



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 2
290 BROADWAY
NEW YORK, NY 10007-1866

September 30, 2015

VIA HAND DELIVERY

Karen Maples
Regional Hearing Clerk
U.S. Environmental Protection Agency- Region 2
290 Broadway, 16th Floor
New York, New York 10007-1866

Re: Answer to Complaint, In the Matter of HOVENSA L.L.C.
Docket No. CAA-02-2015-1206

Dear Ms. Maples:

Enclosed please find a copy of the Answer submitted to EPA Region 2 by HOVENSA in response to the above-referenced Complaint. I note that the Certificate of Service attached thereto certifies that the original and one copy of the Answer was sent to you. As you have informed me, you did not receive the original or any copies of this Answer from HOVENSA.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Jean H. Regna
Assistant Regional Counsel

Enclosure

cc: Franklin G. Quow, Chief Legal Officer and Secretary

REGIONAL HEARING
CLERK

2015 OCT -1 PM 3: 07

U.S. Environmental
Protection Agency-Reg 2

In the Matter of

HOVENSA L.L.C.,
One Estate Hope,
Christiansted, St. Croix, U.S.V.I.,

Respondent.

Docket No. CAA-02-2015-1206

Answer to Administrative Complaint
under Section 113 of the Clean Air Act,
42 U.S.C §7413

REGIONAL HEARING
CLERK

2015 OCT -1 PM 3:07

U.S. Environmental
Protection Agency-Reg 2

**ANSWER OF HOVENSA L.L.C. TO ADMINISTRATIVE COMPLAINT AND REQUEST
FOR HEARING AND INFORMAL SETTLEMENT CONFERENCE**

Comes now HOVENSA L.L.C. ("HOVENSA" or "Respondent") by and through its undersigned counsel, Franklin G. Quow, and hereby answers the Administrative Complaint (the "Complaint") issued by the United States Environment Protection Agency, Region 2 ("EPA"), received by HOVENSA on December 24, 2014. A copy of the Complaint was received by HOVENSA via email on December 19, 2014, but service required by 40 CFR Part 22 was not made until December 24, 2014 upon receipt of the Complaint at HOVENSA. The Complaint generally alleges violations of Section 112(r) of the Clean Air Act (the "CAA").

ANSWER TO COMPLAINT

I. Respondent answers the allegations contained in Section I of the Complaint as follows:

I. JURISDICTION

ANSWER TO PARAGRAPH 1

1. Paragraph 1 of the Administrative Complaint (the "Complaint") contains legal conclusions as to which no answer is required under 40 CFR Part 22. HOVENSA admits it is the Respondent.

II. APPLICABLE STATUTES AND REGULATIONS

II Respondent answers the allegations contained in Section II of the Complaint as follows:

ANSWER TO PARAGRAPH 2

2. Paragraph 2 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22. Respondent notes that the requirements for submittal of information to EPA regarding the Risk Management Plan ("RMP") are specified in the rules at 40 CFR §68.150 and does not include all requirements of Part 68 applicable to Respondent.

ANSWER TO PARAGRAPH 3

3. Paragraph 3 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 4

4. Paragraph 4 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 5

5. Paragraph 5 of the Complaint contains legal conclusions as to which no answer is required under 40

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CFR Part 22.

ANSWER TO PARAGRAPH 6

6. Paragraph 6 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 7

7. Paragraph 7 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPHS 8-12

8-12. Paragraph 8-12 of the Complaint purport to restate federal regulations. Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

III. GENERAL ALLEGATIONS

III. Respondent answers the allegations contained in Section III of the Compliant as follows:

ANSWER TO PARAGRAPH 13

13. Respondent admits the allegations of Paragraph 13.

ANSWER TO PARAGRAPH 14

14. Respondent admits the allegations of Paragraph 14

ANSWER TO PARAGRAPH 15

15. Respondent admits the allegations of Paragraph 15

ANSWER TO PARAGRAPH 16

16. Respondent admits the allegations of Paragraph 16 with regard to the covered processes that are the subject matter of the Compliant.

