

COAL-FIRED POWER PLANT PERMITTING

Briefing to the Dallas City Council

June 7, 2006

Background

- There are 16 power plant permits for new or additional electric generating units proposed to be built in Texas.
- 4 permits have been approved.
- 12 remain in the process.
- 8 are TXU permits pending, of which 7 potentially affect the DFW Region.

Issue

- The Dallas-Fort Worth 9 county region (DFW region) is listed as non-attainment for the EPA 8-hour ozone standard.
- Texas Commission on Environmental Quality (TCEQ) is required to develop a State Implementation Plan (SIP) demonstrating how the region will reach attainment standards by June 2010.
 - The SIP must be submitted to EPA by June 2007.

Issue Continued

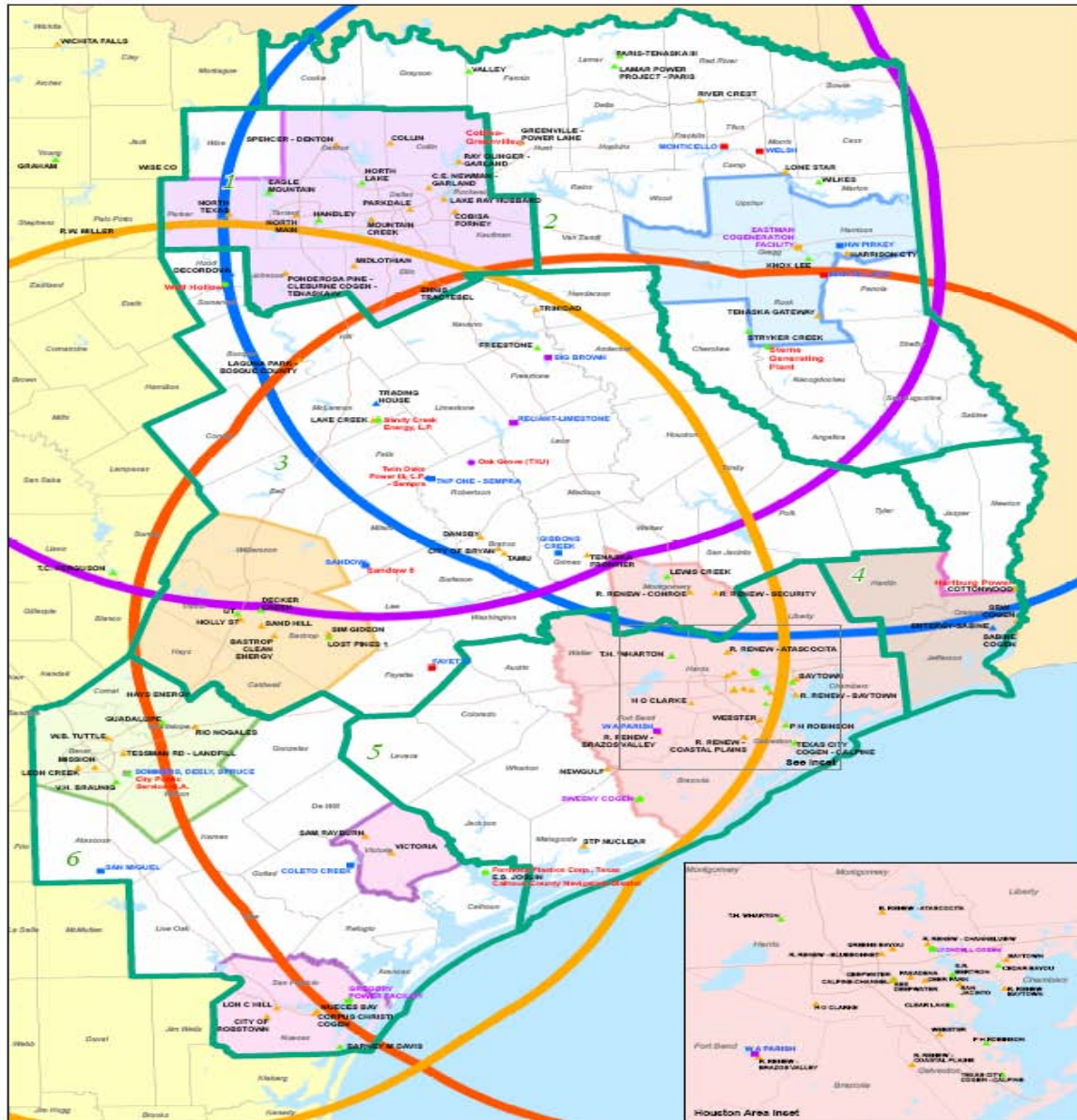
- There is a significant concern that the DFW Region will not reach attainment by the required date.
 - Previous modeling suggested a 6.2 ppb gap from attainment.
- The issues are to what extent will the proposed power plants affect the DFW Region's ability to reach attainment and what should the City do to balance the need for achieving clean air and cheaper power.

