



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
ATLANTA FEDERAL CENTER
61 FORSYTH STREET
ATLANTA, GEORGIA 30303-8960

MAR 13 2018

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Bradley S. Hiles
Partner
Husch Blackwell LLP
190 Carondelet Plaza, Suite 600
St. Louis, Missouri 63105

Re: Prairie Farms Dairy, Inc.
Consent Agreement and Final Order
CAA-04-2017-8001(b)

Dear Mr. Hiles:

Enclosed please find an executed copy of the Consent Agreement and Final Order (CAFO) that resolves the Clean Air Act (CAA) matter (Docket No. CAA-04-2017-8001(b)) involving Prairie Farms Dairy, Inc. The CAFO was filed with the Regional Hearing Clerk, as required by 40 CFR Part 22 and became effective on the date of the filing.

Also enclosed, please find a copy of the "Notice of Securities and Exchange Commission Registrants' Duty to Disclose Environmental Legal Proceedings." This document puts Prairie Farms Dairy, Inc., on notice of its potential duty to disclose to the Securities and Exchange Commission (SEC) any environmental enforcement actions taken by the U. S. Environmental Protection Agency. If you have any questions with regard to the SEC's environmental disclosure requirements, you may refer to the contact phone number at the bottom of the SEC Notice.

If you have any questions, please call Mr. Victor Weeks at (404) 562-9189.

Sincerely,

A handwritten signature in blue ink, appearing to read "AToney", with a long horizontal flourish extending to the right.

Anthony G. Toney
Chief

Chemical Safety and Enforcement Branch

Enclosures

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
BEFORE THE ADMINISTRATOR**

IN THE MATTER OF:)
)
Prairie Farms Dairy, Inc.)
)
Respondent.)
_____)

Docket No.
CAA-04-2017-8001(b)

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HEARING CLERK
OFFICE OF REGIONAL
ADMINISTRATION
EPA REGION 4

CONSENT AGREEMENT

A. PRELIMINARY STATEMENT

1. This is an administrative penalty assessment proceeding brought under Section 113(d) of the Clean Air Act (the "Act"), 42 U.S.C. § 7413(d), and Sections 22.13 and 22.18 of the Consolidated Rules of Practice Governing Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits ("Consolidated Rules"), as codified at 40 C.F.R. Part 22.
2. Complainant is the United States Environmental Protection Agency, Region 4 (the "EPA"). The Director of the Air, Pesticides and Toxics Management Division, EPA Region 4, is delegated the authority to settle civil administrative penalty proceedings under Section 113(d) of the Act.
3. Respondent is Prairie Farms Dairy, Inc., a company doing business in the Commonwealth of Kentucky. Respondent is a "person" as defined in Section 302(e) of the Act, 42 U.S.C. § 7602(e).
4. Complainant and Respondent, having agreed that settlement of this action is in the public interest, consent to the entry of this consent agreement ("Consent Agreement" or "Agreement") and the attached final order ("Final Order" or "Order") without adjudication of any issue of law or fact herein, and Respondent agrees to comply with the terms of this Consent Agreement and Final Order.

B. JURISDICTION

5. This Consent Agreement is entered into under Section 113(d) of the Act, as amended, 42 U.S.C. § 7413(d), and the Consolidated Rules, 40 C.F.R. Part 22. The alleged violations in this Consent Agreement are of Section 112(r)(7).
6. The EPA and the United States Department of Justice jointly determined that this matter, although it involves alleged violations that occurred more than one year before initiation of this proceeding, is appropriate for an administrative penalty assessment. 42 U.S.C. § 7413(d); 40 C.F.R. § 19.4.

7. On October 27, 2015, the EPA issued to Respondent a notice of potential violation (“NOPV”), providing notice that the EPA found that Respondent had potentially committed the alleged violations described in Section E of this Agreement and providing Respondent an opportunity to confer with the EPA. On February 24, 2016 and May 4, 2016, representatives of Respondent and the EPA discussed the October 27, 2015, NOPV.