ANSWER TO PARAGRAPH 17

17. Respondent admits the allegations of Paragraph 17, except that Respondent asserts that the July 2008 RMP submittal was made on or about July 2, 2008.

ANSWER TO PARAGRAPH 18

18. Respondent admits the allegations of Paragraph 18.

ANSWER TO PARAGRAPH 19

19. Respondent admits the allegations of Paragraph 19, except that several of the processes listed in the July 2008 RMP had been indefinitely idled at the time of the EPA inspection in 2011 and did not contain threshold quantities of regulated substances.

ANSWER TO PARAGRAPH 20

20. The July 2008 RMP is a document that speaks for itself, and any characterization thereof is denied.

ANSWER TO PARAGRAPH 21

21. Paragraph 21 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22.

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ANSWER TO PARAGRAPH 22

22. Paragraph 22 of the Complaint contains legal conclusions as to which no answer is required under 40 CFR Part 22

ANSWER TO PARAGRAPH 23

23. Respondent admits that at the time of inspection that there were processes at the Facility where regulated substances were present in quantities that exceeded the threshold quantities identified in §68.130. However, some processes had been idled at the time of inspection and not all processes at the Facility contained regulated substances above the thresholds.

ANSWER TO PARAGRAPH 24

24. Respondent admits that at the time of inspection the Facility was classified as NAICS code 32411, petroleum refining.

ANSWER TO PARAGRAPH 25

25. Respondent admits that at the time of inspection the Facility included processes subject to Program 3 requirements, that some processes were subject to OSHA's Process Safety Management standards found at 29 C.F.R. § 1910.119, that these processes were not eligible for Program 1 and that the Facility was classified under the 32411 NAICS code. To the extent the allegations of Paragraph 25 are inconsistent with this answer, they are denied.

ANSWER TO PARAGRAPH 26

26. Respondent admits that the No. 2 Distillate Unifier process; the Fluid Catalytic Cracking unit process; the Delayed Coker Unit process; and the No. 4 Distillate Desulfurizer process were subject to Program 3 requirements at the times recited in Paragraphs 27 to 32 when incidents are alleged to have occurred from such processes.

Incidents and Releases at and from the Facility

ANSWER TO PARAGRAPH 27

27. Respondent admits that EPA staff have been present at the Facility for some of the releases alleged in the Complaint and that Respondent engaged in various sampling and cleanup activities in surrounding residential neighborhoods for some releases. Respondent is without sufficient information to answer the remainder of the allegations of Paragraph 27, and such allegations are deemed denied in accordance with 40 CFR Part 22. With regard to the fourth sentence of Paragraph 27, Respondent denies that each response by EPA or Respondent to the releases alleged in the Complaint included all of the response activities specified in Paragraph 27.

ANSWER TO PARAGRAPH 28

28. Respondent admits that there was a release involving a pipe leak in No. 2 Distillate Unifier on September 19, 2010, that there was a release of H₂S and that it is a covered process. Respondent denies the remaining characterizations and allegations of Paragraph 28.

ANSWER TO PARAGRAPH 29

29. Respondent admits that smoke was emitted from the FCC High Pressure flare system on September 30, 2011 and that the FCC Unit is a covered process. Respondent admits that liquid hydrocarbons/slurry oil were combusted in the HP Flare System on that date for approximately

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five hours. Respondent admits that gases were released to a flare on the West Side on September 30, which was a separate occurrence that was unrelated to the emission of smoke from combustion of slurry oil on the East Side. HOVENSA denies that there was emission of black smoke from this flare. Respondent denies the remaining characterizations and allegations of Paragraph 29.

ANSWER TO PARAGRAPH 30

30. Respondent admits that on October 6 there was opacity relating to the wet gas scrubber. Respondent further admits that it submitted a letter to the U.S. Virgin Islands Department of Planning and Natural Resources dated October 13, 2010 for purposes of informing DPNR of an opacity incident. Said letter is a document that speaks for itself and any characterization thereof is denied. Based on subsequent investigation, Respondent specifically denies the allegation that an equipment malfunction resulted in a diversion of hydrocarbons from the reactor into the regenerator. Respondent denies the remaining characterizations and allegations of Paragraph 30.

