect to that the
8 -- the decision was that these allowances
9 originally were intended for the coal-fired
10 facilities and that's where we want this -- the
11 bulk of them to go. If you look at what the
12 potential projects a nuclear power plant could
13 undertake, one of them would be supply-side
14 efficiency projects. We wanted to make sure that
15 the credit allowances, if you will, for that
16 category were specifically for the coal-fired
17 utilities.

18 MR. BONEBRAKE: I'm not -- Maybe I'm
19 not tracking the answer. My question was with
20 respect to the zero emission category.

21 MR. DAVIS: The zero emission -- and
22 I'm attempting to look the definition up, but
23 it's specifically for renewables. While one may
24 classify a nuclear power plant as a zero emitter,

1 that was definitely not our intent. Our intent
2 was solar, hydro, and wind.

3 MR. BONEBRAKE: Okay. And I guess --
4 then I guess to get back to the question of what
5 was -- what was the reason for that intent for
6 that decision to carve out the rule?

7 MR. DAVIS: The reason was to -- the
8 reason to exclude --

9 MR. BONEBRAKE: To exclude.

10 MR. DAVIS: -- nuclear?

11 MR. BONEBRAKE: Correct.

12 MR. DAVIS: When -- We're attempting
13 to ensure that those particular allowances had
14 the chance to get to the electric generating
15 units, the coal-fired electric generating units.
16 We did not want, as you probably know, the
17 coal-fired -- or the nuclear generators are quite
18 large and we did not want a change -- supply side
19 type change at their plant in effect draining the
20 pool.

21 MR. ROSS: In addition, I would say
22 that we were being consistent with the Governor's
23 energy policy and how they define renewable
24 energy sources, so I believe our definition

1 corresponds with the Governor's.

2 MR. DAVIS: And the -- it looks like
3 page 39 of the Illinois Final Rule, it looks like
4 we go and define what a zero emitter would be,
5 and that specific definition includes wind,
6 solar, thermal -- I believe the rule, page 39,
7 addresses what the definition for a zero-emission
8 electric generating project is. And it reads
9 including wind, solar (thermal or photovoltaic)
10 and hydro power project. It was never our intent
11 that a coal -- a nuclear generator would be
12 considered a zero emitter.

13 HEARING OFFICER KNITTLE: Ms. Bassi,
14 do you have a question?

15 MS. BASSI: I believe you said that
16 the -- a reason why the Agency chose to exclude
17 nuclear power from this, aside from the
18 Governor's edict, is that you wanted to be sure
19 that the zero -- or you wanted to ensure that the
20 zero emissions category went to the coal-fired
21 units or had a chance of going to the coal-fired
22 unit; is that correct?

23 MR. DAVIS: Within the category of
24 EE/RE is supply side energy efficiency.

1 MS. BASSI: But the question was about
2 the zero emission.

3 MR. DAVIS: Which that is -- that is
4 what the category pulled out of that. A zero
5 emitter is an EE/RE category.

6 MS. BASSI: I don't -- Okay. Fine.
7 But I don't see how solar, wind, and hydropower
8 are going to the coal-fired units.

9 MR. DAVIS: His question was -- I'm
10 attempting to point out that a zero emitter is
11 not and never was intended to be a nuclear power
12 plant.

13 MS. BASSI: But his question was why?

14 MR. DAVIS: And I believe I gave that
15 we were attempting to -- a nuclear power plant
16 would be eligible unless otherwise excluded for
17 supply-side category. We -- In consistency with
18 the Governor's plan, we specifically excluded
19 that category so that they would no longer be
20 eligible for whatever portion they could take and
21 now that portion then will potentially be
22 available for the coal-fired units.

23 MS. BASSI: Aren't those -- aren't
24 those -- aren't those allocated on a pro-rata

1 basis based on your share of what's available?

2 MR. DAVIS: Yes. So would the total
3 pool not then be greater by removing the
4 contribution that a nuclear generator could take
5 from it?

6 MS. BASSI: I know it would. Okay.

7 MR. ROSS: And we'll be going over --

8 MS. BASSI: Pardon me?

9 MR. ROSS: We'll be going over the
10 category in detail and there will be a
11 presentation on that and we'll give examples of
12 categories and how the amount of allocations are
13 determined. Several examples will be provided on
14 that and we will be going over it probably in
15 excruciating detail if need be.

16 MR. BONEBRAKE: Mr. Ross, I had a
17 question for you regarding a comment that you
18 have in your testimony at page 8 of your written
19 testimony.

20 MR. ROSS: Okay.

21 MR. BONEBRAKE: And it's the second
22 paragraph on the top starting in the last
23 sentence page 8. Second full paragraph last
24 sentence starts, Since Mercury emission

1 reductions can be obtained as a "cobenefit" and
2 from the control devices used to reduce SO2 and
3 NOX, it makes sense to allow companies the option
4 to synchronize the control of these pollutants
5 provided that public health and the environment
6 are likewise positively impacted. Do you see
7 that, Mr. Ross?

8 MR. ROSS: I do.

9 MR. BONEBRAKE: And, in fact, wasn't
10 that a rationale of USEPA in its proposal of both
11 CAMR and CAIR?

12 MR. ROSS: Their rationale -- one of
13 their rationales was that it is more cost
14 effective, I believe, to allow companies to
15 synchronize the control of these pollutants. Did
16 they also include the second part of this
17 sentence, that is, provided that public health
18 and the environment are likewise positively
19 impacted, I don't recollect them also stating
20 that.

21 MR. BONEBRAKE: But it is true, is it
22 not, that USEPA promulgated the CAIR and the CAMR
23 federal programs with the notion that the timing
24 should be synchronized to realize these

1 cobenefits?

2 MR. ROSS: That's true.

3 MS. BASSI: I'd like to ask a couple
4 of questions about the compliance supplement
5 pool.

6 MR. ROSS: Okay.

7 MS. BASSI: Earlier we were talking
8 about \$2,500 being a reasonable assumption among
9 us here as to the cost of NOX allowance.

10 MR. ROSS: That's correct.

11 MS. BASSI: Okay. Can you tell us and
12 tell the Board what the value -- in terms of the
13 value of those allowances in 2006 dollars would
14 be of the compliance supplement pool assuming
15 \$2,500 dollars a ton?

16 MR. ROSS: Assuming \$2,500 -- or,
17 yeah, \$2,500 per ton, I can't readily tell you
18 without a calculator, but we did an assessment
19 based on \$2,000 per ton and given that there are
20 11,299 allowances in the compliance supplement
21 pool, that would equate to \$22,598,000.

22 MS. BASSI: How has this amount been
23 included in the Agency's analysis of the cost of
24 the annual NOX CAIR program? In other words, when

1 ICF did its analysis, did it also assume
2 retirement of the compliance supplement pool? I
3 think you said no.

4 MR. ROSS: Right. We went through
5 that. But, no, ICF did not. However, ICF did
6 model 100% of our set asides being retired which
7 is not the case. And, again, I think a point
8 that was made during those discussions was that
9 the preamble to the CAIR states that the marginal
10 cost as a ton of annual NOX controlled under CAIR
11 is the same with or without the compliance
12 supplement pool.

13 MS. BASSI: I understand that, but
14 that doesn't get the cost loss -- essentially the
15 revenue loss to the company for not having this
16 compliance supplement pool, does it?

17 MR. ROSS: No, it doesn't. But the
18 USEPA stated that states have the ability to
19 utilize compliance supplement pool as they see
20 fit. And they stated that the purpose of the
21 compliance supplement pool is for encouraging
22 early reduction or if there are reliability of
23 the grid issues. We have a policy which
24 encourages early reduction and, that is, what we

1 categorize our early adopters. So we are
2 addressing the incentive provided to companies
3 for early controls in that manner so that tends
4 to reduce the need for any incentive through the
5 compliance supplement pool. And also --

6 MS. BASSI: Are there 11,299
7 allowances in the early adopter pool?

8 MR. ROSS: The early adopter pool is
9 each and every year there's a certain amount of
10 allowances available, whereas, the compliance
11 supplement pool was 11,299 allowances and that's
12 it. So during some future year, the amount of
13 allowances from the early adopter pool will
14 certainly exceed 11,299 allowances.

15 MS. BASSI: Perhaps we can get to that
16 when Mr. Cooper talks about that as to what those
17 allowances would be and when they would cease to
18 be applicable because I would think there would
19 be an end.

20 MR. ROSS: Well, I -- I mean --

21 MS. BASSI: We can wait.

22 MR. ROSS: Okay. Yeah, we'll wait for
23 Mr. Cooper.

24 MS. BASSI: Doesn't the use of low

1 sulfur powder river basin coal reduce SO2
2 emissions and benefit the -- the environment?

3 MR. ROSS: The use of low sulfur coal
4 reduces SO2 emissions in comparison to the use of
5 the same amount of bituminous coal.

6 MS. BASSI: Does that reduction
7 benefit the environment?

8 MR. ROSS: To the extent that it
9 provides a greater reduction in SO2, it benefits
10 the environment in regards to SO2. However, there
11 are other pollutants involved to generate the
12 same amount of electricity you need to burn more
13 subbituminous coal than you would bituminous coal
14 due to the higher heating value of bituminous
15 coal.

16 MS. BASSI: Does the use of low sulfur
17 coal reduce NOX?

18 MR. ROSS: I don't believe so.

19 MS. BASSI: I think this is also a
20 question that is appropriate for you. Could you
21 explain the status of this proposal with USEPA
22 given that the submittal deadline for this was
23 September 11th and that date has passed?

24 MR. ROSS: Right. Well --

1 MS. BASSI: And that you will also not
2 make the October 31st deadline for initial
3 allocation?

4 MR. ROSS: Right. We have been
5 officially FIPed by USEPA.

6 MS. BASSI: Has the finding been
7 published?

8 MR. ROSS: I'm uncertain as to that.
9 But we were FIPed and USEPA will be making
10 allocations sometime in 2007, I believe, and we
11 would hope that our rule becomes promulgated
12 shortly thereafter or even before such that our
13 rule will come into effect before USEPA could
14 allocate a second time.

15 HEARING OFFICER KNITTLE: Mr. Ross,
16 can you explain for the record what FIPed means?

17 MR. ROSS: It means that the federal
18 -- or the USEPA has imposed the Federal
19 Implementation Plan which in essence requires us
20 to abide by the requirements of the model federal
21 CAIR so that our CAIR, as proposed in Illinois
22 allocations, will not be made in accordance with
23 our proposal or the first allocation period.
24 Instead, they will be made in accordance with the

1 model federal CAIR rule which does not have our
2 set asides and subject of much discussion. So we
3 will be submitting State Implementation Plans
4 that will include CAIR, and that plan we hope
5 that that would be proved, our rule finalized
6 before USEPA can make a second allocation. If
7 that is the case, then the second time
8 allocations are made, they would be allocated
9 within accordance with our proposal rather than
10 the model federal CAIR.

11 MS. BASSI: Don't USEPA's initial
12 allocations run through 2014?

13 MR. ROSS: No. I believe their
14 initial allocations are only for the first year
15 for the NOX. So for 2007, I believe, they
16 allocate for the year 2009 only.

17 MS. BASSI: And that's in the FIP?

18 MS. DOCTORS: Yes, yes. The dates and
19 the years that they allocate for is -- are in the
20 April 28th, 2006, Federal Register.

21 MS. BASSI: So basically is it the
22 case that the federal -- that the FIP is
23 different from the model rule and that USEPA is
24 not implementing the model rule in the FIP?

1 MR. ROSS: No. USEPA is implementing
2 their model rule in the FIP.

3 MS. BASSI: But the model rule
4 provides for initial allocations to 2014, don't
5 they?

6 MR. ROSS: That's not -- My
7 understanding is that the first allocation are
8 only made for the year 2009.

9 MS. DOCTORS: His testimony is
10 correct. On page 25, 354, it would be 71 Federal
11 Register, it outlines how the FIP allocations for
12 the year in the control period, that they be
13 allocated for and the date that USEPA would
14 credit or record the allocations and accounts,
15 and then in that Table VI-2 and the table next to
16 it, Table 6-3, is the allocations under the CAIR
17 model rule and that shows what you were
18 discussing, so the allocation is different.

19 HEARING OFFICER KNITTLE: Do you have
20 a question?

21 MR. RIESER: Yes. Can IEPA either
22 produce the documents that contains the official
23 FIPing as Mr. Ross indicated or a citation to the
24 Federal Register in which that FIPing was

1 published if it was published in the Federal
2 Register?

3 MS. DOCTORS: Yes, it's been provided.

4 MR. RIESER: Do you know which of
5 those it was?

6 MS. DOCTORS: I just need to check.
7 Off the top of my head I'm not sure whether we
8 got a separate letter or it all took place in the
9 April register.

10 MR. RIESER: Thank you very much.

11 MR. RAO: I have a follow-up to the
12 CAIR FIP. You have a brief discussion in the
13 Statement of Reasons on page 10 and 11 -- 10 and
14 11 about the implications of CAIR FIP. Can you
15 take a look at the dates you have on page 11 and
16 comment on whether those dates are consistent
17 with Mr. Ross's testimony?

18 MS. DOCTORS: Mr. Rao, could you
19 repeat the question?

20 MR. RAO: Yeah. I was referring to
21 your discussion about CAIR FIP on pages 10 and 11
22 and on page 11 you state that the first action
23 that USEPA will take under the FIP will be making
24 NOX allocations on July 30th, 2007, for 2009

1 period. When I read that, it seemed like it was
2 not consistent with what Mr. Ross testified. I
3 just wanted you to clarify.

4 MR. ROSS: I believe it is consistent
5 with what I said, that under the FIP USEPA will
6 be making allocations in 2007 for 2009, a single
7 year. So that's consistent with --

8 MR. RAO: I thought you said that the
9 allocation will be made -- the first allocation
10 will be September of 2006.

11 MR. ROSS: Seven.

12 MR. RAO: Seven?

13 MR. ROSS: Right. We were FIPed in
14 2006.

15 MR. RAO: Okay.

16 MR. ROSS: The first allocations to be
17 made by USEPA be in 2007.

18 MR. RAO: So what do -- if we have a
19 rule in place before the date, then the
20 allocations under your proposal may come into
21 play?

22 MR. ROSS: Right.

23 MR. RAO: Okay.

24 MS. BASSI: To follow-up on Dr. Rao

1 here, wasn't there also something in the
2 Statement of Reasons to the effect that even if
3 the rule is not approved into the FIP, USEPA will
4 accept Illinois' allocation methodology? Is that
5 -- how does that work, please?

6 MS. DOCTORS: Okay. Mr. Bloomberg
7 will address that.

8 MS. BASSI: Okay.

9 MR. BLOOMBERG: I don't know the exact
10 passage that you're talking about but I have
11 spoken to USEPA CAMD and I do not recall exactly
12 which person there.

13 HEARING OFFICER KNITTLE: What is
14 CAMD?

15 MR. BLOOMBERG: Clean Air Markets
16 Division. And what they said is it is their
17 intent, even though they recognize that some
18 states including Illinois won't, you know, were
19 getting FIPed, that if we have a rule in process
20 and it's progressing along, they will likely hold
21 off on their allocation and wait for our
22 methodology to pass.

23 MS. BASSI: Do they indicate how long
24 they will hold off?

1 MR. BLOOMBERG: They did not specify.

2 MS. BASSI: Is that specified in that
3 Federal Register, how long they'll hold off?

4 MR. BLOOMBERG: I don't know.

5 MS. BASSI: Ms. Doctors, you were just
6 pointing to a page and if you could point Mr.
7 Ross to that if there's a date there, that would
8 be helpful.

9 MR. ROSS: Well, I think the dates in
10 the Federal Register are identical to those in
11 Statement of Reasons.

12 MS. BASSI: Does that imply then that
13 USEPA will wait until July 30th and enter the FIP
14 allocation methodology?

15 MR. ROSS: I believe he based that on
16 a conversation.

17 MS. BASSI: Yeah.

18 MR. ROSS: But the -- does it imply it
19 in the Federal Register, I don't know.

20 MR. KIM: Before you get off the topic
21 of this Federal Register, we'll double check it
22 but I believe that in response to Mr. Rieser's
23 question, the documentation for the -- that sets
24 out that Illinois EPA or the state will be

1 subject to the federal limitation plan. I think
2 it's in that same Federal Register passage.
3 We'll go get that -- if that's not correct, we'll
4 provide that passage. But I believe it's in --
5 that's Exhibit D, the Statement of Reasons, so
6 that's -- that's been provided to the Board, but
7 I think that is the Federal Register that
8 contains the language that basically imposes the
9 FIP on it.

