



Mitchell E. Daniels, Jr.
Governor

Thomas W. Easterly
Commissioner

100 North Senate Avenue
Indianapolis, Indiana 46204
(317) 232-8603
(800) 451-6027
www.IN.gov/idem

TO: Interested Parties / Applicant
DATE: September 22, 2006
RE: IPL -Eagle Valley / 109-17040-00004
FROM: Nisha Sizemore
Chief, Permits Branch
Office of Air Quality

Notice of Decision: Approval – Effective Immediately

Please be advised that on behalf of the Commissioner of the Department of Environmental Management, I have issued a decision regarding the enclosed matter. Pursuant to IC 13-17-3-4 and 326 IAC 2, this permit modification is effective immediately, unless a petition for stay of effectiveness is filed and granted, and may be revoked or modified in accordance with the provisions of IC 13-15-7-1.

If you wish to challenge this decision, IC 4-21.5-3-7 and IC 13-15-7-3 require that you file a petition for administrative review. This petition may include a request for stay of effectiveness and must be submitted to the Office Environmental Adjudication, 100 North Senate Avenue, Government Center North, Room 1049, Indianapolis, IN 46204, **within eighteen (18) days of the mailing of this notice**. The filing of a petition for administrative review is complete on the earliest of the following dates that apply to the filing:

- (1) the date the document is delivered to the Office of Environmental Adjudication (OEA);
- (2) the date of the postmark on the envelope containing the document, if the document is mailed to OEA by U.S. mail; or
- (3) The date on which the document is deposited with a private carrier, as shown by receipt issued by the carrier, if the document is sent to the OEA by private carrier.

The petition must include facts demonstrating that you are either the applicant, a person aggrieved or adversely affected by the decision or otherwise entitled to review by law. Please identify the permit, decision, or other order for which you seek review by permit number, name of the applicant, location, date of this notice and all of the following:

- (1) the name and address of the person making the request;
- (2) the interest of the person making the request;
- (3) identification of any persons represented by the person making the request;
- (4) the reasons, with particularity, for the request;
- (5) the issues, with particularity, proposed for considerations at any hearing; and
- (6) identification of the terms and conditions which, in the judgment of the person making the request, would be appropriate in the case in question to satisfy the requirements of the law governing documents of the type issued by the Commissioner.

Pursuant to 326 IAC 2-7-18(d), any person may petition the U.S. EPA to object to the issuance of a Title V operating permit or modification within sixty (60) days of the end of the forty-five (45) day EPA review period. Such an objection must be based only on issues that were raised with reasonable specificity during the public comment period, unless the petitioner demonstrates that it was impracticable to raise such issues, or if the grounds for such objection arose after the comment period.

To petition the U.S. EPA to object to the issuance of a Title V operating permit, contact:

U.S. Environmental Protection Agency
401 M Street
Washington, D.C. 20406

If you have technical questions regarding the enclosed documents, please contact the Office of Air Quality, Permits Branch at (317) 233-0178. Callers from within Indiana may call toll-free at 1-800-451-6027, ext. 3-0178.



INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

We make Indiana a cleaner, healthier place to live.

Mitchell E. Daniels
Governor

Thomas W. Easterly
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100 North Senate Avenue
Indianapolis, Indiana 46204-2251
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Mr. Gregory Daeger
Indianapolis Power & Light Company
4040 Blue Bluff Road
Martinsville, IN 46151

September 21, 2006

Re: 109-17040-00004
First Significant Permit Modification to
Part 70 No.: T 109-6569-00004

Dear Mr. Daeger:

Indianapolis Power & Light Company was issued a Part 70 permit on September 7, 2004, for the Eagle Valley Generating Station (formerly H. T. Pritchard Generating Station). A letter requesting changes to this permit was received on August 29, 2003. Pursuant to the provisions of 326 IAC 2-7-12 a significant permit modification to this permit is hereby approved as described in the attached Technical Support Document.

The modification consists of incorporation of a NO_x budget permit into the source's Part 70 permit.

All other conditions of the permit shall remain unchanged and in effect. Please attach a copy of this modification and the following revised permit pages to the front of the original permit.

This decision is subject to the Indiana Administrative Orders and Procedures Act - IC 4-21.5-3-5. If you have any questions on this matter, please contact Walter Habeeb, OAQ, 100 North Senate Avenue, Indianapolis, Indiana, 46204-2251, or call at (800) 451-6027, extension 2-8422, or dial (317) 232-8422.

Sincerely,
Original signed by

Nisha Sizemore, Chief
Permits Branch
Office of Air Quality

Attachments
WVH

cc: File – Morgan County
U.S. EPA, Region V
Morgan County Health Department
Air Compliance Section Inspector – Jim Thorpe
Compliance Data Section
Administrative and Development



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**PART 70 OPERATING PERMIT
OFFICE OF AIR QUALITY**

**Indianapolis Power & Light Company
Eagle Valley Generating Station
(formerly H.T. Prichard Generating Station)
4040 Blue Bluff Road
Martinsville, Indiana 46151**

(herein known as the Permittee) is hereby authorized to operate subject to the conditions contained herein, the source described in Section A (Source Summary) of this permit.