ANSWER TO PARAGRAPH 31

31. Respondent admits that on December 9, 2010 there was a release from the Delayed Coker Unit. The release was of very short duration and distance from the source to the areas allegedly affected is too great to support the allegation of the Complaint. Respondent denies the remaining characterizations and allegations of Paragraph 31.

ANSWER TO PARAGRAPH 32

32. Respondent admits that on February 11, 2011, there was a fire at No. 4 Distillate Desulfurizer that released smoke and that such process is a covered process. Respondent further admits there was a fire that damaged the unit that resulted from work performed by a contractor. Respondent denies the remaining characterizations and allegations of Paragraph 32.

EPA Inspection

ANSWER TO PARAGRAPH 33

33. Respondent admits that it received a letter dated January 4, 2011 from EPA relating to a proposed inspection and that the letter asked for certain documents. Respondent answers that EPA's letter speaks for itself and that no further answer is required by 40 CFR Part 22.

ANSWER TO PARAGRAPH 34

34. Respondent admits that EPA personnel were present at the Facility on or about the period from January 24 - 28, 2011. Respondent does not have knowledge to confirm or deny the remaining allegations of Paragraph 34 and pursuant to 40 CFR Part 22, they are deemed denied.

23.

ANSWER TO PARAGRAPH 35

35. Respondent admits that EPA requested and reviewed documentation regarding Respondent's RMP program and incident investigation reports. Respondent denies that all of the releases identified in Paragraphs 27 to 32 constitute incidents for the purposes of 40 CFR §68.81 and, to the extent that the term "incident" is used in the Complaint or this Answer, Respondent does not admit that the facts or information alleged constitute a regulatory "incident," unless specifically admitted in this Answer.

ANSWER TO PARAGRAPH 36

Respondent does not have knowledge to confirm or deny the allegations of Paragraph 36 and pursuant to 40 CFR Part 22, they are deemed denied.

ANSWER TO PARAGRAPH 37

37. Respondent admits that EPA issued an administrative compliance order to Respondent on or about August 24, 2011 but denies it was valid. Respondent admits that it complied with the Order. Because the procedural rules of 40 CFR Part 22 do not apply to unilateral administrative orders, Respondent was not afforded an opportunity by EPA to formally dispute the findings of fact and law in the Order or request an administrative or judicial hearing. Consequently, for the purposes of this Answer, the allegations of the Order are deemed denied.

ANSWER TO PARAGRAPH 38

38. Respondent does not have knowledge to confirm or deny the allegations of Paragraph 38 and pursuant to 40 CFR Part 22, they are deemed denied.

ANSWER TO PARAGRAPH 39

39. Respondent admits the allegations of the first sentence of Paragraph 39, but clarifies that the shutdown was an idling of existing covered processes, not the permanent discontinuance of refining operations. Respondent admits that it sent a letter on February 22, 2012 but states that the contents of the letter speak for itself and that no answer to allegations relating to the content of the letter is required.

ANSWER TO PARAGRAPH 40.

40. Respondent admits the allegations of Paragraph 40.

IV. FINDINGS OF VIOLATIONS

IV. Respondent answers the allegations contained in Section IV of the Compliant as follows:

Count 1: Failure to Comply with Hazard Assessment Requirements

ANSWER TO PARAGRAPH 41.

41. The allegations of Paragraph 41 are legal conclusions and do not require a response under 40 CFR Part 22.

42. Paragraph 42 of the Complaint purports to restate federal regulations. Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 43

43. Paragraph 43 of the Complaint purports to restate federal regulations. Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 44

44. Respondent denies the allegations of Paragraph 44. Respondent specifically denies that § 68.39(a) requires retention of documentation for rationale for selection of worst-case scenarios because the rules appear to require retention of the rationale for selection of assumptions and parameters used.

ANSWER TO PARAGRAPH 45.

