

Indiana **ENERGY**
Association

1600 ONE AMERICAN SQUARE, BOX 82065 INDIANAPOLIS, INDIANA 46282 317-632-4406 FAX 317-262-4940 www.indianaenergy.org

Ed Simcox, President Emeritus
Mark T. Maassel, President
Timothy J. Rushenberg, Vice President
Boonville Natural Gas Corp.
Citizens Energy Group
Community Natural Gas Co., Inc.
Duke Energy
Fountaintown Gas Co., Inc.
Indiana Michigan Power
Indiana Natural Gas Corp.
Indianapolis Power & Light Company
Midwest Natural Gas Corp.
Northern Indiana Public Service Co.
Ohio Valley Gas Corp.
South Eastern Indiana Natural Gas Co., Inc.
Sycamore Gas Co.
Vectren Energy Delivery of Indiana, Inc.

THE VOICE FOR INDIANA ENERGY

March 1, 2017

The Honorable Scott Pruitt
Administrator
U.S. Environmental Protection Agency
Mail Code 1101A
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

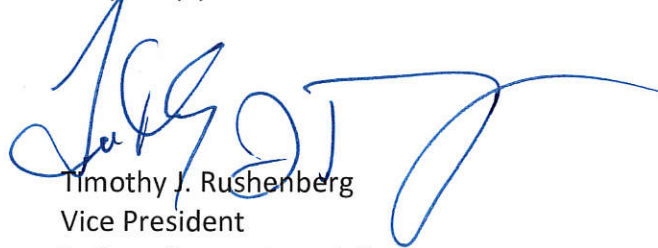
Re: EPA Docket No. EPA-HQ-OAR-2015-0500; Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS.

Dear Administrator Pruitt:

Please find enclosed the Petition for Administrative Review of the October 26, 2016 final rule: "Cross-State Air Pollution Rule Update for the 2008 NAAQS," EPA-HQ-OAR-2015-0050; FRL-9950-30-OAR; RIN 2060-AS05. This Petition for Administrative Review is being filed by the Indiana Utility Group and the Indiana Energy Association. Currently the members of the Indiana Utility Group include Hoosier Energy, Indiana Municipal Power Agency, Ohio Valley Electric Corporation and Wabash Valley Power. The members of the Indiana Energy Association are set forth on this letterhead.

We greatly appreciate your consideration of this petition.

Very truly yours,



Timothy J. Rushenberg
Vice President
Indiana Energy Association
On behalf of Indiana Utility Group

Enclosure

**BEFORE THE UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY**

**Indiana Utility Group and Indiana
Energy Association, Petitioner**

**EPA Docket #: EPA-HQ-
OAR-2015-0500**

PETITION FOR RECONSIDERATION

I. Introduction

Pursuant to Clean Air Act Section 307(d)(7)(B), 42 U.S.C. § 7607(d)(7)(B), the Indiana Utility Group and the Indiana Energy Association (IUG/IEA)¹ respectfully submit this Petition for Reconsideration to request that the United States Environmental Protection Agency (“EPA”) reconsider and correct certain deficiencies in the final rule entitled *Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS*, 81 Fed. Reg. 74504 (Oct. 26, 2016) (“Final Rule”) (EPA-HQ-OAR-2015-0500). IUG/IEA believe that the ozone season NO_x budget for the State of Indiana is insufficient as a result of those deficiencies, which places an undue burden on Indiana utilities.

The IUG/IEA have separately filed a petition for review of the Final Rule with the United States Court of Appeals, District of Columbia Circuit.² Regardless of the outcome of that petition, EPA’s reconsideration of the Final Rule with respect to the calculation of the Indiana ozone season NO_x budget may provide fair and equitable relief within the framework of the Final Rule, and IUG/IEA urge EPA to take prompt action on this petition given the fact that the budget is set to take effect on May 1, 2017.

