

CAYUGA OPERATING COMPANY LLC

May 3, 2018

Via Email

Thomas A. Elter, P.E.
Environmental Engineer
New York State Department of Environmental Conservation
Air Quality Division – Region 7
615 Eire Boulevard West
Syracuse, New York 13204
thomas.elter@dec.ny.gov

Re: Cayuga Operating Company, LLC: Application for Modification to the Title V Air Operating Permit for Natural Gas Conversion (submitted May 1, 2018)

Dear Mr. Elter:

This letter is sent to facilitate discussions that I understand will occur tomorrow between representatives of Cayuga Operating Company, LLC (“Cayuga”) and Region 7 of the New York State Department of Environmental Conservation (“NYSDEC”).

On May 1, 2018, Cayuga submitted to NYSDEC an application (“Application”) to modify the Major Source Air Operating (Title V) Permit for Cayuga’s 325-megawatt electricity generating stations located in the Town of Lansing, New York (“Facility”). The Application is to modify the Facility’s Title V permit to authorize Cayuga to convert Boiler 2 at the Facility from combusting coal as its primary fuel supply to combusting natural gas as its only fuel supply. In addition to addressing the conversion of Boiler 2, the Application includes an optional permitting scenario to authorize Cayuga to convert Boiler 1 from combusting coal to combusting natural gas without the need for a permit action to re-open the Facility’s Title V air permit.

I understand that in response to the submission of the Application, you indicated some concerns regarding the operationally flexible plan/lack of a definite timeline with respect to the potential conversion of Boiler 1. In advance of the meeting between Cayuga and NYSDEC tomorrow, and in order to make that meeting as productive as possible, we thought it would be useful to provide in this letter a response to your concerns and some suggestions as to how to work through those concerns as part of the process of reviewing Cayuga’s Application.

The Facility’s existing Title V permit (with an effective date of January 1, 2015, and an expiration date of January 28, 2020) includes as Item 82.2 a condition requiring Cayuga to select from one of three options with respect to Boiler 2: (1) install a selective catalytic reduction system on Boiler 2 by July 1, 2018; (2) cease operations by July 1, 2018; or (3) submit a permit application to convert Boiler 2 to natural gas by July 1, 2018. Cayuga selected the third option and has submitted the Application to convert Boiler 2 in compliance with Item 82.2. The Facility’s existing Title V permit does not include a similar requirement with respect to Boiler 1.

9 FEDERAL STREET, EASTON, MD 21601
PHONE: 410-770-9500
FAX: 410-770-9705


As noted in the Application, Cayuga's ultimate decision whether to convert Boiler 1 to natural gas will be dictated by future business, market, regulatory, and economic factors. As you know, there is no existing natural gas pipeline to deliver natural gas to the Facility. As a result, natural gas must be delivered to the Facility by truck. Cayuga has determined that it would not be economically or logistically viable to convert Boiler 1 and run both boilers on natural gas delivered to the Facility by truck. Conversion of Boiler 1 would only potentially be economically viable if natural gas were delivered to the Facility via a pipeline (which currently does not exist). Accordingly, the potential conversion of Boiler 1 was included in the Application as an optional operating scenario without a definite timeline.

In response to your concerns, however, Cayuga would be willing to consider a more definite timeline for the conversion of Boiler 1 to natural gas, provided that such a timeline also addressed Cayuga's concerns regarding the economic viability of converting Boiler 1. Cayuga would be willing to consider a permit condition that required Cayuga to either cease operations of Boiler 1 or commence construction on the conversion of Boiler 1 to natural gas by either July 1, 2023, or 18 months from the date of the issuance of a Certificate of Environmental Compatibility and Public Need pursuant to Article VII of the N.Y. Public Service Law for a natural gas pipeline to the Facility, whichever is later (assuming Cayuga promptly files an Article VII application). Cayuga's consideration of such a condition, however, would necessitate both a prompt/timely review process for Cayuga's Application and utilization of NYSDEC's good offices/best efforts to assist Cayuga with respect to the Article VII review process for the pipeline.

Because the elements of the questions you have raised and our suggested approach to addressing them involve fairly integrated regulatory, technical, and related considerations, I have asked Cayuga's outside environmental counsel, Robert Alessi of DLA Piper, to attend tomorrow's meeting between Cayuga and NYSDEC so that the discussion can be as comprehensive and productive as possible. In addition to Mr. Alessi, Cayuga will be represented at the meeting by John Marabella, Douglas Roll, Jeffrey Lamphere, and David Murtha (of Environmental Resources Management).

Thank you for your continued time and attention to this matter.