45. The allegations of Paragraph 45 are a legal conclusion as to which no response is required under 40 CFR Part 22.

Count 2: Failure to Comply with Process Hazard Analysis Requirements

ANSWER TO PARAGRAPH 46.

46. The allegations of Paragraph 46 are legal conclusions and do not require a response under 40 CFR Part 22.

ANSWER TO PARAGRAPH 47

47. Paragraph 47 of the Complaint purports to restate federal regulations. Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 48

48. The allegations of the Complaint are vague and provide no specific allegations of instances of alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 48 and pursuant to 40 CFR Part 22, they are deemed denied.

ANSWER TO PARAGRAPH 49

49. Respondent denies, as set forth in Paragraph 48, that it violated the cited regulations. To the extent that Paragraph 49 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

Count 3: Failure to Comply with Operating Procedures Requirements

ANSWER TO PARAGRAPH 50.

50. The allegations of Paragraph 50 are legal conclusions and do not require a response under 40 CFR Part 22.

ANSWER TO PARAGRAPH 51

51. Paragraph 51 of the Complaint purports to restate federal regulations. Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 52

52. The allegations of the Complaint are vague and provide no specific allegations of instances of alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 52 and pursuant to 40 CFR Part 22, they are deemed denied.

ANSWER TO PARAGRAPH 53

53. Respondent denies, as set forth in Paragraph 52, that it violated the cited regulations. To the extent that Paragraph 53 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

Count 4: Failure to Comply with Training Requirements

ANSWER TO PARAGRAPH 54.

54. The allegations of Paragraph 54 are legal conclusions and do not require a response under 40 CFR Part 22.

ANSWER TO PARAGRAPH 55

55. Paragraph 55 of the Complaint purports to restate federal regulations. Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 56

56. The allegations of the Complaint are vague and provide no specific allegations of instances of alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 56 and pursuant to 40 CFR Part 22, they are deemed denied

ANSWER TO PARAGRAPH 57

57. Respondent denies, as set forth in Paragraph 56, that it violated the cited regulations. To the extent that Paragraph 57 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

Count 5: Failure to Comply with Mechanical Integrity Requirements

ANSWER TO PARAGRAPH 58

58. The allegations of Paragraph 58 are legal conclusions and do not require a response under 40 CFR Part 22.

59. Paragraph 59 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 60

60. The allegations of the Complaint are vague and provide no specific allegations of instances of alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 60 and pursuant to 40 CFR Part 22, they are deemed denied

ANSWER TO PARAGRAPH 61

61. Respondent denies, as set forth in Paragraph 60, that it violated the cited regulations. To the extent that Paragraph 61 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

Count 6: Failure to Comply with Management of Change and Pre-Start-Up Review Requirements

ANSWER TO PARAGRAPH 62

62. The allegations of Paragraph 58 are legal conclusions and do not require a response under 40 CFR Part 22

ANSWER TO PARAGRAPH 63

63. Paragraph 63 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

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ANSWER TO PARAGRAPH 64

64. The allegations of the Complaint are vague and provide no specific allegations of instances of alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 64 and pursuant to 40 CFR Part 22, they are deemed denied

ANSWER TO PARAGRAPH 65

65. Respondent denies, as set forth in Paragraph 64, that it violated the cited regulations. To the extent that Paragraph 65 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

Count 7: Failure to Comply with Compliance Audit and Incident Investigation Requirements

ANSWER TO PARAGRAPH 66

66. The allegations of Paragraph 66 are legal conclusions and do not require a response under 40 CFR Part 22.

ANSWER TO PARAGRAPH 67

67. Paragraph 67 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 68

68. Paragraph 68 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 69

69. The allegations of the Complaint are vague and provide no specific allegations of instances of alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 69 and pursuant to 40 CFR Part 22, they are deemed denied.