II. Concerns to Be Addressed in Reconsideration

EPA proposed to update the Cross State Air Pollution Rule (CSAPR) to address interstate transport of ozone pollution with respect to the 2008 ozone national ambient air quality standard (NAAQS) on December 3, 2015. *See* 80 Fed. Reg. 75706 (Proposed Rule). At the proposal stage, EPA identified that it would undertake additional analysis and conduct additional modeling to support its final rulemaking. *See* 80 Fed. Reg. at 75722. Several IUG/IEA member utility companies provided comments on the Proposed Rule, pointing out problems with assumptions and incorrect information used in the IPM modeling runs that were the basis for the Proposed

¹ The combined membership of the IUG/IEA include: Hoosier Energy, Indiana Municipal Power Agency, Ohio Valley Electric Corporation, Wabash Valley Power, Boonville Natural Gas Corp., Citizens Energy Group, Community Natural Gas Co., Inc., Duke Energy, Fountaintown Gas Co., Inc., Indiana Michigan Power, Indiana Natural Gas Corp., Indianapolis Power & Light Company, Midwest Natural Gas Corp., Northern Indiana Public Service Co., Ohio Valley Gas Corp., South Eastern Indiana Natural Gas Co., Inc., Sycamore Gas Co., Vectren Energy Delivery of Indiana, Inc.

² Case No. 1437 filed on December 22, 2016.

Rule. The comments also expressed the concern that because of the many issues that needed to be addressed, EPA should take the step to publish its additional analyses for public review and comment before issuing a final rule. EPA chose not to publish additional analyses and instead proceeded to final rulemaking, incorporating significant changes to data, assumptions, and procedures that resulted in significant changes to state-by-state budgets in the Final Rule relative to the Proposed Rule.

The State of Indiana was particularly impacted by the changes reflected in the Final Rule. The Proposed Rule included an ozone season budget for Indiana of 28,284 tons, which by itself was a very significant reduction from the original CSAPR Phase 2 state budget of 46,175 tons. Although EPA's revised assessment of the "widely achievable" SCR emissions rate (from 0.075 lb/MMBtu to 0.10 lb/MMBtu) would have been expected to result in an increase in the Indiana budget, the Final Rule actually further reduced the Indiana budget by approximately 18% from the proposal to only 23,303 tons.

Making sense of the budget calculations and results in the Final Rule has been extremely difficult because EPA has not provided parsed files that provide a clear unit-by-unit description of the data. Duke Energy, a member of IUG/IEA, hired James Marchetti, of James Marchetti, Inc., a nationally recognized expert on the application of CSAPR and other interstate ozone transport rulemakings to the power industry, to provide an analysis of the available information in EPA's docket. Coupling Mr. Marchetti's analysis with IUG/IEA's review of EPA's Final Rule and the supporting information posted on EPA's rulemaking web site³, IUG/IEA has identified several errors related to the manner in which the Indiana budget was derived in the Final Rule.

Specifically, IUG/IEA request that EPA reconsider certain technical aspects of the rulemaking that impact the Indiana budget. Those include:

- EPA's change to a "relative reduction" methodology adopted in the final rule for calculating the budget that had not been included in the proposed rule;
- EPA's inappropriate adjustments to the "2015 Historic Emissions Rate" for Indiana which result in artificially lowering the starting point for EPA's budget calculation;
- EPA's inconsistent and inappropriate application of the "widely achievable" emissions rate for operation of SCR on existing units; and
- EPA's use of 2015 heat input for Indiana units rather than 2014 as proposed or a multi-year value.

A. Relative Reduction Methodology for Calculating Budgets

In the Final Rule, EPA adopted a "relative reduction" methodology for calculating state budgets⁴, which is based on the difference between an "adjusted" actual emissions rate in 2015 and a modeled reduction in emissions rates between the IPM 2018 Base Case and 2018 \$1400 per ton Control Case. That resulting emissions rate is then multiplied by the 2015 actual heat input for the state. This methodology is significantly different than the methodology that EPA had used to develop the budgets in the Proposed Rule, and IUG/IEA and its members had no

³ <https://www.epa.gov/airmarkets/final-cross-state-air-pollution-rule-update> and related linked addresses.

