APPENDIX K

LETTERS BETWEEN U.S. EPA, SCAQMD, AND REFINERS
ON SCAQMD's RULE 1304(b)(4) – OFFSET EXEMPTION

17/18 cc Jack B
Bill Fray

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'92 DEC 17 P3:10
OFFICE OF PLANNING AND RULES

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, Ca. 94105-3901

December 14, 1992

From JAMES M. LENTS, Ph.D. Executive Officer
To: LEYDEN Date 12/17/92
Action required by
✓ For your information action ✓ handling
Draft response for signature

Robert Trunek
Senior Vice President
Manufacturing, Engineering and Technology
ARCO Products Company
P.O Box 2570
Los Angeles, CA 90051-0570

(24)

Dear Mr. Trunek:

This letter is in response to your November 24, 1992 letter and the meeting held between our staffs on November 17, 1992 regarding offset requirements.

EPA is currently working with the South Coast Air Quality Management District (SCAQMD) on an emissions tracking system which may aid the SCAQMD in demonstrating that the current Regulation XIII, New Source Review, will meet the Clean Air Act requirements for Extreme Areas. The SCAQMD has submitted an emissions tracking system that will account for any exemptions granted by SCAQMD under Rule 1304 by providing a demonstration that sufficient offsets for such sources exist. If the SCAQMD submits, as a SIP revision, such an approvable tracking system, EPA will not require offsets for modifications from sources which the SCAQMD deems exempt from Regulation XIII pursuant to Rule 1304.

Thus, ARCO would not be required to obtain offsets for modifications at ARCO's facility to produce reformulated fuel if the SCAQMD deems the modifications exempt from offsets under Rule 1304 of Regulation XIII.

If you have any questions, please contact Matt Haber of my staff at (415) 744-1254.

Sincerely,

David P. Howekamp
Director
Air & Toxics Division

cc: James M. Lents, SCAQMD

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South Coast
AIR QUALITY MANAGEMENT DISTRICT
21865 E. Copley Drive, Diamond Bar, CA 91765-4182 (714) 396-2000

October 9, 1992

To: All Refinery Managers in Southern California

We understand that significant refinery modifications will be needed in the near future to meet the air quality related standards for gasoline legislated in the 1990 Clean Air Act Amendments (CAAA) and the more stringent standards adopted by

strategy to expedite permit processing and compliance with the requirements of California Environmental Quality Act (CEQA).

A question has been raised by some refineries regarding the eligibility of such projects for exemption from our New Source Review (NSR) offset provision. As you know, District Rule 1304 (b)(4) exempts a new or modified unit from offset requirements if "such equipment is installed or modified solely to comply with District, state, or federal air pollution control laws, rules, regulations or orders, as approved by the Executive Officer, and provided there is no increase in maximum rating". It is important to note that Best Available Control Technology (BACT) is required in all cases.

We believe that it was the District Governing Board's clear intent to grant the NSR offset exemption to refinery constructions and modifications undertaken solely to meet state and federal mandates for clean gasoline. Other process changes that cannot be so justified should be subject to the applicable offset requirements of District's NSR regulation. The following guidelines are designed to implement this

We intend to consider the entire refinery as a single unit for this purpose, and apply the following two-pronged test:

1) Is the crude throughput capacity of the refinery unchanged as a result of this project?
2) Are the new and/or modified process units consistent with the stated refining capacity?

Positive answers to both, as evidenced by the permit application, will confirm that the project is exempt from NSR offsets under District Rule 1304.

In addition, we will propose an increase in each facility's RECLAIM Baseline Allocation for the year that production is initiated. The amount of this increase will need to be assessed as each refinery's plans are more precisely defined.

I hope that this policy interpretation is of help to you in your planning efforts for making new and improved gasoline. If there are any questions or comments on this matter, please call PomPom Ganguli of my staff at (714) 396-3185.

Sincerely,

James M. Lents, Ph.D.
Executive Officer

PL:AG:pl
(LTR-RFG1)

cc: James Boyd (ARB)
Dave Howekamp (EPA, Region IX)