

1 **BEFORE THE HEARING BOARD OF THE**
2 **SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

3
4 In the Matter of

Case No. 831-407

5 CHEVRON PRODUCTS COMPANY,

(PROPOSED)
ORDER GRANTING A SHORT
VARIANCE

6 [Facility I.D. No. 800030]

Hearing Date: August 20, 2025

7 Section 42350 of the California Health and Safety
8 Code

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10 **FINDINGS AND DECISION OF THE HEARING BOARD**

11 This petition for short variance was heard on the consent calendar on August 20, 2025
12 pursuant to notice and in accordance with the provisions of California Health and Safety Code
13 Section 40823 and District Rule 510. The matter was placed on the Consent Calendar pursuant to
14 the Joint Stipulation to Place Matter on Consent Calendar. The following members of the Hearing
15 Board were present: Micah Ali, Chair; Robert Pearman, Vice Chair; Jerry P. Abraham, MD, MPH,
16 CMQ; Cynthia Verdugo-Peralta, and Mohan Balagopalan. Petitioner Chevron Products Company
17 (hereinafter “Petitioner” or “Chevron”) was represented by Christopher H. Norton, of the law firm
18 of Latham & Watkins. Respondent, Executive Officer, was represented by Stacey Pruitt, Senior
19 Deputy District Counsel. Counsel for Petitioner and respondent did not appear during the Consent
20 Calendar hearing. The public was given the opportunity to testify. The Declaration of Andre West
21 was received as evidence and the Proposed Findings and Decision of the Hearing Board was
22 received as an exhibit, and the case submitted. The Hearing Board finds and decides as follows:
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Nature of Business and Location of Facility

Petitioner, located at 324 W. El Segundo Boulevard, El Segundo, California, is a major producer of fuel, refining crude oil and intermediates for gasoline, diesel and jet fuel.

Equipment and Permit to Construct/Operate

The equipment that is the subject of this petition is the F-201A Furnace (Process 1, System 14, Device ID# D3695) and Selective Catalytic Reduction (SCR) system, essential components of Petitioner's refinery operations. The equipment is operated pursuant to Facility RECLAIM Permit No. 800030, dated March 20, 2025.

SUMMARY

Petitioner will be in violation of District Rules 203(b), 2004(f)(1) and 3002(c)(1) because such District Rules require Petitioner to comply with all Facility Permit conditions. Petitioner requires a short variance to clean fouling from the surfaces of the furnace tubes in the F-201A Furnace (Furnace) at the Refinery while in operation. Fouling is a byproduct of the combustion process and periodically requires removal to prevent overheating and potential failure. While the fouling is removed, the SCR must be bypassed to prevent damage. Accordingly, Petitioner will not be able to maintain compliance with all Facility Permit conditions in accordance with District Rules 203(b), 2004(f)(1) and 3002(c)(1), while it removes fouling from the surface of the Furnace tubes at the Refinery while in operation.

Unless the fouling is removed, the Furnace tubes may be damaged. Also, the SCR system that controls NOx from the Furnace may overheat. The Furnace cannot be isolated and the SCR must be bypassed when the fouling is removed to prevent damage. Petitioner requires a short variance to perform this necessary maintenance work on the Furnace.

FINDINGS OF FACT

Following are the facts and conclusions supporting the findings set forth in Health and Safety Code Section 42352 necessary to grant the variance. The Executive Officer did not oppose the granting of the variance.

a. The petitioner for a variance is, or will be, in violation of Section 41701 or of any rule regulation or order of the District.

1. The subject equipment is currently in compliance, however, Petitioner must clean fouling from the surfaces of furnace tubes in the Furnace while in operation in order to prevent overheating of the SCR system that controls NOx from the Furnace and potential failure. The SCR must be bypassed temporarily when the fouling is removed to prevent damage. While Petitioner conducts this necessary maintenance, it will be in violation of Administrative Condition No. 2 requiring the operator to maintain all equipment and ensure the proper operation of the equipment.

