



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: July 14, 2006
RE: NISPCO- Bailly Station / 127-19662-00002
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 13-15-5-3, this permit 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 13-15-6-1(b) or IC 13-15-6-1(a) 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 of Environmental Adjudication, 100 North Senate Avenue, Government Center North, Room 1049, Indianapolis, IN 46204.

For an **initial Title V Operating Permit**, a petition for administrative review must be submitted to the Office of Environmental Adjudication within **thirty (30)** days from the receipt of this notice provided under IC 13-15-5-3, pursuant to IC 13-15-6-1(b).

For a **Title V Operating Permit renewal**, a petition for administrative review must be submitted to the Office of Environmental Adjudication within **fifteen (15)** days from the receipt of this notice provided under IC 13-15-5-3, pursuant to IC 13-15-6-1(a).

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 an initial Title V operating permit, permit renewal, 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, Jr.
Governor

Thomas W. Easterly
Commissioner

100 North Senate Avenue
Indianapolis, Indiana 46204
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**TITLE IV (ACID RAIN) PERMIT RENEWAL
OFFICE OF AIR QUALITY**

**Northern Indiana Public Service Company (NIPSCO)
Bailly Generating Station
246 Bailly Station Road
Chesterton, Indiana 46304**

ORIS: 995

The owners and operators (hereinafter collectively known as the Permittee) of the above source are issued this permit under the provisions of 326 Indiana Administrative Code (IAC) 21 with conditions listed on the attached pages.

Operation Permit No.: AR 127-19662-00002	
Original signed by Nisha Sizemore Branch Chief Permits Branch Office of Air Quality	Issuance Date: July 14, 2006 Expiration Date: July 14, 2011

Title IV Operating Conditions

Title IV Source Description:

- (a) One (1) cyclone coal-fired boiler, identified as Unit 7, with construction completed in 1962, with a design heat input capacity of 1,638 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) system for control of particulate matter. A wet limestone flue gas desulfurization system serves both Units 7 and 8 for control of sulfur dioxide. Natural gas and/or No. 2 fuel oil will be fired during startup, shutdown, and malfunctions; the unit can also generate electricity while combusting natural gas only. Unit 7 has continuous emissions monitoring systems (CEMS) for nitrogen oxides (NOx) and for sulfur dioxide (SO₂), and a continuous opacity monitoring (COM) system. Scrubbed emissions from Units 7 and 8 are exhausted through Stack CS001. Non-scrubbed emissions from Units 7 and 8 are exhausted through the bypass stack, Stack CS002.
- (b) One (1) cyclone coal-fired boiler, identified as Unit 8, with construction completed in 1968, with a design heat input capacity of 3,374 MMBtu/hr, with an electrostatic precipitator (ESP) system for control of particulate matter. A wet limestone flue gas desulfurization system serves both Units 7 and 8 for control of sulfur dioxide. Natural gas and/or No. 2 fuel oil will be fired during startup, shutdown, and malfunctions; the unit can also generate electricity while combusting natural gas only. Construction of a selective catalytic reduction (SCR) system on Unit 8 began in 2003. Unit 8 has continuous emissions monitoring systems (CEMS) for nitrogen oxides (NOx) and for sulfur dioxide (SO₂) and a continuous opacity monitoring (COM) system. Scrubbed emissions from Units 7 and 8 are exhausted through Stack CS001. Non-scrubbed emissions from Units 7 and 8 are exhausted through the bypass stack, Stack CS002.

(The information contained in this box is descriptive information and does not constitute enforceable conditions.)

1. Statutory and Regulatory Authorities

In accordance with IC 13-17-3-4 and IC 13-17-3-11 as well as Titles IV and V of the Clean Air Act, the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) issues this permit pursuant to 326 IAC 2 and 326 IAC 21 (incorporates by reference 40 Code of Federal Regulations (CFR) 72 through 78).

2. Standard Permit Requirements [326 IAC 21]

- (a) The designated representative has submitted a complete acid rain permit application in accordance with the deadlines in 40 CFR 72.30.
- (b) The Permittee shall operate Units 7 and 8 in compliance with this permit.

3. Monitoring Requirements [326 IAC 21]

- (a) The Permittee and, to the extent applicable, the designated representative of Units 7 and 8 shall comply with the monitoring requirements as provided in 40 CFR 75 and 76.
- (b) The emissions measurements recorded and reported in accordance with 40 CFR 75 and 76 shall be used to determine compliance by Units 7 and 8 with the acid rain emissions limitations and emissions reduction requirements for sulfur dioxide and nitrogen oxides under the Acid Rain Program.
- (c) The requirements of 40 CFR 75 and 76 shall not affect the responsibility of the Permittee to monitor emissions of other pollutants or other emissions characteristics at Units 7 and 8 under other applicable requirements of the Clean Air Act and other provisions of the operating permit for this source.

4. Sulfur Dioxide Requirements [326 IAC 21]

- (a) The Permittee shall:
 - (1) Hold allowances, as of the allowance transfer deadline (as defined in 40 CFR 72.2), in the compliance subaccount of Units 7 and 8, after deductions under 40

CFR 73.34(c), not less than the total annual emissions of sulfur dioxide for the previous calendar year from Units 7 and 8; and,

- (2) Comply with the applicable acid rain emissions limitations for sulfur dioxide.
- (b) Each ton of sulfur dioxide emitted in excess of the acid rain emissions limitations for sulfur dioxide shall constitute a separate violation of the Clean Air Act.
- (c) Units 7 and 8 shall be subject to the requirements under paragraph 4(a) of the sulfur dioxide requirements as follows:
 - (1) Starting January 1, 2000, an affected unit under 40 CFR 72.6(a)(2); or,
 - (2) Starting on the latter of January 1, 2000, or the deadline for monitor certification under 40 CFR 75, an affected unit under 40 CFR 72.6(a)(3).
- (d) Allowances shall be held in, deducted from, or transferred among Allowance Tracking System accounts in accordance with the Acid Rain Program.
- (e) An allowance shall not be deducted in order to comply with the requirements under paragraph 4(a) of the sulfur dioxide requirements prior to the calendar year for which the allowance was allocated.
- (f) An allowance allocated by the U.S. EPA under the Acid Rain Program is a limited authorization to emit sulfur dioxide in accordance with the Acid Rain Program. No provision of the Acid Rain Program, the acid rain permit application, the acid rain permit, the acid rain portion of an operating permit, or the written exemption under 40 CFR 72.7 and 72.8 and 326 IAC 21, and no provision of law shall be construed to limit the authority of the United States to terminate or limit such authorization.
- (g) An allowance allocated by U.S. EPA under the Acid Rain Program does not constitute a property right.
- (h) No permit revision may be required for increases in emissions that are authorized by allowances acquired pursuant to the Acid Rain Program, provided that the increases do not require a permit revision under any other applicable requirement. [326 IAC 2-7-5(4)(A)]
- (i) No limit shall be placed on the number of allowances held by the Permittee. The Permittee may not, however, use allowances as a defense to noncompliance with any applicable requirement other than the requirements of the Acid Rain Program. [326 IAC 2-7-5(4)(B)]
- (j) Sulfur dioxide allowances shall be allocated by EPA as follows:

SO ₂ Annual Allowance Allocations (tons)					
	2005	2006	2007	2008	2009
Unit 7	4,811*	4,811*	4,811*	4,811*	4,811*
Unit 8	6,869*	6,869*	6,869*	6,869*	6,869*

* The number of allowances allocated to Phase II affected units by U.S. EPA may change in a revision to 40 CFR 73 Tables 2, 3 and 4 and 326 IAC 21. In addition, the number of allowances actually held by an affected source in a unit account may differ from the number allocated by U.S. EPA. Neither of the aforementioned conditions necessitates a revision to the unit SO₂ allowance allocations identified in this permit. (See 40 CFR 72.84).

