

**BEFORE THE ENVIRONMENTAL APPEALS BOARD
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.**

In the matter of)	
Humboldt Bay Repowering Project)	PSD Appeal No. 08-08
)	
)	

**RESPONSE OF THE NORTH COAST UNIFIED AIR QUALITY
MANAGEMENT DISTRICT TO ROB SIMPSON REPLY**

Introduction

In an Order dated November 25, 2008, the Environmental Appeals Board (the “Board”) directed the North Coast Unified Air Quality Management District (“North Coast District”) to respond to Mr. Simpson’s reply filed November 13, 2008 (*Response to Request for Summary Dismissal*, “Simpson Reply”). The specific issue for which the Board seeks input is whether the project known as the Humboldt Bay Repowering Project (“HBRP”), for which the North Coast District has issued a Prevention of Significant Deterioration (“PSD”) permit, is a “modification” of pre-existing emissions units permitted for PSD by the U.S. EPA Region 9 (“Region 9”), known as “PG&E’s Buhne Point Permit (NC 77-05).” As discussed below, the PSD permit issued by the North Coast District authorizes the construction and temporary operation of new equipment at an existing facility; and does not authorize the modification of the pre-existing emissions units at that location.

Air Quality Permit History of PG & E Facility

The emissions units at issue are situated on a 140-acre site owned by PG&E located at 1000 King Salmon Avenue, approximately three miles south of Eureka, Humboldt County, California, and historically referred to as Buhne Point. (See Supplemental Declaration of Richard L. Martin, Jr. filed concurrently herewith, “Supplemental Martin Dec.” at par. 5.) PG&E currently operates a power plant on this site, known as the Humboldt Bay Power Plant (“HBPP”), which consists of two steam generators (“boilers”), 52 and 53 MW, dating to 1956 and 1953, respectively; two mobile emergency power plants (“MEPPs”) consisting of diesel fueled turbines that act as back-up and peaker units; and, a non-operating 63 MW nuclear power plant. (Supplemental Martin Dec. at par 6.)

The existing HBPP falls within dual permitting authority of the North Coast District and Region 9. On February 23, 1979, Region 9 issued PSD Permit No. NC 77-05 to PG&E for a major modification of the then existing HBPP to allow for the installation of two mobile emergency power plants (“MEPPs”), consisting of diesel-fueled turbines used for backup and peaker units. (See *PG&E’s Notice of Clarification and Motion to Strike*, filed by Intervenor PG&E on November 20, 2008, at Exhibit 1). When EPA approved the PSD rules for the North Coast District as part of the California State Implementation Plan in 1985, it specifically retained authority over this pre-existing Buhne Point permit, NC 77-05. (40 C.F.R. § 52.270(b)(2).) EPA continues to retain PSD permitting authority over the MEPPs and has amended the PSD permit several times: December 11, 1981, to change the allowable nitrogen oxides emissions limits and hours of operation); April 20, 2000, to change the source test frequency; and, October 30, 2008,

to change the operating hour limits. (*See PG&E's Notice of Clarification and Motion to Strike*, filed by Intervenor PG&E on November 20, 2008, at Exhibit 1; Supplemental Martin Dec. at par 7, 9.)

The North Coast District issued Permits to Operate for all of the emissions units at the HBPP: the two steam boilers and the two MEPPs units (North Coast District Permit Nos. NS-020, NS-021, NS-057). (Supplemental Martin Dec. at par. 8.) In 1998, the North Coast District consolidated the three Permits to Operate into a single Title V Permit to Operate No. NCU 059-12). (*Id.*)

The HBRP consists of the construction and operation of new emissions units at the same site as the HBPP: 10 Wartsila reciprocating engines, a new emergency generator, and a new fire pump engine. (Supplemental Martin Dec. at par. 4.) The North Coast District issued a combined ATC, and PSD permit to PG&E for this project on April 14, 2008 (“HBRP Permit”). (*Id.*) As previously presented to the Board, the North Coast District issued this PSD permit pursuant to its SIP approval. (*See Response of the North Coast Unified Air Quality Management District Requesting Summary Dismissal*, filed October 16, 2008; Supplemental Martin Dec at par. 7.)

The HBRP Permit authorizes only the construction and temporary operation of the Wartsila engines, emergency generator and fire pump engine. The HBRP Permit does not authorize a physical change in, or in the method of operation, to any of the pre-existing emissions units at the HBPP, which would increase the emissions of any air contaminant. (Supplemental Martin Dec. at par. 10.) Instead, the HBPR permit issued by the North Coast District requires the complete shutdown of these existing emissions units upon completion of the HBRP project. (Supplemental Martin Dec. at par. 11.) At

that time, the Title V Permit to Operate for the HBPP emissions units (that is, the two steam boilers and MEPPs) must be surrendered. (*Id.*)

The Shutting Down of Emissions Units is Not a Modification of the MEPPs

Federal regulation defines “modification” as the following:

(d) The phrases modification or modified source mean any physical change in, or change in the method of operation of, a stationary source which increases the emission rate of any pollutant for which a national standard has been promulgated under part 50 of this chapter or which results in the emission of any such pollutant not previously emitted, except that:

- (1) Routine maintenance, repair, and replacement shall not be considered a physical change, and
- (2) The following shall not be considered a change in the method of operation:
 - (i) An increase in the production rate, if such increase does not exceed the operating design capacity of the source;
 - (ii) An increase in the hours of operation;
 - (iii) Use of an alternative fuel or raw material, if prior to the effective date of a paragraph in this part which imposes conditions on or limits modifications, the source is designed to accommodate such alternative use.

(40 CFR § 52.01(d).)

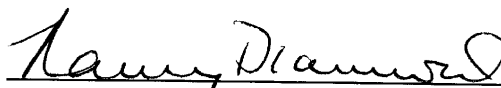
The HBRP Permit requirement that the MEPPs units be shut down and the operating permit be surrendered is not a physical change in, or in the method of operation of the MEPPs units, which increases the emission rate of any pollutant. Accordingly, the HBRP is not a modification of the Buhne Point PSD permit, NC 77-05.

Conclusion

Because the HBRP PSD permit issued by the North Coast District does not authorize a modification of the MEPPs units, the HBRP does not present a modification of the pre-existing MEPPs units permitted under the EPA Buhne Point PSD permit.

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Respectfully submitted,



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