

# SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

## Draft Staff Report

### Proposed Amended Rule 463 – Organic Liquid Storage; and Proposed Amended Rule 1178 – Further Reductions of VOC Emissions from Storage Tanks at Petroleum Facilities

April 2023

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## **EXECUTIVE SUMMARY**

On September 30, 2022, the United States Environmental Protection Agency (U.S. EPA) published its Limited Approval, Limited Disapproval of California Air Plan Revisions; California Air Resources Board that partially relies on South Coast AQMD Rules 463 – *Organic Liquid Storage* and 1178 – *Further Reductions of VOC Emissions from Storage Tanks at Petroleum Facilities* to demonstrate Reasonably Available Control Technology (RACT) for the 2008 and 2015 ozone National Ambient Air Quality Standards (NAAQS) for storage tanks subject to U.S. EPA’s 2016 Control Techniques Guidelines for the Oil and Natural Gas Industry (Oil and Gas CTG). California Air Resources Board (CARB) has requested that Rules 463 and 1178 be amended to address the RACT deficiencies prior to CARB’s Public Hearing in June so that CARB’s rule can be reviewed and approved by U.S. EPA to avoid potential sanctions.

Rules 463 and 1178 contain requirements as stringent as RACT. However, the applicability of Rules 463 and 1178 is based on tank capacity and the true vapor pressure of the organic liquid stored. The Oil and Gas CTG applies to storage tanks in the oil and natural gas industry based a instead on storage tank’s potential to emit (PTE) and may therefore conceivably apply to tanks that are not currently subject to Rule 463 or Rule 1178. The proposed amendments to Rules 463 and 1178 will align the rules’ applicability with the Oil and Gas CTG. Staff has determined that no existing storage tanks will be required to install controls as a result of amending the applicability to include tanks that emit over the PTE threshold specified in the Oil and Gas CTG.

Separately, a best available retrofit control technology (BARCT) analysis for Rule 1178 is ongoing and any recommended amendments resulting from the BARCT analysis will be presented to the South Coast AQMD Governing Board for their consideration at a later date.

## **BACKGROUND**

On September 30, 2022, U.S. EPA published its Limited Approval, Limited Disapproval of California Air Plan Revisions; California Air Resources Board. The action disapproved CARB’s demonstration of RACT for the 2008 and 2015 NAAQS for tanks subject to U.S. EPA’s Oil and Gas CTG. CARB’s RACT demonstration partially relied on Rules 463 and 1178, and RACT deficiencies in regard to their alignment with the Oil and Gas CTG applicability requirements were identified in both rules.

Rule 463 limits VOC emissions from above-ground storage tanks that store organic liquids. Applicable storage tanks include ones that have a design capacity of 19,815 gallons or more or that have a design capacity between 251 and 19,815 gallons and are used to store gasoline. The rule requires floating roofs with seals, or fixed roofs with 95 percent (%) emission control, for storage tanks with capacity of 39,630 gallons or more used to store organic liquid with true vapor pressure (TVP) of 0.5 pound per square inch absolute (psia) or greater, and for storage tanks with capacity of 19,815 gallons used to store organic liquid with TVP of 1.5 psia or greater.

Rule 1178 limits volatile organic compounds (VOC) emissions from storage tanks at petroleum facilities that have emitted more than 20 tons of VOC in any reporting year since the rule’s adoption in 2001. Applicable storage tanks have a design capacity of 19,815 gallons or more and store materials with a TVP of greater than 0.1 psia. The rule requires more stringent controls for

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storage tanks at higher emitting facilities. Such controls include: gasketed and/or bolted covers, and sleeves and/or wipers on all roof components. Best available rim seal systems and domes are also required for certain tanks.

The recommendation in the Oil and Gas CTG for RACT is a 95 percent emission control standard for storage tanks. Rules 463 and 1178 require at least 95 percent emission control for all storage tanks subject to the rules. However, the Oil and Gas CTG applies to storage tanks with a potential to emit six tons per year or greater and that are used in the oil and natural gas sector. Since Rules 463 and 1178 do not apply to storage tanks based on a tank's potential to emit, but based on design capacity and the true vapor pressure of the liquid stored, the rules potentially do not cover all tanks subject to the Oil and Gas CTG. Proposed Amended Rule 463 (PAR 463) and Proposed Amended Rule 1178 (PAR 1178) will address the identified RACT deficiency by aligning the applicability of each rule with the applicability of the Oil and Gas CTG by including storage tanks covered by the Oil and Gas CTG.

PAR 463 applies to 1,594 storage tanks at 278 facilities. PAR 1178 applies to 1,072 storage tanks at 29 facilities. No additional storage tanks are expected to become subject to Rule 463 or Rule 1178 and be required to install controls as a result of the proposed amendments. Implementation of PAR 463 and PAR 1178 is expected to result in zero emission reductions.

PAR 1178 and PAR 463 were developed through a public process. A Public Workshop for PAR 463 and PAR 1178 was held on March 1, 2023, where staff presented the proposed amended rule language to the general public and to stakeholders, and solicited comments.

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## **REGULATORY HISTORY**

Rule 463 was adopted in 1977 and regulates emissions from above-ground storage tanks. Rule 463 requires tanks to have an external floating roof, internal floating roof, or fixed roof and in which the tank is vented to a fuel gas system or vapor recovery system that meets 95 percent or greater control efficiency by weight. The most recent amendments to Rule 463 include removal of the hydrogen sulfide content standard and associated test method shown to be non-reproducible and to harmonize test methods and leak standards with Rule 1178.

Rule 1178 was adopted in 2001 and requires additional emission controls for tanks with capacity of 19,815 gallons or greater used for the storage of organic liquids with a true vapor pressure of greater than 0.1 psia at any petroleum facility that emits more than 20 tons of VOC in any reporting year since 2000. The additional emission controls included domes, gasketed and/or bolted covers with sleeves or wipers on all roof opening, best available rim seal systems, and emission controls systems for fixed roof tanks.

Rule 1178 was amended on April 7, 2006 to allow an alternative for drain covers, include a modified seal requirement, update the inspection form, and clarify compliance schedules. Rule 1178 was amended again on April 6, 2018 to specify requirements for flexible enclosure systems, require repairs or replacements to be conducted within 72 hours of an identified leak, and clarify report submissions. Rule 1178 was amended again on November 6, 2020 to allow the option for an operator to apply for and accept permit conditions to limit the TVP of the organic liquid stored in waste water tanks where the installation of a domed roof may create a hazard due to the accumulation of pyrophoric material.

## **APPLICABLE INDUSTRIES**

PAR 463 applies to 1,594 storage tanks at 278 facilities in the petroleum, natural gas, electricity, generations, and chemical manufacturing and distribution industries. PAR 1178 applies to 1,072 tanks at 29 facilities in the petroleum industry including refineries, bulk storage, terminals, and oil production sites.

