

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** July 25, 2012  
**TO:** Ann Cole, Commission Clerk, Office of Commission Clerk  
**FROM:** Charles W. Murphy, Senior Attorney, Office of the General Counsel *Cm*  
**RE:** Docket No 120103-EI

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Please add the attached document to the docket file.

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**Charles Murphy**

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**From:** Gary Perko [GaryP@hgslaw.com]  
**Sent:** Tuesday, July 24, 2012 2:36 PM  
**To:** Charles Murphy  
**Subject:** RE: MATS rules

Charlie,

I just notice that the cite to 40 C.F.R. § 63.9982(a)(2)(b)-(d) is wrong. Should be 40 C.F.R. § 63.9982(b)-(d).

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**From:** Charles Murphy [mailto:cmurphy@PSC.STATE.FL.US]  
**Sent:** Tuesday, July 24, 2012 2:15 PM  
**To:** Gary Perko  
**Subject:** RE: MATS rules

Thank you.

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**From:** Gary Perko [mailto:GaryP@hgslaw.com]  
**Sent:** Tuesday, July 24, 2012 2:12 PM  
**To:** Charles Murphy  
**Cc:** Adam Teitzman; Triplett, Dianne  
**Subject:** RE: MATS rules

Charlie,

Per your request, the following is a stab at summarizing the somewhat convoluted applicability provisions of the MATS rules:

On February 16, 2012, EPA published new National Emission Standards for Hazardous Air Pollutants (NESHAPS) for coal- and oil-fired electric utility steam generating units (EGUs). See 77 Fed. Reg. 9304 (Feb. 16, 2012) (codified at 40 C.F.R. Part 63, Subpart UUUUU). The new rules are commonly referred to as Mercury and Air Toxics Standards or "MATS." *Id.* at 9306. By their terms, the new rules apply to "affected sources," which include all "existing coal- or oil-fired EGUs, as defined in [40 C.F.R.] § 63.10042". 40 C.F.R. § 63.9982(a). Under the existing regulation at 40 C.F.R. § 63.10042, "[o]il-fired electric utility steam generating unit means an electric utility steam generating unit meeting the definition of 'fossil fuel-fired' that is not a coal-fired electric utility steam generating unit and that burns oil for more than 10.0 percent of the average annual heat input during any 3 consecutive calendar years or for more than 15.0 percent of the annual heat input during any one calendar year." That same regulation defines "fossil fuel-fired" to mean "an electric utility steam generating unit (EGU) that is capable of combusting more than 25 MW of fossil fuels." Under the new regulations, "[a]n EGU is existing if it is not new or reconstructed" and a "new" or "reconstructed" EGU is one for which construction or reconstruction commenced after May 3, 2011. 40 C.F.R. § 63.9982(a)(2)(b)-(d). Anclote Units 1 and 2 were constructed well before May 3, 2011, and currently have maximum summer ratings of 500MW and 510 MW, respectively. The current natural gas firing capability for each unit is limited to 40% of the total heat input. Because the balance of the heat input is from heavy fuel oil, the units would be subject to the new MATS for "existing oil-fired EGUs" under the above-quoted regulations and, pursuant to 40 C.F.R § 63.9981, PEF would be subject to the rules as the owner and operator of the units. The specific standards for existing oil-fired units are listed in Table 2 to 40 C.F.R. Part 63, Subpart UUUUU. PEF essentially has two options to comply with these standards: either install emissions

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controls on the Anclote Units -- specifically low NOx burners and an electrostatic precipitator (ESP) -- or maintain oil-firing below the heat input thresholds specified in the regulations. As discussed in PEF's petition, the Company has determined that achieving the second option through conversion of the units to fire 100% natural gas is the most cost-effective compliance alternative.

Please let me know if you have any questions or need anything else.

Best regards,

Gary V. Perko  
Hopping Green & Sams, P.A.  
1-850-425-2359

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**From:** Charles Murphy [<mailto:cmurphy@PSC.STATE.FL.US>]  
**Sent:** Tuesday, July 24, 2012 9:35 AM  
**To:** Gary Perko  
**Cc:** Adam Teitzman  
**Subject:** MATS rules

Hi Gary,

In addition to providing specific citation to the rule, statute or other legal authority that brings Progress generally, and Anclote specifically, within the requirements of the new MATS rules, please identify with specific citation the rules that Progress will violate if it fails to make changes at Anclote. Thank you.

Respectfully,

Charlie  
413-6191

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