

Indiana Department of Environmental Management

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Text as prepared for: Northeast Indiana Development Group

Date presented: December 7, 2000

Location: First Floor Conference, One North Capital

(Text does not include verbatim comments)

Thank you for inviting me to join you, as well as several of my colleagues from state government, for a few minutes this morning.

I want to assure you at the outset of my remarks that my agency, the Indiana Department of Environmental Management, exists to help you do business but to do business in an environmentally responsible way.

We are fortunate in Indiana because we have one of the largest concentrations of manufacturing in the United States. Our many industries create jobs, build our economy and strengthen our communities and families. However, with this asset comes a great responsibility . . . a responsibility to protect and preserve our natural resources. I believe that part of any business' business is to find more efficient processes that reduce our reliance on virgin materials and reduce emissions of hazardous substance. In short, protecting our environment.

In my comments this morning, I want to focus on an issue that is of importance to your corner of Indiana – the Steel Dynamics facility – as well as two issues that have statewide significance – merchant or peaking power plants and the State Revolving Fund.

Steel Dynamics:

I suppose the first question on your minds is: *Will they ever get a final permit?*

A final decision on pending changes to the SDI permit is imminent.

I cannot promise a date certain when IDEM will make a final decision on this permit but I can guarantee you that we are proceeding with all deliberative speed.

As you may know, the original permit was appealed to the U.S. Environmental Protection Agency's Environmental Appeals Board by a group of local citizens and a labor union. After a very long deliberation, that body upheld the permit for the most part, but remanded three technical issues to IDEM.

However, the Appeals Board remanded the following three relatively narrow issues to IDEM for reconsideration.

IDEM's treatment of condensable lead emissions (those emissions that are exhausted as gas but condense in the atmosphere) and the Union's alternative estimates of lead emissions;

The cost-effectiveness analysis for add-on controls for NO_x at the reheat furnace; and;

The form of the best available control technology emissions limitations for NO_x and carbon Monoxide from the electric arc furnace.

While it took the Appeals Board about a year to rule, the board stated that the numerous issues raised in this case were "procedurally, factually and technically" complex and, as I just mentioned, the Appeals Board upheld 19 of 22 separate issues in this permit.

I believe the staff members of IDEM's Office of Air Management, which includes Paul Dubenetzky, are justifiably proud of their work on this permit. It wasn't an easy permit to write and rather than a rebuke of the agency's work, I think the Appeals Board asked the agency to review its conclusion one more time and, if necessary, tweak them a bit. I think the Appeals Board review of the permit shows that IDEM's initial permit was pretty darn solid.

IDEM released its preliminary resolution of the three issues in late September and conducted a public hearing on October 30. The comment period following the public hearing closed on November 6.

We are working closely with the U.S. EPA to ensure that it agrees that our final decision satisfies all the remanded issues.

We expect this forthcoming decision to be appealed. However, in this case the U.S. EPA should be in position to unconditionally support our decision in front of the EAB.

Merchant Power Plants:

Indiana has always been called the *Crossroads of America* but until just recently, that term applied to modes of transportation. However, Indiana's central location, along with its sister Midwestern states, explains why so many merchant power plant or peaking plants have sprouted up in Indiana over the past two or three years.

At last count, Indiana either had or had applications for 27 peaking plants from the shores of Lake Michigan to the banks of the Ohio River.

The nearest peaking plant relevant to this group is the proposed DPL Energy plant near Montpelier in Blackford County, just south of the Wells County line. There's a sister plant proposed next door in Grant County.

These plants plan to sell their output on the wholesale power market and power companies between the Rocky Mountains and the Atlantic seaboard buy this output for their customers, both residential and commercial.

Two broad issues have arisen regarding these peaking plants: **environmental concerns** and **siting/zoning concerns**. Because I'm the commissioner of IDEM, let me address the environment issues first.

My agency evaluates permit applications from peaking power plants the same way it considers other sources of air emissions.

New sources must obtain a construction permit from the Office of Air Management before installing any facility that has the potential to emit significant amounts of air pollution.

In regard to emissions, IDEM has done analyses for three types of facilities that have already received permits.

The technical review determines the type and nature of control equipment and emission limits that will be required.

After determining the appropriate control technology and/or emission limits, our air quality analyses have demonstrated to date that the air in the vicinity of these plants will continue to meet the health-based National Ambient Air Quality Standards established by the U.S. EPA.

In particular, these analyses showed that the maximum amount of pollutants emitted by a plant would add less than one-half of 1 % of these standards to existing air quality.

In short, in the cases reviewed, none of the plants would impact air quality to an extent that would be considered a significant health threat.

Also, once operational, IDEM staff members will inspect the new plants to ensure that they are in compliance with their air permits. Air permits for utility projects require continuous emissions monitoring for critical pollutants.

IDEM then receives quarterly reports of the continuous monitoring data, fuel usage and other compliance-related information required by the permit.

Perhaps, then, the biggest concern among residents is the "siting" of these peaking plants.

IDEM does not have control over zoning issues. The permit, by law, cannot address issues related to the siting of businesses.

We advise and encourage residents to contact city and county government officials with questions and comments about local zone decisions.

The Regulatory Flexibility Committee, a legislative committee, held a session related to merchant plants in October and it is possible that legislation will be introduced by one or more legislators to address merchant plant issues.

Indiana's Utility Regulatory Commission also has held hearings this summer and fall related to electricity reliability in Indiana.

SRF:

In wrapping my remarks, I wanted to tell you about one of our most successful programs at IDEM . . . it's the State Revolving Fund to finance wastewater improvements and drinking water projects.

IDEM, working closely with the State Budget Agency, has issued nearly \$33 million in low-interest loans in communities in the nine counties represented here today and nearly \$1 billion statewide.

All too often, small communities see IDEM as only their regulator instead of their partner in protecting the environment and this program lets us work with communities to protect their residents' health.

But providing necessary capital for infrastructure investment is only half the good news; these low-interest loans have saved local communities statewide more the \$300 million in interest.

SRF loans from the wastewater program, which began in 1992, are used to pay for improvements to treatment plants, to extend and upgrade sewer lines, to correct combined sewer overflows and other related sewer projects.

Loans from the drinking water program are used to pay for improvements to drinking water treatment plants, to extend and upgrade water lines and to improve water towers.

Obviously, these are necessary, if not indispensable, infrastructure requirements for business and industry. When you return home, I would encourage you to let your local officials know about this opportunity.

With the time we have left, I will be happy to take your questions and, hopefully, if I don't have the answer, Paul will.