

**MONTANA DEPARTMENT OF ENVIRONMENTAL QUALITY
OPERATING PERMIT TECHNICAL REVIEW DOCUMENT**

**Permitting and Compliance Division
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Phillips 66 Company
Bozeman Product Terminal
NE¼ of Section 6, Township 2 South, Range 6 East, in Gallatin County
318 West Griffin Drive
Gallatin County
Bozeman, Montana 59715

The following table summarizes the air quality programs testing, monitoring, and reporting requirements applicable to this facility.

| Facility Compliance Requirements | Yes | No | Comments |
|---|-----|----|------------------------------|
| Source Tests Required | XX | | |
| Ambient Monitoring Required | | XX | |
| COMS Required | | XX | |
| CEMS Required | | XX | |
| Schedule of Compliance Required | | XX | |
| Annual Compliance Certification and Semiannual Reporting Required | XX | | As Applicable |
| Monthly Reporting Required | XX | | As Applicable |
| Quarterly Reporting Required | | XX | |
| Applicable Air Quality Programs | | | |
| ARM Subchapter 7 – Montana Air Quality Permit | XX | | MAQP #2945-07 |
| New Source Performance Standards (NSPS) | | XX | |
| National Emission Standards for Hazardous Air Pollutants (NESHAPS) | | XX | |
| Maximum Achievable Control Technology (MACT) | XX | | 40 CFR 63, Subpart BBBBBB |
| Major New Source Review (NSR) – includes Prevention of Significant Deterioration (PSD) and/or Non-attainment Area (NAA) NSR | | XX | |
| Risk Management Plan Required (RMP) | | XX | |
| Acid Rain Title IV | | XX | |
| Compliance Assurance Monitoring (CAM) | | XX | |
| State Implementation Plan (SIP) | XX | | General SIP |

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SECTION I. GENERAL INFORMATION

A. Purpose

This document establishes the basis for the decisions made regarding the applicable requirements, monitoring plan, and compliance status of emissions units affected by the operating permit proposed for this facility. The document is intended for reference during review of the proposed permit by the Environmental Protection Agency (EPA) and the public. It is also intended to provide background information not included in the operating permit and to document issues that may become important during modifications or renewals of the permit. Conclusions in this document are based on information provided in the renewal application submitted by Phillips 66 received by the Department on May 5, 2008, the modification request received by the Department on September 13, 2010, additional information received October 11, 2010, and Administrative Amendment requests received on April 2, 2012 and September 30, 2013.

B. Facility Location

Phillips 66 owns and operates the Bozeman Product Terminal located in the NW¼ of Section 6, Township 2 South, Range 6 East, in Gallatin County, Montana. Gallatin County is designated as an Unclassifiable/Attainment area for National Ambient Air Quality Standards (NAAQS) for all criteria pollutants. The Bozeman Product Terminal is located just north of the city of Bozeman; West Griffin Drive on the north, Exxon product terminal on the east, a cultivated field on the south, and an industrial park on the west bound the product terminal. The surrounding vicinity is mainly industrial. A trailer park and a few residential sites are located northeast of the terminal. The East Gallatin Recreational Area is located approximately 1/4 mile northeast of the terminal. There are no schools or medical facilities in the immediate vicinity of the terminal.

C. Facility Background Information

Montana Air Quality Permit

The Bozeman Product Terminal was constructed and operating by 1955. Tanks were installed from 1955 to 1966; therefore, the facility was grand-fathered from the Montana Air Quality Permit (MAQP) process. On August 8, 1997, ConocoPhillips submitted an application for the Bozeman Product Terminal to obtain an MAQP containing an operational limit. The operational limit allowed ConocoPhillips to be a synthetic minor from the 40 CFR 63, Subpart R (Gasoline Distribution MACT) requirements. **MAQP #2945-00** was issued final on September 28, 1997.