⁴ 81 Fed. Reg. 74548.

opportunity to review and comment on the new methodology. The methodology in the Proposed Rule simply used the emissions rate determined by the IPM \$1,400 per ton Control Case times the actual historic heat input (2014 heat input in the Proposed Rule).

Using the data available from the EPA docket⁵, this change in methodology by itself results in a loss of 5,311 tons from the Indiana NOx budget – from 28,614 tons using the IPM \$1,400 per ton Control Case and 2015 Heat Input to 23,303 tons using the Final Rule relative reduction methodology.

The IUG/IEA are concerned that EPA's decision to use the new methodology was inappropriate for states such as Indiana. Further, the decision was arbitrary and capricious as evidenced by the significant shifts in the budgets allocated to each state, with some receiving far more and some receiving far less. Our concerns are addressed below:

- EPA's stated basis for revising the formula from the proposed rule was to address situations where a state had insufficient allowances because it could not achieve the projected IPM emissions rate by 2017.⁶ That is, the revised formula was intended to provide relief to certain states. EPA did not find that the proposed methodology was inappropriate or why it could not have kept the proposed formula and addressed those states that had insufficient allowances in some other way.
- The result of the change in methodology is that a number of states, including Indiana, were assigned an average emissions rate that was substantially more stringent than the average emissions rate that was determined through EPA's IPM modeling based on EPA's assumption of control levels that were widely achievable by 2017/2018. **Therefore, for many states, applying this revised "relative reduction" methodology resulted in precisely the situation that EPA says it was attempting to resolve** – those states now have insufficient tons in the state budget because the budgets are based on a corresponding emissions rate that is not achievable by the collective units in the state by 2017.
- EPA stated that use of the "relative" reduction methodology was similar to how it makes adjustments to modeled results when addressing ambient air quality predictions, by subtracting a modeled improvement in air quality from the actual observed values. However, the nature of the atmospheric models such as CAMx (which was used to support the Final Rule) and a generation forecasting model such as IPM is quite different. EPA has long used IPM to estimate power plant emissions under alternate regulatory scenarios and to our knowledge has never applied this relative reduction methodology to the results. Certainly, there are alternate generation modeling methods that could be used rather than IPM. For example, the Eastern Regional Technical Advisory Committee (ERTAC) has developed the CONUS modeling platform. **Regardless of whether IPM is the**

⁵ "Ozone Transport Policy Analysis Final Rule TSD Appendix E" and the worksheet labeled Final Budget Calcs, from <https://www.epa.gov/airmarkets/final-cross-state-air-pollution-rule-update>.

⁶ Ozone Transport Policy Analysis Final Rule TSD, August 2016, Page 11: "In other words, the proposal's application of an IPM-projected state-level emission rate to historical state-level heat input data could still yield potentially insufficient tons for a state budget if that state's EGUs were to maintain a similar total generation to 2015 but were unable to collectively achieve that projected emission rate by the 2017 ozone season. To address this concern, EPA updated the formula for the final rule..."

best model for projecting power plant emissions, EPA has not assessed whether its relative reduction methodology is an appropriate use of its own generation modeling tool (IPM). Based on a simple review of the results, the IUG/IEA believes that EPA's approach is not valid.

