

July 31, 2003

MEMORANDUM

SUBJECT: Request for Guidance on the Definition of Fuel Conversion Plants for Purposes of Prevention of Significant Deterioration (PSD)

FROM: Racqueline Shelton
Group Leader
Integrated Implementation Group C-339-03

TO: Guy Donaldson
Acting Chief
Air Permits Section (6PD-R)

Your June 17, 2003, memorandum requests assistance in making an official determination regarding the definition of the PSD source category “fuel conversion plants” found in 40 CFR Subpart 52.21. Stationary sources considered “fuel conversion plants” have a 100 tpy major source threshold for PSD applicability purposes. Specifically, you ask if the classification of “fuel conversion plants” applies to off-shore gas delivery systems that will vaporize liquefied natural gas (LNG) for delivery to a downstream infrastructure. The issue regards two project proposals you are reviewing, including the Chevron Texaco, Port Pelican Terminal that is proposed as SIC Code 4491, a marine cargo handling facility where LNG is transferred from ships to pipelines. We have reviewed your request, your suggested interpretation, the legislative history on the issue, and prior EPA guidance, including EPA’s memorandum dated May 26, 1992, entitled “Applicability of Prevention of Significant Deterioration (PSD) and New Source Performance Standards (NSPS) to the Cleveland Electric, Incorporated, Plant in Willoughby, Ohio” from Edward J. Lillis, Chief Air Programs Branch to George T. Czerniak, Chief Air Enforcement Branch, Region V. Based on this information and as discussed below, we conclude that the process of vaporization of LNG to natural gas at these sources does not qualify these sources as “fuel conversion plants” under the Federal PSD rules at 40 CFR 52.21(b)(1)(i)(a) and (iii)(q).

It is our understanding that the vaporization of LNG, which is a change of state from a liquid to a gas, occurs at temperatures above -260 degrees F. As a result, LNG vaporizes naturally at ambient temperatures and that indirect contact with seawater, which is warmer than LNG, is used to speed up the vaporization. We understand that vaporization of LNG occurs without the need for chemical or process change that generally occurs at other sources that EPA

considers as “fuel conversion plants”(e.g., coal gasification, oil shale processing , conversion of municipal waste to fuel gas, processing of sawdust into pellets) under the PSD rules.

The vaporization of LNG to natural gas differs from the fuel conversion processes discussed in EPA’s memorandum regarding Cleveland Electric since the vaporization would occur naturally at ambient conditions without additional processing. Our view is that the PSD rules are not intended to include the vaporization of LNG to natural gas in the source category of “fuel conversion plants”

If you have any questions please contact me or Mike Sewell of this group at (919) 541-0873.

cc: Regional Air Program Managers
Teresa Dykes OECA
Carol Holmes OGC
John Averbeck OGC

Teresa Dykes of OECA and Jonathan Averbeck of OGC concur.