

FILED

MAR 20 2003

HEARING BOARD
BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

MARY ROMAIDIS
CLERK
HEARING BOARD
BAY AREA AIR QUALITY
MANAGEMENT DISTRICT

BEFORE THE HEARING BOARD
OF THE
BAY AREA AIR QUALITY MANAGEMENT DISTRICT
STATE OF CALIFORNIA

In the Matter of the Application of)
)
CONOCOPHILLIPS COMPANY) No. 3425
)
For a Variance from Regulation 8) ORDER GRANTING
Rule 46, Sections 301, 302, 303 and 304) EMERGENCY VARIANCE
)
_____)

The above-entitled matter, being an Application for Variance from the provisions of Regulation 8, Rule 46, Sections 301, 302, 303 and 304 having been filed on March 17, 2003, at 11:38 a.m., and having been considered by the Hearing Board:

THE HEARING BOARD STATES as the reasons for its decision and FINDS as to those matters in which findings are required:

1. Applicant filed this Application for Variance under the Emergency Variance procedures, Hearing Board Rules, Section 2.5. Pursuant to Health and Safety Code Sections 42359 and 42359.5, the Hearing Board determined that this Application properly could be ruled upon without notice and hearing. Prior to making this determination, and in accordance with Hearing Board Rules Section 2.5.d.2, the Hearing Board requested and received a response to this Application from the Air Pollution Control Officer. That response recommended the Emergency Variance be granted.

1 2. Applicant operates a petroleum refinery located at 1380 San Pablo Avenue,
2 Rodeo, California 94572.

3 3. The Emergency Variance Application concerns the need to transfer crude oil
4 from a large ship, Abul Kalam Azad, also referred to as the Mother vessel located at San Francisco
5 Bay Anchorage 9, onto a barge. The barge will then deliver approximately three barge-loads of
6 crude oil to the Rodeo refinery. This process is known as "lightering" and its purpose is to
7 decrease the draft of the Abul Kalam Azad. The Pinole Shoal has a limiting depth that does not
8 allow large ships to reach the Applicant's wharf without a lightering operation to take place.
9 The lightering operation normally utilizes the barge named the "Jovalan", owned by Public Service
10 Marine, Inc. The "Jovalan" barge is the only known barge on the West Coast which performs
11 crude oil lightering operations and is configured with the emission controls required by Regulation
12 8, Rule 46. On March 14, 2003, the Applicant discovered that the "Jovalan" would not be
13 available for lightering the Abul Kalam Azad until March 22, 2003 due to delays in completing its
14 prior commitments elsewhere. In order to prevent the loss of a significant portion of crude oil
15 supply to the Rodeo refinery, the Applicant is requesting an Emergency Variance from Regulation
16 8, Rule 46, Sections 301 through 304, to utilize an alternative barge that is not equipped with
17 emission controls to complete the lightering process.

18 4. The Applicant ordered crude oil from the Far East approximately 90 days ago.
19 The load contains approximately 632,000 barrels of crude oil. The crude oil was transported in the
20 Mother vessel Abul Kalam Azad. According to the Applicant's calculations, 192,000 barrels of
21 crude oil would require lightering in order for the Abul Kalam Azad to achieve the necessary draft
22 to pass through the Pinole Shoal to the Applicant's wharf. As is typical with the scheduling of
23 crude shipments, the "Jovalan" barge was contracted early on to commence the lightering
24 operation on March 16, 2003 in connection with the arrival of the Mother vessel. On March 10,
25 2003, the "Jovalan" reported an estimated time of arrival (ETA) as March 17, 2003. On March 13,
26 the "Jovalan" reported an ETA as March 18, 2003. The delays of the "Jovalan" were reported to

1 the Applicant's Scheduling Organization as weather related delays and voyage problems. On
2 March 14, 2003, the Applicant discovered that the "Jovalan" would not be available for lightering
3 until March 22, 2003 due to delays in completing prior commitments. Immediately, the Applicant
4 evaluated several alternative solutions to procure sufficient crude oil to prevent a unit shutdown
5 because the Applicant's Crude Unit 267 cannot operate without adequate crude supply. The
6 Applicant also searched for other crude oils suitable as feed to Unit 267. Due to the refinery's
7 gravity and sulfur needs, no crude oils were available in the time frame required. The only feasible
8 alternative solution identified to shutting down the crude unit from the lack of crude oil was to
9 utilize an alternative barge. As a result, Applicant was unable to comply with the applicable
10 regulation.