MAQP #2945-01 was issued on March 30, 1998, to clarify an error made in Section II.A.1. of MAQP #2945-00. MAQP #2945-01 replaced MAQP #2945-00.

A letter from ConocoPhillips dated January 3, 2003, and received by the Department, January 10, 2003, notified the Department that Conoco Inc. (Conoco) had changed its name to ConocoPhillips. The permit action contained in **MAQP #2945-02** changed the name on the permit from Conoco to ConocoPhillips. MAQP #2945-02 replaced MAQP #2945-01.

A letter from ConocoPhillips dated November 24, 2004, and received by the Department December 1, 2004, notified the Department that ConocoPhillips planned to install a 3,000-gallon vertical tank used to store a lubricity additive. Since the uncontrolled potential to emit (PTE) of the 3,000-gallon vertical tank was less than 15 tons per year of any regulated pollutant the tank was added to the permit under the provisions of ARM 17.8.745 Montana Air Quality Permits--Exclusion for De Minimis Changes. **MAQP #2945-03** was also updated to reflect current permit language and rule references used by the Department. MAQP #2945-03 replaced MAQP #2945-02.

A letter from ConocoPhillips dated August 6, 2008, and received by the Department August 8, 2008, requested an administrative amendment to further limit the facility's annual truck loading throughput of gasoline. The throughput limit was requested to be reduced to 97,500,000 gallons per year of gasoline. **MAQP #2945-04** replaced MAQP# 2945-03 to incorporate the request into the Montana Air Quality Permit.

A letter from ConocoPhillips dated June 8, 2009, and received by the Department June 10, 2009, requested an administrative amendment to change the address associated with MAQP #2945-04. The permit action incorporated the request into the MAQP. **MAQP #2945-05** replaced MAQP #2945-04.

The Department of Environmental Quality received a letter from ConocoPhillips on September 13, 2010 requesting an administrative change to reduce the allowable throughput of gasoline for the facility. Phillips 66 requested a throughput limit of 91,000,000 gallons per rolling 12-month period. **MAQP #2945-06** replaced MAQP #2945-05.

On March 30, 2012, Conoco Phillips Company submitted a letter to the Department notifying the Department that Conoco Phillips changed their name to Phillips 66 Company. In addition, ConocoPhillips requested to change the mailing address for the facility. **MAQP #2945-07** replaced MAQP# 2945-06.

Title V Operating Permit

Title V Operating Permit #OP2945-00 was issued final and effective on August 23, 1998.

ConocoPhillips applied for a renewal of their Title V Operating Permit on February 27, 2003. **Title V Operating Permit #OP2945-01** included the name change from Conoco, Inc to ConocoPhillips as well as updated applicable requirements. Title V Operating Permit #OP2945-01 replaced Title V Operating Permit #OP2945-00.

On March 4, 2004, the Department received a letter from ConocoPhillips to change the responsible official from Tom Wanzeck to Karen L. Kennedy. **Title V Operating Permit #OP2945-02** replaced Title V Operating Permit #OP2945-01.

On March 30, 2006, the Department received a letter from ConocoPhillips to change the responsible official from Karen L. Kennedy to John T. Barrett. **Title V Operating Permit #OP2945-03** replaced Title V Operating Permit #OP2945-02.

On May 5, 2008, the Department received a Title V Renewal Application from ConocoPhillips. Changes requested and included the following:

- EU6, a 40,000-barrel tank identified at the facility as T-15, has been removed from service and will no longer be used for the storage of refined petroleum products. The tank was removed from Section C.
- Removal of MTBE from HAPs calculations. Although not specifically addressed in the permit, MTBE has been removed from the HAPs calculations that are submitted with the required emissions inventory report as ConocoPhillips has notified the Department that this pollutant is no longer emitted by the facility.
- Change of the facility contact information, address, and responsible official.
- Addition of 40 CFR 63, Subpart BBBBBB to applicable requirements.

