FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

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(Sent by Electronic Mail – Return Receipt Requested)

Mr. Michael Burroughs, Vice President, Power Generation
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0100

Re: Renewed Title V Air Operation Permit
Proposed Permit No. 0050014-025-AV
Lansing Smith Generating Plant

Dear Mr. Burroughs:

One copy of the proposed permit determination for the renewed Title V air operation permit for the Lansing Smith Generating Plant is enclosed. This existing facility is located in Bay County, Florida, west of Southport and north of Panama City. This letter is only a courtesy to inform you that the draft permit has become a proposed permit.

An electronic version of this determination has been posted on the Division of Air Resource Management's World Wide Web site for the United States Environmental Protection Agency (USEPA) Region 4 office's review. The web site address is (enter proposed permit number to access the files):

http://appprod.dep.state.fl.us/air/emission/apds/default.asp

Pursuant to Section 403.0872(6), Florida Statutes, if no objection to the proposed Title V air operation permit is made by the USEPA within 45 days, the proposed permit will become a final permit no later than 55 days after the date on which the proposed permit was mailed (posted) to USEPA. If USEPA has an objection to the proposed permit, the final permit will not be issued until the permitting authority receives written notice that the objection is resolved or withdrawn.

If you should have any questions, please contact David L. Read, P.E., at 850/717-9075.

Executed in Tallahassee, Florida.

David L. Read, P.E.
2015.02.19
13:21:16 -05'00'

for Jeffery F. Koerner, Program Administrator
Office of Permitting and Compliance
Division of Air Resource Management

JFK/dlr

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Clerk Stamp
FILING AND ACKNOWLEDGMENT FILED, on this date, pursuant to Section 120.52(7), Florida Statutes, with the designated agency clerk, receipt of which is hereby acknowledged.

Lynn Scearce

2015.02.19
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Proposed Permit No. 0050014-025-AV

I. PUBLIC NOTICE

The Intent to Issue Air Permit issued to Gulf Power Company for the Lansing Smith Generating Plant was clerked on December 16, 2014. The Lansing Smith Generating Plant is located in Bay County, Florida, west of Southport and north of Panama City. The Public Notice of Intent to Issue Air Permit was published in the News Herald on December 21, 2014. The draft Title V air operation permit was available for public inspection at the permitting authority's office in Tallahassee. Proof of publication of the Public Notice of Intent to Issue Air Permit was received on December 23, 2014.

II. PUBLIC COMMENTS

During the 30-day public comment period, comments were received from the Sierra Club, on behalf of its Florida members, and from the applicant, Gulf Power Company. These comments, and the Department's response to them, are summarized below.

Comments from the Sierra Club

Comments were submitted by the Sierra Club as a nine-page letter dated January 20, 2015 together with an exhibit summarizing dispersion modeling performed by a Sierra Club contractor. Link to Sierra Comments Link to Sierra Modeling The key comments contained in the letter are condensed, repeated or paraphrased (in italics) below and followed by the Department's response.

1. *Sierra Club Comment: Comment regarding Governing Law and Regulations (summarized): The Department's duty to control and prohibit pollution stems from the Chapter 403 pollution prohibition, and the same requires the Department and the polluters it regulates to comply with health-based pollution standards such as the federal NAAQS. We urge the Department to require modeling as the basis for any determination of whether the limits in the Draft Permit provide reasonable assurance that the operation of the Plant would not interfere with the attainment and maintenance of the NAAQS.*

   Department Response: The focus of the Sierra Club's comment relates to the 1-hour National Air Quality Standard (NAAQS) for sulfur dioxide (SO_2) that was promulgated by EPA in 2010. The draft Title V permit accurately reflects the SO_2 permit limits established in state and federal rules as well as by specific conditions in underlying air construction permits. The Clean Air Act requires the USEPA to establish national ambient air quality standards (NAAQS), such as the new 1-hour SO_2 NAAQS. [1] By itself, a NAAQS does not impose any obligation on individual existing sources. The Clean Air Act also provides that each state determines how best to attain and maintain the NAAQS within their boundaries.[2] Once determined, the measures are incorporated into the State Implementation Plan (SIP), which is approved by the USEPA. The specific measures required to attain and maintain compliance with a NAAQS can be imposed on specific sources via new rules, air construction permits, and/or administrative orders, which are later incorporated into the Title V air operation permit for affected sources.