- Specifically, the IPM \$1,400 Control Case provides a documentable basis for the assumed unit-by-unit controls, forecasted generation levels, and forecasted emissions. While the IUG/IEA questions some of the assumptions EPA has used, at least there is a stated basis which ties back to specific generating units. That is, EPA's statewide ozone season average NOx emissions rate for Indiana of 0.139 lb/MMBtu for the IPM \$1,400 Control Case is derived from specific assumptions for control capabilities of each generating unit and how much IPM projects those units to operate. But there is no such basis for the statewide ozone season NOx emissions rate that EPA then applies to establish the Indiana Final Rule NOx budget. **EPA concludes that the state should be able to achieve an average emissions rate of 0.113 lb/MMBtu but that is not supported by EPA's own assumptions on what the individual generating units in the State of Indiana are capable of achieving at the \$1,400 per ton control level.**
- The IUG/IEA believe that the significant loss of budgeted NOx allocation to Indiana as a result of EPA's relative reduction methodology is an unintended consequence which could have been addressed if IUG/IEA members had been given the opportunity to review and comment on the methodology. **We urge that this be resolved on reconsideration by allowing use of the relative reduction methodology in situations where the IPM \$1,400 Control Case would result in insufficient allowances, as EPA apparently intended, but where that is not the case EPA would allocate the state NOx budget based on the calculation methodology in the Proposed Rule.**

B. Adjusted Historic Emissions Rate

EPA's relative reduction methodology includes an adjustment to the 2015 actual historic emissions. The adjustment reduces the emissions and/or heat input for individual units where EPA believes there has been a change in how a unit will operate in 2017, for example where SCR has been installed, a unit has converted from coal to gas, or a unit is subject to an announced retirement commitment. Because the Adjusted Historic Emissions Rate is used as the starting point for budget calculations, that value needs to accurately represent the expected statewide emissions for the 2017 ozone season in the absence of any revised regulation.

The IUG/IEA are concerned that EPA's adjustments to the Indiana 2015 historic emissions data produce an unreasonable result. The Adjusted Historic Ozone Season Emissions Rate for Indiana is 0.152 lb/MMBtu, which is significantly less than the actual 2015 Ozone Season Emissions Rate (0.176 lb/MMBtu) and the IPM Base Case Ozone Season Emissions Rate (0.178 lb/MMBtu). We do not believe that EPA's adjustments accurately represent how the affected utility units will operate in 2017 and the expected NOx emissions. In particular, EPA should not reduce a state's baseline emissions to account for recently installed SCR because for a state

operating under a NOx budget program, any reduction in emissions from one unit may be at least partially offset by increases at other units. The most appropriate assumption for EPA to use if applying the “relative reduction” methodology would be to leave the historic baseline emissions unchanged except possibly for any known, enforceable restrictions that will occur by 2017.

Based on the analysis of EPA’s docket provided to Duke Energy by James Marchetti, it appears that EPA made the assumption that the Cayuga Station would reduce its ozone season NOx emissions between 2015 and 2017 due to the installation of SCR on the two coal-fired units. The Cayuga Station SCRs were installed primarily as a means of achieving mercury reduction (by catalytic oxidation of mercury ahead of the wet scrubber). These SCRs were installed in 2015 to assure compliance with federal Section 112 MATS requirements by April 2016 and have not been used for NOx control except for periods when the station operated the ammonia injection system to demonstrate the SCR capability either for warranty purposes or, after the final CSAPR Update Rule was announced by EPA, to aid in planning for the company’s compliance with the very stringent NOx allocations. Actual NOx emissions rates in 2015 and 2016⁷ demonstrate that the SCRs at Cayuga have not been operated for NOx control, except for limited periods, and there is no basis to assume that emissions would be reduced in 2017 under current regulations. **Therefore, no adjustment is warranted to the Cayuga Station NOx emissions rates for the Historic Emissions and IPM Base Case because operation without SCR at Cayuga best represents expected base case emissions for the State of Indiana.** On the other hand, the IPM \$1400 Control Case can certainly account for operation of the Cayuga SCR, but as discussed below the achievable emissions rate should be set at 0.10 lb/MMBtu.

