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JAN 04 1989

Mr. Lawrence E. Pewitt, P.E.  
Director, Permits Division  
Texas Air Control Board  
6330 Highway 290 East  
Austin, Texas 78726

Re: Valero Hydrocarbons BACT Analysis, PSD-TX-746

Dear Mr. Pewitt:

We have evaluated the information provided by Valero Hydrocarbons on August 19, 1988, concerning the feasibility of best available control technology (BACT) alternatives for its proposed natural gas processing plant near Corpus Christi, Nueces County, Texas. Our evaluation was coordinated with the Economic Analysis Section in Research Triangle Park, North Carolina, whose review is enclosed.

Major concerns with the technical, cost, and economic issues are as follows:

Inconsistent annualization methods to estimate cost-effectiveness.

Omission of analyses of alternatives, such as combined cycle stem generation for gas turbines and retrofitting dry Controls on internal combustion engines.

Questionable incorporation of downtime in the operating costs and unreasonable concerns regarding catalyst regeneration and/or disposal, brine disposal, and water purification.

These items are discussed in detail in the Enclosure.

We recommend that Valero reevaluate its economic analyses using more conventional techniques. We further recommend that Valero include in its BACT analysis a review of the alternate control options which are described in the enclosure, which are potentially as effective as, and less costly than, those control techniques presented.

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It is, furthermore, important that you be aware that the Clean Air Act requires us to take final action to either grant or deny a Prevention of Significant Deterioration (PSD) permit within one year after the date of filing a completed permit application. See 42 U.S.C. 7475(c). Although Valero's original application was dated January 22, 1988, significant changes to the BACT analysis were made subsequent to the public comment period. Presently, EPA is considering denial of the permit because of the numerous and significant deficiencies in the permit application as described herein and in the Enclosure. However, if Valero submits a written request that EPA delay its final permit decision beyond the January 22, 1989 date, then EPA will allow Valero to respond to the concerns detailed by this letter. The written request should also include a schedule mutually agreed upon by the Texas Air Control Board, the Environmental Protection Agency, and Valero to complete action on this permit within a reasonable time. Such schedule must be agreed upon before January 22, 1989; otherwise EPA may proceed to disapprove Valero's request for a PSD permit. Finally, this letter, Valero's comments, and any additional information supplied to the

