



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OCT 27 2005

OFFICE OF
AIR AND RADIATION

The Honorable Henry A. Waxman
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Waxman:

Thank you for your letter of September 22, 2005, in which you and several of your colleagues requested responses to questions concerning permitting activities for oil refineries. I greatly appreciate your interest in the issue of refineries and refining capacity. The recent hurricanes in the Gulf Coast have brought this important issue to the forefront and we are considering ways to streamline the process.

EPA's responses to your questions follow:

1. How many permit applications for new refineries have been received since September 2000? What is the disposition of these applications?

EPA does not generally receive permit applications for refineries – state and local permitting agencies receive them. EPA occasionally receives data from the states concerning their permitting activities. We are aware of a permit application for a major new refinery with a production capacity of 150,000 barrels per day of motor fuels (including gasoline, diesel fuel, and jet fuel), in Arizona. This project received its major New Source Review ("NSR") construction permit earlier this year.

We are also aware of a much smaller refinery being proposed by three affiliated tribes (the Mandan, Hidatsa, and Arikara Nation) on the Fort Berthold Indian Reservation in North Dakota. This proposed facility would produce gasoline, diesel fuel, and propane. Reportedly, the facility will not need to obtain a major NSR permit to construct this project.

2. How many permit applications for refinery expansions have been received since September 2000? What is the disposition of these applications?

As stated previously, EPA does not usually receive permit applications – states and local governments generally issue permits of this type. However, we have some data from states concerning refinery applications that they have received in recent years. Unfortunately, it is nearly impossible to distinguish which of these projects should be classified as “refinery expansions” because the permitting data generally cover permits for any project at a refinery, including changes to comply with environmental requirements, efficiency improvements, production increases, new equipment installations, etc., and often combinations of these. From these data, we can, however, estimate that there have been approximately 100 major and minor NSR air pollution permits issued to existing refineries since September 2000.

3. Since 2000, is EPA still resolving permit applications within 12 months, with about half taking less than 5 months to resolve, or does EPA now take more time or less time on average to process these applications?

Our limited data suggest that states typically take 12-18 months to issue NSR permits for large facilities, although this time period can vary significantly. In addition, it is important to note that these permit processing times generally do not include administrative appeals during the permitting process and judicial review, which can add substantially to the time required for final approval.

For the one new refinery, our best estimate from the data supplied by Arizona Department of Environmental Quality is that it took approximately nine months from the date of receipt of a complete application for the final air permit to be issued. However, it took more than three years of communication between the company and the state to reach the point where the company had supplied sufficient information for the application to be deemed complete. This process, while lengthy, allowed the application to be processed more efficiently once it was deemed complete.

Again, thank you for your letter. If you have further questions, please contact me or your staff may contact Ronna Landy, in EPA's Office of Congressional and Intergovernmental Relations, at (202) 564-3109.

Sincerely,



William L. Wehrum
Acting Assistant Administrator

Chronology of A/C permit



Janet Napolitano
Governor

ARIZONA DEPARTMENT
OF
ENVIRONMENTAL QUALITY

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Stephen A. Owens
Director

VIA FEDERAL EXPRESS

AQD:CTS:94383

July 29, 2004

Jeff Donofrio
Committee on Energy and Commerce Democratic Staff
U.S. House of Representatives
2322 RHOB
Washington, D.C. 20515

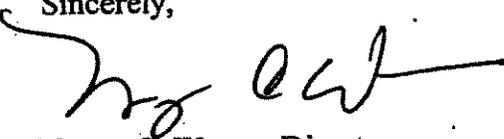
Subject: Chronology and History of the Proposed Arizona Clean Fuels Refinery

Dear Mr. Donofrio:

As was promised in a July 21, 2004, conference call with you and your colleagues, I have enclosed with this letter a chronological summary of the documents that relate to the Arizona Department of Environmental Quality's efforts to process air quality applications for a proposed new refinery to be constructed and operated by Arizona Clean Fuels. In addition to the chronological summary, I have also enclosed copies of the documents used to develop this summary.