5. Nitrogen Oxides Requirements [326 IAC 21]

- (a) The Permittee shall comply with the applicable acid rain emissions limitation of nitrogen oxides (NOx) for Units 7 and 8.
- (b) NOx Emission Averaging Plan for Unit 7
- (1) Pursuant to 40 CFR 76.11, the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) approves a NOx emissions averaging plan that includes Unit 7, effective for calendar years 2005 through and including 2009. Under the plan, the NOx emissions from Unit 7 shall not exceed the annual average alternative contemporaneous emission limitation (ACEL) of 1.20 lb/MMBtu for the calendar year except as provided in condition 5(b)(2). In addition, Unit 7 shall not have a heat input for the calendar year greater than 14,500,000 MMBtu as specified below except as provided in condition 5(b)(2).
 - (2) Under the plan, the actual Btu-weighted annual average NOx emission rate for Units 7 and 8 shall be less than or equal to the Btu-weighted annual average NOx emission rate for the same units had they each been operated, during the same period of time, in compliance with the applicable emission limitations under 40 CFR 76.5, 76.6, or 76.7, except that for any early election units, the applicable emission limitations shall be under 40 CFR 76.7. If the designated representative demonstrates that the requirement of the prior sentence (as set forth in 40 CFR 76.11(d)(1)(ii)(A)) is met for a calendar year under the plan, then Units 7 and 8 shall be deemed to be in compliance for that calendar year with the annual ACEL and annual heat input limits.
 - (3) In addition to the described NOx compliance plan, Unit 7 shall comply with all other applicable requirements of 40 CFR 76, including the duty to reapply for a NOx compliance plan and requirements covering excess emissions.
 - (4) The Permittee must annually demonstrate that Unit 7 meets the NOx emission limit of 1.20 lb/MMBtu by showing that emissions at the common stacks, CS001 and CS002 (through which emissions from Units 7 and 8 are vented) meet such limit, based upon the data from certified continuous emission monitoring systems (CEMS) at common stack CS002. CEMS certification must be performed in accordance with the requirements and specifications delineated at 40 CFR 75.
- (c) NOx Emission Averaging Plan for Unit 8
- (1) Pursuant to 40 CFR 76.11, IDEM, OAQ approves a NOx emissions averaging plan that includes Unit 8, effective for calendar years 2005 through and including 2009. Under the plan the NOx emissions from Unit 8 shall not exceed the annual average ACEL of 1.20 lb/MMBtu for the calendar year except as provided in condition 5(b)(2). In addition, Unit 8 shall not have a heat input for the calendar year greater than 24,500,000 MMBtu as specified below except as provided in condition 5(b)(2).
 - (2) Under the plan, the actual Btu-weighted annual average NOx emission rate for Units 7 and 8 shall be less than or equal to the BTU-weighted annual average NOx emission rate for the same units had they each been operated, during the same period of time, in compliance with the applicable emission limitations under 40 CFR 76.5, 76.6, or 76.7, except that for any early election units, the applicable emission limitations shall be under 40 CFR 76.7. If the designated representative demonstrates that the requirement of the prior sentence (as set forth in 40 CFR 76.11(d)(1)(ii)(A)) is met for a calendar year under the plan, then Units 7 and 8 shall be deemed to be in compliance for that calendar year with the annual ACEL and annual heat input limits.
 - (3) In addition to the described NOx compliance plan, Unit 8 shall comply with all other applicable requirements of 40 CFR 76, including the duty to reapply for a

NOx compliance plan and requirements covering excess emissions.

- (4) The Permittee must annually demonstrate that Unit 8 meets the NOx emission limit of 1.20 lb/MMBtu by showing that emissions at the common stacks, CS001 and CS002 (through which emissions from Units 7 and 8 are vented) meet such limit, based upon the data from certified continuous emission monitoring systems (CEMS) at common stack CS002. CEMS certification must be performed in accordance with the requirements and specifications delineated at 40 CFR 75.

Calendar Year 2005 to 2009	Emission Limitation (40 CFR 76.5, 76.6, or 76.7) (lb/MMBtu)	ACEL ¹ Limit (lb/MMBtu)	Heat Input Limit (MMBtu/year)
Unit 7	0.86	1.20	14,500,000
Unit 8	0.86	1.20	24,500,000

¹ Alternative Contemporaneous Emission Limit (ACEL)
*Units 7 and 8 exhaust to a common stack

- (d) The Permittee may revise the NOx averaging plan following the procedure in 40 CFR 76.

6. Excess Emissions Requirements [40 CFR 77] [326 IAC 21]

- (a) If Unit 7 or Unit 8 has excess emissions of sulfur dioxide in any calendar year, the designated representative shall submit a proposed offset plan to U.S. EPA and IDEM, OAQ as required under 40 CFR 77 and 326 IAC 21.

- (b) The designated representative shall submit required information to:

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

and

Ms. Cecilia Mijares
Air and Radiation Division
U.S. Environmental Protection Agency, Region V
77 West Jackson Boulevard
Chicago, IL 60604-3590

and

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

- (c) If Units 7 or 8 has excess emissions, as defined in 40 CFR 72.2, in any calendar year the Permittee shall:

- (1) Pay to U.S. EPA without demand the penalty required, and pay to U.S. EPA upon demand the interest on that penalty, as required by 40 CFR 77 and 326 IAC 21; and,
- (2) Comply with the terms of an approved sulfur dioxide offset plan, as required by 40 CFR 77 and 326 IAC 21.

7. Record Keeping and Reporting Requirements [326 IAC 21]

- (a) Unless otherwise provided, the Permittee shall keep on site each of the following documents for a period of 5 years, as required by 40 CFR 72.9(f), from the date the document is created. This period may be extended for cause, at any time prior to the end of the 5 years, in writing by U.S. EPA or IDEM, OAQ:
- (1) The certificate of representation for the designated representative for Units 7 and 8 and all documents that demonstrate the truth of the statements in the certificate of representation, in accordance with 40 CFR 72.24; provided that the certificate and documents shall be retained on site at the source beyond such 5 year period until such documents are superseded because of the submission of a new certificate of representation changing the designated representative;
 - (2) All emissions monitoring information collected in accordance with 40 CFR 75 shall be retained on site for 3 years;
 - (3) Copies of all reports, compliance certifications, and other submissions and all records made or required under the Acid Rain Program; and,
 - (4) Copies of all documents used to complete an acid rain permit application and any other submission under the Acid Rain Program or to demonstrate compliance with the requirements of the Acid Rain Program.
- (b) The designated representative of Units 7 and 8 shall submit the reports and compliance certifications required under the Acid Rain Program, including those under 40 CFR 72.90, Subpart I, 40 CFR 75, and 326 IAC 21. The required information is to be submitted to the appropriate authority(ies) as specified in 40 CFR 72.90, Subpart I, and 40 CFR 75.

8. Submissions [326 IAC 21]

- (a) The designated representative of Units 7 and 8 shall submit a certificate of representation, and any superseding certificate of representation, to U.S. EPA and IDEM, OAQ in accordance with 40 CFR 72 and 326 IAC 21.
- (b) The designated representative shall submit required information to:
- Indiana Department of Environmental Management
Permits Branch, Office of Air Quality
100 North Senate Avenue
Indianapolis, Indiana 46204-2251
- and
- U.S. Environmental Protection Agency
Clean Air Markets Division
1200 Pennsylvania Avenue, NW
Mail Code (6204N)
Washington, DC 20460
- (c) Each such submission under the Acid Rain Program shall be submitted, signed and certified by the designated representative for all sources on behalf of which the submission is made.
- (d) In each submission under the Acid Rain Program, the designated representative shall certify, by his or her signature, the following statements which shall be included verbatim in the submission:
- (1) "I am authorized to make this submission on behalf of the owners and operators of the affected source or affected units for which the submission is made."; and,
 - (2) "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.”

- (e) The designated representative of Units 7 and 8 shall notify the Permittee:
 - (1) By the date of submission, of any Acid Rain Program submissions by the designated representative;
 - (2) Within 10 business days of receipt of any written determination by U.S. EPA or IDEM, OAQ; and,
 - (3) Provided that the submission or determination covers Units 7 or 8.
- (f) The designated representative of Units 7 and 8 shall provide the Permittee a copy of any submission or determination under condition 8(e) of this section, unless the Permittee expressly waives the right to receive a copy.