The Department also added or modified rule references and language including prompt deviation language, the general requirement for NESHAP SSM plans, and the clarification described in Section III.A of this permit. Other changes included incorporation of de-minimis additions. **Title V Operating Permit #OP2945-04** replaced Title V Operating Permit #OP2945-03.

The Department received a letter from ConocoPhillips on September 13, 2010 requesting a change to reduce the allowable throughput of gasoline for the facility. ConocoPhillips requested a throughput limit of 91,000,000 gallons of gasoline per rolling 12-month period. **Title V Operating Permit #OP2945-05** replaced Title V Operating Permit #OP2945-04.

On March 30, 2012, Conoco Phillips Company submitted a letter to the Department notifying the Department that Conoco Phillips changed their name to Phillips 66 Company. In addition, ConocoPhillips requested to change the mailing address for the facility. **Title V Operating Permit #OP2945-06** replaced Title V Operating Permit #OP2945-05.

D. Current Permit Action

On September 30, 2013 Phillips 66 submitted a letter to the Department requesting an administrative amendment to correct the expiration date in the Title V Operating Permit #OP2945-06. A typographical error listed the expiration date as January 20, 2015. The correct expiration date is October 29, 2014. The Department made the requested correction and **Title V Operating Permit #OP2945-07** replaces Title V Operating Permit #OP2945-06.

E. Taking and Damaging Analysis

HB 311, the Montana Private Property Assessment Act, requires analysis of every proposed state agency administrative rule, policy, permit condition or permit denial, pertaining to an environmental matter, to determine whether the state action constitutes a taking or damaging of private real property that requires compensation under the Montana or U.S. Constitution. As part of issuing an operating permit, the Department is required to complete a Taking and Damaging Checklist. As required by 2-10-101 through 2-10-105, MCA, the Department conducted the following private property taking and damaging assessment.

| YES | NO | |
|-----|----|---|
| XX | | 1. Does the action pertain to land or water management or environmental regulation affecting private real property or water rights? |
| | XX | 2. Does the action result in either a permanent or indefinite physical occupation of private property? |
| | XX | 3. Does the action deny a fundamental attribute of ownership? (ex.: right to exclude others, disposal of property) |
| | XX | 4. Does the action deprive the owner of all economically viable uses of the property? |
| | XX | 5. Does the action require a property owner to dedicate a portion of property or to grant an easement? [If no, go to (6)]. |
| | | 5a. Is there a reasonable, specific connection between the government requirement and legitimate state interests? |
| | | 5b. Is the government requirement roughly proportional to the impact of the proposed use of the property? |
| | XX | 6. Does the action have a severe impact on the value of the property? (consider economic impact, investment-backed expectations, character of government action) |
| | XX | 7. Does the action damage the property by causing some physical disturbance with respect to the property in excess of that sustained by the public generally? |
| | XX | 7a. Is the impact of government action direct, peculiar, and significant? |
| | XX | 7b. Has government action resulted in the property becoming practically inaccessible, waterlogged or flooded? |
| | XX | 7c. Has government action lowered property values by more than 30% and necessitated the physical taking of adjacent property or property across a public way from the property in question? |
| | XX | Takings or damaging implications? (Taking or damaging implications exist if YES is checked in response to question 1 and also to any one or more of the following questions: 2, 3, 4, 6, 7a, 7b, 7c; or if NO is checked in response to questions 5a or 5b; the shaded areas) |

Based on this analysis, the Department determined there are no taking or damaging implications associated with this permit action.

F. Compliance Designation

Review of all the material in the Department's compliance files and information provided from inspections indicates that the facility is in compliance

SECTION II. SUMMARY OF EMISSIONS UNITS

A. Facility Process Description

Phillips 66 operates a bulk gasoline terminal at the Bozeman Product Terminal. The terminal stores and transfers petroleum products (gasoline and distillate) received from the pipeline and distributes them to regional markets via cargo tanks (tank trucks). The Standard Industrial Classification (SIC) for this facility is "Wholesale Distribution" which has an SIC Code of "5171."

