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SENT VIA EMAIL/US MAIL

February 9, 2011

Ms. Mary Uhl
Air Quality Bureau Chief
New Mexico Environmental Department (NMED)
1301 Siler Road, Building
Santa Fe, New Mexico 87507

RE: SNCR BART at the San Juan Generating Station (SJGS)

Dear Ms. Uhl:

Please find attached some additional information to assist you in the preparation of a Best Available Retrofit Technology (BART) determination for the San Juan Generating Station (SJGS).

Specifically, the enclosed analysis contains new information related to the nitrogen oxide (NO_x) emission reductions that will be achievable at SJGS using Selective Non-Catalytic Reduction (SNCR) technology. In summary, new information regarding recent developments in SNCR technology now suggests a NO_x emission rate of 0.23 lb/mmBtu will be achievable at SJGS using SNCR. Achieving a 0.23 lb/mmBtu NO_x emission rate at SJGS is significant in that it represents EPA's presumptive BART limit for NO_x emissions from subbituminous coal combustion (even though the coal utilized at SJGS is in many ways similar to bituminous coal, which warrants a presumptive limit of 0.39 lb/mmBtu). Based on this new information, PNM has updated the SNCR BART analysis (*i.e.*, visibility modeling and cost-effectiveness) for your consideration. We have also taken the opportunity to update the cost calculations for all of the NO_x control technologies from the previous submittals to fourth-quarter 2010 dollars (from 2007 or 2008 dollars). These revisions will not only provide a more accurate assessment of the costs that would be associated with installing the controls at SJGS following a final BART determination, but will also allow for a more appropriate comparison among the available NO_x control options.

In addition to updating our SNCR analysis, we are also continuing to investigate the possibility of achieving additional sulfur dioxide (SO_2) reductions as well through existing equipment and operating practices, in order to achieve even greater visibility benefits at the 16 nearby Class I areas than BART would require alone. However, to avoid confusion, the attached analysis (including the modeling analysis) does not take

into account the potential benefits that additional SO_2 reductions would provide, but rather focuses solely on the potential visibility improvements associated with SNCR and the other available NO_x controls.

If you have any questions about the attached information, please contact me at your earliest convenience at (505) 241-2974. We look forward to working with NMED as we continue to evaluate cost-effective measures to improve visibility in the region.

Sincerely,

Maureen D. Gannon
Director, Environmental Services

Attachment