



State of Louisiana
Department of Environmental Quality



KATHLEEN BABINEAUX BLANCO
GOVERNOR

MIKE D. McDANIEL, Ph.D.
SECRETARY

March 17, 2004

Richard E. Greene
Regional Administrator
EPA Region 6
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202-2733

Dear Mayor Greene:

The Louisiana Department of Environmental Quality (LDEQ) respectfully requests relief from the scheduled implementation of reformulated gasoline (RFG) in the Baton Rouge area by June 23rd, 2004. If by law we must have RFG in this area, we will of course comply. However, for reasons described below, LDEQ requests a postponement of the RFG implementation requirement to allow for resolution of unsettled issues and to allow for a better informed and more orderly transition to the new fuels.

One could argue that our area has had a year to come into compliance with the RFG requirement. However, this ignores our particular circumstances. The Baton Rouge area entered into the 2003 ozone season with the best opportunity we had had to date to achieve attainment of the 1-hour and 8-hour ozone standards. We went late into the ozone season before an unusual ozone episode cost us the opportunity to achieve attainment in 2003. We do not think any reasonable person would have expected RFG suppliers to begin investing in RFG delivery infrastructure while the possibility for attainment (and thus no RFG requirement) was out there.

Meanwhile, a Clean Air Act amendment was added to the national Energy Bill that would have cured the question of the Environmental Protection Agency's (EPA) authority to extend attainment dates for downwind areas under their transport policy. The Energy Bill(s) with the amendment are still under active consideration. If either of the two versions of the Energy Bill passes, EPA will have the authority to withdraw the reclassification of the Baton Rouge area to severe and RFG may no longer be required.

Further, we have followed closely the RFG implementation issue in other states and the growing resistance to RFG with methyl tert-butyl ether (MTBE) oxygenate. EPA has recently proposed approval of New Hampshire fuel requirements that will preserve air quality benefits of RFG without the oxygenate mandate. We are interested in pursuing this option if we must have RFG. We see several potential advantages of RFG without the oxygenates but, under our present implementation schedule, do not have time to fully evaluate this alternative.

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Based on cost estimates provided by local industry experts, the incremental cost increase for RFG above conventional gasoline in the 5-parish Baton Rouge area market will range between 10 to 15 cents per gallon. (RFG with ethanol oxygenate is expected to run in the upper end of this range since it will have to be transported in and splash blended prior to delivery.) Using this incremental cost range and gasoline consumption statistics for the 5-parish area, we have calculated that \$48 to \$72 million will be siphoned annually from our local economy. As we are sure you have noticed, retail gasoline prices at the pump are at or near record highs and, in recent Senate testimony, the head of the U.S. Energy Information Administration said there was a good possibility that retail gasoline prices will climb even higher this year. The increase of an additional 10 to 15 cents per gallon on top of already high prices is sure to present a serious financial burden on the economically disadvantaged as well as many small businesses in the Baton Rouge community. Of course, the overall economic impact to the 5-parish area will be much higher as retail gasoline and convenience store sales are redistributed around the borders of the 5-parish area.

The recent visit by EPA representatives to inform interested stakeholders in the Baton Rouge area about the forthcoming implementation of RFG was appreciated. Quite frankly though, the information provided was of limited value in actually preparing fuel providers and retail outlets to deal with the exigencies of supply, transport, delivery, storage, and dispensing of the two RFG formulations.

Both suppliers and retail outlets for gasoline in the Baton Rouge area have expressed grave concerns about being able to comply with the RFG requirements by the June 23rd deadline. The decision of which type of RFG (MTBE or ethanol) they should select to handle has become extraordinarily difficult. They are looking at the increasing number of states banning MTBE and the economic risk for groundwater contamination cleanups, as well as new information presenting concerns related to RFG with ethanol. They are also, of course, eyeing the potential \$27,500 per day penalty fees for non-compliance under the RFG requirements.

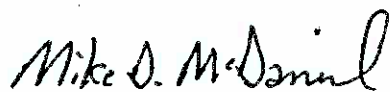
Since retailers cannot mix the two types of RFG in their tanks, they must select in advance which type they will handle regardless of cost advantages or disadvantages of either type of fuel. Unfortunately, with only a little over three months to implementation, there is only sparse information available to many independent retailers concerning what RFG blend they will be supplied with. To comply with the RFG requirements, retail outlets must draw down their tanks and then refill with RFG prior to June 23rd. According to information presented recently by industry experts, those electing to handle RFG with the ethanol oxygenate must determine compatibility of their storage and dispensing equipment to the fuel. They must also take special precautions to filter out potential rust and deposits in the fuel delivery piping, and pay attention to water/ethanol bottoms in their tanks.

Enduring this economic injury would be somewhat more palatable if there was a sense that RFG was helping us to achieve attainment with the ozone standards. However, using the best EPA modeling tools (Mobile 6 and UAM-V), we have found that implementation of RFG in the Baton Rouge area will produce no measurable benefits for ozone attainment. Mobile 6 modeling shows implementation of RFG in the 5-parish area to provide no nitrogen oxides (NOx) benefits and only a two ton per day reduction in emissions of volatile organic compounds (VOCs). And, the VOC benefit is exaggerated because the modeling assumes all vehicle miles traveled (VMT) in the five parishes are fueled by RFG. We know that we have about 17% traffic that is pass-through and another significant portion of our VMT is commuter traffic into the Baton Rouge area from outside the five parishes. The modeling of impact of RFG on ozone levels in the Baton Rouge area shows no measurable benefit (a reduction of only around one-tenth of a part per billion). Documentation for the modeling information can be provided to you.

So, we are looking at a situation where the Baton Rouge community is going to experience considerable economic harm because we must shortly implement RFG, even though we can demonstrate it produces no measurable benefits. Considerable investment in RFG delivery and storage infrastructure is being required, even though we may learn shortly that RFG will not be required. We are being required to implement a requirement designed for large urban centers with severe air quality problems, even though we have only one monitor out of compliance with the stringent 8-hour ozone standard (and that by only two parts per billion). This is unreasonable and entirely inconsistent with EPA's Common Sense Initiative.

Given our unique and precarious situation and the gravity of potential impacts on the 5-parish Baton Rouge nonattainment area, we respectfully request an extension of the deadline for implementation of RFG to allow for a better informed and more orderly transition to the new fuels. This request is supported by practically all major stakeholders in the Baton Rouge community as evidenced by the letters of support accompanying this document.

Sincerely,



Mike D. McDaniel, Ph.D
Secretary

Enclosures

c: Louisiana Congressional Delegation
Mayor-President Bobby Simpson