The Permittee must comply with all conditions of this permit. Noncompliance with any provisions of this permit is grounds for enforcement action; permit termination, revocation and reissuance, or modification; or denial of a permit renewal application. Noncompliance with any provision of this permit, except any provision specifically designated as not federally enforceable, constitutes a violation of the Clean Air Act. It shall not be a defense for the Permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit. An emergency does constitute an affirmative defense in an enforcement action provided the Permittee complies with the applicable requirements set forth in Section B, Emergency Provisions.

This permit is issued in accordance with 326 IAC 2 and 40 CFR Part 70 Appendix A and contains the conditions and provisions specified in 326 IAC 2-7 as required by 42 U.S.C. 7401, et. seq. (Clean Air Act as amended by the 1990 Clean Air Act Amendments), 40 CFR Part 70.6, IC 13-15 and IC 13-17.

Operation Permit No.: T109-6569-00004	
Issued by: Janet G. McCabe, Assistant Commissioner Office of Air Quality	Issuance Date: September 7, 2004 Expiration Date: September 7, 2009
1 st Significant Permit Modification No.: T109-17040-00004	Pages Affected: Added Section F, Modified Table of Contents
Original signed by: Nisha Sizemore, Chief Permits Branch Office of Air Quality	Issuance Date: September 21, 2006 Expiration Date: September 7, 2009

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SECTION F Nitrogen Oxides Budget Trading Program - NO_x Budget Permit for NO_x Budget Units Under 326 IAC 10-4-1(a)

ORIS Code: 991

NO_x Budget Source [326 IAC 2-7-5(15)]

- (a) Two (2) no. 2 fuel oil fired boilers, identified as Units 1 and Unit 2, constructed in 1949 and 1950, respectively, each with a design heat input capacity of 524 million Btu per hour (MMBtu/hr), both exhausting to stack 1-1.
- (b) One (1) tangentially-fired wet-bottom coal boiler, identified as Unit 3, constructed in 1951, with a design heat input capacity of 524 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 2-1. Unit 3 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Used oil generated onsite and used oil containment materials generated onsite may be combusted in Unit 3 as supplemental fuel for energy recovery. Stack 2-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (c) One (1) tangentially-fired dry-bottom coal fired boiler, identified as Unit 4, constructed in 1953, with a design heat input capacity of 741 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 2-1. Unit 4 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Stack 2-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (d) One (1) tangentially-fired dry-bottom coal boiler, identified as Unit 5, constructed in 1953, with a design heat input capacity of 741 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 3-1. Unit 5 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Stack 3-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (e) One (1) tangentially-fired dry-bottom coal boiler, identified as Unit 6, constructed in 1956, with a design heat input capacity of 1017 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) for control of particulate matter, exhausting to stack 3-1. Unit 6 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Used oil generated onsite may be combusted in Unit 6 as supplemental fuel for energy recovery. Unit 6 has had low-NO_x burners installed. Stack 3-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).

(The information describing the process contained in this facility description box is descriptive information and does not constitute enforceable conditions.)

F.1 Automatic Incorporation of Definitions [326 IAC 10-4-7(e)]

This NO_x budget permit is deemed to incorporate automatically the definitions of terms under 326 IAC 10-4-2.

F.2 Standard Permit Requirements [326 IAC 10-4-4(a)]

- (a) The owners and operators of the NO_x budget source and each budget unit shall operate each unit in compliance with this NO_x budget permit.
- (b) The NO_x budget units subject to this NO_x budget permit are: Boiler units 1, 2, 3, 4, 5, and 6.

F.3 Monitoring Requirements [326 IAC 10-4-4(b)]

- (a) The owners and operators and, to the extent applicable, the NO_x authorized account representative of the NO_x budget source and each NO_x budget unit at the source shall comply with the monitoring requirements of 40 CFR 75 and 326 IAC 10-4-12.
- (b) The emissions measurements recorded and reported in accordance with 40 CFR 75 and 326 IAC 10-4-12 shall be used to determine compliance by each unit with the NO_x budget emissions limitation under 326 IAC 10-4-4(c) and Condition F.4, Nitrogen Oxides Requirements.