## **PUBLIC PROCESS**

PAR 463 and PAR 1178 were developed through a public process. A Public Workshop was held on March 1, 2023, where staff presented the proposed amended rules to the general public and to stakeholders and solicited comments. Staff presented draft versions of rule language in PAR 463 and PAR 1178 specific to addressing the RACT deficiency. In addition, staff presented additional draft rule language in PAR 1178 based on the results of the best available retrofit control technology (BARCT) assessment for leak detection and emission reducing technologies. Discussion on proposed amendments to Rule 1178 included requirements for doming, seals, emission control systems, optical gas imaging (OGI) inspections, recordkeeping and reporting. Stakeholders have requested additional time to work with staff on the proposed requirements pertaining to the BARCT assessment for PAR 1178.

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CARB has requested that South Coast AQMD amend Rules 463 and 1178 no later than June 2023 to address the RACT deficiency. To meet CARB's request, PAR 463 and PAR 1178 is proposed to be considered by the South Coast AQMD Governing Board at the Public Hearing scheduled for May 5, 2023 and will only contain those proposed amendments specific to remedying the RACT deficiency. To allow more time for stakeholders to work with staff on the remaining issues pertaining to the BARCT assessment, additional amendments to Rule 1178 to incorporate requirements based on the BARCT assessment will be proposed at a separate Public Hearing tentatively scheduled for August 4, 2023.

## **SUMMARY OF PROPOSALS**

The Oil and Gas CTG applies to storage tanks with a potential to emit 6 tons per year or greater used in the oil and natural gas industry. Storage tanks used in the oil and natural gas industry store organic liquid such as crude oil, condensate, intermediate hydrocarbons, and produced water.

The Oil and Gas CTG describes the oil and natural gas industry as operations involved in the extraction and production of crude oil and natural gas. The natural gas industry also includes processing, transmission, storage, and distribution. Storage tanks in the extraction and production of crude oil includes those used in any operations from the well to the point of custody transfer to a refinery, including those located at stand-alone sites where oil, condensate, produced water or gas from a well is separated, stored or treated. Storage tanks in the natural gas industry include those used in any operations from the natural gas well to the natural gas customer, including distribution. Distribution is the final operation in the natural gas industry and includes all networks that deliver natural gas to business or household customers.

The CTG also specifies how to determine the potential to emit for a storage tank. The potential to emit is based on the maximum average daily throughput in a 30-day period of production prior to a deadline established by the regulating agency. Proposed amendments to Rules 463 and 1178 will align the applicability with the Oil and Gas CTG and include definitions to specify the operations that are involved in the oil and natural gas industry and subject to the Oil and Gas CTG and the method for calculating potential to emit.

### ***Proposed Amended Rule 463***

#### ***Subdivision (a) – Purpose and Applicability***

In addition to the existing applicability, PAR 463 will apply to tanks with Potential For VOC Emissions of six tons per year or greater used in Crude Oil and Natural Gas Production Operations.

#### ***Subdivision (b) – Definitions***

An existing definition was modified and new definitions were added for clarity and consistency with the proposed changes to applicability.

***CRUDE OIL AND NATURAL GAS PRODUCTION OPERATIONS*** are any operations from the crude oil well to the point of custody transfer to a refinery and any operations from a natural gas well to the natural gas customer.

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This is a new definition that specifies the operations in which storage tanks are used and that may be subject to the proposed amended rule if the tank's Potential For VOC Emissions is six tons per year or greater.

*POTENTIAL FOR VOC EMISSIONS means emissions calculated using a generally accepted model or calculation methodology, based on permitted throughput limits or, when permitted throughput limits are not available, based on the maximum throughput in a calendar month consisting of at least 30 days of production, in years 2019 to 2022.*

This is a new definition that specifies how the Potential For VOC Emissions is calculated to determine applicability. For storage tanks without permitted throughput limits, the potential for VOC emissions must be calculated based on the highest throughput in a calendar month where at least 30 days of production occurred, in years 2019 to 2022.

*TANK is any stationary reservoir or any other stationary container used for storage of an organic liquid, primarily constructed of non-earthen materials.*

This definition was modified to include tanks subject to the Oil and Gas CTG which applies to aboveground and underground storage tanks primarily constructed of non-earthen materials.

*Subdivision (c) – Tank Roof Requirements*

This subdivision was modified to apply to tanks subject to the Oil and Gas CTG.

*Subdivision (g) – Exemptions*

This subdivision was modified so that exemptions do not apply to tanks subject to the Oil and Gas CTG.

***Proposed Amended Rule 1178***

*Subdivision (b) – Applicability*

In addition to the existing applicability, PAR 1178 will apply tanks with Potential For VOC Emissions of six tons per year or greater used in Crude Oil and Natural Gas Production Operations.

*Subdivision (c) – Definitions*

An existing definition was modified and new definitions were added for clarity and consistency with the proposed changes to applicability.

*CRUDE OIL AND NATURAL GAS PRODUCTION OPERATIONS are any operations from the crude oil well to the point of custody transfer to a refinery and any operations from a natural gas well to the natural gas customer.*

This is a new definition that specifies the operations in which storage tanks are used and that may be subject to the proposed amended rule if the tank's Potential For VOC Emissions is six tons per year or greater.

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*POTENTIAL FOR VOC EMISSIONS means emissions calculated using a generally accepted model or calculation methodology, based on permitted throughput limits or, when permitted throughput limits are not available, based on the maximum throughput in a calendar month consisting of at least 30 days of production, in years 2019 to 2022.*

This is a new definition that specifies how the potential for VOC emissions is calculated to determine applicability. For storage tanks without permitted throughput limits, the potential for VOC emissions must be calculated based on the highest throughput in a calendar month where at least 30 days of production occurred, in years 2019 to 2022.

*STORAGE TANK is a stationary container primarily constructed of non-earthen materials that meets the applicability criteria of this rule and is used to store organic liquid.*

This definition was modified to include tanks subject to the Oil and Gas CTG which applies to aboveground and underground storage tanks primarily constructed of non-earthen materials.

Subdivision (d) – Requirements

This subdivision was modified so that the requirements apply to all tanks applicable to the rule.

## **EMISSION REDUCTIONS AND COST-EFFECTIVENESS**

Staff has not identified any storage tanks that are used in the oil and natural gas industry with a potential to emit six tons per year or greater of VOC that are not already subject to Rule 463 or Rule 1178. Staff does not anticipate that any facilities will need to install controls on existing storage tanks as a result of the proposed amendment. Since no controls are expected to be installed, no costs or emissions reductions are assumed and a cost-effectiveness analysis is not required.

## **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) ANALYSIS**

Pursuant to the California Environmental Quality Act (CEQA) Guidelines sections 15002(k) and 15061, the proposed project (PAR 463 and PAR 1178) is exempt from CEQA pursuant to CEQA Guidelines section 15061(b)(3). A Notice of Exemption has been prepared pursuant to CEQA Guidelines section 15062, and if the proposed project is approved, the Notice of Exemption will be filed for posting with the State Clearinghouse of the Governor’s Office of Planning and Research, and with the county clerks of Los Angeles, Orange, Riverside, and San Bernardino Counties

## **SOCIOECONOMIC ASSESSMENT**

The proposed amendments to Rules 463 and 1178 are not expected to result in emission reductions and will not significantly affect air quality or emissions limitations. Therefore, no socioeconomic impact assessment is required under California Health and Safety Code sections 40440.8 and 40728.5.

