



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
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DIVISION OF AIR
RESOURCES MANAGEMENT

Howard L. Rhodes, Director
Department of Environmental Protection
Division of Air Resources Management
Mail Station 5500
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

SUBJ: Request for Additional Assistance - PSD Applicability
Determination - Florida Power Corporation Crystal River
Units 1 and 2

Dear Mr. Rhodes:

This is to acknowledge the letter dated May 13, 1997, from Mr. Al Linero of your staff to Mr. Brian Beals of my staff which requested additional assistance in the Prevention of Significant Deterioration (PSD) applicability determination concerning the proposed co-firing of petroleum coke with coal in the existing Crystal River Units 1 and 2. The letter specifically requested concurrence with the Department's interpretation that the "alternative fuels exemption" contained in the PSD definition of "modification" does not apply in this case.

In the May 13 letter, the Department made two assertions relative to the applicability of the exemption. First, the Department submitted that the intent of the alternative fuels exemption was as described in rulemaking for the federal New Source Performance Standards to "eliminate inequities where equipment had been put into partial operation prior to proposal of the standards." Clearly there are no such inequities in this case as the source is currently utilizing the subject equipment to fire coal. Further, the comments addressed the issue of whether co-firing petroleum coke with coal constituted a "fuel switch" within the meaning of federal regulations. The applicant has argued that the alternative fuel which is being proposed is a blend of petroleum coke and coal. Using that logic, one could argue that a blend of coal and just about anything would constitute an "alternative fuel." Petroleum coke is considered a waste product from the refining process rather than a fossil fuel. Adding a fuel modifier to a particular fuel does not constitute a fuel switch.

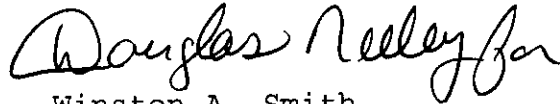
The second assertion was that the "capable of accommodating provision was intended to apply only to the principal fuel or those specifically stated in the design documents, applications, or other relevant information from the time that such units were planned." Clearly, the Federal Register notices and background information documents which speak to this particular exemption only reference coal, fuel oil, and natural gas. As referenced in a letter dated May 21, 1997, from James Alves to Brian Beals, EPA originally proposed to clarify the NSPS modification provisions to define "designed to accommodate." The proposed rule stated: "A facility shall be considered to be designed to accommodate an alternative fuel or raw material if provisions for that use were included in the final construction specifications." The final rule states: "A facility shall be considered to be designed to accommodate an alternative fuel or raw material if that use could be accomplished under the facility's construction specifications, as amended prior to the change." It is instructive to note that while the proposed rule contained a discussion of the provision in the preamble, the final rule not only did not contain a discussion, but indicated that the change was not considered significant (40 FR 58416). The point of emphasis of the change in wording is clearly on timing rather than on broadening the types of "fuels" to be considered. In other words, if construction specifications existing prior to the applicability date of a particular NSPS included a particular fuel, EPA would not prohibit the use of that fuel, thus eliminating any inequity arguments based on purchased and installed equipment. The originally proposed wording referred specifically to the "original" design specifications, without regard for applicability dates of any regulations.

The argument has been made that the meaning of the exemption is to allow a unit to combust any blend of any material that will burn. Following that logic, one could argue that a coal-fired source could burn a blend of coal and sulfur or a blend of coal and hazardous waste without requiring any review. This does not comport with the intent of the statute requiring a permitting program that prevents significant deterioration of air quality. Although the exemptions for the use of alternative fuels or fuel switching were written into the federal regulations, they do not override a state's responsibility for reviewing any increases in air pollution.

In summary, as stated in our letter dated April 9, 1997, the Department has the primary responsibility for interpreting its rules as well as managing the air quality of the State. We

concur with your determination to date. If we can provide further assistance, please do not hesitate to contact either Brian Beals at (404) 562-9098 or Gregg Worley at (404) 562-9141.

Sincerely,

A handwritten signature in cursive script that reads "Douglas Neelley for". The signature is written in dark ink and is positioned above the typed name and title.

Winston A. Smith

Director

Air, Pesticides, and Toxics

Management Division