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| IN THE MATTER OF AN | § | BEFORE THE |
| AGREED ORDER CONCERNING | § | |
| SOUTHWESTERN ELECTRIC | § | |
| POWER COMPANY: | § | |
| WILKES POWER PLANT, | § | |
| ACCOUNT NO. ME0006A | § | TEXAS NATURAL RESOURCE |
| PIRKEY POWER PLANT, | § | |
| ACCOUNT NO. HH0037F | § | |
| KNOX LEE POWER PLANT, | § | |
| ACCOUNT NO. GJ0043K | § | CONSERVATION COMMISSION |

DOCKET NO. 2001-0878-RUL

The Texas Natural Resource Conservation Commission (the Commission or TNRCC) and Southwestern Electric Power Company (SWEPCO or the Company) enter into this Agreed Order for the purpose of achieving early reductions of emissions of nitrogen oxide (NO_x) as part of the development of a voluntary one hour ozone state implementation plan (SIP) for the Northeast Texas Region, which is composed of Gregg, Harrison, Rusk, Smith and Upshur counties. The Northeast Texas Region has been operating under a Flexible Attainment Region (FAR) Agreement between the United States Environmental Protection Agency (EPA), TNRCC and Northeast Texas Air Care (NETAC) since September 16, 1996, which expires September 16, 2001. The FAR concept was developed to encourage local efforts to maintain levels of ground level ozone below the National Ambient Air Quality Standard (NAAQS). The Commission and the Northeast Texas Region agree that an early SIP proposal will continue to allow local officials to address air quality issues, while providing benefits for air quality in the Northeast Texas Region. As part of this continuing local effort, the Company has agreed to voluntarily reduce emissions of NO_x as agreed herein.

The Commission hereby orders the Company to comply with the requirements herein regarding control of NO_x from the facilities referenced below, pursuant to §§ 382.011, 382.012, 382.023, 382.024, and 382.025 of the Texas Clean Air Act (TCAA or the Act), Texas Health & Safety Code, Chapter 382, and § 110 of the Federal Clean Air Act, 42 U.S.C. § 7401 et. seq., for the purpose of revising the Texas SIP for Ozone Control.

I. STIPULATIONS

For the purpose of this Agreed Order, the parties have agreed and stipulated as follows:

1. Section 110 of the Federal Clean Air Act, 42 U.S.C. 7401 et. seq., requires Texas to submit SIP revisions to the United States Environmental Protection Agency (EPA) for approval and to demonstrate that such SIP revisions provide for protection of the NAAQS.
2. Section 382.011 and 382.012 of the TCAA provide authority for the Commission to control the quality of the state's air and prepare and develop a general, comprehensive plan for the proper control of the state's air, and §§ 382.023, 382.024, and 382.025 of the TCAA provide the Commission's authority to issue orders. The issuance of this order is in compliance with the TCAA.
3. The Commission and the Company agree that the Commission has jurisdiction to enter this Agreed Order, and the Company is subject to the Commission's jurisdiction.
4. In order to better safeguard the air resources of this state, the Company agrees to comply with the terms of this Order.
5. The Commission and the Company acknowledge that the Company has entered into this Order voluntarily. Nothing in this Order shall be interpreted as evidence that the Company is causing or contributing to a violation of the NAAQS or is in any respect non-compliant with any federal, state or local law. Additionally, this Order shall not constitute a "compliance event" as defined in 30 TAC § 116.11 or any similar designation under federal, state or local law.
6. Nothing in this Order limits the Company's defenses in the TCAA or rules adopted pursuant to the TCAA, including 30 TAC §§ 101.6 (Upset Reporting and Recordkeeping Requirements), 101.7 (Maintenance, Start-up and Shutdown Reporting, Recordkeeping, and Operational Requirements), 101.11 (Demonstrations), and 101.12 (Temporary Exemptions During Drought Conditions).
7. Nothing in this Order supercedes any requirement of the TCAA or the rules and requirements of the Commission.
8. The Company owns and operates the following electric power plants (the Plants):

A. Wilkes Power Plant, P.O. Box 309, Hwy. 49 East, Avinger, TX 75630 (referred to specifically herein as Wilkes);

B. Pirkey Power Plant, 2400 Farm Rd. 3251, Hallsville, TX 75650 (referred to specifically herein as Pirkey); and

C. Knox Lee Power Plant, Route 6, Box 306A, Longview, TX 75603 (referred to specifically herein as Knox Lee).

9. The plants consist of one or more sources as defined in §382.003(12) of the Act.

10. All monitoring, recordkeeping, reporting, and testing shall be conducted in accordance with the provisions of 30 TAC 117.141, 117.143, 117.145, 117.147 and 117.149 with the exception that section 117.141(d), 117.145(c), and 117.149(e) shall be calculated on a 30 day rolling average. The Company shall make records available upon request by the TNRCC or any other air pollution control agency with jurisdiction.

11. This Order does not authorize or prohibit any modification of the plants listed above, nor does it authorize or prohibit the construction of any abatement equipment that may be necessary. The Company is ordered to submit the appropriate application or registration documentation to the TNRCC's Office of Permitting, Remediation and Registration for any authorization necessary to implement the requirements of this Order.

12. Nothing in this Order shall preclude the Company from including the reduction in NO_x emissions reflected in this Order, including any changes in operation or addition of controls to the facilities listed in paragraphs 16-19 below, in the Company's or plants' applications for any emissions permits, however, nothing in this Order shall assure the eligibility of such reductions for inclusion in any application for an emission permit.