   The general provisions of state law cited to in the comments by Sierra Club reflect the Department's general powers and duties and are not meant to enable the Department to impose different SO_2 emission limits in a facility's Title V air operating permit. The Title V air operating permit program generally does not impose new substantive requirements on a facility, including modeling, but instead is intended to contain all applicable requirements in one document.

   The permit contains the applicable allocations related to SO_2 consistent with the Title IV, Acid Rain Program. The permit includes the requirements from the Florida Regional Haze State Implementation Plan (SIP) which received recent (final) approval from EPA on August 29, 2013. That SIP included Best Available Retrofit

[1] 42 U.S.C. 7409 - National Primary and Secondary Ambient Air Quality Standards
http://www.gpo.gov/fdsys/pkg/USCODE-2011-title42/pdf/USCODE-2011-title42-chap85-subchapI-partA-sec7409.pdf

[2] 42 U.S.C. 7410 - State Implementation Plans for National Primary and Secondary Ambient Air Quality Standards
http://www.gpo.gov/fdsys/pkg/USCODE-2011-title42/pdf/USCODE-2011-title42-chap85-subchapI-partA-sec7410.pdf

(BART) requirements for SO_2 that have been incorporated into the present Title V renewal permit. Finally, the renewal permit requires compliance with the Mercury and Air Toxics Standards (MATS) by April 16, 2016. The MATS will have the further effect of suppressing SO_2 as the facility achieves compliance with the newly applicable hydrogen chloride (HCl) standard. All SIP-applicable requirements have been incorporated into the draft Title V renewal permit.

2. *Sierra Club Comment: The Draft Permit Fails to Establish Sufficiently Stringent Numerical Emission Limitations for SO_2.*

Department Response: The applicable SO_2 emission limits are incorporated into the draft Title V permit.

Please see **Figure 1**. As stated above, the Title V air operating permit program generally does not impose new substantive requirements on a facility but instead is intended to contain all applicable requirements in one document.

In addition, on February 17, 2015, the Department received an official letter from Gulf Power Company stipulating that the coal–fired Units 1 and 2 at the Lansing Smith Generating Plant will cease firing coal as of March 31, 2016. Link to Gulf Power Letter Based on this letter, a new Specific Condition A.0. has been added to Subsection III.A of the Title V permit requiring the cessation of coal firing in Units 1 and 2 no later than March 31, 2016 and that both the Permitting and Compliance Authorities on or before March 31, 2016 must be given notification confirming the final date of coal-firing at the facility.[3]

During the past two decades there has been a distinct downward trend in SO_2 emissions from the Lansing Smith Plant. For example, emissions of SO_2 have decreased by nearly 90% since the late 1990s. In fact, SO_2 emissions in 2014 were approximately one-third of what they were in 2004. The shift of load from the two coal units to the newer natural gas combined cycle unit, and the switch to lower-sulfur coal around the year 2000, have greatly reduced SO_2 emissions from the two coal units. The implementation of BART, MATS and the Cross-State Air Pollution Rule (CSAPR) during 2016-2018 will ensure continuation of the trend.

Figure 1. SO_2 and NO_X Emission Trend for Lansing Smith Generating Plant.

[3] In addition, the condition stipulates that in the event that Gulf Power desires to operate these units subsequent to March 31, 2016, a construction permit application must be submitted to obtain the authority to modify the units and/or control devices as needed in order to meet and demonstrate compliance with all requirements applicable to the desired operation at that time.

Additionally, Gulf Power is conducting transmission system improvements that will provide power from other facilities instead of Units 1 and 2. By and large, the operation of Units 1 and 2 will be minimal from May 2015 through April 16, 2016. The following represents the schedule for completing the transmission system upgrades:

Transmission System Upgrade Description	Target Completion
Holmes Creek - Bonifay Tap Section Rebuild Double Circuit (Chipley Tap)	April 2015
Holmes Creek - Highland City New 230 kV Transmission Line	April 2015
Holmes Creek - Highland City Capacitor Autobank (230/115 kV Ring Bus)	April 2015
Highland City +/- 100 MVAR Static VAR Compensator (SVC)	April 2015
System operations monitoring, verification and experience	April 16, 2016

3. *Sierra Club Comment: Draft Permit Fails to Include Proper Averaging Periods for the Plant's SO_2 Emission Limitations.*

   Department Response: Please see response to Comments 1 and 2. The draft permit includes the averaging periods that complement the applicable SO_2 emission limits.