8. The Regional Judicial Officer is authorized to ratify this Consent Agreement which memorializes settlement between Complainant and Respondent. 40 C.F.R. § 22.4(b) and 22.18(b).

9. The issuance of this Consent Agreement and attached Final Order simultaneously commences and concludes this proceeding. 40 C.F.R. § 22.13(b).

C. GOVERNING LAW

10. Section 112(r) of the Act, 42 U.S.C. § 7412(r), addresses the prevention of releases of substances listed pursuant to Section 112(r)(3) of the Act, 42 U.S.C. § 7412(r)(3). The purpose of this section is to prevent the accidental release of extremely hazardous substances and to minimize the consequences of such releases. Pursuant to Section 112(r)(7) of the Act, 42 U.S.C. § 7412(r)(7), the EPA is authorized to promulgate regulations for accidental release prevention.

11. Pursuant to Section 112(r)(3) and 112(r)(7) of the Act, 42 U.S.C. §§ 7412(r)(3) and 7412(r)(7), the EPA promulgated rules codified at 40 C.F.R. Part 68, Chemical Accident Prevention Provisions. These regulations are collectively referred to as the “Risk Management Program” (RMProgram) and apply to an owner or operator of a stationary source that has a threshold quantity of a regulated substance in a process. Pursuant to Sections 112(r)(3) and 112(r)(5) of the Act, 42 U.S.C. §§ 7412(r)(3) and 7412(r)(5), the list of regulated substances and threshold levels are codified at 40 C.F.R. § 68.130.

12. Section 112(r)(7)(B)(iii) of the Act, 42 U.S.C. § 7412(r)(7)(B)(iii), and 40 C.F.R. §§ 68.10 and 68.150, require the owner or operator of a stationary source at which a regulated substance is present in more than a threshold quantity to prepare and implement a Risk Management Plan (RMPlan) to detect and prevent or minimize accidental releases of such substances from the stationary source, and to provide a prompt emergency response to any such releases in order to protect human health and the environment. Pursuant to 40 C.F.R. § 68.150(a), the owner or operator shall submit a single RMPlan to the EPA.

D. FACTUAL ALLEGATIONS

13. Respondent operates a “stationary source” as that term is defined by Section 302(z) of the Act, 42 U.S.C. § 7602(z). The Respondent’s stationary source is located at 607 East Bourne Avenue, Somerset, Kentucky 42501 (stationary source).

14. Respondent submitted a single RMPlan that included an accidental release prevention program, to the EPA for its stationary source.

15. For the purpose of this Agreement:

- (a) At its stationary source, the Respondent operates a dairy plant.
- (b) At its stationary source, the Respondent has on-site, 13,000 pounds of anhydrous ammonia which is used in its ammonia refrigeration process.
- (c) At its stationary source, the Respondent has one RMP program level 3 covered process, which stores or otherwise uses anhydrous ammonia in an amount exceeding its applicable threshold of 10,000 pounds.
- (d) On January 27, 2015, the EPA conducted an onsite inspection of the RMP program related records and equipment for the purpose of assessing the Respondent's compliance with the RMP program requirements including the implemented recognized and generally accepted good engineering practices (RAGAGEP) for its covered processes at its stationary source.
- (e) During the inspection, the EPA requested and was provided process safety information. The process safety information contained no information with regard to electrical classification information.
- (f) During the inspection, the EPA requested and was provided process safety information. The process safety information contained no information with regard to relief system design and design basis information.
- (g) The Respondent could not document that the following equipment complied with recognized and generally accepted good engineering practices.

(1) Doors entering the ammonia engine room did not have visual or audible alarms to alert of an ammonia release. The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Standard 15, Section 8.11.2.1, indicates, "The [ammonia] alarm shall annunciate visual and audible alarms inside the refrigerating machinery room and outside each entrance to the refrigerating machinery room. The meaning of each alarm shall be clearly marked by signage near the annunciators."