## **DRAFT FINDINGS UNDER HEALTH AND SAFETY CODE SECTION 40727**



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*Requirements to Make Findings*

Health and Safety Code section 40727 requires that prior to adopting, amending, or repealing a rule or regulation, the South Coast AQMD Governing Board shall make findings of necessity, authority, clarity, consistency, non-duplication, and reference based on relevant information presented at the public hearing and in the staff report. In order to determine compliance with Health and Safety Code sections 40727 and 40727.2 require a written analysis comparing the proposed amended rules with existing regulations, if the rules meet certain requirements. The following provides the draft findings.

*Necessity*

A need exists to amend PAR 463 and PAR 1178 to address RACT deficiencies identified by U.S. EPA.

*Authority*

The South Coast AQMD obtains its authority to adopt, amend, or repeal rules and regulations from Health and Safety Code sections 39002, 40000, 40001, 40440, 40506, 40510, 40702, 40725 through 40728, 41508, 41700, and 42300 et seq.

*Clarity*

PAR 463 and PAR 1178 are written or displayed so that their meaning can be easily understood by the persons directly affected by them.

*Consistency*

PAR 463 and PAR 1178 are in harmony with and not in conflict with or contradictory to, existing statutes, court decisions or state or federal regulations.

*Non-Duplication*

PAR 463 and PAR 1178 will not impose the same requirements as any existing state or federal regulations. The proposed amended rules are necessary and proper to execute the powers and duties granted to, and imposed upon, the South Coast AQMD.

*Reference*

In amending these rules, the following statutes which the South Coast AQMD hereby implements, interprets or makes specific are referenced: AB 617, Health and Safety Code sections 39002, 40001, 40406, 40506, 40702, 40440(a), 40725 through 40728.5, 40920.6, and 42300 et seq.

**COMPARATIVE ANALYSIS**

Health and Safety Code section 40727.2 requires a comparative analysis of each proposed amended rule with any federal or South Coast AQMD rule applicable to the same source. A comparative analysis is presented below in Table 1.

**Table 1 – Comparative Analysis**

| <b>Rule Element</b>  | <b>PAR 1178</b>  | <b>PAR 463</b>  | <b>40 CFR 60 Subpart Ka</b>  | <b>40 CFR 60 Subpart Kb</b>  |
|----------------------|--|---|--|--|
| <b>Applicability</b> | <ul style="list-style-type: none"> <li>• Storage tanks at facilities emitting 20 tons per year or more in any year since 2000 that:               <ul style="list-style-type: none"> <li>• have capacity of 19,815 gallons or more and stores organic liquid with true vapor pressure of &gt;0.1 psia; or</li> <li>• have potential to emit of 6 tons per year or more and used in oil and natural gas industry</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Storage tanks from 19,815-39,630 gallons storing material with TVP of 1.5 psia or greater</li> <li>• Storage tanks with capacity 39,630 gallons or more storing liquids with TVP of 0.5 psia or greater</li> <li>• Storage tanks from 251 gal to 19,815 gal storing gasoline</li> <li>• Storage tank with potential to emit of 6 tons per year or more used in oil and natural gas industry</li> </ul> | <ul style="list-style-type: none"> <li>• Storage tanks constructed, reconstructed, or modified after May 1978, and prior to July 23, 1984</li> <li>• Tanks with capacity greater than 40,000 gallons except for tanks with capacity less than 420,000 gallons used to store, process or treat petroleum or condensate</li> </ul> | <ul style="list-style-type: none"> <li>• Storage tanks constructed, reconstructed or modified after July 23, 1984 with capacity of 75 meters<sup>3</sup> (m<sup>3</sup>) or greater</li> <li>• Tanks with capacity greater than 75 m<sup>3</sup> storing liquid with true vapor pressure greater than or equal 0.5 psia and tanks with capacity of 75 m<sup>3</sup> – 151 m<sup>3</sup> storing liquid with true vapor pressure greater than or equal to 2 psia</li> </ul> |

**INCREMENTAL COST-EFFECTIVENESS**

Health and Safety Code section 40920.6 requires an incremental cost-effectiveness analysis for BARCT rules or emission reduction strategies when there is more than one control option which would achieve the emission reduction objective of the proposed amendments, relative to ozone, carbon monoxide (CO), sulfur oxides (SOx), nitrogen oxides (NOx), and their precursors. The proposed amendments do not include new BARCT requirements; therefore, this provision is not applicable.

**APPENDIX A: RESPONSES TO PUBLIC COMMENTS**

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Staff has received several comment letters in response to the Public Workshop for PAR 463 and PAR 1178. Staff has included the comment letters pertaining to the bifurcation of PAR 1178 and addressing the RACT deficiencies in PARs 463 and 1178 in this appendix. The comment letters pertaining to other proposed amendments to Rule 1178 will be addressed in a future Draft Staff Report for PAR 1178. All received comment letters have been posted electronically and are available in the Comment Letter section on the PAR 1178 Proposed Amended Rule Page on the following South Coast AQMD's website:

<http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules/rule-1178/comment-letters>

1. Comment Letter from the Regulatory Flexibility Group (Latham & Watkins), received March 2, 2023

**LATHAM & WATKINS** LLP

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**VIA EMAIL**

Michael Morris, Planning and Rules Manager  
Planning, Rule Development and Implementation  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765

Re: Regulatory Flexibility Group/Western States Petroleum Association Comments on PAR 1178 – Request for Additional Working Group Meetings

Dear Mr. Morris:

Thank you for the opportunity to submit these comments on the Proposed Amended Rule 1178 (“PAR 1178”). We submit these comments on behalf of the Regulatory Flexibility Group (“RFG”) and the Western States Petroleum Association (“WSPA”). RFG is a coalition of California entities whose operations are subject to regulation under the Clean Air Act and corresponding state and regional air quality programs. RFG members include manufacturers, natural gas utilities, and oil and chemical companies. WSPA is a non-profit trade association representing companies that explore for, produce, refine, transport, and market petroleum, petroleum products, natural gas, and other energy supplies in five western states, including California.

As we expressed in our January 4, 2023, letter submitted on behalf of the RFG,<sup>1</sup> we have been concerned with the cost-effectiveness analysis for this PAR. Between the projected doming installation costs, possible lost productivity costs, and assumptions about the useful life of the equipment, we are concerned the analysis has not undergone the stakeholder review needed to demonstrate cost-effectiveness. We previously requested the District undertake the more rigorous average cost-effectiveness, incremental cost-effectiveness, and socioeconomic impact analysis in connection with the rulemaking, as contemplated in the 2016 AQMP under which this current rulemaking was initiated. Given all of this, we were concerned to see the District schedule a Public Workshop and release the rule package *without scheduling any additional Working Group meetings*.

