

**facsimile
TRANSMITTAL**

to: AL LINERO
fax #: 904 922-6979
re: Reconstruction
date: March 19, 1997
pages: 11 , including this cover sheet.

A1 - This material is also being faxed to Susan Stevens with Holland & Knight (representing Mulberry).

Ms Stevens inquired re EPA documents on reconstruction, particularly the time frame to consider in accumulating costs. As you can see from the attachments, the time frame is not fixed but highly dependent on specific activities taking place at each particular source. Seems to be project driven.

Brian

From the desk of...

Mr. Brian Beals
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Rob

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

OFFICE OF
AIR AND RADIATION

NOV 25 1986

MEMORANDUM

SUBJECT: Interpretation of Reconstruction (40 CFR 60.15)

FROM: John B. Rasnic, Acting Director *John B. Rasnic*
Stationary Source Compliance Division
Office of Air Quality Planning and Standards

TO: James T. Wilburn, Chief
Air Compliance Branch

This is in response to your September 12, 1986 memorandum requesting the Stationary Source Compliance Division's (SSCD's) opinion of the Florida Electric Power Coordinating Group's (FCG's) interpretation of the reconstruction regulation at 40 CFR 60.15. FCG is proposing specific guidance on the items to be included in the fixed capital cost of fossil-fuel-fired steam electric plants.

Section 60.15 of the New Source Performance Standards (NSPS) specifies that reconstruction occurs if the fixed capital cost of the new components exceeds 50% of the fixed capital cost of a comparable entirely new facility, and if it is technologically and economically feasible for the facility to comply with the applicable NSPS. As cited in FCG's summary, the December 16, 1975 preamble to the reconstruction regulations defines fixed capital cost as the capital needed to provide all the depreciable components, including the costs of engineering, purchase and installation of major process equipment, contractor fees, instrumentation, auxiliary facilities, buildings and structures. Costs associated with the purchase and installation of air pollution control equipment are only included in the fixed capital cost to the extent that the equipment is required as part of the manufacturing/operating process. When determining reconstruction costs, care should be exercised to include only those costs associated with the reconstructed affected facility.

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In making the final determination of whether the change in question constitutes reconstruction, the Administrator will consider all technical and economic limitations the facility may have in complying with NSPS. Points to be considered by the Administrator are listed at §60.15(f).

FCG has proposed a list of specific items to be included in the reconstruction costs for fossil-fuel-fired steam electric generating units. The list is composed of the accounting categories provided in the Federal Energy Regulatory Commission 18 CFR Part 101. SSCD and the Emission Standards and Engineering Division have reviewed this list and have determined that a substantial number of the items are not appropriate for inclusion in the cost analysis. Only the costs of items included in, and activities associated with, the affected facility are to be included in the reconstruction costs. The affected facility for fossil-fuel-fired steam electric plants consists only of the steam generating unit as defined at 40 CFR 60.40a and §60.41a. The affected facility is more specifically described at §60.41a in the proposed standards (Attachment A), and in the July 1978 Background Information Document (Attachment B).

Section 60.41a(a) of the proposed standards for electric utility steam generating units elaborates on the definition of steam generating unit: "... A steam generating unit includes the following systems: (1) Fuel combustion system (including bunker, coal pulverizer, crusher, stoker, and fuel burners, as applicable). (2) Combustion air system. (3) Steam generating system (firebox, boiler tubes, etc.). (4) Draft system (excluding the stack)." The affected facility then starts at the coal bunkers, and ends at the stack breeching.

The units which constitute the affected facility may best be conveyed by the diagram in Attachment C. As the diagram indicates, the following items are included in the affected facility: boilers and equipment, breeching, draft equipment, lighting systems, oil-burning equipment, pulverized fuel equipment, stoker or equivalent feeding equipment, and pressure oil systems. The following equipment would only be included in reconstruction costs to the extent that they directly service the boiler: foundations and structural steel, buildings, ash handling equipment (generally only the discharge valves to the ash hopper), boiler feed water system, coal handling and storage equipment (only the coal bunker and pulverizer), instru-

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ments and devices, ventilating equipment, wood fuel equipment (wood chipper), circulating pumps (just at the boiler), cooling system, fire extinguishing systems, mechanical meters, platforms, railings, steps, gratings, and steelwork. Likewise, engineering, purchase cost, installation, and contractor fees should be included only to the extent that they are associated with reconstruction of affected process equipment (the steam generating unit).

