October 26, 1999

(AR-18J)

Paul Dubenetzky, Chief
Permits Branch
Office of Air Management
Indiana Department of Environmental Management
100 North Senate Avenue
Post Office Box 6015
Indianapolis, Indiana 46206-6015

Dear Mr. Dubenetzky:

This letter is in response to your request for a written determination on the proper prevention of significant deterioration (PSD) emissions thresholds for Fountain Foundry in Veedersburg, Indiana. This source is a grey iron foundry that is seeking a Title V permit. This Title V permit will also address the application of PSD requirements to the source.

In a September 9, 1999, letter to the Indiana Department of Environmental Management, Fountain Foundry states that iron and steel foundries do not belong to the 28 listed source categories which include secondary metal production plants and have a 100 ton per year PSD threshold. However, the March 11, 1981, United States Environmental Protection Agency (USEPA) letter from Thomas W. Devine, Director, Air and Hazardous Materials Division, Region IV, to State and Local Air Directors on policy determinations regarding PSD questions says that an iron foundry is considered a "a secondary metal production plant, if it uses scrap metal to produce iron, even if the metal is poured into molds." USEPA maintains this position for current PSD determinations.

Fountain Foundry suggests that a source’s end product is a major factor in determining its primary product and its source categorization. According to the July 28, 1989, USEPA letter from William B. Hathaway, Director, Air, Toxics and Pesticides Division, Region VI, to Steve Spaw, Deputy Executive Director, Texas Air Control Board concerning Golden Aluminum Company, USEPA "interprets the Congressional intent in determining whether or not a source is with one of the 28 listed source categories, as based upon the source's pollutant emitting activity . . . rather than the source's finished product." Therefore, the Indiana Department of Environmental Management should not use the source's final product as the basis for determining its source category status.

Regardless of the two positions mentioned above, Fountain Foundry believes that they may apply a nested source definition for PSD applicability in which certain activities at the source would be considered as part of the 28 listed source categories while other activities would not be considered as part of these categories (i.e.; considered a "non-listed" source) and would have a 250 ton per year PSD threshold. The December 4, 1998, USEPA memorandum titled "Treatment of Aluminum Die Casting Operations for the Purposes of New Source Review Applicability", from Thomas C. Curran, Director, Information Transfer and Program Integration Division, includes a discussion on defining nested activities at die casters. According to this memorandum, the use of post-consumer or unspecified aluminum scrap would result in a determination that certain operations at a die casting facility should be considered a nested secondary aluminum support facility. Fountain Foundry suggests that this policy should be applied to other source categories such as grey iron foundries.

The nested source principle is not limited to aluminum die casters and can be applied to other source categories. A nested source definition, however, should be applied based on whether emission units are typically found at the source category in question. In the aluminum die casters example, use of post-consumer scrap aluminum is not typically found at die casting operations. In the Golden Aluminum example, a scrap aluminum smelting plant is not necessarily found at a rolling mill. In the December 22, 1997, letter to Robert Hodanbosi, Chief, Division of Air Pollution Control, Ohio Environmental Protection Agency, concerning Pro-Tec Coating Company, USEPA states that the source's annealing process "is an activity that is commonly found in iron and steel mills and can, therefore, be referred to as a nested activity with respect to the Pro-Tec operations". The September 9, 1999, letter indicates that operations such as mold making, pouring, and finishing are typically found at grey iron foundries which, as mentioned above, USEPA considers a secondary metal production plant.

In each of the nesting examples referenced in this letter, USEPA applies the nested source definition to assure that certain operations are included as part of a listed source category and are not hidden in non-listed sources such as die casters or rolling mills. In none of these examples does USEPA use the nested principle to exclude routine emission units at a listed source from the 100 ton per year threshold. To do so would allow sources in the 28 listed categories to begin carving out all emission units that do not, on their own, fit the definition of that category and exclude them from the 100 ton per year threshold. This would undermine the requirement, in §169(1) of the Clean Air Act, that these stationary sources be subject to a 100 ton per year major source threshold.

Based on the information provided and the considerations outlined above, it is USEPA's position that Fountain Foundry is considered a secondary metal production plant and that it cannot apply a nested source definition to determine PSD emission thresholds. I hope this provides a clarification to this issue. If you have any questions, please contact Sam Portanova, of my staff, at (312) 886-3189.

Sincerely yours,

/s/

Pamela Blakley, Acting Chief
Permits and Grants Section (IL/IN/OH)