SCOTT A. THOMPSON
Executive Director

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY

KEVIN STITT
Governor

January 31, 2022

Steven Ondak
DCP Operating Co.
3201 Quail Springs Pkwy, Ste. 100
Oklahoma City, OK 73134

Subject: Additional clarifications on DCP's Chitwood Gas Plant 4-factor analysis on control scenarios under the Clean Air Act Regional Haze Program

Dear Mr. Ondak:

In a letter dated July 1, 2020, the Oklahoma Department of Environmental Quality (DEQ) identified the Chitwood Gas Plant located in Grady County, Oklahoma, as subject to a four-factor reasonable progress analysis under the Regional Haze Rule as part of DEQ's development process for the state implementation plan covering the second planning period (Round 2) of 2021 – 2028.

On October 1, 2020, DCP submitted its four-factor analysis to DEQ. DCP included in its response that there were no cost-effective nitrogen oxides (NO_x) control measures available for engines C-1 through C-9. DEQ included these conclusions in its draft Regional Haze SIP for Planning Period 2 that was shared with the Federal Land Managers (FLM) and the U.S. Environmental Protection Agency (EPA). DEQ requests that DCP review its four-factor analysis for potential NO_x control measures and respond to the following questions, which are based on EPA and FLM review of Oklahoma's draft SIP. We understand that some of the requested data/analysis may be gleaned or explained from DEQ's permitting and compliance files. However, your response will allow DCP to document the information that best explains and supports the conclusions of DCP's four-factor analysis. DEQ intends to continue its analysis in parallel.

1. The four-factor analysis states that the C-5 engine has been out of service since 2006 and notes that the engine will be removed from the permit, and for this reason, control measures were not evaluated for this engine. Please specify the timing for the planned removal of this unit from the permit.

2. Please explain why the anticipated control efficiency for Clean Burn Technology (CBT) is the same as the anticipated control efficiency for CBT plus selective catalytic reduction (SCR). Generally, additional NO_x reduction would be anticipated from adding SCR to CBT.

3. A very basic breakdown of the capital costs was provided for CBT but not for SCR. Please provide a line-item breakdown of the capital costs for SCR. If available, please provide any vendor quotes obtained for the capital costs of the controls evaluated. Additionally, a

breakdown of the estimated operation and maintenance costs of CBT and SCR should be provided, as well as cost calculations used in the cost analysis.

4. The federal reviewers stated that use of a 7% interest rate in the cost analysis is not appropriate. For consistency with EPA's Control Cost Manual, the cost analysis should be based on either the bank prime rate or a company-specific interest rate, if available.[1] Since the Regional Haze Rule is intended to evaluate the private cost of controls, the Control Cost Manual directs entities to use the bank prime rate when estimating costs of controls in cases where a company-specific interest rate is not available.[2] If a company-specific interest rate is available and is being used to estimate the cost of controls, documentation supporting that interest rate should be provided with the cost analysis.

DEQ respectfully requests that DCP respond to these questions no later than February 28, 2022. Thank you for your assistance with this matter. Please contact Melanie Foster at 405-702-4218 for any questions or clarification.

Sincerely,

Kendal Stegmann
Director, Air Quality Division

[1] The bank prime rate is based on the federal funds rate, which is set by the Federal Reserve. The current bank prime rate can be found at https://www.federalreserve.gov/releases/h15/ and historical data on the bank prime rate can be found at https://fred.stlouisfed.org/series/PRIME

[2] See EPA Control Cost Manual at 15-17. The Control Cost Manual can be found at https://www.epa.gov/sites/production/files/2017-12/documents/epaccmcostestimationmethodchapter_7thedition_2017.pdf.