(2) Some of the ammonia piping did not have labels indicating the pipe contents or direction of flow. The International Institute of Ammonia Refrigeration (IIAR) Bulletin 109: IIAR Minimum Safety Criteria for a Safe Ammonia Refrigeration System, Section 4.7.6, indicates, "All ammonia piping should have appropriate pipe markers attached to indicate the use of the pipe and arrows to indicate the direction of flow, such as in IIAR Bulletin 114." Bulletin 114: Guidelines for Identification of Ammonia Refrigeration Piping and System Components, Section 4.1 Piping Markers, indicates, "Piping markers shall be designed to identify the refrigerant, the physical state of the refrigerant, and the relative pressure level of the refrigerant and the direction of flow."

(3) Some of the piping supports in the engine room were rusted. IIAR Bulletin 110, Section 6.7.1 indicates, "All uninsulated piping and associated components such as flanges and supports shall be inspected annually for any damage to or deterioration of the piping or its protective finish; and remedial action taken where necessary. Areas affected by slight corrosion should be cleaned off and appropriately treated before reinstating the protective finish."

(h) During the inspection, the EPA requested and was provided a copy of Respondent's 2014 process hazard analysis. The Respondent did not address stationary source siting in its process hazard analysis dated January 2014.

(i) During the inspection, the EPA requested information to show that the Respondent had established a system to address the thirteen recommendations from its January 2014 process hazard analysis. Respondent could not provide such information.

(j) During the inspection, the EPA requested information showing that an ammonia system operator had received refresher training specific to the operating procedures for the process during anytime between October 2012 and March 2015. Respondent could not provide such information.

(k) During the inspection, the EPA requested information showing that it established written procedures to maintain the ongoing integrity of the process equipment. Respondent could not provide such information.

(l) During the inspection, the EPA requested information showing that it provided training to any of its seven employees involved in maintaining the on-going integrity of the process. Respondent could not provide such information.

(m) During the inspection, the Respondent could not provide information showing that it followed recognized and generally accepted good engineering practices, with respect to inspecting and testing the ammonia system. The International Institute of Ammonia Refrigeration Bulletin 110 – Guidelines for: Start-up, Inspection and Maintenance of Ammonia Mechanical Refrigerating Systems, 6.2, indicates, preferably every four hours, but at least daily, the system should be observed in normal operation and a full log taken of operating conditions. Respondent could not provide such information.

(n) During the inspection, the EPA requested information showing that it informed contractors working on or near the process of the known potential fire, explosion or toxic release hazards. Respondent could not provide such information.

(o) During the inspection, the EPA requested information showing that it explained the applicable provisions of their emergency response to contractors working on or near the process. Respondent could not provide such information.

E. ALLEGED VIOLATIONS OF LAW

16. Based on the EPA's compliance monitoring investigation, the EPA alleges that the Respondent violated the codified rules governing the Act's Chemical Accident Prevention Provisions, because Respondent did not adequately implement provisions of 40 C.F.R. Part 68 when it:

