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Received

Don

DUKE ENERGY CAROLINAS, LLC
225 Hillsborough Street, Suite 160
Raleigh, NC 27603

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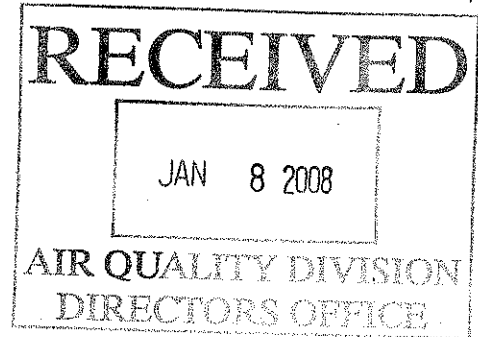
Permits Section

919 235 0995
919 828 5240 fax

CC: William
John
Ed ✓ IK

December 31, 2007

William G. Ross, Jr., Secretary
North Carolina Department of Environment and Natural Resources
1641 Mail Service Center
Raleigh, NC 27699-1641



Subject: Prevention of Significant Deterioration Preliminary Determination
Application No. 8100028.05B
Duke Energy Carolinas, LLC - Cliffside Steam Station
Facility ID: 8100028, Cliffside, Rutherford County
Draft Air Quality Permit No. 04044T28

Dear Secretary Ross:

The purpose of this letter is to request that the Division of Air Quality (DAQ) include more restrictive NO_x and SO₂ limits in the final permit for the proposed generating unit known as Cliffside Unit 6 (Permit No. 04044T28) to be constructed by Duke Energy Carolinas ("DEC"). The draft permit issued by DAQ in August of 2007 included the NO_x and SO₂ limits required by state and federal law. DEC believes, however, that the control technology to be installed at Cliffside Unit 6 - which represents state-of-the-art pollution control equipment - will allow DEC to achieve more restrictive limits for NO_x and SO₂ than are required by law. Therefore, DEC requests that you include emission limits equivalent to BACT limits - 0.07 lb/MMBtu for NO_x and 0.12 lb/MMBtu for SO₂.

Finally, DEC recognizes that Cliffside Unit 6 has received a significant amount of attention because of the national and international focus on carbon dioxide emissions from coal-fired power plants. DEC continues to believe that coal-fired plants in general - and Cliffside Unit 6 in particular - play a critical role in providing reliable, affordable power to our customers. Cliffside Unit 6 will allow DEC to modernize our generation fleet by retiring older, less efficient plants over time. DEC therefore confirms our commitment to mitigating greenhouse gas emissions from Cliffside Unit 6 by proposing a Carbon Mitigation Plan. This plan will lay out specific dates by which DEC will retire 800 megawatts of its older coal plants in North Carolina (in addition to the approximately 200 megawatts it has already committed to retire at Cliffside Units 1-4 when Cliffside Unit 6 is brought on line). In addition, the plan will include a proposal for DEC to support two environmental projects in North Carolina specifically designed to address greenhouse gas emissions and concerns about global warming. DEC is willing to have the Carbon Mitigation Plan become a requirement of the final air permit for Cliffside Unit 6. Implementation of the Carbon Mitigation Plan will need to be linked to commercial operation of

William G. Ross, Jr., Secretary

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Unit 6, since retirement of the additional coal-fired units depends in part on availability of the additional generating capability that Unit 6 will provide.

Duke Energy Carolinas believes the additional commitments it is offering in support of a final air permit will result in a permit that is more protective than any other recently permitted advanced coal unit in the United States. We urge the Department to issue the permit with these suggested changes.

Sincerely,

George T. Everett for

Ellen T. Ruff

Ellen T. Ruff, President
Duke Energy Carolinas

cc: Keith Trent
Jim Turner
George T. Everett
Garry S. Rice
Rick R. Roper
Ellen T. Ruff
Catherine S. Stempien



DUKE ENERGY CAROLINAS
526 South Church St.
Charlotte, NC 28202
Mailing Address:
EC03T / PO Box 1006
Charlotte, NC 28201-1006

January 28, 2008

William G. Ross, Jr., Secretary
North Carolina Department of Environment and Natural Resources
1641 Mail Service Center
Raleigh, NC 27699-1641