F.4 Nitrogen Oxides Requirements [326 IAC 10-4-4(c)]

- (a) The owner and operators of the NO_x budget source and each NO_x budget unit at the source shall hold NO_x allowances available for compliance deductions under 326 IAC 10-4-10(j), as of the NO_x allowance transfer deadline, in each boiler's compliance account and the source's overdraft account in an amount:
 - (1) Not less than the total NO_x emissions for the ozone control period from the unit, as determined in accordance with 40 CFR 75 and 326 IAC 10-4-12;
 - (2) To account for excess emissions for a prior ozone control period under 326 IAC 10-4-10(k)(5); or
 - (3) To account for withdrawal from the NO_x budget trading program, or a change in regulatory status of a NO_x budget opt-in unit.
- (b) Each ton of NO_x emitted in excess of the NO_x budget emissions limitation shall constitute a separate violation of the Clean Air Act (CAA) and 326 IAC 10-4.
- (c) NO_x allowances shall be held in, deducted from, or transferred among NO_x allowance tracking system accounts in accordance with 326 IAC 10-4-9 through 11, 326 IAC 10-4-13, and 326 IAC 10-4-14.
- (d) A NO_x allowance shall not be deducted, in order to comply with the requirements under (a) above and 326 IAC 10-4-4(c)(1), for an ozone control period in a year prior to the year for which the NO_x allowance was allocated.
- (e) A NO_x allowance allocated under the NO_x budget trading program is a limited authorization to emit one (1) ton of NO_x in accordance with the NO_x budget trading program. No provision of the NO_x budget trading program, the NO_x budget permit application, the NO_x budget permit, or an exemption under 326 IAC 10-4-3 and no provision of law shall be construed to limit the authority of the U.S. EPA or IDEM, OAQ to terminate or limit the authorization.
- (f) A NO_x allowance allocated under the NO_x budget trading program does not constitute a property right.
- (g) Upon recordation by the U.S. EPA under 326 IAC 10-4-10, 326 IAC 10-4-11, or 326 IAC 10-4-13, every allocation, transfer, or deduction of a NO_x allowance to or from each NO_x budget unit's compliance account or the overdraft account or the overdraft account of the source where the unit is located is deemed to amend automatically, and become a part of, this NO_x budget permit of the NO_x budget unit by operation of law without any further review.

F.5 Excess Emissions Requirements [326 IAC 10-4-4(d)]

The owners and operators of each NO_x budget unit that has excess emissions in any ozone control period shall do the following:

- (a) Surrender the NO_x allowances required for deduction under 326 IAC 10-4-10(k)(5).
- (b) Pay any fine, penalty, or assessment or comply with any other remedy imposed under 326 IAC 10-4-10(k)(7).

F.6 Record Keeping Requirements [326 IAC 10-4-4(e)] [326 IAC 2-7-5(3)]

Unless otherwise provided, the owners and operators of the NO_x budget source and each NO_x budget unit at the source shall keep, either on site at the source or at a central location within Indiana for unattended sources, each of the following documents for a period of five (5) years:

- (a) The account certificate of representation for the NO_x authorized account representative for the source and each NO_x budget unit at the source and all documents that demonstrate the truth of the statements in the account certificate of representation, in accordance with 326 IAC 10-4-6(h). The certificate and documents shall be retained either on site at the source or at a central location within Indiana for those owners or operators with unattended sources beyond the five (5) year period until the documents are superseded because of the submission of a new account certificate of representation changing the NO_x authorized account representative.
- (b) All emissions monitoring information, in accordance with 40 CFR 75 and 326 IAC 10-4-12, provided that to the extent that 40 CFR 75 and 326 IAC 10-4-12 provide for a three (3) year period for record keeping, the three (3) year period shall apply.
- (c) Copies of all reports, compliance certifications, and other submissions and all records made or required under the NO_x budget trading program.
- (d) Copies of all documents used to complete a NO_x budget permit application and any other submission under the NO_x budget trading program or to demonstrate compliance with the requirements of the NO_x budget trading program.

This period may be extended for cause, at any time prior to the end of five (5) years, in writing by IDEM, OAQ or the U.S. EPA. Records retained at a central location within Indiana shall be available immediately at the location and submitted to IDEM, OAQ or U.S. EPA within three (3) business days following receipt of a written request. Nothing in 326 IAC 10-4-4(e) shall alter the record retention requirements for a source under 40 CFR 75. Unless otherwise provided, all records shall be maintained in accordance with Section C - General Record Keeping Requirements, of this permit.

F.7 Reporting Requirements [326 IAC 10-4-4(e)]

- (a) The NO_x authorized account representative of the NO_x budget source and each NO_x budget unit at the source shall submit the reports and compliance certifications required under the NO_x budget trading program, including those under 326 IAC 10-4-8, 326 IAC 10-4-12, or 326 IAC 10-4-13.
- (b) Pursuant to 326 IAC 10-4-4(e) and 326 IAC 10-4-6(e)(1), each submission shall include the following certification statement by the NO_x authorized account representative: "I am authorized to make this submission on behalf of the owners and operators of the NO_x budget sources or NO_x budget units for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false statements and information or omitting required statements and information, including the possibility of fine or imprisonment."