- (a) Failed to include electrical classification in the written process safety information for the equipment in the process as required by 40 C.F.R. § 68.65(d)(1)(iii);
- (b) Failed to include a relief system design and design basis in the written process safety information for the equipment in the process as required by 40 C.F.R. § 68.65(d)(1)(iv);
- (c) Failed to document that equipment complies with recognized and generally accepted good engineering practices as required by 40 C.F.R. § 68.65(d)(2);
- (d) Failed to address stationary source citing in the process hazard analysis as required by 40 C.F.R. § 68.67(c)(5);
- (e) Failed to establish a system to promptly address the team's findings and recommendations; assure that the recommendations are resolved in a timely manner and that the resolution is documented; document what actions are to be taken; complete actions as soon as possible; develop a written schedule of when these actions are to be completed; communicate the actions to operating, maintenance and other employees whose work assignments are in the process and who may be affected by the recommendations or actions as required by 40 C.F.R. § 68.67(e);
- (f) Failed to provide refresher training at least every three years, and more often if necessary, to each employee involved in operating a process to assure that the employee understands and adheres to the current operating procedures of the process as required by 40 C.F.R. § 68.71(b);
- (g) Failed to establish and implement written procedures to maintain the on-going integrity of process equipment as required by 40 C.F.R. § 68.73(b);
- (h) Failed to train each employee involved in maintaining the on-going integrity of process equipment in an overview of that process and its hazards and in the procedures applicable to the employee's job tasks to assure that the employee can perform the job tasks in a safe manner, and establish and implement written procedures to maintain the ongoing integrity of process equipment as required by 40 C.F.R. § 68.73(c);
- (i) Failed to follow recognized and generally accepted good engineering practices for inspection and testing procedures as required by 40 C.F.R. § 68.73(d)(2);

(j) Failed to inform the contract owner or operator of the known potential fire, explosion, or toxic release hazards related to the contractor's work and the process as required by 40 C.F.R. § 68.87(b)(2);

(k) Failed to explain to the contractor the applicable provisions of the facility's emergency response actions as required by 40 C.F.R. § 68.87(b)(3).

F. TERMS OF CONSENT AGREEMENT

17. For the purpose of this proceeding, as required by 40 C.F.R. § 22.18(b)(2), Respondent:

- (a) admits that the EPA has jurisdiction over the subject matter alleged in this Agreement;
- (b) neither admits nor denies the factual allegations stated above;
- (c) consents to the assessment of a civil penalty as stated below;
- (d) consents to the conditions specified in this Agreement;
- (e) waives any rights to contest the alleged violations of law set forth in Section E of this Consent Agreement;
- (f) waives its rights to appeal the Order accompanying this Agreement, and
- (g) certifies that as of its execution of this Agreement, it is in compliance with all relevant requirements of 40 C.F.R. Part 68.

18. For the purpose of this Agreement, Respondent:

- (a) agrees that this Agreement states a claim upon which relief may be granted against Respondent;
- (b) acknowledges that this Agreement constitutes an enforcement action for purposes of considering Respondent's compliance history in any subsequent enforcement actions;
- (c) waives any and all remedies, claims for relief and otherwise available rights to judicial or administrative review that Respondent may have with respect to any issue of fact or law set forth in this Order, including any right of judicial review under Section 307(b)(1) of the Act, 42 U.S.C. § 7607(b)(1);
- (d) consents to personal jurisdiction in any action to enforce this Agreement or Order, or both, in the United States District Court for the Eastern District of Kentucky; and
- (e) waives any rights it may possess at law or in equity to challenge the authority of the EPA to bring a civil action in a United States District Court to compel compliance with the Agreement or Order, or both, and to seek an additional penalty for such noncompliance, and agrees that federal law shall govern in any such civil action.

19. Penalty Payment. Respondent agrees to:

- (a) pay the civil penalty of **EIGHTY SIX THOUSAND EIGHT HUNDRED DOLLARS (\$86,800)** ("EPA Penalty") within 30 calendar days of the Effective Date of this Agreement;

- (b) pay the EPA Penalty by forwarding a cashier's or certified check payable to the "Treasurer, United States of America" or by electronic transfer to one of the following addresses:

For payment sent via electronic transfer:

Federal Reserve Bank of New York
ABA = 021030004
Account = 68010727
SWIFT address = FRNYUS33
33 Liberty Street
New York, New York 10045
Beneficiary: "U.S. Environmental Protection Agency";

For payment sent via standard delivery

U.S. Environmental Protection Agency
Cincinnati Finance Center Box 979077
St. Louis, Missouri 63197-9000; or

For payment sent for signed receipt confirmation (FedEx, DSL, UPS, USPS Certified)

U.S. Environmental Protection Agency
Cincinnati Finance Center Box 979077
1005 Convention Plaza
SL-MO-C2GL
St. Louis, Missouri 63101
Delivery Location Phone Number: 314-425-1819.