Potential Impact

- Specific air quality impacts of the proposed plants are unknown at this time.
- Of the remaining power plants to be permitted, 8 have the potential to impact the DFW Region.
 - Twin Oaks – New Mexico Power
 - Oak Grove - TXU
 - Monticello - TXU
 - Martin Lake - TXU
 - Lake Creek - TXU
 - Big Brown - TXU
 - Trading House - TXU
 - Valley Unit- TXU

Map of the Proposed Plants

- The map on the next slide shows the locations of the proposed power plants in relation to the DFW attainment area.
- The map also shows other non-attainment areas or areas where air quality is of concern.



Protecting Texas by Reducing and Preventing Pollution

TCEQ
Texas Commission on Environmental Quality
1000 East 11th Street
Austin, Texas 78701-0101
www.tceq.texas.gov

Legend

ETX US88000

NOx Tons/yr

- 0 - 500
- 501 - 2,000
- 2,001 - 7,500
- 7,501 - 12,500
- 12,501 - 25,000

Texas Power Plants NOx Emissions

APCA Regional Boundaries
A-SA 200km NOx Extant
DFTW 200km NOx Extant
HCB 200km NOx Extant
TLM 200km NOx Extant

DFTW
HCB
BFA
Austin
San Antonio
Tyler-Lonsdale-Marshall
Corpus Christi Area

Units under Permit Review¹
Coal Powered Units²
(1) As of September 1, 2005

4931 - Cogens³
Other Existing Units³
(2) 2003 TCEQ E1



This map was generated by the Air Quality Planning and Implementation Division of the Texas Commission on Environmental Quality (TCEQ). It is made to the accuracy of the data and the technology used to generate it. For information concerning this map, contact Karen Hill of the Air Quality Planning and Implementation Division at (512) 235-2669.

Nov. 17, 2005
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Potential Impacts Continued

- Previous air quality modeling did not include all of the proposed power plants.
- On average, across all monitors in the DFW Region, the modeling of the air impacts from this subset of proposed plants showed an increase in ozone levels of 0.12 ppb.
 - On a specific day some monitors show as high as a 0.3 to 0.5 ppb impact.
 - There is some debate regarding the actual impact on the reliability of the models with a 0.3 ppb increase.

Potential Impacts Continued

- An updated model with a cumulative impact analysis including all proposed electric generating units is not expected until late June.
- TXU has proposed a 20% reduction in impacts for their new permits; however, no specifics have been presented at this time. It is only a voluntary commitment not included in any agreed order or as a permit condition and is not enforceable. TXU has stated they plan to make this proposal enforceable, but until they do, it cannot be counted in the region's SIP.

Options For City Action

- Continue monitoring the SIP process and the permit applications.
- Send a letter to TCEQ indicating our concern with the potential impact on the DFW Region.
- Meet with TCEQ Commissioners on SIP issues/TCEQ Executive Director on permit issues.
- Submit comments on one or all of the remaining permits.
- Intervene on one or all of the remaining permits. If the City intervenes on selective permits, the two of most interest are:
 - TXU's Big Brown permit application with a proposed expansion of an existing plant in Freestone County appears to have the largest potential impact on the DFW Region.
 - According to the TCEQ the 30-day comment period began on May 18, 2006.
 - Twin Oaks – by NM Power is not matching TXU's 20% reduction.

Additional Factors to Consider

- TXU's Martin Lake proposed Electric Generating Unit has an option with the City of Dallas to purchase water from DWU.
 - The option expires in September 2009.
 - TXU has not exercised this option to date but have begun preliminary discussions.
- As an energy consumer, closer plants with potentially cheaper energy could result in a cost savings for the City.

Additional Factors to Consider

- Current TCEQ rules allow them to permit new plants without considering the cumulative impact of all the plants.
- TCEQ has no current ability to require other power generation companies to match TXU's offer to reduce their emissions by 20%.

Additional Factors to Consider

- The proposed New Mexico Power (NMP) plant is a new plant and not an addition to an existing plant like the proposed TXU plants.
- Therefore, NMP cannot offer to reduce emissions at their facility like TXU can.
- However, NMP could offset their emissions by reducing emissions from other sources, either at competitor's plants or other sources in the region.

Additional Factors to Consider

- Intervening on a permit application-
 - Can only be done during the initial 30-day comment period.
 - Is the only way to have a seat at the permit negotiation table.
 - Can range in cost from very little to very much, depending upon what role the city wants to take and how adversarial the permit applicant wants to be.

Recommended Goals for the City

- Ensure that:
 - TXU makes their reduction offer enforceable.
 - The proposed power plants do not make achieving attainment more difficult.
 - Any non-TXU plants reduce emission similar to TXU's offer.

Next Steps

- Time Sensitive
 - If the City intervenes in all the pending permits, we must do so on the first permit by June 10th.
 - With respect to the Big Brown plant,
 - If the City intervenes, we must do so by June 17th
 - If the City elects to meet with TCEQ, this meeting should be before June 13th.