2. As Petitioner needs to temporarily bypass the SCR to remove fouling on the surfaces of the Furnace tubes, and as Administrative Conditions Nos. 4 and 5, require SCR operation, Petitioner will be in violation of District Rules 203(b), 2004(f)(1) and 3002(c)(1), which require compliance with permit conditions.

b(1). Non-compliance with District Rule(s) is due to conditions beyond the reasonable control of the petitioner.

1. Petitioner is currently in compliance with applicable District Rules and permit conditions. However, unless Petitioner removes the fouling from the surfaces of the Furnace tubes, the Furnace tubes may be damaged and the SCR system that controls NOx from the Furnace may overheat. Currently, the SCR has experienced higher temperature readings at the inlet. The SCR receives flue gas from the Furnace. Higher SCR inlet temperatures are the result of fouling on the exterior of the Furnace tubes. Fouling of the Furnace tubes prevents sufficient heat transfer on the tubes resulting in higher flue gas temperatures being routed from the Furnace to the SCR. Continued operation of the Furnace and the SCR at current higher temperatures may exceed the SCR design limits with damage to the SCR catalyst. Damage to the SCR would eventually result

1 in an exceedance of the permitted NOx limit of 5 ppm in the Facility Permit. Compliance is
2 beyond Petitioner's reasonable control because exterior cleaning of the Furnace tubes must be
3 performed and the SCR must be bypassed to prevent removed foulant from traveling downstream
4 impacting SCR catalyst. Petitioner has maintained the subject equipment in compliance with
5 industry standards.

6 2. Petitioner expects that the cleaning of the Furnace tubes can be completed in
7 approximately 3 weeks. Petitioner is working diligently to plan and execute cleaning operations to
8 reduce SCR temperature back to normal operating conditions. However, during this maintenance
9 work, the SCR must be bypassed to prevent damage and there is no way to isolate the Furnace to
10 complete the cleaning. Administrative Condition No. 2 requires the operator to maintain all
11 equipment and ensure the proper operation of the equipment, Administrative Conditions Nos. 4
12 and 5, require SCR operation, and in turn, District Rules 203(b), 2004(f)(1) and 3002(c)(1), require
13 compliance with permit conditions. Because the SCR must be bypassed while the Furnace is at
14 minimum rates, Petitioner cannot operate the Furnace in compliance with all applicable rules and
15 permit conditions while the maintenance is being performed.

16 **b(2). Requiring compliance would result in either (1) an arbitrary or unreasonable**
17 **taking of property, or (2) the practical closing and elimination of a lawful business.**

18 1. Denial of the variance would cause significant harm to Petitioner in that Petitioner
19 may be forced to shut down and then restart certain Refinery process units while the repairs are
20 performed. The shutdown of the Refinery would result in a financial penalty to Petitioner of
21 approximately \$1,00,000 per day in lost production and sales. Further, a permanent shutdown
22 would result in the loss of large numbers of permanent jobs and would greatly depreciate the
23 capital invested in the Refinery. A permanent shutdown of the Refinery may also have a
24 significant impact on regional petroleum markets.

25 **c. The closing or taking would be without a corresponding benefit in reducing air**
26 **contaminants.**

27 1. The closing or taking would be without a corresponding benefit in reducing air
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1 contaminants because without the variance, Petitioner would be required to shut down and restart
2 the Refinery units, resulting in flaring and air emissions.

3 2. Alternatively, if the variance is granted, Petitioner does not anticipate any excess
4 emissions because Petitioner will maintain the NOx emissions in compliance with the 5 ppm limit.
5 The granting of the variance request would benefit the environment by eliminating the risk of
6 excess emissions from if Petitioner were forced to shut down the Furnace for cleaning. And,
7 without the subject equipment in service, the Refinery cannot meet demand for high quality,
8 CARB 3 compliant gasoline. Petitioner also anticipates that completion of Furnace tube cleaning
9 will improve Furnace efficiency resulting in the firing down of the furnace and subsequently
10 produce less emissions. As such, the granting of the short variance should lead to long-term gains
11 in efficiency and reductions in overall Refinery emissions.

