



Florida Municipal Power Agency

RECEIVED Frederick M. Bryant
General Counsel

AUG 19 2005

DIVISION OF AIR
RESOURCE MANAGEMENT

August 18, 2005

Beverly Banister
Director Air, Pesticides, and Toxics Management Division
United States Environmental Protection Agency, Region 4
Atlanta Federal Center
61 Forsyth Street
Atlanta, GA 30303-8960

Michael Cooke
Director Division of Air Resources Management
Florida Department of Environmental Protection
Mail Station 5500
2600 Blair Stone Road
Tallahassee, FL 32399-2400

RE: FMPA/KEYS Stock Island Power Plant

Dear Ms. Banister and Mr. Cooke:

The following information is provided in response to EPA's letter dated August 1, 2005, regarding the applicability of NSPS Subpart KKKK to a project at the Florida Municipal Power Agency / Keys Energy Services (FMPA/ KEYS) Stock Island generating facility: the addition of a 48 MW (nominal) simple-cycle combustion turbine, GE LM6000 PC (Stock Island Unit). This is in addition to the information forwarded (via e-mail) to Keith Goff and Doug Neeley on July 26 and 29, 2005, respectively, which apparently was not received prior to sending the August 1 letter.

In its August 1, 2005 letter, EPA stated that it could not determine, based solely on the contract between FMPA and GE dated February 18, 2005, whether the Stock Island Unit is subject to the newly enacted NSPS Subpart KKKK. Specifically, EPA states that the contract does not contain a commitment "to complete a continuous program of construction," as required by 40 CFR 60.2. EPA identified no other issues regarding whether FMPA "commenced

construction” by the proposal date, and FMPA/KEYS understands that providing evidence of its commitment to a continuous program of construction will resolve this issue.

FMPA’s February 18, 2005 contract solidified years of previous planning on the Stock Island Unit, and represented a commitment to complete a continuous program of construction within a reasonable time, as required by the NSPS regulations. Specifically, the following information/documents highlight the evidence of this commitment, continually from 1997 to

today, to provide the needed generation by June 2006 (other documents/information are referenced in the attached, more detailed list. Copies of all documents are attached.):

- In 1997, FMPA entered a contract with the City of Key West’s Utility Board to provide 60% on-island power generation to the Florida Keys.
- In May, 2003, steps were already being initiated to assure additional power generation would be in service on Keys Energy Services’ system by summer 2006.
- In November 21, 2003 a Contract/Business Plan was entered into between FMPA and consultants Black & Veatch (B&V) that identifies the tasks that need to be completed to install the combustion turbine at the Keys Energy Services Stock Island facility, the parties responsible for completing these tasks, and an estimate of the cost or effort to complete the tasks.
- Between December 16 -18, 2003 FMPA held numerous meetings and site visits to plan for installation of the Stock Island Unit.
- As early as April 12, 2004, FMPA staff made a recommendation that the General Electric (GE) LM 6000 Sprint combustion turbine be installed at Stock Island.
- On July 17, 2004, FMPA met with members of the Florida Department of Environmental Protection (FDEP) to discuss preliminary matters for air permitting of the new combustion unit.
- On July 21, 2004, FMPA issued a Request for Proposal to provide the Combustion Turbine Generator for the Stock Island Project.
- On July 27, 2004, the FMPA Board approved funding for the Stock Island Combustion Turbine Unit #4.
- On October 19, 2004, FMPA submitted a PSD Permit application to FDEP.
- From November, 2004 through February 18, 2005, negotiation meetings were held between FMPA and GE to discuss the specifics of the combustion turbine to be purchased.
- On February 18, 2005, GE and FMPA entered into a binding contract, subjecting FMPA to \$100,000 cancellation penalty, for construction of the combustion turbine at Stock Island.
- On June 2, 2005, FDEP issued a draft construction permit, concluding that the Stock Island Unit #4 “commenced construction” before Subpart KKKK’s proposal date, and therefore was not subject to that regulation.

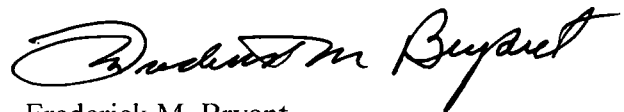
- GE began constructing the Combustion Turbine in April, 2005, and has steadily progressed since that time.
- At present, the Combustion Unit has already entered into testing that is expected to be complete by September 1, 2005.

As this information demonstrates, FMPA has been contractually bound to provide 60% on-island generation to the Keys Energy Services for eight years. On or before February 18, 2005, FMPA steadily progressed to ready the site, prepare for the necessary construction permits, and to solicit and acquire a contract for construction of the combustion turbine to be placed at Keys Energy Services' Stock Island facility. On February 18, 2005, FMPA entered into a

binding contract with GE for construction of the Combustion Turbine that would be placed on the site. Since that time, work on the site and Combustion Turbine has continued to progress to achieve on-island power generation by June 2006.

Clearly, FMPA/KEYS should not be subject to the NSPS regulations because it did not "commence construction" after February 18, 2005. Instead, FMPA has been on a continual path to provide the needed generation since as early as 1997 through the present day, and its February 18, 2005 contract is the culmination of this effort. In an effort to resolve this issue expeditiously, FMPA wishes to meet at EPA Region 4 in Atlanta to discuss these documents and any questions that may arise. We will contact you in the next few days to schedule this meeting.

Sincerely yours,



Frederick M. Bryant
General Counsel
Florida Municipal Power Agency

Attachments

cc: Trina Vielhauer, FDEP
Al Linero, FDEP
Keith Goff, EPA
Greg Fried, OECA
Robert Manning, HGS