10 MR. RIESER: And you'll confirm that
11 one way or the other?

12 MR. KIM: Yes, yes.

13 MR. RIESER: Thank you.

14 HEARING OFFICER KNITTLE: Mr.
15 Bonebrake?

16 MR. BONEBRAKE: Mr. Ross, a follow-up.
17 The initial allocation under the proposed
18 Illinois rule is for a three-year period: 2009,
19 10 and 11; is that correct?

20 MS. DOCTORS: Yes.

21 MR. ROSS: Yes.

22 MR. BONEBRAKE: With the -- with the
23 FIP now in place, what revisions to the Illinois
24 proposed rule do you envision will be required?

1 MR. ROSS: We will be providing a
2 revision that allows the use of heat input for an
3 additional year for allocation. This is because
4 our rule required that output based monitors be
5 installed at the beginning of 2007, which it is
6 obvious to us at this time that our rule will not
7 be final by then, so for the initial allocation
8 period and the following year, we will allow the
9 use of heat input for allocations. I believe
10 that's the major -- only major change that we
11 will need to make.

12 MS. BASSI: To follow-up on that then,
13 so then assuming that FIP remains for a year, for
14 the very -- for 2009, then will the allocations
15 that you -- that the Agency would make for its
16 quote initial period would be 2010 and 11 --

17 MR. ROSS: I believe that's --

18 MS. BASSI: -- only for the two-year
19 period?

20 MR. ROSS: That's true, yes.

21 MS. BASSI: In these additional
22 amendments that you -- that the Agency has
23 indicated will be available later this week, do
24 they include changes to all these various dates

1 that are passing?

2 MS. DOCTORS: Let me speak to that
3 since I'm working on that.

4 MS. BASSI: Okay.

5 MR. KIM: Not that this is testimony
6 by the way.

7 MS. BASSI: This is what?

8 MR. KIM: This is not testimony.

9 MS. DOCTORS: I'm not sworn in.

10 HEARING OFFICER KNITTLE: You know,
11 and we want to -- I was about to jump in earlier,
12 but we do want the witness who is sworn in to be
13 answering the questions so in a legal matter like
14 this or a procedural matter, it's fine. But if
15 you're going to testify to the merits of the
16 substance of the proposal, we're going to have to
17 swear you in, Ms. Doctors. Let him -- let him
18 answer the question.

19 MR. ROSS: We will be answering those
20 questions when we submit the revised testimony
21 which if you could wait a day or so we'll get
22 into those. But our legal department has been
23 asked to make all the necessary changes in
24 regards to this issue you're discussing, and

1 they're still looking into -- well, I think they
2 -- they know what changes need to be made.
3 They're finalizing the language and putting it in
4 presentation mode so that we can bring it in
5 front of the Board.

6 MR. BONEBRAKE: And I appreciate that
7 we're not getting testimony from counsels and
8 I'll ask this question of counsel with that in
9 mind. I've heard a couple of different things
10 late this week, a couple of days on these
11 changes. Do we have a reasonably good sense of
12 when we'll be getting the proposed revisions to
13 the rule because I imagine that will or may at
14 least precipitate some additional questions?
15 That would be helpful for scheduling.

16 MR. KIM: I think we're waiting just
17 on a couple of two or three points just to try
18 and get final resolution on that. And being
19 obviously time away from, you know, desks,
20 phones, and stuff maybe slowed us down a little
21 bit, but I think once we get that taken care of,
22 the motion itself is a -- the contents of the
23 motion are largely done. It's just waiting to
24 get a couple of little pieces in place. So,

1 again, maybe I'm being overly optimistic but I'm
2 hopeful, you know, in the next day or so.

3 MR. BONEBRAKE: And that I did have a
4 follow-up question for you, Mr. Ross. When you
5 were mentioning the heat input revision that was
6 going to be required as a result of the FIP, as I
7 understood your testimony you were indicating
8 that generators in Illinois during this initial
9 allocation period may elect to use heat input as
10 an alternative to gross output; is that correct?

11 MR. ROSS: That's correct.

12 MR. BONEBRAKE: And that is a decision
13 that the generators may make at their discretion?

14 MR. ROSS: That is correct.

15 MS. BASSI: Is that straight heat
16 input, or is it converted to gross output?

17 MR. ROSS: I believe it's straight
18 heat input similar to how the USEPA, but we will
19 have someone testifying on that.

20 MS. BASSI: Okay. I see someone back
21 there really deep in --

22 HEARING OFFICER KNITTLE: Do we have
23 somebody from the back panel that wants to speak
24 to that, Ms. Doctors?

1 MS. DOCTORS: Jackie Sims is.

2 MR. ROSS: It appears it may be
3 converted.

4 MR. DAVIS: I'll be testifying to the
5 output versus input and I'll be clarifying that,
6 but it is converted heat input for the first
7 round and possibly for the second round.

8 MR. BONEBRAKE: Just to make sure that
9 I understand that correctly, although the heat
10 input information would be converted to gross
11 output, the generators have the election or the
12 discretion to submit and rely upon that the
13 Agency use heat input data as opposed to gross
14 output data?

15 MR. DAVIS: Yes.

16 MR. BONEBRAKE: That is still correct?

17 MR. DAVIS: Yes.

18 MS. BASSI: I have a couple questions
19 about your presentation and you're saying why
20 didn't I ask those before.

21 MR. ROSS: Okay. No I just have to
22 look for my presentation.

23 MS. BASSI: Okay. Counting the cover
24 page as page one --

1 MR. ROSS: Okay.

2 MS. BASSI: -- on Slide 17 or page 17
3 which says CAIR in Illinois in paren continued at
4 the top and the first dot point is the more NOX
5 reduced the greater the benefits.

6 MR. ROSS: Yes.

7 MS. BASSI: The last dot on that page
8 says USEPA modeling in support of CAIR shows that
9 CAIR will not be sufficient for all of Illinois
10 to obtain the PM2.5 and ozone NAAQS, N-A-A-Q-S.
11 Does this statement assume that other statutorily
12 required reductions -- or have been accounted for
13 in the modeling? And by other statutorily
14 required reductions, I mean, RACT where it
15 continues to apply and has not already been
16 applied, the new CTG, any reductions that are
17 coming as a result of federal measures and so
18 forth?

19 MR. ROSS: I believe USEPA model on
20 the books controls and on the way controls that
21 they were made aware of, or aware of, or made
22 aware of by the state, so they modeled, I guess,
23 what they considered the likely scenario of rules
24 coming so --

1 MR. KALEEL: USEPA's modeling was done
2 prior to the CAIR rulemaking so it's somewhat
3 older than some of the modeling work that
4 Illinois EPA and LADCO was engaged in right now,
5 but I think Jim's statement is correct, that at
6 least at the point that they did the modeling,
7 they -- USEPA made every effort to include the
8 emission reductions that are expected from
9 programs that are already in place like the NOX
10 SIP Call, like Federal Motor Vehicle Control
11 Programs, Tier 2, CAIR, low sulfur fuels. A lot
12 of those things -- the rules are already in place
13 in emission reductions. Jim's terminology was on
14 the books.

15 MS. BASSI: Is this statement
16 consistent with the most recent of the Illinois
17 EPA or LADCO modeling?

18 MR. KALEEL: Yes, it is.

19 MS. BASSI: And does Illinois USEPA or
20 LADCO modeling include the new CTG?

21 MR. KALEEL: The modeling that we used
22 in the Technical Support Document is a generation
23 or maybe even two generations old and the -- that
24 particular modeling did not include the new CTGs.

1 We're trying to make an effort, we being Illinois
2 USEPA and LADCO, and the other LADCO states are
3 making an effort to include those in a future
4 round.

5 MS. BASSI: Okay. And what about
6 RACT?

7 MR. KALEEL: RACT to the extent --
8 RACT, Reasonably Available Control Technology, to
9 the extent it is required or in place in
10 non-attainment areas was accounted for.

11 MS. BASSI: And CTG, by the way, means
12 Control Technology Guideline?

13 MR. KALEEL: Yes.

14 MS. BASSI: My second question is on
15 Slide 18, the next one.

16 HEARING OFFICER KNITTLE: Mr. Rieser?
17 Can we interject?

18 MS. BASSI: Yes.

19 HEARING OFFICER KNITTLE: He has a
20 question on that last slide.

21 MR. RIESER: There's been some
22 discussion, and maybe this is best addressed to
23 Mr. Kaleel, that current result -- or the current
24 sampling results document that may allow the IEPA

1 to document attainment with ozone in the Chicago
2 area; is that correct?

3 MR. KALEEL: The preliminary ozone
4 monitoring that includes this summers ozone data,
5 as well as the prior two years, indicates that
6 the monitor that's historically been the
7 controlling monitor for the Chicago
8 non-attainment area is one located in Chiwaukee,
9 Wisconsin, is, in fact, below the level of the
10 8-hour ozone standards. So that Chiwaukee
11 monitor, the Chicago non-attainment area is -- is
12 eligible to request redesignation.

13 MS. BASSI: And is the Illinois EPA
14 doing that?

15 MR. KALEEL: At this time we haven't
16 decided whether or not to do that. We're working
17 with our neighboring states to decide whether or
18 not to pursue that.

19 MS. BASSI: Why would you not?

20 MR. KALEEL: Well, there's still other
21 monitors in Wisconsin and across the lake, Lake
22 Michigan, in the state of Michigan that we
23 perceive our contribution to be significant, if
24 not overwhelming, and because of our contribution

1 to those other states we may elect not to do
2 that.

3 MS. BASSI: What does contribution to
4 other states have to do with attainment in the
5 non-attainment areas that Illinois is responsible
6 for?

7 MR. KALEEL: Well, it's historically
8 been our policy for at least 15 years to try to
9 resolve the non-attainment problems throughout
10 the Lake Michigan basin at the same time. So we
11 -- we're continuing that policy. We're working
12 with the other states to decide how to approach
13 the current situation with the monitors near
14 Chicago.

15 MS. BASSI: Okay.

16 HEARING OFFICER KNITTLE: Mr. Rieser?

17 MR. RIESER: If there is a decision to
18 apply for a change in the attainment designation
19 for the Chicago area, does that have any impact
20 on either the statement that you've got here or
21 the application of these rules?

22 MR. ROSS: I don't believe it would
23 change the statement made here because this is in
24 terms of USEPA's modeling that has already been

1 performed, so it's a past tense statement. Going
2 forward -- Well, I mean, the statement wouldn't
3 change unless USEPA performed another round of
4 modeling.

5 HEARING OFFICER KNITTLE: Yes, Ms.
6 Bassi?

7 MS. BASSI: Is it not the case that if
8 Illinois pursued redesignation and it was granted
9 on the basis of clean data; in other words, the
10 monitors showed attainment that would not apply
11 in Illinois are the CTGs and not RACT, in
12 Chicago, at least?

13 MR. KALEEL: I guess I'm not sure
14 about the CTGs. The NOX RACT, I think, is a
15 determination that we have to approach USEPA on.
16 RACT is a statutory requirement in the Act for
17 moderate non-attainment areas and --

18 MS. BASSI: But if the area is no
19 longer moderate non-attainment because it's in
20 attainment, then doesn't it follow that those
21 things no longer apply.

22 MR. KALEEL: EPA would have to make a
23 determination, that's true. I think an argument
24 like that could be made.

1 MS. BASSI: Is there not guidance that
2 already says that?

3 MR. KALEEL: I'm not sure about
4 guidance. There is some precedent for that
5 approach. One other comment is that we still
6 have PM2.5 non-attainment in Chicago and downwind
7 areas, and although the guidelines for
8 implementation of the PM2.5 standards have not
9 been finalized yet, we expect that RACT will be a
10 requirement for PM2.5 and including NOX RACT. So
11 I'm not sure, you know, that it will get us
12 anywhere if RACT is not required for ozone. It
13 will be still required for PM2.5.

14 MS. BASSI: I had a question on Slide
15 18 but it no longer makes any sense.

16 HEARING OFFICER KNITTLE: Are we
17 finished with Mr. Ross?

18 MS. BASSI: For this time.

19 HEARING OFFICER KNITTLE: I assume
20 that Mr. Ross will stay on the panel?

21 MR. ROSS: Yes.

22 MS. DOCTORS: Yes.

23 HEARING OFFICER KNITTLE: We're
24 keeping -- Let's go off the record for a second.

1 (A discussion was held off the
2 record.)

3 HEARING OFFICER KNITTLE: We're going
4 to continue with this panel. Ms. Doctors, do you
5 have another witness that you want to have come
6 up and sit with the front panel?

7 MS. DOCTORS: Yes, I'd like to have
8 Rory Davis come forward. The questions are going
9 to be directed at Rob Kaleel for the most part.

10 HEARING OFFICER KNITTLE: Can you say
11 his name again for the court reporter?

12 MS. DOCTORS: Rory Davis, R-O-R-Y,
13 Davis, D-A-V-I-S.

14 HEARING OFFICER KNITTLE: Thank you.
15 Ms. Doctors?

16 MS. DOCTORS: Yes, I'd like to ask
17 that the testimony of Rob Kaleel be admitted as
18 if read. It'd be Agency Exhibit 4.

19 HEARING OFFICER KNITTLE: Do we have
20 any objections to the testimony of Robert Kaleel?

21 MS. BASSI: Is this the same as what
22 is submitted to the Board?

23 MS. DOCTORS: Yes.

24 HEARING OFFICER KNITTLE: Seeing none,

1 this will be admitted as exhibit -- Agency
2 Exhibit No. 4. Mr. Bonebrake, you may proceed.

3 MR. BONEBRAKE: Mr. Kaleel, first I
4 have a clarification question for you pertaining
5 to the first page of your written testimony and
6 it's the second full paragraph, the last
7 sentence. And it refers to the fact that your
8 testimony is based on information provided to the
9 Board by the Illinois EPA Technical Support
10 Document, do you see that?

11 MR. KALEEL: Yes, I do.

12 MR. BONEBRAKE: Do you, in fact, write
13 a portion of the Technical Support Document?

14 MR. KALEEL: Yes.

15 MR. BONEBRAKE: And what portion did
16 you write?

17 MR. KALEEL: I had involvement in
18 writing several portions but primary
19 responsibility for writing the -- what's chapter
20 -- or Section 3.0, The Environmental and Health
21 Benefits.

22 MS. BASSI: Mr. Kaleel, in that same
23 statement that Mr. Bonebrake was quoting, you say
24 your testimony is based on the TSD, is your

1 testimony then just a summary of the TSD?

2 MR. KALEEL: That was my intention was
3 to summarize the TSD.

4 MS. BASSI: Okay. You provide
5 information regarding economic and health
6 benefits in national terms apparently taken from
7 USEPA's Analysis; is that correct?

8 MR. KALEEL: That's correct.

9 MS. BASSI: How does this specifically
10 translate to Illinois?

11 MR. KALEEL: There isn't in that
12 Section 3.0 or in my testimony specific
13 information derived from USEPA. There isn't
14 specific information for Illinois. The costs are
15 -- the cost information, health information
16 generally is applicable to the entire CAIR
17 region, including Illinois.

18 HEARING OFFICER KNITTLE: Mr.
19 Bonebrake?

20 MR. BONEBRAKE: Does that mean then
21 that your discussion both in the TSD and in your
22 testimony of health impacts and costs are all
23 related to USEPA's analysis of the federal CAIR
24 and do not take into consideration the impact of

1 any deviations from the federal model reflected
2 in the Illinois proposal?

3 MR. KALEEL: Yes, that's correct.

4 MS. BASSI: Is Forest Productivity a
5 big business in Illinois?

6 MR. KALEEL: I have no information on
7 Forest Productivity. Again, we're citing federal
8 information.

9 MS. BASSI: Okay. What is the
10 Agency's basis for stating that Randolph Township
11 and Randolph County is a non-attainment area for
12 ozone? This is in the Statement of Reasons, I
13 believe. It's on -- it's on page 3 and footnote
14 2 of Statement of Reasons.