C. Achievable SCR NOx Emissions Rate

In the Final Rule, the EPA determined that “an achievable 2017 EGU NOx ozone season emission rate for units with SCR is 0.10 lbs/MMBtu.”⁸ EPA had used a rate of 0.075 lb/MMBtu for the Control Case in the Proposed Rule. EPA received numerous comments from utilities that operate SCR and others, including members of IUG/IEA, that the proposed 0.075 lb/MMBtu was not widely achievable for existing electric generating units due to many considerations. In particular, as EPA noted in the Final Rule,⁹ there have been significant shifts in the power sector in recent years particularly with regard to fuel markets (lower natural gas prices) which impact the ability to achieve optimum SCR performance.

However, in EPA’s IPM analysis and the corresponding budget allocation calculations, EPA has deviated from its determination for certain units. For units where SCR has been installed in 2015 or later, EPA assigned an emissions rate of 0.075 lb/MMBtu to determine the “adjusted” historic emissions rate and 0.070 lb/MMBtu for the IPM Base Case and \$1400 Control Case. Also, where EPA determined that a unit had not operated its SCR or operated the SCR at reduced performance, certain units were assigned an emissions rate of 0.070 lb/MMBtu. EPA explained the assigned emissions rate as the value derived from its NEEDS data base, based on “Mode 4

⁷ The 2015 and 2016 ozone season NOx emissions rates were 0.36 and 0.31 lb/MMBtu for Unit 1 and 0.30 and 0.30 lb/MMBtu for Unit 2.

⁸ 81 Fed. Reg. 74543.

⁹ 81 Fed. Reg. 74543-74544.

values.”¹⁰ However, nothing in the documents that EPA references for the NEEDS data base provides any good explanation of how these emissions rates were derived.

For Indiana, these aggressive emissions rates were applied to Cayuga Units 1 and 2 (“new” SCR installations) and to Gibson Unit 5 and Petersburg Unit 3 (presumably “idled” SCR). **The EPA achievable rate of 0.10 lb/MMBtu should be used for all SCR on existing units, unless there is some separate regulatory constraint such as a PSD limit or consent order applicable to the unit.** EPA has not provided any reasonable basis for why any other emissions rate should be used for the capability of SCR on existing units. These units are subject to the same operational constraints and market conditions as other existing boilers.

Even for a “new” SCR, variations in operating load will affect the SCR capability the same as for a unit with an older SCR, and in particular there are concerns that the long term average emissions rate must consider that coal-fired electric generating units under current market conditions are operating for a significant amount of time at minimum loads which cannot sustain SCR operation. For the Cayuga Station, the facility has not demonstrated long term performance with the SCR in operation, since the SCR has been used for mercury oxidation for MATS compliance. Duke Energy has expressed concern with applying aggressive operation for NOx removal to these SCRs because of potential impacts on mercury oxidation. Duke Energy also has concerns about the ability to operate these SCRs at low load conditions, where the temperature will fall below the manufacturer’s minimum temperature for injection of ammonia to control NOx.

In the case of units where EPA has considered the units to have “idled” the SCR, that assumption is based simply on a determination that the emissions rate has changed by more than 25% from 2011 to 2015.¹¹ First, that assumption is faulty because such variations in emissions rate can be accounted for by changes in how the unit’s boiler operated over that period of time (more cyclic operation, for example), inherent catalyst degradation and how catalyst replacement is managed over a cyclic period of time, and other factors such as unplanned equipment outages. Second, assigning an emissions rate of 0.070 lb/MMBtu is unreasonable even assuming that the SCR was indeed idled. For example, for the Gibson and Petersburg units, EPA’s assigned emissions value is far more stringent than any ozone season average emissions rate for those units since 2009.¹² Based on data reported to EPA on the CAMD system for the CAIR and CSAPR programs the ozone season emissions rate for Gibson Unit 5 and for Petersburg Unit 3 was greater than 0.10 lb/MMBtu for each year from 2009 through 2016, except for one year (2010) where Petersburg Unit 3 operated at an average of 0.09 lb/MMBtu.

D. EPA’s “Feasibility” Analysis Shows the Indiana Budget Is Not Achievable

In the Final Rule, EPA conducted an additional analysis after calculating the state ozone season NOx budgets, to compare the budgets to a state-by-state level of emissions that EPA determined

¹⁰ Ozone Transport Policy Analysis Final Rule TSD, August 2016, Page 9, Footnote 10.

