UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN - 2 2004

OFFICE OF
AIR AND RADIATION

Mr. Robert D. Teetz
Alternate Authorized Account Representative
Keyspan, Environmental Engineering Department
175 East Old Country Road
Hicksville, NY 11801-4280

Re: Petition to Retain Low Mass Emissions Unit Status for Units at the Holtsville Generating Station (Facility ID (ORISPL) 8007)

Dear Mr. Teetz:

This is in response to your December 11, 2003 petition under § 75.66(a) in which Keyspan requested permission to retain low mass emissions (LME) status under § 75.19, for Units U00005 and U00006 at its Holtsville, New York generating station. During the 2003 ozone season, the units in question exceeded the 50-ton nitrogen oxides (NO_x) emission limit in § 75.19 (a)(1)(i)(A)(*3*), resulting in disqualification from using the LME methodology. EPA approves the petition, with conditions, as discussed below.

Background

Keyspan owns and operates the Holtsville generating station. The facility is located in Suffolk County, New York and consists of twenty combustion turbines that combust diesel oil. The turbines, which commenced commercial operation in July, 1974, operate in pairs, with each pair ("twin pack") powering a 56.7 megawatt (MW) generator. Each combustion turbine has a maximum rated heat input capacity of 416 mmBtu/hr. The units are subject to the NO_x Budget Trading Program under 6 NYCRR § 204, which requires Keyspan to monitor and report NO_x mass emissions and heat input for the units in accordance with Subpart H of 40 CFR Part 75.

Under Part 75, for oil and gas-fired units there are three possible compliance options for NO_x monitoring. The owner or operator may either: (1) install continuous emission monitoring systems (CEMS); (2) use the methodology in Appendix E (peaking units, only); or (3) use the low mass emissions (LME) methodology in § 75.19. In 2002, Keyspan determined that the Holtsville units qualified for LME status, based on the NO_x mass emissions from the 1999, 2000 and 2001 ozone seasons. In the years 1999 through 2001, the units were regulated under the New York State Department of Environmental Conservation (NYSDEC) NO_x Budget Program (6

NYCRR §227-3). Under that program, Keyspan monitored and reported ozone season NO_x mass emissions and unit heat input, using a monitoring methodology similar (but not identical) to the LME method.

In the 2003 ozone season, two of the twenty units at the Holtsville facility, i.e., Units U00005 and U00006, failed to meet the 50-ton NO_x ozone season limit in § 75.19 (a)(1)(i)(A)(*3*). As a result, these units are disqualified from using the LME methodology and, in accordance with § 75.19 (b)(2)(ii), Keyspan is required to install, certify, and report NO_x emissions and heat input data from monitoring systems that meet the requirements of §§ 75.11, 75.12 and 75.13, no later than December 31, 2004. According to § 75.19(b)(5), when a unit loses its LME status, the unit may only re-qualify to use the LME methodology if at least three full ozone seasons of actual, monitored emissions data are obtained, showing that the unit emits no more than 50 tons of NO_x during the ozone season.

Keyspan claims that two emergency conditions outside its control led to the exceedance of the LME NO_x mass limitation. The first emergency was the August 2003 power blackout in the northeastern United States, for which the Governor of the State of New York issued an Executive Order (No. 130) declaring a disaster in the State of New York. The Commissioner of the NYSDEC also issued an order authorizing the exercise of discretion under 6 NYCRR 201-1.4 to excuse the violation of air quality standards applicable to the operation of electric generating facilities during the emergency. During this emergency, all units at the Holtsville facility were dispatched in the period extending from August 14 through August 17, 2003 to alleviate the power shortage. According to the 3rd quarter, 2003 Electronic Data Reports (EDRs) submitted by Keyspan, Units U00005 and U00006 each operated for 53 hours during the emergency, and 5.08 tons of NO_x emissions were emitted from each unit.

The second emergency situation occurred on September 19 and 20, 2003. Keyspan claims that Hurricane Isabelle affected the New York power supply, resulting in the New York Independent System Operator (NYISO) requesting the operation of Holtsville Units U00005 and U00006. According to the EDRs, Units U00005 & U00006 each operated for 20 hours and emitted 1.7 tons of NO_x during the emergency.

