

Cedar Bay
Generating Plant
Owner: Cedar Bay Generating Company, L.P.

RECEIVED
JUN 20 2006
BUREAU OF AIR REGULATION

POB 26324
Jacksonville, FL 32226
9640 Eastport Road
Jacksonville, FL 32218
904.751.4000
Fax: 904.751.7320

June 19, 2006

Bureau of Air Regulation
Department of Environmental Protection
2600 Blair Stone Road
Tallahassee, FL 32399-2400

Attention: Ms. Trina Vielhauer, Chief, Bureau of Air Regulation

**Re: Cedar Bay Cogeneration Facility, Florida Facility ID. No. 0310337
PSD-FL-137 and DEP File No. PA 88-24**

Dear Ms. Vielhauer:

Cedar Bay Generating Company, L.P is seeking authorization from the Florida Department of Environmental Protection to increase the permitted amount of low-sulfur #2 fuel oil that is used in the facility's Absorber Dryer System (ADS) trains from a maximum of 700,800 gallons to 996,000 gallons/year for the calendar years of 2006 and 2007.

Currently, the facility has two 40-ton-per-hour (TPH) Absorber Dryer System trains that process limestone as a reactant for the circulating fluidized bed (CFB) boilers to control sulfur dioxide (SO₂) and other acid gases. The current systems are identical and are referred to as ADS trains 1 and 2. These exiting systems are identified in the facility's Title V permit as Emission Units 004 and 005. The existing ADS trains have experienced operational and reliability problems, including loss of fuel efficiency, and are near the end of their useful life without refurbishment. On February 8, 2006, Cedar Bay Generating Company submitted an application to construct and operate a new absorber dryer system. The Department issued Final Permit No. 0310337-011-AC which authorizes the construction of the new ADS. The new ADS train is permitted for 876,000 gallons of distillate oil during any 12 consecutive months.

Due to the timeframe of completing the financial process for the project, the scope and deadlines for the major milestones (Engineering Completion, Equipment Delivery, Mechanical Completion and Performance Test Completion) will not be completed until the middle of 2007. Consequently, Cedar Bay will be dependent on the existing ADS trains for the remainder of 2006 and the bulk of 2007. The facility will exceed the permitted fuel oil limit in 2006 and potentially in 2007.

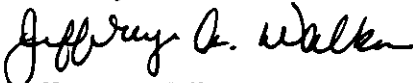
June 19, 2006

Page 2

As the permitted fuel oil use of the facility's ADS systems was exceeded in 2005, Cedar Bay will be entering into a Consent Order with the City of Jacksonville's Environmental Resource Management Department. The request for the temporary increase of the permitted fuel oil limit for the existing ADS trains would allow for the construction and startup of the new ADS system and avoid additional ADS fuel oil compliance issues with the City of Jacksonville.

If you have any questions or if any additional information is needed, please contact me at 904-696-1547.

Sincerely,



Jeffrey A. Walker
Environmental Manager
Cedar Bay Generating Plant

Cc: Mark Casper, Cogentrix Energy
Steve Pace, EQD
Ken Kosky, Golder
R. Robinson, Unaval Co.
C. Ritz, NED