4. *Sierra Club Comment: Draft permit fails to require continuous operation of existing nitrogen oxides control equipment. The selective non-catalytic reduction (SNCR) ammonia reagent system for nitrogen oxides (NO_X) control should be operated continuously in accordance with best engineering practices.*

   Department Response: The permittee is required to operate the SNCR to the extent that it is necessary to meet all applicable NO_X emissions limits. The commenter noted that NO_X emissions have increased on a lb/MMBtu basis in recent years. Refer to **Figure 1**. Total emissions of NO_X in the 2011-2014 timeframe are roughly half of what they were in 2008. Emissions from the two coal units are capped at 4,700 tons per year, combined, and the facility is in compliance with its NO_X emissions limits.

5. *Sierra Club Comment: Extension of the MATS compliance deadline does not eliminate need for strong SO_2 limitations.*

   Department Response: See the responses to Comments 1, 2 and 3 above.

6. *Sierra Club Comment: Given the MATS Extension, Gulf Power Must Decide Whether to Retire or Retrofit Plant Smith.*

   Department Response: Refer to announcement of planned retirement in response to Comment 2. Additionally, requirements regarding demonstrations performed for the Public Service Commission of the necessity, prudence, or cost-effectiveness of retrofits are outside the Department's authority for this Title V operating permit.

7. *Sierra Club Comment: The Draft Permit Includes Conflicting Provisions, which Require Reconciliation. The Draft Permit, in order '[t]o minimize MATS-related emissions during the one-year extension period,' limits the operation of the Plant 'to only one affected unit (Unit 1 or 2) . . . at the minimum level necessary to maintain stable generating unit operations in compliance with all other conditions of this permit.' However, another permit provision—a vestige of the Plant's prior permit—allows Units 1 and 2 to 'operate continuously (8,760 hours/year).' Given the recognized need to limit Plant operations in light of MATS requirements, the Department should clarify the 'Hours of Operation' provision to reflect these MATS-related operational limits."*

   Department Response: The Department will reconcile the conflict between the between Permit Condition III.A.4 *Hours of Operation* and the MATS extension Permit Condition II.A.47 *Units 1 and 2 - Limited Operation* by inserting a permitting note indicating that during the MATS extension period Condition III.A.47 supersedes and replaces Condition III.A.4.

Comments from Gulf Power Company

On January 22, 2015 comments were received by email from the Gulf Power Company. Several of these comments deal with typos, scrivener errors, minor clarifications and corrections to emission unit descriptions. These corrections were made to the permit. The substantial comments are condensed, repeated or paraphrased *(in italics)* below and followed by the Department's response.

Subsection III.A

1. *Gulf Power Comment: **Condition A.43**, Subpart UUUUU Requirements – Please clarify the condition by adding that compliance to all MATS standards are based on a 30 day average or quarterly testing as outlined in the MATS subpart.*

   Department Response: Part of the referenced condition states that *Compliance with the above emissions limits shall be demonstrated pursuant to one of the available options specified in 40 CFR 63, Subpart UUUUU (see attached Appendix 40 CFR 63, Subpart UUUUU, National Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units).* There is no need to change the permit condition to establish compliance methods and averaging time.

2. *Gulf Power Comment: **Condition A.46**, Transmission System Upgrades – Please clarify the condition's duration by adding that monthly transmission upgrade reports shall be required until the MATS extension period ends on April 16, 2016.*

   Department Response: The monthly reports required by this condition are imposed to track the progress of the transmission line upgrades authorized by the Public Service Commission, according to the schedule identified in Specific Condition **A.46.** A reasonable interpretation of this reporting requirement is that it ends following the submission of the last report summarizing the findings of the monthly on-site inspections and the verification that the upgrades are complete, which has a current target completion date of April 15, 2016. No changes to the permit are necessary as a result of this comment.

Note that all the remaining comments deal with the reciprocating internal combustion engine (RICE) emission units in the permit.

