Action Summary Minutes

CENTRAL REGION HEARING BOARD MEETING

Central Region Office Governing Board Room 1990 E. Gettysburg Ave., Fresno, CA 93726

Wednesday, October 19, 2011, 10:00 a.m.

MINUTES

1. CALL MEETING TO ORDER:

The Chair, Mr. Jerry Boren, called the meeting to order at 10:00 a.m.

2. ROLL CALL:

Jerry Boren, Chair – Engineer Present
Robert Schumacher – Public Present
Jim Waterman – Attorney Present
Gerry Mulligan – Public Present
Dr. Lorraine Goodwin, M.D. – Medical Present

Staff present – Central Region (Fresno): Patrick Houlihan, Sr. Air Quality Specialist; Ryan Hayashi, Supervising Air Quality Specialist; Catherine Redmond, Legal Counsel; Lynn Sargenti, Senior Office Assistant;

3. Approval of Minutes from September 21, 2011

4. **PUBLIC HEARING**:

Mr. Boren asked the Clerk to verify that all items had been properly noticed. The Clerk responded that they had. All those present to testify were sworn in by the Chair. The Chair asked that the agenda packet and any addenda brought forth to be entered into the official record.

A. C-10-19X Compass Global Resources

Section 26, T20S R14E Coalinga Oil Field

Coalinga, CA

Petitioners: Joe Selgrath; Nick Diercks

Mr. Houlihan presented the staff report. CGR uses the industry standard practice of injecting steam when extracting heavy crude oil, where steam is pumped down the oil well to heat up the reservoir, reducing the oil's viscosity and making it easier to pump to the surface. When CGR was

researching which steam generator to install, they knew that the equipment would be subject to District Rule 4320 and it would have to meet a 7 ppm NO_x limit. They were given a guarantee by the steam generator manufacturer, Gideon, that the steam generator burner would comply with the NO_x emission limit. It was not until after they purchased, installed and began operating the steam generator that they discovered that it was not meeting the NO_x emission limit. On July 23, 2010, CGR conducted the required initial compliance source test and found that the NO_x emissions were at 15 ppmv.

Currently, the steam generator uses propane when fired and CGR does not believe they can ever achieve compliance while using propane as fuel.

CGR applied to PG&E to run a natural gas pipeline to the steam generator. At this time, PG&E has brought the line very close, but have not completed it as yet.

There will be excess emissions calculated at 120 lbs of excess NO_x . These were calculated to the last source test. If the source test fails, they will be issued an NOV.

Mr. Mulligan asked if there are other oil fields using steam generators on natural gas.

Mr. Houlihan responded stating those other facilities using steam generators are using natural or field gas rather than propane.

The petitioner, Mr. Diercks, stated he agreed with the staff report. He did state that the natural gas line was completed by PG&E the previous Friday. They plan to source test at the end of October.

Mr. Mulligan asked if when steam is injected into the well, does it vent back out or retained in the earth.

Mr. Diercks stated that the steam condenses into water and when the well is switched back over to production, they produce the water back. It does not vent anyplace else.

<u>Public Comment</u>: No public comment.

Having decided the petition has met the required findings, on motion of Mr. Mulligan, seconded by Dr. Goodwin, unanimously passed, the petitioner was granted an extended variance.

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B. C-11-14S Shell Pipeline Company, LP

Panoche Pump Station
Panoche and I-5
Fresno County

Petitioner: Carlton Jordan

Mr. Houlihan presented the staff report. Shell Pipeline Company (SHELL) operates a 26 MMBtu per hour natural gas fired process heater that heats the crude oil flowing through the pipeline as it flows north to refineries in the Bay Area. If the oil was not heated to reduce the viscosity, the pipeline pumps would be incapable of moving the liquid, which would cause damage to the pumps.

Due to reduced heavy crude oil flow through the pipeline, the heater has been operating at a higher utilization rate than ever before. As soon as SHELL determined that the heater had exceeded the annual heat input, they submitted a permit modification application on June 30, 2011, to comply with the emission limits of Rule 4320 that now require a NO $_{\rm x}$ limit of 9 ppmv, down from their current Permit To Operate (PTO) limit of 30 ppmv. The application for a new Authority To Construct (ATC) to be in compliance with the new rule cannot be issued until the District adopts Best Performance Standards (BPS) for process heaters. SHELL anticipates they that they will need to start up the heater soon after October 9, 2011, and it is not expected that the new ATCs will be issued before then. SHELL will move forward with the retro-fitting of the heater once the ATCs are issued.