9. Severability [326 IAC 21]

Invalidation of the acid rain portion of an operating permit does not affect the continuing validity of the rest of the operating permit, nor shall invalidation of any other portion of the operating permit affect the continuing validity of the acid rain portion of the permit. [40 CFR 72.72(b), 326 IAC 21, and 326 IAC 2-7-5(5)]

10. Liability [326 IAC 21]

- (a) Any person who knowingly violates any requirement or prohibition of the Acid Rain Program, an acid rain permit, an acid rain portion of an operation permit, or a written exemption under 40 CFR 72.7 or 72.8, including any requirement for the payment of any penalty owed to the United States, shall be subject to enforcement by U.S. EPA pursuant to Section 113(c) of the Clean Air Act and shall be subject to enforcement by IDEM pursuant to 326 IAC 21 and IC 13-30-3.
- (b) Any person who knowingly makes a false, material statement in any record, submission, or report under the Acid Rain Program shall be subject to criminal enforcement pursuant to Section 113(c) of the Clean Air Act, 18 U.S.C. 1001 and IDEM pursuant to 326 IAC 21 and IC 13-30-6-2.
- (c) No permit revision shall excuse any violation of the requirements of the Acid Rain Program that occurs prior to the date that the revision takes effect.
- (d) Units 7 and 8 shall meet the requirements of the Acid Rain Program.
- (e) Any provision of the Acid Rain Program that applies to Units 7 or 8, including a provision applicable to the designated representative of Units 7 or 8 shall also apply to the Permittee.
- (f) Any provision of the Acid Rain Program that applies to Units 7 or 8, including a provision applicable to the designated representative, shall also apply to the Permittee. Except as provided under 40 CFR 72.44 (Phase II repowering extension plans) and 40 CFR 76.11 (NOx averaging plans), and except with regard to the requirements applicable to units with a common stack under 40 CFR 75, including 40 CFR 75.16, 75.17, and 75.18, the Permittee and the designated representative of one affected unit shall not be liable for any violation by any other affected unit of which they are not owners or operators or the designated representative and that is located at a source of which they are not owners or operators or the designated representative.
- (g) Each violation of a provision of 40 CFR parts 72, 73, 75, 76, 77, and 78 by Units 7 or 8, or by the Permittee or designated representative shall be a separate violation of the Clean Air Act.

11. Effect on Other Authorities [326 IAC 21]

No provision of the Acid Rain Program, an acid rain permit application, an acid rain permit, an acid rain portion of an operation permit, or a written exemption under 40 CFR 72.7 or 72.8 shall be construed as:

- (a) Except as expressly provided in Title IV of the Clean Air Act (42 USC 7651 to 7651(o)), exempting or excluding the Permittee and, to the extent applicable, the designated representative of Units 7 or 8 from compliance with any other provision of the Clean Air Act, including the provisions of Title I of the Clean Air Act relating to applicable National Ambient Air Quality Standards or State Implementation Plans;
- (b) Limiting the number of allowances a unit can hold; provided, that the number of allowances held by the unit shall not affect the source's obligation to comply with any other provisions of the Clean Air Act;
- (c) Requiring a change of any kind in any state law regulating electric utility rates and charges, affecting any state law regarding such state regulation, or limiting such state regulation, including any prudence review requirements under such state law;
- (d) Modifying the Federal Power Act (16 USC 791(a) et seq.) or affecting the authority of the Federal Energy Regulatory Commission under the Federal Power Act; or,
- (e) Interfering with or impairing any program for competitive bidding for power supply in a state in which such a program is established.

Indiana Department of Environmental Management Office of Air Quality

Addendum to the Technical Support Document for a Title IV (Acid Rain) Permit Renewal

Source Name: Northern Indiana Public Service Company (NIPSCO) – Bailly Generating Station
 Source Location: 246 Bailly Station Road, Chesterton, Indiana 46304
 County: Porter
 ORIS Code: 995
 Title IV Permit No.: AR 127-19662-00002
 Permit Reviewer: CLB/AKY

On November 3, 2004, the Office of Air Quality (OAQ) had a notice published in the Chesterton Tribune, Chesterton, Indiana, stating that Northern Indiana Public Service Company had applied for a Title IV (Acid Rain) Permit renewal for the Bailly Generating Station. 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 or not this permit should be issued as proposed. Comments were received from the Permittee on December 2, 2004. IDEM, OAQ has made the following revisions to the permit.

Comment 1:

We understand that this permit will be an appendix to the station's Title V permit. Therefore, we recommend the descriptive information contained in this permit be made consistent with the descriptive language in the Title V permit.

Response 1:

IDEM, OAQ the descriptive information consistent. The language in Conditions 1, 2, and 3 has been revised to clarify which units are affected by the Title IV regulations.

Title IV Source Description:

- (a) One (1) cyclone coal-fired boiler, identified as Unit 7, with construction completed in 1962, with a design heat input capacity of 1,638 million Btu per hour (MMBtu/hr), with an electrostatic precipitator (ESP) system for control of particulate matter. A wet limestone flue gas desulfurization system serves both Units 7 and 8 for control of sulfur dioxide. Natural gas and/or No. 2 fuel oil will be fired during startup, shutdown, and malfunctions; the unit can also generate electricity while combusting natural gas only. Unit 7 has continuous emissions monitoring systems (CEMS) for nitrogen oxides (NOx) and for sulfur dioxide (SO₂) and a continuous opacity monitoring (COM) system. Scrubbed emissions from Units 7 and 8 are exhausted through Stack CS001. Non-scrubbed emissions from Units 7 and 8 are exhausted through the bypass stack, Stack CS002.
- (b) One (1) cyclone coal-fired boiler, identified as Unit 8, with construction completed in 1968, with a design heat input capacity of 3,374 MMBtu/hr, with an electrostatic precipitator (ESP) system for control of particulate matter. A wet limestone flue gas desulfurization system serves both Units 7 and 8 for control of sulfur dioxide. Natural gas and/or No. 2 fuel oil will be fired during startup, shutdown, and malfunctions; the unit can also generate electricity while combusting natural gas only. Construction of a selective catalytic reduction (SCR) system on Unit 8 began in 2003. Unit 8 has continuous emissions monitoring systems (CEMS) for nitrogen oxides (NOx) and for sulfur dioxide (SO₂) and a continuous opacity monitoring (COM) system. Scrubbed emissions from Units 7 and 8 are exhausted through Stack CS001. Non-scrubbed emissions from Units 7 and 8 are exhausted through the bypass stack, Stack CS002.

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

1. Statutory and Regulatory Authorities

In accordance with IC 13-17-3-4 and IC 13-17-3-11, ~~IC 13-17-8-1 and IC 13-17-8-2~~ as well as Titles IV and V of the Clean Air Act, the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) issues this permit pursuant to 326 IAC 2 and 326 IAC 21 (incorporates by reference 40 Code of Federal Regulations (CFR) 72 through 78).

2. Standard Permit Requirements [326 IAC 21]

(b) ~~The owners and operators~~ **Permittee** ~~of affected source and each affected unit shall operate the unit~~ **Units 7 and 8** in compliance with this permit.

3. Monitoring Requirements [326 IAC 21]

- (a) ~~The owners and operators~~ **Permittee** and, to the extent applicable, the designated representative of each affected source and each affected unit at the source **Units 7 and 8**, shall comply with the monitoring requirements as provided in 40 CFR 75 and 76.
- (b) The emissions measurements recorded and reported in accordance with 40 CFR 75 and 76 shall be used to determine compliance by the unit **Units 7 and 8** with the acid rain emissions limitations and emissions reduction requirements for sulfur dioxide and nitrogen oxides under the Acid Rain Program.
- (c) The requirements of 40 CFR 75 and 76 shall not affect the responsibility of the ~~owners and operators~~ **Permittee** to monitor emissions of other pollutants or other emissions characteristics at the unit **Units 7 and 8** under other applicable requirements of the Clean Air Act and other provisions of the operating permit for the source.

