

R-19J

/date stamped June 15, 2000/

Thomas V. Skinner, Director
Illinois Environmental Protection Agency
1021 North Grand Avenue East
P. O. Box 19276
Springfield, Illinois 62794-9276

Dear Mr. Skinner:

Thank you for your letter of May 16, 2000, requesting our input on how your Agency has been addressing new natural gas-fired electrical generation units, commonly known as "peaker plants", in the Chicago area. We are aware of the increase in applications for these sources in the Midwest, and the significant interest in these projects expressed by citizen and environmental groups, as well as public officials. We at the United States Environmental Protection Agency (U.S. EPA) share many of the same concerns.

In your letter, you discuss how the Prevention of Significant Deterioration (PSD) permitting program may apply to these peaker plants, many of which are being permitted at emission levels just below the PSD applicability threshold of 250 tons per year. You are correct that new construction of any kind is evaluated for PSD applicability based on annual potential emissions. The maximum physical capacity of a peaker plant to emit air pollution might not be the same as its "potential to emit". This is because applicants may avoid the requirements of PSD by requesting enforceable emission limits for their projects to ensure the annual emissions do not exceed the respective major source thresholds. We believe that your Agency typically permits these plants appropriately, with emissions limits that can be enforced as a practical matter.

Regarding the stringency of emissions limits on these projects, when Congress established requirements for construction permitting programs, it focused attention on major sources, requiring Best Available Control Technology (BACT) on new and modified major sources. Congress gave State Agencies substantial

discretion in how they treat minor sources. Although States must evaluate minor sources to determine whether they will interfere with attainment of the National Ambient Air Quality Standards (NAAQS), there is no specific control technology requirement for minor sources in the Clean Air Act or U.S. EPA regulations. Minor sources subject to Illinois current State Implementation Plan (SIP) need not apply BACT.

Your letter also raises concerns that these sources will operate primarily in the summer. We understand that your Agency will soon be submitting a plan which will demonstrate how selected emissions management strategies will enable Chicago to attain the ozone standard within the required time frames. When our office reviews this demonstration, we will look for evidence that the size of the total nitrogen oxides (NO_x) emissions inventory will not compromise the effectiveness of these strategies. We hope, as you do, that the forthcoming restrictions on statewide sources of NO_x will make great strides toward this goal.

Also regarding summertime NO_x emissions, the Illinois Environmental Protection Agency assures protection of the NAAQS by including short term, hourly emissions limits in its permits. This practice is consistent with the Illinois SIP, at 35 IAC 201.160, requiring applicants to submit proof that their project will not cause a violation of the Illinois Environmental Protection Act. One tool that applicants may use to submit this proof is dispersion modeling. You are to be commended for requesting that dispersion modeling be included for these minor sources as a means to quantify the potential impacts of NO_x, and to set suitable hourly and other short term limits as a result.

We hope this letter addresses your concerns, and we would like to offer two additional thoughts. First, after applicants receive their initial permits to operate these peaker plants, some may submit subsequent applications to construct new units or expand operation of their existing units. Certain changes may bring potential emissions above major source thresholds, and consequently may cause either the new project or the entire source to be subject to PSD, including any applicable BACT analyses. One example of this type of change is a request to relax a previously imposed limit such as operating hours. Another example is a proposal to install additional capacity, where such expanded operation was anticipated as part of the original design. We encourage your staff to inform applicants of these consequences and regularly assess the relationship between requested changes to an existing plant and the initially permitted project.

Secondly, we encourage your Agency to continue to solicit public

comments and conduct public hearings on these projects. This valuable process allows the people of Illinois to gain a full and meaningful understanding of your analysis of these projects.

We appreciate this opportunity to address your concerns. If you wish to discuss any of these issues further, feel free to call me, or Lauren Steele, of my staff, at (312) 353-5069.

Sincerely,

/Original signed by William E. Muno/

Francis X. Lyons
Regional Administrator