



City of Austin

Austin's Municipally Owned Electric Utility

Town Lake Center 721 Barton Springs Road • Austin, Texas 78704-1194 • (512) 322-9600

December 1, 2005

Ms. Karen Hill
Texas Commission on Environmental Quality
P.O. Box 13087 (MC-206)
Austin, TX 78711

Re: Comments of Austin Energy relating to the more stringent nitrogen oxides emissions limits that TCEQ is considering imposing on electric generating units in East Texas

Dear Ms. Hill,

Austin Energy appreciates the opportunity to submit comments as part of the stakeholder process regarding the much stricter NOx emission limits that the TCEQ is considering imposing on electric generating units (EGU's) in East Texas (as defined in 30 TAC 101.1 (10)).

After having reviewed the emission reduction requirements contained in the information provided during the November 18th, 2005 stakeholder meeting and in summary, it is our position that this effort to impose very strict NOx reduction requirements on EGU's that are located great distances from the D-FW ozone nonattainment area poses the question of equity in that these new NOx emission limits would place an unfair burden on this utility and our customers by extension. It is our opinion that it is premature to pursue drastic NOx reductions on our generation fleet and to ask our customers to pay for such reductions when it is quite obvious that there are many significant contributors to the D-FW ozone nonattainment status that are in or near this nonattainment area and are currently uncontrolled or under-controlled. What follows are the specific reasons that Austin Energy opposes these potential new NOx reduction requirements:

1. Austin Energy has just recently gone through the process of installing NOx reduction technologies on our existing fleet of generating units, which includes the gas-fired units at our Decker and Holly facilities as well as the very significant reductions in NOx emissions that have recently been achieved at the Fayette Power Project (better than 60% reduction in NOx average rate), which we co-own along with the LCRA. In each case mentioned above, we have installed combustion-control retrofit technology. We feel that these NOx retrofits were very appropriate and were very cost-effective. By making these retrofits, Austin Energy has gone well beyond the commitments that were made towards the Early Action Compact for the Austin area. The NOx reductions that TCEQ is currently contemplating for the EGU's in East Texas are not considered cost effective by Austin Energy and in our opinion, do not appear justified, since all of our EGU's

are in or near Austin, which is currently considered an ozone attainment area based on the new 8-hour ozone standard.

2. Since the reductions in NOx emissions from EGU's associated with the TCEQ's SB-7 and 117 Regional NOx control rules have only recently been accomplished, it is our opinion that the TCEQ is not taking proper credit for these new NOx emission rates from the affected EGU's in the TCEQ's photochemical model, which they are utilizing to model ozone attainment in the D-FW area. It would be greatly appreciated if a demonstration was made that confirmed that the new low-NOx emission rates for these East Texas EGU's are being properly accounted for in this photochemical model and that this same model's results be verified using recent ambient ozone readings. It is crucial that the effects of the recent SB-7 and 117 related NOx reductions be accounted for in order to determine how effective they have been towards reducing ozone levels in Texas in general and the D-FW area in particular. It is imperative that the historic NOx reductions are accounted for in the photochemical model and that this model's results are verified and compared to recent ambient ozone levels. Prior to requiring that additional NOx reductions be made from the East Texas EGU's, the effects from the most recent NOx control efforts must be known first.
3. Along with the demonstration mentioned above, we would request that the TCEQ also account for the emission totals from other sources of both NOx and VOC's in and near the D-FW area and to demonstrate that these emissions are being controlled to the maximum extent feasible. It is our position that the sources located in or near the D-FW area should be controlled to the maximum extent feasible prior to requiring emission reductions from sources that are great distances this ozone nonattainment area, particularly in light of our having just spent several million dollars on previous NOx retrofits on our EGU fleet.
4. The emission rates that have been mentioned in the data provided through the stakeholder process appear to be on the level of LAER (lowest achievable emission rate), which is typically only used when dealing with point sources in ozone nonattainment areas. To attempt to apply these types of emission rate limits to sources that are located in ozone attainment areas seems to be very inappropriate and would not be nearly as effective as obtaining additional NOx reductions from sources that are either in or near the D-FW ozone nonattainment area. Austin Energy does not feel that installing LAER technology on our units would yield effective ozone reductions in the D-FW area nor would it be justifiable to our customers.
5. In order to achieve the emission rates that have been specified for our peaking gas turbines located at our Decker Creek facility, SCR technology would be required.

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Since these units are black-start/peaking units, they typically operate only about 100 hours each per year. Installation of SCR on these units would produce NOx reductions at the cost of approximately \$27,000 per ton using a very conservative estimate for this installation. As you are quite aware, this is an extremely high cost for NOx reductions. For this reason, peaking units with very minimal yearly NOx emission tons should be excluded from being included in this effort.

6. Currently, the Fayette Power Project (co-owned by Austin Energy and the LCRA) is gearing up to install an SO2 scrubber on the Units 1 and 2 at the Fayette Project as part of our flex permit conditions for the site. The cost to Austin Energy for this SO2 scrubber retrofit could be on the order of \$100 million dollars. In order to install the requisite NOx control technology to meet the newly proposed emission limits on our generating fleet (at the Decker, Holly and Fayette Power Project) the additional cost would be on the order of \$150 million dollars to retrofit all of these sources with SCR. Austin Energy does not have such funding available now or in the near future. We also do not feel that the TCEQ has provided the technical and scientific information that would demonstrate that this would be a good investment by Austin Energy and by extension, our customers.

Austin Energy appreciates the TCEQ providing the opportunity to participate in the stakeholder process and for your willingness to discuss the details of this issue. Please feel free to contact Bob Breeze, P.E. at (512) 322-6269 if you have any questions regarding these comments or would like to discuss them further.

Sincerely,



Oscar Backus

Director, Environmental Care and Protection
Austin Energy