Since the January 5, 2023, Working Group meeting, *Staff has released three different versions of the PAR language*, with some potentially significant changes across those drafts. The

<sup>1</sup> We have attached our January 4, 2023, letter for your convenience.

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LATHAM & WATKINS LLP

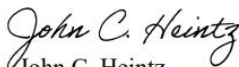
regulated community has not had the time to appropriately review and understand the full implications of the changes. While we have certainly appreciated Staff making itself available to discuss these changes over the last several weeks, there simply has not been enough time, nor public process, to ensure an appropriately analyzed and balanced rule is put before the Governing Board for consideration. Based on the language put forward in the most recent draft of February 2023, we continue to have concerns in a number of areas, including:

- The cost-effectiveness analysis;
- Doming installation schedule;
- Optical Gas Imaging (OGI) device compliance timelines and implementation schedules; and
- Other compliance demonstration timelines.

*To allow time for the regulated community to work through these concerns with District Staff, we respectfully request that Staff postpone bringing PAR 1178 before the Governing Board in May.* Instead we ask that the District hold at least two additional Working Group meetings to work through the remaining issues identified above and any other issues that may be appropriate prior to the Governing Board's consideration.

Thank you for your attention to these comments. If you would like to discuss our concerns and proposal, please contact me at (213) 891-7395, or by email at [john.heintz@lw.com](mailto:john.heintz@lw.com).

Sincerely,



John C. Heintz  
of LATHAM & WATKINS LLP

cc: Michael Krause, Assistant Deputy Executive Officer, SCAQMD  
RFG Members  
Ramine Cromartie, WSPA  
Patty Senecal, WSPA  
Christopher Norton, Latham & Watkins

Enc.

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**Comment 1-1**

Staff has presented costs and the cost-effectiveness analysis for doming in multiple working group meetings and has worked with facilities over several months to obtain cost information and discuss the cost-effectiveness analysis for doming. The current cost-effectiveness for doming is based solely on costs provided by facilities from past and projected doming projects. Staff has not identified more stringent control options that are cost-effective and, as a result, did not present incremental cost-effectiveness in a Working Group Meeting. Incremental cost-effectiveness was presented in the Public Workshop and as stated in the Public Workshop, the socioeconomic assessment will be made publicly available for review and comments at least 30 days prior to the Public Hearing.

**Comment 1-2**

Staff released initial preliminary draft rule language to allow stakeholders to comment prior to the release of the preliminary draft rule language. As a result, staff received several comments after the release of the initial preliminary draft rule language and revised the rule language based on stakeholder comments. Staff also received information requested from facilities and updated the rule language based on the information received. The intent of updating rule language prior to the release of the Preliminary Draft Rule Language was to allow facilities time to review and comment so that stakeholder input can be considered for the Public Workshop. Staff also held meetings with participating facilities to discuss the initial drafts of the rule language to consider their input for the Public Workshop. Staff continues to be available to discuss PAR 1178.

**Comment 1-3**

Additional amendments to Rule 1178 to incorporate requirements based on the BARCT assessment will be proposed at a separate Public Hearing tentatively scheduled for August 4, 2023. Staff encourages stakeholders to meet with staff individually to address individual concerns with PAR 1178.

2. Comment Letter from Western States Petroleum Association, Received March 15, 2023



**Patty Senecal**  
Director, Southern California Region

March 15, 2023

Mike Morris  
Manager, Planning and Rules  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, CA 91765

Via e-mail at: [mmorris@aqmd.gov](mailto:mmorris@aqmd.gov)

**Re: SCAQMD Proposed Amended Rule 1178, Further Reductions of VOC Emissions from Storage Tanks at Petroleum Facilities, and Proposed Amended Rule 463, Organic Liquid Storage – WSPA Comments on Rulemaking Process and Preliminary Draft Rule Language**

Dear Mr. Morris,

Western States Petroleum Association (WSPA) appreciates the opportunity to participate in the Working Group Meetings (WGMs) for South Coast Air Quality Management District (SCAQMD or District) Proposed Amended Rule 1178, Further Reductions of VOC Emissions from Storage Tanks at Petroleum Facilities (PAR 1178). WSPA is a non-profit trade association representing companies that explore for, produce, refine, transport, and market petroleum, petroleum products, natural gas, renewable fuels, and other energy supplies in five western states including California. WSPA has been an active participant in air quality planning issues for over 30 years. WSPA-member companies operate petroleum refineries and other facilities in the South Coast Air Basin that will be impacted by PAR 1178 and Proposed Amended Rule 463 (PAR 463), Organic Liquid Storage.

The California Health & Safety Code (HSC) requires the District, in adopting any Best Available Retrofit Control Technology (BARCT) standard, to ensure the standard is technologically feasible, and take into account “environmental, energy, and economic impacts” and to assess the cost-effectiveness of the proposed control options.<sup>1</sup> Cost-effectiveness is defined as the cost, in dollars, of the control alternative, divided by the emission reduction benefits, in tons, of the control alternative.<sup>2</sup> If the cost per ton of emissions reduced is less than the established cost-effectiveness threshold, then the control method is considered to be cost-effective. Cost-effectiveness evaluations need to consider both capital costs (e.g., equipment procurement, shipping, engineering, construction, and installation) and operating (including expenditures associated with utilities, labor, and replacement) costs. Currently, the District is applying a cost-effectiveness threshold of \$36,000 per ton of VOC emissions reduced, consistent with the 2022 Air Quality Management Plan (2022 AQMP).<sup>3</sup>

As discussed in previous comment letters, the cost-effectiveness analysis presented is incomplete. In estimating costs for doming of external floating roof tanks, the District has not included potential operation and maintenance (O&M) costs. When O&M costs are included, the

<sup>1</sup> California Health & Safety Code §40406, 40440, 40920.6.

<sup>2</sup> California Health & Safety Code §40920.6.

<sup>3</sup> SCAQMD Draft Final 2022 Air Quality Management Plan. Available at: <http://www.aqmd.gov/home/air-quality/clean-air-plans/air-quality-mgt-plan>.



doming of crude oil tanks exceeds the cost effectiveness threshold.<sup>4,5</sup> Additionally, SCAQMD has significantly overstated the potential emission reductions for doming of external floating roof crude oil tanks by assuming an RVP of 8.19 psi across all tanks modeled. WSPA believes Staff needs to consider RVP as a parameter in establishing appropriate classes and categories for the BARCT assessment and revise the emissions modeling to obtain more realistic emissions estimates.

WSPA understands from the March 17, 2023 Stationary Source Meeting presentation that Staff is now proposing a bifurcation of PAR 1178 to address EPA concerns separately from other updates related to the BARCT analysis.<sup>6</sup> WSPA agrees that there are a number of outstanding issues with the BARCT analysis that need to be resolved which will require additional stakeholder engagement. For this reason, WSPA supports the District's proposal to bifurcate the proposed rule.