- (c) Where 326 IAC 10-4 requires a submission to IDEM, OAQ, the NO_x authorized account representative shall submit required information to:

Indiana Department of Environmental Management
Office of Air Quality
100 North Senate Avenue
Indianapolis, Indiana 46204-2251

- (d) Where 326 IAC 10-4 requires a submission to U.S. EPA, the NO_x authorized account representative shall submit required information to:

U.S. Environmental Protection Agency
Clean Air Markets Division
1200 Pennsylvania Avenue, NW
Mail Code 6204N
Washington, DC 20460

F.8 Liability [326 IAC 10-4-4(f)]

The owners and operators of each NO_x budget source shall be liable as follows:

- (a) Any person who knowingly violates any requirement or prohibition of the NO_x budget trading program, a NO_x budget permit, or an exemption under 326 IAC 10-4-3 shall be subject to enforcement pursuant to applicable state or federal law.
- (b) Any person who knowingly makes a false material statement in any record, submission, or report under the NO_x budget trading program shall be subject to criminal enforcement pursuant to the applicable state or federal law.
- (c) No permit revision shall excuse any violation of the requirements of the NO_x budget trading program that occurs prior to the date that the revision takes effect.
- (d) Each NO_x budget source and each NO_x budget unit shall meet the requirements of the NO_x budget trading program.
- (e) Any provision of the NO_x budget trading program that applies to a NO_x budget source, including a provision applicable to the NO_x authorized account representative of a NO_x budget source, shall also apply to the owners and operators of the source and the NO_x budget units at the source.
- (f) Any provision of the NO_x budget trading program that applies to a NO_x budget unit, including a provision applicable to the NO_x authorized account representative of a NO_x budget unit, shall also apply to the owners and operators of the unit. Except with regard to the requirements applicable to units with a common stack under 40 CFR 75 and 326 IAC 10-4-12, the owners and operators and the NO_x authorized account representative of one (1) NO_x budget unit shall not be liable for any violation by any other NO_x budget unit of which they are not owners or operators or the NO_x authorized account representative and that is located at a source of which they are not owners or operators or the NO_x authorized account representative.

F.9 Effect on Other Authorities [326 IAC 10-4-4(g)]

No provision of the NO_x budget trading program, a NO_x budget permit application, a NO_x budget permit, or an exemption under 326 IAC 10-4-3 shall be construed as exempting or excluding the owners and operators and, to the extent applicable, the NO_x authorized account representative a NO_x budget source or NO_x budget unit from compliance with any other provision of the applicable, approved state implementation plan, a federally enforceable permit, or the CAA.

**Indiana Department of Environmental Management
Office of Air Quality**

Addendum to a Technical Support Document (TSD) for a Part 70
Significant Permit Modification.

Source Description and Location
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Source Name:	Indianapolis Power & Light Company - Eagle Valley Generating Station (formerly H. T. Pritchard Generating Station)
Source Location:	4040 Blue Bluff Road, Martinsville, IN 46151
County:	Morgan
SIC Code:	4911
Operated By:	AES/ Indianapolis Power & Light Co.
Owned By:	AES/ Indianapolis Power & Light Co.
ORIS Code:	991
Operation Permit No.:	T109-6569-00004
Operation Permit Issuance Date:	September 7, 2004
Significant Permit Modification No.:	109-17040-00004
Permit Reviewer:	Walter Habeeb

On July 13, 2006 the Office of Air Quality (OAQ) had a notice published in the Martinsville Reporter in Martinsville, Indiana, stating that Indianapolis Power & Light Company - Eagle Valley Generating Station had applied for a Significant Permit Modification to modify their existing Part 70 operating permit. The notice also stated that OAQ proposed to issue a permit for this operation and provided information on how the public could review the proposed permit and other documentation. Finally, the notice informed interested parties that there was a period of thirty (30) days to provide comments on whether this permit should be issued as proposed.

On August 9, 2006, Indianapolis Power & Light Company submitted comments on the proposed Significant Permit Modification. A summary of the comments and the IDEM response is as follows (bold language has been added and language with a line through it has been deleted):

Comment 1

Section F – NOx Budget Source Description. IPL requests that IDEM revise the description of the emissions units located at the source in both the beginning of Section F as well as in the Technical Support Document for the NOx Budget Permit (in which the identical. Incorrect description also appears on pages 1-2). Specifically, the current descriptions do not include certain pollution control devices installed on Units 4-6. Therefore, IPL requests the following revisions be incorporated into the final Significant Permit Modification:

SECTION F Nitrogen Oxides Budget Trading Program - NO_x Budget Permit for NO_x Budget Units Under 326 IAC 10-4-1(a)

ORIS Code: 991

NO_x Budget Source [326 IAC 2-7-5(15)]

