



PRITCHARD & ABBOTT, INC.
VALUATION CONSULTANTS

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TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY

2008 MAY 27 AM 10:08

CHIEF CLERKS OFFICE

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. 07-11971

Dear Sirs:

I am writing this letter as agent for Hutchison County Appraisal District concerning the appeal of the Use Determination with TCEQ tracking number 07-11971 filed by Borger Energy Associates 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 Ms. Diana Hooks, Chief Appraiser
Hutchinson County Appraisal District
P. O. Box 5065
Borger, Texas 79007-5065

**Concerning Eligibility of Heat Recovery Steam Generators
in the
Blackhawk Cogeneration Plant
for
Texas Commission on Environmental Quality
Proposition 2 - Property Tax Exemption Program**

By: Charles Wayne Frazell P.E.

I. Property Description

Cogeneration 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. The Blackhawk plant boilers create steam that is sold to a neighboring oil refinery.

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 boiler 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 steam 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 power plant. The Blackhawk plant uses burners to produce steam to sell when the jet engines are down for repair. 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 cogeneration power plant, there is no steam produced. Since removal of this component eliminates production of a product (steam), this boiler is primarily production equipment. It is not a pollution control device.

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 a cogeneration 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 cogeneration power plant is installed to produce steam to sell 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 cogeneration power plant.** Thank you for your favorable consideration.

Board Officers
Mary Henderson
Chairperson

Leslie Deaton
Vice Chairman

Leslie Monden
Secretary

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Board Members
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CERTIFIED MAIL 7001 1140 0001 5950 4239

May 14, 2008

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

Re: TCEQ Use Determination No. 07-11971

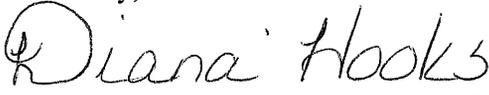
Dear Sirs:

I am writing this letter as an official appeal of the Use Determination with TCEQ tracking number 07-11971 filed by Borger Energy Associates 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,



Diana' Hooks
Chief Appraiser, RPA/RTA

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CHIEF CLERKS OFFICE