ANSWER TO PARAGRAPH 70

70. Respondent denies, as set forth in Paragraphs 68 and 69 that it violated the cited regulations. To the extent that Paragraph 70 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22

Count 8: Failure to Comply with Contractor Safety Requirements

ANSWER TO PARAGRAPH 71

71. The allegations of Paragraph 71 are legal conclusions and do not require a response under 40 CFR Part 22.

ANSWER TO PARAGRAPH 72

72. Paragraph 72 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 73

73. The allegations of the Complaint are vague and provide no specific allegations of instances of

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alleged non-compliances with the cited regulations. Consequently, Respondent does not have knowledge to confirm or deny the allegations of Paragraph 69 and pursuant to 40 CFR Part 22, they are deemed denied.

ANSWER TO PARAGRAPH 74

74. Respondent denies, as set forth in Paragraph 73 that it violated the cited regulations. To the extent that Paragraph 65 of the Complaint purports to restate federal regulations, Respondent states that the regulations speak for themselves and no answer is required under 40 CFR Part 22.

ANSWER TO PARAGRAPH 75

75. Respondent denies the allegations of Paragraph 75.

V. NOTICE OF PROPOSED ORDER ASSESSING A CIVIL PENALTY

V. RESPONDENT responds to Section V of the Compliant as follows:

Section V of the Complaint and relevant attachments allege that Respondent is subject to penalties for violating Section 112(r) of the CAA and proposes a penalty set forth on Attachment I. As set forth above, Respondent denies the allegations that it has violated Section 112(r) and asserts it is not subject to penalties. To the extent that any penalty is warranted, the civil penalty sought by EPA for alleged violations set forth in the Complaint is (a) excessive and unreasonable, (b) unwarranted by the facts, (c) is not supported by any evidence in the record and (d) inappropriate and not in accord with the EPA's civil penalty policy. Specifically, Respondent asserts that Section 112(r) requires the creation of a management system for process safety and that all times relevant to the Complaint, Respondent had a robust and extensive management system, managed by professional staff and supported by training of HOVENSA employees. The regulations do not make incidents as defined by 40 CFR Part 68, by themselves, actionable as violations, and the recital of factual information about releases in the Complaint does not establish a violation of the regulations or even that an "incident" occurred. With regard to Counts 2 through 8, the Complaint lacks any specifics as to violations of the relevant regulations.

The Complaint states that the proposed penalty reflects a presumption of Respondent's ability to pay the penalty and to continue in business based on the size of its business and the economic impact of the proposed penalty on its business, Respondent's financial condition is a matter of public record, and copy of testimony to the Senate of the Virgin Islands on December 16, 2014 is enclosed. On December 19, 2014, the Virgin Islands Senate voted down an operating agreement essential to a sale of the facility, so that there is no current prospect in improvement of Respondent's financial condition.

VI. PROCEDURES GOVERNING THIS ADMINISTRATIVE PROCEEDING

VI. Respondent responds to Section VI of the Compliant as follows:

In accordance with §40 CFR 22.15(c), Respondent requests a hearing regarding the allegations in the Complaint.

VII. INFORMAL SETTLEMENT CONFERENCE

VII. Respondent responds to Section VII of the Compliant as follows:

Section VII of the Complaint states that Respondent may request an informal settlement conference to resolve allegations of, and relief sought by, the Complaint. Respondent requests an informal conference.

Answer of HOVENSA L.L.C.

VIII. RESOLUTION OF THIS PROCEEDING WITHOUT HEARING OR CONFERENCE

VIII. Respondent responds to Section VIII of the Complaint as follows:

Respondent has requested a hearing and no response to this Section of the Complaint is required.

GENERAL DENIAL

To the extent that this Answer does not specifically admit an allegation of the Complaint, it is denied.

Respectfully Submitted



Franklin G. Quow, Esq.
Chief Legal Officer and Secretary
HOVENSA L.L.C.
1 Estate Hope
Christiansted, VI 00820
340-692-3229

Attachment to Answer to Section V of the Complaint

Statement of HOVENSA L.L.C.
For the Finance Committee of the 30th Legislature
Meeting on December 16, 2014

The Honorable Clifford Graham, chairman of the Finance Committee of the 30th Legislature of the Virgin Islands, other members of the Finance Committee, and other members of the 30th Legislature, ladies and gentlemen, my name is Sloan Schoyer. I am accompanied here by Mr. Alexander Moorhead whom I may call upon to assist me in some of your questions. Mr. Moorhead was employed by HOVENSA and the previous owner of the refinery for a total of 30 years. He is currently a consultant to HOVENSA.

