



December 14, 2011

Ms. Merrily Gere
Department of Energy & Environmental Protection
Bureau of Air Management
Engineering & Enforcement Division
79 Elm Street
Hartford, CT 06106-5127

BUREAU OF AIR MANAGEMENT
NEW SOURCE REVIEW / TITLE V

DEC 15 2011

RE: Comments of PSEG Power Connecticut LLC Concerning
Proposed Regulations for the Post-2011 Connecticut Ozone Season Nitrogen
Oxides (NOx) Budget Program
RCRA Sections 22a-174-22d

Dear Ms. Gere,

Public Service Enterprise Group (PSEG) is a publicly traded energy and energy services company headquartered in New Jersey. Its main subsidiaries are: PSEG Power LLC, Public Service Electric and Gas Company and PSEG Energy Holdings LLC. PSEG Power Connecticut is part of the Power subsidiary and owns and operates the New Haven Harbor and the Bridgeport Harbor electricity generating stations.

PSEG appreciates the opportunity to comment on the Bureau of Air Management's proposed adoption of Section 22a-174-22d to the Regulations of Connecticut State Agencies concerning the Post-2011 Connecticut Ozone Season Nitrogen Oxides (NOx) Budget Program (the "Program"). This Program stems from the July 6, 2011 promulgation of the Cross-State Air Pollution Rule (CSAPR) by the U.S. Environmental Protection Agency (EPA) that requires numerous states to significantly improve air quality by reducing power plant emissions that contribute to ozone and/or fine particulate pollution in other states. However, EPA's rule came with mixed blessings: On the one hand, EPA did not include the State of Connecticut in its rule, as the agency found that Connecticut does not adversely contribute to the transport of air pollution across state boundaries. On the other hand, with Connecticut's exclusion, EPA left the state with a very short time to implement a program that would replace the now-defunct Clean Air Interstate Rule (CAIR) to maintain the emissions reductions that have been achieved through CAIR and to continue to satisfy several federal clean air mandates.

PSEG appreciates the efforts of the Bureau in developing the proposed Program that must be in place for May 1, 2012 and offers the following comments, which are separated into General Comments and Specific Comments on certain provisions of the proposed rule:

(f) Annual NOx Allowance Allocations – General Comments

PSEG generally supports the Program’s proposed NOx Allocation Methodology. The absence of the CAIR program and exclusion from the CSAPR rule dictate that the Program can no longer be interstate but instead must be intrastate. As such, in addition to the introduction of new NOx allowance “currency,” there is no bank of allowances or existing trading market upon which to build a viable NOx Allowance Allocation and Trading program. In essence, Connecticut must establish its Program to meet the aforementioned mandates and must do so for the short term, as a stop-gap, until the EPA establishes a CSAPR Phase II rule that includes the state or until a related action is developed on the federal level. As written, the proposed Program maintains the mechanism that is defined in Section 22a-174-22c of the Regulations of Connecticut State Agencies which provided for an allocation methodology that established a viable trading market which led to a successful implementation of the CAIR program in Connecticut. PSEG supports the Bureau’s decision to not include the post-2011 methodology in Section 22a-174-22c for allowance allocations as this would create a surplus of allowances for very few affected stakeholders. Such a methodology would not build a viable trading market, with only a limited number of potential sellers at least on the onset. The allowance allocation methodology specified in the proposed Program would provide a more equitable distribution such that more of a trading market will exist.

PSEG understands that the Bureau may decide to revisit the NOx Allowance Allocation methodology in the future, should EPA not establish additional interstate rules, after a viable trading market has been established under the proposed program. A period of two to three years may be sufficient to determine the direction that the proposed Program should ultimately take.

(f) Annual NOx Allowance Allocations – Specific Comments

Regarding subsection (f)(5)(C) of the proposal, PSEG recommends that this subsection be rewritten in its entirety to eliminate any reallocation of those allowances to both Phase I and Phase II Units that are surplus from the initial distribution to New Units. Instead, PSEG recommends that these surplus allowances be redistributed to the New Units, based on each unit’s operation during the current control period. Specifically, PSEG recommends the following for subsection (f)(5)(C):

(f)(5)(C) Allocate to the compliance account of each New Unit the number of NOx allowances, if any, equal to the product of the following equation:

For 2012 and beyond:

$$[(200 - A_{ALLOCATED-NU}) \times (EO_U / EO_{TOTAL})]$$

Where:

$A_{ALLOCATED-NU}$ = The number of NOx allowances allocated to New Units pursuant to subdivision (5)(A) of this subsection for the current year control period.

EO_U = For the year 2012 and each year thereafter, each New Unit's average net electricity output (in MWh) during the control period for the year of the current NOx allowance allocations.