The check shall reference on its face the name and the Docket Number of the CAFO. Within 24 hours of payment of the EPA Penalty, Respondent shall send a separate copy of the check or confirmation of electronic transfer, and a written statement that payment has been made in accordance with this Agreement, to the following persons at the following addresses:

Regional Hearing Clerk
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303

Deanne Grant
Chemical Management and Emergency
Planning Section
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303

20. If Respondent fails to timely pay any portion of the penalty assessed under this Agreement, the EPA may:

- (a) request the Attorney General to bring a civil action in an appropriate district court to recover: the amount assessed; interest at rates established pursuant to 26 U.S.C. § 6621(a)(2); the United States' enforcement expenses; and a 10 percent quarterly nonpayment penalty, 42 U.S.C. § 7413(d)(5);
- (b) refer the debt to a credit reporting agency or a collection agency, 42 U.S.C. § 7413(d)(5), 40 C.F.R. §§ 13.13, 13.14, and 13.33;
- (c) collect the debt by administrative offset (i.e., the withholding of money payable by the United States to, or held by the United States for, a person to satisfy the debt the person owes the Government), which includes, but is not limited to, referral to the Internal Revenue Service for offset against income tax refunds, 40 C.F.R. Part 13, Subparts C and H; and
- (d) suspend or revoke Respondent's licenses or other privileges, or suspend or disqualify Respondent from doing business with the EPA or engaging in programs the EPA sponsors or funds, 40 C.F.R. § 13.17.

21. By signing this Agreement, Respondent acknowledges that this Agreement and Order will be available to the public and agrees that this Agreement does not contain any confidential business information or personally identifiable information.

22. By signing this Agreement, the undersigned representative of Complainant and the undersigned representative of Respondent each certify that he or she is fully authorized to execute and enter into terms and conditions of this Agreement and has the legal capacity to bind the party he or she represents to this Agreement.

23. By signing this Agreement, both parties agree that each party's obligations under this Consent Agreement and attached Final Order constitute sufficient consideration for the other party's obligations.

24. By signing this Agreement, Respondent certifies that the information it has supplied concerning this matter was at the time of submission true, accurate, and complete for each such submission, response, and statement. Respondent acknowledges that there are significant penalties for submitting false or misleading information, including the possibility of fines and imprisonment for knowing submission of such information, under 18 U.S.C. § 1001.

25. Each party shall bear its own attorney's fees, costs, and disbursements incurred in this proceeding.

G. EFFECT OF CONSENT AGREEMENT AND ATTACHED FINAL ORDER

26. In accordance with 40 C.F.R. § 22.18(c), completion of the terms of this Consent Agreement and Final Order resolves only Respondent's liability for federal civil penalties for the violations and facts specifically alleged above.

27. Penalties paid pursuant to this Agreement shall not be deductible for purposes of federal taxes.

28. This Agreement constitutes the entire agreement and understanding of the parties and supersedes any prior agreements or understandings, whether written or oral, among the parties with respect to the subject matter hereof.

29. The terms, conditions, and compliance requirements of this Agreement may not be modified or amended except upon written agreement of both parties, and approval of the Regional Judicial Officer.

30. Any violation of this Order may result in a civil judicial action for an injunction or a "maximum civil penalty" per day per violation, or both, as provided in Section 113(b)(2) of the Act, 42 U.S.C. § 7413(b)(2), and the EPA Civil Monetary Penalty Inflation Rule, 40 CFR part 19. Criminal sanctions are provided for in Section 113(c) of the Act, 42 U.S.C. § 7413(c). The EPA may use any information submitted under this Order in an administrative, civil judicial, or criminal action.

