

**Energy Transfer Partners, L.P., Lone Star NGL, Mont Belvieu Gas Plant
(PSD-TX-110274-GHG)**

Lone Star NGL's Request to EPA for PSD Permit Rescission

Basis of Decision

May 12, 2016

In a letter dated April 29, 2016, Energy Transfer Partners, L.P., Lone Star NGL, Mont Belvieu Plant (Lone Star NGL) requested that the U.S. Environmental Protection Agency, Region 6 rescind the EPA-issued Prevention of Significant Deterioration (PSD) greenhouse gas (GHG) permit issued on April 16, 2014. The permit was issued based on the applicability provisions described, at the time of permit issuance, at 40 CFR § 52.21(b)(49)(v)(b).

Background

Lone Star NGL requested rescission of its GHG PSD permit because its Mont Belvieu Plant was classified as a Step 2 source. Generally speaking, Step 2 sources are sources that were classified as major, and required to obtain a PSD or title V permit, based solely on GHG emissions. Such sources are generally known as Step 2 sources because EPA deferred the requirements for such sources to obtain PSD and title V permits until Step 2 of its phase-in of permitting requirements for GHG under the PSD and title V GHG Tailoring Rule, 75 FR 31514, 35569-71 (June 3, 2010); 40 CFR § 52.21(b)(49)(v). In *Utility Air Regulatory Group (UARG) v. Environmental Protection Agency*, 134 S. Ct. 2427 (2014), the Supreme Court held that EPA may not treat GHGs as an air pollutant for purposes of determining whether a source is a major source required to obtain a PSD or title V permit and thus invalidated regulations implementing that approach. EPA issued a direct final rule to narrowly amend the permit rescission provisions in the federal PSD regulations and the rulemaking became effective on July 6, 2015.

The newly effective federal rescission rule allows for the rescission of EPA-issued Step 2 PSD Permits and generally applies to new and modified stationary sources that obtained an EPA-issued Step 2 PSD permit under the federal PSD regulations found at 40 CFR 52.21 solely because the source or a modification of the source was expected to emit or increase GHG emissions over the applicable thresholds. This includes (1) sources classified as major for PSD purposes solely on the basis of their potential GHG emissions; and (2) sources emitting major amounts of other pollutants that experienced a modification resulting in an increase of only GHG emissions above the applicable levels in the EPA regulations.

EPA expects GHG PSD permit-holders that are interested in qualifying for the rescission of an EPA-issued Step 2 PSD permit under 40 CFR 52.21(w) to provide information to demonstrate that either (1) the source did not, at the time the source obtained its EPA-issued Step 2 PSD permit, emit or have the potential to emit any regulated pollutant other than GHGs above the major source threshold applicable to that type of source; or (2) a modification at a source emitting major amounts of a regulated NSR pollutant other than GHGs did not result in an increase in emission of any regulated pollutant other than GHGs in an amount equal to or greater than the applicable significance level for that pollutant. EPA

also considers in its evaluation if the source intends to rely on the EPA-issued Step 2 PSD permit for any other regulatory purpose.

For EPA-issued Step 2 PSD permits for Texas industry, EPA Region 6 retained the permitting authority for those sources in the recent final SIP and FIP actions (November 10, 2014) for Texas GHG PSD permitting. Under this authority, EPA Region 6 reviews and issues rescissions for EPA Region 6-issued Step 2 GHG PSD permits. From January 2, 2011 until November 10, 2014, EPA issued GHG PSD permits for facilities in the State of Texas. EPA approved the Texas GHG Permitting program on November 10, 2014, and Texas is currently the permitting authority for GHG PSD permits. EPA's action to rescind Step 2 PSD permits applies only to GHG PSD permits that were issued by EPA between January 2, 2011 and November 10, 2014.