- (a) Two (2) no. 2 fuel oil fired boilers, identified as Units 1 and 2, constructed in 1949 and 1950, respectively, each with a design heat input capacity of 524 million Btu per hour (MMBtu/hr), both exhausting to stack 1-1.
- (b) One (1) tangentially-fired wet-bottom coal boiler, identified as Unit 3, constructed in 1951, with a design heat input capacity of 524 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 2-1. Unit 3 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Used oil generated onsite and used oil containment materials generated onsite may be combusted in Unit 3 as supplemental fuel for energy recovery. Stack 2-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (c) One (1) tangentially-fired dry-bottom coal fired boiler, identified as Unit 4, constructed in 1953, with a design heat input capacity of 741 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 2-1. **Unit 4 is equipped with separate overfire air (SOFA) and low NO_x burners (LNB) for control of NO_x emissions, which were voluntarily installed and are not required to operate.** Unit 4 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Stack 2-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (d) One (1) tangentially-fired dry-bottom coal boiler, identified as Unit 5, constructed in 1953, with a design heat input capacity of 741 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 3-1. **Unit 5 is equipped with separate overfire air (SOFA) and low NO_x burners (LNB) for control of NO_x emissions, which were voluntarily installed and are not required to operate.** Unit 5 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Stack 3-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (e) One (1) tangentially-fired dry-bottom coal boiler, identified as Unit 6, constructed in 1956, with a design heat input capacity of 1017 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) for control of particulate matter, exhausting to stack 3-1. **Unit 6 is equipped with separate overfire air (SOFA) and low NO_x burners (LNB) for control of NO_x emissions, which were voluntarily installed and are not required to operate.** Unit 6 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Used oil generated onsite may be combusted in Unit 6 as supplemental fuel for energy recovery. Unit 6 has had low-NO_x burners installed. Stack 3-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).

(The information describing the process contained in this facility description box is descriptive information and does not constitute enforceable conditions.)

Response 1

This change would involve several major changes to the entire Title V permit, therefore IDEM prefers that this change be made as a separate significant permit modification to the Title V permit and will not make the change as part of this permit.

Comment 2

Condition F.8 – Liability. As noted in its appeal of the initial Title V Permit, IPL believes that the Permit Shield provided for by 326 IAC 2-7-15 should apply to the NO_x Budget Permit. Accordingly, IPL requests clarification that the Permit Shield will apply to the addition of Section F as of the date that the Significant Permit Modification is effective. Therefore, IPL proposes the following change in language.

F.8 Liability [326 IAC 10-4-4(f)]

The owners and operators of each NO_x budget source shall be liable as follows:

- (a) Any person who knowingly violates any requirement or prohibition of the NO_x budget trading program, a NO_x budget permit, or an exemption under 326 IAC 10-4-3 shall be subject to enforcement pursuant to applicable state or federal law.
- (b) Any person who knowingly makes a false material statement in any record, submission, or report under the NO_x budget trading program shall be subject to criminal enforcement pursuant to the applicable state or federal law.
- (c) No permit revision shall excuse any violation of the requirements of the NO_x budget trading program that occurs prior to the date that the revision takes effect.
- (d) Each NO_x budget source and each NO_x budget unit shall meet the requirements of the NO_x budget trading program.
- (e) Any provision of the NO_x budget trading program that applies to a NO_x budget source, including a provision applicable to the NO_x authorized account representative of a NO_x budget source, shall also apply to the owners and operators of the source and of the NO_x budget units at the source.
- (f) Any provision of the NO_x budget trading program that applies to a NO_x budget unit, including a provision applicable to the NO_x authorized account representative of a NO_x budget unit, shall also apply to the owners and operators of the unit. Except with regard to the requirements applicable to units with a common stack under 40 CFR 75 and 326 IAC 10-4-12, the owners and operators and the NO_x authorized account representative of one (1) NO_x budget unit shall not be liable for any violation by any other NO_x budget unit of which they are not owners or operators or the NO_x authorized account representative and that is located at a source of which they are not owners or operators or the NO_x authorized account representative.
- (g) **The permit shield provided by Condition B.12 of this permit applies to this Section F, and is effective as of the date of the issuance of the significant permit modification that incorporates this Section F.**

Response 2

IDEM has decided not to change Condition F.8 as requested. F.8 is based on 326 IAC 10-4-4(f), which does not include the suggested language. The appeal of the initial Title V provisions will be addressed separately through an appeal resolution.

Conclusion

This proposed modification shall be subject to the conditions of the attached proposed Part 70 Significant Permit Modification No. 109-17040-00004.

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Office of Air Quality

Technical Support Document (TSD) for the NO_x Budget Permit

Source Background and Description

Source Name:	Indianapolis Power & Light Company - Eagle Valley Generating Station (formerly H. T. Pritchard Generating Station)
Source Location:	4040 Blue Bluff Road, Martinsville, IN 46151
County:	Morgan
SIC Code:	4911
Operated By:	AES/ Indianapolis Power & Light Co.
Owned By:	AES/ Indianapolis Power & Light Co.
ORIS Code:	991
Operation Permit No.:	T109-6569-00004
Operation Permit Issuance Date:	September 7, 2004
Significant Permit Modification No.:	109-17040
Permit Reviewer:	Walter Habeeb

