



March 28, 2007

Trina Vielhauer
Florida Department of Environmental Protection
Division of Air Resource Management
111 South Magnolia Drive, Suite 23
Tallahassee, FL 32399

RECEIVED

MAR 29 2007

BUREAU OF AIR REGULATION

RE: Incorporation of Agreement into Seminole Unit 3 PSD Permit
Draft Permit No. PSD-FL-375

Dear Ms. Vielhauer:

Seminole Electric Cooperative, Inc. (Seminole) and the Sierra Club entered into the attached Agreement regarding the issuance of a PSD permit for the construction of Unit 3 at the Seminole Generating Station in Putnam County, Florida. As reflected in the Agreement, and with Sierra Club's concurrence, Seminole requests that the terms of this Agreement be incorporated into the final PSD permit.

Thank you for your attention to this matter, and please contact me if there are any questions.

Sincerely,

James R. Frauen, Project Director SGS3
Seminole Electric Cooperative, Inc.

cc: Mike Halpin, DEP
Rebecca Robinette, DEP
Robert Manning, HGS
Joanne Spalding, Sierra Club

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and between Seminole Electric Cooperative, Inc. ("Seminole") and the Sierra Club ("Sierra Club"). Seminole and Sierra Club shall be referred to herein collectively as the "Parties" for the purposes of this Agreement.

RECITALS

A. Seminole operates two existing electrical generating units at the Seminole Generating Station site ("Site") in unincorporated Putnam County, Florida. Those existing units, referred to as Units 1 and 2, originally were licensed pursuant to the Florida Power Plant Siting Act (PPSA) Certification Order PA-10 and PSD permit PSD-FL-018.

~~B. On March 9, 2006, Seminole filed a site certification application ("SCA") under~~ the PPSA, with the Florida Department of Environmental Protection ("FDEP") seeking approval for the construction and operation of the proposed Unit 3 Project. The new proposed Unit 3 will be located adjacent to the existing two units and will utilize some of the existing facilities and infrastructure at the Site. The SCA was assigned FDEP number PA78-10A2; FDEP OGC Case No. 06-0780 and Florida Division of Administrative Hearings Case No. 06-0929EPP.

C. The Sierra Club was a party to the original PPSA site certification proceeding for the existing two units at the Site as well as the current site certification proceeding for the proposed Unit 3 Project.

D. On March 9, 2006, Seminole also filed with FDEP a separate application for a prevention of significant deterioration ("PSD") permit to authorize construction of Unit 3. The PSD permit is being processed by FDEP pursuant to its authority to issue such federally-required PSD permits in Florida. A draft PSD permit was issued by FDEP on August 24, 2006; the FDEP PSD permit number is PSD-FL-375.

E. On October 9, 2006, the Sierra Club submitted written comments to the FDEP Bureau of Air Regulation concerning FDEP's proposed PSD permit for the Unit 3 Project.

F. In a separate Settlement Agreement signed by both Parties on January 7, 2007, the Parties resolved all issues raised or which could be raised concerning Seminole's Unit 3 Project in the PPSA proceeding, except for issues related to the PSD permit. The Parties also set a framework for continued settlement negotiations concerning the PSD permit.

G. This Agreement reflects the Parties agreement to settle all remaining issues related to the PSD permit for Unit 3. The Parties concur that this Agreement consists of full and fair consideration for the release of all claims of the Sierra Club with respect to issuance of the PSD permit for Unit 3. Provided that the final PSD permit is issued in accordance with the terms and conditions of this Agreement, Sierra Club agrees not to contest FDEP's issuance of the final PSD permit in any administrative or judicial forum. Seminole agrees not to contest any conditions in the final PSD permit if it is issued in accordance with the terms and conditions of this Agreement.

TERMS AND CONDITIONS

1. Following the commencement of commercial operation of Unit 3, it is agreed that Seminole will be subject to the following system-wide emission rates for Units 1, 2, and 3, combined:

- | | |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Sulfur Dioxide (SO ₂) | 95 percent control efficiency across the scrubbers based on a 30-day rolling average, including periods of start-up and shut down, and annual emissions of no more than 17,900 tons per year based on a 12-month rolling average, including periods of start-up and shut down. |
| (b) Nitrogen Oxides (NO_x) | 0.07 lb/MMBtu based on 30-day rolling average, and annual emissions of no more than 5,450 tons per year based on a 12-month rolling average. The tons per year limit includes periods of startup and shutdown; the lb/MMBtu does not. |
| (c) Sulfuric Acid Mist (H ₂ SO ₄) | 1,665 Tons Per Year |
| (d) Mercury (Hg) | 118 Pounds Per Year |
| (e) Particulate Matter (PM) | 1,470 Tons Per Year |
| (f) Volatile Organic Compounds (VOC) | 259 Tons Per Year |
| (g) Carbon Monoxide (CO) | 17,493 Tons Per Year |

2. Following the commencement of full-time commercial operation of Unit 3, the following emission rates shall apply specifically to Unit 3:

- | | |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| (a) Sulfur Dioxide (SO ₂) | 98 percent control efficiency across the scrubber based on a 30-day rolling average, including periods of start-up and shut down. |
| (b) Nitrogen Oxides (NO _x) | 0.05 lb/MMBtu, based on a 30-day rolling average, excluding periods of start-up and shut down |
| (c) Total PM (filterable + condensable) | 0.030 lb/MMBtu, based on a 3-hour performance test, based on modified Method 202 test |

(d) Opacity

10 percent

3. The last sentence of Draft Permit Condition III.A.4. shall be amended to read as follows: "The steam generator ~~shall be designed for a maximum heat input of~~ maximum heat input rate shall not exceed 7,500 MMBtu per hour of coal, based on fuel sampling and analysis."