11 5. Philip C. Stern, Environmental Superintendent, representing the Applicant,
12 estimated that the lightering operations, using the alternative barge, could be completed by March
13 23, 2003.

14 6. This Variance will not cause injury, detriment, nuisance, or annoyance to any
15 considerable number of persons or to the public, or endanger the comfort, repose, health or safety
16 of any such persons or the public, or cause or have a natural tendency to cause injury or damage to
17 business or property.

18 7. The Applicant made every effort to contract early on with the "Jovalan" barge
19 to commence the lightering operation on March 16, 2003. However, due to conditions beyond the
20 reasonable control of Applicant, it became necessary for the Applicant to evaluate alternative
21 solutions to procure sufficient crude oil to prevent shutting down Unit 267. The Applicant
22 examined several alternative solutions. The only feasible alternative identified to shutting down
23 the crude unit from the lack of crude oil was to utilize an alternative barge.

24 8. Applicant considered curtailing operations in lieu of obtaining a variance, but
25 cannot do so. If the Applicant cannot use an alternative barge, the facility will lose crude supply
26 on March 19, 2003, to Unit 267. This would likely result in a four-day shutdown and would

1 reduce the crude throughput by a total of 120,000 barrels of crude oil. This reduction constitutes
2 approximately 4% and 6% of the Bay Area gasoline and diesel production, respectively. The loss
3 of production would result in a revenue loss to the Applicant and decreased fuel supplies for the
4 Bay Area. It is possible that the limited outage could have some impact throughout the West
5 Coast due to supply limitations experienced recently. Additionally, it is critical to note that due to
6 the high fuel prices experienced throughout the West Coast currently, elected Officials have
7 publicly expressed their concerns regarding the rising gasoline prices. Therefore, the Applicant
8 believes that it is critical that it takes all measures to provide sufficient products to the consumers.
9 Denying the Emergency Variance would cause unreasonable hardship to the Applicant by forcing
10 Unit 267 to shut down and disrupting the gasoline supply to the Bay Area during this period of
11 uncertainty and economic hardship.

12 9. During the period the variance is in effect, Applicant will reduce excess
13 emissions to the maximum extent feasible by the use of an alternative barge. The use of an
14 alternative barge will reduce the emissions associated with "hotelling" the Mother vessel.
15 "Hotelling" is the emission created during the standby process in which the vessel is in a standby
16 mode waiting for the lightering operation and final transfer process to occur. In addition, the
17 Applicant commits to providing the BAAQMD offsets in a ratio of 1.5 to 1 from their bank. This
18 is equivalent to 5.8 tons.

19 10. The District has not requested Applicant to monitor or quantify actual
20 emissions. However, the Applicant proposes to utilize EPA emission factors to assess the
21 potential additional emissions created by use of the alternative barge.

22 THEREFORE, THE HEARING BOARD ORDERS:

23 A Variance from Regulation 8, Rule 46, Sections 301, 302, 303 and 304 be and is
24 hereby granted from March 18, 2003 to and including March 23, 2003. The Variance is subject to
25 the following conditions:

- 26 1. Applicant shall surrender to the BAAQMD by April 4, 2003, 5.8 tons of VOC

1 Emission Reduction Credits.

2 2. Applicant shall be limited to lightering 192,000 barrels of crude oil.

3 3. Applicant shall submit a report to the Hearing Board and the District by April
4 15, 2003, providing all the information required by Regulation 8, Rule 46, Section 501, except for
5 Section 501.8. This report shall be in writing and be addressed to: Ms. Mary Romaidis, Clerk of
6 the Boards, Bay Area Air Quality Management District, 939 Ellis Street, San Francisco, California
7 94109.

8 4. Applicant shall pay excess emission fees for VOC (total of 7,680 lbs) and Toxic
9 air Contaminants (38.40 lbs) per Regulation 3, Schedule A.

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DATED: March 18, 2003

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Christian Colline, P.E.

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