B. Emissions Units and Pollution Control Device Identification

Currently, the Bozeman Product Terminal operates a truck loading rack, two gasoline tanks, and two distillate tanks. Fugitive and miscellaneous emissions include emissions from valves, flanges, pump seals, additive tanks, provers, tank cleaning, wastewater sumps, rack drains, tank roof landings, connections, meters, and open-ended lines.

| Emissions Unit ID | Description | Pollution Control Device/Practice |
|-------------------|--|--|
| EU001 | Loading Rack | Submerged fill and dedicated normal service and/or switch loaded service |
| EU002 | 840,000-gallon Tank T-10 Stores Gasoline | Internal floating roof |
| EU003 | 840,000-gallon Tank T-11 Stores Gasoline | Internal floating roof |
| EU004 | 840,000-gallon Tank T-12 Stores Distillates | Vertical fixed roof |
| EU005 | 840,000-gallon Tank T-13 Stores Distillates | Vertical fixed roof |
| EU007 | Fugitive emissions from valves, flanges, pump seals, provers, wastewater sumps, connections, meters, and open-ended lines and miscellaneous emissions from additive tanks, tank cleaning, tank roof landings, and rack drains. | Fugitive Emissions: Inspections |

C. Categorically Insignificant Sources/Activities

The Administrative Rules of Montana (ARM) 17.8.1201(22)(a) defines an insignificant emissions unit as one that emits less than 5 tons per year of any regulated pollutant, has the potential to emit less than 500 pounds per year of lead or any hazardous air pollutant, and is not regulated by an applicable requirement other than a generally applicable requirement.

The miscellaneous emissions from the Phillips 66 Product Terminal include emissions from tank cleaning, rain drains, additive tanks, etc. These units are insignificant because they emit less than 5 tons per year of any regulated pollutant.

SECTION III. PERMIT CONDITIONS

A. Emission Limits and Standards

The Phillips 66 Bozeman Product Terminal is limited to a maximum of 91,000,000 gallons of gasoline and 105,000,000 gallons of distillate product throughput for the truck loadout operation during any 12-month rolling period. Phillips 66 is also required to conduct monthly leak checks for fugitive emissions. Detection methods incorporating sight, sound, or smell are acceptable for the purposes of these inspections. The emission units at this facility have synthetic minored out of the 40 CFR 63, Subpart R - Gasoline Distribution MACT requirements. Due to the federally enforceable limitations on throughput of the loading rack operations, this facility is not subject to PSD regulations.

40 CFR 63, Subpart BBBBBB, is applicable to this facility. The emissions limits, management practices, and standards of this rule vary depending on the compliance methods chosen and the allowable gasoline throughput for the facility. Therefore, the permit addresses these requirements by reference.

B. Monitoring Requirements

ARM 17.8.1212(1) requires that all monitoring and analysis procedures or test methods required under applicable requirements are contained in operating permits. In addition, when the applicable requirement does not require periodic testing or monitoring, periodic monitoring must be prescribed that is sufficient to yield reliable data from the relevant time period that is representative of the source's compliance with the permit.

The requirements for testing, monitoring, recordkeeping, reporting, and compliance certification sufficient to assure compliance do not require the permit to impose the same level of rigor for all emissions units. Furthermore, they do not require extensive testing or monitoring to assure compliance with the applicable requirements for emission units that do not have significant potential to violate emission limitations or other requirements under normal operating conditions. When compliance with the underlying applicable requirement for a insignificant emissions unit is not threatened by lack of regular monitoring and when periodic testing or monitoring is not otherwise required by the applicable requirement, the status quo (**i.e., no monitoring**) will meet the requirements of ARM 17.8.1212(1). Therefore, the permit does not include monitoring for insignificant emission units.

The permit includes periodic monitoring or recordkeeping for each applicable requirement. The information obtained from the monitoring and recordkeeping will be used by the permittee to periodically certify compliance with the emission limits and standards. However, the Department may request additional testing to determine compliance with the emission limits and standards.

