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December 18, 2014

Sent by Electronic Mail – Received Receipt Requested

jovick@southernco.com

Mr. James O. Vick, Director
Environmental Affairs
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0328

Re: Crist Electric Generating Plant, Facility ID No. 0330045-038-AV
MATS Compliance Extension Request for Units 4, 5, 6 and 7

Dear Mr. Vick:

On July 28, 2014, the Department of Environmental Protection's Division of Air Resource Management (Department) received your request and related information^{1,2,3} for a one-year extension, to April 16, 2016, of the compliance deadline of the Mercury and Air Toxics Standards (MATS)⁴ for Gulf Power's coal-fueled Crist Plant Units 4 – 7. The request meets the criteria for obtaining an extension. The extension will be incorporated into the facility's Title V operating permit with appropriate conditions and milestones.

The Clean Air Act and implementing federal regulations, provide that an owner or operator of an existing source who is unable to comply with a relevant standard may request that the state Title V permitting authority grant an extension allowing the source up to one additional year to comply with the standard, if such additional period is necessary for the installation of controls.⁵ EPA recognized in the preamble to the final MATS rule the need and likelihood of such extensions, stating that the "... *fourth year should be broadly available to enable a facility owner to install controls within 4 years if the 3-year time frame is inadequate for completing the installation.*"⁶ EPA noted that "installation of controls" could include installing typical pollution control equipment but also could include other measures, such as conducting transmission upgrades or constructing replacement generation.⁷ EPA also acknowledged that consideration of bulk electric system reliability issues, confirmed by regional transmission operators or public utility commissions responsible for the planning and reliable operation of the electric system, are appropriate to consider in the review of a compliance extension request.⁸

By way of example, EPA indicated that permitting authorities should consider granting requests for extensions to operate existing units when transmission upgrades are needed to maintain electric system reliability.⁹ This is the case with Crist Units 4 - 7.

¹ Original MATS extension request dated 07/28/14 available at <http://arm-permit2k.dep.state.fl.us/psd/0050014/U0001890.pdf>.

² Gulf Power response dated 11/07/14 available at <http://arm-permit2k.dep.state.fl.us/psd/0050014/U0002034.PDF>.

³ Gulf Power additional information email regarding transmission system project schedule dated 11/21/14 available at <http://arm-permit2k.dep.state.fl.us/psd/0050014/U0002021.pdf>.

⁴ 40 Code of Federal Regulations, Part 63, Subpart UUUUU - National Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units, available at <http://www.ecfr.gov/cgi-bin/text-idx?SID=873bc4febaf027dbe36c9f36a78d567c&node=sp40.15.63.uuuuu&rgn=div6>

⁵ [Section 112\(i\)\(3\)](#) of the Clean Air Act; [40 CFR 63.6\(i\)](#); [40 CFR 63.6\(i\)\(4\)\(i\)\(A\)](#).

⁶ See pp. 9407-9411 of the [MATS Preamble](#).

⁷ See pp. 9410-9411 of the [MATS Preamble](#).

⁸ Id.

⁹ Id.

As the transmission system currently exists at Plant Crist, one or more units (4 - 7) must always operate to meet Gulf Power’s electric system reliability requirements. Gulf Power proposes transmission system improvements that will allow continued reliable and economic electric service by providing power from out-of-area facilities when adequate generation from Units 4 – 7 is unavailable. Based on Gulf Power’s extension request, the following represents the schedule for completing the transmission systems upgrades:

Transmission System Upgrade Description	Target Completion
Alligator Swamp +/- 100 MVAR Static VAR Compensator (SVC)	April 2015
Alligator Swamp 100 MVAR Capacitor Bank	April 2015
West Pensacola 100 MVAR Capacitor Bank (Bellview)	April 2015
North Brewton – Alligator Swamp New 230 kV Transmission Line	June 2015
System operations monitoring, verification and experience	April 16, 2016