According to Keyspan, operation of Units U00005 and U00006 during these two emergencies accounted for 6.35 tons of the 52.8 tons of NO_x emitted in the 2003 ozone season. Consequently, if the units had not operated during the emergency situations, the total NO_x mass emissions for the ozone season would have been less than the 50-ton limitation required to retain LME status. Therefore, in the December 11, 2003 petition, Keyspan requested that the LME status for Holtsville units U00005 and U00006 be retained.

EPA's Determination

EPA reviewed the operational records for Units U00005 and U00006, as reported by Keyspan in the EDRs for the 2003 ozone season. The Agency notes that each unit had recorded

only 43.2 tons of NO_x at the point in time that the blackout emergency had ended on August 17, 2003. At that point, Keyspan had not yet exceeded the LME NO_x limitation. Following the blackout, the units were operated for an additional 88 hours and recorded 7.78 tons of NO_x emissions prior to the second emergency associated with Hurricane Isabelle. It was actually on August 27, 2003, during this 88-hour period of operation prior to the hurricane, that the units exceeded the 50-ton NO_x limitation.

EPA also notes that with regard to the second emergency on September 19 and 20, 2003 other units could have been selected to operate in place of Units U00005 and U00006. In fact, Units U00009 and U00010 were not operated at all during that period and ended the ozone season having only recorded 25.5 tons of NO_x. Furthermore, EPA does not agree that a dispatch order for power from the NYISO (or any other dispatch organization) can be used to excuse Keyspan (or any affected utility) from complying with the monitoring requirements of Part 75. Rather, it is Keyspan's responsibility to coordinate the operation of its units to meet both its emission monitoring requirements and its commitment to NYISO.

Nevertheless, EPA agrees that if the 6.35 tons of NO_x emitted by each unit during the two emergency situations are subtracted from the total NO_x mass emissions reported for the 2003 ozone season, neither Unit 0005 nor Unit 0006 would have exceeded the 50 ton NO_x emission limitation. EPA conditionally approves Keyspan's request to retain LME status for Units U00005 and U00006. EPA's approval is conditioned on Keyspan obtaining a federally enforceable permit limit of 50 tons NO_x per unit per ozone season for each of the twenty units at the Holtsville facility by December 31, 2004. Under §75.19(b)(5), a unit may requalify for LME status only by collecting three years of actual, monitored data showing that the unit emits less than the applicable number of tons required for LME qualification. However, if Keyspan commits to, and obtains, a federally enforceable permit limit for each of the Holtsville units at the same tonnage level as required for maintaining LME status, that will provide significant assurance that all units at the Holtsville facility will in fact operate within the LME tonnage limit. Under that circumstance, EPA maintains that requalification for LME status is appropriate without prior collection of three years of actual data.

Keyspan should submit an application for the federally enforceable permit limit no later than July 1, 2004. Should the permit modification not be approved and issued by the NYSDEC prior to December 31, 2004, Units U00005 and U00006 will be immediately disqualified from the LME methodology. In that case, Keyspan shall report the maximum potential NO_x emission rate and maximum potential hourly heat input for each hour of operation until a CEMS or other Part 75-compliant monitoring methodology has been installed and certified.

For the remaining 18 units that did not exceed the 50-ton LME NO_x threshold in 2003, the provisions of § 75.19(b) pertaining to ongoing LME qualification shall continue to apply in the 2004 ozone season and in subsequent ozone seasons.

EPA's determination relies on the accuracy and completeness of Keyspan's December 11,

2003 petition and the emissions data reported to EPA in the 2003 EDRs for the Holtsville facility, and is appealable under Part 78. If you have any questions regarding this determination, please contact Matthew Boze at (202) 343-9211.

Sincerely,

Sam Napolitano, Director
Clean Air Markets Division

cc: Ann Zownir, EPA Region II
Don Spencer, NYSDEC
George Martin, Keyspan
Matthew Boze, CAMD