Subsection III.D

3. *Gulf Power Comment: **Descriptive Text** – The Engine identified under EU 011, "Emergency Diesel Sump Pump" is a new engine and is incorrectly identified as an existing engine. The Engine identified under EU 014, (EU 015 in the Table of Contents), "394 HP Emergency Diesel Generator - Units I &2" is an existing engine and is incorrectly identified as a new engine. Engine identifications appear to have been swapped and needs to be corrected along with all rule references and emission limits. Please correct the Table of Contents and permit conditions as needed.*

   Department Response: The corrections and clarifications were made to the permit.

4. *Gulf Power Comment: **Descriptive Text** – Should not include Emergency Diesel Sump Pump, EU 011. EU 011 is a new engine per 40 CFR 63 and should not be included with EU 009 which are existing engines per 40 CFR 63. We recommend giving EU 011 its own line in the Table of Contents, correcting Section I Facility Information and adding a section in the permit with conditions per 40 CFR 63. Subpart ZZZZ and 40 CFR 60, Subpart IIII.*

   Department Response: The corrections and clarifications were made to the permit.

Subsection III.E

5. *Gulf Power Comment: **Condition E.3**, NMHC + NO_X Emissions – The statement: "The Non-Methane Hydrocarbons and Nitrogen oxide emission shall not exceed 6.4 g/KW-hr [40 CFR 60.4205(b) & 89.112 Table 1]" is incorrect. Review of Table 1 shows the limit should be 4.0 g/KW-hr. EU 012 is a new, 355 KW, model year 2009 engine and is subject to Tier 3 standards.*

   Department Response: The correction was made to the permit.

Subsection III.F

6. *Gulf Power Comment: **Condition F.1**, Authorized Fuel and **Condition F.2**, Restricted Hours of Operation – These condition are inconsistent with similar engine EU 012. With the exception of their size and their emission limits standards, these engines have the same requirements per 40 CFR 60 ZZZZ and 40 CFR 63 IIII. This section should be the same as Section E.1 and E.2.*

   Department Response: The corrections were made to the permit.

7. *Gulf Power Comment: **Condition F.4**, Emission Standards: NO_X NMHC Emissions – The statement "Emission of NO_X plus non-methane hydrocarbons shall not exceed 4.0 g/kW-hr (3.0 g/HP-hr.) [40 CFR 60.4205(c) & Table 4]" is incorrect. The correct reference should be 40 CFR 60.4205(b), 60.4202(a)(2) and 40 CFR 89.112 and 40 CFR 89.1 13.*

   Department Response: The correction was made to the permit.

8. *Gulf Power Comment: **Condition F.5**, Emissions Standards: PM Emissions – The statement "PM emissions shall not exceed 0.30 g/kW-hr (0.22 g/HP-hr). [40 CFR 60.4205(c) & Table 4]" is incorrect. The correct reference should be 40 CFR 60.4205(b), 60.4202(a)(2) and 40 CFR 89.112 and 40 CFR 89.113. See similar comment in item a. above.*

   Department Response: The correction was made to the permit.

Subsection III.G

9. *Gulf Power Comment: Descriptive Text – Pertaining to EU No.014, Emergency Diesel Generator - Unit 1 & 2 lists this engine as "New" per 40 CFR 63, Subpart ZZZZ and lists conditions under 40 CFR 60, Subpart IIII. This engine is not "New", but is an existing engine and should be classified with EU 009 in Subsection D. All language under Subsection G should be deleted.*

   Department Response: The corrections were made to the permit.

   Based on the above Gulf Power comments and the Department's response to them, the following structural changes were made to the permit:

   - The 394 HP Emergency Diesel Generator - Units 1 & 2, has been merged into Subsection D. with EU 009 These four existing engines are subject to 40 CFR 63, Subpart ZZZZ requirements.
   - The 165 HP Emergency Diesel Sump Pump has been assigned as EU 011 and merged to Subsection E. with EU 012, also merged EU 013 to Subsection E. These three new RICE engines are subject to 40 CFR 60, Subpart IIII requirements.
   - Subsection F. and Subsection G. have been deleted.

III. CONCLUSION

The permitting authority will issue the proposed permit No. 0050014-025-AV, with the changes noted above to be reviewed by US EPA.