TENASKA® GATEWAY PARTNERS, LTD.

1044 N. 115 Street, Suite 400
Omaha, Nebraska 68154-4446
402-691-9500
FAX: 402-691-9526

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
2008 DEC -4 PM 1:55
CHIEF CLERKS OFFICE

December 5, 2008

Office of the Chief Clerk – MC 105
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas, 78711-3087
Attention: Agenda Docket Clerk

Subject: Appeal of the Executive Director's Use Determinations regarding Tenaska Gateway Partners, Ltd., TCEQ Use Determination No. 07-11914; TCEQ Docket No. 2008-0830-MIS-U.

Dear Sir or Madam:

Enclosed please find the response brief for the above referenced appeal by the Rusk County Appraisal District regarding the TCEQ's 100% positive use determination of the heat recovery steam generators (HRSGs) at Tenaska Gateway Partners' facility.

If you have any questions regarding the response brief, please contact David Johnson at (402) 691-9533 or Mr. Chris Thompson of Thomson Tax & Accounting at (512) 691-3058.

Very truly yours,

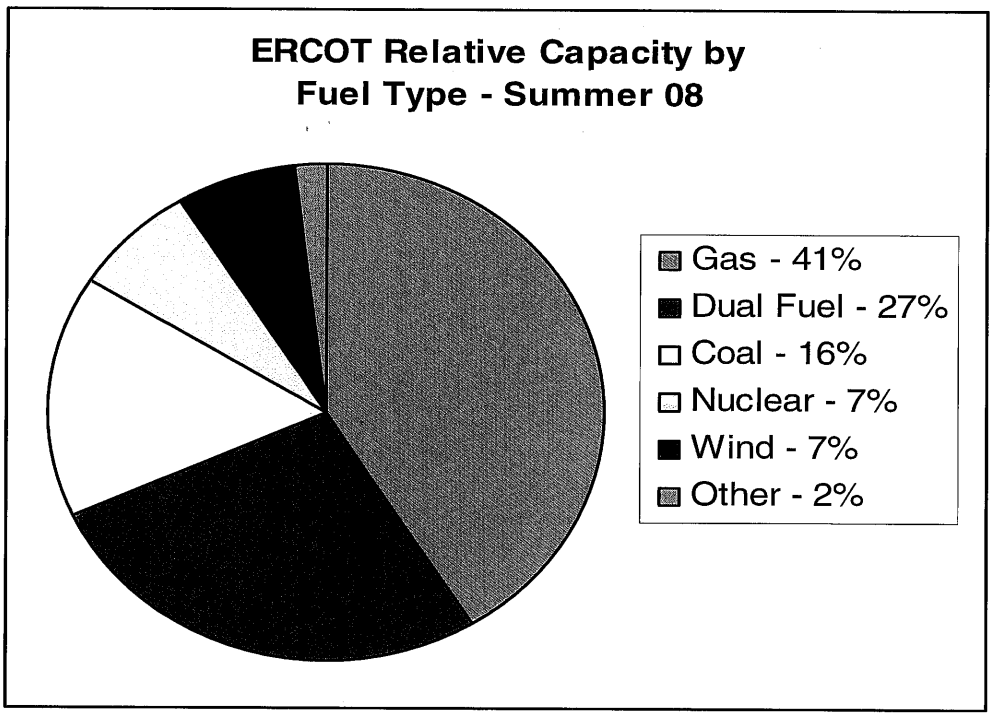
TENASKA GATEWAY PARTNERS, LTD.
By: Tenaska VII Partners, L.P., its Managing General Partner
By: Tenaska VII, Inc., its General Partner

By: Jerry K. C

Jerry K. Crouse
Chief Financial Officer

The HRSGs operating in conjunction with the EST have the equivalent effect of a 38% efficient Selective Catalytic Reduction (SCR) system in reducing NO_x emissions and therefore should be exempt, similar to the exemptions granted for other air pollution control equipment.

