
From: Cunningham, Daniel (EH&S) [mailto:Daniel.Cunningham2@pseg.com]
Sent: Monday, March 17, 2008 9:37 AM
To: Jacobs, Wendy
Cc: Gobin, Anne
Subject: CE HEDD initiative - PSEG input

Wendy, thank you for the opportunity to provide guidance to CTDEP as you move forward to address High Electric Demand Day concerns in CT. Below are PSEG commentary focused on your specific questions identified at the Feb 27, 2008 stakeholder meeting. If you have any questions, clarifications or concerns, please contact me by e-mail or phone.

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Please consider the following input to your decision making:

PSEG, as well as other major electric generating units in the NE, is participating in the RGGI mandate starting in 2009. One of the prominent areas of concern is the impact of “leakage” to upwind sources. Leakage in a RGGI construct is GHG but there are attendant pollutants of concern that could impact progress.

NJ, by all accounts upwind of CT, is aggressively moving forward with energy efficiency programs that should positively impact CT air quality. This is especially true on HEDD’s. PSEG, specifically, is installing an SCR at Hudson station, near Newark, that will positively impact CT air quality by reducing NOx emissions.

In that the Clean Air Mercury Rule was struck down by the courts, coal burning power plants will likely be challenged to reduce Hg emissions on a MACT basis rather than the proposed cap and trade program. If the MACT process happens, and is engaged in a timely fashion, it is likely that coal burning sources will need to apply technology that could include co-benefits for NOx reduction. This will have a demonstrable positive effect on CT air quality and was not part of the modeling performed in the CAIR+ development.

During the CT HEDD stakeholder meeting of Feb 27, 2008, some specific input was requested; namely,

- ★ Given multiple pollutants and energy market changes, are there critical timing issues we should be aware of in establishing shorter term and longer term objectives?

In general, creating “stringent and prescriptive” shorter term objectives may limit the flexibility of sources that are on track to achieve significant reductions in the longer term (~2015). Some of the expected activity that will have some impact on CT air quality are as follows:

The recent DPUC call for new “30 minute on” generation in the 2010 time frame is expected to eliminate the requirement for some oil-fired generation on HEDD’s. Note that many currently identified “HEDD units” are Reliability Must Run units.

On the positive environmental side, PSEG is actively planning on changing out our NJ based HEDD combustion turbine fleet. This change out will be occurring during the rough approximate 2010 – 2018 time frame. These reductions will go well beyond the OTC-HEDD requirements and these reductions, in total, should positively impact CT air quality.

The O3 NAAQS standard was just lowered to ~75ppb from ~85ppb. This will require more sources upwind of CT to reduce O3 causing precursors to support expected SIPs from upwind states.

- ★ Should there be one reduction target developed or should there be decreasing reduction targets over time?

Because of the many environmental wheels turning in the next 5 years, including the impact of transportation initiatives yet to be realized, it would be prudent to establish only a short term target necessary to meet the MOU.

- ★ What types of emission units should the program apply to?

Any initiative to make progress toward ozone reductions should include all as many contributing sources as practicable.

- ★ For assuring the HEDD emission reductions occur and are maintained, what limits should be applied?

In the short term, for the electric sector, I believe “tons out of the air” should be the focus rather than establishing any rate based limit. If “tons out of the air” can be achieved by some fuel switch, proactive operational control, physical control technology and/or demonstrable reductions from non-HEDD units (in or out of the state)..... this should be acceptable. A baseline number of tons must be provided.

- ★ Which pollutants should be addressed?

Ozone precursors

- ★ What is the most cost-effective approach?

For the electric generation sector, the most cost effective approach, especially in the short term, is to allow the source owner to develop a plan of action to meet the reduction goal. The draft POA should be required to be presented, in draft, to the DEP at a reasonable

time after the rule is final. The DEP and the owner should work together toward an enforceable commitment in time to meet the 2009 MOU requirements.

The approach should allow inter-facility compliance, including PSEG NJ HEDD reductions should be allowed to demonstrate compliance for PSEG Connecticut HEDD compliance, if those reductions exceed what is necessary for compliance within New Jersey.

Consistent with the above statement that any initiative to make progress toward ozone reduction should include as many contributing sources as possible, the approach should allow for environmentally equivalent projects that would remove NOx or other ozone precursors from another sector. DEP's own data indicates that a significant portion of the Nox emissions on high-ozone days are from the transportation sector.

In summary, the maximum of amount of flexibility consistent with the MOU obligations should be pursued by CT with a long term commitment to understand the above activity and the expectation of new SIP obligations to meet the new standard.