Many of the items included in FCG's proposed list are not part of the affected facility and should not, therefore, be included in reconstruction costs. These items are as follows: land, site preparation, demolition, boiler plant cranes, stacks, station piping, water purification equipment, water-supply systems, air cleaning and cooling apparatus, condensers, generator hydrogen, cranes and hoists, excitation systems identified with the main generating units, foundations and settings for turbogenerator, governors, lubricating systems, main exhaust and main steam piping, throttle and inlet valve, intake and discharge tunnels, turbogenerators, water screens, motors, and moisture separator for turbine steam. Auxiliary boilers should also be excluded from reconstruction cost calculations. SSCD agrees with the Florida Department of Environmental Regulation (DER) that the costs of land and site preparation should not be included in reconstruction costs. Land, site preparation, and demolition are not depreciable components as defined by fixed capital cost. Also, land, unlike process equipment, is not a component of the affected facility that need be or could be replaced.

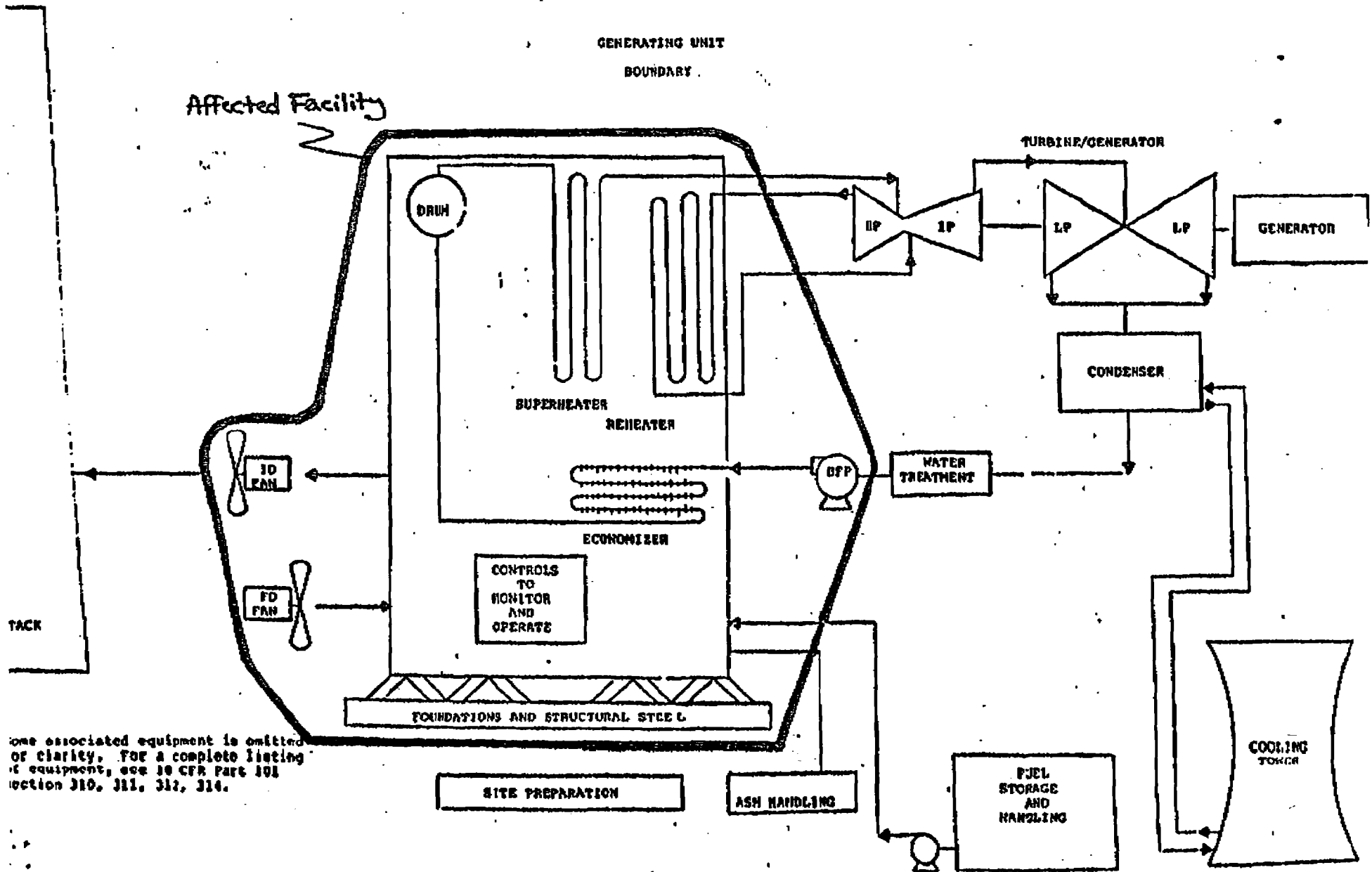
In conveying our response to the Florida DER, please emphasize that although our evaluation is based on very general information, we recommend determination of reconstruction costs on a case-by-case basis, rather than on the generic basis proposed. If you have any questions, please contact Sally M. Farrell at FTS 382-2875.

