



THE NORTH AMERICAN COAL CORPORATION

SIGNATURE PLACE II, 14785 PRESTON ROAD, SUITE 1100

DALLAS, TEXAS 75254-7891

December 2, 2005

Ms. Karen Hill
Air Quality Planning and Implementation Division
Texas Commission on Environmental Quality
MC - 206
P. O. Box 13087
Austin, Texas 78711

**Re: Comments Regarding the East Texas Electric Generating Facility Rules
(Rule Log No. 2006-002-117-EN)**

Dear Ms. Hill:

The North American Coal Corporation ("NAC") is submitting this letter to provide comments on the East Texas Electric Generating Facility Rules that TCEQ is considering adopting. These rules would impose on Electric Generating Units (EGUs) in East Texas the very stringent NO_x emissions limits that apply to EGUs in the Houston/Galveston non-attainment area (0.03 lb/MMBtu for gas-fired EGUs and 0.05 lb/MMBtu for coal-fired EGUs). NAC reserves the right to submit additional comments when appropriate.

NAC produces approximately 7.5 million tons of lignite annually in Texas from two sites. This lignite is used as a fuel for electric generation.

NAC strongly opposes further NO_x reductions for EGUs in East Texas and agrees with the comments submitted by other organizations opposed to reducing the NO_x emission limits in Chapter 117, including the Association of Electric Companies of Texas (AECT), the Gulf Coast Lignite Coalition (GCLC) and the Texas Mining and Reclamation Association (TMRA). These organizations' comments highlighted several important problems with the East Texas Electric Generating Facility Rules, including:

- the inequity of additional NO_x reductions in attainment areas
- the weak or non-existent nexus between EGU NO_x emissions and the Dallas/Fort Worth State Implementation Plan,
- the technical impossibility for further reducing NO_x emissions from EGUs,
- the importance of the lignite mining and lignite-fired generation industries to Texas, and
- the potentially disastrous economic impact that reduced NO_x emission limits would have to its membership and the Texas communities that depend on them

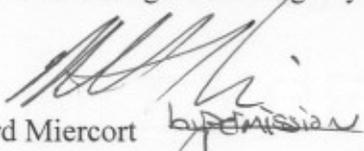
To NAC's knowledge TCEQ has not conducted an adequate analysis of the economic impacts to the area or an analysis of the impacts to reliability of electricity in the state. NAC submits that it is inappropriate for TCEQ to require drastic NOx reductions by East Texas Generating Units without such analysis. NAC strongly urges TCEQ to hold a public meeting in East Texas as soon as possible to determine the economic impact on the area.

The only technology currently known to have the ability -- at least in theory -- to further reduce NOx emissions from lignite fired boilers is Selective Catalytic Reduction (SCR), but this technology has been shown not to work in practice. The Energy and Environmental Research Center, University of North Dakota tested SCR technology on lignite and determined that it produces alkali and alkaline-earth sulfate-bonded deposits at low temperature (<1000°C) in utility boilers. These deposits coat the catalyst and quickly diminish the catalyst's ability to convert NOx to N₂ and water and potentially could increase ammonia slip. This peer reviewed study is attached as Exhibit 1. .

The absence of any means for further reducing NOx emissions from lignite fired boilers would effectively eliminate lignite as a fuel source. For that reason the East Texas Electric Generating Facility Rules would violate Executive Order No. RP49 (October 27, 2005), which states:

Diversity of Energy Supply. In order to encourage diversity of energy supply, the Texas Commission on Environmental Quality ("Commission") shall apply the full resources of the agency to prioritize and expedite the processing of environmental permit applications that are protective of the public health and environment and propose to use Texas natural resources to generate electrical power.

NAC would appreciate the opportunity to meet with appropriate TCEQ personnel to discuss these comments and respectfully requests that you call Marty Walker at (972) 448-5473 to arrange a meeting at your earliest convenience.


Clifford Miercort

President and CEO