Comment 2:

Condition 4(a) and Condition 4(b) should be clarified to convey the fact that Condition 4(a)(1) establishes the applicable emission limitation for sulfur dioxide under the Acid Rain Program. The affected unit can have actual emissions that are less than or more than the number of allowances originally allocated to the unit and still be in compliance provided the affected unit holds the appropriate number of allowances corresponding to its emissions at the reconciliation deadline. We recommend condition 4(a)(2) be deleted. If not deleted, we recommend that this language be clarified to reflect the above and state that there is no violation of the Clean Air Act provided the affected unit holds the appropriate number of allowances corresponding to its calendar year emissions by the required deadline. The following language would be appropriate:

*4.(a)(2) Comply with the applicable Acid Rain emissions limitations for sulfur dioxide by **timely holding the necessary number of allowances as of the allowance transfer deadline as defined in 40 CFR 72.2.***

*4.(b) Each ton of sulfur dioxide emitted for the calendar year in excess of the **number of allowances held in the unit's compliance subaccount as of the allowance transfer deadline as defined in 40 CFR 72.2.** ~~of the acid rain emission limitations for sulfur dioxide shall constitute a separate violation of the Clean Air Act.~~*

Comment 3:

For clarity, Condition 4(c) should be modified by adding the condition number to the reference to paragraph (a)(1) of the sulfur dioxide requirements. The recommended revisions to condition 4 are:

*An affected unit shall be subject to the requirements under paragraph **Condition 4(a)** of the sulfur dioxide requirements as follows:*

Comment 4:

For clarity, Condition 4(e) should be modified by adding the condition number to the reference to paragraph (a)(1) of the sulfur dioxide requirements. The recommended revision is:

*An allowance shall not be deducted in order to comply with the requirements under paragraph **Condition 4(a)(1)** of the sulfur dioxide requirements prior to the calendar year for which the*

allowance was allocated.

Response 2, 3, and 4:

Condition 4(a) and 4(b) correctly state how each unit complies with the requirement to have sufficient SO₂ allowances to account for each unit's SO₂ emissions. IDEM declines to make the requested changes to 4(a) and 4(b). However, to clarify the permit terms the following changes have been made.

4. Sulfur Dioxide Requirements [326 IAC 21]

- (a) ~~The owners and operators of each source and each affected unit at the source~~ **Permittee** shall:
- (1) Hold allowances, as of the allowance transfer deadline (as defined in 40 CFR 72.2), in the ~~unit's~~ compliance subaccount of **Units 7 and 8**, after deductions under 40 CFR 73.34(c), not less than the total annual emissions of sulfur dioxide for the previous calendar year from the ~~unit~~ **Units 7 and 8**; and,
 - (2) Comply with the applicable acid rain emissions limitations for sulfur dioxide.
- (c) ~~An affected unit~~ **Units 7 and 8** shall be subject to the requirements under paragraph 4(a) of the sulfur dioxide requirements as follows:
- (e) An allowance shall not be deducted in order to comply with the requirements under paragraph 4(a) ~~(4)~~ of the sulfur dioxide requirements prior to the calendar year for which the allowance was allocated.
- (i) No limit shall be placed on the number of allowances held by ~~an affected source~~ **the Permittee**. ~~An affected source~~ **The Permittee** may not, however, use allowances as a defense to noncompliance with any applicable requirement other than the requirements of the Acid Rain Program. [326 IAC 2-7-5(4)(B)]

Comment 5:

Condition 4 (j) should be revised to reflect the fact that the sulfur dioxide allowances have been allocated by EPA to each unit at the source. We recommend the language be changed as follows:

"(j) Sulfur dioxide allowances have been allocated by EPA to each unit at the source."

Comment 6:

The Table listed in Condition 4(j) is obsolete and should be deleted as the EPA has allocated allowances through the year 2034 to these units.

Response 5 & 6:

This permit is for a five year period. The chart contains the applicable data for that five year period per 40 CFR 73.10, Table 2. Below the permit's chart is a reference that the allowance allocations may change but would not necessitate a revision to the unit SO₂ allowance allocations identified in the permit. To clarify that EPA has made the SO₂ allocations for Units 7 and 8, 4(j) will be modified as follows.

4. Sulfur Dioxide Requirements [326 IAC 21]

- (j) Sulfur dioxide allowances shall be allocated ~~to each unit at the source~~ **by EPA** as follows:

* The number of allowances allocated to Phase II affected units by U.S. EPA may change in a revision to 40 CFR 73 Tables 2, 3 and 4 and 326 IAC 21. In addition, the number of allowances actually held by an affected source in a unit account may differ from the number allocated by U.S. EPA. Neither of the aforementioned conditions necessitates a revision to the unit SO₂ allowance allocations identified in this permit. (See 40 CFR 72.84)

Comment 7:

The requirements of Condition 5(d) and Condition 5(e) are both parts of the NO_x Emission Averaging Plan for both Unit 7 and Unit 8 and as such should be relabeled. We believe re-labeling the requirements of Condition 5 may be helpful to include the provisions of the current 5(d) and 5(e) as separate sub

conditions under both 5(b) NO_x Emission Averaging Plan for Unit 7, and 5(c), NO_x Emission Averaging Plan for Unit 8. To accomplish this, the current condition 5(b) for Unit 7 would become condition 5(b)(1). Current condition 5(d) would become condition 5(b)(2). Current condition 5(e) would become condition 5(b)(3). These changes are needed since current condition 5(d) combined with current condition 5(b) for Unit 7 and current condition 5(c) for Unit 8, is intended to describe the two different provisions allowed for compliance contained in 40 CFR 76. However, as currently worded, they appear to imply noncompliance if the provisions of current Condition 5(b) for Unit 7 (or current condition 5(c) for Unit 8) or current condition 5(d) are not met when in reality compliance for the respective Units would be demonstrated if the provisions of current Condition 5(d) are met. We recommend the following changes to the language of Condition 5(b) and Condition 5(c) to avoid misinterpretation of the requirements and compliance status. We recommend the following revisions including the reformatting to 5(b)(1), 5(b)(2), 5(b)(3), and 5(c)(1), 5(c)(2), and 5(c)(3).

(b) NO_x Emission Averaging Plan for Unit 7

- (1) Pursuant to 40 CFR 76.11, the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) approves a NO_x emissions averaging plan ~~for this unit~~ **that includes the following unit, effective from for calendar years 2005 through and including 2009. Under the plan this unit's NO_x emissions shall not exceed the annual average alternative contemporaneous emission limitation of 1.20 lb/mmBtu- for the calendar year except as provided in condition 5(b)(2). In addition, this unit shall not have an-annual a heat input for the calendar year greater than 14,500,000 mmBtu the MMBTU specified below except as provided in condition 5(b)(2).**

Calendar Years 2005 to 2009	Emission Limitation per 40 CFR 76.5, 76.6 or 76.7 (lb/MMBTU)	Alternative Limit (lb/MMBTU)	Heat Input Limit (MMBTU)
Unit 7	0.86	1.20	14,500,000
Units 7 and 8 exhaust to a common stack			

(d)(2) Under the plan, the actual BTU-weighted annual average NO_x emission rate for the units in the plan shall be less than or equal to the BTU-weighted annual average NO_x emission rate for the same units had they each been operated, during the same period of time, in compliance with the applicable emission limitations under 40 CFR 76.5, 76.6, or 76.7, except that for any early election units, the applicable emission limitations shall be under 40 CFR 76.7. If the designated representative demonstrates that the requirement of the prior sentence (as set forth in 40 CFR 76.11(d)(1)(ii)(A)) is met for a **calendar year** under the plan, then ~~this unit~~ **the units in the plan** shall be deemed to be in compliance for that **calendar year** with its alternative contemporaneous annual emission limitation and annual heat input limit.

(e)(3) In addition to the described NO_x compliance plan, ~~this unit~~ **Unit 7** shall comply with all other applicable requirements of 40 CFR 76, including the duty to reapply for a NO_x compliance plan and requirements covering excess emissions.