The extension will allow (1) completion of the transmission system upgrade construction program currently underway, and (2) a period of operational monitoring, verification and experience with the newly constructed and configured transmission system under a wide range of actual operating conditions. Gulf Power indicates that such new systems are difficult to fully test except under actual conditions. The period of operational verification will allow the plant to gain experience with the new equipment during actual peak summer and winter seasons to ensure reliable service by preventing involuntary shedding of local area loads (i.e., rolling blackouts). Therefore, Gulf Power requests a limited one-year extension of MATS for a period of operations monitoring, verification and experience to ensure that the new systems will allow Gulf Power to continue to meet its statutory obligation of service as provided under Chapter 366 of the Florida Statutes.

All of Gulf Power’s MATS compliance-related transmission projects were identified in a Stipulation and Settlement Agreement issued November 22, 2013,¹⁰ which recognizes these specific transmission system upgrades as reasonable and appropriate.¹¹ On December 19, 2013, the Florida Public Service Commission (FPSC) issued an order¹² approving the Stipulation and Settlement Agreement and stating that it is in the ratepayers’ best interests and meets the need for reliable electric service. The Stipulation and Settlement Agreement and approval order are the culmination of a process of thorough review and evaluation by both Gulf Power and the FPSC.¹³

During normal operation with the Plant Crist scrubber and SCRs in-service, Gulf Power indicates that it will operate Units 4 - 7 in compliance with the MATS requirements. However, during scrubber bypass events, Units 4 - 7 cannot meet MATS requirements. Therefore, Gulf Power is concerned that any unplanned scrubber bypass event would necessitate the shutdown of Units 4 - 7 to comply with the MATS requirements, which could affect electrical system reliability if the transmission upgrades were not yet available or failed to operate properly. Therefore, Gulf Power requests an extension to comply with the MATS requirements in such limited cases (unplanned scrubber bypass events) while it is performing the operational monitoring and verification of the transmission upgrades. Gulf Power plans to install and operate the MATS-required monitoring equipment by April 16, 2015 for mercury, particulate matter, and sulfur dioxide (a surrogate for hydrochloric acid). Gulf Power will also report the emissions data quarterly in the MATS format to the Department and may exclude emissions data collected during reliability/scrubber bypass events from the MATS compliance demonstration. After the one-year extension, Plant Crist will operate in full compliance with the MATS rule and will rely on the transmission

¹⁰ Stipulation and Settlement Agreement, FPSC Document No. 07112-13, available at <http://www.psc.state.fl.us/library/FILINGS/13/07112-13/07112-13.pdf>.

¹¹ Id at page 14.

¹² FPSC Approval Order, FPSC Document No. 07524-13, available at <http://www.psc.state.fl.us/library/FILINGS/13/07524-13/07524-13.pdf>. The Department views an order from the FPSC approving Gulf Power’s MATS compliance program to be sufficient indication that the transmission upgrades are necessary and appropriate in terms of the continuing functionality of the electric grid. Letter from the Division of Air Resource Management to the FPSC dated June 28, 2013 available at <http://www.floridapsc.com/library/FILINGS/13/03682-13/03682-13.pdf>.

¹³ See pp. 9410-9411 of the [MATS Preamble](#).

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upgrades to bring in out-of-area power during periods of scrubber outages.

Given the above, Gulf Power's request meets the requirements for obtaining an extension. The Department will incorporate the extension into the Plant Crist Title V air operation permit along with appropriate permit conditions to ensure compliance with the terms of the extension and to minimize emissions.¹⁴ See Attachment A. Also, beginning January 15, 2015, Gulf Power shall provide a written status report for the previous month on the transmission system upgrades and an updated schedule (if necessary) to the Department.

If you have any questions regarding this matter, please contact me at 850-717-9083.