12 2. **d. The applicant for the variance has given consideration to curtailing**
13 **operations of the source in lieu of obtaining a variance.**

14 1. Petitioner has considered the option of curtailing or terminating Furnace operations
15 in lieu of obtaining a variance. However, Petitioner cannot immediately curtail or terminate
16 operations because doing so would be expected to lead to excess emissions and potentially the
17 need for flaring due to the shutdown and startup of Refinery units. In comparison, Petitioner does
18 not anticipate excess emissions if the variance were granted, as rates will be minimized to maintain
19 compliance with the 5 ppm NOx limit at the Furnace.

20 2. Petitioner has also examined the option of shutting down the Furnace to remove the
21 fouling. However, the Furnace cannot be isolated. Other Refinery units may also need to be shut
22 down and restarted with the Furnace. Petitioner has determined that shutting down the Furnace
23 would result in higher economic losses and would also have a higher impact to the environment in
24 terms of NOx. If the Furnace is shutdown, cleaned, and started back up, the NOx emissions from
25 the Furnace would be much greater. There are no excess emissions in this matter.

1 (ClerkofBoard@aqmd.gov) at least twenty-four (24) hours prior to bypassing F-201A's SCR
2 (C3696) and one (1) hour prior to bypassing C3696 by calling 1-800-CUT-SMOG.

3 2. The variance period shall commence upon notice given by phone pursuant to
4 Condition No. 1. The variance period shall end upon completion of repairs for F-201A and C3696
5 is returned to normal operation from bypass mode.

6 3. The petitioner shall complete the repairs for F-201A and return C3696 to normal
7 operation as soon as possible and by no later than September 15, 2025.

8 4. The petitioner shall continue to monitor the NOx emissions from F-201A using the
9 plant RECLAIM CEMS analyzers during the variance period while C3696 is bypassed.

10 5. The petitioner shall maintain a certified Visible Emissions Evaluator (VEE) on site
11 during the variance period while C3696 is bypassed during periods when there is active fouling
12 removal. The VEE shall take opacity readings in accordance with US EPA Method 9 for one
13 continuous 15-minute period every hour during the variance period while C3696 is bypassed. Each
14 15-minute period shall begin 45 minutes after the end of the previous period. The petitioner shall
15 maintain records of the opacity readings taken during the variance period. The petitioner shall
16 inform South Coast AQMD Compliance personnel (hdang@aqmd.gov) within one (1) hour if
17 opacity readings exceed the limit set forth by Rule 401 and CA HSC 41701 during the variance
18 period when C3696 is bypassed.

19 6. The petitioner shall reduce feed rate to the minimum rate of 55 Mbbbl/day at the No.
20 2 Crude Unit during the variance period when C3696 is bypassed.

21 7. The petitioner shall maintain F-201A's firing rate at or below 60 MMBtu/hr during
22 the variance period when C3696 is bypassed and fire duty will be reduced to minimum rates.

23 8. The petitioner shall operate F-201A solely using utility-quality natural gas as fuel
24 during the period C3696 is bypassed.

25 9. If there are excess emissions (i.e., NOx emissions as measured by the CEMS
26 greater than 5 ppm), the petitioner shall pay all applicable excess emissions fees to the Clerk of the
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Board, which shall be paid within fifteen (15) days of written notification unless otherwise ordered by the Hearing Board.

10. The petitioner shall make its monitoring records for NOx emissions, opacity, feed rate, firing rate, and fuel type available to South Coast AQMD Compliance personnel upon request.

11. The petitioner shall notify the Clerk of the Hearing Board (ClerkofBoard@aqmd.gov) and the South Coast AQMD by email (hdang@aqmd.gov) within 24 hours of achieving final compliance in this matter.

FOR THE BOARD: _____

DATED SIGNED: _____