On February 17, 2023, SCAQMD released new preliminary draft rule language for PAR 1178 and PAR 463.<sup>7,8</sup> WSPA offers the following comments.

- 1. SCAQMD has held no additional WGMs since its release of PAR 1178 rule language. The District has held no working group meetings for PAR 463 since opening the rule for amendment. SCAQMD has stated that they are adding rule language to PAR 463 and PAR 1178 to address the EPA disapproval of the California Air Resources Board (CARB) Oil and Gas Regulation. WSPA agrees that SCAQMD needs to bifurcate the rule so CARB requirements can be addressed in a timely manner. This will also allow additional time to ensure proper analysis and provide an opportunity for stakeholders to comment on the unsettled portions of the draft rule language.**

SCAQMD held seven working group meetings during the PAR 1178 rulemaking process, with the most recent meeting held on January 5, 2023. SCAQMD has held no working group meetings for PAR 463.

Since the last PAR 1178 working group meeting held on January 5<sup>th</sup>, SCAQMD has released the following<sup>9</sup>:

- January 11, 2023 – PAR 1178 Initial Preliminary Draft Rule Language
- February 9, 2023 – PAR 463 Initial Preliminary Draft Rule Language
- February 9, 2023 – Updated PAR 1178 Initial Preliminary Draft Rule Language
- February 17, 2023 – PAR 1178 Preliminary Draft Rule Language
- February 17, 2023 – PAR 463 Preliminary Draft Rule Language
- February 17, 2023 – PAR 463/1178 Preliminary Draft Staff Report

A public workshop was held for both rulemakings on March 1, 2023. It is highly unusual for the District to release draft rule language with no opportunity for stakeholder discussion at a

<sup>4</sup> WSPA Comment Letter dated January 19, 2023. Available in PAR 1178 Preliminary Draft Staff Report at: <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par-1178-preliminary-draft-staff-report.pdf?sfvrsn=6>.

<sup>5</sup> WSPA Comment Letter dated March 1, 2023.

<sup>6</sup> SCAQMD Stationary Source Committee presentation, March 17, 2023. Available at: <http://www.aqmd.gov/docs/default-source/Agendas/ssc/ssc-agenda-3-17-2023.pdf?sfvrsn=10>.

<sup>7</sup> PAR1178: Preliminary Draft Rule Language. Available at: <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par-1178-preliminary-draft-rule-language.pdf?sfvrsn=6/>

<sup>8</sup> PAR 463: Preliminary Draft Rule Language. Available at: <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par-463-preliminary-draft-rule-language.pdf?sfvrsn=6>.

<sup>9</sup> PAR 1178 and PAR 463 Rulemaking Documents. Available at: <http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules/rule-1178/>

working group meeting. In this case, there have been significant changes in each of the draft rule language documents since the last WGM, and it has been difficult to fully review and understand the impacts of these changes. Similarly, while the District presented their incremental cost effectiveness analysis in the Preliminary Draft Staff Report (PDSR), there has been no opportunity for stakeholders to review and comment on this analysis in a working group meeting.

While the District has stated that they are open to receiving information on such items as O&M costs and timeline for inspections, SCAQMD has not conducted an organized survey to request such information from facilities subject to these rules.

SCAQMD has stated that they are adding rule language to PAR 463 and PAR 1178 to address the EPA disapproval of the California Air Resources Board (CARB) Oil and Gas Regulation. CARB has requested that the changes impacting the EPA disapproval be in place by May 2023 so that they can meet their timeline. The proposed updates to address EPA disapproval are not applicable to petroleum refinery operations and address VOC emissions in the upstream oil and natural gas industry. The current rulemaking provides a sense of urgency that is more focused on completing the rulemaking process based on CARB's timeline than providing an appropriately analyzed and factually supported rule with stakeholder input. SCAQMD needs to bifurcate the rule such that CARB's concerns can be addressed on the appropriate timeline. This would also allow stakeholders time to fully understand the impacts of the rule language and the ability to comment on appropriate changes, and for the District to make adjustments as necessary.

**2. The District has not completed all of the cost-effectiveness analyses required under the California Health and Safety Code. Incremental cost-effectiveness of each progressively more stringent control option must be analyzed and compared to the cost-effectiveness threshold.**

HSC Section 40920.6 prescribes two different cost-effectiveness analyses for BARCT rules<sup>10</sup>:

- 40920.6(a)(2): "Review the information developed to assess the cost-effectiveness of the potential control option. For purposes of this paragraph, "cost-effectiveness" means the cost, in dollars, of the potential control option divided by emission reduction potential, in tons, of the potential control option."; and
- 40920.6(a)(3): "Calculate the incremental cost-effectiveness for the potential control options identified in paragraph (1). To determine the incremental cost-effectiveness under this paragraph, the district shall calculate the difference in the dollar costs divided by the difference in the emission reduction potentials between each progressively more stringent potential control option as compared to the next less expensive control option."

In the Public Workshop held on March 1, 2023, the District presented estimated emission reductions from each proposed BARCT requirement.<sup>11</sup> Proposed requirements include:

- Weekly OGI inspections

<sup>10</sup> California Health and Safety Code 40920.6.

<sup>11</sup> PAR 1178 Public Workshop. Available at: [http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/pars-463-1178\\_public-workshop.pdf?sfvrsn=6](http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/pars-463-1178_public-workshop.pdf?sfvrsn=6).

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- Doming for crude oil tanks
- 98% emission control for fixed roof tanks
- Secondary seals for internal floating roof tanks
- More stringent gap requirement

The District has not performed an incremental cost effectiveness analysis that evaluates each of the above control technologies against the other. Weekly OGI inspections for various types of tanks, including those that are <0.1 psi total vapor pressure, should be evaluated on an incremental basis to understand the incremental cost effectiveness of each control option. An incremental analysis on OGI inspections should be performed as follows:

1. Weekly OGI inspections for all tanks including those with less than 0.1 psia TVP;
2. Weekly OGI inspections for internal floating roof tanks greater than 0.1 psia TVP;
3. Weekly OGI inspections for domed external floating roof tanks greater than 0.1 psia TVP;
4. Weekly OGI inspections for external floating roof tanks greater than 0.1 psia TVP;
5. Weekly OGI inspections for fixed roof tanks greater than 0.1 psia TVP

Further incremental analysis should be performed to understand how the cost-effectiveness of the above OGI inspections and other proposed requirements compare, including:

6. More stringent gap requirements;
7. Secondary seals for internal floating roof tanks greater than 0.1 psia TVP; and
8. Doming for tanks storing material greater than 3 psia TVP.

Such incremental cost-effectiveness analyses are necessary to evaluate the cost per emission reduction for each progressively more stringent control option as compared to the next less expensive control option. Since the District is required to perform both cost-effectiveness evaluations to determine a BARCT standard, the District must include both analyses in its evaluation of proposed BARCT limits.

