UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 10 1978

OFFICE OF ENFORCEMENT

MEMORANDUM

SUBJECT: PSD Requirements

FROM: Director
Division of Stationary Source Enforcement

TO: W. Lamar Miller, Ph.D.
Director, Enforcement Division
Region VII

In response to your memo of July 13, 1978, we have reviewed the proposed revision to the Missouri Implementation Plan pertaining to charcoal kilns and find the reconstruction and modification provisions to be inconsistent with PSD requirements.

Regarding the PSD reconstruction provisions, you raised two specific questions which are addressed below.

1. Q- With respect to 40 CFR 52.21(b)(17) Reconstruction, what will constitute facility and source with respect to charcoal kilns? It is doubtful that an individual facility (one kiln) will have potential emissions exceeding 100 tons/year, probably it will take about four kilns to have potential particulate emissions of 100 tons or more per year.

A-With respect to the source category "charcoal production plants", the entire charcoal plant, including all structures, buildings, facilities, and equipment located at the site, will be considered a "source". (See 43 FR 26404, 19 June 1978, definition of source.) Each individual charcoal kiln will be considered a "facility". In determining whether a facility (e.g., a kiln) is reconstructed the fixed capital cost of the new components of the facility should be compared to the fixed capital cost of a new facility. In this regard the Missouri revised SIP, which compares the reconstruction costs of the facility with the cost of an entire new source, is inconsistent with PSD requirements.

An example of a reconstruction project which might take place at a charcoal production plant follows.

EXAMPLE: A 40 kiln charcoal plant reconstructs 5 kilns (i.e., for each kiln, the fixed capital cost of the new components exceeds 50% of the cost of a new kiln). Each kiln, individually, has the potential to emit 25 tons/year of particulates. Individually, none of the kilns are subject to PSD review as reconstructed facilities.

The reconstructed kilns are considered to be new facilities at the charcoal plant and the reconstruction (addition) of the five new 25 ton/year kilns constitutes a major modification to the stationary source (125 tons/year of particulates). (See definition of "major modification" 43 FR 26403, June 19, 1978.) The BACT exemption in §52.21 (j)(4), for revamped facilities which do not cause a net increase in plantwide emissions, is not available for new or reconstructed facilities.

2. Q-Are reconstruction project costs to be cumulative? That is, when the cumulative cost of reconstruction commenced since the effective date of the PSD regulations is greater than 50% of the fixed capital cost of the source, does reconstruction become subject to PSD?

A-When the fixed capital cost of new component for a facility or source accumulate to more than 50% of the fixed capital cost of a new facility or source, a resonstruction has occurred, for purposes of PSD. Reconstruction costs will begin accumulating on the effective date of the PSD regulations or the date of the last PSD permit issued for the construction or reconstruction (not modification), of the source or facility, whichever time is more recent.

The Missouri Plan revision also exempts from PSD review, sources which undergo modifications which do not result in net increases in emissions from the source. This is not consistent with the PSD regulations which define major modification as "any physical change in, change in the method of operation of, or addition to a stationary source...(regardless of any emission reductions achieved elsewhere in the source)...". According to the PSD regulations a replacement facility with potential emissions of 100/250 tons or more per year is subject to PSD review, regardless of whether a net reduction in emissions will occur plantwide.

For the reasons discussed above, we believe the Missouri Plan revision for charcoal kilns should be disapproved. If you wish to discuss this matter further, please contact Libby Scopino (FTS 755-2564) of my staff.

/s/
Edward E. Reich

cc: Mike Trutna, CPDD
Peter Wyckoff, OGC

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

DATE: July 13, 1978

SUBJECT: Request for Determination of the Applicability of the Prevention of Significant Deterioration

FROM: W. Lamer Miller, Ph.D.
Director, Enforcement Division, Region VII

TO: Mr. Edward Reich (EN-341)
Director, Division of Stationary Source Enforcement

We have attached a copy of a proposed revision to the Missouri Implementation Plan which affects charcoal kilns. The revision is designed to exempt all existing charcoal kilns from the process weight regulation and all reconstruction.

Please review the provision regarding reconstruction and tell us if it is consistent with the Regulations for Prevention of Significant Deterioration (PSD) which were promulgated on June 19, 1978. The Missouri Department of Natural Resources intends to consider each reconstruction project separately and compare the cost to the fixed capital cost of the entire facility, which in some cases may be 40 kilns or more.

We believe these questions need to be answered before we can prepare a statement to be presented at the public hearing on July 26, 1978.

1. With respect to 40 CFR 52.21(b)(17) Reconstruction, what will constitute facility and source with respect to charcoal kilns? It is doubtful that an individual facility (one kiln) will have potential emissions exceeding 100 tons per year, probably it will take about four kilns to have potential particulate emissions of 100 tons per year or more.

2. Are reconstruction project costs to be cumulative? That is, when the cumulative cost of reconstruction commenced since the effective date of the PSD regulations is greater than 50% of the fixed capital cost of the source, does reconstruction become subject to PSD?

We would appreciate an early response so we can prepare our statement for the hearing to reflect consistency with the PSD regulations. Thank you for your assistance. Please call Mr. Gale A. Wright at FTS 758-2576 if you have questions pertaining to this matter.

Attachment