EO_{TOTAL} = the total average net electricity output (in MWh) of all New Units during the control period for the year of the current NOx allowance allocations.

PSEG believes such distribution will benefit the New Units for low emissions operations and will add to the diversity of the NOx Allowance trading pool by creating additional sources of surplus allowances.

Similar to PSEG's suggestion above to have the Bureau revisit the NOx Allowance Allocation methodology in the future, the Bureau may also wish to revisit the proposed set-aside for New Units and increase this amount from 200 to 400 allowances in using PSEG's suggested change to this subsection.

However, should the Bureau seek to maintain the proposed distribution of NOx allowances that are surplus from the initial distribution to New Units, then PSEG recommends that it include a definition for EO_{TOTAL} in subsection (f)(5)(C) to include both Phase II and Phase I Units. This will avoid the reference to the definition in (f)(4)(C) that only includes Phase II Units. The suggested wording for this definition is presented below:

(f)(5)(C) Allocate to the compliance account of each Phase I and Phase II Unit the number of NOx allowances, if any, equal to the product of the following equation:

For 2012 and beyond:

$$[(200 - A_{ALLOCATED-NU}) \times (EO_U / EO_{TOTAL})]$$

Where:

$A_{ALLOCATED-NU}$ = The number of NOx allowances allocated to New Units pursuant to subdivision (5)(A) of this subsection for the current year control period.

EO_U = For the year 2012 and each year thereafter, each Phase I and Phase II Unit's average net electricity output (in MWh) during the 5th and 6th control periods preceding the year of allocation.

EO_{TOTAL} = the total average net electricity output (in MWh) of all Phase I and Phase II Units during the 5th and 6th control periods preceding the year of allocation.

(j) Emissions monitoring plans – Specific Comments

Subsection (j) of the proposed Program specifies the requirements for the submission of emission monitoring plans. However, numerous sources already have their plans on file, having been subject to requirements in the federal CAIR program and through other Bureau regulations. Subsection (k)(6) of the proposed Program provides an opportunity for Budget Units to avoid duplicate submittals for the initial certification and recertification of emissions monitoring systems. PSEG recommends that subsection (j) also include a mechanism to avoid duplication and presents the following wording for inclusion:

(j) Emission monitoring plans.

(1) The owner or operator of a Budget Unit subject to an acid rain emissions limitation shall submit an emissions monitoring plan to the commissioner and the Administrator in accordance with the requirements of 40 CFR 75.62, provided that the monitoring plan shall also include all of the information required under 40 CFR 75, Subpart H.

(2) The owner or operator of a Budget Unit not subject to an acid rain emissions limitation shall submit an emissions monitoring plan to the commissioner and the Administrator in accordance with the requirements of 40 CFR 75.62, provided that the monitoring plan shall contain the information required under 40 CFR 75, Subpart H in lieu of the information required under 40 CFR 75.53.

(3) Notwithstanding subdivisions (1) and (2) of this subdivision, a Budget Unit that has submitted a emissions monitoring plan between September 1, 2007 and October 1, 2011 and in accordance with section 22a-174-22c of the Regulations of Connecticut State Agencies, is not required to resubmit an emissions monitoring plan unless the plan is modified or changed subsequent to the prior submittal. Modifications and changes include certification or recertification of monitoring equipment.

(I) Emissions monitoring – Specific Comments

Subsection (I)(14) of the proposed Program specifies requirements for low-mass emissions units to annually demonstrate that emissions are less than specified levels to maintain the low-mass emission classification. However, this subsection does not specify the manner to make these annual demonstrations. PSEG presents the following wording for inclusion to identify the means for fulfilling the annual demonstration requirement:

(14) Once a low-mass emissions unit has qualified for and has started using the low mass emissions excepted methodology, an annual demonstration is required, showing that the unit continues to emit less than twenty-five (25) tons of SO₂ annually and less than fifty (50) tons of NO_x annually, as calculated using the methodology contained in 40 CFR 75.19(c), or showing that the unit continues to emit less than twenty-five (25) tons of NO_x during each control period, as calculated using the methodology contained in 40 CFR 75.19(c). *Such demonstration may be made:*

- a. on forms provided by the commissioner;*
- b. through quarterly reports as specified in subsection (n) of this section;*
- c. through the annual emissions statement reports as required under section 22a-174-4 of the Regulations of Connecticut State Agencies; and/or*
- d. through the net metered electricity output reports as specified in subsection (n)(4)(A) of this section,*
as applicable.

PSEG appreciates the opportunity to submit these comments and appreciates the Bureau's efforts in developing the proposed Program.

Sincerely,



Robert Silvestri