



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 5
77 WEST JACKSON BOULEVARD
CHICAGO, IL 60604-3590

REPLY TO THE ATTENTION OF:

SEP 20 2007

(AR-18J)

Edwin C. Bakowski
Acting Manager, Permits Section
Bureau of Air
Illinois Environmental Protection Agency
1021 North Grand Avenue East
P.O. Box 19506
Springfield, Illinois 62794-9506

Dear Mr. Bakowski:

Thank you for your April 12, 2007, letter regarding Air Products and Chemicals Incorporated. Specifically, you request the concurrence of the U.S. Environmental Protection Agency with the Illinois Environmental Protection Agency's (IEPA) determination that the Tuscola, Illinois, facilities of Air Products and Chemicals Incorporated (Air Products) and Cabot Corporation (Cabot) should be considered a single source, for purposes of New Source Review and Title V permitting. EPA concurs in IEPA's determination that the Tuscola, Illinois, facilities of Air Products and Cabot should be considered a single source.

In the Federal Prevention of Significant Deterioration (PSD) regulations, 40 CFR Part 52 - Approval and Promulgation of Implementation Plans, the Administrator provides the following definitions --

52.21(b)(5): "*Stationary source* means any building, structure, facility, or installation which emits or may emit a regulated NSR pollutant."

52.21(b)(6): "*Building, structure, facility, or installation* means all of the pollutant-emitting activities which belong to the same industrial grouping, are located on one or more contiguous or adjacent properties, and are under the control of the same person (or persons under common control) [with exceptions not herein applicable.]"

Consequently, for two separate sources to constitute a single "stationary source," both of their "pollutant emitting activities" must:

1. belong to the "same industrial grouping,"
2. be "located on one or more contiguous or adjacent properties," and
3. be "under the control of the same person (or persons under common control). . . ."

"Same Industrial Grouping"

In a January 19, 2007, letter of William Allison, Environmental Specialist with Air Products ("Allison letter"), Mr. Allison identifies the Air Products' facility as being classified under SIC Code 2813, "a producer of Industrial Gases and NAICS Code 32512;" and the Cabot facility as being classified under SIC Code 2819, "a producer of industrial inorganic chemicals."

In the 1980 proposed promulgation of 40 CFR 21(b)(5) and (6), EPA stated that:

[o]ne source classification encompasses both primary and support facilities, even when the latter includes units with a different two-digit SIC code. Support facilities are typically those which convey, store, or otherwise assist in the production of the principal product.

45 Fed. Reg. 52676, 52695 (August 7, 1980).

Cabot's "principal product" is inorganic chemicals. Because it must have gaseous hydrogen and steam to produce inorganic chemicals, in 1992 Cabot entered into a 15-year contract with Air Products under which Air Products agreed to provide to Cabot hydrogen and steam. Allison Letter. Though Cabot could obtain these products "from an adjacent location or in the case of hydrogen, [have it] delivered over the road from an off-site supplier," Air Products "supplies its entire volume of gaseous hydrogen product, and a portion of its steam product" to Cabot, with Air Products using the remainder of its steam product itself. Id. Under the terms of their contract, Air Products provides "hydrogen gas and steam at a specified volume, pressure, and flow;" and Cabot compensates Air Products for its hydrogen and steam "by a set payment schedule" negotiated by the two parties. Id. In an earlier letter, Air Products informed IEPA that the "hydrogen plant will operate 24 hours per day, seven days per week[,]" and that "the gas will be delivered via

pipeline to the Cabot facility." Letter of Kent S. Kisenbauer, PSG Operations - Environmental (January 30, 1992).

Given that the sole purpose of Air Products' Tuscola, Illinois, facility is to provide the hydrogen and steam necessary for Cabot to produce inorganic chemicals, with the Tuscola facility having no other customers, one must conclude that Air Products does "convey, store, or otherwise assist in the production of" Cabot's inorganic chemicals, and, therefore, is a "support facility" of Cabot. Consequently, a finding is warranted that Air Product's Tuscola, Illinois, facility does belong to the same "industrial grouping" as Cabot's Tuscola, Illinois, facility. This finding is consistent with longstanding EPA policy. See Determination Letter of John S. Seitz, Director, Office of Quality Planning and Standards, to Kentucky Division for Air Quality (March 29, 2001).

"Contiguous or Adjacent Properties"

Air Products facility is "located within the boundaries of the Cabot Corporation, Cab-O-Sil Division, facility located in Tuscola, Douglas County, Illinois." Kisenbauer Letter. Air Products "leases a parcel of land from the Cabot Corporation for operation of its hydrogen plant." Allison Letter. As already noted, the two facilities are connected by the pipeline through which the Air Products facility delivers the hydrogen to the Cabot facility. Given these circumstances, it is apparent that the Air Products facility is "located on one or more contiguous or adjacent properties." In fact, the Air Products facility is on the same site as Cabot's facility, with Air Products paying Cabot for being able to be located on Cabot's property.

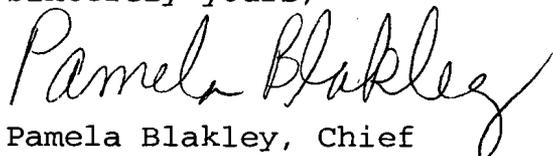
"Under Control of the Same Person or Persons under Common Control"

As noted, the contract between Air Products and Cabot is "for the sale of hydrogen gas and steam at a specified volume, pressure and flow." In that all of Air Products' production of hydrogen goes to Cabot, and Cabot determines the "volume, pressure and flow" of hydrogen to be delivered under the contract based upon Cabot's requirements, it follows that, in basing its levels of production on Cabot's requirements, Air Products' production is controlled by Cabot. As a facility's levels of production have a direct effect on the facility's emission of pollutants, Cabot's hydrogen requirements control the emissions of Air Product's Tuscola, Illinois, facility. Moreover, given the nature of the contract, it is highly

unlikely that Air Products' Tuscola, Illinois, hydrogen producing facility would have built at this site if Cabot was not located at the same site. Rather, it was Cabot's needs and location that controlled the Air Products' facility being constructed and operated at the Tuscola site. Again, this determination is consistent with earlier U.S. EPA determinations addressing the application of this component of the Administrator's definition of "building, structure, facility, or installation." Seitz Letter.

Based on the specific facts which have been presented to us, we believe that IEPA has reached the appropriate conclusion that Air Products' and Cabot's Tuscola, Illinois facilities should be considered a single source for purposes of New Source Review and Title V permitting. If you have any further questions, please feel free to contact me, or have your staff contact Constantine Blathras at (312) 886-0671.

Sincerely yours,

A handwritten signature in cursive script that reads "Pamela Blakley". The signature is written in dark ink and is positioned above the typed name and title.

Pamela Blakley, Chief
Air Permits Section