### 3. PAR 1178(b), Applicability:

**The proposed rule language for the applicability section would remove the reference to true vapor pressure of organic liquids in storage tanks. Removal of this reference would result in tanks that were previously exempt from the rule (e.g., diesel or jet fuel storage tanks) becoming subject to the rule. SCAQMD has provided no technical basis for such a scope change. Absent this, the reference to true vapor pressure requirements should be re-added to the proposed rule.**

The current rule language states that the rule applies to storage tanks used to store organic liquids with a true vapor pressure greater than 5 mm Hg (0.1 psi) absolute under actual storage conditions. The applicability section in the proposed rule language removes the reference to the true vapor pressure of the organic liquid stored. Removal of this reference would cause tanks that were previously exempt from the rule, such as diesel or jet fuel storage tanks, becoming subject to the rule. SCAQMD has provided no technical basis for such a change, nor have they presented stakeholders with impacts or costs. The Preliminary Draft Staff Report also does not describe this change in the section that discusses updates made to the applicability language. Since SCAQMD has provided no information demonstrating that organic liquids with a true vapor pressure less than 5 mm Hg have the potential to cause

considerable emissions, WSPA recommends that the PAR 1178 Applicability section be updated as follows:

*(b) Applicability*

*The rule applies to all aboveground Storage Tanks that have capacity equal to or greater than 75,000 liters (19,815 gallons), are used to store Organic Liquids with a true vapor pressure greater than 5 mm Hg (0.1 psi) absolute under actual storage conditions and are located at any Petroleum Facility that emits more than 40,000 pounds (20 tons) per year of VOC as reported in the Annual Emissions Report pursuant to Rule 301 - Permit Fees in any emission inventory year starting with the Emission Inventory Year 2000. This rule also applies to all aboveground Storage Tanks with Potential for VOC Emissions of 6 tons per year or greater used in Crude Oil Production.*

**4. PAR 1178(c), Definitions.**

**The District should update the definition of Emission Inventory Year to align with the District's Annual Emissions Reporting (AER) program requirements. Additionally, WSPA recommends an exemption from OGI inspections for Out of Service tanks and is therefore proposing a new definition be added for Out of Service.**

(c)(7): Emission Inventory Year

Facilities within the SCAQMD are required to report emissions under the Annual Emissions Reporting (AER) Program. This program requires reporting based on a calendar year (referred to as "Data Year").<sup>12</sup> The definition of Emission Inventory Year should be updated to be consistent with the AER requirements.

WSPA recommends that the definition of Emission Inventory Year be updated as follows:

*EMISSION INVENTORY YEAR is the annual emission-reporting period from January 1 – December 31 beginning from July 1 of the previous year through June 30 December 31 of a given year. For example, Emission Inventory Year 2000 covers the period from July 1, 1999 through June 30, 2000.*

(c): Out of Service

WSPA is proposing a new exemption from OGI inspections for tanks that are out of service. WSPA is therefore proposing a new definition be added to Section (c). The suggested definition is presented below:

[New Section]

*OUT OF SERVICE means the tank has lost suction, has met the requirements of Rule 1149, and is open to the atmosphere.*

**5. PAR 1178(d), Requirements:**

<sup>12</sup> SCAQMD Annual Emission Reporting Overview. Available at: <https://www.aqmd.gov/home/rules-compliance/compliance/annual-emission-reporting>.

**SCAQMD is proposing more stringent rim seal gap requirements and more stringent control efficiency for emission control systems. Staff have not performed the analyses required by the California Health and Safety Code to demonstrate that the proposed requirements are both technically feasible and cost effective. Further, the District is taking credit for emission reductions even though they state that there are no costs associated with certain proposed requirements. If the tanks already meet the proposed requirements, as asserted in the PDSR, then there would be no creditable reductions available.**

(d)(1)(C): Rim Seal Requirements

SCAQMD has proposed modifying the gap specifications in section (d)(1)(C)(iii). Staff noted that they examined gap measurement inspection reports of a “statistically significant percentage” of tanks and found that all tanks reviewed would be in compliance with more stringent gap requirements.<sup>13</sup> Because the 10% of tanks reviewed were found to be in compliance with the proposed requirement, SCAQMD reports it did not perform a cost-effectiveness analysis for the proposed change.

The California Health and Safety Code (HSC) states<sup>14</sup>:

*(a) Prior to adopting rules or regulations to meet the requirement for best available retrofit control technology pursuant to Sections 40918, 40919, 40920, and 40920.5, or for a feasible measure pursuant to Section 40914, districts shall, in addition to other requirements of this division, do all of the following:*

*(1) Identify one or more potential control options which achieves the emission reduction objectives for the regulation.*

*(2) Review the information developed to assess the cost-effectiveness of the potential control option. For purposes of this paragraph, “cost-effectiveness” means the cost, in dollars, of the potential control option divided by emission reduction potential, in tons, of the potential control option.*

The District has identified a potential control option. However, Staff have not performed the stringent analysis required by the HSC to ensure that the control is both technically feasible and cost-effective. Relying on results from tank inspections on only 10% of tanks, dismisses the possibility that a significant percentage of tanks may not be able to comply with the revised limits. Rim seals on existing tanks were designed and engineered to meet the gap specifications in the current rule. Because tanks are not round, if a facility adjusts the rim seal gap on one section of a tank, it could affect the rim seal gap at other parts of the tank. Thus, changing the gap specifications as proposed could potentially result in a refinery being required to completely reengineer both the floating roof and its seal.

Such a proposal would require a complete BARCT analysis, including evaluation of technical feasibility, potential compliance costs, and potential emission reductions benefits. To our knowledge, SCAQMD has not performed an evaluation on the technical feasibility or potential

<sup>13</sup> PAR 1178 Working Group Meeting #5. Available at: <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par1178-wgm5-final.pdf?sfvrsn=12>.

<sup>14</sup> California Health and Safety Code §40920.6. Available at: <https://codes.findlaw.com/ca/health-and-safety-code/hsc-sect-40920-6/>.

compliance cost. Interestingly, even though the District states that all tanks already meet the revised gap requirement, they are still taking credit for reductions in the amount of 0.01 tons VOC per day.<sup>15</sup> If all tanks are meeting the proposed requirement, which has not been shown, then there would be no reductions expected. WSPA recommends that SCAQMD remove the proposed changes to section (d)(1)(C).

(d)(4)(A)(i): Fixed Roof Tanks

SCAQMD has proposed that Fixed Roof Tank emissions be vented to a Fuel Gas System or an Emissions Control System with an overall control efficiency of 98%. The control efficiency in the current rule is 95%. In the Preliminary Draft Staff Report, SCAQMD notes that the most common type of vapor recovery system used on fixed roof tanks are combustion systems, with one supplier guaranteeing 98% control efficiency on such systems.<sup>16</sup> Adsorption systems have higher capital costs and are less desirable for tanks, and the same supplier guaranteed 95% control efficiency for such systems.<sup>17</sup> The District reviewed four initial performance tests, which all showed greater than 99% control efficiency.<sup>18</sup> The District has not defined the number of vapor recovery systems in the regulated community, nor have they presented information that supports their claim that existing operating emission control systems already meet the proposed control efficiency.<sup>19</sup> Current permits are issued based on a 95% control efficiency. If the District intends to update the control efficiency requirement, they should provide further information to support the assertion that this requirement can be met by all existing fixed roof tanks with vapor recovery systems. If the District is unable to provide technical evidence to support their assertion, such a rule change would require a complete BARCT analysis, including evaluation of technical feasibility and potential compliance costs.