We believe it was this type of environmental performance that the Texas Legislature had in mind when Part B of the Equipment and Category List was created and the heat recovery steam generators (B-8) and enhanced steam turbine systems (B-10) were placed on this list. Texas requires power, much of which is and will continue to be provided by natural gas as shown in the Pie Chart below:



Source: NERC 2008 Summer Reliability Assessment

The Tenaska Gateway facility was sized at 845 MW to meet the electric generation needs of Texas. "Removing" the HRSGs and EST from the facility would require the installation of additional gas turbines and higher emissions of NO_x in order to achieve the same level of gas-fired generation.

For these reasons, we believe the TCEQ made the correct decision in granting the HRSGs a 100% positive use determination. However, the pollution control benefits of lower NO_x emissions per MWh are achieved from the use of the HRSGs and EST working in tandem (analogous to exempting the ductwork leading to a scrubber but not the scrubber). Therefore, we respectfully request that the TCEQ grant a positive use determination as pollution control equipment for both the HRSGs and EST.

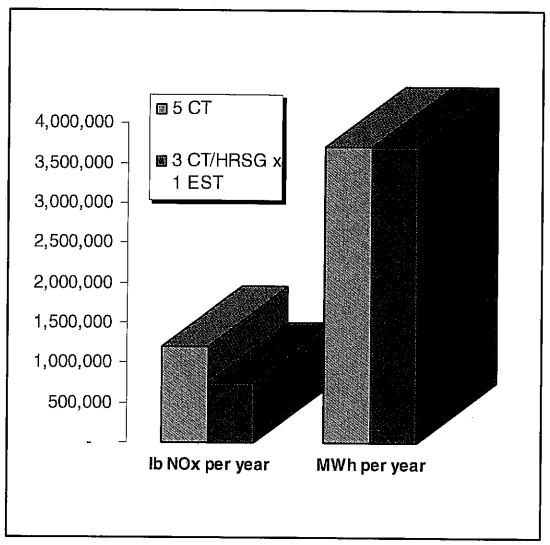
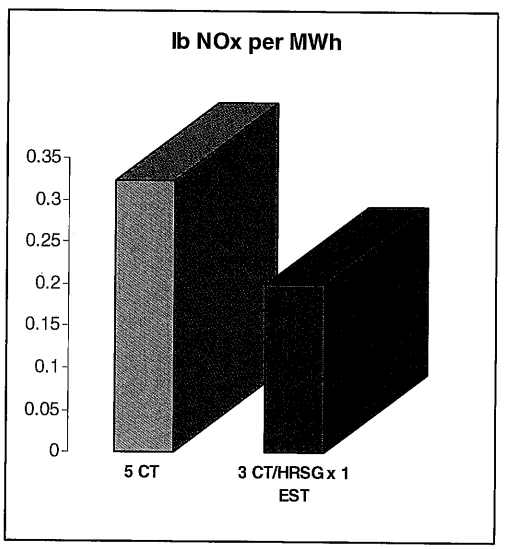
Thank you for your consideration.

December 5, 2008

Office of the Chief Clerk – MC 105
Texas Commission on Environmental Quality
PO Box 13087
Austin, TX 78711-3087
Attention: Agenda Docket Clerk

Re: Appeal of the Executive Director's Use Determinations regarding Tenaska Gateway Partners, Ltd., TCEQ Use Determination No. 07-11914; TCEQ Docket No. 2008-0830-MIS-U.

Dear Sirs:

This letter is a response brief to the above referenced appeal by the Rusk County Appraisal District regarding the TCEQ's 100% positive use determination of the heat recovery steam generators (HRSGs) at Tenaska Gateway Partners' facility. While we support the TCEQ's original finding of 100% positive use determination for the HRSGs as pollution control equipment we also believe a similar positive use determination should be made for the enhanced steam turbine (EST).

The Texas Property Tax Code 11.31(k) lists HRSGs (B-8) and ESTs (B-10) as equipment eligible for property tax exemption as pollution control equipment. The three HRSGs and one EST installed at Tenaska's Gateway facility use waste heat from the combustion turbines to reduce pollution by reducing the amount of Nitrogen Oxides (NO_x) emitted per megawatt hour (MWh) generated from 0.323 lb per MWh to 0.201 lb per MWh (based on 2007 data). A similarly sized, 845 megawatt (MW), simple cycle gas-fired generating facility would emit approximately 60% more NO_x than the Gateway facility. The amount of NOx generated per year at 50% utilization for each layout is shown below: