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December 2, 2005

Ms. Karen Hill
MC 206
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

Re: Comments on the nitrogen oxide emission limits TCEQ is considering
For EGFs in Texas

Dear Ms.Hill:

CPS Energy (City Public Service) located in San Antonio, Texas attended the stakeholder meeting of Friday, November 18, 2005 at which TCEQ announced the possibility of imposing more severe NOx limitations on EGFs or Electric Generating Facilities in East Texas. We respectfully submit the enclosed comments and request that utilities have additional time to submit further information prior to a proposed rulemaking due to the great impact these new limits would have on our electric operation.

Thank you for your attention. I can be reached at 210-353-2875.

Sincerely,

A handwritten signature in cursive script that reads "Cynthia A.S. Levesque".

Cynthia A.S. Levesque
Supervisor, Permits Section

CPS Energy (City Public Service) Comments
On New NOx limits for EGFs in East Texas

CPS Energy is the municipally owned electric and gas utility that serves the citizens of Bexar County and surrounding counties. CPS Energy owns and operates 20 electric generating units all located in Bexar County, totaling approximately 4400 Megawatts of capacity including coal-fired steam, gas/oil-fired steam, gas-fired simple cycle turbines and gas-fired combined cycle turbines. CPS has over 600,000 electric customers and over 300,000 gas customers in an electric retail area of 1566 square miles.

From the EGF stakeholder meeting held on Friday, November 18, 2005, CPS Energy understands that the TCEQ is considering imposing more stringent nitrogen oxide (NOx) emission limits for all utilities in East Texas which area includes Bexar County, than what is currently required under TCEQ Regulations applicable to CPS Energy plants which are Chapter 117, Subchapter B, Division 2 and Chapter 101, Subchapter H, Division 2. Specifically the limits would be those that are applicable to the Houston/Galveston non-attainment area, which is 0.03 lb/mmbtu for gas fired EGUs and 0.05 lb/mmbtu for coal-fired EGUs, or possibly even more stringent limits. The stated purpose of these new limits would be to help the Dallas-Fort Worth (DFW) non-attainment area come into compliance with the 8-hour ozone standard

CPS Energy opposes the possible imposition of more stringent NOx limits on its EGUs for the following reasons.

1. From the information presented at the November 18 meeting there was inadequate technical and scientific justification that imposing the new NOx limits would be necessary to bring the DFW area into attainment. TCEQ staff stated at the meeting that according to sensitivity test runs done on isolated cases of predictive situations (not actual data), even if the blanket NOx reductions are made across East Texas, by 2010, an average reduction of only 1.41 ppb ozone (and 1.07 ppb ozone average on "high" days) is predicted to be achieved, when DFW area needs a 6 ppb design value reduction at its Frisco monitor to come into attainment. This is only a fraction what is needed to lower the 8-hour value enough to get DFW into attainment. Utilities in East Texas have already achieved an approximate 50% reduction in NOx from historic levels, and it is not clear what impact these reductions have already made on the 8-hour ozone levels in DFW. CPS Energy for example, has reduced its NOx mass emissions over 50% from 1997 levels at a cost of over \$50 million and is poised to meet the new CAIR requirements. The Bexar County area has a SIP and Early Action Compact/Clean Air Plan in place that does not require further NOx reductions for CPS Energy power plants for the Bexar County area to be in compliance with the 8-hour standard by the end of 2007. To impose further costly NOx reductions on CPS power plants to assist the DFW area is unfair, inequitable and unwarranted for CPS ratepayers. There is not adequate justification and scientific evidence as to what the reductions will mean in Bexar County where CPS ratepayers live, or that the reductions will have any effect in the DFW area for the area. Further analysis must be done to determine the impact of NOx reductions already made and any future NOx reductions made under CAIR, before a judgement can be made, that there is a meaningful and necessary reduction, based on actual data, in the 8-hour ozone design value in the DFW nonattainment area. Furthermore, to apply the level of reductions, equivalent to or more stringent than LAER

(lowest achievable emission rate) in an area that has NOT been declared non-attainment for ozone is inappropriate.