REVIEW

Lone Star NGL has included in the April 29, 2016 rescission request information to demonstrate:

1) At the time of issuance of the EPA GHG PSD permit, the existing stationary source did not have the potential to emit emissions of any regulated New Source Review (NSR) pollutant other than GHGs in an amount that is equal to or greater than the applicable PSD major source threshold for that pollutant. Lone Star NGL is located in Chambers County, Texas and at the time of the Texas Commission on Environmental Quality's (TCEQ) permit issuance, the project emission increases were greater than the netting thresholds for the nonattainment new source review (NNSR) major source threshold for the severe-15 classification of the 1997 eight-hour ozone standard designation¹. TCEQ's technical review states that the emission rate increases associated with construction of a FRAC III unit is minor; however, with the recently issued standard permit number 93813 for the construction of the FRAC I and FRAC II units, the combined emission rate is major and the FRAC III unit addition triggers nonattainment new source review (NNSR). Lone Star NGL agreed with TCEQ's review and no NNSR netting was conducted. Therefore, the project for the FRAC III unit addition was designed to meet the lowest achievable emission rates (LAER) and to provide offsetting emission reductions at a rate of 1.3 to 1. TCEQ's technical analysis also states that the two other fractionation units authorized under standard permit (permit number 93813), while of identical purpose, are independent operations and were shown to not be integrated with the proposed unit (FRAC III) except for the sharing of the plant flare. The TCEQ's analysis also states that Lone Star NGL has clearly represented to TCEQ that this was not a phased building situation, but an independent capital project that is responding to the unique current market conditions so the nonattainment requirements should not have been applied to the existing units (FRAC I and FRAC II).

Lone Star NGL has received two GHG PSD permits from EPA Region 6, PSD-TX-93813-GHG and PSD-TX-110274-GHG. The first GHG PSD permit, PSD-TX-93813-GHG includes GHG emissions from the two NGL processing plant units (FRAC I and FRAC II). Lone Star NGL requested a permit rescission of the FRAC I and FRAC II permit on April 21, 2016 and the public notice of this permit rescission began on May 17, 2016 under a separate EPA action. With this action, the third NGL

¹ At the time of the review and permit issuance, November 21, 2014, by TCEQ, Chambers County, Texas was included in the Houston-Galveston-Brazoria (HGB) area severe-15 classification for the 1997 eight-hour ozone National Ambient Air Quality Standards (NAAQS). On March 27, 2008, the EPA lowered the primary and secondary eight-hour ozone NAAQS. Chambers County was included in the HGB area and was designated nonattainment and classified as marginal under the 2008 eight-hour ozone NAAQS, effective July 20, 2012. The 1997 Ozone NAAQS was revoked effective April 6, 2015.

processing plant (FRAC III) is considered for rescission of the EPA issued PSD GHG Step 2 permit (PSD-TX-110274-GHG) that was issued to Lone Star NGL on April 16, 2014. The TCEQ, as the current permitting authority for non-GHG and GHG pollutants, has issued a minor NSR permit (permit number 110274) and a NNSR permit (N182) associated with the FRAC III project which EPA issued the GHG PSD permit. The permit special conditions and the maximum allowable emission rate table (MAERT) associated with the TCEQ minor NSR permit demonstrate that the project has been reviewed for the maintenance of the National Ambient Air Quality Standards (NAAQS), federal, state and local requirements, and the non-GHG emission levels associated with the project are below the applicable threshold level(s) for all other regulated pollutants.

Project Emission Summary Table²

Air Contaminant	Current Allowable Emission Rates (TPY)	Proposed Allowable Emission Rates (TPY)	Change in Allowable Emission Rates (TPY)	Project Changes at Major Sources (Baseline Actual to Allowable) (TPY)
PM	22.62	31.01	8.39	8.39
PM ₁₀	22.62	31.01	8.39	8.39
PM _{2.5}	22.62	31.01	8.38	8.38
VOC	75.45	94.29	18.84	18.84
NO _x	37.62	51.66	14.04	14.04
CO	112.22	178.22	56.00	56.00
SO ₂	17.17	17.99	0.82	0.82

2) Lone Star NGL has asserted to EPA that the EPA-issued GHG PSD permit is not used, or planned to be used, for any other regulatory or compliance purpose and the information contained in the rescission request to EPA is factual and correct.

RECOMMENDATION

Based on the information provided to EPA Region 6 on April 29, 2016, Lone Star NGL has provided sufficient information to support the required rescission elements outlined in 40 CFR § 52.21(w)(2). EPA's recommendation is to approve the rescission request and authorize publication of the public notice announcing the approval of the rescission.

² Project emissions are based on the review and analysis contained in the TCEQ Technical Review written by Mr. Jeff Greif, TCEQ, for Lone Star NGL, Mont Belvieu Plant, Project Numbers 193441 and 194426, RN106018260, and CN604309419. Mr. Greif represented in his analysis for issuance of the NSR permit review that PSD was not triggered for the project.