Subject: Prevention of Significant Deterioration Preliminary Determination
Application No. 8100028.05B
Duke Energy Carolinas, LLC - Cliffside Steam Station
Facility ID: 8100028, Cliffside, Rutherford County
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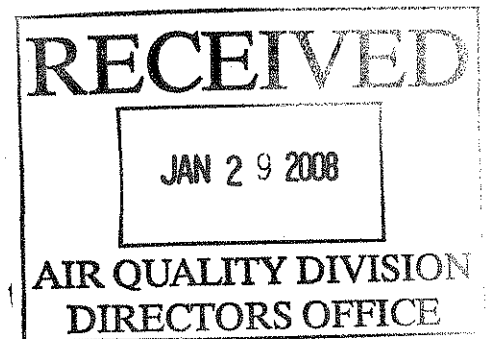
Dear Secretary Ross:

This is to acknowledge the Division of Air Quality's request to modify Duke Energy Carolinas' earlier commitment (letter to Secretary Ross dated December 31, 2007) to mitigate CO2 emissions from Cliffside Unit 6, and to incorporate an additional condition into the Cliffside permit to require operation of advanced pollution control equipment at Cliffside Unit 5 for sulfur dioxide (wet scrubber) whenever the unit is generating electricity except during startup of the unit. Duke will accept those conditions.

Sincerely,

Ellen T. Ruff, President
Duke Energy Carolinas

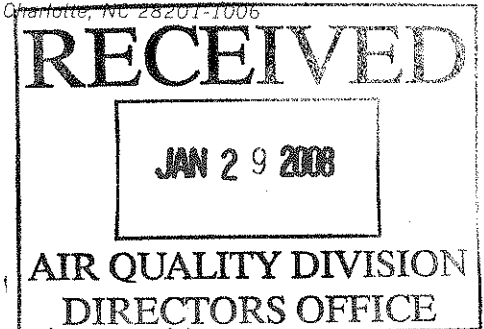
cc: Keith Overcash
Jim Turner
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ATTACHMENT CMP
CARBON MITIGATION PLAN



Duke Energy Carolinas (“Duke”) agrees to undertake the following actions to mitigate emissions of carbon dioxide from Cliffside Unit 6:

- I. In addition to the retirement of Cliffside Units 1-4 required under Permit Condition 2.2.C.(1)(a)(i), Duke will retire an additional 800 MW of coal capacity from coal-fired emission units located in North Carolina according to the following schedule:
 - a. 350 MW by December 31, 2015;
 - b. 200 additional MW, for a total of 550 MW, by December 31, 2016;
 - c. 250 additional MW, for a total of 800 MW, by December 31, 2018.

Duke reserves the right to use any credits for reduction of nitrogen oxide and sulfur dioxide emissions generated by retirement of units retired under this Plan consistent with provisions of State and federal law. Duke’s compliance plan for the Clean Smokestacks Act does not include any of the retirements outlined in this Plan. Nothing in the Clean Smokestacks Act requires retirements of units to meet the emission caps in the Act.

If the North Carolina Utilities Commission, in a formal proceeding, determines that the scheduled retirement of any unit identified for retirement pursuant to the Plan will have a material adverse impact on the reliability of Permittee’s electric generating system, Duke may seek modification of this Plan. Modification of the Plan schedule will require a permit modification under procedures set out in air quality rules (with a decision to be made within sixty days of the filing) and shall be consistent with findings of the North Carolina Utilities Commission.

- II. Duke will undertake additional actions to render Cliffside Unit 6 carbon neutral by 2018. Such actions may include energy efficiency, carbon free tariffs, purchase of credits, domestic and international offsets, additional retirements or reduction in fossil fuel usage as carbon free generation becomes available, and carbon reduction through the development of smart grid, plug-

in hybrid electric cars, or other carbon mitigation projects. Such actions will be included in plans to be filed with the North Carolina Utilities Commission and will be subject to the North Carolina Utilities Commission's approval, including appropriate cost recovery for the implementation of such actions by the NCUC. In addition, the plans shall be submitted to the Division of Air Quality which will evaluate the effect of the plans on carbon and provide its conclusions to the NCUC.

- III. DEC shall, to the extent practicable, build unit 6 to accommodate the installation and operation of future carbon control technology.