2. Applying reduction requirements to gas-steam units outside the DFW non-attainment area would not be effective. Gas-steam units have very low capacity factors in Texas. They would typically only be used to meet weekday peak loads. This means that they would typically not be on line before 1 or 2 in the afternoon and would be cycled off after about 6 or 7 pm. Since most 8-hour non-attainment maxima occur coincident with the 10 am - 6 pm averaging period, the gas units wouldn't even be on line for the entire 8 hour averaging period. Furthermore, gas-steam units do not have greatly elevated stacks; most stacks would extend only 20 or 30 feet above the top of the boiler so most would terminate less than 200 feet above ground level. Also, gas-steam units stack exit gas temperatures are low - about 175 degrees F. These factors collectively negate long-range transport effects, especially during periods of low wind speeds that are characteristic of most high ozone days, from gas-steam units. Therefore, gas-steam unit reductions outside the immediate non-attainment area could not significantly affect monitors in the DFW area and should not be considered candidates for control.

3. The proposal is technically impractical and economically unreasonable. TCEQ should not ignore the extremely serious technical, operational and economic challenges to try to retrofit Selective Catalytic Reduction (SCRs) on all EGFs in East Texas by the year 2009, which would be the necessary step to meet the proposed levels. CPS Energy understands the seriousness of meeting such an extremely low NOx rate of 0.05 lb/mmbtu because CPS agreed to this level for its new coal-fired steam electric plant and this level is the most stringent NOx permitted limit in the country. CPS Energy will build the new unit to go on line in 2010, with state-of-the-art controls and boiler, which are originally designed to achieve this NOx level. However retrofitting SCRs on older coal and gas units to achieve these levels is another matter. There is little to no operational data to indicate that compliance with these very low NOx levels on a long-term basis is technically achievable on older units not originally designed for SCRs. Furthermore, the cost to CPS Energy of installing SCRs on its 3 coal units would be in excess of \$250 million and on its 11 older gas-fired units also in excess of \$200 million. Most of CPS Energy's older gas-fired steam generating units operate at less than 15% capacity factor per year and are kept for reliability purposes, for meeting ERCOT and system demand. The NOx emissions from these 11 units are only about 1000 tons per year, making the cost of such drastic controls unjustifiable. Moreover, the cost for these controls would be born by CPS Energy ratepayers, without a scientific or justifiable reason, at this point, nor a valid demonstration of their possible effect on ozone. Finally, the time frame of compliance by 2009 is simply not reasonable due to the inability to manufacture the vast number of SCRs that would be required not only for this proposal but CAIR. CPS Energy must have time and resources to design and purchase this equipment as well as to plan necessary outages to install and test the equipment on its 14 affected units. Outages across the entire range of CPS' electric system would further jeopardize the ability to provide reliable electricity to CPS Energy customers in the near term.

4. Requiring expensive NOx control systems on gas steam units, most of which have little or no book value and few of which exceed a 30% capacity factor, would hasten the retirement dates of these units thus exacerbating an already serious looming generating inadequacy problem in Texas.

5. The measure of effectiveness that should be used is dollars per ppb of ozone reduced, not dollars per ton of NOx controlled. TCEQ has the necessary modeling tools and expertise to make the necessary calculations to convert, for each unit under consideration, the relatively meaningless dollar per ton of NOx removed from that unit into the meaningful, and rankable, measure of effectiveness of dollars per ppb reduced at the offending monitoring station.

In conclusion, CPS Energy is very interested and committed to maintaining good air quality in Texas in a manner that is technically feasible, economically reasonable and will not jeopardize its ability to provide reliable and cost-effective electric energy to its customers. Over the past five years, CPS Energy has committed to a total of almost \$400 million in environmental control retrofits to its existing coal units that are enhancing air quality, including improvements that enabled us to commit to TCEQ in its permit application that no significant additional NOx or SO2 will be emitted from its plant site when Spruce 2 comes on line. These controls have been carefully designed and planned so that they can take effect in a timely, cost-effective manner. Furthermore, CPS Energy voluntarily owns and operates the two most comprehensive ambient air-monitoring stations in Bexar County. CPS Energy believes that we are doing our share to voluntarily improve air quality and it is infeasible and inappropriate to require costly and difficult controls when the justification for such controls have not been properly or technically addressed.

CPS Energy appreciates the opportunity that TCEQ provided in having the November 18 stakeholder meeting and allowing affected parties to provide comments on the proposed new limits. We appreciate an opportunity to meet with appropriate TCEQ personnel to discuss this issue as appropriate and to have additional time to submit more information prior to a proposed rulemaking.