(c) NO_x Emission Averaging Plan for Unit 8

- (1) Pursuant to 40 CFR 76.11, the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) approves a NO_x emissions averaging plan ~~for this unit~~ **that includes the following unit, effective from for calendar years 2005 through and including 2009. Under the plan this unit's NO_x emissions shall not exceed the annual average alternative contemporaneous emission limitation of 1.20 lb/mmBtu- for the calendar year except as provided in condition 5(c)(2). In addition, this unit shall not have an-annual a heat input for the calendar year greater than 24,500,000 mmBtu the MMBTU specified below except as provided in condition 5(c)(2).**

Calendar Years 2005 to 2009	Emission Limitation per 40 CFR 76.5, 76.6 or 76.7 (lb/MMBTU)	Alternative Limit (lb/MMBTU)	Heat Input Limit (MMBTU)
Unit 8	0.86	1.20	24,500,000
Units 7 and 8 exhaust to a common stack			

- (d)(2) Under the plan, the actual BTU-weighted annual average NO_x emission rate for the units in the plan shall be less than or equal to the BTU-weighted annual average NO_x emission rate for the same units had they each been operated, during the same period of time, in compliance with the applicable emission limitations under 40 CFR 76.5, 76.6, or 76.7, except that for any early election units, the applicable emission limitations shall be under 40 CFR 76.7. If the designated representative demonstrates that the requirement of the prior sentence (as set forth in 40 CFR 76.11(d)(1)(ii)(A)) is met for a calendar year under the plan, then this unit the units in the plan shall be deemed to be in compliance for that calendar year with its alternative contemporaneous annual emission limitation and annual heat input limit.
- (e)(3) In addition to the described NO_x compliance plan, this unit Unit 8 shall comply with all other applicable requirements of 40 CFR 76, including the duty to reapply for a NO_x compliance plan and requirements covering excess emissions.

Response 7:

To clarify Condition 5, the following changes have been made.

5. Nitrogen Oxides Requirements [326 IAC 21]

- (a) ~~The owners and operators Permittee of the source and each affected unit at the source shall comply with the applicable acid rain emissions limitation for of nitrogen oxides (NO_x) for Units 7 and 8.~~
- (b) NO_x Emission Averaging Plan for Unit 7:
- (1) Pursuant to 40 CFR 76.11, the Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) approves a NO_x emissions averaging plan that includes for this unit Unit 7, effective from for calendar years 2005 through and including 2009. Under the plan this unit's the NO_x emissions from Unit 7 shall not exceed the annual average alternative contemporaneous emission limitation (ACEL) of 1.20 lb/MMMBtu for the calendar year except as provided in condition 5(b)(2). In addition, this unit Unit 7 shall not have a heat input for the calendar year greater than 14,500,000 MMBtu as specified below except as provided in as provided in condition 5(b)(2).
 - (2) Under the plan, the actual Btu-weighted annual average NO_x emission rate for Units 7 and 8 shall be less than or equal to the Btu-weighted annual average NO_x emission rate for the same units had they each been operated, during the same period of time, in compliance with the applicable emission limitations under 40 CFR 76.5, 76.6, or 76.7, except that for any early election units, the applicable emission limitations shall be under 40 CFR 76.7. If the designated representative demonstrates that the requirement of the prior sentence (as set forth in 40 CFR 76.11(d)(1)(ii)(A)) is met for a year under the plan, then Units 7 and 8 shall be deemed to be in compliance for that year with its annual ACEL and annual heat input limit.
 - (3) In addition to the described NO_x compliance plan, Unit 7 shall comply with all other applicable requirements of 40 CFR 76, including the duty to reapply for a NO_x compliance plan and requirements covering excess emissions.

- (4) **The Permittee must annually demonstrate that Unit 7 meets the NOx emission limit of 1.20 lb/MMBtu by showing that emissions at the common stacks, CS001 and CS002 (through which emissions from Units 7 and 8 are vented) meet such limit, based upon the data from certified continuous emission monitoring systems (CEMS) at common stack CS002. CEMS certification must be performed in accordance with the requirements and specifications delineated at 40 CFR 75.**
- (c) NOx Emission Averaging Plan for Unit 8:
- (1) Pursuant to 40 CFR 76.11, the Indiana Department of Environmental Management, Office of Air Quality **IDEM, OAQ** approves a NOx emissions averaging plan for this unit **that includes Unit 8**, effective from for calendar years 2005 through and including 2009. Under the plan this unit's the NOx emissions **from Unit 8** shall not exceed the annual average alternative contemporaneous emission limitation **ACEL** of 1.20 lb/mmMMBtu **for the calendar year except as provided in condition 5(b)(2)**. In addition, this unit **Unit 8** shall not have an annual heat input greater than 24,500,000 mmMMBtu **as specified below except as provided in as provided in condition 5(b)(2)**.
- (2) Under the plan, the actual Btu-weighted annual average NOx emission rate for ~~the units Units 7 and 8 in the plan~~ shall be less than or equal to the Btu-weighted annual average NOx emission rate for the same units had they each been operated, during the same period of time, in compliance with the applicable emission limitations under 40 CFR 76.5, 76.6, or 76.7, except that for any early election units, the applicable emission limitations shall be under 40 CFR 76.7. If the designated representative demonstrates that the requirement of the prior sentence (as set forth in 40 CFR 76.11(d)(1)(ii)(A)) is met for a year under the plan, then ~~the unit Units 7 and 8~~ shall be deemed to be in compliance for that year with its ~~alternative contemporaneous annual emission limitation ACEL~~ and annual heat input limit.
- (3) In addition to the described NOx compliance plan, ~~the units Unit 8~~ shall comply with all other applicable requirements of 40 CFR ~~part 76~~, including the duty to reapply for a NOx compliance plan and requirements covering excess emissions.
- (4) **The Permittee must annually demonstrate that Unit 8 meets the NOx emission limit of 1.20 lb/MMBtu by showing that emissions at the common stacks, CS001 and CS002 (through which emissions from Units 7 and 8 are vented) meet such limit, based upon the data from certified continuous emission monitoring systems (CEMS) at common stack CS002. CEMS certification must be performed in accordance with the requirements and specifications delineated at 40 CFR 75.**

Calendar Year 2005 to 2009	Emission Limitation (40 CFR 76.5, 76.6 or 76.7) (lb/MMBtu)	ACEL ¹ (lb/MMBtu)	Heat Input Limit (MMBtu)
Unit 7	0.86	1.20	14,500,000
Unit 8	0.86	1.20	24,500,000

¹ *Alternative Contemporaneous Emission Limit (ACEL)*

* *Units 7 and 8 exhaust to a common stack*

Comment 8:

The previous version of this permit contained a provision acknowledging the ability of the owner and operator to revise the NOx averaging plan following the procedure in 40 CFR 76. We believe this permit should contain an acknowledgement of these rights. The following language is recommended:

5(d) The owner and operator may revise the NOx averaging plan following the procedure in 40 CFR 76.

Response 8:

IDEM agrees to add the language, in a modified form, as condition 5(d). The following changes to condition 6 have been made to clarify the responsibilities of the Permittee and the designated representative.

5(d) The Permittee may revise the NOx averaging plan following the procedure in 40 CFR 76.

6. Excess Emissions Requirements [40 CFR 77] [326 IAC 21]

- (a) ~~The designated representative of an affected unit that~~ **If Unit 7 or Unit 8** has excess emissions of sulfur dioxide in any calendar year **the designated representative** shall submit a proposed offset plan to U.S. EPA and IDEM, OAQ as required under 40 CFR 77 and 326 IAC 21.
- (b) The designated representative shall submit required information to:
- Indiana Department of Environmental Management
Air Compliance **Branch** Section, Office of Air Quality
100 North Senate Avenue, P.O. Box 6015
Indianapolis, Indiana 46206-6015 **46204-2251**
- (c) ~~The owners and operators of an affected unit that~~ **If Units 7 or 8** has excess emissions, as defined in 40 CFR 72.2, in any calendar year **the Permittee** shall:
- (1) Pay to U.S. EPA without demand the penalty required, and pay to U.S. EPA upon demand the interest on that penalty, as required by 40 CFR 77 and 326 IAC 21; and;
 - (2) Comply with the terms of an approved sulfur dioxide offset plan, as required by 40 CFR 77 and 326 IAC 21.

Comment 9:

Condition 7(a) specifies the copies of all reports, compliance certifications, other submissions, compliance certifications, emissions monitoring, and all records made or required under the Acid Rain Program be retained on site at the source for 5 years. It would be helpful to change this provision to allow for retention of these documents at the location of the office of the Designated Representative of the affected source. This would facilitate record retention and access, especially for sources for which the Designated Representative is located at a central office instead of the source location.

Response 9:

The requirement to keep the records on site is required by the exact wording of 40 CFR 72.9(f). IDEM declines to make the requested change. To clarify condition 7(a), the following changes have been made.