15 MR. KALEEL: If that's in the
16 Statement of Reasons, that's in error. Randolph
17 County is considered to be an attainment area for
18 ozone. The Baldwin Precinct or Baldwin Township
19 in Randolph County is non-attainment for PM2.5.

20 MS. BASSI: I believe there's an error
21 in the Code of Federal Regulation on the
22 designation of the PM2.5 non-attainment area.
23 They call it Baldwin Village, has that been
24 corrected?

1 MR. KALEEL: I believe that's been
2 corrected. The terminology -- the correct
3 terminology would either be Baldwin Precinct or
4 Baldwin Township.

5 MS. BASSI: And I believe you stated
6 earlier that the -- Well, first of all, would you
7 explain, please, what a design value is with
8 respect to a national ambient air quality
9 standard in a monitoring concept?

10 MR. KALEEL: Yes. In a monitoring
11 concept I guess it depends a little bit on the
12 form of the standard whether you're talking ozone
13 or PM2.5, but in the case of ozone, the design
14 value would be for a particular monitor would
15 represent the fourth highest value in three
16 years. That's typically been the case. I think
17 in the case of -- I'm sorry, in the case of
18 8-hour ozone, it's the average of the fourth
19 highest over three years, so -- and the idea
20 being that that value was above a level of the
21 air quality standard 85 parts per billion then
22 that monitor would be exceeding the standard,
23 violating the standard.

24 MS. BASSI: Does the same concept

1 apply to PM2.5 in that the design monitor reflects
2 whatever -- however the standard is expressed?

3 MR. KALEEL: Yes. The air quality
4 standards, the way you would interpret the
5 monitoring data, is different for each standard.
6 In the case of PM2.5, what the annual average of
7 form of the standard, the design value is
8 computed by just a straight arithmetic average of
9 three years of data, three annual averages at
10 each monitoring site.

11 MS. BASSI: Would you again -- I --
12 you just mentioned this a minute ago, but would
13 you state again what is the design monitor for
14 the Chicago ozone non-attainment area?

15 MR. KALEEL: Historically the critical
16 monitor in our attainment demonstration has been
17 the Chiwaukee monitor. It does -- it does move
18 around; however, from -- from one period to
19 another there have been times in the past where
20 the critical monitor has been north of Milwaukee.
21 There have been times in the recent past where
22 concentrations have been observed that are higher
23 in Indiana so it does move around, but typically
24 it's been the Chiwaukee monitor for ozone.

1 MS. BASSI: In your -- in your
2 testimony you included a couple of figures and
3 specifically looking at Figure 2. -- 2-2 on page
4 10 of your testimony, how much -- this is -- this
5 is addressing the 8-hour ozone designation and
6 the red counties are non-attainment counties.
7 How much -- how many of those are -- can you
8 somehow delineate for us what comprises the exact
9 non-attainment area that Illinois -- that is the
10 Illinois and, I believe, Indiana non-attainment
11 area?

12 MR. KALEEL: Yeah, the Chicago --

13 MS. BASSI: Thank you.

14 MR. KALEEL: -- metropolitan area --
15 or the non-attainment area that reflects the
16 Chicago Metropolitan area includes six counties
17 in northeastern Illinois, two partial counties.
18 They're just certain townships in two counties in
19 northeastern Illinois and also Lake and Porter
20 Counties in Indiana.

21 MS. BASSI: And Lake and Porter
22 Counties are the furthest west counties in
23 Indiana?

24 MR. KALEEL: Yes, they are.

1 MS. BASSI: Does the Chicago
2 non-attainment area include any portion of
3 Wisconsin?

4 MR. KALEEL: It does not.

5 MS. BASSI: Is -- Where is the
6 Chiwaukee monitor located?

7 MR. KALEEL: It's in Wisconsin,
8 virtually at the border between Wisconsin and
9 Illinois at the lake front.

10 MR. BASSI: How can it be the design
11 monitor for the Chicago non-attainment area when
12 it was not in the non-attainment area?

13 MR. KALEEL: Well, this has been --
14 the border for the non-attainment area, there's
15 -- there's -- there's some legal history to it,
16 and I may or may not get the legal history
17 totally correct. The Kenosha and Racine Counties
18 in southeast Wisconsin are -- especially Kenosha
19 County, is part of the Chicago metropolitan
20 statistical area that the MSA boundaries would
21 include those counties as well as the two in
22 Indiana. Historically, those counties have been
23 part of the Chicago non-attainment area. The
24 state of Wisconsin had asked, and USEPA agreed,

1 back in the context of the 1-hour ozone that for
2 administrative purposes that the Kenosha and
3 Racine Counties be split off and be included as
4 the Milwaukee non-attainment area. So this goes
5 back into the -- I believe the designations
6 pursuant to the 1990 Clean Air Act amendments.

7 MS. BASSI: Thank you. Is it correct
8 that both of the Illinois ozone non-attainment
9 areas are so called Subpart 2 non-attainment
10 areas?

11 MR. KALEEL: That's correct.

12 MS. BASSI: Would you explain what
13 Subpart 2 non-attainment areas are, please?

14 MR. KALEEL: There's -- there's -- in,
15 I believe, it's Section 110 of the Act there's
16 two parts that -- that -- okay. I'm sorry Part D
17 of the Clean Air Act, there are two sections that
18 govern the criteria or the control requirements
19 for new non-attainment areas for various
20 pollutants. Subpart 1 is a more general
21 description of non-attainment area requirements
22 for any pollutant whether it include particulate
23 matter, it would include ozone, sulfur dioxide.
24 Subpart 2 was included for -- specifically for

1 ozone. It had a very prescriptive set of control
2 requirements. It really, back in the days of the
3 1990 Clean Air Act amendments, had very
4 prescriptive requirements and categories of the
5 severity of non-attainment. So it includes a
6 kind of a ramp-up of requirements depending on
7 the severity of ozone concentrations at that
8 time, again, a 1-hour ozone. So Subpart 2 areas
9 are previously areas that have been
10 non-attainment for 1-hour ozone.

11 MS. BASSI: Is it -- is it not the
12 case that Subpart 2 areas are those who had a
13 particular design value at the time of
14 designation for the 8-hour ozone standards?

15 MR. KALEEL: There was -- there was a
16 criteria or ranking that EPA did for Subpart 2,
17 and I think it included areas that were still
18 non-attainment for 1-hour ozone at the time that
19 the 8-hour ozone standard was implemented. But
20 there was even a category of concentrations based
21 again on 1-hour ozone. It was less than 125
22 parts per billion for 1-hour ozone but greater
23 than 120 parts, so these are areas that were
24 barely meeting the standard, the 1-hour standard

1 at that time. Those were considered to be
2 Subpart 2 areas.

3 MS. BASSI: What was the Metro East
4 non-attainment area status at the time of
5 designation in terms of attainment or
6 non-attainment?

7 MR. KALEEL: Metro East area as part
8 of the St. Louis multi state non-attainment area,
9 and it was an attainment of the 1-hour ozone
10 standard. It was a stated petition that USEPA
11 had approved for redesignation, a petition
12 previously to redesignation. The St. Louis area
13 was a moderate non-attainment area.

14 MS. BASSI: And at the time of
15 designation for the 8-hour ozone standard, I
16 believe you just said a bit ago that subpart --
17 that both of the non-attainment areas in Illinois
18 are Subpart 2 non-attainment areas?

19 MR. KALEEL: Yes.

20 MS. BASSI: So base that on another
21 statement you just made, does that imply then
22 that even though the Metro East non-attainment
23 area have been redesignated to attainment under
24 the 1-hour standard it was barely an attainment?

1 MR. KIM: As engrossing as this is, is
2 this -- I'm not sure where the relevance of this
3 line of questioning comes into play with Mr.
4 Kaleel's testimony.

5 MS. BASSI: Mr. Kaleel is probably the
6 best person to answer the questions, number one,
7 and the relevance of this is that the Agency has
8 made statements all through this that these are
9 -- that this rule and some of the deviations from
10 the federal rule are going to be used towards
11 attainment of these standards and, therefore,
12 attainment of the standards is relevant.

13 MR. KIM: And I think in that context
14 I would disagree, but I'm not sure most of these
15 questions seem to be based more on the historical
16 fact on all of this. I think we're taking more
17 of a perspective approach on this as opposed to
18 the --

19 MS. BASSI: Sorry.

20 MR. KIM: -- as opposed to the
21 background that you're it calling here.

22 MS. BASSI: Well, part of the -- part
23 of this background goes to what's going to be
24 required in the non-attainment area in addition

1 to this.

2 HEARING OFFICER KNITTLE: Is that an
3 objection, Mr. Kim?

4 MR. KIM: It is an objection.

5 MS. BASSI: Sorry.

6 HEARING OFFICER KNITTLE: I think I'll
7 sustain that as to the background information. I
8 can't see how it's relevant.

9 MS. BASSI: All right. I believe in
10 your -- in the Statement of Reasons that perhaps
11 in your testimony there is discussion about when
12 the attainment dates are.

13 HEARING OFFICER KNITTLE: I'm sorry.
14 You're speaking -- I thought you were asking
15 another question.

16 MS. BASSI: I am. I am. Would you
17 please explain -- Actually, I was looking at you
18 because I wanted to be sure this wasn't part of
19 that same background stuff. It is in the
20 Statement of Reasons for sure. When is the
21 attainment date for the -- for the Illinois ozone
22 non-attainment area?

23 MR. KALEEL: The attainment date for
24 ozone is officially June 15th, 2009 -- I'm sorry,

1 June 15th, 2010.

2 MS. BASSI: And I believe it says 2009
3 in the Statement of Reasons; is that correct?
4 And I didn't write down a page number, sorry.

5 MR. KALEEL: I don't recall the
6 specific date that was in the Statement of
7 Reasons. The -- Effectively 2009 has to be a
8 clean year for ozone for the areas to attain it
9 on time. June 15th is very early in the ozone
10 season so the June 15th date in 2010 really has
11 to revert back to the prior year of 2009. You
12 have to have a complete season to be able to make
13 a determination of the attainment.

14 MS. BASSI: But is it true that June
15 15th, 2009, actually has no relevance? The 2009
16 clean year would be at the end of the ozone
17 season?

18 MR. KALEEL: I believe -- If it says
19 that in the Statement of Reasons, I believe that
20 is right.

21 MS. BASSI: Where -- Do you know the
22 current ozone -- or do you know the current PM2.5
23 design value for the non-attainment area?

24 MR. KALEEL: The current as in the --

1 MS. BASSI: Including 2005, 4 and 3 --
2 or, yeah, 5, 4, and 3?

3 MR. KALEEL: I don't recall the
4 specific values. We can -- we can provide that.
5 I know that we have summaries of that. I don't
6 have that with me at the moment.

7 MS. BASSI: Does -- Would USEPA's
8 proposed revision of the daily standard for PM2.5,
9 the 35 micrograms per cubic meter, affect at all
10 this rulemaking?

11 MR. KALEEL: I think -- Officially, I
12 don't believe EPA has addressed it yet. I think
13 EPA is working on a policy for transition from
14 the current 24-hour PM2.5 standard to the newly
15 promulgated standard. They haven't done that
16 yet.

17 MS. BASSI: You state in -- someone
18 states in the Statement of Reasons that the
19 attainment date for most areas, and that was in
20 quotes, for PM2.5 is April 5th, 2010. Does this
21 mean that there are areas in Illinois that have
22 an attainment date other than that?

23 MR. KALEEL: That would be the
24 applicable attainment date for PM2.5 for both

1 Metro East and Chicago.

2 MS. BASSI: Okay. Would you explain
3 then how the CAIR rule which goes into effect for
4 SO2 and, therefore, PM2.5 in 2010 will -- will
5 effect attainment of the PM2.5 standard in 2010?

6 MR. KALEEL: That's a good question.
7 I wish USEPA would have promulgated CAIR sooner.
8 There will be some NOX reductions anticipated by
9 CAIR in 2009 as part of the summer season
10 program. I think USEPA also anticipates some
11 early reductions prior to the attainment date for
12 PM2.5 just due to the economics of trading, so
13 there may be some early reductions. But as we're
14 all aware, the program, the CAIR program, doesn't
15 provide a lot of NOX reductions early in the
16 program. Most of the NOX reductions will come by
17 2015, the second phase. And these dates don't
18 line up well with the attainment dates for either
19 8-hour ozone or PM2.5 and we -- we have commented
20 to that effect to USEPA when they first proposed
21 CAIR.

22 MS. BASSI: It's effectively then the
23 time you have to attain or at least have
24 implemented all your programs for attainment by

1 -- is by the end of 2009 or by the beginning of
2 2009?

3 MR. KALEEL: For -- for ozone it would
4 be the beginning of the ozone season 2009. For
5 PM2.5 it would be the end of 2009 or right at the
6 beginning of 2010.

7 MS. BASSI: Do emissions of NOX and SO2
8 generally have a local impact, meaning, within
9 the non-attainment area?

10 MR. KALEEL: Are you speaking about
11 PM2.5, is that --

12 MS. BASSI: Yeah.

13 MR. KALEEL: I guess I get to ask you
14 a question. But the --

15 MS. BASSI: That's called clarifying.

16 MR. KALEEL: For PM2.5, SO2 and NOX
17 reductions typically have their effect further
18 downwind. The -- urban -- urban area, PM2.5
19 levels usually see sulfate and nitrate as a major
20 constituent of PM2.5 on the filters in the
21 non-attainment areas, but the science would
22 suggest that PM -- that that sulfate and nitrate
23 concentrations on those filters originated
24 upwind, that they were a result of transport

1 rather than locally generated particulate matter.

2 MS. BASSI: Can you tell us how far NOX
3 and SO2 emissions are transported from coal-fired
4 power plants?

5 MR. KALEEL: Hundreds of miles.

6 MS. BASSI: Does SO2 transport greater
7 than NOX?

8 MR. KALEEL: They're both in a gaseous
9 form so I think that they could. They could --
10 could transport a great distance. The form that
11 the sulfur is in at that time is subject to
12 atmospheric chemical reactions, so SO2 may not
13 remain in the form of SO2 for hundreds of miles.
14 It really depends on what other chemical
15 constituents are available in the atmosphere as
16 to what reactions take place or what form the
17 sulfur is at any given location downwind.

18 MS. BASSI: Does the -- does the SO2 --
19 you said it will change chemical form, does it
20 change back to SO2?

21 MR. KALEEL: I don't believe it does,
22 no.

23 MS. BASSI: What would be the impact
24 on a NOX or SO2 air quality monitor of

1 approximately 1,300 megawatts of coal-fired
2 generation if it were shut down -- if this were
3 shut down in the vicinity of that monitor?

4 MR. KIM: Are you referring to a
5 specific scenario, or is this just a very
6 specific hypothetical?

7 MS. BASSI: This is a very specific
8 hypothetical that had its generation in something
9 or other that I didn't write down, but I think
10 it's related to the CASA.

11 MR. KALEEL: In general, a power plant
12 with a very tall stack will not have large
13 impacts close to the monitor. There are -- there
14 are short-term exceptions, dramatic exceptions to
15 that and very unstable atmosphere is the power
16 plant plume can touch down very close within
17 hundreds of meters of the stack even with a tall
18 stack. In general, however, the SO₂ and NO_x
19 emissions are going to travel some distance
20 downwind before causing any kind of ground level
21 impacts. Similarly, particulate matter, primary
22 particulate matter, from a tall stack can have a
23 local impact or can also contribute somewhat
24 downwind.

1 MS. BASSI: Okay. You say that each
2 user one of the largest sources of NOx, this is in
3 the first page of your testimony, what are some
4 other large sources of NOX?

5 MR. KALEEL: The other main source of
6 NOX in our state inventory or in our
7 non-attainment inventories are mobile sources.
8 There are other point sources of NOX, other
9 industrial boilers, other industrial processes,
10 basically any industrial process that causes
11 emissions at higher than ambient temperatures.
12 Any fuel combustion type source can be a NOX
13 source.

14 MS. BASSI: Do mobile sources have the
15 same transport characteristics as emissions from
16 power plants?

17 MR. KALEEL: Typically not. The NOX
18 that is emitted from mobile sources is obviously
19 at the ground level and not from a tall stack.
20 The chemical transformation of NOX from cars and
21 NOX from power plants typically would take in the
22 range of several hours and, again, that depends
23 on the availability of other constituents, other
24 -- other chemical compounds in the atmosphere to

1 cause those chemical reactions to occur.

