



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
GREAT LAKES NATIONAL PROGRAM OFFICE
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JUN 06 2012

Richard Cordes, P.E.
Staff Engineer
Air Quality Permits Section
Industrial Division
Minnesota Pollution Control Agency
520 Lafayette Road North
St. Paul, Minnesota 55155-4194

RE: Applicability Determination for Southern Minnesota Municipal Power Agency
Fairmont Power Plant (AQ Facility No. 09100009; DQ No. 3779)

Dear Mr. Cordes,

Thank you for your January 25, 2012 letter requesting applicability determinations for the Fairmont Power Plant owned and operated by Southern Minnesota Municipal Power Agency (SMMPA).

Your letter requests U.S. Environmental Protection Agency's concurrence with the Minnesota Protection Control Agency's (MPCA) proposed determination for SMMPA. Specifically, SMMPA has requested that its Fairmont Power Plant be allowed to convert to minor source status with respect to New Source Review (NSR). The information provided to EPA states that although the Fairmont facility is currently classified as a major source, the actual emissions from the facility have not exceeded minor source limits since 2001. After the proposed modification is completed, SMMPA forecasts future facility emissions to continue below major source thresholds well into the future, and is willing to accept federally enforceable limitations to ensure this facility remains a minor source.

Secondly, SMMPA has asked MPCA to determine the applicability of redefining the major stationary source threshold for the Fairmont Power Plant from 100 tons per year (tpy) to 250 tpy of a single regulated pollutant (except for Carbon Dioxide Equivalent (CO₂e)). Since SMMPA has decommissioned the steam plant operations and has no intention of reinstalling steam generation capacity at the Fairmont Power Plant, SMMPA has asked if the facility will continue to be considered a "fossil fuel-fired steam electric plant" as listed in 40 CFR 52.21.

In addition, SMMPA has asked whether the proposed project (installation of five reciprocating internal combustion engine / generator sets), which is to be permitted concurrently with the facility change to minor status, is subject to the major modification significant emission increase thresholds outlined in the Prevention of Significant

Deterioration (PSD)/NSR Program. More specifically, will the project be subject to the 100 tpy carbon monoxide, 40 tpy nitrogen oxide, etc. thresholds, while the entire facility is under the NSR minor source facility threshold?

EPA has reviewed MPCA's request and has made the following determinations:

- 1) EPA believes the request to convert the Fairmont Power Plant from major source status to minor source status is legitimate, considering that the facility has been operating under minor source limits for 10 years and will impose permit conditions that restrict facility emissions (particularly PM_{2.5}, NO_x, VOC, CO, and CO_{2e}) below the major stationary source threshold of 250 tpy (and 100,000 tpy for CO_{2e}).
- 2) Upon removal of the four fossil fuel-fired boilers in 2011, the capacity total heat input is 53 MMBtu/hr, so the source is no longer considered part of any PSD listed source category. This determination results in a major source threshold shift from 100 tpy to 250 tpy. However, since the remaining units at the facility have a potential to emit that exceeds the major source, the facility is to be considered a major source prior to any federally enforceable limitations (refer back to determination 1) for proposed limitations).
- 3) EPA believes that the installation of five reciprocating internal combustion engines in accordance with the proposed plan should not be considered a modification to a major source under PSD, as the source will already be converted to synthetic minor status following determinations 1) and 2) of this letter. Thus, there is no need to restrict emissions of the project below major modification significant emission rates, and the source will not need to undergo PSD review. This is in accordance with EPA's 1981 memorandum that states

“If the existing source is of major status for one pollutant but the results of the modification will bring the source below the major source threshold for that pollutant, PSD review will not be required.”

Furthermore, this determination follows EPA's 2001 memo regarding the Kyrene Expansion Project in which the facility was determined to not have been subject to NSR as it kept facility-wide emissions limited to less than the major source threshold.

The result of the proposed modification is that Fairmont Power Plant technically has redefined its source such that it will no longer be a PSD listed source category upon completion of the proposed modification, but will be considered a major stationary source prior to special permit conditions. The result of federally enforceable emission limitations in the permit will allow the facility to be considered a synthetic minor source, and furthermore avoid PSD. Consistent with

previous guidance, under special circumstances, a major modification may not trigger PSD requirements.

If you have any questions regarding this letter, feel free to contact me or Beau Garrett, of my staff, at (312) 353-4824.

Sincerely,

A handwritten signature in cursive script that reads "Genevieve Damico". The signature is written in black ink and is positioned above the typed name.

Genevieve Damico
Chief
Air Permits Section