

Seeing Clearly

The Regional Haze Program: Minnkota's Experience

***Minnkota* Power**
MPC COOPERATIVE, INC.

Your Touchstone Energy® Partner



Regional Haze Program National Goal

**The prevention of any future,
and the remedying of any existing,
impairment of visibility
in mandatory Class I areas
which impairment results from manmade
air pollution.**

No visibility impairments by 2064

Regional Haze Program Authority

- States create State Implementation Plans (SIPs):
 - Establish goals – reasonable progress – to eliminate visibility impairment by 2064
 - Establish measures to make reasonable progress including Best Available Retrofit Technology (BART) on large sources built between 1962 and 1977
- States submit SIP to EPA for approval
- If ND follows regulatory process, their decision is given deference

Seeing Clearly, Thinking Clearly

- State of North Dakota conducts detailed analysis of BART for ND plants
- North Dakota submits SIP to EPA
- EPA notifies North Dakota of its intent to FIP BART NO_x controls on Leland Olds (Basin) and Milton R. Young (Minnkota)

EPA disagrees with ND's BART for NO_x Controls

- North Dakota: SNCR+OFA is BART
 - Cost = **\$40 million** to install at MRY
- EPA: SCR is BART
 - Cost = **\$500+ million** to install at MRY

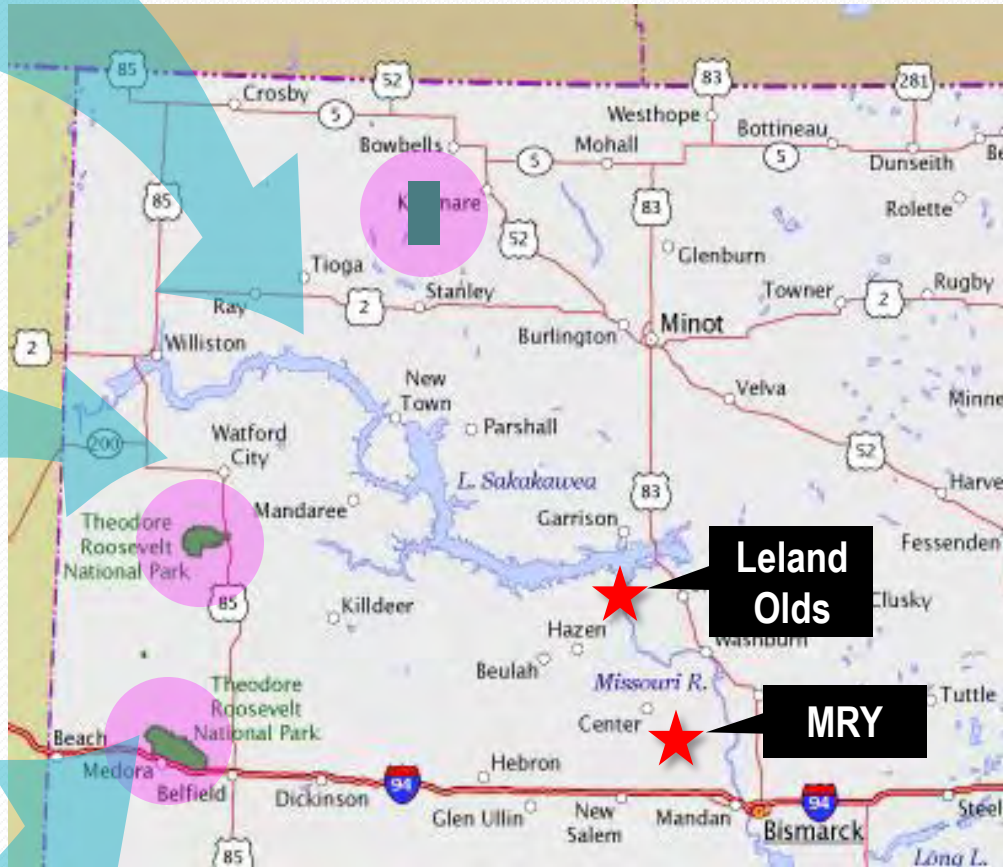
Are the benefits clear?

- EPA says:
 - SCRs reduce more NO_x than SNCRs – 60% vs. 90%
 - SCRs should work on MRY cyclone boilers because other plants with cyclone boilers use SCRs

...BUT...

EPA's reasoning is hazy.

- North Dakota says:
 - Visibility improvement with SCRs would be imperceptible
 - Glide path cannot be met due to Canadian sources
 - SCRs are not proven to work on cyclone boilers that burn high sodium North Dakota lignite coal
 - Even the catalyst vendors would not give a guarantee without extensive testing



Plants are down wind

ND Recently Selected SNCR as BACT for NO_x at MRY

- Pursuant to Consent Decree
- Strong record built over 4-year process
- EPA seeks to overturn in Federal Court but likely to lose
- Regional haze is EPA's Plan B to force SCR

Members' Rates Will Jump if EPA Prevails in Forcing SCRs

- \$500 million capital investment
- \$100 million yearly cost
- 30 to 35% rate increase
- No significant improvement in visibility

**The Costs are High.
The Benefits are Hazy.**

Significant Environmental Investments Recently Made at MRY Station

- Unit 1
 - New SO₂ scrubber + OFA/SNCR (2011)
- Unit 2
 - Modified scrubber + OFA/SNCR (2010)
- Reduced SO₂ by 95%
- Reduced NO_x by 60%
- Cost: \$420 million

What's driving EPA?

- EPA believes anything less than SCRs is an environmental retreat
 - “BACT” case
 - Consent Decrees with environmental groups drive deadlines for the SIP
 - California agreement
 - Colorado agreement

Bringing Clarity: Responding to EPA

- State of North Dakota
 - BACT: EPA and State are in North Dakota Federal Court
 - State filed motions to intervene and dismiss in Colorado and California
 - Litigation war chest
- RECs and Lignite Energy Council
 - Op-ed by 60 organizations
 - Ron Harper and Mac McLennan letter
 - TV and print media ads
 - **www.stopEPAnd.com** website

Bringing Clarity: Responding to EPA

- Members
 - Contacting delegations
 - Ready to comment to EPA
- Congressional delegations
 - Franken and Peterson letter
 - Klobuchar also in support
 - North Dakota governor and congressional delegation very involved

Respond

- EPA to act on Aug. 18??
- **www.stopEPAnd.com**