I have been a resident of St. Croix for 34 years though not consecutively, and I am a native of St. Croix having been born in Christiansted, St. Croix. I have worked in the oil industry for a total of 37 years in positions here on St. Croix, on St. Lucia, and in New Jersey. I appear before you today as the general manager of HOVENSA L.L.C., a position that I have held for 2½ years. However, I have been an employee of HOVENSA here on St. Croix for the last 11 years.

HOVENSA suspended refining in February of 2012 after suffering losses of approximately \$1.3 billion in the previous three years. Since then the company has operated its facility on St. Croix as a fuel storage terminal. Unfortunately this business has not been profitable. This is due primarily to three factors. First, lease-customers were not prepared to sign long term lease agreements because of the finite term of the Fourth Amendment agreement. Second, lease-customers were not sure of the applicability of excise taxes to stored products and again chose not to enter into long term agreements. Third, HOVENSA has incurred costs to maintain the refinery-assets and to conduct the sale process.

Since the suspension of refining operations, HOVENSA has been operating using the net cash generated from its fuel storage contracts and local fuel sales. The revenues generated from the storage contracts and local fuel sales have not been sufficient to cover the full cost of operating and maintaining the facility, including maintaining the integrity of the refinery process units. To cover the deficit, revenues have been supplemented by the cash HOVENSA had on hand in 2012 and by the additional cash generated from the sale of the petroleum products HOVENSA had in inventory at the time that it suspended refining operations. HOVENSA's operating cash is about to be depleted.

The Governor and members of his negotiating team were informed over a year ago by the owners of HOVENSA that the owners will not provide funds to continue operations when the company's operating cash is depleted. Last month when we projected that our operating cash would be depleted in mid-December and saw that the ratification of a sale to Atlantic Basin Refining ("ABR) was in doubt - and it still is in doubt - HOVENSA made plans to begin shutting down its operations in mid-December. That included notifying our customers at the truck loading rack that we would begin shutting down operations in mid-December. We did this to allow our customers at least one month to secure another source of fuels. HOVENSA's continuation of the shutting down of its facility will change only if the sale to ABR proceeds in the immediate future. The sale of the refinery and the continued operation of the fuel storage terminal and the

Statement of HOVENSA L.L.C.

truck loading rack are coupled because HOVENSA does not have cash to continue to pay the expenses for their operations for much longer.

Unfortunately some residents, including some members of the Legislature, believe that HOVENSA's announcement that its operating cash is about to be depleted, and the notice it gave to its customers and to its employees and contractors, are all fabricated to rush the Legislature in its review of the Operating Agreement between the Government of the Virgin Islands and ABR. I want to assure you members of the Finance Committee that HOVENSA's financial status is not contrived. The imminent depletion of the company's operating cash is real. HOVENSA has respectfully informed the Governor and his advisors of this for months. In light of this situation, HOVENSA has begun the process of shutting down its operations. This situation will change only if the sale to ABR is completed in the next few weeks.

As part of its shutdown-preparations, HOVENSA has provided notifications to employees and contractors as required by the Worker Adjustment and Retraining Notification (WARN) Act of 1988 and the Virgin Islands Plant Closing Act ("PCA"). It is anticipated that some employees may be placed on administrative leave as this permanent shutdown progresses. On March 1, 2015, HOVENSA will have completed the shutdown process, and all employees employed at the facility, currently approximately 100 employees, will be terminated from employment with HOVENSA. In addition about 200 contractor-employees will also lose their jobs. These are jobs directly associated with HOVENSA. There will also be further indirect job losses throughout the community as the impact of the total shutdown is felt.