C. Test Methods and Procedures

The operating permit may not require testing for all sources if routine monitoring is used to determine compliance, but the Department has the authority to require testing if deemed necessary to determine compliance with an emission limit or standard. In addition, the permittee may elect to voluntarily conduct compliance testing to confirm its compliance status.

D. Recordkeeping Requirements

The permittee is required to keep all records listed in the operating permit as a permanent business record for at least five years following the date of the generation of the record.

E. Reporting Requirements

Reporting requirements are included in the permit for each emissions unit and Section V of the operating permit "General Conditions" explains the reporting requirements. However, the permittee is required to submit semi-annual and annual monitoring reports to the Department and to annually certify compliance with the applicable requirements contained in the permit. The reports must include a list of all emission limit and monitoring deviations, the reason for any deviation, and the corrective action taken as a result of any deviation.

SECTION IV. NON-APPLICABLE REQUIREMENT ANALYSIS

Section IV of the operating permit "Non-applicable Requirements" contains the requirements that the Department determined were non-applicable. The following table summarizes the requirements that Phillips 66 identified as non-applicable and contains the reasons that the Department did not include these requirements as non-applicable in the permit.

Requirements not Identified in the Operating Permit

| Requirement | Reason |
|--|--|
| ARM 17.8.601 ARM 17.8.602 ARM 17.8.1201(10)(a) ARM 17.8.1201(10)(f) ARM 17.8.1201(10)(i) ARM 17.8.1201(10)(k) | This is a statement of purpose, an applicability statement, regulatory definitions, or a statement of incorporation by reference. These types of rules do not have specific requirements associated with them. |
| ARM 17.8.604 ARM 17.8.605 ARM 17.8.606 ARM 17.8.611 ARM 17.8.612 ARM 17.8.613 ARM 17.8.614 ARM 17.8.615 | These are procedural rules that have specific requirements that may become relevant to a major source during the permit term. |

SECTION V. FUTURE PERMIT CONSIDERATIONS

A. MACT Standards and NESHAP Standards

The requirements of 40 CFR 63, Subpart BBBBBB will apply to this facility. The compliance date for most of the requirements is January 10, 2011, except for storage tanks which are equipped with floating roofs and not already meeting these requirements, for which compliance must be achieved by the first degassing and cleaning activity after January 10, 2011, or by January 10, 2018, whichever is first. These rules apply to gasoline related equipment only.

It would be expected that should Phillips 66 decide to install controls, the facility would become a synthetic minor under the Title V rules. An application for Modification of the Montana Air Quality Permit would be required prior to installation of the control device. Although the facility would be expected to become a synthetic minor under this option, the requirements of 40 CFR 63 Subpart BBBBBB would still apply. Phillips 66 is also subject to the notification requirements of this rule.

One of the control options available in meeting the requirements of 40 CFR 63, Subpart BBBBBB, should Phillips 66 install controls, is utilization of a flare. Should Phillips 66 apply to install a flare, the requirements of ARM 17.8.770 would apply. This rule requires a human health risk assessment and modeling to be completed as described in the rule.

B. NSPS Standards

As of the draft date of Title V Operating Permit #OP2945-07, the Department is not aware of any future NSPS Standards that may be promulgated that will affect this facility.

C. Risk Management Plan

If a facility has more than a threshold quantity of a regulated substance in a process, the facility must comply with 40 CFR 68 requirements no later than June 21, 1999; three years after the date on which a regulated substance is first listed under 40 CFR 68.130; or the date on which a regulated substance is first present in more than a threshold quantity in a process, whichever is later.

