



**PRITCHARD & ABBOTT, INC.
VALUATION CONSULTANTS**

4900 OVERTON COMMONS COURT / FORT WORTH, TEXAS 76132-3687 / PHONE: (817) 926-7861 / FAX: (817) 927-5314

May 23, 2008

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

Re: TCEQ Use Determination No. 07-11966

Dear Sirs:

I am writing this letter as agent for Freestone County Appraisal District concerning the appeal of the Use Determination with TCEQ tracking number 07-11966 filed by Freestone Power Generation LP. Enclosed are detailed comments explaining why the heat recovery boilers described in this application are production equipment and not pollution equipment. Therefore, the primary purpose of this equipment is not to reduce air pollution. It should not qualify for a 100% tax exemption.

We respectfully request that the TCEQ staff and commissioners review these enclosed comments and reconsider the existing Use Determination.

Sincerely,

Mr. C. Wayne Frazell, P.E., CEM
Engineer/Appraiser

CWF/jh

Enclosure

copy to Mr. Bud Black, Chief Appraiser
Freestone County Appraisal District
218 N. Mount Street
Fairfield, Texas 75840-3144

2008 MAY 27 AM 9:59
CHIEF CLERKS OFFICE

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

**Concerning Eligibility of Heat Recovery Steam Generators
in
Combined-Cycle Plants
for
Texas Commission on Environmental Quality
Proposition 2 - Property Tax Exemption Program**

By: Charles Wayne Frazell P.E.

I. Property Description

Combined-cycle power plants consist of one or more generators powered by industrial size jet engines. These engines can be fueled by most combustible gas or liquids, but currently, most are fueled by natural gas. The hot exhaust from these engines is passed through a heat recovery steam generator (HRSG). A HRSG is essentially a boiler without the burners. In a combined-cycle plant this boiler creates steam that is used to turn an electric generator(s) just like nuclear, coal and older natural gas fired power plants.

II. Rule Change

The TCEQ rules were changed in response to the 2007 Texas Legislature HB 3732. The modified rules created the Part B List which includes Exhaust Heat Recovery Boilers (B-7) and Heat Recovery Steam Generators (B-8).

A HRSG is often added to recover exhaust gases to preheat water entering the boiler of a conventional electric generating plant to improve efficiency, but, they are not the driving force behind the plant production. I believe that this is the type of application that was intended by the inclusion of B-7 and B-8 in the TCEQ Part B List.

III. Compliance

To some it will appear that the boiler that recovers the exhaust heat from the turbine engines qualifies as a pollution control item. This of course ignores the fact that this boiler is a major component of production. It was installed to produce more electricity to sell and not to reduce pollution. If the jet engines were not ducted to the boiler and burners were added, the HRSG side of the plant would operate as a conventional steam driven power plant. It is not the boiler that reduces the pollution. Ducting the hot gases from the jet engine(s) reduces the pollution by reducing the need for an additional heat source (burners).

As a general rule when a component for pollution control is removed, there is little or no loss in production. For example, when a catalytic converter is removed from an engine it still produces the same horsepower. If electronic precipitators are removed from the exhaust of a coal-burning power plant, it still produces the same amount of electricity.

If the boiler is removed from a combined-cycle power plant, production is greatly reduced. Since removal of this component significantly reduces the amount of product (electricity) produced, this boiler is primarily production equipment. It is not a pollution control device.

Before now, there were no environmental tax exemptions granted for the HRSG in a combined-cycle power plant. Few, if any, gas-fired steam-powered electric generators have been built since the late 1970s because of the economic advantages of building a combined-cycle power plant. Some simple-cycle gas turbines have been built for peaking purposes, but, economics have driven the construction of more combined-cycle generation.

In 1992 the people of Texas voted and approved Proposition 2 creating the current environmental tax exemption. The ballot read "The constitutional amendment to promote the reduction and encourage the preservation of jobs by authorizing the exemption from

ad valorem taxation of real and personal property **used for the control of air, water, or land pollution.**” These boilers are used for production and not to control pollution. I believe the majority of the people would have voted **“NO”** on this proposition, if they thought it would include production equipment that produces INCOME and is not MANDATED by law!

IV. Limitations

A detailed description of what will be exempted needs to be provided to the appraisal district and not just identifying the HRSG. If the HRSG is found to be pollution control equipment, where is the limit? Do we also include the deaerator, the condenser, the pumps and all of the other steam piping and equipment which is installed to produce INCOME? Should we also exempt the plant lighting since this yields fewer emissions than if they had gas lamps? Although there are safety and convenience reasons for electric lighting, the primary reason for their installation is economics - not pollution control.

The primary reason for building combined-cycle power plant is economics and not pollution control. If the gas turbine is removed, then all you need is a set of burners and an intake fan to have the same production on the steam side. Since this type of boiler is a major component of production, it is not pollution control equipment. Only the ducting that conducts the exhaust heat from the gas turbine to the boiler should receive a 100% exemption.

V. Conclusions

The Texas Commission on Environmental Quality TCEQ rule changes in response to the 2007 Texas Legislature HB 3732 that created the new Part B non-exclusive list was intended to clarify pollution control devices not previously recognized. There was no mention of including equipment that is in place for producing a product.

The boiler in a combined-cycle power plant is installed to produce electricity rather than to reduce pollution and does not qualify for a 100% tax exemption. **Therefore, I respectfully request that no Use Determination be granted for the primary boiler (HRSG) of any combined-cycle power plant.** Thank you for your favorable consideration.

MAY 27 PM 9:59
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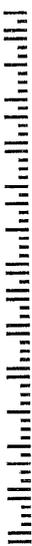
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TCEQ MAIL CENTER
JR



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FT. WORTH, TEXAS 76132-3687



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Texas Commission on Environmental
Quality

P. O. Box 13087
Austin, Texas 78711-3087



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Freestone Central Appraisal District

218 North Mount
Fairfield, Texas 75840

Bud Black, Chief Appraiser

Tel (903) 389-5510
Fax (903) 389-5955

May 14, 2008

Office of the Chief Clerk - MC 105
Texas Commission on Environmental Quality
PO Box 13087
Austin, TX. 78711-3087

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY
2008 MAY 16 AM 9:29
CHIEF CLERKS OFFICE

Re: TCEQ Use Determination No. 07-11966

Dear Sirs:

I am writing this letter as an official appeal of the Use Determination with TCEQ tracking number 07-11966, filed by Freestone Power Generation LP. It is our belief that heat recovery boilers described in this application are production equipment and not pollution equipment. Therefore, the primary purpose of this equipment is not to satisfy air pollution standards and does not qualify for a 100% tax exemption.

We respectfully request that our appeal regarding this Use Determination be granted.

Thank you for your consideration. Pritchard & Abbott, Inc., will be acting as our agent for this appeal.

Sincerely,



Bud Black, RPA/CTA
Chief Appraiser

BB/