NO_x Budget Permit Application and Rule Applicability

A complete Nitrogen Oxides (NO_x) Budget Permit Application for this NO_x budget source was received on August 29, 2003. The Office of Air Quality (OAQ) has reviewed a NO_x budget permit application from Indianapolis Power & Light Company, Eagle Valley Generating Station (formerly H. T. Pritchard Generating Station) under 326 IAC 10-4-7 for the operation of the NO_x budget source. The NO_x budget source includes all NO_x Budget Units at the source, including opt-in units, if applicable. The following units at the source are NO_x Budget Units:

- (a) Two (2) no. 2 fuel oil fired boilers, identified as Units 1 and 2, constructed in 1949 and 1950, respectively, each with a design heat input capacity of 524 million Btu per hour (MMBtu/hr), both exhausting to stack 1-1.
- (b) One (1) tangentially-fired wet-bottom coal boiler, identified as Unit 3, constructed in 1951, with a design heat input capacity of 524 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 2-1. Unit 3 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Used oil generated onsite and used oil containment materials generated onsite may be combusted in Unit 3 as supplemental fuel for energy recovery. Stack 2-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (c) One (1) tangentially-fired dry-bottom coal fired boiler, identified as Unit 4, constructed in 1953, with a design heat input capacity of 741 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 2-1. Unit 4 will combust no. 2 fuel oil during startup,

- shutdown, and stabilization periods. Stack 2-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (d) One (1) tangentially-fired dry-bottom coal boiler, identified as Unit 5, constructed in 1953, with a design heat input capacity of 741 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) and flue gas conditioning system for control of particulate matter, exhausting to stack 3-1. Unit 5 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Stack 3-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).
- (e) One (1) tangentially-fired dry-bottom coal boiler, identified as Unit 6, constructed in 1956, with a design heat input capacity of 1017 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) for control of particulate matter, exhausting to stack 3-1. Unit 6 will combust no. 2 fuel oil during startup, shutdown, and stabilization periods. Used oil generated onsite may be combusted in Unit 6 as supplemental fuel for energy recovery. Unit 6 has had low-NO_x burners installed. Stack 3-1 has continuous emission monitoring systems (CEMS) for NO_x and SO₂ and a continuous opacity monitor (COM).

Pursuant to 326 IAC 10-4-2(16), the NO_x budget units 1, 2, 3, 4, 5, and 6 are each considered an "electricity generating unit (EGU)" because they commenced operation before January 1, 1997 and each unit served a generator during 1995 or 1996 that had a nameplate capacity greater than twenty-five (25) megawatts that produced electricity for sale under a firm contract to the electric grid. Pursuant to 326 IAC 10-4-1(a)(1), an "EGU" is a NO_x budget unit. Because this source meets the criteria of having one (1) or more NO_x budget units, it is a NO_x budget source.

The NO_x budget permit is in Section F of the Part 70 permit.

The requirements of 326 IAC 2-7-20(a) and (c) do not apply to emission trades of SO₂ or NO_x in accordance with 326 IAC 21 or 326 IAC 10-4; therefore, no pre-notification of a trade under one of these rules is required.

Pursuant to 326 IAC 10-4-7, the NO_x budget permit shall be a complete and segregable portion of the Part 70 permit and the NO_x budget portion of the Part 70 permit shall be administered in accordance with 326 IAC 2-7, except as provided otherwise by 326 IAC 10-4-7.

This NO_x budget permit is being incorporated into the source's Part 70 permit as a significant permit modification pursuant to 326 IAC 2-7-12. This modification includes the following:

- (a) The addition of the NO_x budget permit in Section F of the Part 70 permit, and
- (b) the addition of Section F to the Table of Contents.

Program Description

On October 27, 1998, the U.S. EPA promulgated final federal rules requiring 22 states and the District of Columbia to submit state implementation plan (SIP) revisions to reduce the regional transport of ozone. The federal rule focused on reducing NO_x emissions in the affected states. In the federal rule, the U.S. EPA established a NO_x emission "budget" for each of the affected states and the District of Columbia. The "budget" represents a reduction from emissions in the year 2007 that the U.S. EPA believes will reduce the transport of NO_x emissions and will assist downwind areas in meeting ozone air quality standards. The states must demonstrate compliance with the "budget" by implementing control measures to reduce NO_x emissions beginning May 31, 2004. While the rule does not mandate which sources will have to reduce emissions, the rule did provide options that would result in a 65% reduction of NO_x emissions from utility boilers and a 60% reduction from large industrial (non-utility) boilers and turbines. IDEM developed the NO_x Budget Trading Program in 326 IAC 10-4 in response to this mandate. The NO_x reductions that will be achieved by this rule will result in significant air quality

improvements throughout the state of Indiana, and will be especially important in those areas of the state where ozone levels exceed or regularly approach state and federal air quality health standards.

The Nitrogen Oxides Budget Trading Program is a regional cap and trade program among all the states subject to the NO_x SIP call. Electricity generating units (EGUs) and non-electricity generating units (non-EGUs) are allocated allowances for tons of NO_x that they are allowed to emit during the ozone season. IDEM allocates NO_x allowances for the affected units, and owners or operators of these units are able to buy, sell, or trade allowances, as necessary, to demonstrate compliance with the unit's NO_x emissions cap. Because this program is a regional program administered by U.S. EPA, sources are able to buy, sell or trade allowances across state boundaries and between different types of units and sources. More information about the NO_x SIP Call can be found at: <http://www.epa.gov/airmarkets/fednox/index.html> and <http://www.in.gov/idem/programs/air/sip>.

326 IAC 10-4 (NO_x Budget Trading Program) Requirements

- (a) Pursuant to 326 IAC 10-4-4(b), the owners and operators and, to the extent applicable, the NO_x authorized account representative of the NO_x budget source and each NO_x budget unit at the source shall comply with the monitoring requirements of 40 CFR 75 and 326 IAC 10-4-12. The emissions measurements recorded and reported in accordance with 40 CFR 75 and 326 IAC 10-4-12 shall be used to determine compliance by each unit with the NO_x budget emissions limitation under 326 IAC 10-4-4(c).
- (b) Pursuant to 326 IAC 10-4-4(c), the owners and operators of the NO_x budget source and each NO_x budget unit at the source shall hold NO_x allowances available for compliance deductions under 326 IAC 10-4-10(j), as of the NO_x allowance transfer deadline, in each unit's compliance account and the source's overdraft account in an amount:
 - (1) Not less than the total NO_x emissions for the ozone control period from the unit, as determined in accordance with 40 CFR 75 and 326 IAC 10-4-12;
 - (2) To account for excess emissions for a prior ozone control period under 326 IAC 10-4-10(k)(5); or
 - (3) To account for withdrawal from the NO_x budget trading program, or a change in regulatory status of a NO_x budget opt-in unit.
- (c) Pursuant to 326 IAC 10-4-4(d), the owners and operators of each NO_x budget unit that has excess emissions in any ozone control period shall do the following:
 - (1) Surrender the NO_x allowances required for deduction under 326 IAC 10-4-10(k)(5).
 - (2) Pay any fine, penalty, or assessment or comply with any other remedy imposed under 326 IAC 10-4-10(k)(7).
- (d) Pursuant to 326 IAC 10-4-4(e)(1), unless otherwise provided, the owners and operators of the NO_x budget source and each NO_x budget unit at the source shall keep either on site at the source or at a central location within Indiana for those owners or operators with unattended sources, each of the following documents for a period of five (5) years:
 - (1) The account certificate of representation for the NO_x authorized account representative for the source and each NO_x budget unit at the source and all documents that demonstrate the truth of the statements in the account certificate of representation, in accordance with 326 IAC 10-4-6(h). The certificate and

documents shall be retained either on site at the source or at a central location within Indiana for those owners or operators with unattended sources beyond the five (5) year period until the documents are superseded because of the submission of a new account certificate of representation changing the NO_x authorized account representative.

- (2) All emissions monitoring information, in accordance with 40 CFR 75 and 326 IAC 10-4-12, provided that to the extent that 40 CFR 75 and 326 IAC 10-4-12 provide for a three (3) year period for record keeping, the three (3) year period shall apply.
- (3) Copies of all reports, compliance certifications, and other submissions and all records made or required under the NO_x budget trading program.
- (4) Copies of all documents used to complete a NO_x budget permit application and any other submission under the NO_x budget trading program or to demonstrate compliance with the requirements of the NO_x budget trading program.

This period may be extended for cause, at any time prior to the end of five (5) years, in writing by IDEM, OAQ or the U.S. EPA. Records retained at a central location within Indiana shall be available immediately at the location and submitted to the IDEM, OAQ or U.S. EPA within three (3) business days following receipt of a written request. Nothing in 326 IAC 10-4-4(e) shall alter the record retention requirements for a source under 40 CFR 75. Unless otherwise provided, all records shall be maintained in accordance with Section C - General Record Keeping Requirements, of this permit.

- (e) Pursuant to 326 IAC 10-4-4(e)(2), the NO_x authorized account representative of the NO_x budget source and each NO_x budget unit at the source shall submit the reports and compliance certifications required under the NO_x budget trading program, including those under 326 IAC 10-4-8, 326 IAC 10-4-12, or 326 IAC 10-4-13.

Monitoring

The NO_x Budget Trading Program references monitoring and reporting requirements from the Acid Rain program at 40 CFR Part 75. These provisions require, for most sources, the use of continuous emissions monitors (CEMs). A CEM is a system composed of various equipment that continuously measures the amount of nitrogen oxides emitted into the atmosphere in exhaust gases from the NO_x budget unit's stack.

Excepted monitoring systems under 40 CFR Part 75, Appendix E are allowed for gas-fired peaking units and oil-fired peaking units as defined in 40 CFR 72.2. The excepted monitoring system methodology involves performing stack tests to determine the average NO_x emissions rate from a unit at four, equally-spaced load levels, in accordance with specific US EPA test methods, to establish a "load curve". The "load curve" correlates emissions to heat input rate such that emissions can be estimated based on the actual hourly heat input.

