



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
Office of Air Quality Planning and Standards
Research Triangle Park, North Carolina 27711

Exec: Claims
only. file (ft
pe
From: Howa
11

JAN 21 1998

RECEIVED

Mr. Howard L. Rhodes
Director, Division of Air Resources Management
Florida Department of Environmental Protection
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

JAN 23 1998
DIVISION OF AIR
RESOURCES MANAGEMENT

Dear Mr. Rhodes:

This is in response to your December 12, 1997 letter requesting that the Environmental Protection Agency (EPA) repeal the alternative fuels exemption in the prevention of significant deterioration (PSD) regulations at 40 CFR 52.21(b)(2)(iii)(e)(1). The corresponding State rule under Florida's State implementation plan (SIP) closely tracks the Federal rule. You request the repeal because you believe the exemption is no longer relevant, has outlived its usefulness, and is now being used, contrary to its original intent, to justify the burning of waste fuels by certain sources. You are also concerned that as a result of deregulation, electric utilities will have a big incentive to burn waste and dirty fuels that are cheaper than normal fuels. Although we understand your concerns and support the denial of the PSD exemption in the Florida Power Company (FPC) case described below, EPA currently has no plans to propose any changes to the regulatory exemption. However, as discussed below, EPA intends to review implementation of the exemption and issue guidance as needed to clarify the intent of the exemption.

In support of your request, you refer to a recent request by the FPC to the Florida Department of Environmental Protection (FDEP) for permission to blend petroleum coke with the coal burned at Crystal River units 1 and 2. Your letter also states that as a result of the fuel blending the sulfur dioxide emissions from the units would increase by approximately 9400 tons per year without undergoing a PSD review. The FPC asserts that the PSD regulations exempt the burning of petroleum coke in the units since the State and EPA rules both exempt the "Use of an alternative fuel or raw material which the facility was capable of accommodating before January 6, 1975" In June 1996 the FDEP denied the FPC's request to blend petroleum coke. The EPA Region IV office supported the denial agreeing that the project should not be exempt from PSD. However, the FPC appealed the denial using the State's administrative appeals process and received a reversal of the denial from an Administrative Law Judge. Despite the Administrative Law Judge's initial finding, we understand that the denial has been remanded by the FDEP back to the Administrative Law Judge for further review.

RECEIVED

JAN 28 1998

BUREAU OF
AIR REGULATION

We share your concerns about the use of the PSD exemption in the FPC case. Although EPA believes the PSD exemption was not intended to be used in the FPC situation, the exemption is still appropriate to allow sources to switch between fuels that would have otherwise been available to the source prior to January 6, 1975 and were otherwise considered in the design of the source. The EPA believes that since petroleum coke was not a recognized fuel prior to January 6, 1975, it should not otherwise come under the exemption. The EPA does not believe that regulatory changes to the exemption are needed at this time based solely on the FPC case. Because we share many of your concerns, the EPA's Office of Enforcement and Compliance Assurance (OECA) has agreed to review implementation of the exemption by EPA and the States. After reviewing the situation, EPA may issue guidance that further clarifies the intent of the exemption.

You may contact Carol Holmes of OECA at (202) 564-8709 for questions about the EPA's review of the exemption. If you have any general questions about the response, you may contact Mike Sewell of the Integrated Implementation Group at (919) 541-0873.

I appreciate this opportunity to be of service and trust that this information will be helpful to you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Henry Thomas". The signature is fluid and cursive, with the first name "Henry" and last name "Thomas" clearly distinguishable.

John S. Seitz
for Director
Office of Air Quality Planning
and Standards