I hope that this information provides you with the history associated with this proposed project, and should you need any additional information, please contact me at (602) 771-2308.

Sincerely,


Nancy C. Wrona, Director
Air Quality Division

NCW:ecm

Enclosures

**Chronology of Documents for
Arizona Clean Fuels (a.k.a. Maricopa Refining Company)**

Document Title	Issuance Date
Air Quality Installation Permit Number 1228 Synopsis: Permit issued to Maricopa Refining Co. (a.k.a. Arizona Clean Fuels) allowing construction and installation of equipment.	January 16, 1992
Class I Permit Application Cover Letter Synopsis: Cover letter from Dames and Moore (now URS Corporation, a.k.a. URS), Arizona Clean Fuels' contractor, applying for a new air quality installation and operating permit.	December 23, 1999
Permit Application Incompleteness Letter Synopsis: Letter from Arizona Department of Environmental Quality (ADEQ) to Arizona Clean Fuels requesting additional information in support of the December 23, 1999, permit application.	January 31, 2000
Memorandum Regarding Preliminary BACT Review Synopsis: Comments from RTP Environmental Associates (RTP), ADEQ's contractor, to ADEQ, Arizona Clean Fuels and URS regarding the Best Available Control Technology (BACT) review performed in the December 23, 1999, permit application.	March 17, 2000
Revised Sections of Permit Application Cover Letter Synopsis: Letter from URS to Arizona Clean Fuels and ADEQ responding to some of the comments in RTP's March 17, 2000, memorandum.	June 29, 2001
Memorandum Regarding Preliminary BACT Review Synopsis: Additional comments from RTP to ADEQ, Arizona Clean Fuels, and URS responding to URS's June 29, 2001, submittal.	August 2, 2001
Permit Application Addendum Cover Letter Synopsis: Cover letter for a new application addendum submitted by URS, containing some responses to RTP's August 2, 2001, comments, as well as some information requested in ADEQ's January 31, 2000, incompleteness letter.	October 31, 2001
Permit Application Addendum Cover Letter Synopsis: Cover letter for a new application addendum submitted by URS, containing additional responses to RTP's August 2, 2001, request for information.	November 16, 2001

**Chronology of Documents for
Arizona Clean Fuels (a.k.a. Maricopa Refining Company)**

Document Title	Issuance Date
<p>Permit Application Addendum Cover Letter Synopsis: Cover letter for a new application addendum submitted by URS, containing additional responses to RTP's comments, as well as some information requested in ADEQ's January 31, 2000, incompleteness letter.</p>	March 14, 2002
<p>Response to Comments Letter Synopsis: Letter from URS to RTP supplementing the October 2001, November 2001 and March 2002 permit application addendums.</p>	April 24, 2002
<p>Permit Application Completeness Letter Synopsis: Letter from ADEQ to Arizona Clean Fuels, indicating that, based on all the information received on or before August 23, 2002, the application was deemed complete.</p>	September 4, 2002
<p>Letter Regarding Predicted Impacts on Nearby Community Synopsis: Letter from Gallagher and Kennedy, Arizona Clean Fuels' attorneys, explaining the company's willingness to relocate a local school and community center in order to minimize predicted impacts on the nearby community.</p>	September 5, 2003
<p>Letter Regarding Relocation of Proposed Refinery Synopsis: Letter from Gallagher and Kennedy to ADEQ explaining Arizona Clean Fuels intent to relocate the proposed project to Yuma, Arizona, and that a new, site-specific permit application would be resubmitted in the future.</p>	October 30, 2003
<p>Letters Regarding Licensing Time Frames Synopsis: Letters between ADEQ, Arizona Clean Fuels, Office of the Attorney General, and Gallagher and Kennedy, agreeing to restart the permitting timeframes upon receipt of a new permit application.</p>	April 5-6, 2004
<p>↙ New Application Cover Letter Synopsis: Cover letter from URS Corporation on behalf of Arizona Clean Fuels, submitting a new application for an air quality installation and operating permit.</p>	July 14, 2004

