



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS TX 75202-2733

August 13, 2012

CERTIFIED MAIL – RETURN RECEIPT REQUESTED: 7010 2780 0002 4356 4504

Mr. J. Greg Gentry
Vice President and General Manager
Valero Port Arthur Refinery
P.O. Box 909
Port Arthur, TX 77641-0909

Re: United States et al. v. The Premcor Refining Group Inc. et al.
Civil Action No. SA-07-CA-0683-RF
Valero / Port Arthur Refinery
Hydrocarbon Flaring Events on January 31, 2008 and April 5, 2011

Dear Mr. Gentry:

This letter is in response to two hydrocarbon (HC) flaring event reports submitted by the Valero Port Arthur Refinery (VPA) per Paragraph 242 of the Consent Decree (CD) entered November 20, 2007, between the United States et al. and The Premcor Refining Group, Inc. et al. The two events are discussed below.

January 31, 2008 HC Flaring Event

On March 5, 2010, VPA reported ongoing flaring from Flare 19, Flare 23, and Flare 103B that resulted in the release of over 3.8 tons of SO₂ per day. VPA stated that the flaring and resulting emissions were initially noted in a John Zink design report dated January 31, 2008, that was prepared as part of the Flare Gas Recovery capital project. VPA confirmed the initial findings when it received compliance test reports in February 2010.

In the incident report, VPA indicated that this was a first-time root cause, meeting the requirements of Paragraph 252.b of the CD. The Environmental Protection Agency (EPA) finds that this incident does not meet the requirement of a first time occurrence because the incident was not sudden and infrequent as required by CD Paragraph 252.b. Additionally, VPA stated that the incident was a first-time root cause under Paragraph 244 of the CD, without identifying the actual root cause of the higher than expected flows or the higher than expected H₂S concentration without identifiable upset events.

VPA reported that the corrective action for the ongoing flaring was the construction of the Flare Gas Recovery Systems (FGRS) being installed per the schedule submitted to EPA on December 11, 2009 (revised on January 15, 2010). VPA noted in the revised schedule that all three affected flares would reduce emissions by using a FGRS by December 31, 2013.

EPA agrees with VPA's summary of a \$495,000 stipulated penalty for the late submittal of the report (99 weeks late x \$5,000 per week, as per Paragraph 260.d of the CD). EPA notes that this is the sixth HC event in a rolling 12-month period.

April 5, 2011 HC Flaring Event

On January 17, 2012, VPA reported that during a startup of the Hydrocracker Unit, a sample of the flare gas to Flare 23 was analyzed, and the results indicated a higher than expected concentration of H₂S going to the flare. This higher concentration was attributed to a concurrent startup in the Crude Unit. VPA took no additional monthly samples due to the removal of temporary scaffolding used to access the sample locations. The scaffolding was removed to provide access to construction areas for the FGRS construction project.

During the period when the scaffolding was removed and the sample port was not accessible, operators noted that increased flaring was occurring and attempted to locate the source of the elevated concentration of H₂S. When sampling was performed in October 2011 and confirmed in early November 2011, operators successfully located two sources of the increased H₂S: two open valves on the Hydrocracker Unit's Recycle Gas Compressor Coalescer (H-069) and two sequential leaking valves on the Cold Low-Pressure Separator Overhead Drum (D-1250). VPA confirmed that the H₂S concentration had returned to anticipated low levels and that the event ended November 18, 2011. VPA reported the duration of the flaring event as 228 days with total SO₂ emissions of 2,202 tons (9.66 tons/day SO₂).

EPA requested additional information and VPA met with EPA on April 3, 2012, to present a detailed explanation of the event and answer questions. VPA also presented slightly revised emissions for the event: SO₂: 2,177 tons (9.59 tons/day), and H₂S: 23.6 tons (208 pounds/day).

The HC flaring report did not acknowledge any CD Paragraph 250 criteria to require a penalty assessment, but the report acknowledged CD Paragraph 251.b applicability because VPA had more than five HC events in the year prior to this event. Thus, EPA is assessing a stipulated penalty. Using the penalty matrix in Paragraph 260.a of the CD, the duration > 24 hours, and the SO₂ emissions > 15 tons, the penalty is 75% (for hydrocarbon events at Port Arthur) of \$27,500/day:

$$\begin{aligned} \text{Penalty} &= 75\% (\text{number of days} \times \$27,500/\text{day}) \\ &= .75 (228 \times \$27,500) \\ &= .75 (\$6,270,000) \\ &= \$4,702,500 \end{aligned}$$

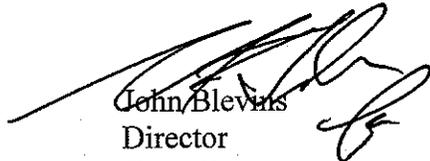
Conclusion

EPA is assessing a total stipulated penalty for the two HC events in the amount of five million, one hundred ninety-seven thousand, five hundred dollars (\$5,197,500). The total assessed penalty should be paid to the United States within sixty (60) days of receipt of this demand, in accordance with Paragraphs 319 and 321 of the CD.

To expedite the processing of the payment, please clearly identify the separate incident dates and penalty amounts in the letter accompanying the payment by wire transfer. Please also send a copy of the letter accompanying the payment to braby.sharon@epa.gov.

If you have any questions regarding this matter, please contact Ms. Debbie Ford (technical) at (214) 665-7235, or Ms. Jan Gerro (legal) at (214) 665-2121.

Sincerely,


John Blevins
Director
Compliance Assurance and
Enforcement Division

cc: W. Benjamin Fisherow, Acting Chief
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice

Robert Pitman, U.S. Attorney
Western District of Texas

Phillip Brooks, Director
Air Enforcement Division (2242A)
Office of Civil Enforcement
U.S. Environmental Protection Agency

Claire Sullivan
Matrix New World Engineering, Inc.

Kirk Saffell, Senior Vice President
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Richard Walsh, Esquire
Valero Energy Corporation

Bart E. Cassidy, Esquire
Manko, Gold, Katcher & Fox, LLP

cc (electronically):

Claire Sullivan, Matrix New World
Pam Elder-Schweers, U.S. EPA, Region 6
Sharon Braby, U.S. EPA, Region 6
Greg Fried, U.S. EPA, HQ
Accounts Receivable, U.S. EPA, Cincinnati
Kim White, U.S. EPA, Cincinnati