

East Texas Electric Generating Facilities (EGFs) Stakeholder Meeting Summary

TCEQ East Texas EGF rulemaking concept
Friday November 18, 2005 1:30 PM to 4:00 PM
TCEQ Campus, Building D, Room 191, Austin, Texas

Moderators: Ashley Forbes, Karen Hill, and Ita Ufot

I. Opening Remarks: Commissioner Ralph Marquez
Commissioner Larry Soward
David C. Schanbacher, P.E., Chief Engineer
Candice Garrett, Director, Air Quality Planning and
Implementation Division

II. TCEQ Staff Presentations

DFW SIP Information presented by Tom Lawshae
Transport in DFW, East & Central Texas presented by Zhaohua Fang
DFW Modeling Electric Generation Utility Sensitivity Tests presented by
Pete Breitenbach

Question and Answers:

- A stakeholder expressed concern regarding the real world application of the presented models and how the reduction of NO_x from east Texas utilities would effect the ozone concentration in DFW.
- A stakeholder asked if future growth was assumed in the model
 - Staff replied that future growth is assumed in the model
- A stakeholder asked about the timeframe of the model
 - Staff replied that the model is for 2010.
- There was a discussion regarding associated costs and whether other measures were planned in the DFW area for the 8-hour ozone SIP.
 - This stakeholder meeting is to discuss one of eleven concepts currently being explored by the TCEQ. NCTCOG has other strategies under consideration posted on the organization's website (see http://www.dfwcleanair.com/sip/new_cont_strat.html).
- A stakeholder stated that he was prepared to supply the TCEQ with cost data.
- A stakeholder expressed concern with the monitoring locations.
 - Staff responded that three years ago TCEQ had a limited number of monitors, but more monitors have been installed and operated since then.

III. Open Discussion

- Several stakeholders representing several east Texas utilities made comments on the following issues:
 - The east Texas utilities provide 84% of Texas' electricity and these utilities have already made reductions.
 - Claims that the agency cannot prove that further reductions from east Texas EGF's would significantly reduce ozone in DFW area.
 - The 1.1 parts per billion (ppb) that the model presents is a small fraction of the needed ozone reductions.
 - The rule would require that all units install SCR.
 - SCR cannot work on lignite units and would be so costly on gas-fired units that they would shut down.
 - The cost of installing SCR, converting from lignite, and replacing the gas units would be about \$10 billion.
 - The dollar/ton method of cost is inaccurate. There is not enough time to retrofit all the units with SCR by 2009.
 - The lignite mining industry would be destroyed and the shut down of gas-units during retrofit would result in electricity shortages.
 - The Agency should further evaluate the CAIR rules as an alternative.
 - The proposed rule would cause large price increases for electricity, adversely affecting low income and fixed income elderly population.
 - The rule effectively sets energy policy in the state.
 - The only way to get DFW in attainment is to reduce the contribution from mobile sources. Over 100 natural gas-fired units would have to be retired. The lignite mining industry would be shut down. Each SCR would cost between \$100 and \$150 million. The rule would narrow fuel diversity during a looming electricity crisis.

- Stakeholders from the lignite mining industry and the mining and reclamation industries made the following comments:
 - Support the comments made by EGF representatives.
 - TCEQ should look at \$/ppb ozone not \$/ton NO_x.
 - TCEQ should do a technology feasibility study for lignite.
 - The economic impact of eliminating the lignite mining industry would be huge.
 - It is a \$10 billion industry that employs 30,000 people
 - The rule would have large negative impact on property tax for schools.
 - Fuel diversity is critical to Texas' well being.
 - The Perryman report/RP 49, which looked at east and northeast Texas, stated that lignite is a \$1.356 billion industry and employs 7210 people, 2500 of which are in mining.

- In Rusk County, 48% of the people are in the lignite business.
- A stakeholder stated that the biofuels industry cannot meet the standards in the rulemaking concept.
 - The rulemaking concept would end fuel diversity.
 - SB 7 encouraged biofuels use.
 - The rulemaking concept would close his small company down.
- A stakeholder for a public interest group stated:
 - Any final decision will not be made lightly.
 - In 1999, the EGFs had the same concerns but were able to meet the regulations.
 - Without these controls, the state could lose federal highway funding.
 - The cost of healthcare far outweighs the cost of energy.
 - The cost is \$825 million/year for respiratory illness in DFW alone.
 - Emissions from cars are already going down and will soon be as low as possible.
 - Oil and gas industry will have to make reductions.
 - Federally exempted sources like locomotives and airplanes should be looked at for further reductions.
 - The reductions from 1999 regulations will not be enough.
 - The 7 new proposed coal plants will add 40 tons per day (tpd) (TCEQ says 55 tpd) to east Texas.
- A stakeholder from a public interest group stated:
 - The agency does not make rash decisions and put a lot of thought into the rulemaking concept.
 - The estimated 1.1ppb reduction is worth looking at.
 - All sources in east Texas will have to make reductions.
 - Everyone must do their part.
- A Stakeholder from the utility industry stated:
 - Their company has spent over \$700 million and has reduced NO_x emissions by 75 to 90% in the HGB area.
 - One plant has achieved a 50% reduction from low NO_x burners alone, but there is concern about the need for more, based on the rulemaking concept.
 - Utility NO_x is not as effective as urban NO_x in forming ozone.
 - The SCR on the HGB unit worked relatively well for 2 years, but is now having problems due to unexpected fly ash build-up.
 - SCR has cost the company between \$300 and \$400 million.
 - There is not enough time for all units to install SCR due to limits in skilled labor and materials.
 - The company exceeded its initial SCR cost estimate of \$500 million by \$200 million.

- The rulemaking concept would require excessive capital expenditure for little benefit and would result in companies deciding not to build new coal units.
- The company is willing to work with the agency to find a workable solution.
- A stakeholder from the utility industry stated:
 - Their company has 12 units in east Texas - 4 units that would require SCR, and 8 gas-fired units would need to be retired.
 - Gas makes up 20% of the company's fuel used, but incurs 60% of the cost.
 - Customers in Louisiana and Arkansas would also bear cost of any Texas rules.
- A stakeholder from the coal industry presented the agency with copies of the Perryman report and the Governor's executive order and stated that the rulemaking concept requires an extensive economic analysis.
- A stakeholder from a public interest group:
 - Requested that comments be posted on the Agency website.
 - Stated that NO_x has been reduced by 10 ppb over the last 10 years;
 - Stated the needed reductions (estimated to be 6 ppb) can be achieved over the next 3 years.
- A stakeholder from a utility company stated:
 - Their company converted from lignite to Powder River Basin (PRB) coal and spent \$8 million on the conversion, with a 60% staff reduction.
 - The company also spent \$12 million on low NO_x burners.
 - Estimate that SCR would cost \$53 million.
 - Stated that the TCEQ failed to discuss simple cycle gas turbines.
 - Stated the supply of PRB coal is less than the current demand.
 - There are only 2 western railroad lines and they are expected to reduce their schedules.
 - PRB usage is going to grow even without the rule and it is going to be very difficult to secure the necessary supply in the future.
 - The mines and the railroads are not prepared for the growth in PRB demand.

IV Closing Remarks

- Everyone was invited to join the SIP List-Serv for updates on this topic and other SIP related topics

- Informal comments should be submitted to Karen Hill khill@tceq.state.tx.us or Ashley Forbes afortbes@tceq.state.tx.us by close of business, December 2, 2005. Staff will then prepare briefings for executive management and the commissioners on the topic.