

FILED
MAY 10 2007
HEARING BOARD
BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

MARY ROMAIDIS
CLERK
HEARING BOARD
BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

**BEFORE THE HEARING BOARD OF THE
BAY AREA AIR QUALITY MANAGEMENT DISTRICT
STATE OF CALIFORNIA**

In the Matter of the Application of:) **Docket No. 3529**
)
TESORO REFINING AND MARKETING) **ORDER GRANTING**
) **VARIANCE**
)
For a Variance from District Regulation 8,)
Rule 18, Section 304)
_____)

The above-entitled matter, being an Application for Variance from the provisions of District Regulation 8-18-304, came on regularly for hearing on April 26, 2007.

BRUCE C. PALTENGHI, ESQ. of GORDON, WATROUS, RYAN, LANGLEY, BRUNO & PALTENGHI appeared for Applicant, TESORO REFINING AND MARKETING.

ALEXANDER G. CROCKETT, Assistant District Counsel, appeared for the AIR POLLUTION CONTROL OFFICER (APCO).

The Hearing Board heard all persons wishing to be heard on the Application and the matter was considered by the Hearing Board.

Notice of the hearing on the Application for Variance was given for the time and in the manner required by law, and the hearing was conducted in accordance with the terms of the Health & Safety Code.

ARB

Applicant's "Application for Variance", filed on March 26, 2007, sought variance relief from District Regulations 2-1-307, 2-6-307 and 8-18-304 and from Permit Condition #1910(2.) for the period March 26, 2007 through April 25, 2007. At the hearing on April 26, 2007, on Applicant's motion, unopposed by the APCO, the Application was amended to drop the request for variance relief from District Regulations 2-1-307 and 2-6-307 and from Permit Condition #1910(2.), and to amend the request for variance relief for the period March 26, 2007 through April 12, 2007.

Testimony and argument on behalf of the Applicant and the APCO were received and included in the records of this matter, in accordance with the requirements of Health & Safety Code. The APCO did not oppose the granting of this amended variance. Based on the evidence presented by the witness and documentary evidence, Applicant met all the findings required for the granting of the variance, as stated in Health and Safety Code Section 42352.

The public was given an opportunity to testify at the hearing, but no one testified.

BACKGROUND

Applicant is the owner of an oil refinery located at 150 Solano Way, Martinez, California 94553. The subject matter of this Application is a connection leak at the hydrogen recycle compressor located at the Hydrocracker in Applicant's Tract 1.

In January 2007, through on or about February 1, 2007, Applicant's Hydrocracker was out of operation due to a scheduled maintenance turnaround. The Hydrocracker was brought back on line on or about February 1, 2007.

On or about March 19-20, 2007, during a fugitive emissions inspection, following startup of the Hydrocracker, Applicant discovered a leaking seam and seal at the hydrogen recycle compressor at the Hydrocracker which was leaking fugitive hydrocarbon emissions in excess of District Regulation 8-18-304, which prohibits connections leaking total organic compounds in excess of 100 ppm. "Connections" are defined in District Regulation 8-18-204. If the leak was reduced below 10,000 ppm it could be considered to

be non-repairable equipment and placed on a turnaround list pursuant to District Regulation 8-18-306.

Applicant immediately began efforts to repair the leak. These efforts initially consisted of installing a steam seal system around the compressor to heat and expand the compressor metal and seal the leak. The leak could not be fully repaired within the seven-day period of District Regulation 8-18-301. By on or about March 23 or 24, 2007, Applicant was able to reduce the leak to below 10,000 ppm. However, on March 26, 2007, the leak was again above 10,000 ppm and Applicant was now out of compliance with District Regulation 8-18-304.

Applicant continued expedited work efforts and installed three sets of clamps on and around the compressor with attachments on the clamps to route the excess fugitive emissions to Applicant's flare gas recovery system. These efforts to design, manufacture and install the clamps occurred during the period March 26, 2007 through April 12, 2007. On April 12, 2007, the clamps were successful and the connection leak was in compliance with District Regulation 8-18-304 since the leak was below 10,000 ppm. At that time, Applicant was in compliance with District Regulation 8-18-304. This connection is now on Applicant's turnaround list pursuant to District Regulation 8-18-306.