Mr. Houlihan noted a correction in his staff report where he had reported that after they had received a Notice of Violation (NOV) for exceeding the fuel usage, they shut down. It should be noted that they self-reported and found the violation themselves and then shut down the heater. They were given an NOV at that time. The heater has not operated since May 16th, 2011.

Mr. Carlton added to Mr. Houlihan's report stating that once SHELL upgrades the heater, they will actually go down to 6 ppm.

Mr. Waterman asked if SHELL accepts product from San Ardo or Southern Monterey County. Mr. Carlton stated he was not aware of this, but that since they are a common carrier they have to accept nominations from others who can legally utilize a common carrier pipeline. Stated they do not have any contracts from that area.

Public Comment: No public comment.

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Having decided the petition has met the required findings, on motion of Mr. Waterman, seconded by Dr. Goodwin, unanimously passed, the petitioner was granted a short variance.

C. C-11-15S Aera Energy LLC
Coalinga Production Facility
Coalinga, CA

Petitioner: Tim Parcel

Mr. Houlihan presented the staff report. AERA uses thermally enhanced oil recovery at the oil field, whereby steam is injected into the reservoir to lower the viscosity of the oil so that it can be pumped to the surface. These steam generators have to comply with an upcoming deadline in Rule 4320 to reduce the SO_x emissions. On or before July 1, 2012, AERA must lower the SO_x emissions in the exhaust stream of their steam generators. To do so, they have to reduce the concentration of H_2S in the vapor stream before it reaches the steam generators. Less sulfur in the fuel stream equates to less SO_x in the exhaust stream. AERA needs to shut down the steam generators to install a Sulfatreat system to facilitate the removal of H_2S . With the steam generators down, the VRS serving the storage tanks at the 32 Dehy will also need to be shut down while the tanks continue to store VOC containing liquids.

Mr. Houlihan stated a correction in the paragraph under Petitioner's Request where it states "... consecutive 28-hour period...." This should read 24-hour period.

Mr. Parcel stated he agreed with the staff report and had nothing to add.

Mr. Waterman asked if the location of the facility and the excess emissions would have any adverse effect on those living in the nearest community of Coalinga.

Mr. Parcel stated it would not.

Public Comment: No public comment.

Having decided the petition has met the required findings, on motion of Mr. Schumacher, seconded by Mr. Mulligan, unanimously passed, the petitioner was granted a short variance.

D. C-11-16S JR Simplot Company 12688 South Colorado Ave. Helm, CA 93627 Petitioner: Nathanial Rutterbush

Mr. Houlihan presented the staff report. Simplot has two NO_x gas analyzers that are old and require excessive man hours and maintenance costs to keep them operational. One is primary, and the other is kept online as a back-up, providing redundancy. In addition to replacing both NO_x analyzers, they will also replace the computer control. Simplot is planning on taking the plant off line soon for a turnaround and is going to replace the CEMS during this time. After the new CEMS is installed, each analyzer has to undergo a relative accuracy test audit (RATA) and 7-day calibration drift test before it is certified in accordance with Code of Federal Regulations. The certification can only be conducted while the plant is in operation.

Simplot has stated there will be zero excess emissions associated with this variance request.

Mr. Rutterbush had no comments to add to the staff report.

<u>Public Comment</u>: No public comment.

Having decided the petition has met the required findings, on motion of Mr. Waterman, seconded by Mr. Mulligan, unanimously passed, the petitioner was granted a short variance.

- 5. The Central Region Hearing Board had not heard nor granted any emergency variances since the September 21, 2011, meeting.
- 6. **PUBLIC COMMENTS**: No public comments.
- 7. **HEARING BOARD COMMENTS:** None.
- 8. **NEW BUSINESS:** None.
- NEXT SCHEDULED MEETING: November 16, 2011. This meeting will be held in the Central Region Office (Fresno) in the Governing Board room.
- 10. **ADJOURNMENT**: The Chair, Mr. Boren, adjourned the meeting at 10:31 a.m.