7. Record Keeping and Reporting Requirements [326 IAC 21]

- (a) ~~Unless otherwise provided, the owners and operators of the source and each affected unit at the source~~ **Permittee** shall keep on site each of the following documents for a period of 5 years, as required by 40 CFR 72.9(f), from the date the document is created. This period may be extended for cause, at any time prior to the end of the 5 years, in writing by U.S. EPA or IDEM, OAQ:
- (1) ~~The certificate of representation for the designated representative for the source and each affected unit at the source~~ **Units 7 and 8** and all documents that demonstrate the truth of the statements in the certificate of representation, in accordance with 40 CFR 72.24; provided that the certificate and documents shall be retained on site at the source beyond such 5 year period until such documents are superseded because of the submission of a new certificate of representation changing the designated representative;

Comment 10:

The last sentence of Condition 7(b) is unclear. We believe the intent is to specify where the designated representative is to submit the appropriate reports. We recommend the following revision:

*Submit **The required information is to be submitted to the appropriate authority(ies) as specified in 40 CFR 72.90, Subpart I, and 40 CFR 75.***

Response 10:

IDEM, OAQ agrees to clarify Condition 7(b) by the following changes:

7. Record Keeping and Reporting Requirements [326 IAC 21]

- (b) ~~The designated representative of an affected source and each affected unit at the source~~ **Units 7 and 8** shall submit the reports and compliance certifications required under the Acid Rain Program, including those under 40 CFR 72.90, Subpart I, 40 CFR 75, and 326 IAC 21. ~~Submit~~ **The required information is to be submitted to the appropriate authority(ies) as specified in 40 CFR 72.90, Subpart I, and 40 CFR 75.**

Comment 11:

The regulatory citations listed in the heading of each of the conditions of the permit only reference 326 IAC 21 despite several different references to Title 326 of the Indiana Administrative Code and references to regulations in title 40 of the Code of Federal Regulations within the condition. To be consistent with the methodology used in the Title V permits, we recommend the regulatory authority for the various permit conditions be listed in the heading line of each condition, in addition to their current location in the text of the condition.

Response 11:

The Indiana Air Pollution Control Board adopted the acid deposition control program in 326 Indiana Administrative Code 21.

Comment 12 (and 13):

We question the need for the permit to contain two separate certification sub conditions in Condition 8(d)(1) and 8(d)(2) when they could be combined into one as is done on the certification form attached to the earlier version of this permit. We recommend condition 8(d)(1) and 8(d)(2) be combined into one condition.

Comment 13:

The language of Condition 8(e) is awkwardly crafted and should be reworded as recommended below. This is based on our understanding that the intent of this condition is to identify the deadlines for the designated representative of a source applicable upon his submission of Acid Rain Program documents or his receipt of any written determinations by EPA or IDEM, OAQ determinations that "cover" the source or unit. We recommend the following language to convey this intent:

- (e) *The designated representative of a source shall ~~notify~~ **provide notification, according to the schedule in (e)(1) and (e)(2) as applicable, to each owner and operator of the source and of an affected unit at the source for each submission he provides or determination he receives that covers the source or the unit.***

*(1) By the date of submission, of any Acid Rain Program submissions by the designated representative **for the unit;***

*(2) Within 10 business days of receipt of any written determination by the U. S. EPA or IDEM, **OAQ for the unit; and,***

(3) ~~Provided that the submission or determination covers the source or the unit.~~

Response 12 and 13:

Pursuant to 40 CFR 72.21(b) this language is directly from the regulations. To clarify the responsibilities

of the Permittee, IDEM, OAQ has made the following changes.

8. Submissions [326 IAC 21]

- (a) The designated representative of **Units 7 and 8** shall submit a certificate of representation, and any superseding certificate of representation, to U.S. EPA and IDEM, OAQ in accordance with 40 CFR 72 and 326 IAC 21.
- (b) The designated representative shall submit required information to:
- Indiana Department of Environmental Management
Permits **Branch Administration** Section, Office of Air Quality
100 North Senate Avenue, P.O. Box 6015
Indianapolis, Indiana 46206-6015 **46204-2251**
- (c) ~~The designated representative of a source~~ **Units 7 and 8** shall notify ~~each owner and operator of the source and of an affected unit at the source~~ **the Permittee**:
- (1) By the date of submission, of any Acid Rain Program submissions by the designated representative;
- (2) Within 10 business days of receipt of any written determination by U.S. EPA or IDEM, OAQ; and,
- (3) Provided that the submission or determination covers ~~the source or the unit~~ **Units 7 and 8**.
- (d) The designated representative of ~~a source~~ **Units 7 and 8** shall provide ~~each owner and operator~~ **the Permittee** of ~~an affected unit at the source~~ a copy of any submission or determination under condition **8(e)** of this section, unless the ~~owner or operator~~ **Permittee** expressly waives the right to receive a copy.

Comment 14:

The language of Condition 10(c) appears to conflict and interfere with the ability of the permit holder to obtain and utilize legal remedies or judgments that revise the requirements applicable to the permit holder prior to the revision of the permit reflecting those changes. We recommend the following revision to remove this impediment:

- (c) *No permit revision shall excuse any violation of the requirements of the Acid Rain Program that occurs prior to the date that the revision takes effect **unless otherwise allowed by law.***

Response 14:

The permit terms and conditions in this permit reflect the wording set out in the rules. This language is used by all permitting authorities across the U.S. IDEM wishes to have permit conditions that are consistent with other permitting authorities. IDEM has made the following changes to clarify the responsibilities of the Permittee and designated representative.

10. Liability [326 IAC 21]

- (d) ~~Each affected source and each affected unit~~ **Units 7 and 8** shall meet the requirements of the Acid Rain Program.
- (e) Any provision of the Acid Rain Program that applies to ~~an affected source~~ **Units 7 or 8**, including a provision applicable to the designated representative of ~~an affected source,~~ **Units 7 or 8** shall also apply to the ~~owners and operators of such source and of the affected units at the source~~ **Permittee**.
- (f) Any provision of the Acid Rain Program that applies to ~~an affected unit~~ **Units 7 or 8**, including a provision applicable to the designated representative, of ~~an affected unit,~~ shall also apply to the ~~owners and operators of such unit~~ **Permittee**. Except as provided under

40 CFR 72.44 (Phase II repowering extension plans) and 40 CFR 76.11 (NOx averaging plans), and except with regard to the requirements applicable to units with a common stack under 40 CFR 75, including 40 CFR 75.16, 75.17, and 75.18, the ~~owners and operators~~ Permittee and the designated representative of one affected unit shall not be liable for any violation by any other affected unit of which they are not owners or operators or the designated representative and that is located at a source of which they are not owners or operators or the designated representative.

- (g) Each violation of a provision of 40 CFR parts 72, 73, ~~74,~~ 75, 76, 77, and 78 by ~~an affected source or affected unit~~ **Units 7 or 8**, or by ~~an owner or operator~~ **the Permittee** or designated representative ~~of such source or unit~~, shall be a separate violation of the Clean Air Act.

Comment 15:

Condition 9 leads us to believe that this permit is a separate and distinct permit from the Title V operating permit for the Bailly Generating Station and, therefore, this permit will exist independent of the Title V permit. We would appreciate confirmation of this interpretation.

Response 15:

The Title IV permit is separate and distinct from the Title V operating permit.

Comment 16:

We would like to remind IDEM that the draft Title V permit for this generating station is expected to be finalized at about the same time this Phase II Acid Rain Permit is set to become effective. It is our understanding that when this permit is finalized it will be attached as an appendix in the Title V permit. To reduce the administrative burden on IDEM and NIPSCO, we recommend IDEM synchronize the expiration date of the Phase II Acid Rain Permit to match the expiration date of the Title V permit.

Response 16:

Due to the complexities of issuing the Title V permit for this source, this synchronization cannot be done.

Comment 17:

The reference to the Federal Power Act (16 U.S.C 791(a) et seq.) contained in Condition 11(d) appears incorrect. We believe the correct reference to this law is 16 U.S.C 791a. We recommend IDEM correct the reference in the permit.

Response 17:

Pursuant to "The Blue Book, A Uniform System of Citation; 15th Edition"; Rule 12.3.1(a) – Use of the parentheses are appropriate when citing to the subsection of a statute. The purpose of the permit and TSD is to clarify the federal and state statutes. The use of the parentheses throughout these documents assists statute and rule research.

