



STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL

OFFICE OF THE
SECRETARY

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DOVER, DELAWARE 19901

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**NOTICE OF CONCILIATION
AND SECRETARY'S ORDER**

Pursuant to 7 *Del. C.* § 6005(b)

Order No. 2009-A-0019

*PERSONALLY SERVED BY AN
ENVIRONMENTAL ENFORCEMENT OFFICER*

Issued To:

The Premcor Refining Group Inc.
Attn: John Pickering
Vice President & General Counsel
Delaware City Refinery
4550 Wrangle Hill Road
Delaware City, DE 19706

Registered Agent:

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801

Dear Mr. Pickering:

This is to notify The Premcor Refining Group Inc. ("Respondent") that the Secretary of the Department of Natural Resources and Environmental Control ("Secretary" or "Department") is issuing this Notice of Conciliation and Secretary's Order ("Notice and Order") in an endeavor to obtain compliance with the requirements of 7 *Del. C.* Chapter 60, specifically those related to emissions of particulate matter from the coke handling facilities at Respondent's refinery in Delaware City.

BACKGROUND

Premcor owns and operates a petroleum refinery located in Delaware City, Delaware ("Refinery"). Premcor manufactures various petroleum-based products, including gasoline, diesel, and jet fuels, and other marketable petroleum by-products at the refinery. Petroleum coke is a by-product of the fluid coking unit at the Refinery. The Refinery utilizes some of the petroleum coke it produces as feedstock for the gasifiers, and exports the remainder.

Delaware's Good Nature depends on you!

On December 4, 2002, the Secretary issued to Motiva (then-owner of Premcor's Refinery) a Notice of Conciliation and Secretary's Order alleging that on-site handling and storage of petroleum coke at the Refinery resulted in exceedances of the Delaware secondary ambient air quality standards ("AAQS") for total suspended particulates ("TSP) and directed Motiva to conduct additional ambient air quality monitoring and to submit a plan to totally enclose the coke storage and handling operation. Thereafter, Premcor purchased the Refinery and submitted a plan intended to further reduce TSP emissions related to on-site handling and storage of coke at the Refinery. On or about April 1, 2006, the Secretary and Premcor executed an Administrative Order on Consent ("Order on Consent"). Pursuant to the Order on Consent, Premcor designed a new enclosed coke storage system ("Enclosed Coke Storage System"), and submitted to the Department an application for permit to construct the Enclosed Coke Storage System.

Following issuance by the Department of an air quality construction permit for the Enclosed Coke Storage System ("Construction Permit"), Premcor commenced construction in accordance with the Order on Consent. Premcor then attempted to commission the enclosed Coke Storage System. The Department and Premcor intended that after proper compliant operation of the Enclosed Coke Storage System had been demonstrated, Premcor's operation of the system would then be issued an operation permit. However, Premcor discovered during its attempt to commission the system that a problem with the engineered design for the project prevented the system from functioning as intended. The design problem required re-engineering to address the issue.

On February 20, 2009, Premcor ceased operating the fluid coking unit due to mechanical problems. Before and during the outage of the fluid coking unit, Premcor has worked on a reengineering solution to operation of the Enclosed Coke Storage System but has been unable to implement and test the solution because doing so requires the presence of petroleum coke in the system in a manner that only occurs during usage of the fluid coking unit. Repairs have been ongoing to the fluid coking unit since that date, and some technical issues arose during the restart that have further delayed usage of the fluid coking unit.

On or about June 4, 2009, Premcor resumed operation of the fluid coking unit. Because the new Enclosed Coke Storage System is currently inoperable, Premcor has to continue utilizing the existing coke storage and handling system. Previous experience with operation of the existing system indicates that from time to time this system has caused or contributed to violations of the state ambient air quality standards for TSP. It is DNREC and Premcor's desire to begin operating the new system expeditiously in order to minimize the potential for excess particulate emissions from the coke storage and handling system.

Premcor has indicated that it believes that it can correct the design deficiencies in the Enclosed Coke Storage System by modifying the air flow rate and the flow through the bin vents. The Department believes that the changes that Premcor has proposed requires receipt of a permit from the Secretary before Premcor makes the changes, or tests and uses the modified system. Nonetheless, DNREC believes it is in the best interest of the Refinery and the people of the State of Delaware to allow Premcor to take actions to make the proposed changes and test and operate the system because it is anticipated that doing so will decrease particulate emissions

from the coke handling system which have caused violations of Delaware's ambient air quality standard for TSP and which continue to pose a threat of future violations. .