FINAL ARIZONA PERMIT

Governor Janet Napolitano

State of Arizona

Stephen A. Owens, Director

Arizona Department of Environmental Quality



1110 W. Washington St.
Phoenix, AZ 85007

(602) 771-2338 Voice
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**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
AIR QUALITY CLASS I PERMIT**

COMPANY NAME: Arizona Clean Fuels Yuma, LLC
FACILITY NAME: Arizona Clean Fuels
PERMIT NUMBER: 1001205
DATE ISSUED: April 14, 2005
EXPIRATION DATE: April 14, 2010

SUMMARY

This operating permit is issued to Arizona Clean Fuels Yuma, LLC, the Permittee, for operation of the Arizona Clean Fuels petroleum refinery. The permitted facility will be located on an approximately 1,450-acre site approximately 40 miles east of Yuma, near the town of Tacna, in Yuma County.

The permitted facility will have the capacity to refine approximately 150,000 barrels per day (4.6 million gallons per day) of crude oil and approximately 1.8 million gallons per day of other petroleum-based materials. The primary products of the refinery will be gasoline, jet fuel, propane, and diesel fuel.

The major process units at the proposed refinery will include a crude distillation unit, a delayed coking unit, a hydrocracker, a distillate hydrotreater, a naphtha hydrotreater, a naphtha catalytic reforming unit, a butane conversion unit, a benzene reduction unit, and an isomerization unit. Supporting process units will include a gas concentration unit, a hydrogen generation unit, an amine regeneration unit, two sulfur recovery units, a sour water stripper, two steam boilers, a wastewater treatment plant, a tank farm, product loading facilities, a mechanical-draft wet cooling tower, and three internal-combustion engines used to drive emergency equipment.

Emission units, emitting activities, and pollution control equipment at the permitted refinery will include the following:

- Fifty-one storage tanks for petroleum liquids. Five of these tanks will be equipped with vapor control systems vented to compressors and forty-six will be equipped with internal floating roofs and vapor control systems vented to a thermal oxidizer;
- Two steam boilers fired with natural gas. These boilers will be equipped with low-NO_x burners and flue gas recirculation;
- Eighteen process heaters fired with refinery fuel gas. Each of these heaters will be equipped with low-NO_x burners; nine will also be equipped with selective catalytic reduction;
- Two sulfur recovery units, equipped with a common tail gas treatment unit and thermal oxidizer;

- Catalyst regenerators at the catalytic reforming unit and the butane conversion unit, each equipped with a caustic wet scrubber;
- Equipment leaks, emissions from which will be minimized through implementation of a leak detection and repair program;
- Coker pit;
- Coke storage silo, equipped with a fabric filter baghouse;
- Coke railcar loading system;
- Two emergency flares;
- Truck loading rack, equipped with a vapor control system and thermal oxidizer;
- Wastewater treatment plant, equipped with a thermal oxidizer;
- Wastewater treatment plant solids dryer, equipped with a fabric filter baghouse;
- Three diesel-fired reciprocating internal combustion engines used to drive two emergency fire water pumps and an emergency electric generator;
- A mechanical-draft wet cooling tower, equipped with a high-efficiency drift eliminator; and
- Vehicle traffic on paved and unpaved roads.

All definitions, terms, and conditions used in this permit conform to those in the Arizona Administrative Code (A.A.C.) R18-2-101 and Title 40 of the Code of Federal Regulations (CFR), except as otherwise defined in this permit. Unless noted otherwise, references cited in the permit conditions refer to the A.A.C. All material permit conditions have been identified within the permit by a double underline. All terms and conditions in this permit are enforceable by the Administrator of the U.S. Environmental Protection Agency, except for those terms and conditions that have been designated as "State Requirements."

The Arizona Clean Fuels Yuma, LLC petroleum refinery will be a major source because the potential emission rates of the following pollutants are greater than 100 tons per year: particulate matter (PM), PM₁₀; nitrogen oxides (NO_x), carbon monoxide (CO), and volatile organic compounds (VOC). In addition, the proposed refinery has potential emission rates of hazardous air pollutants in excess of 25 tons per year in total.