2 MS. BASSI: Looking at Table 3. -- or
3 3-3 and 3-4 in your testimony. I just need to
4 understand this a little bit more. You stated
5 the contribution to the Chicago non-attainment
6 area from Iowa, for example, is 0.28 micrograms
7 per cubic meter. Could you translate that into
8 parts per billion for me, please?

9 MR. KALEEL: I'm not sure that I can.
10 This is for both PM2.5 and that is the form of the
11 standard micrograms per cubic meter.

12 MS. BASSI: So you can't say anything
13 else, huh? Okay. In the Statement of Reasons
14 the Agency says that it will pursue emission
15 reductions from presumably stationary large and
16 small -- presumably stationary as opposed to
17 mobile -- large and small internal combustion
18 engines, NOX RACTs from unnamed source course
19 category, more stringent VOC emission reduction
20 -- or limits, I'm sorry, for existing and new
21 industrial categories, a tightening of ERMs, an
22 acronym, and adopting SO2 RACTs quote before it
23 seeks additional reduction in SO2 or NOX from
24 electric generating units. This is on page 52 on

1 the Statement of Reasons. Does the Agency, I
2 believe -- I believe that someplace else it says
3 no but does the Agency adopt USEPA's findings
4 that CAIR is NOX and SO2 RACT?

5 MR. KALEEL: USEPA gives the states
6 the option to make that finding that we can use
7 to participate in the CAIR trading program, that
8 that would be equivalent to RACT or that would be
9 a RACT requirement. Illinois has not made the
10 determination that meeting CAIR is the same as
11 meeting RACT for EGUs in the non-attainment area.
12 That's -- that's -- I guess we're still
13 considering whether or not that we want to do
14 that or we will do that.

15 MS. BASSI: So there's not been a
16 final decision?

17 MR. KALEEL: That's right.

18 MS. BASSI: Okay. From what types of
19 other sources would Illinois USEPA see SO2 RACT?

20 MR. KALEEL: We're still waiting for
21 federal guidance on the PM2.5 implementation
22 approach. We anticipate that SO2 RACT will need
23 to be addressed for PM2.5 based on draft guidance
24 that USEPA released last year, but we don't know

1 what the final form of that will take.

2 MS. BASSI: Okay.

3 HEARING OFFICER KNITTLE: Mr.
4 Bonebrake?

5 MR. BONEBRAKE: Why would IEPA, given
6 the option not assume that -- why would IEPA when
7 given the option not assume that EGU subject to
8 CAIR equals RACT?

9 MR. KALEEL: One of the things that
10 we're trying to look at right now is still what
11 is our overall approach for demonstrating
12 attainment of the air quality standards and to
13 the extent that EGUs are contributors to
14 non-attainment, and that we find that certain
15 controls may be needed from specific plants in or
16 near the non-attainment area that could be
17 addressed through RACT, then we would make that
18 determination. We've not -- not completed our
19 modeling yet, and we don't know yet whether that
20 is the case. But to the extent that local power
21 plant emissions are contributing locally or
22 within our Lake Michigan basin and within the St.
23 Louis non-attainment boundaries, then RACT
24 controls maybe appropriate.

1 MS. BASSI: How is this consistent
2 with or how will it coordinate with the joint
3 statement that accompanied the two MPS amendments
4 to Mercury rulemaking? And my apologies for
5 mentioning for Mercury. How will this all
6 coordinate together? And in the joint statement,
7 what I'm referring to is the statement that those
8 sources that pursue the MPS will be the last to
9 have to do initial reduction?

10 MR. KALEEL: RACT and the MPS are
11 separate requirements. The MPS is an option for
12 electric utilities. RACT is not an option for
13 the Agency. We need to pursue RACT in our
14 non-attainment areas. So we can --

15 MR. ROSS: And I would just like to
16 clarify, the joint statement did not say that
17 sources opting into the MPS will be the last ones
18 that we look at. It says that we will look to
19 other sources first and those --

20 MS. BASSI: And how is that different?

21 MR. ROSS: Because other sources that
22 are less well-controlled. Sources entering into
23 the MPS will be considered well-controlled in
24 regards to systemwide from that perspective in

1 regards to SO2 and NOX.

2 MS. BASSI: Okay. But -- Okay.
3 That's fine. I don't know if it was in the
4 Statement of Reasons or in your testimony, Mr.
5 Kaleel, there's mention of a super regional
6 dialogue that involved LADCO and OTC which is the
7 Ozone Transport Commission, which is the
8 northeast portion of the United States. It says
9 Illinois is participating in this. Are you
10 familiar with what I'm talking about?

11 MR. KALEEL: I am familiar.

12 MS. BASSI: Okay. Is this an open
13 public process?

14 MR. KALEEL: My understanding is that
15 the process up-to-date has largely involved the
16 directors of the agencies of the OTC states and
17 some of the Midwest states. I know that our
18 director has participated in those. I don't
19 believe it's an open process. I believe it's
20 just the environmental commission that are
21 participating in that.

22 MS. BASSI: So your understanding or
23 your belief is is that there are not any
24 stakeholders that are participating; is that

1 correct?

2 MR. KALEEL: I'm not aware that there
3 are any stakeholders.

4 MS. BASSI: Did USEPA participate?

5 MR. KALEEL: I don't believe so.

6 MS. BASSI: Okay. Looking in your
7 testimony at Table 3-5, does this -- this -- does
8 this table refer to -- no, it has -- Never mind.
9 It says for Chicago at three, either Chicago and
10 then in the second column there's a parentheses
11 three and then it says -- and this is all under
12 ozone; correct?

13 MR. KALEEL: Yes.

14 MS. BASSI: Which you just stated we
15 already attained; correct?

16 MR. KALEEL: Yes. Potentially we've
17 not attained as the data that I referred has not
18 been quality assured, but to the extent that the
19 Chiwaukee monitoring data holds, and I have no
20 reason to think it won't, the monitoring data
21 would show that we're meeting the standard.

22 MS. BASSI: Okay. Does this mean,
23 according to this, to attain the ozone standard
24 in Chicago there would need to be an additional

1 35% reduction in VOC or CO, one or the other,
2 emissions in Chicago area beyond what's currently
3 there?

4 MR. KALEEL: Yeah, the CO is -- I
5 hadn't even noticed that before you said it.
6 What's really intended there for particulate
7 matter is organic carbon. It should be OC. That
8 reflects a typo.

9 MS. BASSI: Okay.

10 MR. KALEEL: It's not carbon monoxide.

11 MS. BASSI: Well, I was all excited.
12 Okay. And then does this mean that there were
13 additional VOC reductions of 35% from a baseline
14 and additional NOX reduction in the region from
15 the baseline that there would be attainment in
16 the Chicago area?

17 MR. KALEEL: Yes, that's what is
18 intended based on this round of modeling.

19 MS. BASSI: Okay. And that's how the
20 entire chart would be read; is that correct?

21 MR. KALEEL: That's right.

22 MS. BASSI: Okay. What would be the
23 effect of local reductions of NOX on ozone?

24 MR. KALEEL: Depending on the

1 non-attainment area, depending on the specific
2 day that is being modeled, and we talked a little
3 bit this morning about the effects NOX benefit,
4 but you may see some -- some increase in ozone
5 concentration, probably wouldn't see a lot of
6 ozone decrease within the same urban area from NOX
7 control.

8 MS. BASSI: Does that apply to
9 so-called low level sources as well as to
10 elevated sources of NOX?

11 MR. KALEEL: I believe that's true.

12 MS. BASSI: Okay. And when I say
13 local, you understand I mean the non-attainment
14 area?

15 MR. KALEEL: The way I'm interpreting
16 is almost within the same -- the same
17 metropolitan area. The NOX emissions from Chicago
18 probably are not responsible for a lot of the
19 ozone concentration in Chicago proper. NOX does
20 contribute to ozone formation downwind; however,
21 and in some cases that -- that NOX might be just a
22 few counties away or it might be all the way up
23 north of Milwaukee or across in Michigan.

24 MS. BASSI: Is VOC a precursor to

1 PM2.5?

2 MR. KALEEL: VOC is -- is organic
3 compounds in general are precursors and they are
4 also in some cases particulate matter, but
5 usually when you think of volatile organic
6 compounds, which is historically the way we
7 Described hydrocarbons for ozone formation, we're
8 probably not talking the same species as we would
9 be for particulate matter. Organic carbon is --
10 I mean, they are hydrocarbons but they typically
11 are more complex compounds that become
12 particulate matter virtually right out of the
13 stack. Perhaps in the case of condensable
14 organic compound. They may be in a gaseous form
15 at elevated temperatures but as soon as they
16 cool, they're in the form of particulate.

17 MS. BASSI: In your testimony at page
18 8 you state in the -- it appears there are two
19 full paragraphs on page 8 and the last several
20 sentences in the first paragraph on page 8
21 beginning with, Since NOX emissions are not
22 expected to change relative to CAIR, and I think
23 this is referring to actual NOX emissions in
24 Illinois. You go on to state, Illinois EPA does

1 not expect that the air quality impacts from
2 existing electric generating units will be
3 significantly different under this proposal
4 versus CAIR; is that correct? Did you find that?

5 MR. KALEEL: Yes, that's what that
6 says.

7 MS. BASSI: Okay. And the next
8 sentence says, Thus the air quality modeling of
9 the federal CAIR rule performed by USEPA and
10 LADCO, L-A-D-C-O, and described above are
11 representative of air quality benefits of this
12 proposal, which doesn't add anything. Is this --
13 Do these statements indicate that Illinois does
14 not really expect any air quality benefits from
15 the CASA?

16 MR. KALEEL: Referring not just to
17 this testimony but some of the earlier testimony
18 from Mr. Ross, I think we -- we -- we do expect
19 NOX reductions in the future, but my statements
20 are really based on ICF's modeling and our
21 ability to quantify the NOX reductions. The
22 modeling with the IPM model, as Mr. Ross had
23 testified earlier, doesn't identify NOX reductions
24 as a result of the retirement in the case of the

1 modeling retirement of the 35% of our allowances.
2 So with our -- without an ability to quantify
3 those emissions, we thoroughly can't model those.
4 I think that's kind of what I was trying to
5 reflect.

6 MR. BONEBRAKE: And, Mr. Kaleel, what
7 do you think will be the ramifications of the
8 inability to model emission reduction that you
9 just referred in terms of attainment status and
10 obtaining SIP credit?

11 MR. KALEEL: Well, our SIP must be
12 based on verifiable and enforceable emission
13 reduction and our attainment demonstration will
14 be based on specific emission reductions that we
15 do quantify and include in our SIP.

16 MR. BONEBRAKE: Does that does that
17 mean then, Mr. Kaleel, that the Agency cannot
18 rely upon the CASA to obtain SIP credit?

19 MR. KALEEL: I think we can quantify
20 at least -- at least a certain SIP credit, and
21 we're still working on doing that. I think there
22 was some reference this morning to the document
23 for removal energy, for example, that allows us
24 to quantify certain reductions. But in general,

1 it's difficult to do that and we won't be relying
2 on them to any large degree.

3 MS. BASSI: In order to rely on those
4 reductions, don't you have to have identified
5 some projects, or can you rely just on the
6 prediction that there may be projects?

7 MR. KALEEL: I believe you have to
8 identify specific projects.

9 MR. BONEBRAKE: And --

10 MS. BASSI: Go ahead.

11 MR. BONEBRAKE: A follow-up that I
12 asked Mr. Ross. There was an indication in the
13 ICF report that CASA would result in emission
14 reductions in Florida. And you have some
15 modeling expertise, Mr. Kaleel, so my question
16 for you: Is there any modeling data that would
17 suggest that emission reductions in Florida would
18 have a positive impact on attainment in the State
19 of Illinois?

20 MR. KALEEL: In fact, it has been
21 looked at in terms of the USEPA's modeling of the
22 Clean Air Interstate Rule and USEPA does not
23 identify Florida as a significant contributor to
24 Illinois' non-attainment problems.

1 MR. BONEBRAKE: And then I guess, Mr.
2 Kaleel, this is kind of the bottom line question:
3 What do you anticipate -- strike that. I think
4 you agreed with Ms. Bassi when she -- when she
5 asked you the question that you don't expect,
6 based upon the ICF analysis, a meaningful
7 reduction of NOX emissions in the State of
8 Illinois; is that correct?

9 MR. KALEEL: From the CASA, I think
10 that's right.

11 MR. BONEBRAKE: And beyond that, IEPA
12 has not quantified any emission reductions that
13 it thinks might result from the fact that not all
14 CASA allowances would necessarily be retired
15 which was the assumption of ICF, is that also
16 correct?

17 MR. KALEEL: That's correct.

18 MR. KIM: Mr. Davis has something to
19 add to that.

20 MR. DAVIS: The ICF modeling only
21 models a retirement of 30%, not modeling an
22 incentive for additional reductions from
23 pollution control upgrade: EE/RE projects, early
24 adopters and clean coal projects. It doesn't

1 model the incentive provided by the CASA. It
2 just models what kind of reductions we might
3 expect if there was just a retirement at 30%, not
4 the -- and we do expect and have quantified to
5 some degree the results in NOX reductions we
6 expect from the CASA.

7 MR. BONEBRAKE: When you say we have
8 quantified just at some degree, I have to ask a
9 follow-up question. Who and where is that
10 located?

11 MR. DAVIS: In the assessment that Mr.
12 Ross was discussing earlier.

13 MR. BONEBRAKE: This is the
14 preliminary graph assessment that we discussed
15 this morning that the IEPA is trying to find for
16 purposes of production to us if I understood
17 correctly our conversation this morning.

18 MR. ROSS: We will be providing that.
19 I believe we found it.

20 MR. KIM: We can do that now actually.

21 HEARING OFFICER KNITTLE: Let's -- One
22 second please. Do we have any further questions
23 for Mr. Kaleel after this is passed out?

24 MS. BASSI: So far as we know, no.

1 HEARING OFFICER KNITTLE: Of course,
2 you can come back later.

3 MR. BONEBRAKE: Actually, I do have
4 one follow-up.

5 HEARING OFFICER KNITTLE: Sure. Why
6 don't we do that before we pass this out and then
7 take a break.

8 MR. BONEBRAKE: Mr. Kaleel, your
9 testimony at page 2 indicates that Randolph
10 County is included as part of the Metro East St.
11 Louis PM2.5 non-attainment area?

12 MR. KALEEL: Yes.

13 MR. BONEBRAKE: Do you recall that?

14 MR. KALEEL: A portion of Randolph
15 County.

16 MR. BONEBRAKE: Portion of Randolph
17 County. What was the data basis for including
18 that portion of Randolph County in that
19 non-attainment area?

20 MR. KALEEL: Actually, the
21 determination to include Randolph County was
22 really made by USEPA Region 5. Our initial
23 recommendation for the Metro East area did not
24 include Randolph County. USEPA subsequently

1 provided a draft of their determination which
2 included all of Randolph County. We indicated to
3 them that it would be appropriate if they were
4 going to do Randolph County to just include the
5 Baldwin township. USEPA's interest was the
6 Baldwin power plant in terms of defining Randolph
7 County as part of the non-attainment area. So we
8 identified to them that they could accomplish
9 that by just including that precinct or that
10 township.

11 (Andrea Moore joins the hearing.)

12 MR. BONEBRAKE: Is there any ambient
13 to monitoring data to support that designation?

14 MR. KALEEL: The inclusion, as I
15 understand it, again it was USEPA's
16 determination, was not based on ambient data in
17 Randolph County. It was based on emissions from
18 the Baldwin power plant.

19 HEARING OFFICER KNITTLE: Okay.

20 MR. BONEBRAKE: Nothing further of Mr.
21 Kaleel then at this point.

22 HEARING OFFICER KNITTLE: Mr. Kim, are
23 you offering that as an exhibit, Agency exhibit,
24 or are you just passing it out as information?

1 MR. KIM: No, I think we said that we
2 would provide it as an exhibit, so we will.

3 HEARING OFFICER KNITTLE: Okay.

4 MS. DOCTORS: It will be Agency
5 Exhibit 5.

6 HEARING OFFICER KNITTLE: Agency
7 Exhibit 5.

8 MR. KIM: You know, maybe after the
9 break we will reposition so the court reporter is
10 closer to the witness. Do you know who it is you
11 have your next set of questions for?

