

July 6, 2004

N3615 (2350)

Gerardo Rios
Chief, Permits Office
U.S. EPA Region 9
75 Hawthorne Street
San Francisco, California 94105-3901

Dear Mr. Rios:

We understand that your office has determined that the application for the Steag Desert Rock Project in the Navajo Nation is "complete." Although we have only had a short amount of time to review the materials submitted by Steag, we are concerned that the application does not include information we will need to evaluate potential impacts on Class I areas. In addition, there are issues regarding information included in the application that remain unresolved. This letter briefly summarizes our concerns about the adequacy of the application. We would appreciate your assurance that these issues will be addressed before a preliminary determination is made. In the spirit of the PSD regulations, we also ask that you afford us at least 30 days to review the preliminary determination and all other relevant information before beginning the public review process (60 days prior to any public hearing).

Class I Increment Protection: Predicted SO₂ concentrations exceeded Significant Impact Levels at 12 Class I areas, thus triggering the requirement for cumulative Class I increment analyses at those Class I areas. Despite our repeated requests to EPA Region 9 that Steag should first determine if and when Minor Source Baseline Dates (MiSBD) were triggered for any of those 12 Class I areas, we have received no information on this issue. To accurately assess the impacts of minor source growth in the region, we believe the MiSBDs need to be identified before any cumulative analysis is begun.

We have also raised questions about the validity of the sources contained in the inventory that Steag used to conduct the cumulative analysis it presented in its May 2004 revised application; we are awaiting EPA's and Steag's responses to those questions. Furthermore, there are outstanding questions about Steag's inclusion of emission reductions at the Four Corners and San Juan power plants as part of their calculation.

Visibility Impact Analysis: The visibility analysis done by Steag is inadequate because it does not examine cumulative impacts. EPA has indicated that a visibility analysis should include an assessment of cumulative impacts from existing and permitted sources in addition to the new source:

The EPA concludes that the proposed language on assessing whether a proposed source will cause an adverse impact on visibility requires the reviewing authority to review the new source's impact in the context of background visibility impacts caused by both existing and previously permitted sources. 50 Fed. Reg. 28548 (July 12, 1985).

Likewise, the EPA Environmental Appeals Board has explicitly recognized the requirement for a cumulative visibility impact analysis:

Petitioners are correct that under EPA rules, in determining whether a proposed source will cause an adverse impact on visibility, the cumulative visibility impacts of the pending PSD applicant and all PSD-permitted sources, including those not yet constructed, must be assessed against background visibility conditions. *In the Matter of: Old Dominion Electric Cooperative Permit Application*, PSD Appeal No. 91-39 (1992 EPA App. LEXIS 37; 3 E.A.D. 779).

Consistent with this EPA guidance, our FLAG guidance advises that a cumulative visibility analysis should be conducted if a cumulative Class I increment analysis has been conducted. In addition, FLAG recommends that a cumulative visibility analysis be conducted if the new source's impact exceeds a 5% change in extinction. Steag presented visibility modeling results that showed a greater than 5% change in extinction at all 15 Class I areas analyzed using a standard CALPUFF approach (although we have questions about the underlying meteorological data set, as discussed below). Steag has attempted to dismiss the predicted impacts through various alternative analyses that, based on our cursory review, appear questionable.

We also have concerns about whether the meteorological data used by Steag is appropriate or adequate for this application because Steag has not yet properly evaluated the data. The Steag facility is proposing to locate in an area that experiences stagnant conditions, and we do not believe the data set being used by Steag adequately represents those conditions. We are currently conducting more refined analyses of Steag's potential visibility impacts and will share those results with you when they become available. Prior to determining whether the proposed source will cause or contribute to an adverse impact on visibility in any of the Class I areas managed by the National Park Service, we will need a thorough examination of potential impacts, including the cumulative impact analysis discussed above.

Best Available Control Technology: Steag's BACT analysis does not follow the "top down" approach. As you know, BACT is an emission limit. The lowest SO₂ emission limit for a boiler burning western low-sulfur coal that we have seen is 0.022 lb/mmBtu (30-day rolling average). This rate is contained in a draft permit proposed by the Utah

Department of Environmental Quality for the NEVCO-Sevier (NEVCO) Circulating Fluidized Bed (CFB) power plant. By comparison, Steag is proposing a 30-day SO₂ limit of 0.06 lb/mmBtu. Although Steag presented a superficial review of CFB technology, it must demonstrate why it cannot meet limits equivalent to those proposed for NEVCO while burning western low-sulfur coal.

In summary, we believe that the Steag application is incomplete and inadequate because:

- The cumulative increment analysis is flawed.
- No cumulative visibility analysis was provided.
- The meteorological data is questionable for this application.
- The BACT analysis does not start at the "top" level of control for a boiler firing western low-sulfur coal.

We look forward to working with your office on this project and hope that this letter facilitates those efforts. After we have received and reviewed the requested information and analyses, we will provide follow-up comments on the Steag application. In the meantime, if you have any questions please feel free to contact Don Shepherd of my staff at (303) 969-2075.

Sincerely,

John Bunyak
Chief, Policy, Planning and Permit Review Branch

bcc:**Navajo EPA: Calvert Curley****IMRO: John Reber****WASO: Julie Thomas****CARE: Tom O Clark****CHCU: Brad Shattuck****GRCA: Carl Bowman****CANY: Charlie Schelz****BAND: Darlene Koontz****COLM: Dave Price****GRSA: Fred Burch****ELMO: Fred Moosman****MEVE: George San Miguel, Patricia Trap, Sylvia Olivia****ELMA: Herschel Schulz****NAVA: John Laughter****GUMO: John Lujan****BAND: John Mack, Kay Beeley, Stephen Fettig****GLCA: John Ritenour****PEFO: Karen Beppler-Dorn, Patricia Thompson****CURE: Ken Stahlnecker****PETR: Mike Medrano****AZRU: Terry Nichols****USFS: Jeff Sorkin, Debra Potter, Rich Fisher, Pete Lahm****ARD-DEN: Permit Review Group, Ellen Porter, Tamara Blett, Chris Shaver, John Vimont, Reading and Project File****ARD-DEN:Don Shepherd:07/01/04:x2075:Steag Completeness Comments.Ltr.Doc**