

I. INTRODUCTION

Dynergy Midwest Generation, Inc. has applied for a Clean Air Act Permit Program (CAAPP) operating permit for its source in Havana, Mason County. The CAAPP is the program established in Illinois for the operating permits for significant stationary sources required by Title V of the federal Clean Air Act, as amended in 1990. The conditions in a CAAPP permit are enforceable by both the Illinois Environmental Protection Agency (Illinois EPA) and the USEPA.

This CAAPP permit would be a combined CAAPP/Title I permit that also contains terms and conditions adopted to address provisions established under regulations adopted under Title I of the Clean Air Act.

II. SOURCE DESCRIPTION

Dynergy Midwest Generation, Inc.. operates eight residual oil-fired boilers associated with five turbine generators, as peaking units or for space heating purposes, one coal-fired boiler and associated steam turbine generator to produce electricity and one natural gas or distillate oil fired boiler as an auxiliary boiler used for providing startup steam to the coal fired boiler or for space heating purposes. The plant has a total nominal capacity of about 697 megawatts.

In addition to coal, the coal-fired boiler fires distillate oil during startup and for flame stabilization. Other fuel materials, such as used oil generated at the source, may also be fired with coal in the boilers. The boilers are equipped with Separated Overfired Air System (SOFA) to minimize emissions of nitrogen oxides (NO_x). The boiler has electrostatic precipitators (ESP) for control of particulate matter (PM), and In-Duct SCR for control of seasonal NO_x emissions subject to NO_x Trading Program .

In addition to the boilers, the source also has emissions from handling and processing of the coal fuel used in the boiler.

III. EMISSIONS

This source is required to have a CAAPP permit since it is a major source of emissions. In its most recent Annual Emission Report, for 2001, the source reported annual emissions of 8,121, 3,613, 140, 211, and 26 tons of sulfur dioxide (SO₂), nitrogen oxides (NO_x), particulate matter (PM), carbon monoxide (CO), and volatile organic material (VOM), respectively.

IV. APPLICABLE EMISSION STANDARDS

The coal-fired boiler and other emission units at the source are subject to emission standards adopted by the Illinois Pollution Control Board's. The Board's emission standards represent the basic requirements for sources in Illinois.

The emission units at this source must also comply with applicable federal emission standards, which the Illinois EPA administers in

Illinois on behalf of the United States EPA under a delegation agreement. The coal-fired boiler, and the auxiliary boiler at the source are subject to federal New Source Performance Standards (NSPS) of 40 CFR 60, Subpart D and Dc, respectively. USEPA has not adopted National Emission Standards for Hazardous Air Pollutants (NESHAP) that apply to coal-fired boilers. The CAAPP permit would not affect the applicability of any such standards.

These residual oil fired boilers, and a coal-fired boiler are affected units subject to the federal Acid Rain Program, pursuant to Title IV of the Clean Air Act. Under the Acid Rain Program, the source must hold SO₂ allowances for its emissions of SO₂. A copy the source's current Acid Rain Program permit will be included as an attachment to the CAAPP permit.

These residual oil fired boilers and a coal-fired boiler will also be affected units subject to the NOx Trading Program. This is a new interstate market-based program designed to reduce NOx emissions from electric power plants and other large NOx sources beginning in 2004. One of the procedural requirements of this program for a source with affected units is to hold a "budget permit." This budget permit sets forth the various requirements of the NOx Trading Program that would apply to the source. The Illinois EPA is proposing to include this budget permit as Section 6.1 of this CAAPP permit.

V. DRAFT PERMIT

CAAPP

A CAAPP permit contains all conditions related to air pollution control that apply to a source, together with the identification of the applicable state and federal rules that are the origin of the conditions. The permit also contains emission limits and appropriate compliance procedures. The appropriate compliance procedures may include inspections, work practices, monitoring, record keeping, and reporting to show compliance with these requirements. The source must carry out these procedures on an on-going basis.

For the residual oil-fired boilers these compliance procedures include continuous monitoring for opacity and monitoring of sulfur content of the oil fuel fired. These monitoring systems must be operated in accordance with the requirements of the federal Acid Rain Program.

For the coal-fired boilers, these compliance procedures include continuous monitoring for opacity and emissions SO₂ and NO_x. These monitoring systems must be operated in accordance with the requirements of the federal Acid Rain Program and the applicable NO_x Trading Program.

Title I

This permit would be a combined Title I/CAAPP permit. A combined CAAPP/Title I permit contains terms and conditions established by the Illinois EPA pursuant to authority found in Title I of the Clean Air Act and regulations promulgated thereunder, e.g., the federal rules for

Prevention of Significant Deterioration (PSD), 40 CFR 52.21. These terms and conditions in the CAAPP permit address the applicability, and compliance if determined applicable, of these Title I provisions. Such terms and conditions in the CAAPP permit are identified within the permit by T1, T1R, or T1N. The source has requested that the Illinois EPA establish or revise such conditions in a Title I permit, consistent with the information provided in the CAAPP application.

Any conditions established in a construction permit pursuant to Title I and not revised or deleted in this permit, remain in effect pursuant to Title I provisions until such time that the Illinois EPA revises or deletes them. Notwithstanding the expiration date on the first page of the permit, the Title I conditions remain in effect pursuant to Title I provisions until the Illinois EPA deletes or revises them in accordance with Title I procedures.

VI. REQUEST FOR COMMENTS

It is the Illinois EPA's preliminary determination that this source's permit application meets the standards for issuance of a CAAPP permit. The Illinois EPA is therefore proposing to issue a CAAPP permit, subject to the conditions proposed in the draft permit.

Comments are requested on this proposed action by the Illinois EPA and the proposed conditions on the draft permit. If substantial public interest is shown in this matter, the Illinois EPA will consider holding a public hearing in accordance with 35 Ill. Adm. Code Part 166.