Sincerely,



Paul Prager
President

cc: Mr. Joe Dhugolenski (NYSDEC – Region 7) (joe.dhugolenski@dec.ny.gov)
Reginald Parker, P.E. (NYSDEC – Region 7) (reginald.parker@dec.ny.gov)
Kevin Kelly, P.E. (NYSDEC – Region 7) (kevin.kelly@dec.ny.gov)
Mr. Nazar Khan (khan@beowulfenergy.com)
Mr. John Marabella (jmarabella@heorotpower.com)
David T. Murtha, Q.E.P. (david.murtha@erm.com)

CAYUGA OPERATING COMPANY LLC

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Division of Environmental Permits, Region 7
1285 Fisher Avenue, Cortland, NY 13045-1012
P: (607) 753-3095 | F: (607) 753-8532
www.dec.ny.gov

June 01, 2018

Via Certified Mail, Return Receipt Requested

Supervisor LaVigne
Town of Lansing
29 Auburn Road
Lansing, NY 14882

RE: SEQR Lead Agency Coordination
Cayuga Operating company, LLC – DEC #7-5032-00019
Title V Air Permit Modification, Coal to Natural Gas
Town of Lansing, Tompkins County

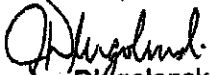
Dear Mr. LaVigne:

This is notice that DEC Region 7 has received a new air permit application for a modification to an existing Title V permit for the Cayuga Operating LLC facility at 228 Cayuga Drive in the Town of Lansing, Tompkins County. The facility currently burns coal for electricity generation. The proposed modification to the permit is to allow for the conversion of the plant to natural gas for continued electricity generation.

Enclosed please find a completed Full Environmental Assessment Form for your review. Note that the facility is not supplied with natural gas via a pipeline. A new pipeline supply will be pursued in the future from the NYS Public Service Commission through the Article VII process. This current action includes proposed delivery of natural gas supply via truck.

If the Town wishes to act as lead agency to conduct SEQR for this action please notify this office within 30 days. If the Town does not wish to be lead please also advise this office and relay any comments of concern the Town may have with this action. Please feel free to contact me at the number below to discuss further.

Sincerely,



Joe Dlugolenski
Deputy Regional Permit Administrator
joe.dlugolenski@dec.ny.gov
607-753-3095 ext 233

Enc Full EAF
cc: Tom Eiter, DEC Air
John Marabella, Cayuga Operating Company LLC
File



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June 20, 2018

Mr. John Marabella
Cayuga Operating Company, LLC
228 Cayuga Drive
Lansing, New York 14882

RE: Notice of Incomplete Application; Title V Modification – Conversion to Natural Gas
DEC #: 7-5032-00019/00016

Dear Mr. Marabella:

Pursuant to 6 NYCRR Part 621 (Uniform Procedures) the Department has determined that the above application is incomplete. For the Department to complete its review of the modification application the Department requires the following additional information:

EAF: Section D.2.f of the completed Long EAF states that the gas conversion project will generate 30 truck trips per day (natural gas deliveries) which will result in an increase of 6 truck trips per day compared to the current daily truck trips. Please clarify whether the current number of truck trips indicated in the EAF reflects actual current truck trips or the maximum number of truck trips when the facility is operating at full capacity. If the facility has any supporting documentation regarding truck traffic at the facility it should be included with the supplemental information. Further, please clarify whether the estimate for 30 truck trips is based on the conversion of the one units or both units to natural gas.

Modeling: An air quality dispersion modeling analysis is required to ensure that proposed permit conditions will not allow the facility to emit air contaminants in quantities which would contravene any applicable ambient air quality standard. The applicant must submit an analysis deemed acceptable by the Department to determine the application complete.

Additionally, for the Department to determine that the application is complete, the Department must satisfy SEQR under 6 NYCRR 617.3 (c) which provides that “[a]n application... will not be complete until (1) a negative declaration has been issued; or (2) until a draft EIS has been accepted as satisfactory...”

If you have any questions regarding the Notice of Incomplete Application please contact me directly.

Sincerely,



Joe Dlugolenski
Deputy Regional Permit Administrator
joe.dlugolenski@dec.ny.gov
607-753-3095 ext 233

cc: Tom Elter- DEC Air, Christopher Hogan- DEC Permits, [REDACTED]



Department of
Environmental
Conservation

Dlugolenski, Joe M (DEC)

From: John Marabella <jmarabella@heorotpower.com>
Sent: Monday, April 30, 2018 1:05 PM
To: Dlugolenski, Joe M (DEC); Elter, Thomas (DEC)
Cc: Doug Roll; Jeff Lamphere; David Murtha; Robert Fraser
Subject: Cayuga Operating Company, LLC Gas Conversion Permit Modification Application Submittal
Attachments: CayugaOperatingCompanyGasConversionApplicationSubmittal-04-30-2018.pdf; CayugaOperatingCompanyGasConversionPermitApplicationSubmittal-Attachment D_04-30-2018.xlsx

Tom and Joe,

Please find the attached Cayuga Natural Gas Conversion Permit Modification Application Submittal. Per my conversation with Tom, would request a meeting in the Syracuse office on Friday May 4th at 10 am to review the permit application and answer any questions you may have.

Regards,

John C. Marabella
Environmental Director
Somerset and Cayuga Operating Companies, LLC
228 Cayuga Drive
Lansing, NY 14882
Office: 607-533-7913 x2222
Cell: 607-227-2907
Fax: 607-533-8744
E-mail: jmarabella@heorotpower.com

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