Furthermore, it is unclear why the District is claiming 0.02 tons per day of VOC emission reductions from this proposed change. If the existing emission control systems already meet the proposed control efficiency, as asserted in the PDSR, then there would be no creditable reductions available.

WSPA recommends that the language revert back to the current rule language:

*The tank emissions are vented to an emission control system with an overall control efficiency of at least 95% by weight or the tank emissions are vented to a fuel gas system.*

**6. PAR 1178(f), Inspection and Monitoring requirements:**

**Section (f)(4) proposes requirements for Optical Gas Imaging (OGI) inspections and requires that a demonstration of compliance be made within 24 hours of detection of visible vapors. The proposed rule further states that if compliance with applicable requirements cannot be demonstrated or is not determined, within 24 hours, the Storage Tank is deemed non-compliant. Some tanks may show evidence of vapors**

<sup>15</sup> SCAQMD PAR 1178 Working Group Meeting #5. Available at: <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par1178-wgm5-final.pdf?sfvrsn=12>.

<sup>16</sup> SCAQMD Preliminary Draft Staff Report. Available at: <http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par-1178-preliminary-draft-staff-report.pdf?sfvrsn=6>.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> SCAQMD PAR 1178 Working Group Meeting #7 Presentation. Available at: [http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par-1178\\_wgm7\\_fin.pdf?sfvrsn=6](http://www.aqmd.gov/docs/default-source/rule-book/Proposed-Rules/1178/par-1178_wgm7_fin.pdf?sfvrsn=6).

**during an OGI inspection, even when the tank is operating in compliance with rule requirements. The statement regarding non-compliance should therefore be stricken from the proposed rule language. Additionally, if a tank is found to have visible vapors, but is operating in compliance, no repairs or adjustments would be made. However, this same result would be expected during the next inspection. A facility would be forced to monitor, assess compliance, and monitor again in an endless cycle. A timeline should be added for tanks that are already demonstrated to be in compliance to break the cycle of re-inspecting every time visible vapors are detected.**

Section (f)(4) sets forth the requirements for Optical Gas Imaging (OGI) Inspections. Section (f)(4)(C) requires that the Tank Farm Inspection be conducted at least every 7 calendar days since the previous inspection. This requirement will cause issues in planning, as the facilities will need to bring the inspection forward a day each time there is a holiday. WSPA recommends that the frequency be updated to once each calendar week.

Section (f)(4)(E) states that demonstrations of compliance with Section (d) requirements must be made within 24 hours. 24 hours is an extremely short timeframe in which to access the tank and perform an inspection. Gap measurements must be performed inside a tank. A facility would need to quiet the tank prior to entering to verify compliance. This can be difficult on a tank under high use. Three (3) days is a more reasonable time schedule to demonstrate compliance. Additionally, the rule language should specify the methodology for determining compliance with Section (d) requirements.

More importantly, some tanks may show evidence of visible vapors during an OGI inspection, even when the tank is operating in compliance with rule requirements. If a tank is found to have visible vapors, but is operating in compliance, no repairs or adjustments would be made. However, this same result could be expected during the next OGI inspection. A facility could be forced to monitor, assess compliance, and monitor again in an endless cycle. A timeline should be added for tanks that are already demonstrated to be in compliance to break the cycle of re-inspecting every time evidence of vapors is found.

Finally, the presence of visible vapors does not necessarily indicate that a tank is not in compliance. The rule provides limits on gap length and cumulative length. It is understood that there are working and breathing losses from these tanks. Section (d)(1)(D) states:

*(d)(1)(D) ...Rim Seal Systems are not required to be free of Visible Vapors during a Component Inspection.*

The statement regarding non-compliance in (f)(4) should therefore be stricken from the proposed rule language.

WSPA recommends the proposed language be updated as follows:

*(f)(4) Optical Gas Imaging Instrument (OGI) Inspections  
Effective January 1, 2024, the owner or operator shall demonstrate compliance with subparagraphs (d)(1)(D), (d)(2)(C), (d)(3)(C) and (d)(4)(C), by conducting OGI inspections in accordance with the following requirements:*

- (A) Inspections shall be conducted by a person who has completed a manufacturer's certification or training program for the OGI device used to conduct the inspection.
- (B) The person conducting the inspection shall operate and maintain the OGI device in accordance with the manufacturer's specifications and recommendations.
- (C) Tank Farm Inspections shall be conducted at least ~~every 7 calendar days since the last Tank Farm Inspection was conducted~~ once per week.
- (D) Component Inspections shall be conducted for floating roof tanks according to the following schedules:
  - (i) In the 3rd month after an inspection required by paragraph (f)(1) for external floating roof tanks.
  - (ii) Semi-annually for domed External Floating Roof Tanks and Internal Floating Roof Tanks.
- (E) Demonstration of compliance with subparagraphs (d)(1)(B), (d)(1)(C), clause (d)(4)(A)(ii)-(iii) or (d)(4)(A)(v), shall be made ~~using the methodology specified in (f)(1), (f)(2), or (f)(3), as applicable, within 24 hours~~ 3 days from when Visible Vapors were detected. ~~If compliance with applicable requirements cannot be demonstrated or is not determined, within 24 hours, the Storage Tank is non-compliant. If an inspected tank is demonstrated to be in compliance, another demonstration of compliance is not required unless evidence of Visible Vapors is found and 3 months have elapsed since the previous demonstration of compliance.~~

#### 7. PAR 1178(g), Maintenance Requirements

WSPA recommends that the proposed rule language be updated to allow a facility 3 days to repair a tank instead of 72 hours. This update would make the language consistent with the requirements of Rules 1173 and 1176.

PAR 1178(g) proposes new maintenance requirements in response to deficiencies found during inspections. WSPA recommends that SCAQMD update the allowable timeframe for repairs to 3 calendar days to be consistent with Rules 1173 and 1176. WSPA proposes language be updated as follows:

- (g) The owner or operator shall repair, or replace any materials or components, including but not limited to, piping, valves, vents, seals, gaskets, or covers of Roof Openings or seals that do not meet all the requirements of this rule before filling or refilling an emptied and degassed storage tank, or within ~~72 hours~~ 3 calendar days after an inspection, including one conducted by the owner or operator or the contracted third-party as specified in subdivision (f).