FINDINGS OF FACT

1. Premcor is obligated pursuant to the Administrative Order on Consent issued on April 1, 2006, to construct the Enclosed Coke Storage System by December 31, 2008.
2. The AOC provides for stipulated penalties for failing to meet Premcor's obligations.
3. The Department finds that continued operation of the existing coke storage and handling facility has the potential to cause violations of the State's ambient air quality standard for TSP.
4. Premcor has requested permission to make certain changes to the Enclosed Coke Storage System relative to the design reflected in the Construction Permit in order to attempt to cure the design problem and make the system operational.
5. Replacement of the existing coke storage and handling facility with the Enclosed Coke Storage System is intended to achieve improved and more consistent control of particulate emissions relevant to the Delaware ambient air quality standard for TSP.
6. Replacement of the existing coke storage and handling facility is intended to improve the quality of the environment by reducing the amount of TSP emissions from the coke storage and handling system.
7. It is in the best interest of the citizens of the State of Delaware for Premcor to as expeditiously as possible correct the design deficiencies in the Enclosed Coke Storage System in order to cease utilizing the existing coke storage and handling facility.

NOTICE OF CONCILIATION AND ORDER

NOW THEREFORE, it is the desire of the Department that Premcor as expeditiously as possible take actions to attempt to address the design problems with the Enclosed Coke Storage System so that the existing coke storage and handling facility can be replaced by the functioning Enclosed Coke Storage System. Therefore, in consideration of the foregoing findings, notice is hereby given that it is proposed, pursuant to 7 *Del. C.* § 6005, that Premcor can best achieve compliance by undertaking the following actions:

1. Premcor may implement the changes to the Enclosed Coke Storage System described to the Department in the electronic mail transmission from Mr. Thomas Godlewski to Mr. Ravi Rangan, dated June 9, 2009, and may conditionally operate and test the system from June 22, 2009, through July 3, 2009.

2. In so doing, Premcor shall not take any other actions which will increase emissions of air or other pollutants from the Enclosed Coke Storage System and shall continue to comply with the conditions of the Construction Permit, except to the extent inconsistent with the changes addressed in paragraph 1.

3. The results of the trials shall as soon as practicably available be submitted to DNREC, and any DNREC personnel may expressly attend and observe, if they so choose, during all periods while Premcor is conditionally operating the System to test its operability.

4. In the event the trials demonstrate that the changes to the Enclosed Coke Storage System allow the system to be operated in accordance with the intended design and achieve the intended control of particulate emissions, Premcor shall promptly thereafter submit a complete permit application to request that the changes be incorporated into the Construction Permit.

5. If the results of the trials indicate that the Enclosed Coke Storage System may be operated in a manner that is environmentally beneficial relative to the existing coke storage and handling system, Premcor may seek approval from the Department and the Department may extend the authorization under this Order to allow Premcor to continue to operate the Enclosed Coke Storage System, as modified under paragraph 1, while the permit application submitted by Premcor under Paragraph 4 remains pending.

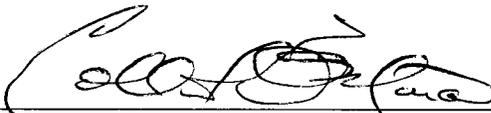
6. The Secretary may immediately withdraw and revoke any such approval granted pursuant to this Notice of Conciliation if at any time it appears that the impacts of the testing or the operation of the system are not environmentally beneficial.

PUBLIC HEARING

This Notice and Order shall become effective and final unless the Department receives from Respondent, no later than 30 days from the receipt of this Notice, a written request for a public hearing on these matters as provided in 7 *Del C.* § 6005. In the event Respondent requests a hearing, the Department reserves the right to withdraw this Notice and Order and take additional enforcement actions regarding these and other violations at Respondent's facility, including but not limited to, the imposition of civil penalties and recovery of the Department's costs and attorney's fees. The Department does not otherwise intend to convene a public hearing on these matters, but reserves the right to do so at its discretion.

If you have any questions, please contact Bruce Steltzer or Ravi Rangan at (302) 323-4542.

19 June 2009
Date


Collin P. O'Mara, Secretary

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- cc: James Werner, Director
- Ron Amirikian, Acting Administrator
- Paul Foster, Program Manager
- Ravi Rangan, Environmental Engineer
- Bruce Steltzer, Environmental Engineer
- Valerie M. Satterfield, Deputy Attorney General
- Ali Mirzakhali, Program Administrator
- Dawn Minor, Paralegal
- Jennifer Bothell, Enforcement Coordinator
- Dover File