This permit is issued in accordance with Titles I and V of the Clean Air Act, and Title 49, Chapter 3 of the Arizona Revised Statutes (ARS).

POTENTIAL ENERGY CRISIS IN THE WINTER OF
2000

HEARINGS
BEFORE THE
COMMITTEE ON
GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTH CONGRESS
SECOND SESSION

SEPTEMBER 20 AND 21, 2000

Serial No. 106-251

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economics and other investment problems. We have asked the National Petroleum Council, which is a group of energy executives, to advise the Department of Energy, me on what we need to do to have a viable refining industry in the country. They are expected to complete a report for us this summer.

Now, it is our view, Mr. Chairman, that our refining capacity right now is at 96 percent. It has gone up. We were concerned because it was in the low 90's, it is now 96, some say a little bit more. Total U.S. refining capacity has been expanding and becoming more economically competitive. So what has happened also is new refining capacity is likely to be at existing refineries along mainly the Gulf Coast. So what we are seeing is refining capacity has been added to existing refineries right now. That is how they have kept pace with demand without building new refineries. Nonetheless, we still are watching this very closely and we are looking forward to the industry's recommendations.

Mr. BURTON. Well, the industry was here yesterday. The indications from the industry was they would like to build new refineries, they would like to increase capacity, and they cannot do it because of environmental regulations. And they are very concerned about that.

The other thing is, and I wish you would put up that natural—
Do you have a comment, incidentally, Ms. Browner, about that?

Ms. BROWNER. I do. I would like to respond, if the allegation is for some reason public health air pollution standards stand in the way of new refineries, I would like to respond.

Mr. BURTON. No, that is not what they said. They said they could build refineries that were environmentally safe—

Ms. BROWNER. But that our rules were a problem.

Mr. BURTON. Yes.

Ms. BROWNER. I would like to respond to that allegation. May I?

Mr. BURTON. All right.

Ms. BROWNER. Thank you. I would like to make three points. One is the same point that Mr. Richardson made, but we would like to actually use a chart. In the last 5 years, while the number of individual refineries, facilities has gone down, the refining capacity of the remaining 155-160 facilities has actually gone up. Part of the reason it is going up is because we work with them to expand their those existing facilities and we do it in an expedited manner, we do it in conjunction with the States.

I will give you an example. There are currently pending 12 permit applications to expand existing refineries, that is over the last 2 year period. Most of those permits, and they are issued by the States with our concurrence, most of those permits have been issued in 12 months. Of the 12 that have been received in the last 2 years, only 5 are currently pending, the others have been granted.

I will give you an example. We received one down in Texas in March 2000. It will be done within the next 2 to 6 weeks. We received another one in July, we have asked for more technical information, we will then be moving forward. So we are moving through the permitting process the expansion that the companies are deciding are best for them.

it in California, I do not think people on the East Coast want it, and their representatives all across the country said no to that idea.

Another way we can deal with this energy problem is to set up standards for automobiles, they are known as CAFE standards, Corporate Average Fuel Economy. That is to make sure that the average fuel efficiency standards that we require for cars are going to mean that we have less reliance on fuel. In fact, Honda has brought a car to the market using a hybrid electric technology that gets 70 miles to the gallon. Toyota will soon be selling a four passenger car that achieves over 60 miles to the gallon.

The Congress has blocked the Department of Transportation for the last 5 years from even studying whether the greater fuel efficiency is feasible. As a result, fuel economy levels have stagnated. And since the 1980's, CAFE standards have only required that new cars average 27.5 miles per gallon. Honda is getting 70. Congress has said we are going to allow 27.5 miles per gallon, and light trucks average 20.6 miles per gallon.

