

**DUKE ENERGY CORPORATION**

Cliffside Steam Station
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Cliffside, NC 28024

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May 8, 2007

Dr. Don Van der Vaart, P.E.
Division of Air Quality
1641 Mail Service Center
Raleigh, North Carolina 27699-1641

Attention: Ed Martin

Subject: Cliffside New Generation Project
PSD Construction Permit Application –
Revised Control Technology and Site Layout

Dear Dr. Van der Vaart:

Duke Energy is requesting that the Division of Air Quality temporarily delay processing of our PSD permit application for the Cliffside New Generation project. Duke plans to update its permit application to include a new pollution control technology that is expected to reliably and more economically provide the same or better environmental performance. The revised application will also include other changes in plant layout to better optimize the plant configuration with the elimination of the second proposed new generation unit.

Our permit application and the draft permit that the Division of Air Quality recently released for public review were based on conventional configuration of available control technologies. Duke subject matter experts have evaluated and proposed a new technology that reliably achieves the same or even better emissions limits more economically.

The new technology offers the following benefits:

- Uses well proven treatment technologies in an innovative arrangement
- Provides assurance for control of mercury and sulfuric acid mist
- Ensures improved collection of small particles from a wide variety of fuels
- Allows for greater reuse and recycling of wastewater
- Provides costs savings for customers

As we have continued to work with our contractors on the systems and site layout to support the scaled-down new generation project, we have identified a number of changes that affect air emissions calculations and air quality modeling. To assure the Division of Air Quality and the public that our analysis is representative of the current plans for construction and operation, Duke Energy will plan to submit revised calculations, emissions source permit application forms, and air quality modeling to allow you to update the draft PSD construction permit. The

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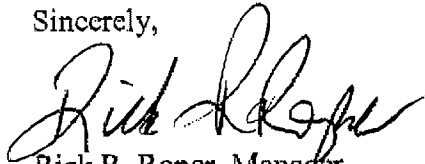
revised submittal will also provide an updated BACT analysis describing the new control technology configuration we are proposing.

Duke Energy believes it is important to review these revisions with the DAQ in order to provide adequate time for public review prior to the public hearing and assure that the permit you issue represents the project. Because these revisions should have a relatively minor impact on the overall air quality analysis, we are optimistic that there will be minimal delay in continuing the permitting process. Duke Energy will work with you to assure that you have all information necessary as soon as possible. We appreciate the efforts you have already made to develop an effective permit in a timely manner, and we understand the difficulty this places on your staff to review these additional changes.

If you have any questions, please contact Kris Knudsen (980-373-3225).

I certify under penalty of law that, based on information and belief formed after reasonable inquiry, the statements and information contained or referenced in this letter are true, accurate, and complete.

Sincerely,



Rick R. Roper, Manager
Cliffside Steam Station

cc: Keith Overcash
DAQ Permit Branch – 5 Copies

Attachment