

December 16, 1998

Mr. William E. Sutton
CEO
Pelican Island Storage Terminal, Inc.
3801 GTI Boulevard
Galveston, Texas 77554

Re: Exemption Registration
Burning Heavy Oil/200 HP-Boiler
Galveston, Galveston County
Account ID No. GB-0119-Q

Dear Mr. Sutton:

This is in response to your request to register the pending installation of burners to allow use of No. 2, 4, and 6 fuel oils under 30 Texas Administrative Code (TAC) Section 106.261 at your facility near Galveston, Galveston County. The information submitted in support of your request has been evaluated and found to be insufficient to determine whether all the requirements of the exemption claimed in your registration request and/or 30 TAC Chapter 106 have been met. Therefore, we cannot confirm your claim of this exemption at this time.

Deficiencies are summarized below:

1. The 200-hp boiler (less than 10 million Btu/hr) to be modified to allow combustion of various fuel oils was reportedly exempted under Standard Exemption No. 7 (SE 7) dated August 11, 1989. This exemption restricts fuel use to natural gas, liquid petroleum gas, fuel gas, first run refinery grade diesel or No. 2 fuel oil that is not a blend containing waste oils or solvents. The hours of No. 2 fuel oil use were not restricted under the August 11, 1989 version of the exemption.
2. No. 4 fuel oil use is allowed for a maximum of 720 hours per year as backup fuel only under the current version of SE 7 or 30 TAC §106.183. If you plan to use No. 4 fuel oil, then you are required to comply with all applicable sections of the

Mr. William E. Sutton

Page 2

December 16, 1998

Re: Exemption Registration

current version of §106.183. If the conditions of §106.183 are too restrictive and the expected hours of operation are greater than 720, then the agency has allowed use of §106.261 provided each condition of such exemption can be met. A simple §106.261 checklist as included with your submittal dated October 14, 1998 is not sufficient. A narrative description of the basis for the yes, no, or NA response should be provided for each condition.

3. The use of No. 6 fuel oil has never been allowed under SE 7 or §106.183. The information submitted to date under §106.261 is incomplete. As for item 2 above you must document compliance with each condition of §106.261.

If exemption conditions cannot be met, then a new permit or amendment of your existing Permit No. 8680 is needed for your proposed modification to allow use of fuel oils. An amended permit may limit the hours of operation using different grades of fuel oil to hours significantly less than those specified in your exemption request. Please include all previously-assigned Texas Natural Resource Conservation Commission Account ID, permit, or exemption registration numbers in your new submittal.

You are reminded that Sections 382.0518(a) and 382.057 of the Texas Clean Air Act, Texas Health and Safety Code, Chapter 382, provide that a construction permit must be obtained or a exemption fully complied with before work is begun on the construction of a new facility or modification of an existing facility that may emit air contaminants.

Your cooperation in this matter is appreciated. If you have any questions concerning this exemption, please call Mr. W. A. Boecker, P.E., at (512) 239-1467 or write him at Texas Natural Resource Conservation Commission, Office of Air Quality, New Source Review Permits Division (MC-162), P.O. Box 13087, Austin, Texas 78711-3087.

Sincerely,

James B. Randall, P.E.

Mr. William E. Sutton

Page 3

December 16, 1998

Re: Exemption Registration

Manager, Coatings and Combustion Section
New Source Review Permits Division

JR/WB/ms

cc: Ms. Orbie Ratcliff, Air Section Manager,
Houston
Mr. Ron Schultz, Director, Pollution Control Division,
Galveston County Health District, La Marque

Record No. 62034

Mr. William E. Sutton

Page 4

December 16, 1998

Re: Exemption Registration

NEW SOURCE REVIEW, OFFICE OF AIR QUALITY - 7200/MC-162

MR WILLIAM E SUTTON

CEO

PELICAN ISLAND STORAGE TERMINAL INC

3801 GTI BLVD

GALVESTON TX 77554