12 MS. BASSI: Whoever your next witness
13 is.

14 MR. BONEBRAKE: I think in your
15 initial panel per Rachel's e-mail was Jim Ross,
16 Robert Kaleel, and Mr. Cooper.

17 MR. KIM: We'll put Mr. Cooper maybe
18 down closer to the court reporter.

19 MR. RIESER: Isn't it Gary Beckstead?

20 MS. DOCTORS: Yeah, Gary Beckstead
21 would be the next witness, if you're done with
22 your questions.

23 MS. BASSI: Yes, we're done with
24 questions.

1 HEARING OFFICER KNITTLE: Before we go
2 any further, do you need to take a look at this
3 before you decide whether you want to object to
4 the admission of this, Exhibit No. 5?

5 MR. BONEBRAKE: We should probably
6 reserve our position until we have a chance to
7 review it. And I guess the other comment I would
8 make, if it's possible we could have follow-up
9 questions for both Mr. Ross and Mr. Kaleel.

10 HEARING OFFICER KNITTLE: It's
11 understood. And I think I want to make clear
12 that just because we're excusing someone, it
13 doesn't mean that -- if you do have follow-up
14 questions in the future, you will have that
15 right.

16 MR. KIM: We'll have them available.

17 HEARING OFFICER KNITTLE: So we're
18 going to hold off and resume ruling on Exhibit 5
19 for now until we see if we have any objections.
20 Let's take a 10-minute break.

21 (A short break was taken.)

22 HEARING OFFICER KNITTLE: And in
23 addition Andrea Moore has joined us and so Andrea
24 Moore is participating as well and thank you for

1 coming. And we are resuming with the questioning
2 of the Agency witnesses, and I think it is Gary
3 Beckstead's turn. Am I correct, Ms. Doctors?

4 MS. DOCTORS: Yes.

5 HEARING OFFICER KNITTLE: You'll be
6 offering Gary up.

7 MS. DOCTORS: And I'll be offering his
8 testimony to be entered as read.

9 HEARING OFFICER KNITTLE: Agency
10 Exhibit No. 6 will be the testimony of Gary
11 Beckstead. Do we have any objection to that
12 testimony? Seeing none, that will be admitted as
13 Agency Exhibit No. 6. Thank you. Mr. Beckstead,
14 you were sworn in earlier with everyone else;
15 correct?

16 MR. BECKSTEAD: Yes.

17 MS. BASSI: Did you accept this
18 Exhibit 5?

19 HEARING OFFICER KNITTLE: No, I
20 reserved ruling on Exhibit 5 until you and Mr.
21 Bonebrake and anyone else wanted to take a look
22 at it.

23 MR. BONEBRAKE: We started reviewing
24 and didn't have a chance to get all the way

1 through it.

2 HEARING OFFICER KNITTLE: That's fine.
3 We're going to be here for a few days. I would
4 like to be able to deal with it before we finish
5 the Springfield portion of the hearing.

6 MS. BASSI: How does the allocation
7 methodology encourage Clean Coal Technology such
8 as CFB?

9 MR. BECKSTEAD: I didn't hear the
10 question.

11 MS. BASSI: Okay. Sorry. In your
12 testimony I believe you stated something to the
13 effect of the allocate -- you're talking about
14 the allocation methodology which would be the --
15 all the things that go into the allocation method
16 in Illinois?

17 MS. DOCTORS: Can you clarify what
18 page of his testimony you are speaking of?

19 MS. BASSI: Actually, no. Okay. It's
20 at the top of page 2. Yes. And at the top of
21 page 2 of your testimony the first full sentence
22 there you say that Illinois has proposed a rule
23 that through the allocation methodology chosen
24 encourage impact sources to utilize energy

1 efficiency, etc., and clean coal technology.

2 MR. BECKSTEAD: I'm still not with
3 you.

4 MS. DOCTORS: It's right here.

5 MS. BASSI: First full sentence at the
6 top of the second page.

7 MR. BECKSTEAD: Okay. Now I'm with
8 you.

9 MS. BASSI: Okay. Thank you. How
10 does -- would you agree that -- that circulating
11 fluidized beds or CFBs are a clean coal
12 technology?

13 MR. BECKSTEAD: They're in that
14 category, yes.

15 MS. BASSI: Okay. How does the
16 allocation methodology that Illinois EPA has
17 chosen encourage CFBs?

18 MR. BECKSTEAD: By giving -- by giving
19 them an incentive to -- Oh, you're talking about
20 how does it -- Give me the question again? I'm
21 sorry.

22 MS. BASSI: Okay. How does the
23 allocation methodology that Illinois EPA has
24 chosen encourage the -- encourage the

1 construction of CFB?

2 MR. BECKSTEAD: Well, it would be --
3 it would defer some of their costs, they would be
4 getting allocations they can then use for -- they
5 can sell them or use them for compliance so it'd
6 defer some of the expenses.

7 MS. BASSI: Okay. Let me back up a
8 little bit.

9 (Tanner Girard enters the room.)

10 MS. BASSI: This seems out of order in
11 terms of all of the -- the whole presentation, I
12 guess, I would say of Illinois' case. But I
13 believe that yesterday Mr. Bonebrake made -- had
14 -- was talking to some witness and they made the
15 point -- It wasn't yesterday.

16 MR. BONEBRAKE: It was this morning.
17 You're already distracted.

18 MR. RIESER: This is just a timeless
19 experience, isn't it?

20 MR. KIM: Unless Mr. Bonebrake is
21 moonlighting.

22 MS. BASSI: All right. I believe this
23 morning Mr. Bonebrake made the point, probably
24 with Mr. Ross, that circulating fluidized beds

1 are less efficient in terms of the heat input it
2 takes to generate electricity, do you recall
3 that?

4 MR. BECKSTEAD: I recall that
5 testimony, yes.

6 MS. BASSI: Somebody said that. And
7 so my question is: The allocation methodology
8 that Illinois EPA has chosen includes allocations
9 based on growth electrical output, how does that
10 encourage CFBs?

11 MS. DOCTORS: I'd like to have this
12 question deferred to when Mr. Cooper returns.

13 MS. BASSI: Thank you. When you refer
14 to utilities in your testimony, do you mean the
15 power generators that are subject to the
16 requirements of this rule?

17 MR. BECKSTEAD: Yes.

18 MS. BASSI: Okay. With respect to
19 Illinois' Sustainable Energy Plan, which is an
20 attachment to the Statement of Reasons, I
21 believe, as Exhibit G to the Statement of
22 Reasons, does at least 2% of the electricity sold
23 to Illinois customers currently comes from
24 renewable energy sources?

1 MR. BECKSTEAD: Yes.

2 MR. BASSI: It currently does?

3 MR. BECKSTEAD: That's -- I don't
4 really know. I mean, that's what the plan calls
5 for. Beginning -- that begins 2007, January 1,
6 2007.

7 MS. BASSI: Okay. Does any of the
8 electricity sold to Illinois customers today come
9 from renewable sources?

10 MR. BECKSTEAD: Yes, there's a small
11 percentage.

12 MS. BASSI: Do you know what that
13 percentage is?

14 MR. BECKSTEAD: Not exactly, but I
15 think it's in the neighborhood of 1% or less.

16 MS. BASSI: Okay. Who's
17 responsibility is it to ensure that renewable
18 energy sources are the generators of the
19 electricity sold to Illinois customers? Would it
20 be the power generators or the power
21 distributors?

22 MR. BECKSTEAD: Power generators.

23 MS. BASSI: Why -- why do you think
24 it's the power generators?

1 MR. BECKSTEAD: Well, they would be
2 the ones that have to -- they would be the ones
3 that have to reconcile budgets and, therefore,
4 they would be the ones that would be keeping
5 track of their output.

6 MS. BASSI: When you say reconcile
7 budgets, what kind of budgets?

8 MR. BECKSTEAD: Well, the allowances
9 that they have to meet.

10 MS. BASSI: The allowance --

11 MR. BECKSTEAD: Number of allowances
12 that -- under the CAIR rule.

13 MS. BASSI: Is the Illinois
14 Sustainable Energy Plan at all related to the
15 CAIR rule?

16 MR. BECKSTEAD: No.

17 MS. BASSI: Okay.

18 MR. BECKSTEAD: No, I'm sorry.

19 MS. BASSI: Okay. So just talking
20 about the Illinois Sustainable Energy Plan, which
21 I believe your testimony says the CAIR rule
22 compliments and supports, would you tell me, it
23 says -- what it says about the amount of
24 renewable energy -- it says 2% of the electricity

1 to be sold to Illinois customers -- I'm doing
2 this badly. I'm sorry. Can we look at Exhibit G
3 to the statement, please?

4 MS. DOCTORS: I have -- Here's Exhibit
5 G.

6 MS. BASSI: Okay. On the first page
7 of the Illinois Sustainable Energy Plan, which is
8 the first page after the letter, do you guys have
9 that?

10 HEARING OFFICER KNITTLE: Exhibit G to
11 what?

12 MS. BASSI: To the Statement of
13 Reasons.

14 HEARING OFFICER KNITTLE: Yeah, right
15 here.

16 MS. BASSI: Okay. Would you read the
17 first sentence, please, under renewable energy
18 procurement requirement?

19 MR. BECKSTEAD: We recommend that by
20 2006 at least 2% of the electricity to be sold to
21 Illinois customers by electric utility and
22 alternative retail electrical suppliers be
23 generated from renewable energy.

24 MS. BASSI: Okay. And are the power

1 generators in Illinois affected by this
2 particular statement?

3 MR. BECKSTEAD: Yes. But I think the
4 date is not consistent with the renewable -- the
5 Governor's plan. The date should be January 1 of
6 2007.

7 MS. BASSI: This is the Governor's
8 plan, isn't it?

9 MR. BECKSTEAD: Yes. But it says here
10 by 2006, that should be 2007. And it's -- the
11 Governor's plan is merely a recommendation.

12 MS. BASSI: This is the Governor's
13 plan. If it says 2006, doesn't it mean 2006?

14 MR. BECKSTEAD: Huh. Well, one of the
15 dates are wrong. I'm sorry. We'll straighten
16 that out.

17 MS. BASSI: And that's immaterial
18 anyway.

19 MR. BECKSTEAD: All right.

20 MS. BASSI: What I want to know is who
21 is the -- who are the entities who are to ensure
22 that 2% of the electricity sold to customers
23 comes from renewable energy sources?

24 MR. BECKSTEAD: I would have to defer

1 that question.

2 MS. DOCTORS: Okay.

3 MR. BECKSTEAD: I'm not too sure who
4 would be responsible there.

5 MS. BASSI: Okay. It refers to --
6 Let's see. Electric suppliers, can you give me
7 an example of an electric supplier?

8 MR. BECKSTEAD: A supplier of
9 electricity would be the -- Huh, no, I can't.

10 MS. BASSI: Okay. Do you think
11 Commonwealth Edison would be an example of an
12 electric supplier?

13 MR. BECKSTEAD: Okay. I don't know
14 really.

15 MS. BASSI: Okay. Well, that is
16 pretty much all of my questions. Ms. Doctors, is
17 there someone who can answer questions about this
18 plan?

19 MR. KIM: You're referring to Exhibit
20 G?

21 MS. BASSI: G to the Statement of
22 Reasons.

23 MS. DOCTORS: Mr. Cooper, thinking he
24 may be able to answer some of the questions. Why

1 don't you come forward so the court reporter can
2 hear you.

3 MS. BASSI: On the first page of
4 Illinois' Sustainable Energy Plan, which is the
5 first page after the Governor's letter, the first
6 sentence refers to, it says, At least 2% of the
7 electricity to be sold to Illinois customers by
8 electric utility and alternative and retail
9 electric suppliers be generated from renewable
10 energy. The question is: Whose responsibility
11 is it to ensure that renewable energy sources are
12 the -- are the generators of the electricity that
13 is sold to Illinois consumers?

14 MR. COOPER: I don't understand the
15 question. Please rephrase.

16 MS. BASSI: Okay. I didn't think it
17 was that hard of a question. Apparently it is.

18 MR. ROSS: It sounds like who would be
19 reliable.

20 MS. BASSI: The question is I -- the
21 distinction is between electric -- electrical
22 power generators --

23 MR. ROSS: And distributors.

24 MS. BASSI: -- and distributors.

1 MR. ROSS: It sounds like --

2 MS. BASSI: Which of those has to
3 ensure that 2% of the energy comes from renewable
4 sources? The generators or the distributors?

5 MR. KIM: Before we go on, I'm going
6 to object to the question and this -- the line of
7 questions that I think you're -- you've been
8 banking up here on this document in that I think
9 you have to take this document for what it is.
10 It's not something that necessarily has been
11 flushed out with probably the level of detail
12 that you're looking for. It's simply a plan
13 which was referred to as far as guidance. Is
14 there something beyond the four corners of this
15 particular document? I don't know that anyone in
16 this room is going to be able to answer that. I
17 don't know that there are answers for that.

18 MS. BASSI: There isn't.

19 MR. KIM: And I think that's the point
20 you're trying to make. We can concede whatever
21 is in that document is what is in that document.

22 MS. BASSI: All right. And what does
23 it say: Generators or distributors?

24 MR. KIM: Again, if you're asking what

1 it says, it speaks for itself. You're asking him
2 to interpret how it's supposed to be implemented.
3 I think that's a statement from the Governor's
4 office. I think you're going to have talk to
5 some different people about that.

6 MS. BASSI: Is Midwest Generation a
7 distributor?

8 MR. ROSS: No, they're a generator.

9 MS. BASSI: All right. Thank you.

10 MR. ROSS: Distributors are
11 Commonwealth Edison and Ameren.

12 MS. BASSI: All right. Does this plan
13 apply to distributors or generators?

14 MR. KIM: I'm going to renew my
15 objection for the same reasons. I think that --
16 I'm not sure what the level of detail is we're
17 going to be able to provide on this particular
18 plan.

19 HEARING OFFICER KNITTLE: Ms. Bassi,
20 do you have a response?

21 MS. BASSI: Yes, I do. Part of your
22 support are for set asides for energy efficiency
23 and renewable energy, and renewable energy, in
24 particular, is this particular plan. You're

1 saying that this is -- that this particular
2 approach that the Agency is taking supports this
3 plan and, therefore, you've entered this plan
4 into the record and, therefore, should be able to
5 answer questions about this plan. The point is
6 one of the questions that I will get to is: Does
7 the Agency even have the scope to regulate
8 anything that falls under this plan? And I think
9 -- I won't answer that for you.

10 HEARING OFFICER KNITTLE: Well, I
11 think -- Mr. Kim, do you have a response to the
12 rule?

13 MR. KIM: I think we've already
14 characterized how we relied upon this. We're
15 using it for guidance. And if you have a
16 question as to what the document says, I think it
17 speaks for itself. If anything beyond that in
18 terms of how -- or the guidelines within that
19 document is supposed to be implemented, I don't
20 think we're the Agency to ask in terms of what
21 was the specific plan that was, you know, that
22 was in mind when those things were worked out.
23 We stated we just -- we're simply trying to
24 effectuate what's in there, and we looked at that

1 as guidance when we prepared the rule.

2 HEARING OFFICER KNITTLE: I'm going to
3 sustain it in part. However, the second part of
4 your question was whether or not the Agency would
5 have the ability to enforce the authority. I
6 think that is a question the Agency ought to be
7 able to answer whether or not you think you would
8 have the authority to regulate that plan so I'll
9 direct you guys to answer it insofar as that, but
10 in terms of the document itself, it does -- it
11 does speak for itself and they've already -- the
12 witness has testified he cannot answer anything
13 further.

14 MR. KIM: And since I would rather not
15 begin testifying and have one of my witnesses
16 speak as to questions on legal issues, I think we
17 can address that in written comment. I would
18 rather not -- I don't think anyone here who has
19 been sworn in as a witness will necessarily be
20 comfortable in addressing legal authority in
21 terms of enforcing that.

22 HEARING OFFICER KNITTLE: Ms. Bassi,
23 would that be sufficient if they addressed it in
24 a written comment after the hearing prior to the

1 second hearing?