Sincerely,

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

cc: Mr. James O. Vick, Gulf Power (jovick@southernco.com)
Mr. Greg Terry, Gulf Power, gnterry@southernco.com
Mr. Robert Manning, Hopping Green & Sams (robertm@hgslaw.com)
Ms. Diana Csank, Sierra Club (diana.csank@sierraclub.org)
Ms. Alisa Coe, Earth Justice (acoe@earthjustice.org)

¹⁴ [40 CFR 63.6\(i\)\(10\)](#)

ATTACHMENT A
Conditions for Draft Title V Air Operation Permit

1. **Limited MATS Compliance Extension:** For affected Units 4 through 7, the MATS compliance date is extended from April 16, 2015 to April 16, 2016 subject to specific conditions in this section. [40 CFR 63.6(i); and Rule 62-204.800(11)(d)1., F.A.C.]
2. **Transmission System Upgrades:** The permittee shall complete the transmission system upgrades authorized by the Florida Public Service Commission in its December 19, 2013 order. The permittee shall meet the following schedule for completing these transmission systems upgrades, unless the permittee notifies the Department in advance:

Transmission System Upgrade Description	Target Completion
Alligator Swamp +/- 100 MVAR Static VAR Compensator (SVC)	April 2015
Alligator Swamp 100 MVAR Capacitor Bank	April 2015
West Pensacola 100 MVAR Capacitor Bank (Bellview)	April 2015
North Brewton – Alligator Swamp New 230 kV Transmission Line	June 2015
System operations monitoring, verification and experience	April 16, 2016

By the 15th day of each month, beginning the month following the effective date of this permit, the permittee shall provide a written status report for the previous month on the transmission system upgrades and an updated schedule if necessary to the Division and Compliance Authority. The permittee shall provide advance notice to the Division and Compliance Authority if it is unable to meet a target in the above schedule and shall identify a new completion date. Once the transmission system upgrades are complete, these reports shall summarize the findings of the monthly on-site inspections of each SVC and any other monitoring and verification activities. [40 CFR 63.6(i)(10) and (11), Rule 62-204.800(11)(d)1., F.A.C., and Rule 62-4.070, F.A.C.]

3. **Monitoring:** The permittee shall properly install all CEMS and CMS and certify that these systems are fully functional prior to April 16, 2015 as specified in the MATS rule and that the data will be available in the manner described in the MATS rule. [40 CFR 63.6(i)(10), Subpart UUUUU in 40 CFR 63, and Rule 62-4.070, F.A.C.]
4. **Interim MATS Compliance:** During the one-year extension, Units 4 - 7 shall demonstrate compliance with all applicable MATS emissions standards and monitoring requirements except during the following circumstances: there is a scrubber bypass event resulting from an unplanned scrubber outage, malfunction or other unplanned scrubber bypass; and system control determines that there is a potential or actual electrical system reliability issue. In such an event, each unit will be allowed to operate in a manner that system control deems necessary to mitigate or eliminate the reliability issue, shall operate on clean fuels to the extent practicable, and will operate in compliance with all conditions of this permit. Emissions data collected during a bypass/reliability event may be excluded from the MATS compliance demonstration, but must be provided to the Department. Within 30 days following a bypass/reliability event, the permittee shall submit a written report summarizing: the cause of the event, the duration of the event, the measures taken to minimize emissions during the event, and any corrective actions taken. After the one-year extension period, the permittee shall operate in full compliance with all MATS requirements. [40 CFR 63.6(i)(10), Subpart UUUUU in 40 CFR 63, and Rule 62-4.070, F.A.C.]
5. **MATS Data Reporting:** Within 30 days following each quarter of operation during the one-year extension period, the permittee shall report MATS compliance data to the Department. [40 CFR 63.6(i)(10) and (11), Rule 62-204.800(11)(d)1., F.A.C., and Rule 62-4.070, F.A.C.]
6. **Full MATS Compliance:** By April 16, 2016, Units 4 - 7 shall be in full compliance with the MATS rule. [40 CFR 63.6(i)(10) and Subpart UUUUU in 40 CFR 63]