VALERO

January 21, 2009

VIA E-MAIL AND FACSIMILE

E-mail: http://www.arb.ca.gov/lispub/comm/bclist.php
Fax: (916) 322-3928

Linda C. Murchison, Chief
Planning and Technical Support Division
California Air Resources Board
1001 I Street, P.O. Box 2815
Sacramento, CA 95812

Re: ***Valero Benicia Refinery's Comments on the Proposed California Regional Haze Plan***

Dear Ms. Murchison:

On December 5, 2008, the California Air Resources Board ("CARB") released the proposed California Regional Haze Plan (the "Proposed Plan") adopted pursuant to the United States' Environmental Protection Agency's ("EPA") Regional Haze Rule (the "Regional Haze Rule") (40 CFR Part 51, Subpart P; §§ 51.300 et seq.). This letter provides the comments of the Valero Benicia Refinery ("Valero") on the Proposed Plan. This letter supplements Valero's previous comments that were submitted on December 15, 2008.

Generally, CARB has done an excellent job in developing a Proposed Plan that is consistent with the Regional Haze Rule. In particular, the Proposed Plan recognizes that since enactment of the California Clean Air Act in 1988 California has had a statutory requirement for application of Best Available Retrofit Control Technology (known as "BARCT") and "all feasible [emission reduction] measures" to existing stationary sources, such as the Benicia Refinery, in state ozone nonattainment areas. The existence of these requirements substantially simplified California's obligation under the Regional Haze Rule to undertake a Best Available Retrofit Technology ("BART") determination for BART-eligible sources in California. In fact, and as the Proposed Plan notes, existing emission controls that meet or exceed BART standards already exist throughout California, and additional BART-level controls are unnecessary for purposes of achieving the Regional Haze Rule's goal of attaining natural visibility in all Class I Areas by 2064.

Although Valero generally supports the Proposed Plan, since the Benicia Refinery is the sole stationary source in California identified in the Proposed Plan as requiring a BART analysis and additional BART-level controls, we have several concerns and comments on that point. Specifically, for the reasons set forth below, Valero maintains that the Proposed Plan's identification of the Benicia Refinery as subject to the requirement to do a BART analysis and then apply BART is incorrect, and that the Proposed Plan should not include any BART-level controls applicable to the Benicia Refinery.

Benicia Refinery • Valero Refining Company-California
3400 East Second Street • Benicia, California 94510-1097 • Telephone (707) 745-7011 • Facsimile (707) 745-7514

First, a January 15, 2009 letter to CARB from the Bay Area Air Quality Management District (the "District") clarifies that the Proposed Plan's determination that the Benicia Refinery requires additional controls is incorrect. As the letter notes, the "District believes that existing regulatory requirements, along with emission limits on core process units in Valero's Consent Decree with the EPA/DOJ, meet or exceed BART requirements." This is consistent with the District's conclusions concerning other stationary sources in the San Francisco Bay Area, which were that improvements mandated by Consent Decrees between the facility operators and EPA qualify as BART-level controls. The District's letter also makes clear that "[a]dditional emission control projects not specifically required under the Consent Decree have been evaluated, but have been determined not to be cost-effective for the incremental visibility improvement [and] therefore the District cannot require these additional reductions under the Regional Haze rules." Valero appreciates the clarifications made in the District's letter, and anticipates that with this additional information CARB will not require that further BART-level controls be implemented at the Benicia Refinery. Valero requests that the District's letter be incorporated into the any Final Plan.

Second, given the December 5, 2008 release date for the Proposed Plan, the review and comment process has been somewhat accelerated. Valero has asked AECOM to review the BART exemption modeling which purported to demonstrate that emissions from the Benicia Refinery lead to a visibility impact that exceeds the 0.5 deciview threshold for applying BART-level controls to avoid visibility impairment. AECOM's review has resulted in a strong recommendation to implement two site-specific refinements, limited to the visibility post-processing step, that are consistent with the rest of the California Regional Haze Rule procedures and with national modeling practices. These refinements, discussed and described below, are specific to the Point Reyes National Park and would not affect the remainder of the CARB BART modeling, except as noted below.

In particular, there are two items identified for adjustments, one of which is the use of the new IMPROVE equation in the CALPOST visibility postprocessing. This equation is consistent with the CARB characterization of visibility in its Appendix A Regional Haze Rule documentation, but which could not be implemented in the CALPUFF processing until recently due to Federal Land Manager (FLM) delays in approving and releasing this algorithm. The other refinement is the use of an ammonia background consistent with the Interagency Workgroup on Air Quality Modeling guidance preferred by the FLMs, which recommends for forested areas such as the Point Reyes National Park area an ammonia background value of 0.5 ppb rather than the default 10 ppb that CARB used. With these two important refinements (i.e., using the new IMPROVE equation along with updated ammonia background values), AECOM estimates that the highest modeled 98th percentile day for the controlling year, 2000, drops to a 0.44 deciview impact on visibility for the Benicia Refinery, which is below the BART applicability threshold of 0.5 deciview. This means that BART applicability to the Benicia Refinery is not triggered. It is also noteworthy to mention that the change in the predicted 98th percentile impacts due to implementation of these two refinements would result in a reduction of over 40% in the regional haze impact for the controlling year, 2000. A change of this type of magnitude would also be expected for other BART-eligible sources that CARB also modeled in the Bay Area for impacts at Point Reyes

National Park. The Benicia Refinery will make AECOM's CALPOST modeling results with two refinements discussed above for the controlling year, 2000, available to CARB staff upon request.

Finally, Valero is concerned with the cost-benefit analysis prepared by the District in the Proposed Plan, "Appendix D – District BART Determination," an analysis that should not be necessary with the exemption modeling outcome noted above. In this determination, the "Main Stack scrubber" required under the Consent Decree between Valero and EPA was evaluated as a separate BART-level control. Appendix D states that the cost of improvement related to requiring the Main Stack scrubber as a separate BART-level control for purposes of achieving visibility improvements would be $202 million/deciview/year. (See Proposed Plan, App. D, § 1.A., p. D-5). The evaluation nevertheless seems to conclude that despite this cost, the calculated 0.476 deciview improvement in visibility expected if the Main Stack scrubber is required, would be justified. (See Proposed Plan, App. D, § 1.G., p. D-7). The District's January 15, 2009 letter indicates that the improvements required under the Consent Decree are being evaluated as existing BART-level controls and not as newly proposed requirements. Nevertheless, Valero wants to emphasize that a calculated cost-effectiveness of $202 million/deciview/year cannot possibly be considered cost-effective for the visibility improvements achieved.

In closing, Valero would like to thank CARB and CARB staff for the opportunity to comment on the Proposed Plan. Valero would also like to thank CARB staff for their willingness and availability to meet and discuss Valero's concerns with the Proposed Plan.

It should be emphasized that although Valero maintains that the Proposed Plan's identification of the Benicia Refinery as subject to the requirement to do a BART analysis and then apply BART is incorrect, and that the Proposed Plan should not include any BART-level controls applicable to the Benicia Refinery for the compelling reasons discussed above, Valero remains committed to implementing emission controls consistent with its Consent Decree requirements.

Please contact me at (707) 745-7203 if you should have any questions or need clarifications concerning Valero's comments.

Sincerely yours,

Todd M. Lopez
Enviromental Manager

DWS:tml

cc: Sylvia Zulawnick, CARB

Karen Magalieno, CARB
Tina Suarez-Murias, CARB