NO_x Emissions Allocations

- (a) Pursuant to 326 IAC 10-4-7(e), this NO_x budget permit is deemed to incorporate automatically, upon recordation by the U.S. EPA under 326 IAC 10-4-10, 326 IAC 10-4-11, or 326 IAC 10-4-13, every allocation, transfer, or deduction of a NO_x allowance to or from the compliance accounts of the NO_x budget units or the overdraft account of the NO_x budget source covered by this permit. The allocations for each ozone season and transaction information can be found at: <http://www.epa.gov/airmarkets/tracking/factsheet.html>. In addition, IDEM, OAQ posts

proposed allocations prior to submitting them to the U.S. EPA on the following web site:
<http://www.in.gov/idem/programs/air/sip>.

- (b) The following requirements from 326 IAC 10-4-4(c) apply to NO_x allowances:
- (1) Each ton of NO_x emitted in excess of the NO_x budget emissions limitation shall constitute a separate violation of the Clean Air Act (CAA) and 326 IAC 10-4.
 - (2) NO_x allowances shall be held in, deducted from, or transferred among NO_x allowance tracking system accounts in accordance with 326 IAC 10-4-9 through 11, 326 IAC 10-4-13, and 326 IAC 10-4-14.
 - (3) A NO_x allowance shall not be deducted, in order to comply with the requirements under 326 IAC 10-4-4(c)(1), for an ozone control period in a year prior to the year for which the NO_x allowance was allocated.
 - (4) A NO_x allowance allocated under the NO_x budget trading program is a limited authorization to emit one (1) ton of NO_x in accordance with the NO_x budget trading program. No provision of the NO_x budget trading program, the NO_x budget permit application, the NO_x budget permit, or an exemption under 326 IAC 10-4-3 and no provision of law shall be construed to limit the authority of the U.S. EPA or IDEM, OAQ to terminate or limit the authorization.
 - (5) A NO_x allowance allocated under the NO_x budget trading program does not constitute a property right.
 - (6) Upon recordation by the U.S. EPA under 326 IAC 10-4-10, 326 IAC 10-4-11, or 326 IAC 10-4-13, every allocation, transfer, or deduction of a NO_x allowance to or from a NO_x budget unit's compliance account or the overdraft account of the source where the unit is located is deemed to amend automatically, and become a part of, this NO_x budget permit of the NO_x budget unit by operation of law without any further review.

Other Record Keeping and Reporting Requirements

Pursuant to 326 IAC 10-4-7(g), except as provided in 326 IAC 10-7-4(e), IDEM, OAQ shall revise the NO_x budget permit, as necessary, in accordance with the permit modification and revision provisions under 326 IAC 2-7.

Pursuant to 326 IAC 10-4-7(b)(1)(C), for permit renewal, the NO_x authorized account representative shall submit a complete NO_x budget permit application covering the NO_x budget units at the source in accordance with 326 IAC 2-7-4(a)(1)(D) with the Part 70 permit renewal.

Submissions

The NO_x authorized account representative for each NO_x budget source on behalf of which a submission is made must sign and certify every report or other submission required by the NO_x budget permit. The NO_x authorized account representative must include the following certification statement in every submission: "I am authorized to make this submission on behalf of the owners and operators of the NO_x budget sources or NO_x budget units for which the submission is made. I certify under penalty of law that I have personally examined, and am familiar with, the statements and information submitted in this document and all its attachments. Based on my inquiry of those individuals with primary responsibility for obtaining the information, I certify that the statements and information are to the best of my knowledge and belief true, accurate, and complete. I am aware that there are significant penalties for submitting false

statements and information or omitting required statements and information, including the possibility of fine or imprisonment.”

Recommendation

The staff recommends to the Commissioner that the NO_x budget permit be approved.

Unless otherwise stated, information used in this review was derived from the application.

Additional Information

Questions regarding the NO_x budget permit can be directed to Walter Habeeb at the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ), 100 North Senate Avenue, Indianapolis, Indiana 46204 or by telephone at (317) 232-8422 or toll free at 1-800-451-6027 extension 2-8422.

The source will be inspected by IDEM's compliance inspection staff. Persons seeking to obtain information regarding the source's compliance status or to report any potential violation of any permit condition should contact Jim Thorpe at the Office of Air Quality (OAQ) address or by telephone at (317) 233-6867 or toll free at 1-800-451-6027 extension 3-6867.

Copies of the Code of Federal Regulations (CFR) referenced in the permit may be obtained from:

Indiana Department of Environmental Management

Office of Air Quality

100 North Senate Avenue

Indianapolis, Indiana 46204-2251

or

The Government Printing Office

Washington, D.C. 20402

or

on the Government Printing Office web site at

<http://www.access.gpo.gov/nara/cfr/index.html>