

September 6, 2006

John and committee members,

Please see my replies below in blue color. For those comments that cannot be verified by my notes, I have placed them as "post-meeting comments". I believe that the important thing is to have all "position statements" on the records.

The page and line numbers in my replies are those in the revised draft (Draft 2).

Frank

From: Deemer, John J [John.Deemer@valero.com]
Sent: Thursday, August 31, 2006 3:36 PM
To: Gao Frank F. (DNREC)
Cc: Chelpaty, Heather A
Subject: RE: Valero's comments on Mtg 4 minutes

Frank,

Hi Frank. I hope things are well. Heather Chelpaty requested that I provide comments on the meeting minutes for the July 19th meeting. My comments are summarized as follows:

P. 2, line 2, My recollection is that I stated the SNCR on the Coker Boiler was required by the EPA and DNREC "consent decree (CD)" not "in 1999". Motiva and EPA did not reach agreement on the consent decree until 2001.

Frank: I agree. A correction is made to reflect "consent decree in 2001". See page 2, line 2.

P. 2, Lines 2-3, GE Energy Services is the GE division.

Frank: "GE Energy Service" is added. See page 2, line 3.

P. 2 lines 6-7 I do not believe that I stated that it was Valero's position to install "relevant control to achieve a lower NOx emission rate, but not to LAER levels." My position was that we had already installed the required controls (SNCR)(as required by the CD). This is in agreement with the paraphrased version of my last statement in this paragraph that "the coker CO Boiler should be excluded from the rule."

Frank: To reflect your position, the following is added as a post-meeting comment, page 2, line 7: *(John Deemer's post-meeting comment, August 31, 2006: I do not believe that I stated that it was Valero's position to install "relevant control to achieve a lower NOx emission rate, but not to LAER levels." My position was that we had already installed the required controls (SNCR)(as required by the CD). This is in agreement with the paraphrased version of my last statement in this paragraph that "the coker CO Boiler should be excluded from the rule.")*

P. 4, lines 45 to 46, I did not state that each of the 500 burners would need a control device. My position was that all 500 burners would need to be replaced with ultra low NOx burners (ULNBs).

Frank: I agree. A correction is made to reflect "all 500 burners would need to be replaced with ultra low NOx burners (ULNBs)." See page 5 line 9.

P. 5, Second paragraph. My recollection is that Pete stated that he wished he hadn't stated the cost of \$25 to \$35 million because the actual cost for the installation of a new boiler would be much higher.

You may want to check with Pete on that, but that is my recollection.

Frank: I agree with your recollection for what Pete said at the end of this discussion. The following is added: "At the end, Pete said that he wished he hadn't stated the cost of \$25 to \$35 million because the actual cost for installing a new boiler would be much higher." See page 5, line 33.

P. 5, line 31. There would be a 50% reduction in the "cost effectiveness", not a "50% cost reduction." I have since verified that this is not the case. By reducing the allowable emissions by 50% (from 0.04 to 0.02 lb/MMBTU) for Boiler 3, the actual reductions (which is the denominator in the cost effectiveness calculation) increases from 113.2 tons to 167.3 tons. On this basis, the cost effectiveness is reduced from \$31,514/ton to \$21,317/ton. Thus a 50% reduction in potential does not reduce the cost effectiveness by 50%. If you need additional information, please let me know.

Frank: I review my notes and agree with "a 50% reduction in the cost effectiveness." This correction is made on page 6, line 4. I have also added the rest of your comment as a post-meeting comment, page 6, line 5: *(John Deemer's post-meeting comment, August 31, 2006: I have since verified that this is not the case. By reducing the allowable emissions by 50% (from 0.04 to 0.02 lb/MMBTU) for Boiler 3, the actual reductions (which is the denominator in the cost effectiveness calculation) increases from 113.2 tons to 167.3 tons. On this basis, the cost effectiveness is reduced from \$31,514/ton to \$21,317/ton. Thus a 50% reduction in potential does not reduce the cost effectiveness by 50%.)*

P.5, line 33, I stated that the cost effectiveness calculation is based upon the potential to emit (PTE), not the actual emissions. My recollection was that Ron Amerikian agreed with me on this point.

Frank: I did not capture this in my notes. Therefore, I add it as a post-meeting comment, page 6, line 11: *(John Deemer's post-meeting comment, August 31, 2006: I stated that the cost effectiveness calculation is based upon the potential to emit (PTE), not the actual emissions. My recollection was that Ron Amerikian agreed with me on this point.)*

Ron's response to this comment, page 6, line 15: I generally agree that cost effectiveness calculations should be based on PTE. But I don't agree with John's statement above. He appears to be using actual emissions in his comparison of a 0.04 lb/mmmtu limit to a 0.2 lb/mmmtu limit. I don't believe that using actual emissions in one part of the equation and PTE in another part makes sense when determining cost effectiveness.

P. 6, line 11. I do not recall stating that we (Valero) agreed with the starting rate of 0.04 lb/MMBTU. I did however agree to provide the cost effectiveness calculations on that basis. That may have been viewed by the department as acceptance of that emission level. Please refer to my power point presentation for meeting 2 in which I stated it may be more appropriate to set the limit at 0.06 lb/MMBTU.

Frank: I add this as a post-meeting comment, page 6, line 45: *(John Deemer's post-meeting comment, August 31, 2006: I do not recall stating that we (Valero) agreed with the starting rate of 0.04 lb/MMBTU. I did however agree to provide the cost effectiveness calculations on that basis. That may have been viewed by the department as acceptance of that emission level. Please refer to my power point presentation for meeting 2 in which I stated it may be more appropriate to set the limit at 0.06 lb/MMBTU.)*

If you need additional information, please contact Heather Chelpaty at 302-834-6488.

Sincerely,

John Deemer

-----Original Message-----

From: Gao Frank F. (DNREC) [mailto:Frank.Gao@state.de.us]

Sent: Thursday, August 31, 2006 11:03 AM

To: Chelpaty, Heather A

Cc: dbrown@alade.org; Morris.Makeba@epamail.epa.gov;

Delaware.chapter@sierraclub.org; dasmail@delawareaudubon.org; Deemer, John J;

Amirikian Ronald A. (DNREC); Rangan Ravi (DNREC); Harris Bill (DNREC);

Lutzykowski Mark J. (DNREC); Steltzer Bruce (DNREC); Mirzakhali Ali (DNREC);

Kevin Stewart; amuller@dca.net; mdfiorentino@widener.edu; eft@envirotruth.com;

Covert, Patrick; taras.lewus@erm.com; Llewellyn Gerald (DHSS); Perkins Richard E.

(DHSS); Rose.Quinto@epamail.epa.gov; nicholasdi@comcast.net;

pjacoby@powrtechsolutions.com

Subject: Valero's comments on Mtg 4 minutes

Good morning, Heather,

This is to remind you that Valero agreed in the 08/23/06 meeting to provide inputs or comments, if any, on the draft meeting 4 minutes by August 31 (i.e., within one week after 08/23/06 meeting). Please let me know if you have any input or comment COB today. Thanks.

Frank

Air Quality Management-DNREC

New Castle, DE 19720

Phone: (302)323-4542 FAX: (302)323-4598