It just seems to me we need to be addressing our fundamental energy problems, we need to address our dependence on imported oil, and our reliance on an antiquated electric system. But Congress has not acted on these issues. Instead, we do nothing and when something inevitably goes wrong, and we are now seeing our system going wrong, we search frantically for someone else to blame. And this is the political season. So what we have are hearings where one of the Members asked, the first question, why has the administration failed to deal with the energy crisis. Well, that is not taking responsibility that we all have, you have and we have in the Congress of the United States.

Administrator Browner, I want to ask you some questions. Yesterday we heard a number of different claims from majority Members that suggested environmental regulations in general, and the Clean Air Act in particular, are causing our energy problems. I want to talk about some of these issues.

We heard there is simply too much red tape and environmental regulation. We had a lot of colorful analogies. For example, the National Petrochemical and Refiners Association testified that EPA has created a regulatory blizzard for the Nation's refiners. Now you addressed this issue earlier about this claim that you are not allowing permits for new refinery construction. Chairman Burton made a big point of stating that no new refineries have been built since the early 1980's, and he alleged it was due to permit requirements under the Clean Air Act. And he went on to blame the failure of EPA to approve new refineries as one of the major causes of today's high gasoline prices.

Ms. Browner, do you know how many applications EPA has received since the early 1980's to build new refineries?

Ms. BROWNER. For brand new ground-up?

Mr. WAXMAN. Brand new refineries.

Ms. BROWNER. We may have gotten one in 25 years. One.

Mr. WAXMAN. Is it possible for EPA to issue a permit for new oil refineries if no one has applied for it?

Ms. BROWNER. No. It requires a company to come forward and make an application. Many come forward to expand their existing

facilities, and those get granted. But a new one would require a company to come forward and make the application.

Mr. WAXMAN. I raise this question because I think it is highly misleading to say that you are not giving permits for new refineries and that is the reason for the problem.

Ms. BROWNER. It is completely misleading. They are not coming to us. And I spend a lot of time with the petroleum refiners of this country. We work closely with them on a lot of fuel issues. They do not come in and meet with us on building new refineries. We are there, we are available if that is what they want to talk about.

Mr. WAXMAN. But what they are talking to you about, and they are getting permits from you, is to build not new refineries but to consolidate and expand their existing refineries.

Ms. BROWNER. Yes.

Mr. WAXMAN. And that is the trend that I understand is continuing. Oil companies are not asking to build new facilities, they want to modify and expand the existing ones. Can you tell us whether that is happening and whether you are giving out permits. What is happening with their efforts to expand and modify their facilities?

Ms. BROWNER. Absolutely, they are expanding their facilities. We and the States do grant these permits. I think I mentioned earlier that in the last 2 years we have had 12 applications for expansion of existing facilities; 7 of those have already been issued, 5 are currently pending and we presume will be wrapped up in a timely manner.

What is happening is you cannot just look at it 200 facilities and then 155. Uh, oh. You have to look at what are the 155 capable of doing. And that is what that chart shows, their capacity is actually going up and we are granting the permits to allow that to happen. We would welcome a permit for a new refinery if someone wants to bring it. We will give it the full review.

Mr. WAXMAN. And how long does it take?

Ms. BROWNER. For the expansions, most of them are managed within 12 months, about half of them are managed within 5 months.

Mr. WAXMAN. I just want to cite for the record Citgo applied in March and is expected to be approved within 2 to 6 weeks, Valero applied in July and is expected to be approved by the end of the year, Exxon Mobil applied in June and is expected to be approved by the end of this year.

Ms. BROWNER. Correct.

Mr. WAXMAN. And as I understand, there have also been two applications in Minnesota, one has been approved and one is pending.

Ms. BROWNER. Correct.

Mr. WAXMAN. Now let's turn to the issue of electricity generation. At yesterday's hearing, we spent considerable time discussing California's energy situation and new power plants that are currently expected to come on-line. In that discussion, the Clean Air Act was repeatedly blamed for the length of time it takes to site energy projects. For instance, allegations were made that implied that it takes 6 to 7 years to get a permit under the Clean Air Act to site high voltage transmission lines. Another witness mentioned an