Comment 18:

The reference to the Clean Air Act (42 U.S.C 7651 to 7651(o)) contained in Condition 11(a) is incorrect. We believe the correct reference to this is 42 U.S.C 7651 to 7651o. We recommend IDEM correct the reference in the permit.

Response 18:

Pursuant to The Blue Book, A Uniform System of Citation; 15th Edition; Rule 12.3.1(a) – Use of the parentheses are appropriate when citing to the subsection of a statute. The purpose of the permit and TSD is to clarify the federal and state statutes. The use of the parentheses throughout these documents assists statute and rule research.

To clarify the responsibilities of the Permittee and the designated representative, the following changes have been made to Condition 11:

11. Effect on Other Authorities [326 IAC 21]

No provision of the Acid Rain Program, an acid rain permit application, an acid rain permit, an acid rain portion of an operation permit, or a written exemption under 40 CFR 72.7 or 72.8 shall be construed as:

- (a) Except as expressly provided in Title IV of the Clean Air Act (42 USC 7651 to 7651(o)), exempting or excluding the ~~owners and operators~~ **Permittee** and, to the extent applicable, the designated representative of ~~an affected source or affected unit~~ **Units 7 or 8** from compliance with any other provision of the Clean Air Act, including the provisions of Title I of the Clean Air Act relating to applicable National Ambient Air Quality Standards or State Implementation Plans;

Upon further review, the OAQ has decided to make the following revisions to the permit (where language deleted is shown with ~~strikeout~~ and the added is shown in **bold**) are as follows:

Change 1:

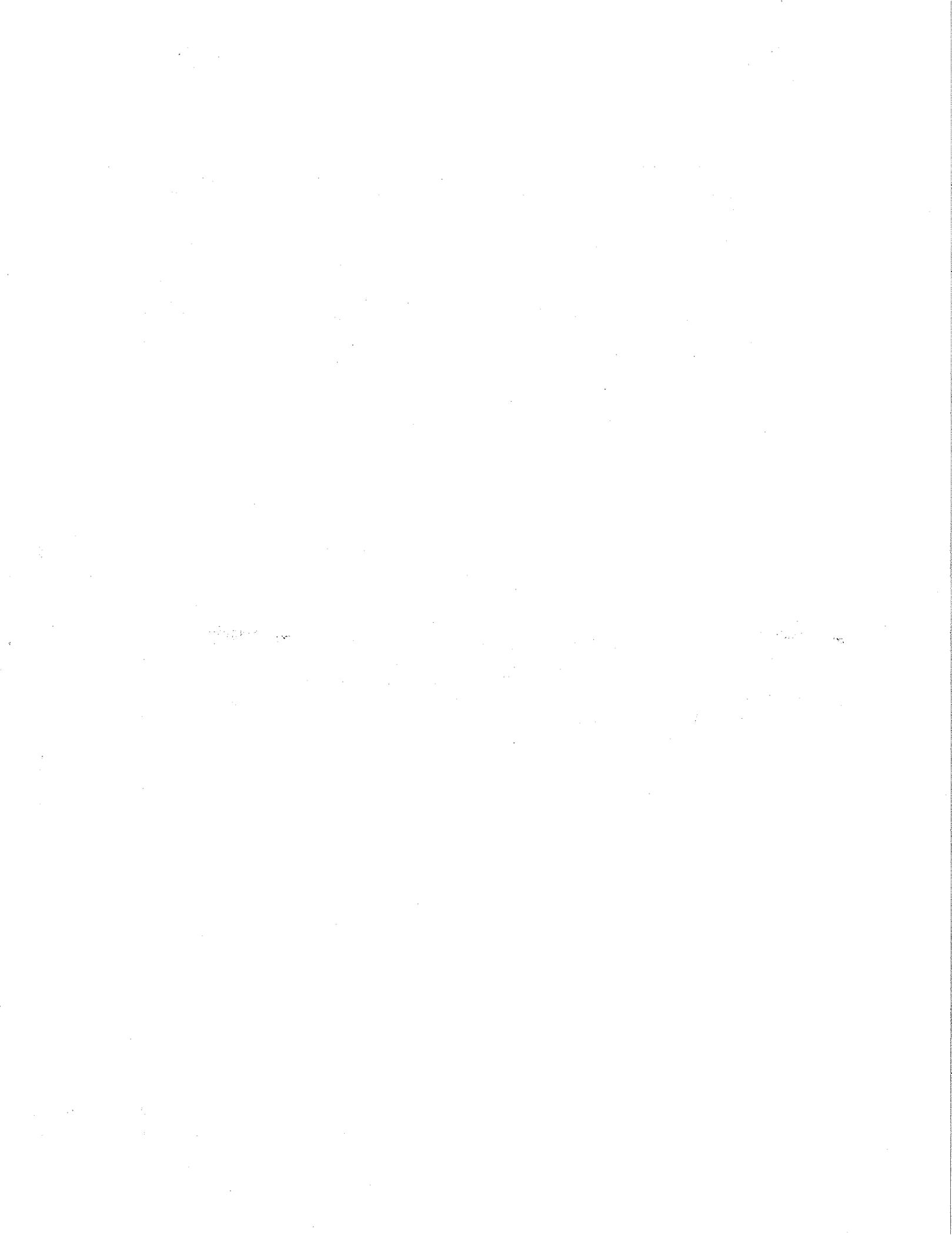
In order to clarify the name of this permit, the title has been changed.

~~Phase II~~
TITLE IV (ACID RAIN) PERMIT RENEWAL

Change 2:

To clarify the term "Permittee" the following change has been made to the cover page of the permit.

The owners and operators (hereinafter collectively known as the Permittee) of the above source are issued ~~†this permit is issued~~ under the provisions of 326 Indiana Administrative Code (IAC) 21 with conditions listed on the attached pages.



Indiana Department of Environmental Management Office of Air Quality

Technical Support Document
For a Phase II Acid Rain Permit Renewal

Source Background and Description

Source Name:	NIPSCO – Bailly Generating Station
Source Location:	246 Bailly Station Road, Chesterton, Indiana, 46304
Mailing Address:	801 East 86th Avenue, Merrillville, Indiana, 46410
County:	Porter
Operated By:	Northern Indiana Public Service Company
Designated Representative:	Arthur E. Smith, Jr.
ORIS Code:	0995
Previous Phase II Permit No.:	127-5300-00002
Phase II Renewal Permit No.:	127-19662-00002
Permit Reviewer:	Cynthia Bymaster, (317) 233-2641

The Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) has reviewed a Phase II Acid Rain permit renewal application submitted by Northern Indiana Public Service Company on July 6, 2004. The application is for the operation of the following affected units at a station located at 246 Bailly Station Road, Chesterton, Indiana.

- (a) Unit 7: One (1) cyclone coal-fired boiler, with a design heat input capacity of 1638 million Btu per hour, with an electrostatic precipitator (ESP) system for control of particulate matter. A wet limestone flue gas desulfurization system serves both Unit 7 and 8 for control of sulfur dioxide. Natural gas and/or No. 2 fuel oil will be fired during startup, shutdown, and malfunctions; the unit can also generate electricity while combusting natural gas only. Unit 7 has continuous emissions monitoring systems (CEMS) for nitrogen oxides (NO_x) and for sulfur dioxide (SO₂) and a continuous opacity monitoring (COM) system. Scrubbed emissions from Units 7 and 8 are exhausted through Stack CS001. Non-scrubbed emissions from Units 7 and 8 are exhausted through the bypass stack, Stack CS002.

- (b) Unit 8: One (1) cyclone coal-fired boiler, with a design heat input capacity of 3374 million Btu per hour, with an electrostatic precipitator (ESP) system for control of particulate matter. A wet limestone flue gas desulfurization system serves both Unit 7 and 8 for control of sulfur dioxide. Natural gas and/or No. 2 fuel oil will be fired during startup, shutdown, and malfunctions; the unit can also generate electricity while combusting natural gas only. Construction of a selective catalytic reduction (SCR) system on Unit 8 began in 2003. Unit 8 has continuous emissions monitoring systems (CEMS) for nitrogen oxides (NO_x) and for sulfur dioxide (SO₂) and a continuous opacity monitoring (COM) system. Scrubbed emissions from Units 7 and 8 are exhausted through Stack CS001. Non-scrubbed emissions from Units 7 and 8 are exhausted through the bypass stack, Stack CS002.

