

June 21, 2007

Mr. Steven E. Chester
Director
Michigan Department of Environmental Quality
Constitution Hall, 6th Floor
525 W. Allegan Street
Lansing, MI 48933

RE: Response to Briefing Paper Regarding Inclusion of IGCC in BACT Analyses

Dear Director Chester:

Recently, through a Freedom of Information Act (FOIA) request to the Air Quality Division (AQD), one of our member companies obtained a briefing paper authored by Mr. John Vial regarding inclusion of Integrated Gasification Combined Cycle (IGCC) in best available control technology (BACT) determinations. In this paper, Mr. Vial recommends that the MDEQ take the position of requiring "... that IGCC be considered in a BACT determination." According to the paper, this would apply only to a new coal-fueled power generation facility in Michigan. We believe this policy, if implemented, would have significant implications for reliability of the energy grid and significantly increase the cost of energy without significant corresponding environmental benefit. We would appreciate the opportunity to provide input on this policy, before the decision is made, given its potentially broad impact on energy reliability, the price of power and as a result Michigan's economic future.

I urge you to withhold your determination and decision regarding the recommendation put forward by Mr. Vial and the AQD, until we can provide you a detailed analysis of IGCC and the recommendations contained in the staff's briefing paper. MMA has concerns that the underlying technical facts presented in the briefing paper are in error and the regulatory basis for the recommendation goes beyond the Federal authority provided the states within the Prevention of Significant Deterioration (PSD) regulations. Specifically, the assertion that the use of IGCC technology is not considered "redefining" the source is contrary to recent U.S. EPA guidance and has implications that go beyond the permitting of coal-fueled power plants. IGCC is not a control technology, which is what a BACT analysis determines. Rather it is a combustion engineering technology that requires add-on controls to clean the syngas just as a conventional coal-fueled power plants require add-on control technology to clean the flue gas. Raw syngas produced from IGCC technology is not clean and IGCC does not offer "superior environmental performance" in the absence of a gas cleaning train.

Further, the assertion that IGCC technology "has matured" is a statement that can only be reflective of the engineering of plants, not in their operational performance. Such an assertion is also in direct contradiction to the risk profile management dictated by Michigan's 21st Century Energy Plan.

To date, only 2 IGCC plants (Wabash River in 1999 and Polk Power in 1998) have been built in the United States and reliability has been the major problem for both facilities. Further, these

plants were constructed and are operated as demonstration projects for DOE's Clean Coal Technology program and received significant federal funding.

While there have been IGCC projects proposed in the U.S. in recent years, only a small percentage has completed the air permitting process. More significantly, none have been built since the repowering project of Wabash River in 1999. Consequently, MMA has serious concerns with the claim by Mr. Vial that IGCC technology has emerged and would meet the availability criteria of BACT.

As stated above, MMA is very concerned about the potentially significant implications for the reliability of Michigan's energy system and the consequences of the increased cost of energy on Michigan's economy. In addition, we are concerned such a policy would be implemented by the agency, without going through the appropriate rule making process.

We would appreciate the opportunity to share with you our technical and policy concerns on the potential policy and its impact on Michigan's energy policy and economic policy. In the coming weeks, MMA will be preparing our own briefing paper regarding IGCC technology and providing, to you, additional comments on the proposed policy. Again, I urge you to withhold your final decision regarding the recommendation contained in Mr. Vial's briefing paper until further information is received from MMA on behalf of our members. Thank you in advance for your consideration.

Respectfully,

Mike Johnston,
Director of Regulatory Affairs

Cc: J. Peter Lark, Michigan PSC
Rep. Rebecca Warren
Sen. Patty Birkholz
Vince Hellwig