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
(317) 232-8603
(800) 451-6027
www.IN.gov/idem

TO: Interested Parties / Applicant

DATE: May 30, 2007

RE: Lawrence Generating Station / 093-23604-00028

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 according to IC 13-15-6-3, 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 and IC 13-15-6-1 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, **within eighteen (18) calendar 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.

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.

Enclosures
FNPER.dot 03/23/06

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Phase II
ACID RAIN PERMIT RENEWAL
OFFICE OF AIR QUALITY

Lawrence Generating Station
1000 S. Old Palistine Road
Mitchell, Indiana, 47446
ORIS: 7948

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.

Permit No.: AR 093-23604-00028	
Original signed by: Nisha Sizemore, Chief Permits Branch Office of Air Quality	Issuance Date: May 30, 2007 Expiration Date: May 30, 2012

Title IV Operating Conditions

Title IV Source Description:

Six (6) simple cycle, dual fuel turbine generator units combusting pipeline natural gas as a primary fuel and No. 2 fuel oil as a back-up fuel, identified as Units 1, 2, 3, 4, 5, and 6, each with a net generating capacity of 43.8 megawatts and a corresponding heat input capacity of 384.44 mmBtu/hr, equipped with water injection for NO_X control and exhausting to Stacks 1, 2, 3, 4, 5, and 6, respectively.

(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 1 through 6 (hereinafter "the units") in compliance with this permit.

3. Monitoring Requirements [326 IAC 21]

(a) The Permittee and, to the extent applicable, the designated representative of the units shall comply with the monitoring requirements as provided in 40 CFR 75.

(b) The emissions measurements recorded and reported in accordance with 40 CFR 75 shall be used to determine compliance by the unit 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 shall not affect the responsibility of the Permittee to monitor emissions of other pollutants or other emissions characteristics at the units under other applicable requirements of the Clean Air Act and other provisions of the operating permit for the 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 each unit's compliance subaccount, after deductions under 40 CFR 73.34(c), not less than the total annual emissions of sulfur dioxide for the previous calendar year from each unit; 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) The units 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) The units were not allocated allowances by United States Environmental Protection Agency (U.S. EPA) under 40 CFR part 73.10. However, the units must still comply with the requirement to hold allowances to account for sulfur dioxide emissions under paragraph 4(a) and 326 IAC 21.

(g) 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.

(h) An allowance allocated by U.S. EPA under the Acid Rain Program does not constitute a property right.

(i) 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)]

(j) 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)]

5. Nitrogen Oxides Requirements [326 IAC 21]

Pursuant to 40 CFR 76, Acid Rain Nitrogen Oxides Emission Reduction Program, the units are not subject to the nitrogen oxide limitations set out in 40 CFR 76.

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

(a) If any unit 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 Section I, 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 any unit 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 each unit 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 each unit 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 required information 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 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
Permit Administration Section, 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 each unit 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 the source or the unit.

(f) The designated representative of each unit 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) The units shall meet the requirements of the Acid Rain Program.

(e) Any provision of the Acid Rain Program that applies to any unit, including a provision applicable to the designated representative of any unit, shall also apply to the Permittee.

(f) Any provision of the Acid Rain Program that applies to any unit, 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 (NO_X 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 the units, 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, 77, and 78 by any unit, 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 any unit, 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

Technical Support Document
for a Phase II Acid Rain Permit Renewal

Source Background and Description

Source Name:	Lawrence Generating Station
Source Location:	1000 S. Old Palistine Road, Mitchell, IN 47446
Mailing Address:	PO Box 908, Bloomington, IN 47402-0908
County:	Lawrence
Operated By:	Hoosier Energy REC, Inc.
ORIS Code:	7948
Previous Phase II Permit No.:	AR093-14497-00028
Phase II Renewal Permit No.:	AR093-23604-00028
Permit Reviewer:	Polly Hite

The Indiana Department of Environmental Management (IDEM), Office of Air Quality (OAQ) has reviewed a Phase II Acid Rain permit renewal application submitted by Lawrence Generating Station on September 1, 2006. The application is for the operation of the following affected units at a station located at 1000 S. Old Palistine Road, Mitchell, Indiana.

Six (6) simple cycle, dual fuel turbine generator units combusting pipeline natural gas as a primary fuel and No. 2 fuel oil as a back-up fuel, identified as Units 1, 2, 3, 4, 5, and 6, each with a net generating capacity of 43.8 megawatts and a corresponding heat input capacity of 384.44 mmBtu/hr, equipped with water injection for NO_X control and exhausting to Stacks 1, 2, 3, 4, 5, and 6, respectively.

This permit renewal AR 093-23604-00028 covers calendar years 2007 to 2012.

Existing Approvals

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

(a) AR 093-14497-00028, issued on March 6,2002; and
(b) AAR 093-16655-00028, issued on December 14, 2004.

Hoosier Energy - Lawrence County Station was issued a Title IV permit effective from January 6, 2002 to March 6, 2007. The source name has changed from Hoosier Energy - Lawrence County Station to Lawrence Generating Station.

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 (SO_2) and nitrogen oxide (NO_X) on lakes, streams, forests, crops and, most important, the health of the public, by a nationwide SO_2 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 SO_2 and NOx program, along with past, present and future plans, can be found on the Internet at http://www.epa.gov/airmarkets/progsregs/arp/index.html. Additional information in the

form of maps showing the results of the SO_2 and NO_X limitations can be found on the Internet at http://nadp.sws.uiuc.edu/.

(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 (SO_2) 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 (SO_2) reduction requirements.

Sulfur Dioxide (SO_2) Emission Allocations

This source has no annual allocated sulfur dioxide emission allowances established in the Title IV Acid Rain Program. These units will be required to seek sulfur dioxide emission allowances from other units, in order to account for all sulfur dioxide emissions, as required by 40 CFR 72.9(c).

Nitrogen Oxide (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 reduction requirements. The units at this source will not burn coal as a fuel. The nitrogen oxide emissions from these units are regulated by IDEM's Minor Source Operating Permit (MSOP) 093-14495-00028 and will also be regulated by IDEM's Part 70 Operating Permit. MSOP 093-14495-00028 was issued March 6, 2002 with the requirement to file an application with IDEM to obtain a Part 70 Operating Permit twelve months after the power plant began operation. A Part 70 Operating Permit application was received March 28, 2006.

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

IDEM Contact

(a) Permit
Questions regarding the proposed Phase II renewal permit can be directed to Polly Hite at the Indiana Department Environmental Management (IDEM), Office of Air Quality (OAQ), 100 North Senate Avenue, Indianapolis, Indiana 46204-2251 or by telephone at (317) 233-2629 or toll free at 1-800-451-6027 extension 3-2629.

(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 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 233-6867.

(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
Indianapolis, Indiana 46204

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