31. Nothing in this Agreement shall relieve Respondent of the duty to comply with all applicable provisions of the Act and other federal, state, or local laws or statutes, nor shall it restrict the EPA's authority to seek compliance with any applicable laws or regulations, nor shall it be construed to be a ruling on, or determination of, any issue related to any federal, state, or local permit.

32. Nothing herein shall be construed to limit the power of the EPA to undertake any action against Respondent or any person in response to conditions that may present an imminent and substantial endangerment to the public health, welfare, or the environment.

33. The EPA reserves the right to revoke this Agreement and settlement penalty if and to the extent that the EPA finds, after signing this Agreement, that any information provided by Respondent was materially false or inaccurate at the time such information was provided to the EPA, and the EPA reserves the right to assess and collect any and all civil penalties for any violation described herein. The EPA shall give Respondent notice of its intent to revoke, which shall not be effective until received by Respondent in writing.

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H. EFFECTIVE DATE

34. Respondent and Complainant agree to issuance of the attached Final Order. Upon filing, the EPA will transmit a copy of the filed Consent Agreement to the Respondent. This Consent Agreement and attached Final Order shall become effective after execution of the Final Order by the Regional Judicial Officer, on the date of filing with the Regional Hearing Clerk. The foregoing Consent Agreement in the Matter of Prairie Farms Dairy, Inc., Docket No. CAA-04-2017-8001(b), is Hereby Stipulated, Agreed, and Approved for Entry.

FOR RESPONDENT:

Prairie Farms Dairy, Inc.

By: Bradley S. Hiles Date: Feb. 1, 2018
Name: Bradley S. Hiles (Typed or Printed)
Title: Counsel for Respondent (Typed or Printed)

FOR COMPLAINANT:

U.S. Environmental Protection Agency

By: Carol H. Kamboj Date: 2/15/18
Beverly H. Banister
Director
Air, Pesticides and Toxics Management Division

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 4
BEFORE THE ADMINISTRATOR**

IN THE MATTER OF:)
)
Prairie Farms Dairy, Inc.)
)
Respondent.)
_____)

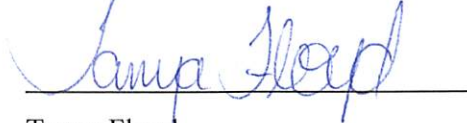
Docket No.
CAA-04-2017-8001(b)

FINAL ORDER

Pursuant to 40 C.F.R. § 22.18(b) of the EPA's Consolidated Rules of Practice and section 113(d) of the Clean Air Act, 42 U.S.C. § 7413(d), the attached Consent Agreement resolving this matter is incorporated by reference into this Final Order and is hereby ratified.

The Respondent is ORDERED to comply with all terms of the Consent Agreement, effective immediately.

SO ORDERED this 12th day of March, 2018.



Tanya Floyd
Regional Judicial Officer

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing Consent Agreement and Final Order, in the matter of Prairie Farms Dairy, Inc., CAA-04-2017-8001(b), on the parties listed below in the manner indicated:

Robert W. Bookman
U. S. EPA, Region 4
Air, Pesticides and Toxics
Management Division
61 Forsyth Street
Atlanta, GA 30303

(Via EPA's internal mail)

Ellen Rouch
U. S. EPA, Region 4
Office of Regional Counsel
61 Forsyth Street
Atlanta, GA 30303

(Via EPA's internal mail)

John Hiller
Director of Risk Management
Prairie Farms Dairy, Inc.
3744 Staunton Road
Edwardsville, IL 62025

(Via Certified Mail -
Return Receipt Requested)

Bradley S. Hiles
Partner
Husch Blackwell LLP
190 Carondelet Plaza, Suite 600
St. Louis, MO 63105-3433

(Via Certified Mail -
Return Receipt Requested)

Date:

3/13/18



Patricia A. Bullock, Regional Hearing Clerk
United States Environmental
Protection Agency, Region 4
Atlanta Federal Center
61 Forsyth Street, S.W.
Atlanta, GA 30303
(404) 562-9511