

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

IN THE MATTER OF: )  
 )  
PROPOSED NEW 35 ILL. ADM. CODE ) R01-9  
217, SUBPART W, THE NO<sub>x</sub> TRADING ) (Rulemaking-Air)  
PROGRAM FOR ELECTRICAL ) *P.C.# 4*  
GENERATING UNITS, AND )  
AMENDMENTS TO 35 ILL. ADM. )  
CODE 211 AND 217 )

NOTICE OF FILING

TO: Ms. Dorothy M. Gunn	Catherine F. Glenn, Esq.
Clerk of the Board	Hearing Officer
Illinois Pollution Control Board	Illinois Pollution Control Board
James R. Thompson Center	James R. Thompson Center
100 West Randolph Street	100 West Randolph Street
Suite 11-500	Suite 11-500
Chicago, Illinois 60601	Chicago, Illinois 60601
(VIA FIRST CLASS MAIL)	(VIA FIRST CLASS MAIL)

**(PERSONS ON ATTACHED SERVICE LIST)**

PLEASE TAKE NOTICE that I have filed today with the Clerk on the Illinois Pollution Control Board an original and nine copies of the WRITTEN PUBLIC COMMENTS OF THE OFFICE OF PUBLIC UTILITIES, CITY OF SPRINGFIELD, ILLINOIS, a copy of which are herewith served upon you.

Respectfully submitted,

OFFICE OF PUBLIC UTILITIES  
CITY OF SPRINGFIELD, ILLINOIS

By: *William A. Murray*  
William A. Murray

Dated: October 9, 2000

William A. Murray  
Regulatory Affairs manager  
Office of Public Utilities  
800 East Monroe  
Springfield, Illinois 62757  
(217) 789-2116 x501

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

IN THE MATTER OF: )  
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PROPOSED NEW 35 ILL. ) R01-9  
ADM. CODE 217, SUBPART W, )  
THE NO<sub>x</sub> TRADING PROGRAM ) (Rulemaking - Air)  
FOR ELECTRICAL GENERATING )  
UNITS, AND AMENDMENTS TO )  
35 ILL. ADM CODE 211 AND 217 )

WRITTEN PUBLIC COMMENTS  
OF THE OFFICE OF PUBLIC UTILITIES,  
CITY OF SPRINGFIELD, ILLINOIS

Now Comes the Office of Public Utilities, City of Springfield, Illinois, by William A. Murray, Regulatory Affairs Manager, and pursuant to 35 Ill. Adm.. Code 102.320, hereby submits the following written comments in the above captioned mater:

The City of Springfield owns and operates its own electric generating, transmitting and distribution utility serving the residents and businesses of the City and certain environs, through its Office of Public Utilities, commonly known as City, Water, Light & Power. The city has five coal fired generating units and two small diesel oil fired combustion turbines which were all existing sources in 1995. The City added in 1997 a new large combustion turbine to its generation portfolio capable of being fired by either natural gas or fuel oil, but which primarily operates on natural gas. All of the City's coal units and one of its oil fired turbines are subject to the proposed rule entitled Subpart W and are listed in APPENDIX F under the abbreviation CWLP. The City's other oil fired combustion turbine is not an affected unit under proposed Subpart W

because it has a nameplate capacity of less than 25 MWe. The City's most recent addition to its generation portfolio, Interstate Gas Turbine, would be considered a new budget unit under Subpart W, and as such would have to apply for allowances from the new source set aside.

The City has participated in all discussions and meetings that the Illinois Environmental Protection Agency (IEPA) has held in the development of the proposed Subpart W. Likewise, the City participated in the first set of hearings conducted by the Board on this proposed rulemaking. However, due to prior commitments of key staff members of the City involved in this process, the City was unable to provide testimony or participate in the second set of hearings held on September 26, 2000. While the City does not agree with all aspects of the purpose and reasons behind the proposed rule, which is primarily precipitated by the ozone transport programs of the United States Environmental Protection Agency (USEPA) and its "NOx SIP Call", the City believes that proposed Subpart W, as proposed to be amended by IEPA's Motion to Amend of September 26, 2000, represents an acceptable approach to the requirements being imposed on Illinois by the federal government and takes into account the significant impacts the NOx SIP Call places on electric generation in Illinois. The proposal attempts to create a balance to the competing interests both among existing generating facilities, and between existing facilities and "new" units. The rulemaking is not an electric industry restructuring exercise but an ozone transport exercise covering most of the United States east of the Mississippi River. Subpart W is just a piece of the overall picture. The fact that the rule may serve to support attainment demonstrations for the

Lake Michigan and Metro East - St. Louis ozone non-attainment areas is really secondary. The City believes that the record demonstrates that if this proceeding was merely to adopt rules to support the attainment demonstrations, the nature and text of the proposed rule would be substantially different than the present proposed Subpart W.

Nevertheless, the proposed rule will impose on the City the most stringent and costly air pollution control compliance program ever experienced by the City. This will be on top of a current project to install a \$34 million flue gas desulfurization system (scrubber) on two of the City's coal fired units, for which the City is receiving \$17 million in grants from the state, to enable the City to comply with the USEPA Acid Rain Program. This facility is expected to be in operation in the spring of 2001. It is imperative that the Illinois' solution to the NOx SIP Call does not cause this scrubber project to become obsolete. In determining whether to proceed with this project, the City evaluated the cost of the scrubber coupled with the projected cost of adding control equipment for the NOx SIP Call to the same units and compared it to the estimated cost of repowering these two units as a combined cycle unit powered by natural gas. Our conclusion was that it was more cost effective to install the scrubber and NOx control equipment, and this was well before the price of natural gas doubled this year.

