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Regulatory Order Worksheet (3/7/17)

<p>RESCIND RO No. 44</p>	<p>Source: Tesoro Refining & Marketing Company LLC 10200 March Point Road Anacortes, WA 98221</p> <p>Contact: Lester Keel</p> <p>NWCAA No.: 1006-V-S</p>
<p>Permit Engineer: Agata McIntyre</p>	

A. Project Description

At Tesoro's request, NWCAA issued Regulatory Order (RO) 44 on Feb. 2, 2016, approving voluntary limit that restricted production at the Naphtha Hydrotreater (NHT) Unit to 39,600 barrels per day. Tesoro requested RO 44 to resolve potential permitting concerns arising from the timing of the NHT reactor replacement and other upcoming projects.

Tesoro is now asking that NWCAA rescind RO 44 because these PSD concerns were resolved through the July 18, 2017 approval of PSD 17-01. PSD 17-01 allows the NHT Unit to process up to 46,000 barrels per day. The limit in RO 44 is now obsolete and unnecessary.

History:

In 2015 Tesoro notified NWCAA that the NHT heater reactor was coming to the end of its useful life and needed to be replaced. Tesoro was also planning additional projects to meet the new Tier 3 (low sulfur gasoline) requirements. However, the condition of the NHT reactor necessitated its replacement before the Tier 3 projects. Tesoro determined that a larger NHT reactor will be needed to fully implement the Tier 3 projects. Because of concerns about the useful life of the existing reactor, the facility requested approval to install the new larger reactor quickly, ahead of the Tier 3 projects.

Tesoro asked NWCAA to issue RO 44 to limit hydrocarbon feed to the NHT unit to address potential PSD applicability concerns having to do with installing the larger reactor before the Tier 3 projects received a PSD permit. Tesoro addressed these PSD concerns when it applied for and received PSD 17-01 (issued 7/18/17). The projects permitted under PSD 17-01 also received OAC 1222 from NWCAA.

This current request to rescind RO 44 **will not** increase emissions above those already permitted under PSD 17-01 and OAC 1222.

B. Fees

NWCAA assessed RO fees in accordance with the fee schedule effective January 1, 2018. The fees assessed and amount paid are listed in the fee worksheet on the OAC Whiteboard for this project.

C. Public Notice

In accordance with NWCAA Section 305.2, RO 44 went through public comment prior to issuance. Therefore, logically, and following the process for other similar actions, public comment will also be required to rescind RO 44.

A notice of the 30-day public comment period was posted in the Skagit Valley Herald on 8/26/18. The public comment period closed on 9/25/18. **Comments??**

D. SEPA Review

Based on a Feb. 2015 opinion from attorney TC Richmond, SEPA review is not required for a regulatory order that limits emissions. Therefore, logically, SEPA review is also not required to rescind the permit.

(see NSR Minor Source SharePoint site for copy of TC's opinion:

<http://companyweb/Permitting/NSR/default.aspx?RootFolder=%2FPermitting%2FNNSR%2FNNSR%20Shared%20Documents%2F1%2FSEPA&FolderCTID=0x0120007E6B35D347FA1049A81796B668BBE428&View=%7B9AE5238C%2D4272%2D45F0%2D9A25%2D78ACD4419105%7D>)

In addition, SEPA review was performed by Skagit County for the project approved under PSD 17-04 and OAC 1222 (see <J:\AOP Sources Working Files\Adeavor Refinery\NSR\OAC 1222 - Tesoro - Clean Product Upgrade\SEPA> for a copy of the EIS). The utilization of the NHT reactor up to 46,000 bbl/day was part of the project reviewed and approved under the EIS.

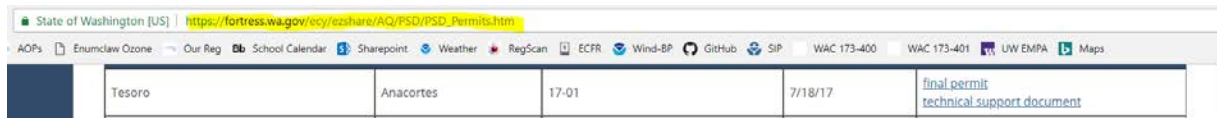
E. Relevant Permit History

February 2, 2016: NWCAA issued RO 44 to Tesoro with a voluntary limit that restricted production at the Naphtha Hydrotreater to 39,600 barrels per day.

July 18, 2017: The Washington Department of Ecology issued PSD 17-01 to Tesoro for PM10, PM2.5 and GHGs. Ecology issued the PSD for several interlinked projects, which together comprise the "Clean Products Upgrade" project:

- Expand the Naphtha Hydrotreater (NHT) to process 46,000 barrels of naphtha per day. This will allow Tesoro to further reduce the sulfur content in gasoline as required by the new federal Tier 3 regulations.
- Build an Aromatics Recovery Unit (ARU) capable of producing 15,000 barrels per day of mixed xylenes, a feedstock used to make clothing, film for medical x-rays, plastics, cleaners, and many other products we use every day.
- Install a new Marine Vapor Emission Control (MVEC) system that will reduce emissions of volatile organic compounds (VOCs). The MVEC System will control hydrocarbon emissions from marine vessels during loading operations.
- Install a new Isomerization (Isom) unit to increase the amount of octane available to the refinery. Coupled with the NHT expansion project, this provides more flexibility for production of gasoline.

A copy of the permit is available at:



The screenshot shows a web browser window with the URL https://fortress.wa.gov/ecy/ezshare/AC/PSD/PSD_Permits.htm. The browser's address bar and tabs are visible. Below the browser window, a table displays permit information for Tesoro.

Tesoro	Anacortes	17-01	7/18/17	final permit technical support document
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July 18, 2017: NWCAA issued OAC 1222 to Tesoro for the same Clean Products Upgrade project as covered under PSD 17-01, including expansion of the Naphtha Hydrotreater to process 46,000 barrels per day of naphtha. The pollutants reviewed under OAC 1222 were those not covered under the PSD (NOx CO, SO2, VOC and WA State air toxics).

F. Emissions

Rescinding RO 44 will not allow any additional emission increases beyond those approved under PSD 17-01 and NWCAA OAC 1222.

The emission increases from the Clean Products Upgrade project were evaluated under PSD 17-01 and OAC 1222. This evaluation included the expansions of the Naphtha Hydrotreater to process 46,000 barrels of naphtha per day. The request to rescind RO 44 will remove the

39,600 barrel per day limitation that's currently on the Naphtha Hydrotreater and allow it to operate up to the level approved under PSD 17-01 and OAC 1222.

G. Correspondence

5/17/18: Letter received from James Tangaro, VP Tesoro Anacortes, requesting cancellation of RO 44.

H. Review

Review		Date
NWCAA Engineering	Agata McIntyre	8/8/18
NWCAA Peer Review	Lyn Tober	8/9/18
Source	Lester Keel	8/14/18