2 MS. BASSI: In a written comment
3 between hearings, is that what you're suggesting?

4 MR. KIM: We did that in Mercury.

5 HEARING OFFICER KNITTLE: Right.

6 MR. KIM: There were certain questions
7 raised in between hearings that --

8 HEARING OFFICER KNITTLE: I'd like you
9 to have the opportunity to address that if need
10 be so --

11 MS. BASSI: Okay.

12 MR. KIM: But you're asking a legal
13 question. You're asking who would be the legal
14 authority to enforce that, and I don't think it's
15 an appropriate question for our witnesses.

16 MS. BASSI: Okay.

17 HEARING OFFICER KNITTLE: Mr. Kim, you
18 will be able to do that before the second hearing
19 along with the other issues? You're dutifully
20 nodding.

21 MR. KIM: Yes.

22 MS. BASSI: Okay. Can you tell me,
23 Mr. Beckstead, what is the total number of
24 megawatts of electricity generated or capable of

1 being generated in Illinois?

2 MR. BECKSTEAD: No.

3 MS. BASSI: Approximately?

4 MR. BECKSTEAD: I don't have that
5 number in my head.

6 MS. BASSI: Is there anyone else who
7 can?

8 MR. ROSS: Total number?

9 MS. BASSI: Of megawatts capable of
10 being generated by the coal-fired power plants?

11 MR. BONEBRAKE: The total of gross
12 generation capacity of coal-fired powered plants
13 in Illinois.

14 MR. ROSS: I believe it's in the
15 neighborhood probably slightly above 17,000
16 megawatts. That information was provided in our
17 statewide coal-fired electric utility documents
18 as part of the mercury rule record.

19 MS. BASSI: What I have just handed to
20 the Board is pages 1 and 3 of Exhibit 44 from the
21 Mercury proposal. That was an Agency exhibit.
22 And I refer it to you for reference. If you
23 would like to enter it as an exhibit, that's
24 fine, whatever.

1 HEARING OFFICER KNITTLE: Are you
2 offering this as an exhibit?

3 MS. BASSI: Yeah, sure.

4 HEARING OFFICER KNITTLE: Let's do
5 that. Any objection to this being entered into
6 the record?

7 MR. KIM: I reserve an objection on
8 relevance. I'm not sure exactly how this can be
9 used. So if I could find out what the questions
10 are, then --

11 MS. BASSI: Okay.

12 MR. KIM: -- there might not be an
13 objection.

14 HEARING OFFICER KNITTLE: How would
15 you like to refer to this number for the record?

16 MS. BASSI: I don't care. What do you
17 prefer? Would this be Exhibit 7 perhaps?

18 HEARING OFFICER KNITTLE: No, I would
19 like to do them separately as an Agency exhibit
20 and --

21 MS. BASSI: Can I call it Exhibit A?

22 HEARING OFFICER KNITTLE: Well, just
23 start over number one, but we'll --

24 MR. RIESER: How are you categorizing

1 this?

2 HEARING OFFICER KNITTLE: That's what
3 I was trying to get to. I'm going to label it
4 Midwest Gen Exhibit No. 1.

5 MS. BASSI: All right. That's fine.

6 MR. BONEBRAKE: Can we just call it
7 Industry Exhibit?

8 HEARING OFFICER KNITTLE: Well, I
9 don't know if everyone will agree to that.

10 MR. RIESER: Keep it company by
11 company.

12 HEARING OFFICER KNITTLE: We'll admit
13 this. Mr. Kim, if you have objections after
14 you've heard the questions, you can go on the
15 record.

16 MR. KIM: That's fine.

17 MS. BASSI: You can object to the
18 questions.

19 MR. KIM: Pardon me?

20 MS. BASSI: You can object to the
21 question.

22 MR. KIM: Okay. Thank you.

23 MS. BASSI: Okay. Mr. Ross has said
24 that there's approximately 17,000 megawatts of

1 electricity generated in Illinois. And I believe
2 if you add up column -- there's a column there
3 that's headed MWE, that it adds up to about that
4 amount. So, Mr. Beckstead, the renewable energy
5 set aside, I believe, is 8%; is that correct?

6 MR. BECKSTEAD: Renewable set aside is
7 8%?

8 MR. BASSI: Is that correct?

9 MR. ROSS: For renewable energy
10 efficiency set aside combined together is 12%.

11 MS. BASSI: Okay. What's the
12 renewable energy portion of it?

13 MR. ROSS: There is no specific
14 renewable energy portion of it.

15 MS. BASSI: Okay. Mr. Beckstead, in
16 the last paragraph on page 2 of your testimony
17 this is where I'm getting the 8%.

18 MR. BECKSTEAD: Okay.

19 MS. BASSI: Would you read the next to
20 the last sentence on that page, please, under the
21 Governor's plan?

22 MR. BECKSTEAD: This is the Governor's
23 plan.

24 MS. BASSI: That's fine.

1 MR. BECKSTEAD: Under the Governor's
2 plan the renewable energy quota increases 1%
3 annually to 8% by 2013.

4 MS. BASSI: Okay. Could you tell me
5 what 8% of 17,000 is approximately?

6 MR. KIM: I'm going to object. Mr.
7 Beckstead doesn't have a calculator handy with
8 him.

9 MS. BASSI: Well --

10 MR. KIM: Is this just a math
11 question?

12 MS. BASSI: Well, it is a math
13 question. Would it be about 1,300 megawatts?

14 MR. BECKSTEAD: Sounds reasonable.

15 MR. GUPTA: To be precise it's 1,360.

16 HEARING OFFICER KNITTLE: Sir, can you
17 identify yourself for the record?

18 MR. DAVIS: It's Vir Gupta, V-I-R
19 G-U-P-T-A.

20 MS. BASSI: Okay. Mr. Beckstead,
21 would you read the last sentence on that page
22 that begins with requirement?

23 MR. BECKSTEAD: This requirement will
24 lead to more than 3,000 megawatts of power

1 generated from renewable energy sources by 2013.

2 MS. BASSI: Where did you get the
3 3,000 megawatts of power; do you know?

4 MR. BECKSTEAD: In researching the
5 Governor's plan. It was part of his literature.

6 MS. BASSI: Okay. Is the electricity
7 that is generated in Illinois consumed in
8 Illinois?

9 MR. BECKSTEAD: I think in early
10 testimony it was said that we are a net exporter
11 of energy in Illinois.

12 MR. BASSI: Okay. Is it true that
13 Illinois will -- is required to continue to
14 comply with the NOX SIP Call?

15 MR. BECKSTEAD: The NOX SIP Call will
16 be modified by the CAIR rule.

17 MS. BASSI: In what way?

18 MR. BECKSTEAD: The NOX budget states
19 the same as it carries on 2015 the CAIR rule will
20 then be the -- will take place.

21 MR. KALEEL: The -- As I understand
22 it, the CAIR summer season trading program
23 replaces the NOX SIP Call trading program but
24 there -- so it goes away basically, but the caps

1 that were contained in the NOX SIP Call continue
2 to exist under the CAIR trading program. There's
3 also caps on emissions for non-EGUs, other
4 sources that were subject to the NOX SIP Call that
5 aren't -- that may have the ability to be opted
6 in under the federal trading program so --

7 MS. BASSI: Go ahead.

8 MR. BONEBRAKE: Just a follow-up. The
9 non-EGUs that were regulated under the NOX SIP
10 Call and that are not regulated under CAIR, what
11 -- how -- how are those facilities to be
12 regulated then, if at all, respectively, Mr.
13 Kaleel?

14 MR. KALEEL: In the CAIR rule, the
15 federal model rule, there's an ability for -- or
16 an option that's available for non-EGUs to opt in
17 the trading program, but that opt-in provision
18 is, you know, kind of up to each state to decide
19 whether or not to allow that. We have chosen to
20 not allow opt ins for non-EGUs. We do still need
21 to regulate non-EGUs and we're doing that through
22 a separate rulemaking.

23 MR. BONEBRAKE: And what is the status
24 of that separate rulemaking?

1 MR. KALEEL: We're still directing
2 regulatory language. We haven't had any of our
3 outreach meetings with the public or stakeholders
4 that, and we typically would precede any proposal
5 to the Board with an outreach or discussion with
6 affected entities and interested parties as to
7 the reasonableness of the Agency's
8 recommendation.

9 MR. BONEBRAKE: And then what were the
10 industries that were covered under the NOX SIP
11 Call that will not have the ability to opt in to
12 the CAIR rule and, therefore, be subject to this
13 prospective rulemaking that you're referring to?

14 MR. KALEEL: There are other subparts
15 of our NOX SIP Call rule that are included in the
16 so called non-EGUs. They're large industrial
17 boilers, cement kilns.

18 HEARING OFFICER KNITTLE: Yes, Mr.
19 Rieser?

20 MR. RIESER: I'm sorry. These
21 non-EGUs were regulated under subpart -- one of
22 the rules that was developed as part of the --

23 MS. BASSI: U.

24 MR. RIESER: U. Thank you very much.

1 Does that -- What happens to that regulation?

2 MR. KALEEL: We haven't decided
3 exactly how we're going to deal with Subpart U
4 and whether or not we remove it from or recommend
5 that it be revoked and replaced with a new
6 regulation or whether it would compliment the
7 existing regulation. But there would be an
8 ability for and opt in -- would be the
9 availability of the option to opt in for non-EGUs
10 under CAIR.

11 MR. RIESER: In the meantime do the
12 requirements of Subpart U still apply?

13 MR. KALEEL: In the meantime they
14 still apply. They're still Board regulations,
15 yes.

16 MR. RIESER: So whatever is required
17 under Subpart U will be continued to be required
18 until it's modified or replaced by another
19 regulation such as the one that we're talking
20 about?

21 MR. KALEEL: My understanding is
22 through the CAIR rule that portion applies
23 through 2008 with the idea that the states must
24 substitute a CAIR program or an alternate set of

1 requirements by that time.

2 MS. BASSI: I believe that you said
3 that the seasonal CAIR cap and the NOX SIP Call
4 cap are initially the same; is that correct?

5 MR. KALEEL: Yes.

6 MS. BASSI: And then is the NOX -- no,
7 is the seasonal CAIR cap less -- become less than
8 the NOX SIP cap with the increased set aside?

9 MR. KALEEL: I mean, the state budget
10 is the same. It's the way the state chooses to
11 allocate those allowances.

12 MS. BASSI: Mr. Beckstead, you state
13 in your testimony that because of regional haze
14 monitoring Illinois has decided not to consider
15 CAIR to be the same as BART -- B-A-R-T, and
16 stands for Best Available Retrofit Technology --
17 is that correct?

18 MR. BECKSTEAD: That's correct.

19 MS. BASSI: The Statement of Reasons
20 says on page 7 for this source category,
21 referring to EGUs, states may choose to require
22 these electric generating units to install BART
23 or to adopt and require units located in their
24 states to participate in the CAIR. And that was

1 -- it used the word or. And then it goes on and
2 it says, Illinois EPA has been in the process of
3 identifying BART eligible sources and so forth.
4 Is the decision in your testimony, reflected in
5 your testimony, consistent with the statement in
6 the Statement of Reasons?

7 MS. DOCTORS: What page again?

8 MS. BASSI: Page 7.

9 MR. ROSS: I think the documents were
10 prepared obviously at different points in time.
11 At this current point in time we are evaluating
12 whether CAIR will be considered to satisfying to
13 the BART requirements, and we have not made a
14 final decision on that.

15 MS. BASSI: Is that what Mr.
16 Beckstead's testimony says? And I don't want to
17 discourage continued consideration. On the last
18 page of Mr. Beckstead's testimony, last sentence
19 in the next to the last paragraph.

20 MR. ROSS: No, that is different than
21 what Mr. Beckstead's testimony says.

22 MS. BASSI: So what is the current
23 status?

24 MR. ROSS: As I've stated.

1 MS. BASSI: That's all I have.

2 MR. BONEBRAKE: Just so it's clear,
3 the Agency's position is that it is considering
4 whether CAIR will be BART or EGUs and that is
5 still an open question?

6 MR. ROSS: That's correct.

7 MR. BONEBRAKE: And do you have a time
8 frame in mind, Mr. Ross, as to when that decision
9 would be made?

10 MR. ROSS: Soon.

11 MR. BONEBRAKE: Can you give us a
12 sense of what soon means?

13 MR. ROSS: I believe we're under some
14 time restrictions.

15 MR. KALEEL: The State of Illinois is
16 under the obligation to submit a SIP revision to
17 USEPA to implement the BART requirements by
18 December of 2007. We have had discussions with
19 industry groups, at least one -- one meeting here
20 in this room, on our status of our development of
21 our BART requirements and our BART modeling --
22 quality modeling. We have not made, as Mr. Ross
23 said, we have not made a final determination on
24 what the BART controls will be or what the

1 effected sources would be especially in regards
2 to EGUs.

3 MS. BASSI: I do have a couple more
4 questions relative to the sustainable energy plan
5 but they are not about the content of the plan.

6 HEARING OFFICER KNITTLE: That's fine.
7 Are these directed to Mr. Beckstead?

8 MS. BASSI: I don't know. They're
9 addressed -- they're directed to the panel over
10 there. Is the Agency -- in the -- in this
11 sustainable energy plan it refers to an -- the
12 Commerce Commission, Illinois Sustainable Energy
13 Advisory Counsel, do you know if the Agency is a
14 member of this counsel? I'm sorry. I didn't put
15 a page number down for that.

16 MR. KIM: I think you can interpret
17 our silence that we don't know.

18 MS. BASSI: Okay. Perhaps you do know
19 though --

20 MR. KIM: But we can look into that if
21 you like.

22 MS. BASSI: Did the Agency contact
23 this counsel to determine whether or not the CASA
24 was supported of -- did the Agency have any

1 contact with this counsel in the development of
2 the CASA?

3 HEARING OFFICER KNITTLE: By counsel?

4 MS. BASSI: This Illinois Sustainable
5 Energy Advisory Counsel.

6 HEARING OFFICER KNITTLE: Thank you.

7 MR. ROSS: We have had contacts with
8 the Department of Commerce and Economic
9 Opportunity who, I believe, is a member of this.
10 They are certainly the ones who have answered
11 questions regarding the Governor's energy policy
12 so we have had more than one meeting in person
13 and telephone conversations that -- more than one
14 face-to-face meeting and telephone conversation
15 with DCEO personnel.

16 MS. BASSI: That's it. Thank you.

17 MR. BONEBRAKE: One other question I
18 had for you, Mr. Beckstead, and if we turn your
19 attention back to the page 2 of your testimony at
20 the top. It's the same phrase actually that Ms.
21 Bassi had asked you about. And it's the first
22 full sentence on that page and there's a
23 reference there to, Through the allocation
24 methodology chosen encourage impact sources to

1 utilized an energy efficiency, renewable energy,
2 and clean coal technology and so on. Do you see
3 that, Mr. Beckstead?

4 MR. BECKSTEAD: Yes, I'm with you.

5 MR. BONEBRAKE: And I had some
6 discussions this morning with some of your
7 colleagues at the Agency regarding the analyses
8 or assessments that the Agency may have done this
9 report -- its conclusions concerning whether or
10 not those goals would be achieved and we were
11 provided a copy of Exhibit 5 which is a draft
12 policy. So my question for you is: Other than
13 Exhibit 5, are you aware of any evidence or
14 assessment by the Agency that would suggest that,
15 in fact, impact sources, would as a result of
16 CASA, perform energy efficiency, renewable energy
17 or clean coal technology projects?

18 MR. BECKSTEAD: I have no knowledge of
19 it.

20 MR. BONEBRAKE: Thank you?

21 HEARING OFFICER KNITTLE: Any other
22 questions for Mr. Beckstead from any other people
23 in the audience? I see none. Ms. Doctors, you
24 can go to your next witness.

1 MS. DOCTORS: Can we have three
2 minutes?

3 HEARING OFFICER KNITTLE: Sure.

4 (A short break was taken.)

5 HEARING OFFICER KNITTLE: Let's go
6 back on the record. We're back on the record
7 after a short recess. Ms. Doctors, do you have a
8 witness to present?

9 MS. DOCTORS: Yoginder Mahajan will be
10 the Agency's next witness. I would like to enter
11 his testimony as read. I believe we're at Agency
12 Exhibit 8.

