

AGNEDA ITEM:

Hearing Officers' Report on Clean Air Mercury Rules

EXPLANATION:

On May 25 and June 1 and 8, 2006, Dr. David Moreau, Dr. Frank Shaw, and Stephen Smith held public hearings on proposed clean air mercury rules (CAMR).

On May 29, 2005, the EPA promulgated the emission guidelines to limit the emission of mercury from coal fired electrical generation units. The State plan is due November 17, 2006. The EPA will implement its rules in states that do not require affected sources to reduce emissions of mercury necessary to meet the mercury cap in its rules.

These rules apply to (1) any stationary coal-fired boiler or stationary combustion turbine fired with coal-derived fuel serving a generator with nameplate capacity of more than 25 MWe producing electricity for sale and (2) any coal-fired cogeneration unit serving at any time a generator with nameplate capacity of more than 25 MWe and supplying in any calendar year more than one-third of the unit's potential electric output capacity or 219,000 MWh, whichever is greater.

North Carolina received an allocation of 1.113 tons or 35,616 ounces for 2010-2017 and 0.447 tons or 14,304 ounces for 2018 and each year thereafter. These allocations are distributed among the affected sources.

The proposed rules incorporate by reference the EPA guideline rules on definitions, requirements for designated representative and alternate designated representative, permitting requirements, trading and banking provisions, and monitoring and reporting requirements.

Rule 15A NCAC 02D .2511, Mercury Emission limits, requires more stringent new source mercury emission limits than the EPA rules. It also requires reductions in mercury emissions for Duke Energy's and Progress Energy's existing coal-fired boilers.

More than 3000 comments were received. Many commenters supported the proposed rule. Most commenters wanted more reductions than expected under the EPA CAMR guidelines, and they wanted those reductions to occur sooner than required by

the proposed rules. Several commenters discussed the health effects of mercury. Some discussed the cost of controlling mercury. EPA recommended several wording changes, which have been made.

The allocations given to the affected sources have been reduced by the new source growth set aside, which is five percent for each year from 2010 to 2017 and three percent for each year from 2018 and each year thereafter. The new source growth set aside has been placed in the new source growth rule.

A copy of the hearing record has been sent to you.

RECOMMENDATION:

The Hearing Officers recommends that the Commission adopt the proposed rules as presented in Chapter II of the hearing record.