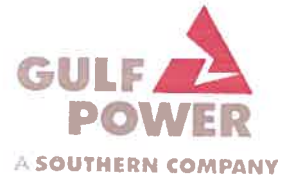


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November 6, 2014

Ms. Paula Cobb, Director
Division of Air Resource Management
Florida Department of Environmental Protection
2600 Blair Stone Road, M.S. 5500
Tallahassee, FL. 32399-2400

Subject: MATS Compliance Extension Request – Additional Information

Dear Ms. Cobb:

This letter provides the additional information requested on September 26, 2014 regarding the Plant Crist and Plant Smith MATS Compliance Extension Request.

Additional Information - Request and Response

1. As referenced in your request, on June 28, 2013 the Department provided a letter to the Florida Public Service Commission that stated:

“The Department would view an order from the Commission approving Gulf’s updated environmental compliance program to be sufficient indication that Gulf’s MATS-related plan for transmission system upgrades in regards to Plant Crist and Plant Smith are necessary and appropriate in terms of continuing functionality of the electric grid.”

Please provide the Department with a copy of (or link to) such order or similar action approving Gulf’s updated environmental compliance program.

Gulf Power Response:

All of Gulf Power’s MATS compliance-related transmission projects were approved by the FPSC as part of a Stipulation and Settlement Agreement issued November 22, 2013 [FPSC Document No. 07112-13, available at <http://www.psc.state.fl.us/library/FILINGS/13/07112-13/07112-13.pdf>]. The FPSC’s order approving the Stipulation and Settlement Agreement was issued December 19, 2013 [FPSC Document No. 07524-13, available at <http://www.psc.state.fl.us/library/FILINGS/13/07524-13/07524-13.pdf>]. As described in Gulf’s July 28, 2014 MATS compliance extension request, the Stipulation and Settlement Agreement is the culmination of a process of thorough review and evaluation by both Gulf and the FPSC.

2. For Plant Crist, Gulf Power notes that during normal operation (i.e., with the scrubber and SCRs in-service) the plant will meet MATS requirements. Please confirm:

- a. that all CEMS and CMS will be installed, functioning and maintained by April 16, 2015 as described in MATS and that the data will be available in the manner described in MATS; and
- b. that but for scrubber malfunctions, outages and unplanned bypass periods, the plant will comply with all MATS emissions limits and monitoring and reporting requirements during the period of the one-year extension.

Gulf Power Response:

a) Gulf Power's plan is to have all MATS CEMS installed, functioning and maintained by April 16, 2015, on the primary Plant Crist stack, the common scrubber stack, to monitor emissions from Plant Crist Units 4, 5, 6 and 7. Currently, procurement is underway to upgrade the existing mercury monitor and to add a particulate monitor on the common scrubber stack. These two monitors in combination with the existing SO₂ monitor provide the necessary CEMS data to satisfy the monitoring requirements for MATS of § 63.10010 (a)(4). These additional scrubber stack monitors will be installed prior to April 15, 2015 and they will collect hourly data and will calculate the 30-day MATS-required average for mercury, particulate and SO₂. During the extension period, continued operation during a scrubber malfunction or outage or any unplanned bypass of the scrubber while firing coal is only potentially necessary during periods when there are transmission system reliability issues. Therefore, the bypass stacks will continue the existing monitoring of SO₂, NO_x, CO₂ and flow during the MATS extension.

b) During the one-year extension, the 30-day MATS data will be reported quarterly to the Department. Emissions during scrubber malfunctions, outages and unplanned bypass periods will not be computed in the 30-day average.

3. For Plant Smith, Gulf Power notes in the extension request that it cannot meet MATS emission limits under the Plant's current configuration. Gulf Power also notes that "transmission improvements are needed to continue providing reliable and economic electric service to its customers without continued reliance on generation being available from Plant Smith Units 1 and 2."

- a. What is Gulf Power's intent for Units 1 and 2 at the conclusion of the extension period?

Gulf Power Response:

At the end of the extension period, April 15, 2016, Plant Smith Units 1 and 2 will be taken off-line and will remain off-line unless and until additional emission controls and CEMS that would allow compliance with MATS are installed and operational. If the Company decides to add emission controls, the units will remain offline until the additional emission controls are operational, allowing the units to operate in compliance with the MATS requirements. Gulf is continuing to evaluate the viability of adding emission controls to the two Smith units and expects to reach a decision before the end of the first quarter of 2015.

4. Gulf Power notes that “all of Gulf’s MATS compliance-related transmission projects were approved by the FPSC.” In addition, Gulf Power states that “EPA’s discussion of this transmission-compliance option was in the context of maintaining system/grid reliability while specific units installed controls or retired, in order to comply. As noted by DEP, EPA specifically concluded that transmission upgrades fall within the scope of ‘installation of controls’ for purposes of seeking an extension to this deadline where there are reliability concerns.”

a. Based upon this information, it appears that it is Gulf Power’s intent for Smith Units 1 and 2 to comply with MATS through improvements to the transmission system. Is this accurate? If so, please explain how the transmission improvement projects allow these units to comply with MATS.

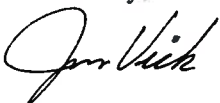
Gulf Power Response:

The identified transmission system improvements are necessary to simultaneously comply with Gulf’s electric system reliability requirements and the new MATS standards as applied to Smith Units 1 and 2. Without the identified transmission system improvements, Smith Units 1 and 2 must be available to run to meet Gulf’s electric system reliability requirements. After completion of the identified transmission system improvements, the newly configured transmission system will no longer require generation from Smith Units 1 and 2 to maintain electric system reliability. In other words, the “must run” condition for Smith Units 1 and 2 will be eliminated. As noted in Gulf’s request for extension of the MATS compliance deadline, the requested extension is needed to allow (1) completion of the transmission system upgrade construction program that is 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. This period of operations monitoring, verification and experience is necessary in order to ensure that the new systems will allow Gulf to continue to meet its statutory obligation of service as provided under Chapter 366 of the Florida Statutes.

With the MATS extension, Gulf Power will be able to maintain electric system reliability during the period of transition to Gulf’s new systems for compliance with MATS. As detailed in the extension request, Gulf is seeking a reasonable opportunity to ensure the new systems work as planned to simultaneously achieve full compliance with the MATS requirements and continue to provide reliable electric service to Gulf’s retail customers in Northwest Florida.

Gulf Power appreciates your review of this additional information. If you have any questions regarding this response, please contact me at (850) 444-6311.

Sincerely,



James O. Vick
Director of Environmental Affairs
Gulf Power Company