



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

**Minnkota Power Cooperative and Square Butte Power Cooperative
Clean Air Act Civil Settlement
North Dakota**

Overview: On April 24, 2006, the U.S. Environmental Protection Agency and the Department of Justice, along with the State of North Dakota, announced a major Clean Air Act (CAA) New Source Review Program (NSR) settlement with Minnkota Power Cooperative and Square Butte Power Cooperative (Minnkota) to resolve CAA violations at several of the Milton R. Young coal-fired power plant in Center, North Dakota.

Under the settlement, Minnkota will spend approximately \$100 million between now and 2011 to install state-of-the-art pollution controls to substantially decrease emissions from the Milton R. Young Station.

This agreement requires Minnkota to install or upgrade existing state-of-the-art air pollution controls on both existing units and ensures that a proposed new unit will install the Best Available Control Technologies. Under the Agreement, the two existing units and a proposed new unit must comply with a plant wide tonnage caps for sulfur dioxide (SO₂) that decline over time.

The consent decree will result in at least 33,000 tons of SO₂ and NO_x emissions reductions annually from the Milton R. Young Stations. The consent decree also requires Minnkota to retire most pollution emission allowances or credits that result from this agreement. Minnkota will also pay a \$850,000 civil penalty, which will split with North Dakota, and will spend \$5 million to finance wind energy projects that are environmentally beneficial.

State Participation: The State of North Dakota was an active partner in the negotiations and was instrumental in obtaining the agreement's significant pollution reductions. North Dakota is a signatory to the consent decree and a co-plaintiff on the United States' Complaint and will be a key player in the consent decree's implementation.

Company: Minnkota Power Cooperative and Square Butte Power Cooperative are both non-profit electric cooperatives that provide at cost electric power to their member owners. Minnkota Power Cooperative owns a 235 MW lignite coal-fired cyclone furnace EGU (Unit 1), and Square Butte Power Cooperative owns a 440 MW lignite coal-fired cyclone furnace EGU (Unit 2), at the Milton R. Young Station. Minnkota Power Cooperative operates both of these units.

Power Plants Enforcement Effort: The Department of Justice at EPA's request has filed lawsuits against several coal-fired electric utilities, most recently in January against East Kentucky Power Cooperative. This series of cases seeks to bring the coal-fired power plant

industry into full compliance with the New Source Review requirements of the Clean Air Act.

This settlement with Minnkota represents the tenth judicial settlement under the power plants enforcement effort. EPA has reached similar settlement with: Illinois Power Company and Dynegy Midwest Generation, Alcoa (Rockdale, Tex., Facility, industrial boiler); PSEG Fossil; Southern Carolina Public Service Authority (Santee Cooper); Southern Indiana Gas and Electric Company (SIGECO); Culley Station; Tampa Electric Company (TECO); Virginia Electric Power Company (VEPCO); Wisconsin Electric Power Company (WEPCO); and Ohio Edison Company (Ohio Edison). The settlements reduce annual pollution emissions by approximately 980,000 tons and require the installation of over \$5.6 billion worth of state-of-the-art air pollution controls.

Clean Air Act Violations: Based on information received from the company, EPA alleges Minnkota violated the Clean Air Act by undertaking construction activities that increased pollution at some units without first applying for an NSR Clean Air Act permit. An NSR permit would have required Minnkota to take steps to reduce emissions at the time of the activities.

Environmental Benefits: This settlement requires Minnkota to install state-of-the-art air pollution controls and upgrade existing air pollution controls on both units at the Milton R. Young Station. The controls will result in the removal of at least 23,561 tpy of SO₂ (20,561 tpy including emissions from new unit). The controls will also result in the removal of at least 9,458 tpy in the initial phases of the implementation of the decree and will likely result in even more significant NO_x reductions after the implementation of the controls required by North Dakota's BACT Determination. The settlement also requires Minnkota to retire most of the excess SO₂ emission allowances from its Acid Rain allocations and restrict trade of NO_x allowances, if a trading program is implemented to cover these plants in the future.

NO_x: Nitrogen Oxide causes a variety of health problems and adverse environmental impacts, such as ground-level ozone, acid rain, particulate matter (PM), global warming, water quality deterioration, and visual impairment. Nitrogen oxides plays a major role, with volatile organic chemicals, in the atmospheric reactions that produce ozone.

SO₂: High concentrations of sulfur dioxide affect breathing and may aggravate existing respiratory and cardiovascular disease. Sensitive populations include asthmatics, individuals with bronchitis or emphysema, children and the elderly. Sulfur dioxide is also a primary contributor to acid deposition, or acid rain.

PM: Health effects of PM include increased hospital admissions and emergency room visits, increased respiratory symptoms and disease, decreased lung function, and alterations in lung tissue and structure and in respiratory tract defense mechanisms and premature death. PM also is the major cause of reduced visibility in many parts of the nation.

Settlement Terms:

Injunctive Relief-

- Substantial reductions of SO₂ and NO_x and upgrade of PM controls.
 - Reduction of 23,561 tpy of SO₂ from existing units by 2012.
 - Reduction of at least 9,458 tpy of NO_x from existing units by 2010.
 - Comply with declining plant-wide caps for SO₂.
- Surrender most excess SO₂ allowances and restrict use of NO_x allowances, if a trading program that covers this plant is implemented in the future.
- Incorporate proposed Consent Decree requirements into enforceable permits.

Environmentally Beneficial Projects- Minnkota will spend at least \$5 million to finance environmentally beneficial wind energy projects.

Civil Penalty- Minnkota will pay a \$850,000 civil penalty, which will be split with North Dakota.

Source: Office of Enforcement and Compliance Assurance and Region VIII, U.S. EPA, March 16, 2004.