



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue
Seattle, Washington 98101

Reply To
Attn of: AWT-107

SEP 11 2007

John Kuterbach
Alaska Department of Environmental Quality
410 Willoughby Avenue, Suite 303
Juneau, Alaska 99811-1800

Re: Determining the Ambient Air Boundary for Potential Permit Application in Support of
Alaska Industrial Development and Export Authority's Restart of Healy Clean Coal Project

Dear Mr. Kuterbach:

This letter responds to your May 17, 2007, request to the U.S. Environmental Protection Agency (EPA) Region 10, for guidance in determining the ambient air boundary for a source within a source. Thank you for providing EPA Region 10 with an opportunity to contribute to your decision-making. Our response is based upon our interpretation of the applicable regulations and is shaped by the facts of the case as you have presented them. I hope that you find this response to be useful in administering your regulations.

Your specific questions relate to the Healy coal-fired power plant. As you described it, the Golden Valley Electric Association (GVEA) plant site in Healy, Alaska consists of two existing steam generators. GVEA owns and operates one of the steam generators; a conventional 25 megawatt (MW) coal-fired boiler. The Alaska Industrial Development and Export Authority (AIDEA) intends to restart the other generator; a 50 MW boiler which is known as the Healy Clean Coal Project (HCCP).

The restart will be distinctly different from the initial HCCP startup in that AIDEA will process and store its coal separate from the existing GVEA operations. As your letter states, "AIDEA and GVEA will have completely separate operations, emergency power provisions, and separate access routes." You explained that restarting the HCCP will include the construction of a coal preparation plant and will trigger Alaska Department of Environmental Conservation (ADEC) minor source permitting requirements. Accordingly, pursuant to state requirements, AIDEA must provide an ambient air demonstration. You ask for clarification regarding the appropriate ambient air boundary for AIDEA's demonstration.

As you explained, ADEC predicts that the project will trigger the requirement to obtain a minor permit for air quality protection. The minor permit application must include a modeling demonstration that the proposed potential emissions from the stationary source will not interfere with the attainment or maintenance of the ambient air quality standards. Modeling receptors are positioned at locations in ambient air. In other words, a source is not required to predict its emission impacts at locations that are not ambient air. Thus, it is necessary to determine the ambient air boundary for the AIDEA operation.

On June 22, 2007, EPA issued the enclosed memorandum entitled, "Interpretation of 'Ambient Air' In Situations Involving Leased Land Under the Regulations for Prevention of Significant Deterioration."¹ The memorandum and its accompanying support document describe EPA's longstanding interpretation of "ambient air as it applies to a sources operating on leased land. The memorandum explains that in order to identify the boundary between a source and ambient air in a leased-land scenario it is important to determine whether you are dealing with a single source or with separate sources. Then, with respect to each single source, it is EPA's practice to exempt an area from ambient air only when the source owns or controls the property; and precludes public access to the property using a fence or other physical barrier.

As a preliminary matter, in your letter to EPA, you state, "the Department presumes that GVEA will be able to adequately preclude public access to the entire power plant." Your letter, however, does not provide the facts to support your presumption. However, assuming that GVEA does in fact preclude public access (including access by AIDEA employees), by fence or other physical barrier and controls access within the entire property it is correct to view the entire power plant as non-ambient for GVEA.

Your letter describes three possible scenarios and asks which portion of the property would be considered ambient air with respect to AIDEA (HCCP) emissions under each scenario. EPA, Region 10, reviewed the scenarios you described in light of the Clean Air Act, its implementing regulations and EPA's interpretation as described in the June 22, 2007, memorandum. EPA, Region 10, offers the following discussion of "ambient air" based on our understanding of the three possible scenarios you described for AIDEA's restart of HCCP.

Scenario 1

Description: AIDEA controls access to their area of the operation and GVEA would not be allowed into that part of the property. However, GVEA controls access to the entire combined property along the outer boundary. GVEA leases property to AIDEA upon which it conducts coal preparation and storage activities in addition to generating electricity via HCCP. The leased property is not accessible to the general public along the fenced/gated boundary with Healy Road.

Discussion: The operations are not under common control. Therefore, AIDEA's pollutant-emitting activities constitute a separate source distinct from GVEA's pollutant-emitting activities. In order to exempt the atmosphere above the leased property from being considered "ambient air" within the context of AIDEA's permit application, AIDEA must take steps to preclude the general public (including GVEA employees) from accessing the leased property. Public access may be precluded by erecting fence or other physical barrier in any areas where one does not currently exist. We agree that in this scenario, assuming public access is precluded by fence or other physical barrier, AIDEA's area would not be ambient air for AIDEA's modeling purposes.

Scenario 2

Description: Same as Scenario 1 except that AIDEA does not control access to its leased property. GVEA would control access to the entire property, but GVEA would not use AIDEA's

¹ <http://www.epa.gov/region07/programs/artd/air/nsr/nsrmemos/leaseair.pdf>

area. You suggest that a lease agreement specifically preventing GVEA from having general on emergency) access would allow AIDEA area to be considered non-ambient for AIDEA modeling purposes.

Discussion: Because AIDEA controls the HCCP operations, there is no common control and the operations are viewed as separate sources. AIDEA, however, does not preclude public access to its area by fence or other physical barrier. A lease agreement precluding GVEA general access is insufficient to control general public access to the AIDEA area. Thus, AIDEA area would be considered ambient for AIDEA modeling purposes.

Scenario 3

Description: GVEA leases property to AIDEA upon which separate coal preparation and storage activities are conducted. GVEA would become a subcontractor to AIDEA to run the HCCP and GVEA employees would have access to the entire combined property.

Discussion: AIDEA and GVEA activities clearly share the same industrial grouping (SIC 49 - Electric, Gas, and Sanitary Services) and are located on contiguous property as evidenced by the aerial photographs and plots you provided. Common control of the pollutant-emitting activity on the leased property may be established based on the contractual arrangement between AIDEA and GVEA. However, additional information regarding the operation and control of the activities on the AIDEA property (beyond just the HCCP unit) is necessary to determine whether or not all activity on the leased property is under common control and thus whether the AIDEA and GVEA operations constitute a single source.

Assuming that it is a single source and if GVEA does in fact preclude public access by fence or other physical barrier and controls access within the entire property, none of the property is considered ambient. This may require erecting a physical barrier in areas, if any, where one does not currently exist.

Please do not hesitate to contact Dan Meyer of my staff at either (206) 553-4150 or meyer.dan@epa.gov should have any questions about the views expressed in this letter.

Sincerely,



Nancy Helm
Federal and Delegated Air Programs

Enclosure

cc: Tom Chapple, ADEC
Cliff Elsmann, Montauk Environmental Engineering
Cynthia Espinoza, ADEC
Sally Ryan, ADEC
Alan Schuler, ADEC
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