June 25, 1998

Mark Boese
Deputy Air Pollution Control Officer
San Joaquin Valley Unified Air Pollution
Control District
1999 Tuolumne Street, Suite 200
Fresno, California 93721

Re: E and J Gallo Winery (Source C-447) Clean Air Act Title V Operating Permit

Dear Mr. Boese:

I am writing to confirm our agreement to revise the E and J Gallo Winery ("Gallo") Title V permit. Your office first submitted to EPA a proposed part 70 permit for Gallo on August 6, 1997. EPA reviewed the proposed Gallo permit and stated our objections regarding several issues, including periodic monitoring, in our September 19, 1997 letter to the District. The District then submitted to EPA a revised version of the Gallo permit on December 12, 1997. EPA has determined that the District's December 12, 1997 version of the permit is not a valid final Title V permit for Gallo because the District did not make the changes necessary to correct the proposed permit within 90 days (as described in our enclosed summary). In our discussion with you and your staff, however, the District agreed to make the necessary corrections (which are also noted in our summary) to avoid the requirement that Gallo apply to EPA for a part 71 permit. EPA will postpone requiring a part 71 permit application from Gallo in anticipation of receiving a District permit that is revised according to our agreement. We request that you send a draft permit that includes our recommended corrections within three weeks of your receipt of this letter and, after receiving our concurrence, issue a corrected final permit as soon as possible.

An equally important issue regarding the Gallo permit is that the District's December 12, 1997 version of the Gallo permit included changes from August 6, 1997 version of the proposed permit that were not provided to EPA for review prior to their inclusion in the December 12, 1997 version of the permit (as noted in our enclosure). EPA has determined that these changes are inconsistent with the applicable requirements for Gallo and would have triggered an EPA objection if they had been provided to EPA as part of the initial proposed permit on August 6, 1997. The District has also committed to correcting these changes as well.

In addition to these concerns over the changes to the December 12, 1997 version of the Gallo permit, it is important to note that the District did not provide EPA with an opportunity to review the changes. As you may be aware, Section 11.1.8 of District rule 2520 mandates that the District provide EPA with a 45-day opportunity to review a proposed permit that contains provisions that EPA has not previously had an opportunity to review. This is consistent with the requirements of 40 C.F.R. section 70.8(c)(4). We would be willing to waive this review period when the only changes to a permit are Administrative Modification, as defined in rule 2520, and are identified in your final evaluation or response to comments document. All other changes described in section 11.1.8 of rule 2520 must be provided to EPA for 45-day review. We are also available to discuss, on a case-by-case basis, opportunities for expedited Regional review of straightforward changes.

As a general matter, we encourage the District to work with EPA to avoid the need for EPA objections in the future, and to coordinate with EPA to satisfy any EPA objections within the 90-deadline. If you have a questions regarding this letter, please contact me or Matt Haber, Chief of the Permits Office, at (415) 744-1254.

Sincerely,

//s//
David P. Howekamp
Director, Air Division

Enclosure

cc: Seyed Sadredin, SJVUAPCD
Ray Menebroker, CARB
John T. Stout, E and J Gallo Winery

Enclosure

Summary of Required Changes to E & J Gallo Winery's Title V Permit (source C-447)

1) **Add periodic monitoring for units #1, #3 and #4.**

   EPA objection #4 from our September 19, 1997 letter required periodic monitoring for these units. The District did not add periodic monitoring.

   EPA will accept conditions based on conditions 13-17 from NSR permits S-1547-1034, which are similar to many other District NSR permits, based on our understanding that Gallo will monitor a flue gas recirculation valve to show compliance with NOx limitations.

Note: The District and EPA must ensure that condition 17 would not override any part 70 requirement for compliance schedules, and we will work out with the District whether any clarifications such as the following are necessary: "This condition does not override any stricter part 70 requirement."

2) Delete New Exemptions Added Without EPA Review

   Gallo committed to meeting an emission rate of 0.036 lbs NOx /Mmbtu at all times to create offsets (ERC project #C-0037-2 and C-0037-3). The District revised the proposed permits of all four boilers to add exemptions that conflict with the limit taken to gain the ERCs. The District did not provide these changes to EPA for review, as required by District rule 2201 and part 70.

   Boilers #1, #3, and #4: The District must delete conditions 4, 6, 10 or 11 (our preferred option); or clearly mark each as not applicable to the source. The District must replace condition 3 with condition 3 from the proposed permit for boiler #2, which contains an unambiguous 0.036 lbs NOx/MMbtu permit limit.

   Boiler #2: New exemptions from 0.036 lb NOx/MMbtu limit (new condition 17 must be deleted.

3) Add Compliance Method Conditions for Boilers #1, #3, and #4

   The District's December 12, 1997 response to comments document agreed to include a method for converting 3-hour stack tests to 24-hour data for compliance with daily NOx and CO emission limits in response to EPA objection #3. However, the permits were not corrected, which may have been an oversight. The District must add conditions based on Texaco Title V permit #C-1235-1-2 condition 14 (without reference to fuel oil or PM testing, which are not applicable to Gallo), where the District made the agreed-upon change.

   The District did not require source testing at maximum capacity as required by objection #3. The source must test at maximum physical capacity, or at least at the source's maximum operating level.