



1001 Broad Street  
P.O. Box 1050  
Johnstown, PA 15907-1050

Writer's Direct Dial Number  
814-533-8670

October 15, 2001

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BUREAU OF AIR REGULATION

**OVERNIGHT MAIL**

Mr. Michael P. Halpin, P. E.  
Review Engineer  
New Source Review  
Florida Department of Environmental Protection  
Bureau of Air Regulation  
2600 Blair Stone Road  
Tallahassee, FL 32399-2400

***Re: Reliant Energy Osceola, LLC ;  
DEP File No. 0970071-001-AC (PSD-FL-273)  
Letter Request for a PSD Permit Modification***

Dear Mr. Halpin:

On September 18, 2001, Reliant Energy Osceola, LLC (Reliant Energy or RE) submitted a letter request to the Department of Environmental Protection (Department or DEP) for a modification to the PSD permit (PSD-FL-273) for Reliant Energy's Osceola Power Project. On the same day, you sent us an e-mail request for additional information about Reliant Energy's proposal. Accordingly, we are sending you this letter, which contains the Department's questions and Reliant Energy's answers.

**DEP's Question 1:** Why the applicant wants the change.

**RE's Answer:** Reliant Energy wants a permit modification because Specific Condition 14 is unnecessary and unduly restricts Reliant Energy's ability to operate the Osceola Power Project. A more detailed explanation is contained in Reliant Energy's letter (dated September 18, 2001) to the Department.

**DEP's Question 2:** How (if at all) the applicant may operate differently in the event that the request is approved.

**RE's Answer:** As explained in Reliant Energy's letter, the permit modification would give Reliant Energy more flexibility when operating the Osceola Power Project, but it would not change the basic operating parameters for the facility that have been approved by the Department.

Reliant Energy is committed to using natural gas as the primary fuel at the Osceola Power Project. Nonetheless, there may be times when it is necessary for Reliant Energy to use fuel oil. These facts are reflected in Specific Condition 13, which authorizes the Osceola Power Project to operate up to 3,000 hours per year, but only allows fuel oil to be used for a maximum of 750 hours.

Reliant Energy has evaluated the "worst case" air quality impacts associated with its proposed use of fuel oil. Reliant Energy's permit application demonstrates that these impacts do not violate any of the state or federal air quality standards.

Given these facts, Specific Condition 14 imposes an artificial and unnecessary restriction on Reliant Energy's ability to use fuel oil. There may be times when natural gas is unavailable, and the electricity from the Osceola Power Project is needed, but Specific Condition 14 would prevent Reliant Energy from using fuel oil to supply power to Florida's citizens. Removing Specific Condition 14 would enhance Reliant Energy's ability to meet Florida's demand for electricity.

**DEP's Question 3:** How the maximum emissions (P.T.E.) would be increased (if at all).

**RE's Answer:** The project's maximum emissions (Potential To Emit) will not increase if Reliant Energy's request for a permit modification is granted. On October 28, 1999, Reliant Energy submitted an air quality analysis to FDEP for this project. The air quality analysis was based on "worst case" annual operating conditions—i.e., 2250 hours burning natural gas and 750 hours burning fuel oil for each combustion turbine. These operating conditions will continue to represent the "worst case," even if Specific Condition 14 is deleted from the PSD permit.

**DEP's Question 4:** How the P.T.E comports with the original application.

**RE's Answer:** Even if Reliant Energy's request is granted, there will be no changes to the P.T.E calculations for this project.

**DEP's Question 5:** Whether the original modeling submitted to the Department incorporated the worst case emissions, which could be seen with the requested permit change.

**RE's Answer:** The modeling submitted to the Department assumed "worst case" emissions (i.e., firing fuel oil for 24 hours). The modeling results will continue to be valid and unchanged, even if Reliant Energy's request for a permit modification is granted.