¹¹ EPA v.5.15 CSAPR Update Rule Base Cases Using IPM Incremental Documentation, August, 2016, page 28.

¹² “Because of these changes, the EPA considers it reasonable to evaluate SCR performance focusing on more recent historical data that better represent the current landscape of considerations affecting the power sector. The EPA chose 2009 because that is the first year of CAIR NOX annual compliance.” 81 Fed. Reg. 74544.

was “feasible” through optimized operation of the controls installed on the generating units (Feasibility Analysis).¹³ The IUG/IEA believe EPA’s analysis overstates the ability to control NOx from existing units utilizing the available control technologies. EPA’s Feasibility Analysis was based on emissions rates for each unit that were the lower of the 2015 actual emissions rate or the third lowest historical ozone season NOx rate. For example, it would be more appropriate in such an analysis to use the third lowest value for all units since there is inherent year to year variability and a lower value in 2015 may not be representative of what an individual unit can achieve in 2017.

Despite the concerns that EPA’s Feasibility Analysis may overstate the achievable level of emissions for a state, the analysis provided by EPA in the Final Rule shows that the budget assigned to the State of Indiana is, in fact, not “feasible” or achievable. **The feasible budget was calculated to be 25,325 tons but Indiana’s allocation is only 23,303 tons.** It seems that EPA dismisses the overall concern by finding that the overall Final Rule budgets in aggregate for all states is essentially “close enough.” EPA’s position is that even if a state cannot achieve its budget through optimized controls or a particular unit does not have sufficient allowances, the electric utilities in the state have other options, including dispatch of generation to lower emitting units or buying allowances.¹⁴

While the IUG/IEA supports the trading mechanism of the Final Rule, it is important that the budgets for each state be set based on “the immediately available and cost-effective emission reductions that are achievable by the 2017 ozone season.”¹⁵ This is particularly true in consideration of the Assurance Level provisions of the Final Rule which will take effect in the first compliance period (beginning May 2017). Individual utilities within a state will need to take steps, first, to achieve NOx emissions within the assigned allocation, and, second, to favor allowances and offsetting reductions from other utilities within the state. For Indiana, the state budget allocation under the Final Rule is only 23,303 tons, compared to actual emissions of 36,353 tons in 2015 and 33,532 tons in 2016. This represents a 30% reduction that will need to be achieved within a single year. A budget for Indiana based on EPA’s IPM \$1,400 Control Case, with appropriate corrections as identified in this petition, would better represent the reductions that are achievable by the 2017 ozone season.

E. Baseline Heat Input for Budget Calculation

EPA used a single year (2015) for setting the heat input to determine the ozone season budget allocation to each state. In the Proposed Rule, EPA stated that it “propose[d] to multiply [the IPM] modeled state level emissions rate by 2014 monitored historic state-level heat input.”¹⁶ EPA did not suggest that in the Final Rule it would consider using some other year’s heat input. EPA’s use of the 2015 heat input in the Final Rule accounts for an 8% decrease in the budget for Indiana, with all other factors equal. Such a significant change in the budget by simply choosing one year over another demonstrates that EPA’s selection of a single year produces an arbitrary result. Year to year variation in statewide total heat input is influenced by many factors which

¹³ 81 Fed. Reg. 74562.

¹⁴ 81 Fed. Reg. 74562.

¹⁵ 81 Fed. Reg. 74521.

¹⁶ 80 Fed. Reg. 75739.

the utility operators within that state cannot control, including weather, short term industrial market conditions, and the price of fuels. Small changes in the cost of natural gas and coal can significantly shift the generation mix among units on a year to year basis. In fact, recent shifts in natural gas pricing suggest that for 2017 there might be more demand for coal-fired units in Indiana.