13. Notwithstanding any other provision of this Order, any delays in or failure of performance by the Company under this Order caused by an act of God, war, strike, riot, compliance with the rules

and regulations or an order of any governmental authority, or other catastrophe beyond the reasonable control of the company (Force Majeure) shall not constitute a violation of this Order. The Company has the burden of establishing that such an event has occurred. In the event the Company's performance under this Order is prevented by the Force Majeure condition, the Company shall promptly notify the TNRCC of the particulars and estimated duration of such condition, shall keep TNRCC advised of the progress in eliminating such condition, and proceed with compliance with this Order as expeditiously as practicable.

14. In lieu of the Company's completion of one or more of the projects described in paragraph 19 below, Company may propose one or more alternative projects provided the emissions reductions or the effect on the environment from such alternative projects are at least equivalent to those of the project in paragraph 19 that will be replaced. If the Company elects to propose an alternative project, it will submit to TNRCC all information reasonably necessary for the TNRCC to evaluate and approve the alternative project. TNRCC will not unreasonably withhold such approval. Until TNRCC approves an alternative project or otherwise grants permission to the Company to cease performance of a project required under this Order, the Company shall remain obligated to perform the original project that the alternative project would otherwise replace. Any such alternative project(s) will not require modification to this Order or a SIP revision.

15. All notifications required by this Order (unless otherwise specified herein) shall be sent to:

Office of Environmental Policy, Analysis & Assessment
Strategic Implementation Plans Section, MC-206
P.O. Box 13087
Austin, Texas 78711-3087

Notifications required by this Order shall not substitute for any other notification requirement of the Commission or the TCAA.

16. The Company installed vane cascade flame stabilizers to reduce NO_x emissions on Wilkes Power Plant Unit Number 2 pursuant to application dated July 9, 1999. The Commission approved the application as Standard Permit Number 41815 by TNRCC letter dated September 20, 1999 as authorized by 30 TAC Chapter § 116.617. Wilkes Power Plant Unit Number 2 will achieve a thirty-day rolling average NO_x emission rate of .15 lb/mmBtu.

17. The Company installed vane cascade flame stabilizers to reduce NO_x emissions on Wilkes Power Plant Unit Number 3 pursuant to application dated March 3, 2000. The Commission approved the application as Standard Permit Number 43804 by letter dated April 26, 2000 as authorized by 30 TAC Chapter §116.617. Wilkes Power Plant Unit Number 3 will achieve a thirty-day rolling average NO_x emission rate of .15 lb/mmBtu.

18. The Company installed a patented water injection system to reduce flame temperatures and NO_x emissions from Knox Lee Power Plant Unit Number 5 pursuant to application dated August 4, 2000. The application was approved as Standard Permit Number 45305 by the TNRCC in a letter dated October 17, 2000 as authorized under 30 TAC Chapter § 116.617. Knox Lee Power Plant Unit Number 5 will achieve a thirty-day rolling average NO_x emission rate of .15 lb/mmBtu.

19. On or before June 30, 2003, the Company will install a full complement of 56 low NO_x burners and add an Over Fire Air system to reduce NO_x emissions from Pirkey Power Plant. Pirkey Power Plant will achieve a thirty-day rolling average NO_x emission rate of .22 lb/mmBtu.

20. As an alternative to achieving the reductions in stipulations 16-18 above, the Company may achieve equivalent reductions at the Pirkey plant, in excess of the reductions in stipulation 19 above. The Company shall follow the procedures in stipulation 14 for alternative projects in order to exercise this option. In no event shall reductions at plants other than the Pirkey plant be substituted for the reductions at the Wilkes or Knox Lee plants. However, nothing in this Order shall preclude the Company from utilizing the system cap flexibility under 30 TAC Chapter 117 or the Emissions Reduction Credit

Banking and Trading Program under 30 TAC Chapter 101, provided additional reductions are achieved in excess of the total reductions required by stipulations 16-19.

21. As used herein, the term “thirty-day rolling average” means an average, calculated for each day that fuel is combusted in a unit, of all the hourly emissions data for the preceding 30 days that fuel was combusted in the unit.

II. ORDER

It is therefore ordered by the Texas Natural Resource Conservation Commission that Southwestern Electric Power Company, shall, from and after the date of this Agreed Order, limit its emissions of NOx as specified in paragraphs 16-20 above, and maintain compliance with this Order.

The provisions of this Agreed Order shall apply to and be binding upon Southwestern Electric Power Company, its successors, assigns and upon those persons in active concert or participation with them who receive actual notice of this Agreed Order by personal service or otherwise. Southwestern Electric Power Company is hereby ordered to give notice of this Agreed Order to any successor in interest prior to transfer of ownership of all or any part of its plants, located at:

- A. Wilkes Power Plant, P.O. Box 309, Hwy. 49 East, Avinger, TX 75630;
- B. Pirkey Power Plant, 2400 Farm Rd. 3251, Hallsville, TX 75650; and
- C. Knox Lee Power Plant, Route 6, Box 306A, Longview, TX 75603;

and within ten days of any such transfer, provide the Texas Natural Resource Conservation Commission with written certification that such notice has been given.

The Chief Clerk shall provide a copy of this Order to each of the parties.

PASSED AND APPROVED at the regular meeting of the Texas Natural Resource Conservation
Commission on _____.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

For the Commission

ATTEST:

, Chief Clerk

S E A L

I am authorized to agree to the attached Agreed Order on behalf of the entity indicated below my signature, and do hereby agree to the terms and conditions specified therein.

Margaret Hoffman
Deputy Director, Office of Legal Services
Texas Natural Resource Conservation Commission

Date

Authorized representative of
Southwestern Electric Power Company

Date