It is well known that HOVENSA suspended the refining of crude oil in February of 2012. Since exhausting its inventory of fuels that were produced prior to the suspension of refining of crude oil, HOVENSA has been supplying fuel to customers at its truck loading rack by re-selling fuels purchased from independent entities. Fuels are purchased in large quantities in order to take advantage of economies of scale relative to price and ocean freight delivery to St. Croix. It then takes a couple of months for HOVENSA to sell the acquired cargo of fuel. In light of the change in the manner by which HOVENSA obtains the fuels that it sells, HOVENSA was no longer able to adjust prices at the truck loading rack weekly based on changes in the prices of refiners of comparable fuels located in the Gulf Coast of the United States.

Last year HOVENSA and the owners of HOVENSA executed the Fourth Amendment Agreement, which was ratified by the Legislature, effective on November 7, 2013, by Act No. 7566. In compliance with a provision in the Fourth Amendment Agreement, which obligated HOVENSA and the owners of HOVENSA - Hess Oil Virgin Islands Corporation and PDVSA V.I., Inc. - to "retain a reputable investment bank experienced in the sale of oil and gas assets to conduct a *bona fide* Sales Process", HOVENSA and its owners retained the firm of Lazard Freres & Co. LLC ("Lazard") for that purpose.

Lazard conducted a global sales process from December 2013 through August 2014 during which it contacted 142 potentially interested parties, including 17 U.S. refiners and 28 international refiners. As a result of this process, only one entity proceeded through the entire sales process and submitted a binding bid. This was by ABR. Consequently the owners of HOVENSA and ABR negotiated an agreement for the sale of HOVENSA to ABR, subject to

Statement of HOVENSA L.L.C.

ABR and the Government negotiating the operating agreement that was subsequently submitted by the Governor to the Legislature for ratification.

The Legislature then submitted the Operating Agreement to this committee for additional review. If the Operating Agreement is not ratified by the Legislature shortly, thereby facilitating the owners of HOVENSA to proceed with the sale of the Refinery and Related Facilities to ABR, HOVENSA will not be able to continue operating due to a lack of operating cash. I respectfully urge the Finance Committee to endorse the Operating Agreement and recommend it to the Legislature for approval.

Thank you Chairman Graham and other members of the Legislature present for your attention. I am available to respond to your questions.

In the Matter of

HOVENSA L.L.C.,
One Estate Hope,
Christiansted, St. Croix, U.S.V.I.,

Respondent.

Docket No. CAA-02-2015-1206

Answer to Administrative Complaint under
Section 113 of the Clean Air Act.

CERTIFICATE OF SERVICE

I certify that the foregoing Answer to Administrative Complaint has been sent this 22nd day of January 2015 in the following manner to the addresses listed below:

Original and one copy by certified mail, return receipt requested to:

Karen Maples
Regional Hearing Clerk
U.S. Environmental Protection Agency, Region 2
290 Broadway, 16th floor
New York, New York 10007-1866

Copy by certified mail to:

Jean H. Regna
Assistant Regional Counsel
New York/Caribbean Superfund Branch Office of
Regional Counsel
U.S. Environmental Protection Agency 290
Broadway, 17th Floor
New York, NY 10007

Date: January 22, 2015

By: 

Name: Franklin G. Quow, Esq.

Title: Chief Legal Officer and Secretary

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 2

In the Matter of

HOVENSA L.L.C.,
One Estate Hope,
Christiansted, St. Croix, U.S.V.I.,

Respondent.

Docket No. CAA-02-2015-1206

CERTIFICATION OF SERVICE

I certify that the foregoing correspondence has been sent this day in the following manner to the addresses listed below:

Original and one copy by hand delivery to:

Regional Hearing Clerk
U.S. Environmental Protection Agency, Region 2
290 Broadway, 16th floor
New York, New York 10007-1866

Copies by certified mail to the following:

HOVENSA L.L.C.
One Estate Hope
Christiansted, St. Croix, U.S.V.I. 00820
Attn: Brian K. Lever, President and COO

HOVENSA L.L.C.
One Estate Hope
Christiansted, St. Croix, U.S.V.I. 00820
Attn: Franklin G. Quow, Chief Legal Officer and Secretary

Date: 9/30/15

Name: Sandra Grant

Title: _____

Address: _____