To assure that NOx budgets for each state will be adequate to account for variation, EPA should reconsider the baseline heat input and adopt a procedure that looks back over the most recent 5 year period and pick the highest ozone season heat input for each state. Otherwise, if adopting a heat input based on a multi-year value is beyond the scope of reconsideration, EPA should simply revise the budget by using the 2014 heat input as stated in the Proposed Rule or make that change specifically in the case of Indiana.

F. Retired Units / Zero Heat Input Units in EPA's IPM Runs

The analysis of EPA's IPM modeling results by James Marchetti suggests that EPA has assumed that a number of units have either retired or are "operating" at zero heat input in 2017, where those units have actually operated in 2015 and 2016 and have no plans to shut down. These include coal, gas, and oil-fired units. It is not clear how the IPM model results would be impacted if these units had been appropriately included as generating assets that contribute to the electricity demand market. EPA should reconsider how these facilities were treated in the model and determine whether that had any significant impact on the Indiana allocation. The following facilities appear to be retired or operating at zero heat input. In particular, EPA's assumed retirement of the Gallagher coal-fired units is not reasonable and would be expected to significantly impact the average emissions rate for Indiana.

- Bailly 10
- Connersville 1&2
- Georgetown GT1-4
- Harding Street 50-70 and GT4-6
- Henry County 1-3
- Lawrence County 2
- R. Gallagher 2&4
- R. M Schahfer 15, 16A and 16B
- Whitewater Valley 1&2

III. Conclusion – Summary of Issues For Reconsideration

The IUG/IEA request that EPA reconsider the budget allocation provided to the State of Indiana in the CSAPR Update Final Rule. The assigned budget is inadequate to assure that affected utilities in Indiana can reasonably operate their facilities to assure compliance without significant impact on how the facilities are dispatched to meet market demand. The inadequate budget allocation creates an arbitrary result that is inequitable to Indiana utilities. Specifically, the IUG/IEA requests that EPA reconsider the following aspects of how the Indiana Final Rule NOx budget allocation was determined:

- Budgets derived from a “relative reduction” methodology – IUG/IEA request that EPA determine the state budget for Indiana based on the approach used in the Proposed Rule, where the IPM Control Case NOx emissions rate is multiplied by the baseline heat input.
- Adjusted Historic Emissions Rate – IUG/IEA request that EPA reconsider how the Adjusted Historic Emissions Rate was derived for Indiana. In particular, the recent installation of SCRs at the Cayuga Station should not be considered a reduction in emissions from the actual historic (2015) emissions or for the IPM Base Case because the SCRs are not intended to operate for NOx control and have not done so under current regulations. Further, IUG/IEA recommend that EPA should make no adjustments at all to the Historic Emissions Rate used in the budget calculation because unadjusted actual historic emissions better represent the level of emissions expected from a state assuming no change in regulation.
- Achievable SCR Emissions Rate – EPA has no basis for assigning a lower emissions rate than the 0.10 lb/MMBtu value it determined was representative of average SCR performance for existing units operating under current market and regulatory conditions. Specifically, EPA should revise the assigned emissions rate for Cayuga Units 1 and 2, Gibson Unit 5, and Petersburg Unit 3.
- Baseline Heat Input – IUG/IEA requests that EPA consider an alternate baseline heat input for Indiana for the purpose of calculating the NOx budget. The 2015 ozone season heat input does not represent the annual variability in statewide operation of electric utility units. EPA should consider use of a maximum statewide ozone season heat input value over the past 5 years.
- Assumptions on Unit Retirement – EPA should reevaluate its IPM model runs to determine the impact on the Indiana NOx budget due to assumptions EPA made on unit retirement or IPM model inputs that result in certain units “operating” at zero heat input. In particular, the IUG/IEA believes that EPA’s incorrect assumption that the R. Gallagher Station will be retired may have a measurable impact on the state’s NOx budget allocation.

Thank you for your consideration.

Indiana Utility Group and the
Indiana Energy Association