Attachments

cc: Jim Manning
Walt Stevensen

Attachment C

Modified FRC Diagram Showing Affected Facility for Fossil Fuel Steam Electric Plants



Some associated equipment is omitted for clarity. For a complete listing of equipment, see 10 CFR Part 101 Section 310, 311, 312, 314.

CODE	REFERENCE	QUESTION	AFFECTED REGULATION	DETER- MINATION	DISCUSSION
A-64	Memo (Ossias to Goodwin) 9/24/01	Do the reconstruction provisions permit replacement costs to be aggregated over an indefinite period of time?	60.15	No	<p>§60.15 permits only the limited policy of aggregating replacement costs stemming from a single planning decision. Reconstruction is defined as the replacement of components of an existing facility to such an extent that "the fixed capital cost of the new components exceeds 50 percent of the fixed capital cost that would be required to construct a comparable entirely new facility" and it is technically and economically feasible to meet the NSPS. Sections 60.15(d)-(f) imply that "new components" include only those components the owner proposes to replace. Since proposed replacements cannot reasonably be interpreted to include components replaced pursuant to a series of distinct past decisions, aggregating the cost of several independent replacement projects completed over an indefinite period is inconsistent with §60.15.</p> <p>Note: This supersedes determination AA-5(d).</p>

CODE

Date of
Response

QUESTION

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DISCUSSION

PAGE

A-63
14/12/80

§60.15 permits only the limited policy of aggregating replacement costs stemming from what may be viewed objectively as a single planning decision. Reconstruction is defined as the replacement of components of an existing facility to such an extent that "the fixed capital cost of the new components exceeds 50 percent of the fixed capital cost that would be required to construct a comparable entirely new facility" and it is technically and economically feasible to meet the NSPS. Sections 60.15(d)-(f) indicate that "new components" include only those components the owner "proposes" to replace. Since replacements made pursuant to a series of distinct decisions over an indefinite period of time cannot reasonably be interpreted to be part of a single "proposal", unlimited aggregation of the cost of such replacements is inconsistent with §60.15.

However, there is no indication that EPA intended to rely completely on an owner's subjective view of which replacements are part of a single "proposal". To avoid the ambiguities this would create, EPA is considering interpreting "proposed" replacements to include all that are commenced (but not necessarily completed) within a one or two year period. Until this is finalized, any questions regarding this issue should be addressed to DSSE.

ID: 4045829095

MAR-19-97 15:26 FROM: AIR RADIATION BR

REF:	REFERENCE	QUESTION	AFFECTED REGULATION	DETER- MINATION	DISCUSSION
AA-5	Memo (Reich to Giaccone) 12/13/79.	a) In order to determine if a reconstruction has occurred, what items of equipment are considered part of an EAF facility?	60.270(a)		An EAF consists of the following items of equipment: shell, tilting platform, furnace super-structure, roof lift and swing apparatus, furnace tilting gear, and dust handling system.
		b) Would increasing transformer capacity be a modification under NSPS?	60.14 60.14(e)(2)	No	The transformer is considered an auxiliary component, not part of the affected facility. Increasing capacity, even if emissions increase, would not be considered a modification under §60.14. In addition, under §60.14(e)(2) as amended (43 FR 34347), an increase in the production rate at an existing facility will not be considered a modification if that increase can be accomplished without a capital expenditure on the facility.
		c) Should the cost of auxiliary equipment be considered when making a reconstruction determination?	60.15(b)	No	Reconstruction refers only to the replacement of components of an existing facility, which does not include auxiliary components.
		d) Are costs to be considered cumulatively when making a reconstruction determination?	60.15	Yes	Allowing facilities to replace components one at a time, without subjecting the facility to NSPS, would circumvent the intent of the regulations and the Clean Air Act. The reconstruction definition at §60.15 does not consider time limitations for replacement components.