#### 8. PAR 1178(h), Record Keeping and Reporting Requirements

The presence of visible vapors is not necessarily indicative of a tank being out of compliance. Therefore, a facility should not be required to notify the Executive Officer



**each time visible vapors are detected. A record of such detections will be maintained on site in accordance with the rule. Additionally, SCAQMD is proposing video recordings of the OGI inspections. It is unclear how the video capture will contribute to rule compliance. WSPA recommends that this requirement be removed from the rule language.**

For inspections required by subparagraph (f)(4), the proposed rule language requires that all visible vapors be reported to the Executive Officer within 8 hours of detection. As discussed in Comment 5, the presence of visible vapors is not necessarily indicative of a tank being out of compliance. A facility should not be required to notify the Executive Officer of the presence of visible vapors unless a tank is found to be non-compliant. Additionally, a facility is required to maintain records of visible vapors under Section (h)(2)(B), so there will be a record to refer back to as needed.

SCAQMD is requiring that records of leaks identified with an OGI device include a digital recording of the leak for a minimum of 5 seconds. It is unclear how this video capture will contribute to compliance. WSPA recommends this requirement be removed from the rule language.

WSPA recommends the proposed language be updated as follows:

*(h) Reporting and Recordkeeping Requirements*

*(1) ...*

*(2) For OGI inspections required by subparagraph (f)(4), the owner or operator shall:*

~~*(A) Report all Visible Vapors to the Executive Officer by phone (1-800-CUTSMOG or 1-800-288-7664) within 8 hours of detection.*~~

*(B) Keep records of Component Inspections, including tank identification, date of inspection and findings. Findings shall include identification of Storage Tanks from which Visible Vapors were identified, any determinations made pursuant to subparagraph (f)(4)(E), and corrective measures taken, if applicable.*

*(C) Keep records Visible Vapors detected during a Tank Farm Inspection, including tank identification, date of inspection, and findings. Findings shall include identification of tanks from which Visible Vapors were identified, any determinations made pursuant to subparagraph (f)(4)(E), and corrective measures taken, if applicable.*

~~*(D) Record all Visible Vapors from tanks for a minimum of 5 seconds. Digital recordings shall be accurately time-stamped and kept on-site for a minimum of 2 years to be made available to the Executive Officer upon request.*~~

**9. PAR 1178(j), Exemptions**

**The District has not provided a technical basis for expanding the scope of Rule 1178 to tanks with a true vapor pressure less than or equal to 5 mm Hg, nor has the District assessed the impacts for such inclusion. These tanks should continue to be exempt**

**from all rule requirements. Separately, tanks that are out of service should be exempt from the requirements of OGI inspections.**

As discussed in Comment 2, the District has provided no technical basis for inclusion of tanks with a true vapor pressure less than or equal to 5 mm Hg in the rule, nor have they provided any analysis of the impact to the regulated community from this inclusion. Therefore, WSPA recommends that the rule language continue to exempt storage tanks with a true vapor pressure less than or equal to 5 mm Hg.

WSPA recommends the proposed language be updated as follows:

*(j)(2) Storage Tanks that do not have a Potential For VOC Emissions of 6 tons per year or greater used in Oil Production and are storing Organic Liquid ~~with a True Vapor Pressure equal to or less than 5 mm Hg (0.1 psi) absolute under actual storage conditions~~ are exempt from the requirements of this rule, with the exception of the requirements specified in paragraphs (f)(4), (h)(1) and (h)(6), provided the owner or operator demonstrates that the Organic Liquid stored has a True Vapor Pressure of 5 mm Hg (0.1 psi) absolute or less under actual storage conditions semi-annually.*

PAR 1178(j) should also include an exemption from OGI inspections for tanks that are out of service.

WSPA recommends the PAR1178 language be updated to include the following:

[New Section]

*(j)(6) An owner or operator of a Fixed Roof Tank, an External Floating Roof Tank, an Internal Floating Roof Tank, and Domed External Floating Roof Tank shall be exempt from OGI inspections required by subparagraph (f)(4) if the subject tank is Out of Service.*

WSPA appreciates the opportunity to provide these comments related to PAR 1178. As outlined above, there are multiple items requiring further analysis and thorough discussion prior to rule adoption. The District and stakeholders need more time to ensure the necessary changes are incorporated into the rule. The District should bifurcate the rule such that the language necessary to address the EPA disapproval of the California Air Resources Board (CARB) Oil and Gas Regulation is incorporated in a timely manner, while still allowing the necessary time for stakeholder comment, further analysis, and revisions as appropriate.

We look forward to continued discussion of this important rulemaking. If you have any questions, please contact me at (310) 808-2144 or via e-mail at [psenechal@wspa.org](mailto:psenechal@wspa.org).

Sincerely,



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March 15, 2023  
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Cc: Wayne Natri, SCAQMD  
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**Comment 2-1**

Staff appreciates your comments and will respond to comments regarding other proposed amendments to Rule 1178 that are not associated with addressing the RACT deficiency in the Draft Staff Report for PAR 1178 that is tentatively scheduled to be heard by the South Coast AQMD Governing Board in August 2023.

**Comment 2-2**

Staff has stated in Working Group Meeting #5 that U.S. EPA has identified deficiencies in Rules 463 and 1178 and that staff is working with U.S. EPA to address the deficiency. In Working Group Meeting #7, staff presented the proposed rule concepts that included how the RACT deficiency would be addressed. Staff released initial preliminary draft rule language prior to the release of the Preliminary Draft Rule Language informing stakeholders of the rule language that addresses the RACT deficiency. Subsequently, staff presented PARs 463 and 1178 in the Public Workshop.

**Comment 2-3**

Staff released initial preliminary draft rule language to allow stakeholders to comment prior to the release of the preliminary draft rule language. As a result, staff received several comments after the release of the initial preliminary draft rule language and revised the rule language based on stakeholder comments. Staff also received information requested from facilities and updated the rule language based on the information received. The intent of updating rule language prior to the release of the Preliminary Draft Rule Language was to allow facilities time to review and comment so that stakeholder input can be considered for the Public Workshop. Staff also held meetings with participating facilities to discuss the initial drafts of the rule language to consider their input for the Public Workshop. Staff continues to be available to discuss PAR 1178 prior to the release of the Draft Rule Language. Staff released the Preliminary Draft Staff Report for stakeholder review two weeks prior to the Public Workshop that detailed the incremental cost-effectiveness analysis.

**Comment 2-4**

Over several months, staff has worked with stakeholders to obtain cost information regarding controls and encourages stakeholders that want to provide information regarding O&M costs to do so.

**Comment 2-5**

PARs 463 and 1178 applicability has been revised to only include tanks that are subject to the U.S. EPA's 2016 CTG. The 2016 CTG includes tanks with a potential for VOC emissions of six tons per year or more that are used in the oil and natural gas production. The rule language includes a definition to define which operations are considered Crude Oil and Natural Gas Production Operations.

**Comment 2-6**

Staff appreciates your comments and will respond to comments regarding other proposed amendments to Rule 1178 that are not associated with addressing the RACT deficiency in the Draft Staff Report for PAR 1178 that is tentatively scheduled to be heard by the South Coast AQMD Governing Board in August 2023.