4. Draft Permit Condition III.A.5. shall be deleted.

5. Draft Permit Condition III.7.c. shall be revised as follows: "SAM removal shall be accomplished by the use of the FGD system and the wet ESP, which shall be operated at all times, including startup and shutdown, in accordance with good operating practices and manufacturer requirements."

6. Draft Permit Condition III.A.9.a. shall be amended to read as follows: "Coal-SGS Unit 3 may combust bituminous coal, up to 318.3 tons per hour based upon ~~41,300~~ 11,780 Btu/lb HHV."

7. In Draft Permit Condition III.A.10., the "lb/hr equivalent VOC emission limit" shall be changed from 16.7 to 25.5.

8. Draft Permit Condition III.A.13. shall be amended to read as follows: "Sulfur Dioxide (SO₂): Emissions of SO₂ from SGS Unit 3 shall not exceed 1.4 pounds per megawatt hour (lb/MW-hr) gross energy output or 98% reduction on a 30-day rolling average basis including periods of start-up and shut down, nor 0.165 lb/MMBtu, based upon a 24-hour rolling average as determined by CEMS. In addition, SO₂ emissions shall not exceed ~~29,074~~ 17,900 tons per 12-month rolling period (facility-wide), based upon CEMS. [62-210.200 (Net Emissions Increase), and 62-212.400(12) (Source Obligation), F.A.C.]

9. New Permit Condition III.A.20.c. shall be included as follows: "The permittee shall maintain monthly records describing actions taken to comply with this condition."

10. The parties agree that all other conditions in the Draft Permit shall be included in the Final Permit.

11. Seminole agrees to ask FDEP to include the foregoing limits and conditions in the Final PSD permit for Seminole Unit 3 and agrees to be bound to these limits and conditions. Sierra Club agrees to not object, challenge, appeal, or initiate or assist in any challenge or appeal by others, or in any other way impede or interfere with the issuance of a final PSD permit in accordance with the terms and conditions identified in this Agreement.

12. By September 1, 2007, Seminole agrees to publish a Request for Proposal (RFP) soliciting bids for up to 100 MW of renewable energy, which may include solar, wind, geothermal and/or biomass. Seminole is committed to pursuing renewable energy opportunities, and agrees to evaluate and implement, in good faith, viable bids. In accordance with Seminole's existing bid evaluation policy, a viable bid is one that is reasonable based on an analysis of

technical, commercial and economic issues, including reliability, fuel supply (as applicable), siting issues, transmission, and financial viability of vendor, and whether the project is in the best interest of Seminole and its members. If Seminole does not receive viable bids in response to this RFP, Seminole will publish another such RFP within eighteen months of the first. Seminole will continue to actively pursue renewable energy opportunities, and will evaluate and implement, in good faith, viable bids in the manner described above.

GENERAL PROVISIONS

13. This Settlement Agreement represents a complete settlement of all Unit 3 issues related to issuance of the PSD permit.

14. Each of the signatories hereto warrants and represents that he or she is competent and authorized to enter into this Agreement on behalf of the party for whom he or she purports to sign.

15. This Agreement shall never at any time or for any purpose be considered an admission of liability or responsibility on the part of any party herein released.

16. This Agreement is the product of negotiation and preparation by and among each party hereto and his or her respective attorneys. Accordingly, all Parties hereto acknowledge and agree that the Agreement shall not be deemed prepared or drafted by one party or another, or the attorneys for one party or another, and the Agreement shall be construed accordingly.

17. This Agreement shall be interpreted in accordance with and governed in all respects by the laws of the State of Florida. Exclusive jurisdiction and venue for any litigation brought to enforce this Agreement shall be in the Circuit Court for Putnam County, Florida, and the Parties do hereby specifically waive any other jurisdiction and venue. In any such litigation, the parties shall seek only declaratory or injunctive relief or specific performance. Neither party shall file any lawsuit to enforce this Agreement unless it has first provided written notice of the alleged violation to the other party thirty days prior to filing suit and the other party has failed to cure the alleged violation.

18. If any provision or any part of any provision of this Agreement is for any reason held by a court of competent jurisdiction to be invalid, unenforceable or contrary to public policy or any law, then the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect.

19. No amendments or modifications of this Settlement Agreement shall be valid unless set forth in writing and signed by the duly authorized representatives of each Party.

20. This Agreement shall be deemed to be effective immediately upon its full execution by all Parties.

21. This Agreement contains the entire understanding among the Parties with regard to the matters herein set forth, and is intended to be and is a final integration thereof. There are no representations, warranties, agreements, arrangements, undertakings, oral or written, between or among the Parties hereto relating to this Agreement which are not fully expressed herein.

SEMINOLE ELECTRIC COOPERATIVE, INC.

Date: 3/28/07

By: W.P. Opalinski

Its: VP, Technical Services

SIERRA CLUB

Date: 3/9/07

By: Kristin A. Henry

Its: Staff attorney