DATE: 03/19/97 APPLICABILITY DETERMINATION INDEX PAGE 1
DOWNLOAD REPORT

ADI Category: NSPS
Selection Criteria:

LETTERS with SWEITZER

Control Number: NR64
Title: NSPS STANDARDS FOR METAL COIL SURFACE COATING
Recipient: SWEITZER, TERRY A., IL EPA
Author: CZERNIAK, GEORGE T., AIR COMPLIANCE BRANCH REGION V
Date: 07/11/90
EPA Office/Region: Region 5
Comments:

Subparts:

A
TT

References:

60.15
60.460
60.461

How is reconstruction defined?

Section 60.15 defines "reconstruction" as the replacement of components of an existing facility to such an extent that the fixed capital costs of the new components exceeds 50 percent of the fixed capital costs that would be required to construct a comparable entirely new facility. The facility in question replaced the coater drives in 1986, the prime oven water quench in 1989 and is in the process of replacing the prime oven and prime coater. The source needs to provide the fixed capital cost required to construct an entirely new prime coating line. However, the equipment replaced is part of the "prime coat operation" as defined under 40 CFR 60.461, and it is EPA's policy to aggregate replacement costs stemming from what appears to be a single planning decision.

Control Number: NR064

July 11 1990

Region 5

Terry A. Sweitzer, Manager
Permit Section
Division of Air Pollution Control
Illinois Environmental Protection Agency
P.O. Box 19276
Springfield, Illinois 62794-9276

Dear Mr. Sweitzer:

This letter is in response to your June 21, 1990, request for guidance as to whether a prime coat operation has reconstructed pursuant to 40 C.F.R. §60.15, thereby subjecting them to the New Source Performance Standard (NSPS) requirements of 40 C.F.R. Part 60 Subpart TT. (Standards of Performance for Metal Coil Surface Coating). You also requested guidance as to how the United States Environmental Protection Agency (U.S. EPA) would aggregate the cost of periodic component replacement to determine whether an owner or operator had passed the 50 percent reconstruction threshold. The facility in question replaced the coater drives in 1986, the prime oven water quench in 1989 and is in the process of replacing the prime oven and prime coater.

Section 60.15 defines "reconstruction" as the replacement of components of an existing facility to such an extent that "the fixed capital cost of the new components exceeds 50 percent of the fixed capital cost that would be required to construct a comparable entirely new facility" if U.S. EPA determines that it is technologically and economically feasible to meet the applicable NSPS.

At this time U.S. EPA, Region V, is unable to make a determination as to whether the facility passed the 50 percent reconstruction threshold since the facility did not provide the fixed capital cost that would be required to construct an entirely new prime coating line. However, based on the submitted information, U.S. EPA, Region V, believes that the facility has reconstructed the prime coating line through the

replacement of the prime coater, coater drives, prime quench and prime oven. The above mentioned equipment constitutes the prime coat operation as defined under 40 C.F.R. §60.461.

On the question of cost aggregation it is U.S. EPA's policy to aggregate replacement costs stemming from what may be viewed objectively as a single planning decision. Otherwise, owners and/or operators could evade the reconstruction provisions, by continually replacing obsolete or worn out equipment. In the case of Pre Finish Metals Incorporated, U.S. EPA, Region V, believes that the replacement cost associated with the prime coater, coater drives, prime quench and prime oven, should be aggregated, because they stem from the decision to replace an inefficient and worn out coating line.

If you have any questions or comments, please call Spiros Bourgikos of my staff at (312) 886-6862.

Sincerely yours,

(signed)

George T. Czerniak, Chief

Compliance Section I

Air Compliance Branch (5AC-26-I)