**DEP's Question 6:** Any other information believed to be pertinent.

**RE's Answer:** The Osceola Power Project will continue to be in compliance with all of the applicable state and federal air quality standards, even if Specific Condition 14 is deleted from the facility's PSD permit.

### Specific Condition 19

Following the submittal of its letter on September 28, 2001, Reliant Energy realized that it also should use this opportunity to clarify Specific Condition 19 in the PSD permit for the Osceola Power Project.

Specific Condition 19 contains a paragraph that states, among other things, that the "permittee shall develop a NO<sub>x</sub> reduction plan when the hours of oil firing on any individual combustion turbine reaches 750 hours." Specific Condition 19 for the Osceola Power Project is almost identical to Specific Condition 19 in the PSD permits for the Vandolah Power Project (DEP File No. 0490043-001-AC; PSD-FL-275) and the Shady Hills Generating Station (DEP File No. 1030373-001-AC; PSD-FL-280). However, the PSD permits for the Vandolah Power Project and the Shady Hills Generating Station make it clear that a NO<sub>x</sub> reduction plan only needs to be developed "when the hours of oil firing reach the allowable limit of 1000 hours per year."

Reliant Energy respectfully requests the Department to clarify the PSD permit for the Osceola Power Project to make it consistent with the PSD permits for the Vandolah Power Project and the Shady Hills Generating Station. More precisely, Specific Condition 19 for the Osceola Power Project should state that Reliant Energy must develop a NO<sub>x</sub> reduction plan if the oil firing of any individual combustion turbine reaches 750 hours "per year."

This request should be granted because it will make Specific Condition 19 consistent with the Department's requirements for similar facilities, which were approved at approximately the same time as the Osceola Power Project. This clarification of Specific Condition 19 also will help avoid unintended and inappropriate results, as explained below.

Specific Condition 19 requires the development of a NO<sub>x</sub> reduction plan if the Osceola Power Project, the Vandolah Power Project, or the Shady Hills Generating Station uses the maximum allowable amount of fuel oil. There is no requirement and no reason to develop a NO<sub>x</sub> reduction plan at any of these facilities if the use of fuel oil is limited.

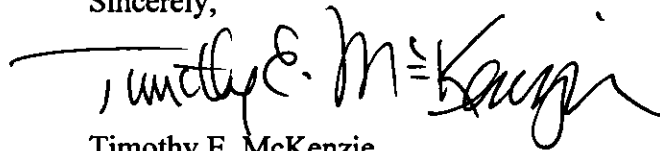
As currently written, Specific Condition 19 for the Osceola Power Project could be interpreted to require Reliant Energy to develop a NO<sub>x</sub> reduction plan when the facility's cumulative use of fuel oil exceeds 750 hours, even if the facility's annual use of fuel oil is very limited. For example, the 750 hour threshold would be exceeded in 20 years if the Osceola Power Project used fuel oil at an average rate of only 38 hours per year. Obviously, this result would be inappropriate. This result also would be unfair, given the 1000 hour per year thresholds contained in the permits for the Vandolah Power Project and the Shady Hills Generating Station.

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For all of these reasons, Specific Condition 19 should be clarified and should refer to 750 hours of fuel oil firing "per year".

If you have any questions or require additional information about any of these issues, please contact me at (814) 533-8670 or call our local environmental counsel, David S. Dee, at (850) 681-0311.

Sincerely,

A handwritten signature in black ink that reads "Timothy E. McKenzie". The signature is written in a cursive style with a long horizontal line extending to the left from the start of the name.

Timothy E. McKenzie  
Senior Environmental Scientist

TEM/cms/TEM236

cc: David Dee – Landers and Parsons

bcc: A. B. Birbeck  
V. J. Brisini  
A. H. Deese  
J. E. Finck  
T. E. Gish  
G. J. Kennedy  
A. H. Leskovsek  
K. E. McClelland

T. E. McKenzie  
C. A. Mitchell  
K. A. Ripper  
T. C. Roberts  
M Soltys - B&V  
D I. Tecson  
B. G. Tullis