

BEFORE THE ILLINOIS POLLUTION CONTROL BOARD

IN THE MATTER OF:

PROPOSED NEW 35 ILL. ADM. CODE 217
SUBPART W, THE NO_x TRADING PROGRAM
FOR ELECTRICAL GENERATING UNITS (EGU),
AND AMENDMENTS TO 35 ILL ADM. CODE
211 AND 217

PC#2
CFG R01-9
9/26/00

R01-9
(Rulemaking – Air)

Supplemental Testimony of Joseph N. Darguzas
EnviroPower

Thank you for allowing me to further define my confusion about the proposed new rules as noted in my previous written testimony; which I ask be entered into the Record as if it were to be read today. Perhaps my confusions are summarized more succinctly than I ever could on pages 38 thru 43 of the July 10, 2000 STATEMENT OF REASONS submitted by Laurel L. Kroack and Vera B. Herst of the Illinois Environmental Protection Agency; that I also ask be entered into the Record.

In reviewing the aforementioned document; I do not understand why the Agency seems to be favoring Appendix F EGUs over new EGUs such as the plant I am trying to develop in South Central Illinois. Further; why will non-EGUs have an allowance budget about twice that of all EGUs (to say nothing of mobile sources)? This and the more restrictive New Source Set Aside (NSSA) program proposed by the Agency will hurt small, start-up companies like EnviroPower.

Part of my confusion about the proposed rule may result from a fundamental difference of opinion on the economic development needs of our Illinois economy and that of our Midwest region. The current electric demand in the area impacted by the proposed rule is on the order of 200 GW. Demand in our region has been and continues to expand at its historical growth rate of over 2% per year. For the sake of discussion; conservatively say that half of the demand is for base load generation. Again, conservatively; that results in 2,000 MW or four (4) of the base load, new EGUs of the type EnviroPower is developing in our region every year starting in about 2004. Without that low cost base load generation capacity; growth in our region will stagnate and decline. Agency rulemaking must not shift economic development to other parts of the country by imposing rules more stringent than being proposed in contiguous states.

To be clear: my new EGU will not be a gas fired combustion turbine peaker unit of the type receiving so much attention in the Chicago land area. We will serve the 'Base Load' market, which is an entirely different segment than that targeted by the peakers. The EnviroPower Plant will primarily use Illinois coal refuse thereby helping to eliminate a solid and water pollution problem while providing economic development opportunities by adding about 150 new, good jobs to an area of our State that has very high unemployment.

The Agency's July 2000 **TECHNICAL SUPPORT DOCUMENT for CONTROL OF NITROGEN OXIDE EMISSIONS from ELECTRIC GENERATING UNITS** did a good job of summarizing EGU technologies now in service in Illinois. However; please consider how my clean coal Circulation Fluidized Bed (CFB) Technology compares to the existing fleet:

- Our 'uncontrolled' NOx of about 0.2 lb/million Btu is already lower than all of the old EGU sources listed on page 10 in Table 3-1, and
- Our SNCR 'controlled' NOx target of about 0.07 is among the best of the best shown on page 26 in Table 4-1.

To be more specific and to give an example of my confusion please consider the following:

- Our EnviroPower Southern Illinois plant is scheduled to start up about when the Ozone season begins on May 1, 2004.
- Based on Agency advice; our Air Permit Application suggests a testing program where we will try to demonstrate sustainable NOx levels no greater than 0.12 and as low as 0.07 lb/million Btu of Heat Input. Presumably, the Agency would make our demonstrated level our Permit Limit.
- Proposed rule Sections 217.764 d) and 217.762(a)(2) seems to indicate our plant will be allocated **only HALF** of the allowances needed based on our permitted NOx emission rate

If we understand these sections of the proposed rule; this allowance allocation system seems on its face to be unfair. Given the above; we wonder if what you really mean is that NOx allowances will be allocated based on:

1. The 'gold standard' of 0.15 lb/million Btu, or
2. The permitted NOx emission rate – whichever is lower?

We believe either of these approaches coupled with Agency rules and commitments to support an open, aggressive NOx market would be fair and would support continued reasonable, environmentally responsible economic growth in our State.

Thank you very much for considering my input.
Joe Darguzas
EnviroPower
26 September 00