This permit renewal AR 127-19662-00002 covers calendar years 2005 to 2009 involving the same affected units as indicated in the initial Phase II permit AR 127-5300-00002.

Existing Approvals

The source has been operating under the following previous Phase II approval:

AR 127-5300-00002, effective January 1, 2000

Program Description

The following information is provided to explain the Acid Rain Program.

(a) **Goal of the Program**

The goal of the 1990 Clean Air Act (CAA) Amendments, Acid Rain Program is to reduce the impact of man-made emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) on lakes, streams, forests, crops and, most important, the health of the public, by a nationwide SO₂ allocation of emissions from power plants. While it may not seem to be a local problem, the information collected shows a need for this reduction. This is because these emissions can be transported great distances. Results of the SO₂ and NO_x program, along with past, present and future plans, can be found on the Internet at <http://www.epa.gov/airmarkets/arp/>. Additional information in the form of maps showing the results of the SO₂ and NO_x limitations can be found on the Internet at <http://nadp.sws.uiuc.edu/>.

The U.S. EPA has set a limit on the amount of sulfur dioxide emissions and the emission rate of nitrogen oxides for all regulated power plants, for each year from 2000 through 2009. The total sulfur dioxide emissions for all affected power plants in the nation have been limited to 9.4 million tons every year. That amount is 10 million tons less than the total emissions of sulfur dioxide in 1980. In 1993, U.S. EPA allocated a certain amount of sulfur dioxide emissions allowances to each power plant regulated by Phase II of the Acid Rain Program. Emissions of nitrogen oxides are being reduced by at least 2 million tons per year, by setting limits on the emission rate of nitrogen oxides from coal-fired power plant boilers.

(b) **Federal Rules**

The emission allowances and conditions in this draft Phase II permit were taken from the limits developed by the U.S. EPA for the Acid Rain Program pursuant to Title IV of the Clean Air Act, 42 United States Code 7401, as amended by Public Law 101-5049 (November 15, 1990). Parts 72 through 78 of Title 40 of the Code of Federal Regulations (CFR), 61 Federal Register (FR) 59142, 61 FR 67111, 61 FR 68821, and 62 FR 3463, apply to regulated power plants.

(c) **Indiana's Rules**

Title 326 of the Indiana Administrative Code (IAC) Article 21, Acid Deposition Control, has adopted the federal rule by referencing 40 CFR 72 through 78, 61 FR 59142, 61 FR 67111, 61 FR 68821, and 62 FR 3463. The rule incorporates the requirements of Title IV, Clean Air Act Acid Rain Program, of the 1990 Clean Air Act (CAA).

(d) **Sulfur Dioxide (SO₂) Emission Allocations**

The sulfur dioxide allowance allocation rule (40 CFR Part 73) was revised in August 1998. The nation wide allocated sulfur dioxide emissions are 9,480,000 tons per year for 2000 through 2009. The 2010 cap is projected to reduce sulfur dioxide emissions to 8,900,000 tons per year. No allocations were made for new sources. New regulated power plants have to obtain sulfur dioxide emission allocations by purchasing them from pre-existing power plants that have received U.S. EPA allocations. A regulated power plant may have emission allocations to sell because the plant purchased newer, less polluting, equipment. The U.S. EPA keeps track of the transfer of all sulfur dioxide emission allocations in an official accounting system.

(e) **Nitrogen Oxide Emission (NO_x) Limitations**

Pursuant to 40 CFR 76, nitrogen oxide (NO_x) emission limitations are applicable only to coal-fired utility and coal-fired substitution units that are subject to Phase I and Phase II sulfur dioxide (SO₂) reduction requirements.

Specific Sulfur Dioxide (SO₂) Emission Allocations

There are two (2) affected units, identified as Units 7 and 8, in this generating station. Table 1 below summarizes the SO₂ Allowance Allocations for these units.

Table 1					
SO ₂ Allowance Allocations (tons/year)					
	2005	2006	2007	2008	2009
Unit 7	4,811	4,811	4,811	4,811	4,811
Unit 8	6,869	6,869	6,869	6,869	6,869

Specific NO_x Compliance and Averaging Plan

There are two (2) affected units, identified as Units 7 and 8, in this generating station. Table 2 and 3 below summarize the NO_x compliance and averaging plan for these units.

Table 2			
Calendar Years 2005 thru 2009	Emission Limitation per 40 CFR 76.5, 76.6 or 76.7 (lb/MMBTU)	Alternative Limit (lb/MMBTU)	Heat Input Limit (MMBTU)
Unit 7	0.86	1.20	14,500,000
Unit 8	0.86	1.20	24,500,000

The BTU weighted annual emission rate average over the units if they are operated in accordance with the proposed averaging plans = BTU weighted annual average emission rate for same units operated in compliance with 40 CFR 76 = 0.76

Table 3	
List of Sources Participating in the NO _x Averaging Plan – Calendar Years 2005 to 2009	
Source Names	No. of Units
NIPSCO, Bailly Generating Station, IN	2
NIPSCO, Michigan City Generating Station, IN	1
NIPSCO, R. M. Schahfer Generating Station, IN	2
Total Number of Units	5

Emissions Monitoring Requirements

The owners and operators and, to the extent applicable, the designated representative for the source must comply with the monitoring requirements set out in 40 CFR 75 and 72.9(b)(1) and (2). The source must measure and record its emissions of sulfur dioxide. The source must report these measurements to IDEM and U.S. EPA. These records and reports are used to determine if the source is in compliance with the sulfur dioxide allocation program. The requirements of the Phase II permit do not affect the source's responsibility to monitor emissions of other pollutants or other emissions characteristics required by the Clean Air Act and other operating permit provisions. Monitoring requirements outlined in the source's Phase II permit renewal application are considered as part of the Phase II renewal permit.

Other Record Keeping and Reporting Requirements

The source must keep copies of all reports and compliance certifications that it submits to demonstrate compliance with the requirements of the Phase II permit for five years. The source must submit the reports and compliance certifications required by the Phase II permit to the U.S. EPA and IDEM, OAQ. Record keeping and reporting requirements outlined in the Phase II renewal application are considered part of the Phase II renewal permit.

Submissions

The designated representative for each emissions unit must sign and certify every report or other submission required by the Phase II renewal permit. The designated representative must include the following certification statement in every submission:

"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."

The designated representative must send each owner and operator of the source a notification regarding every submission. The designated representative must also notify each owner and operator of the source within ten (10) business days of the receipt of any written determination made by U.S. EPA or IDEM.

Draft Phase II Permit Renewal

Based on the information IDEM received from the proposed operator, IDEM has preliminarily determined that the source meets the requirement of Indiana Code (IC) 13-17-3-4, IC 13-17-3-11, IC 13-17-8-1, and IC 13-17-8-2, as well as Title IV of the Clean Air Act. IDEM proposes this draft Phase II permit renewal pursuant to 326 IAC 21.

Recommendation

The staff recommends to the IDEM's Commissioner that the Title IV Acid Rain permit renewal be approved. This recommendation is based on the following facts and conditions:

Unless otherwise stated, information used in this review was derived from the application and additional information submitted by the applicant.

A Phase II Acid Rain permit renewal application for the purposes of this review was received on July 6, 2004.

IDEM Contact

- (a) Permit
Questions regarding the proposed Phase II renewal permit can be directed to Cynthia Bymaster at the Indiana Department Environmental Management (IDEM), Office of Air Quality (OAQ), 100 North Senate Avenue, P.O. Box 6015, Indianapolis, Indiana 46206-6015 or by telephone at (317) 233-2641 or toll free at 1-800-451-6027 extension 3-2641.
- (b) Compliance Inspection
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 Dan Hancock at the Office of Air Quality (OAQ) address or by telephone at (317) 232-8429 or toll free at 1-800-451-6027 extension 232-8429.

- (c) **Copies**
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
P.O. Box 6015
Indianapolis, Indiana 46206-6015

or

The Government Printing Office
Washington, D.C. 20402

or

on the Government Printing Office website at
<http://www.access.gpo.gov/nara/cfr/index.html>