13 HEARING OFFICER KNITTLE: I have
14 Agency Exhibit 7 as next. Am I missing
15 something?

16 MS. DOCTORS: All right. Let's go
17 with Agency 7.

18 HEARING OFFICER KNITTLE: Unless
19 there's-- unless I slept through two of them.
20 Is there any objection to the testimony of this
21 witness being entered as of read?

22 MR. BONEBRAKE: No.

23 HEARING OFFICER KNITTLE: Seeing none,
24 this will be admitted. This is Agency 7. Ms.

1 Doctors, anything before we get started with
2 questions?

3 MS. DOCTORS: No, I have nothing.

4 MR. BONEBRAKE: Hello, Mr. Mahajan, is
5 that how you pronounce that correctly?

6 MR. MAHAJAN: Yeah.

7 MR. BONEBRAKE: I had a some questions
8 before you and would like to start with page 3 of
9 your testimony, your written testimony. Again,
10 specifically the -- the last sentence in the
11 paragraph that carries over from page 2. And it
12 starts, In Illinois in 2004 coal-fired electric
13 generating units account for approximately 99% of
14 NOX and SO2 emissions from Illinois electric
15 generating units. Do you see that?

16 MR. MAHAJAN: Yes.

17 MR. BONEBRAKE: What percent of
18 Illinois SO2 and NOX emissions do coal-fired EGUs
19 represent out of all sources in the state?

20 MR. MAHAJAN: I did not look at all
21 states emission. But this is 99% of the total
22 EGU emission which is affected by this
23 rulemaking. 90% affected from the coal-fired
24 unit from all the EGUs.

1 MR. BONEBRAKE: So then the 99% then
2 relates solely to electric generating units and
3 does not consider any other industries?

4 MR. MAHAJAN: Yes.

5 MR. BONEBRAKE: In the bottom
6 paragraph on that same page --

7 MR. MAHAJAN: Uh-huh.

8 MR. BONEBRAKE: -- your first sentence
9 refers to two primary options for reducing SO2
10 emissions, do you see that?

11 MR. MAHAJAN: Yes.

12 MR. BONEBRAKE: And it's using low
13 sulfur coal or FGDs; is that correct?

14 MR. MAHAJAN: Yes.

15 MR. BONEBRAKE: Are they both equally
16 effective in reducing emissions of SO2?

17 MR. MAHAJAN: Depends how much of
18 sulfur content is in the coal. But the
19 scrubbers, they're more effective and they can
20 reduce up to 90-95% of sulfur dioxide but depends
21 -- in the low sulfur coal, it depends how low the
22 sulfur content is in the coal.

23 MR. BONEBRAKE: From an environmental
24 perspective, does it matter how SO2 emissions are

1 reduced, that is, whether they are reduced by use
2 of an FGD or low sulfur coal?

3 MR. MAHAJAN: No, I don't think.

4 MR. BONEBRAKE: Your testimony
5 provides information about the cost per ton --
6 ton of emissions reduced for various pollution
7 controls?

8 MR. MAHAJAN: Uh-huh.

9 MR. BONEBRAKE: I think it would be
10 helpful if you could provide some information to
11 the Board concerning the actual cost of some of
12 the controls that likely would be installed as a
13 result of CAIR, and here I'm talking generically
14 across the CAIR region, not just in Illinois.
15 And would you agree that four of the likely --
16 three of the likely controls would be an FGD wet
17 or dry, an SCR, and a selective non-catalytic
18 reduction?

19 MR. MAHAJAN: Yes.

20 MR. BONEBRAKE: And could you provide
21 us with the general understanding of the capital
22 costs associated with each of those pieces of
23 pollution -- pollution control?

24 MR. MAHAJAN: In the federal CAIR

1 rulemaking the USEPA provided the cost of
2 controls as a cost effective as of the control in
3 dollars per ton, but those other background
4 document like -- they provide that cost for
5 emission and that's in the STD. If you want, I
6 can read from it.

7 MR. BONEBRAKE: Perhaps you could just
8 refer me to a page so I know what you're
9 referring to. And you're referring to the
10 Technical Support Document by the Agency of this
11 rulemaking?

12 MR. MAHAJAN: Yes. This economic
13 reasonableness of control, that Section 6.0.

14 MS. BASSI: What page, please?

15 MR. MAHAJAN: 55, 56, 57, 58, 59, 60
16 -- Not 60. 59.

17 MR. BONEBRAKE: Starting with page 55,
18 are you referring to the Table 6.1?

19 MR. MAHAJAN: Yes.

20 MR. BONEBRAKE: And are those
21 operational costs for FGD systems?

22 MR. MAHAJAN: Yes.

23 MR. BONEBRAKE: And can you explain
24 for us what the term mill/kWh means?

1 MR. MAHAJAN: This is one tenth of a
2 cent.

3 MR. BONEBRAKE: And so these would be
4 listed in Table 6.1 - Annualized Operational
5 Costs for FGD systems; is that correct?

6 MR. MAHAJAN: Yes.

7 MR. BONEBRAKE: And do these numbers
8 that are reflected in Table 6.1 reflect the
9 capital cost of acquisition for an FGD?

10 MR. MAHAJAN: No. These are the --
11 the capital cost, the annualized and then they
12 add operational costs to come up with an annual
13 number per year and that's based on the reduction
14 to come up with -- based on the total hours they
15 produce to come up with this number.

16 MR. BONEBRAKE: And can you give us a
17 rough idea just what the actual capital cost of
18 an FGD is?

19 MR. MAHAJAN: It depends on the size
20 of the unit and the type of the, you know,
21 equipment you put it on. Like Table 6.2 provides
22 that information roughly but it's in dollars per
23 ton. So you can see that -- it depends from 100
24 megawatt unit to 600 megawatt unit the, you know,

1 cost per ton is almost double from 100 ton --
2 from 100 megawatt unit to 600 megawatt unit.

3 MR. BONEBRAKE: But, again, that table
4 talks in terms of cost effectiveness numbers.
5 And what I was interested in, and if you don't
6 know you can tell me, what the actual capital
7 costs roughly speaking of an FGD would be, and I
8 recognize it may vary depending upon the size of
9 the unit?

10 MR. MAHAJAN: Yes. I don't have, you
11 know, off my head this number.

12 MR. BONEBRAKE: And similarly for an
13 SCR, do you know what --

14 MR. MAHAJAN: Same thing. Yes, I
15 don't know the capital cost how much but --

16 MR. BONEBRAKE: And same question for
17 selective catalytic non-production, would that be
18 also you don't know what the actual capital cost
19 would be?

20 HEARING OFFICER KNITTLE: Ms. Doctors,
21 were you wanting to say something?

22 MS. DOCTORS: Yeah, I was. You asked
23 another question. I think he was still answering
24 your previous one.

1 MR. MAHAJAN: Yeah, the cost that I
2 provided in the TSD is in the form of dollar per
3 ton reduced but there is costs that -- which is
4 not provided over here, but I can find out if you
5 want.

6 MR. BONEBRAKE: I think it would be of
7 interest to know roughly speaking what the actual
8 capital cost of the likely equipment to CAIR
9 would be?

10 MR. MAHAJAN: Whatever is in the
11 document is -- whatever the document issued by
12 the USEPA, I can find out that for you.

13 MR. BONEBRAKE: Is it your thinking
14 that those capital cost numbers are in the
15 federal CAIR rule or preamble to the federal care
16 rule?

17 MR. MAHAJAN: Not in the preamble, but
18 like ACT document, they have the costs of the
19 unit, yes, but not in the CAIR, no.

20 HEARING OFFICER KNITTLE: Excuse me.
21 ECD, is that what you said?

22 MR. MAHAJAN: That ACT, Alternative
23 Control Techniques Guidelines.

24 HEARING OFFICER KNITTLE: Thank you.

1 MR. BONEBRAKE: And do you know if the
2 IEPA has filed with the Board any document or
3 documents which actually provides capital costs
4 information for NOX and SO2 equipment that could
5 be installed to comply with CAIR, and, again, the
6 capital cost information?

7 MR. MAHAJAN: No, except safe trading
8 program so we don't say that, you know, that
9 decision have to install control this type or
10 that type. They have the option to, you know,
11 based on the economics, whatever they install the
12 control or they buy the allowances. We don't
13 mandate specifically that is to be controlled,
14 no.

15 MR. BONEBRAKE: Would you say based on
16 your experience that an FGD for a 500 megawatt
17 unit will cost at least 100 million dollars?

18 MR. MAHAJAN: Probably.

19 MR. BONEBRAKE: And would you also say
20 based upon your experience that an SCR for a 500
21 megawatt unit could cost at least 60 or 70
22 million dollars?

23 MR. MAHAJAN: 50 or 60 million, yes.

24 MR. BONEBRAKE: The -- If I could turn

1 your attention to page 4 of your testimony. And
2 I'm interested in the paragraph that starts at
3 the bottom of that page and it goes on to the top
4 of page 5. And you have provided there some cost
5 numbers and I just wanted to make sure that I
6 understood the source of these numbers. Is it
7 true that all of the numbers that are in that
8 paragraph are based upon the USEPA analysis and
9 the costs, therefore, are related to the federal
10 CAIR program?

11 MR. MAHAJAN: Yes.

12 MR. BONEBRAKE: And would it be true
13 that if the CASA that the Agency has proposed
14 results in greater costs to electric generating
15 units, then the rule would be relatively less
16 cost effective than USEPA predicted for the
17 federal CAIR?

18 MR. MAHAJAN: I don't know. This
19 already been addressed by Mr. Jim Ross, all these
20 ICF modeling they did, so I think most of the
21 question you have on that have been already
22 answered.

23 MR. BONEBRAKE: I don't know that I
24 asked that question of Mr. Ross so I would I

1 would put it to you, sir. If you can give me an
2 answer.

3 MR. MAHAJAN: The question that you're
4 asking that if the CASA would burden the power
5 plant and I don't know.

6 MR. BONEBRAKE: I'm sorry?

7 MR. MAHAJAN: I don't know.

8 MR. BONEBRAKE: The answer was no?

9 MR. MAHAJAN: I don't know.

10 HEARING OFFICER KNITTLE: I think the
11 answer was I don't know.

12 MR. BONEBRAKE: I don't know. I'm
13 sorry.

14 HEARING OFFICER KNITTLE: Is that
15 sufficient, Mr. Bonebrake?

16 MR. BONEBRAKE: Well, let me -- I
17 think that was maybe a partial answer. Let me
18 just try it just a little bit different.

19 MR. KIM: Well, actually I think he
20 was answering he doesn't know to the premise of
21 your question. Your question was assuming that
22 the CASA does result in higher costs. I think
23 his answer was he doesn't know that that's going
24 to be the case so maybe --

1 MR. BONEBRAKE: Let's assume that it
2 does, and we'll take for purposes of my question
3 that you don't necessarily agree with me, you
4 don't know. But assuming that the CASA does
5 result in greater cost to electric generating
6 units, would you agree then that the Illinois
7 proposal would be relatively less cost effective
8 as compared to federal CAMR --

9 MS. BASSI: CAIR.

10 MR. BONEBRAKE: -- federal CAIR.
11 Thank you. I have CAMR on the mind.

12 MR. MAHAJAN: Again, I don't know.
13 Maybe the presumption is wrong also because when
14 you reduce -- when you allow emissions to the,
15 you know, when -- you know, the CASA allowances
16 because we are not reducing the total budget. We
17 are just what they call shifting the burden from
18 one place to other. So if the CASA get some
19 allowances, likewise that utility has to reduce
20 their generation also the same, you know, amount.
21 So I don't know if the CASA will be, you know,
22 more burdensome on the power plants or not. I
23 suggest speculative.

24 MS. BASSI: Mr. Mahajan, if a power --

1 if a company reduces its generation because the
2 burden has been shifted to something else in the
3 CASA, would that not result in a loss of revenue?

4 MR. MAHAJAN: It will reduce the cost.
5 Also, they don't have to pay the unit, you know,
6 to that level.

7 MS. BASSI: How is it reducing the
8 cost?

9 MR. MAHAJAN: The cost --

10 MS. BASSI: Because they're not
11 burning coal that day?

12 MR. MAHAJAN: Whatever they do have in
13 the unit.

14 MS. BASSI: Interesting concept.

15 MR. BONEBRAKE: Would you turn with me
16 to page 5 of your written testimony. The second
17 to last sentence in the carryover paragraph
18 reads, However, since Illinois has already
19 controlling electric generating units in the
20 ozone season, to comply with the NOX SIP Call
21 Illinois electric generating units are not
22 expected to incur any additional costs in 2009
23 ozone season. Do you see that statement, sir?

24 MR. MAHAJAN: Yes, sir.

1 MR. BONEBRAKE: Does the NOX SIP Call
2 contain set asides for existing units?

3 MR. MAHAJAN: Yes.

4 MR. BONEBRAKE: Does --

5 MS. BASSI: What are they? What is
6 that set aside for existing units?

7 MR. MAHAJAN: It's 95% of the 30,701.

8 MS. BASSI: So the current set aside
9 is 5%, is that what you said?

10 MR. MAHAJAN: In the NOX SIP Call?

11 MS. BASSI: Yes.

12 MR. MAHAJAN: I think it was 5% and
13 then it reduces.

14 MS. BASSI: To 2%?

15 MR. MAHAJAN: Yes.

16 MR. BONEBRAKE: Was that set aside for
17 new sources though?

18 MR. MAHAJAN: Yes, new sources.

19 MR. BONEBRAKE: So the NOX SIP Call
20 does not have a set aside for existing sources;
21 correct?

22 MR. MAHAJAN: No. 95% is set aside
23 for the existing sources.

24 MR. BONEBRAKE: I see what you're

1 saying. There's a 5% set aside for the
2 allocation?

3 MR. MAHAJAN: Up to 95 percent for the
4 existing, yes.

5 MR. BONEBRAKE: Will there be
6 relatively fewer allowances available to EGUs
7 under the seasonal CAIR program as proposed by
8 Illinois as compared to NOX SIP Call because the
9 CAIR seasonal program as proposed by Illinois
10 includes a 25% CASA for existing EGUs?

11 MR. MAHAJAN: Can you repeat the
12 question?

13 MR. BONEBRAKE: Sure. As compared to
14 the NOX SIP Call --

15 MR. MAHAJAN: Uh-huh.

16 MR. BONEBRAKE: -- will the Illinois
17 CAIR proposal for seasonal allowance for existing
18 units, will that include fewer allowances for
19 EGUs because of the existence of the 25% CASA?

20 MR. KIM: You mean existing EGUs?

21 MR. BONEBRAKE: Yes.

22 MR. MAHAJAN: I don't know. But the
23 sentence you are reading over here that implies
24 that total budget is 30,701 for the NOX SIP Call

1 and for the CAIR for those two. So based on that
2 because the sources are already meeting those,
3 you know, budgets so it's -- it's evident that
4 they will continue that operation and won't incur
5 any cost. That's the statement that's here.

6 MS. BASSI: Mr. Mahajan, is it not the
7 case that the CASA reduces that amount that's
8 available by 25%?

9 MR. MAHAJAN: Okay. But that
10 allowance will come back to the, you know, the
11 pool. It's not going to go away. So the total
12 number will remain the same, 30,701.

13 MS. BASSI: Will those allowances --
14 will all of those allowances come back to the
15 same EGUs who now receive allowances under the
16 NOX SIP Call?

17 MR. MAHAJAN: Somebody will buy them,
18 yeah, they will.

19 MS. BASSI: They will what?

20 MR. MAHAJAN: Somebody will buy them.

21 MS. BASSI: Buy them?

22 MR. MAHAJAN: Yes. Also they will
23 sell it.

24 MS. BASSI: Are they not currently

1 just allocated to them under the NOX SIP Call?

2 MR. MAHAJAN: Yeah, they are
3 allocated.

4 MS. BASSI: Do they have to buy them
5 under the NOX SIP Call?

6 MR. MAHAJAN: No.

7 MS. BASSI: Okay. Thank you.

8 MR. BONEBRAKE: The next sentence in
9 that same paragraph --

10 MR. KIM: Before you go on, there's a
11 clarification.

12 HEARING OFFICER KNITTLE: Do you have
13 a question, Ms. Doctors?

14 MS. DOCTORS: I just wanted to clarify
15 the Agency is not selling the allowances from the
16 CASA; is that correct?

17 MR. MAHAJAN: Yes, we are not selling.

18 MS. DOCTORS: So they wouldn't --

19 MR. MAHAJAN: They will buy from the
20 market.

21 MS. DOCTORS: I don't think the
22 connection is clear, I guess, between how they're
23 getting to the market.

24 MR. BONEBRAKE: Well, regardless of

1 where existing EGUs would require allowances that
2 had been -- were subject to the CASA, the fact is
3 that when an EGU has to buy a NOX allowance, it
4 has to spend money; right?

