

Petitioner's Exhibit 14

Nov 03, 1986

Mr. Allen Eli Bell
Executive Director
Texas Air Control Board
6330 Highway 290 East
Austin, Texas 78723

Re: PSD Applicability Request, Valero Transmission Company Yoakum, DeWitt
County, Texas

Dear Mr. Bell:

We have reviewed Valero Transmission Company's request for an applicability determination of Prevention of Significant Deterioration (PSD) permit requirements to the expansion at their Gohlke Plant in DeWitt County, Texas. At issue is whether the relationship between Valero Transmission Company, as a service provider under the SIC major code 49, to Valero Gathering Company under SIC major code 13 is such that there are two distinct PSD sources here.

Valero asserts that its gathering company is a separate company from its transmission company. Valero Gathering Company processes the gas from wells to remove hydrogen sulfide, carbon dioxide, and water to meet pipeline specifications prior to custody transfer to Valero Transmission Company. The principal product of Valero Gathering Company is pipeline quality natural gas under the SIC major code 13, while the principal product of Valero Transmission Company is the distribution of natural gas through a pipeline system under the SIC major code 49. Valero maintains that the Gathering Company does not convey, store, or otherwise assist in the production of Valero Transmission's principal product, and therefore concludes that the two companies are separate sources for the purpose of PSD applicability. For similar reasons, Valero maintains that Valero Hydrocarbon Company, an extraction facility in close proximity to Valero Transmission Company with an SIC major code 13, is a separate source from Valero Transmission Company.

In reviewing the PSD requirements, it is evident that each source is to be classified according to its primary activity which is determined by its principal product or group of products. Thus, one source classification encompasses both primary and support facilities, even if it includes units with different two digit SIC codes. Support facilities are typically those which convey, store, or otherwise assist in the production of the principal product or group of products produced or distributed, or services rendered. See 45 FR 52695 (August 7, 1980).

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At issue is whether Valero Transmission Company is a support facility to Valero Gathering Company. A review of the activities of the two companies indicates that both companies produce natural gas as their principal product. We consider Valero Transmission Company as a support facility to Valero Gathering Company since the Transmission Company receives the processed natural gas from Valero Gathering Company and compresses it for distribution into a pipeline system. Thus, Valero Transmission Company is a support facility to Valero Gathering in that it conveys the product natural gas from the processing plant into the pipeline system. Available information further indicates that conveyance of the product natural gas through the Transmission Company is the only means of introducing the product natural gas into commerce. The Gathering Company is not equipped to introduce its product into commerce by any means other than through the Transmission Company. Consequently, for the purposes of determining whether modifications to Valero Transmission Company would be subject to PSD, Valero Transmission Company and Valero Gathering Company are considered to be one source.

On September 26, 1986, Mr. Ken Waid of Waid and Associates asked for clarification on how the distance between two facilities would affect the applicability of the PSD regulations' one source classification to such facilities. In the case of Valero Gathering Company and Valero Transmission Company, the distance between them does not affect the applicability of the PSD regulations' one source classification to such facilities since they are on contiguous properties. The gathering and transmission plants are one source for the reasons stated above. For cases where sources are not located on contiguous or adjacent properties, EPA cannot say precisely how far apart the activities must be in order to be treated separately. EPA can only answer that question through case-by-case determinations See 45 FR 52695 (August 7, 1980).

If you have any questions, please call Mr. Stanley M. Spruiell of my staff at (214) 767-9875.

Sincerely yours,

(s) JACK S. DIVITA

for
William B. Hathaway
Director
Air, Pesticides and Toxics Division (6T)

cc: Mr. Lawrence Pewitt, P.E., Director
Permits Division
Texas Air Control Board

bcc: Ascenzi (6T-EN)
Diggs (6T-AN)
Rasnic (EN-341)