



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**  
**REGION 10**  
1200 Sixth Avenue  
Seattle, WA 98101

JUL 10 2000

Reply To  
Attn Of: OAQ-107

Mr. Gary Reinbold, M.A.  
Air Quality Analyst  
Idaho Department of Environmental Quality  
1410 North Hilton  
Boise, Idaho 83706-1255

Re: Application for a Pollution Control Project Exemption - Potlatch Corporation, Lewiston.

Dear Mr. Reinbold:

This letter expands upon our June 7, 2000, letter to you providing comments on the pollution control project (PCP) exemption application for Potlatch Corporation in Lewiston, Idaho. In our previous letter, we indicated that the proposed project did not qualify for an exemption from major NSR. Since providing our original comments, we have learned considerably more about the proposed project and have again reviewed the proposed project in light of EPA's guidance<sup>1</sup> and proposed rule<sup>2</sup>. For the reasons noted below, we maintain that the proposed modification does not qualify for an exemption from major NSR, and commencing construction of this modification without a valid PSD permit is a violation of the Clean Air Act (Act) and its implementing regulations.

No federal or state statute or rule specifically exempts Potlatch's proposed project from NSR. Rather, an exemption to NSR has been recognized through the July 1994 PCP policy and has been proposed by EPA as part of the NSR reform package. In view of this fact and to ensure protection of the public interest, we believe the policy must be narrowly interpreted to exempt only those projects that are clearly consistent with the language and intent of the policy. The environmental benefits and detriments of the proposed project must be fully identified and the environmental benefits must be clear. We do not believe that Potlatch's request for a PCP exemption is consistent with the language or intent of the PCP policy exemption for several reasons.

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<sup>1</sup>July 1, 1994 memorandum from John Seitz entitled, "Pollution Control Projects and New Source Review (NSR) Applicability" (July 1994 PCP policy).

<sup>2</sup>July 23, 1996, Federal Register notice of proposed rulemaking for NSR Reform. 61 FR 38260-38263 (NSR reform package).

## NO<sub>x</sub> Emission Increases Are Not Collateral

Potlatch's proposed project results in a significant increase in the utilization of the lime kilns. According to Potlatch, the project will bring about a five ton per year (TPY) reduction in particulate matter (PM) emissions, and opacity will be reduced by an unquantified amount. The project will also result in a nitrogen oxides (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) emissions increase of 109 and 19 TPY, respectively. The 109 TPY NO<sub>x</sub> emissions increase is a direct result of the increased utilization (natural gas combustion) of the lime kilns and not from the replacement of the venturi scrubbers with electrostatic precipitators (ESP's). Thus, the NO<sub>x</sub> emissions increase is not collateral to the Potlatch project and must be considered for PSD review outside the scope of Potlatch's exemption request. An example of a collateral emissions increase is the increase in NO<sub>x</sub> emissions due to the flaring of landfill gas to reduce VOC emissions. The flare (control device) itself inherently generates NO<sub>x</sub> emissions. In summary, because the increased utilization of the kilns and associated emissions increase is not collateral to the replacement of venturi scrubbers with ESP's, the emissions increase must be considered for full PSD review, including BACT.

## The Project is Not Environmentally Beneficial

Even if the 109 TPY NO<sub>x</sub> emissions increase were to be considered collateral to the project, the project as a whole is not environmentally beneficial. As discussed above, although the project is expected to reduce PM emissions by approximately five TPY and opacity by an unquantified amount, the project is expected to increase NO<sub>x</sub> emissions by 109 TPY and SO<sub>2</sub> by 19 TPY.

EPA's July 1994 PCP policy (page 11) states:

Where the [add-on pollution control] will increase utilization and emission, the associated emissions increases are calculated based on the post-modification potential to emit of the unit considering the application of the proposed controls. In such cases the permitting agency should consider the projected increase in emissions as collateral to the project and determine whether, notwithstanding the emissions increases, the project is still environmentally beneficial and meets all applicable safeguards.

Given the small decrease in emissions in comparison to the large increase in emissions, EPA does not believe that the project is environmentally beneficial.<sup>3</sup>

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<sup>3</sup>Potlatch indicates that the project will reduce water usage by 500,000 gallons per day, reduce wastewater generation, and reduce solid waste generation by 35,000 tons per year. Although EPA solicited comment in the NSR Reform Package on whether cross-media environmental effects should be considered in determining if a project is environmentally beneficial (61 FR 38262), EPA has not yet determined whether it is appropriate to consider cross-media effects. We are not aware of any project to date that has been exempted from NSR

The NSR reform package does propose to exempt add-on pollution control projects from the “environmentally beneficial” test. However, the proposal states in footnote 20 that the addition of pollution control equipment typically does not, in EPA’s experience, result in any increase in the source’s utilization of the emission unit in question. 61 FR 38263, n. 20. The July 1994 PCP policy (page 11) also emphasizes this assumption, stating:

The approach in this policy is premised on the fact that EPA does not expect the vast majority of these pollution control projects to change established utilization patterns at the source... [I]t is EPA’s experience that add-on controls do not impact utilization, and pollution prevention projects that could increase utilization may not be excluded under this guidance.

This basic premise underlying the PCP exemption for add-on pollution control projects does not hold in the case of the Potlatch project. If and when EPA finalizes the PCP exemption as part of the NSR Reform package, EPA intends to clarify this aspect of the PCP exemption.

In summary, the proposed modification to the lime kilns does not qualify for an exemption from major NSR. Commencing construction of this modification without a valid PSD permit is a violation of the Act and its implementing regulations. If you have any questions regarding this letter, please contact Dan Meyer of my staff at (206) 553-4150.

Sincerely,

Douglas E. Hardesty, Manager  
Federal and Delegated Air Programs Unit

DM:DEH:cb

cc: Yihong Chen, IDEQ - HQ  
Jim Greaves, Region 10 - Idaho  
Orville Green, IDEQ - HQ  
Eric Kopczynski, IDEQ - Lewiston  
Lisa Kronberg, Idaho AG

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based on consideration of cross-media impacts. Therefore, we do not believe it is appropriate to consider cross-media effects in determining the environmental benefit of Potlatch’s proposed project.