5 MR. MAHAJAN: Yes.

6 MR. BONEBRAKE: So that is a cost
7 associated with the CAIR set aside that's not
8 present in the NOX SIP Call; correct?

9 MR. MAHAJAN: Yes.

10 MR. BONEBRAKE: The next sentence in
11 that same paragraph reads, However, in the
12 non-ozone season months it will cost \$500 per ton
13 to run these controls to comply with the CAIR NOX
14 trading program. And I was going to ask you to
15 explain how you came up with the \$500 per ton
16 figure?

17 MR. MAHAJAN: That's what the USEPA
18 analysis reported in the CAIR rulemaking.

19 MR. BONEBRAKE: So is that simply the
20 cost of operating --

21 MR. MAHAJAN: Cost of operating what
22 USEPA did. What they are saying is suppose
23 somebody had installed SCR, Selective Catalytic
24 Reduction, suppose -- and what happen is the cost

1 is already incurred, so additional costs will be
2 just to upgrade during the non-ozone season.
3 That will be \$500 per ton.

4 MR. BONEBRAKE: And what type of
5 additional operational costs would an EGU incur
6 to further --

7 MR. MAHAJAN: Use Ammonia, the cost of
8 ammonia to put it in that -- to use at that SCR
9 and other maintenance and other labor costs.

10 MR. BONEBRAKE: And do you have an
11 understanding of what an EGU, let's say again
12 around 500 megawatts, would typically spend --

13 MR. MAHAJAN: No, I don't.

14 MR. BONEBRAKE: -- for those materials
15 in an SCR on an annual basis?

16 MR. MAHAJAN: No, I don't know.

17 BR. BONEBRAKE: The last paragraph of
18 your testimony on page 5 --

19 MR. MAHAJAN: Uh-huh.

20 MR. BONEBRAKE: -- you described some
21 emission reductions, do you see that?

22 MR. MAHAJAN: Yes.

23 MR. BONEBRAKE: Those emission
24 reductions, are those a result of the federal

1 CAIR based upon USEPA's analysis?

2 MR. MAHAJAN: Yes.

3 MS. BASSI: Just to follow-up on that
4 for a minute, you say that the proposed
5 reductions -- regulations will provide NOx
6 emission reduction of 70,018 tons in 2009?

7 MR. MAHAJAN: Yes.

8 MS. BASSI: Is that in Illinois?

9 MR. MAHAJAN: Yes.

10 MS. BASSI: Does that mean then that
11 the baseline annual NOX emissions are a little
12 over 146,000 tons?

13 MR. MAHAJAN: No. This 146,000 ton is
14 the IPM projections for 2009 year. That's what
15 IPM projected these emissions.

16 MS. BASSI: And that's -- Go ahead.

17 MR. MAHAJAN: And 76,000 is the
18 budget.

19 MS. BASSI: And so subtracting the
20 budget from the projection is how you came up
21 with the 70?

22 MR. MAHAJAN: Yes.

23 MS. BASSI: Okay. Mr. Mahajan,
24 listening to your testimony is it correct to --

1 to interpret your testimony to say that you are
2 the one who reviewed USEPA's cost analysis for
3 the CAIR?

4 MR. MAHAJAN: Yes, I was one of them
5 probably, yes.

6 MS. BASSI: Okay. And did you
7 determine whether the CAIR -- did you or and the
8 people you were working with determine whether
9 the CAIR would be cost effective in Illinois?
10 Would that --

11 MR. MAHAJAN: USEPA say CAIR is highly
12 cost effective and Illinois EPA is -- not
13 Illinois E -- Illinois is part of the region,
14 CAIR region, so I will assume that it will be
15 cost effective for Illinois also.

16 MS. BASSI: Did you consider -- Your
17 cost analysis does not appear to reflect the
18 impact of the 90 percent Mercury removal rule and
19 what that will entail for Illinois EGU; is that
20 correct?

21 MR. MAHAJAN: I don't know.

22 MS. BASSI: Pardon?

23 MR. MAHAJAN: I don't know about the
24 90% mercury rule. They didn't talk about Mercury

1 in the CAIR talks.

2 MS. BASSI: Did you consider the
3 effects of the MPS, the multi pollutant strategy?

4 MR. MAHAJAN: No, I didn't.

5 HEARING OFFICER KNITTLE: Anything
6 further. Oh, I'm sorry.

7 MR. RIESER: Mr. Mahajan, just a
8 couple of questions about one of your methods of
9 reducing NOX emissions. If you turn to your page
10 3 of your testimony, do you have -- on the first
11 pull paragraph there in the middle of the page
12 you have a discussion of rediscussing NOX
13 emissions through the use of combustion controls,
14 do you see that, sir?

15 MR. MAHAJAN: Yes.

16 MR. RIESER: Okay. And one of those
17 combustion controls is over fire air?

18 MR. MAHAJAN: Yes.

19 MR. RIESER: Do you know what types of
20 reductions are expected by using over fire air?

21 MR. MAHAJAN: Yes. In the TSD I have
22 to look back.

23 MR. RIESER: On Table 5-2?

24 MR. MAHAJAN: Whatever it is.

1 MR. RIESER: Page 54.

2 MR. MAHAJAN: Yes, it says over fire
3 air 10 to 25 first for the wall fired units.

4 MR. RIESER: And what is the source of
5 these values you got in Table 5-2?

6 MR. MAHAJAN: This is the ACT,
7 Alternative Control Technique document issued by
8 USEPA.

9 MR. RIESER: So there's been no -- the
10 Agency hasn't done any independent study --

11 MR. MAHAJAN: No.

12 MR. RIESER: -- of individual over
13 fire air units; is that correct?

14 MR. MAHAJAN: No.

15 MR. RIESER: I'm sorry. Did you say
16 no?

17 MR. MAHAJAN: I said no.

18 MR. RIESER: Are you aware of the cost
19 of installing over fire air systems?

20 MR. MAHAJAN: Again, it's in the TSD.
21 I don't remember on my -- but I can --

22 MR. RIESER: Would it be fair to say
23 in line with Mr. Bonebrake's question that the
24 cost is per ton basis and not on a --

1 MR. MAHAJAN: Yes.

2 MR. RIESER: -- capital ton basis?

3 Thank you. Thank you. That's all I have. Thank
4 you.

5 HEARING OFFICER KNITTLE: Yes, ma'am.

6 MS. BUGEL: I have some questions that
7 might be more appropriately directed to the whole
8 panel. I'm not sure who should answer them.
9 There was just discussion of the facts that the
10 NOX -- the allocation in the NOX SIP Call was
11 different from the CAIR, is that correct, or the
12 Illinois proposed CAIR?

13 MR. MAHAJAN: Yes.

14 MS. BUGEL: And is it fair to say that
15 the purpose of the CAIR is different from the NOX
16 SIP Call?

17 MR. KALEEL: I think the general
18 purpose, as EPA stated it in their preamble for
19 CAIR, is similar in that EPA is taking the action
20 with the intent of reducing the transport of
21 precursor emissions. CAIR has or is trying to
22 address not just ozone, which was the purpose of
23 the NOX SIP Call, but is also trying to address
24 transported precursors for PM2.5. CAIR is also

1 trying to address 8-hour ozone where the NOX SIP
2 Call was originally designed to states in
3 obtaining the 1-hour ozone, so there are some
4 differences in the purpose.

5 MS. BUGEL: So then is it fair to say
6 that the purpose of the CAIR is to achieve
7 reductions that were not or could not necessarily
8 be achieved through the NOX SIP Call?

9 MR. KALEEL: I think -- I think the
10 idea was to go beyond the NOX SIP Call.

11 MS. BUGEL: So does it make sense that
12 the allocation method through the CAIR would then
13 be different from the NOX SIP Call?

14 MR. KALEEL: Yeah, I guess I'm not
15 quite sure how to answer that.

16 MS. BUGEL: And then I'd like to talk
17 a little bit about the credits -- distribution of
18 credits through the CASA as opposed to the
19 baseline sort of allocation. In Mr. Mahajan's
20 testimony is it correct that it would be -- that
21 making reductions would cost less than purchasing
22 credits, was that -- is that a correct
23 characterization of part of your testimony on
24 pages 4 to 5? Cost of control would cost less

1 than credits on a per ton basis?

2 MR. MAHAJAN: Not necessarily.

3 Depends on the sources.

4 MS. BUGEL: Okay.

5 MR. MAHAJAN: They have to -- they
6 have the option -- they have to consider that
7 knowledge that how much the control cost on the
8 unit. And if it is not cost effective, they will
9 buy allowances from Illinois.

10 MS. BUGEL: And then is the converse
11 also true --

12 MR. MAHAJAN: Sure.

13 MS. BUGEL: -- for some units it will
14 be cost effective to make reductions instead of
15 buying credits; is that correct?

16 MR. MAHAJAN: Sure.

17 MS. BUGEL: And these credits it is --
18 it's expected that the credits through the clean
19 air set aside, some of those will be sold on the
20 market; is that correct?

21 MR. MAHAJAN: Correct.

22 MS. BUGEL: And certain units will be
23 choosing to make reductions instead of buying
24 those credits if it's cost effective for them; is

1 that correct?

2 MR. MAHAJAN: Correct.

3 MS. BUGEL: So then is it -- is it
4 logical to then to assume that because certain
5 units will be making reductions instead of buying
6 clean air set aside credits that the -- one of
7 the purposes of the clean air set aside to
8 achieve reduction is then being met?

9 MR. MAHAJAN: That is what the consent
10 is to promote cleaner, you know, sources energy.

11 MS. BUGEL: Thank you. I have nothing
12 further.

13 MS. BASSI: I have a couple follow-up
14 on that, please.

15 HEARING OFFICER KNITTLE: Yes, Ms.
16 Bassi?

17 MS. BASSI: Could you give us an
18 example, please, of a type of NOX removal
19 technology that is more cost effective to install
20 the technology than to purchase credit?

21 MR. MAHAJAN: SCR. They can reduce
22 emissions and they are most -- very cost
23 effective.

24 MS. BASSI: So the removal of

1 emissions by SCR -- where is that in the -- that
2 is less -- that is more cost effective than
3 purchasing allowances, is that what you're
4 saying?

5 MR. MAHAJAN: I don't know what is the
6 cost of the allowances. It depends how much, you
7 know, cost of the allowance is. That to gain
8 sources have to make decision whether to buy it
9 based on the availability of the allowances in
10 the market and how much they will cost. It
11 depends on availability.

12 MS. BASSI: Okay. Mr. Kaleel, you
13 said that -- Ms. Bugel was asking you some
14 questions regarding the differences between the
15 NOX SIP Call and the CAIR and you said that a
16 purpose of the CAIR was to go beyond the SIP
17 Call, I believe; is that correct?

18 MR. KALEEL: That's right.

19 MS. BASSI: And in what way does the
20 CAIR go beyond the SIP Call?

21 MR. KALEEL: Well, when I made that
22 comment, I was thinking both in terms of the SO2
23 reductions that are required by CAIR that were
24 not required by the NOX SIP Call, the annual

1 reductions of CAIR which were not required by the
2 NOX SIP Call and the fact that the number of
3 allowances decrease in the year 2015 for both
4 pollutants, so the number of allowances and
5 presumably the control levels get -- they get
6 tighter in 2015 which is tighter than what CAIR
7 would have required.

8 MS. BASSI: Thank you.

9 MR. KALEEL: I'm sorry, than the NOX
10 SIP Call would have required.

11 HEARING OFFICER KNITTLE: Yes, sir.

12 MR. BONEBRAKE: Just a follow-up.
13 Again, I'm not sure who this goes to but it flows
14 from some things we talked about this morning.
15 There was some discussion about the emissions
16 that might be reduced as a result of the CASA and
17 I think there was some discussion of a wind farm
18 scenario. And if we have a situation where a
19 wind farm, let's say, is allocated allowances
20 from the -- from the CASA and the wind farm then
21 turns around and sells those allowances to EGUs
22 in Illinois, is it -- is it true from the
23 Illinois EGU's perspective, emissions haven't
24 gone down but the only thing that's happened is

1 that the cost of operation for the EGU has gone
2 up because it has to buy allowances.

3 MR. ROSS: In that scenario that is
4 true, yes.

5 MR. KALEEL: If I could add that isn't
6 the only additional effect of allocating the CASA
7 allowance in that way because there's more
8 electricity being generated per allowance under
9 that scenario than if the allocation went
10 directly to the coal-fired unit.

11 MR. BONEBRAKE: And you would get then
12 a reduction in Illinois only if you were to make
13 the assumption that that additional generation
14 would displace some generation that otherwise
15 would have been provided by the EGU?

16 MR. KALEEL: That's true.

17 MR. BONEBRAKE: And, again, if it
18 displaces generation from existing EGU, that has
19 an economic consequence on that EGU, is that
20 correct as well?

21 MR. KALEEL: I think that's true, yes.

22 HEARING OFFICER KNITTLE: Yes, ma'am.

23 MS. BUGEL: I just have one follow-up
24 question. Following on Mr. Bonebrake's scenario,

1 one hypothetical is that all CAIR allowances
2 could be distributed to EGUs for free, is that
3 correct, if there were no set asides?

4 MR. KALEEL: Yes.

5 MS. BUGEL: With the set aside 30% of
6 the allowances may cost EGUs -- there may be --
7 when they end up on the market, there will be a
8 cost of getting those allowances; is that
9 correct?

10 MR. KALEEL: Yeah, that's true. It's
11 really a 25% set aside -- 25% set aside under the
12 CASA and 5% for new sources.

13 MS. BUGEL: Thank you for correcting
14 me. And if all the allowances were free, it
15 would be pretty hard to reduce pollution at less
16 of a cost than free; is that correct?

17 MR. KALEEL: It would be pretty hard
18 to reduce pollution, yes.

19 MS. BUGEL: So by having to purchase
20 the credits on the market, there is an incentive
21 to reduce pollution because it is possible to
22 make reductions instead of buying credits at less
23 cost; isn't that correct?

24 MR. KALEEL: I think that's true. I

1 think the idea of the allowance is to -- if the
2 market is working properly, the cost of the
3 allowance should generally reflect the marginal
4 cost of utilities to control NOX if the system is
5 working right.

6 MS. BUGEL: So if the system is
7 working right, it would be incorrect to state
8 that there would be a cost imposed on industry
9 without any corresponding pollution reduction,
10 that would be just counterintuitive; is that
11 correct?

12 MR. KALEEL: Well, I mean, the purpose
13 of the program is to reduce pollution.

14 MS. BUGEL: Thank you.

15 HEARING OFFICER KNITTLE: Anything --
16 Well, let's go off the record for just a second.

17 (A discussion was held off the
18 record.)

19 HEARING OFFICER KNITTLE: We're going
20 to start up tomorrow with Jacquelyn Sims. We
21 will be here at 9 a.m. tomorrow. Thank you all.

22 (Hearing recessed at 4:45 p.m.)
23
24

1 STATE OF ILLINOIS

2 COUNTY OF FAYETTE

3

4 C E R T I F I C A T E

5

6 I, BEVERLY S. HOPKINS, a Notary Public

7 in and for the County of Fayette, State of

8 Illinois, DO HEREBY CERTIFY that the foregoing

9 137 pages comprise a true, complete and correct

10 transcript of the proceedings held on October

11 10th, 2006, at the Illinois Pollution Control

12 Board, 1021 North Grand Avenue East, Springfield,

13 Illinois, in proceedings held before Hearing

14 Officer John Knittle, and recorded in machine

15 shorthand by me.

16 IN WITNESS WHEREOF I have hereunto set

17 my hand and affixed by Notarial Seal this 12th

18 day of October, 2006.

19

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21

22

23

24

Beverly S. Hopkins, CSR, RPR
Notary Public, Fayette County
CSR License No. 084-004316