DISCUSSION

Due to conditions beyond Applicant's reasonable control, Applicant experienced a fugitive emissions connection leak at the hydrogen recycle compressor. This compressor is part of Applicant's quarterly fugitive emissions checks and had not experienced any leak problems in the past including, over the previous five years. The Hydrocracker had returned on-line from a scheduled maintenance turnaround and Applicant had no reason to believe this compressor would have a connection leak.

Applicant gave consideration to curtailing the hydrogen recycle compressor but could not do so without shutting down its Hydrocracker. Cutting Hydrocracker rate would not be effective to reduce the leak since this compressor is necessary for Hydrocracker

operations and would continue to be operated under the same hydrogen recycle pressure of 2000 psi.

SPECIFIC FINDINGS

The Hearing Board Finds, pursuant to Health and Safety Code Section 42352 that:

1. During the variance period, Applicant was in violation of District Regulation 8-18-304 by the operation of the hydrogen recycle compressor.
2. Applicant was required to comply with the provisions of District Regulation 8-18-304 but, due to conditions beyond Applicant's reasonable control was unable to do so. Requiring Applicant to comply with District Regulation 8-18-304 would be an arbitrary and unreasonable taking of property or be the practical closing and elimination of a lawful business without the corresponding benefit or advantage to the public in reducing air contaminants.
3. The closing or taking would be without a corresponding benefit in reducing air contaminants. During the variance period, Applicant monitored and quantified emission levels and reported those levels to the District. The excess fugitive emissions were 2.4 lbs. VOC per day for a total of 43.20 lbs. VOC over the entire variance period. The excess fugitive emissions are primarily hydrogen, ethane, methane and nitrogen. The variance will not cause injury, detriment, nuisance or annoyance to any considerable number of persons or to the public or endanger the comfort, repose, health or safety or any such person or the public or have a natural tendency to cause injury or damage to business or property
4. Applicant gave consideration to curtailing operations of the hydrogen recycle compressor in lieu of obtaining a variance. This could not be done without shutting down the Hydrocracker.
5. Applicant reduced excess emissions to the maximum extent feasible by expediting the work and designing, manufacturing and installing a steam seal and clamps on the compressor to reduce the leak and collect and direct the excess fugitive emissions to

Applicant's flare gas recovery system. Applicant expended over \$200,000.00 to control this fugitive leak.

6. During the variance period, Applicant monitored the excess fugitive emission levels at the hydrogen recycle compressor and reported those levels to the District pursuant to a schedule established by the District.

THEREFORE, THE HEARING BOARD ORDERS:

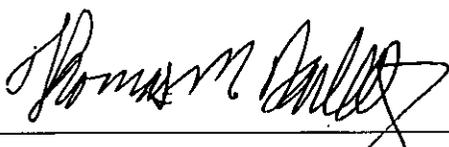
That a variance be granted to the Applicant from District Regulation 8-18-304 for the period March 26, 2007 through April 12, 2007 for a fugitive emissions connection leak at Applicant's hydrogen recycle compressor located at the Hydrocracker. The variance is granted subject to the following conditions: (1) Applicant shall pay the excess emissions fee for 43.20 lbs. VOC, pursuant to District Regulation 3; and (2) Applicant shall monitor the fugitive emissions from the hydrogen recycle compressor on a monthly basis until the next Hydrocracker turnaround, and report the emission levels in a form, as requested by the District.

Moved by: Christian Colline, P.E.

Seconded by: Terry A. Trumbull, Esq.

Ayes: Christian Colline, P.E., Rolf Lindenhayn, Esq., Julio A. Magalhães, Ph.D.,
Terry A. Trumbull, Esq., and Thomas M. Dailey, M.D.

Noes: None.



Thomas M. Dailey, M.D., Chair

5-10-07
Date