

March 19, 2001

Mr. William H. Lewis
Morgan, Lewis & Bockius, LLP
1800 M Street, N.W.
Washington, DC 20036

Dear Mr. Lewis:

This letter responds to your February 27, 2001 request for a determination that the Federal New Source Review (NSR) requirements do not apply to Minnesota Power's proposed purchase of the electric generating assets owned by LTV Steel (LTV) in Taconite Harbor, Minnesota. Based on the information presented in your letter, the U.S. Environmental Protection Agency (EPA) agrees that the activities associated with the purchase of these assets would not be a modification subject to EPA's Prevention of Significant Deterioration (PSD) regulations.

As you describe in your request, Minnesota Power is proposing to purchase LTV's power generating assets, which include three 75-megawatt coal-fired boilers with steam turbine units, and associated transmission lines and facilities. We further understand that the LTV power plant has provided electricity for use by LTV as well as for sale to Minnesota Power, and that under a Power Purchase Agreement, Minnesota Power currently has rights to generation capacity and energy not used by LTV. Moreover, LTV is not limited in the amount of electricity it can supply to either the mine or Minnesota Power, so long as LTV complies with the existing permit limitations for the boilers and with the Acid Rain exemption for industrial facilities. Finally, you have indicated that following the change in ownership, the same transmission lines and facilities will be used, no physical changes of any kind will occur at the power generating facility, and the permit limits will remain unchanged. According to our Regional Office, the power generating units are considered a separate source for purposes of NSR, and Minnesota Power is not purchasing LTV's mining operations.

Based on the review of the information presented in your letter, the EPA has determined that the proposed purchase and operation of the electric generating assets owned by LTV would not be a "major modification" as that term is defined in the Federal PSD regulations. Under EPA's PSD program, a "major modification" means "any physical change or change in the method of operation" of a major stationary source that would result in a significant net emissions increase. As previously noted, no physical change will be occurring at the LTV facility. Furthermore, because the boilers are currently configured to provide electricity to both the LTV mining operations and to Minnesota Power for sale on the grid, we do not believe that, in this case, shifting the primary customer of the power plant from an industrial customer to an existing utility customer constitutes a change in the method of operation for

purposes of PSD applicability.

Consequently, the actions described would not subject the facility to PSD. Be aware, however, that this determination refers only to the applicability of the Federal PSD program codified at 40 CFR § 52.21. The State of Minnesota could, for example, consider this project to be a modification under its major or minor NSR program.

We appreciate this opportunity to be of service and trust that this information is helpful to you. If you have any questions regarding this determination, please contact Karen Blanchard or Dave Svendsgaard at (919) 541-5319.

Sincerely,

/s/

William T. Harnett
Acting Director
Information Transfer and Program
Integration Division

cc: John Seitz (MD-10)
David Ulrich (Region V)