D. CAM Applicability

Compliance Assurance Monitoring under 40 CFR 64.2 is exempted for facilities that have emission limitations or standards proposed after November 15, 1990 pursuant to section 111 or 112 of the Clean Air Act. Therefore, 40 CFR 63 Subpart BBBBBB will not make this facility subject to these CAM rules, should Phillips 66 decide to install controls. However, within the rules of 40 CFR 63, Subpart BBBBBB are requirements for monitoring of the operations of the control technology selected.

Phillips 66 has submitted to the Department a letter notifying that they have elected to comply with the alternate monitoring path under 40 CFR 63.11092(b)(1)(iii)(B). A Monitoring and Inspection plan was submitted to the Department for review and approval per 40 CFR 63.11092(b)(1)(iii)(B)(2). As of the date of decision of this permit, the Department has not provided a decision to this submittal. Phillips 66 has not applied to install the control device prior to issuance of this permit renewal.

In accordance with the Administrative Rules of Montana (ARM) Title 17, Chapter 8, Subchapter 15, a Compliance Assurance Monitoring (CAM) Plan applies to each pollutant-specific emitting unit at a major stationary source if the affected unit is subject to a pollutant specific emission limitation or standard; the unit uses a control device to achieve compliance with the applicable limitation or standard; and the unit has a pre-control PTE of the regulated pollutant in an amount that exceeds

100% of the Title V major source threshold. However, CAM requirements exclude any emission limitations that come from MACT or NSPS standards proposed after November 15, 1990. Therefore, the Phillips 66 facility is not currently subject to CAM, and would not be subject to CAM should Phillips 66 install controls in accordance with requirements of 40 CFR 63 Subpart BBBBBB.

E. PSD and Title V Greenhouse Gas Tailoring Rule

On May 7, 2010, EPA published the “light duty vehicle rule” (Docket # EPA-HQ-OAR- 2009-0472, 75 FR 25324) controlling greenhouse gas (GHG) emissions from mobile sources, whereby GHG became a pollutant subject to regulation under the Federal and Montana Clean Air Act(s). On June 3, 2010, EPA promulgated the GHG “Tailoring Rule” (Docket # EPA-HQ-OAR-2009-0517, 75 FR 31514) which modified 40 CFR Parts 51, 52, 70, and 71 to specify which facilities are subject to GHG permitting requirements and when such facilities become subject to regulation for GHG under the PSD and Title V programs.

Under the Tailoring Rule, any PSD action (either a new major stationary source or a major modification at a major stationary source) taken for a pollutant or pollutants other than GHG that would become final on or after January 2, 2011 would be subject to PSD permitting requirements for GHG if the GHG increases associated with that action were at or above 75,000 TPY of carbon dioxide equivalent (CO_{2e}) and greater than 0 TPY on a mass basis. Similarly, if such action were taken, any resulting requirements would be subject to inclusion in the Title V Operating Permit. Facilities which hold Title V permits due to criteria pollutant emissions over 100 TPY would need to incorporate any GHG applicable requirements into their operating permits for any Title V action that would have a final decision occurring on or after January 2, 2011.

Starting on July 1, 2011, PSD permitting requirements would be triggered for modifications that were determined to be major under PSD based on GHG emissions alone, even if no other pollutant triggered a major modification. In addition, sources that are not considered PSD major sources based on criteria pollutant emissions would become subject to PSD review if their facility-wide potential emissions equaled or exceeded 100,000 TPY of CO_{2e} and 100 or 250 TPY of GHG on a mass basis depending on their listed status in ARM 17.8.801(22) and they undertook a permitting action with increases of 75,000 TPY or more of CO_{2e} and greater than 0 TPY of GHG on a mass basis. With respect to Title V, sources not currently holding a Title V permit that have potential facility-wide emissions equal to or exceeding 100,000 TPY of CO_{2e} and 100 TPY of GHG on a mass basis would be required to obtain a Title V Operating Permit.

Based on information provided by Phillips 66, potential emissions from the Bozeman Product Terminal fall below the GHG major source threshold of 100,000 TPY of CO_{2e} for both Title V and PSD under the Tailoring Rule.