

June 23, 2006

Mr. Daniel Brown
Manager, Air Permits, Toxics, and Indoor Programs Unit
EPA New England
1 Congress Street, Suite 1100
Boston MA 02114

**Subject: Fore River Development, LLC
MA PSD Permit MBR-99-COM-018
Request for Modifications**

Dear Mr. Brown:

Fore River Development, LLC (Fore River) is providing this letter to address the PSD major modification applicability test with respect to our requested PSD modifications as discussed in our letter to you dated March 31, 2006. The PSD major modification applicability test issue was raised by telephone by Brendan McCahill of your staff.

It is our understanding that the current PSD rules require Fore River Station to be considered as an “existing” facility for PSD applicability purposes. An “existing actual to projected future actual” PSD major modification applicability test is therefore required. Only certain changes in projected future actual emissions are considered for PSD major modification applicability. Changes that are considered for PSD major modification applicability are those caused by a qualifying “physical change or change in the method of operation.” In this case, the triggering action is the elimination of the annual gas turbine fuel oil limit of 29,074,350 gallons, as well as the proposed changes in allowable auxiliary boiler use. These permit changes are “changes in the method of operation” of relevance for the PSD major modification applicability test. In general, projected future actual emissions caused by a change in demand for electricity or facility dispatch, that can otherwise be met by the facility under its current design and permitted operation, are excluded from the PSD major modification applicability test.

We are therefore providing our evaluation of PSD major modification applicability based on existing actual to projected future actual emissions. Table 1 presents the existing actual and future projected emissions for the relevant PSD pollutants for the gas turbines. The existing actual emissions for Fore River Station are based on natural gas operation in the 2 most recent years, 2004-2005. With respect to projected future operation, Fore River Station is subject to a bidding process for bulk electricity sales, and cannot specifically determine how this process will play out in future years. In Table 1, the emissions projected from operations using natural gas are based on the production levels assumed in the Company’s FY 2006 Business Plan. Since fuel oil has not yet been commissioned at Fore River Station, the existing actual oil emissions are zero. Fore River Station is commissioning fuel oil in order to be able to respond to anticipated future market conditions. The future situation with the

natural gas, oil, and electricity markets is very difficult to predict. This makes future projections of fuel oil use for Fore River Station very difficult to make with any certainty. Based on expected emission rates, it is conceivable that future market conditions could support use of up to 39,000,000 gallons of ULSD fuel oil within existing air permit emissions limits.

The PSD rules specify that any increases between existing and future actual emissions that can be accommodated by the current facility design and permit conditions can be excluded for the PSD major modification applicability test. As shown in Table 1, changes in future actual emissions for gas operation at Fore River Station, associated with a change in the facility dispatch, are excluded from the PSD major modification applicability test in any event. Also, any increase in future actual emissions associated with oil use up to the current permit allotment of 29,074,350 gallons is also excluded from the PSD major modification applicability test.

Table 2 presents a similar analysis to Table 1 for the auxiliary boiler. The projected increases in actual emissions for the auxiliary boiler are very small.

Table 3 presents a summary of the projected increases in future actual emission associated with use of oil use greater than the current permit limit of 29,074,350 gallons, and the increase in allowable auxiliary boiler use. These increases are subject to the PSD major modification applicability test. These emission changes are less than the PSD major modification significance thresholds.

As specified by the PSD rules, Fore River Station will track the future actual emissions of the relevant PSD pollutants for the next 5 years and specifically identify if changes between existing and future actual emissions are associated with the qualifying "change in the method of operation." In general, the change in emissions associated with any future fuel oil use in excess of 29,074,350 gallons per year, along with increase in auxiliary boiler fuel use beyond the old permit limits, will need to be specifically examined in comparison to the PSD major modification applicability thresholds.

We are available to meet with you at your convenience to discuss any issues related to this letter, and other items related to issuance of a separate PSD Permit for the Fore River facility. I may be reached at 617-381-2420.

Very truly yours,

George G. Wilson
General Manager
Fore River Station