The record in this matter establishes that the NOx budget allocated for Illinois is woefully inadequate for projected energy needs in Illinois. While this budget is predicated on a NOx emission rate of 0.15 lbs/mmBtu, existing sources will have to control to much lower levels or emission rates to operate within projected allowance allocations. Consultants retained by the City to analyze compliance plans to meet

Subpart W project an emission rate of 0.143 lbs/mmBtu based upon 1999 operating parameters to be required to meet the number of allowances the City projects to be allocated under Subpart W for 2004 - 2006. To meet the projected allowance allocations beginning in 2007, or when the fixed flex allocation concept comes into play, the City will need to operate at an emission rate of 0.113 lbs/mmBtu. This does not take into account load growth, however, so both these rates would need to be lower to account for increased utilization. To achieve these emission rates, our current projected cost estimates forecast capital expenditures of \$75 million, as well as increased annual operating costs. The City believes that it can implement this plan within the current framework of Subpart W and still provide its customers with low cost reliable electric service. Any change to the proposed allowance allocation methodology will require implementation of more costly compliance options, over and above what the City's currently perceives to be an extremely expensive program. The annual operating revenues of the City's electric operations is approximately \$100 million. Proposed Subpart W is not giving the City, or any existing utility, a free ride, but rather will cost existing sources significant capital outlay.

As indicated earlier, the City also operates a unit (Interstate Gas Turbine) that will be considered a new unit under Subpart W. Additionally, the City anticipates that it will be adding another combustion turbine to its generating portfolio to serve anticipated load in the 2007 - 2010 time frame. Proposed Subpart W treats these units in the same manner as any other new unit. For the new source already in existence, the City will be required to seek allowances from the new source set aside. There has been testimony that the set

aside in no way approaches the permitted levels of the new sources seeking to draw from this pool. The City's new source only operates at a fraction of its permitted levels. The City would anticipate that this would be true of most of the new sources which the City understands to be primarily "peaker" units. As such, the City supports the present structure of Subpart W with regard to the new source set aside. Likewise, as for future new units, the City understands that it may have to pay for allocated allowances and believes that is appropriate. The City also believes that the proposal strikes a reasonable balance between the needs of existing and new sources, and also seeks to assure that a reliable affordable electric supply is available to Illinois consumers throughout the entire transition period the proposed rule provides regarding allocation of allowances to Appendix D sources and new sources.

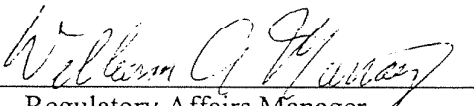
Some testimony was submitted suggesting that the proposed Subpart W include an Energy Efficiency and Renewable Energy Set-Aside. The City opposes the creation of this set aside for several reasons. The low growth rate assigned to Illinois for the Nox trading budget does not afford the luxury of "experimentation". The record demonstrates that allowances are scarce. Additionally, the Illinois Electric Service Customer Choice and Rate Relief Law of 1997 established the Renewable Energy, Energy Efficiency and Coal Resource Development Law of 1997, creating a Trust Fund for Renewable Energy Resources that is funded by monthly charges to all electric and gas customers of investor owned utilities in Illinois. A separate annual \$3 million contribution from electric utilities and alternative retail electric suppliers to the fund is also required. These

programs are adequate to serve the purpose of the proposed set aside, and render such a set aside superfluous.

In summary, the City of Springfield would recommend that the Board adopt proposed Subpart W as amended by IEPA's Motion to Amend dated September 26, 2000. Adoption will result in an unprecedented emissions reduction program by Illinois electric generating facilities that has an extremely ambitious implementation schedule. The City hopes that the program will achieve the goals it is purported to serve, especially given the onerous terms that are imposed and the costs required to meet these terms. The proposal is the result of many compromises between the regulators, the regulated community and other stakeholders. As a result, it is not perfect in the eyes of all, nor does the City believe it is 100 percent favorable to its interests. However, the City believes that Subpart W provides a reasonably balanced approach, deserving support of the Board.

Respectfully submitted

OFFICE OF PUBLIC UTILITIES  
CITY OF SPRINGFIELD, ILLINOIS

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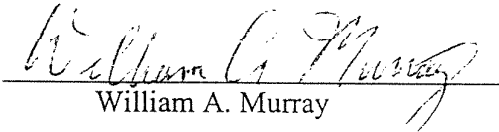
R 01-9 SERVICE LIST  
 PROPOSED NEW 35 ILL. ADM. CODE 217, SUBPART W, THE NOX TRADING PROGRAM  
 FOR ELECTRICAL GENERATING UNITS, AND AMENDMENTS TO 35 ILL. ADM. CODE 211 AND 217  
 September 29, 2000

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CERTIFICATE OF SERVICE

I, William A. Murray, the undersigned, certify that I have served a copy of the attached WRITTEN PUBLIC COMMENTS OF THE OFFICE OF PUBLIC UTILITIES, CITY OF SPRINGFIELD, ILLINOIS, upon the persons listed in this Notice of Filing and Attached Service List by depositing said documents in the United States Mail in Springfield, Illinois, on October 9, 2000.

  
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William A. Murray