

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

In the Matter of

The Termo Company

[Facility I.D. No. 097081]

Section 42350 of the California Health and Safety
Code

Case No. 3014-24

**[PROPOSED] ORDER GRANTING A
SHORT VARIANCE**

FINDINGS AND DECISION OF THE HEARING BOARD

This petition for a short variance was heard on the Hearing Board’s Consent Calendar on **April 22, 2025**, in accordance with the provisions of California Health and Safety Code Section 40825 and South Coast AQMD Rule 510. The following members of the Hearing Board were present: Micah Ali, Chair; Robert Pearman, Esq. Vice Chair; Jerry P. Abraham, MD MPH CMQ; Mohan Balagopalan; and Cynthia Verdugo-Peralta. Petitioner, The Termo Company (hereinafter “Termo” or “Petitioner”), represented by Gregory Wolffe, Yorke Engineering, did not appear. Respondent, Executive Officer, represented by Sheri Hanizavareh, Principal Deputy District Counsel, did not appear. The public was given the opportunity to testify. The parties filed with the Hearing Board a Stipulation to Place Matter on Consent Calendar, the Declaration of Ralph Combs, and the [Proposed] Findings and Decision of the Hearing Board. The Declaration of Ralph Combs was received as evidence from Petitioner. No declarations were received as evidence from Respondent. The Proposed Findings and Decision of the Hearing Board was received as an exhibit, and the case was submitted. The Hearing Board finds and decides as follows:

Nature of Business and Location of Facility

The Oat Mountain Facility is a crude oil and natural gas production facility consisting of 10 wells and associated crude oil, gas, and produced water processing and storage equipment. The mixed fluid stream, composed of crude oil, produced water, and associated produced gas (natural gas consisting primarily of methane), is separated into its three components on-site. Crude oil and produced water are stored in tanks, all of which are equipped with vapor recovery systems. The produced gas, combined with gas from the vapor recovery system, is routed to the Aliso Canyon Facility through a dedicated pipeline. The Oat Mountain Facility is located 6 Miles from Sesnon Blvd / Tampa Ave Intersection Palo Sola Truck Road, Lat: 34.328228, Long: -118.595146, Chatsworth, CA 91311. From there, it is combined with Aliso Canyon's produced gas and sent to SoCalGas for processing and sale.

Equipment and Permit to Construct/Operate

Petitioner's Oat Mountain Facility holds an active RECLAIM Permit. The equipment subject to this petition are Storage Tanks (Device ID Nos. D14, D15, D16, D17, D38, and D39), Loading Arms (Device ID Nos. D1 and D2), Vapor Return line (Device ID No. D44), and Fugitive Emission Valves (Device ID No. D5), pressure relief valves (PRV) (Device ID No. D6), Flanges (Device ID No. D7), Pumps (Device ID No. D8), and Compressors (Device ID No. D10). The equipment is operated pursuant to Facility Permit No. 097081.

SUMMARY

Petitioner will be in violation of South Coast AQMD Rules 203(b), 204, 463(d)(3), 1148.1(d)(8), and 1173(m)(1) and Permit Section D, Conditions E57.1, H23.1, S13.1, and Section E(4) by not operating vapor recovery while maintenance is being performed on the SoCalGas gas processing equipment located in the Aliso Canyon Gas Storage Facility Dehydration Station, which will prevent SoCalGas from receiving Termo's produced gas. Since Termo's Aliso Canyon Facility is directly connected to SoCalGas's gas processing system, this shutdown will force Aliso Canyon to cease operations. Furthermore, because Oat Mountain is tied into Aliso Canyon via a dedicated pipeline, it will also be shut down, as it relies on Aliso Canyon's connection to SoCalGas for gas

takeaway. With no gas sales capacity, VOC or methane emissions may be released to the atmosphere from the tanks normally under vapor recovery if pressures within the tanks and pipelines exceed the vent setpoints. This would be beyond Petitioner's control, as the inability to control gas would directly impact Petitioner's compliance with the applicable South Coast AQMD Rule(s). This short variance is to provide relief from the above-mentioned South Coast AQMD Rules and Permit Conditions during the planned SoCalGas equipment maintenance.

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 short 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 South Coast AQMD.

1. Petitioner will be in violation of South Coast AQMD Rules 203(b), 204, which require compliance with permit conditions, 463(d)(3), 1148.1(d)(8), and 1173(m)(1) and Permit Section D, Conditions E57.1, H 23.1, S13.1, and Section E(4) upon loss of vapor recovery due to maintenance activities.

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

1. Petitioner cannot prevent SoCalGas from conducting maintenance on the SoCalGas owned and operated equipment, which is necessary to maintain the equipment in proper operating condition. During this planned maintenance action, SoCalGas will close Termo's gas sales connection (or gas take-away capacity), thereby removing the ability for Termo to operate vapor recovery, sometime referred to being "shut-in". While gas take-away connection is closed, the Petitioner cannot comply with South Coast AQMD 203(b), 204, 463(d)(3), 1148.1(d)(8), and 1173(m)(1) and Permit Conditions H23.1, E57.1, S13.1, and Section E(4) in the P/O, that apply to the facility's Storage Tanks, Loading Arms, Vapor Return line, and Fugitive Emission Valves, PRV, Flanges, Pumps, and Compressors (Device Nos. D1-2, D5-8, D10, D14-17, D38-39, and D44).

The shutting in of the gas take-away capacity means that VOC or methane may be released to the atmosphere from the tank(s) normally under vapor recovery if pressures within the tanks and pipelines exceed the PRV setpoints. Therefore, the Petitioner cannot comply with Permit Conditions S13.1 and South Coast AQMD Rule 463(d)(3), which require Termo's organic liquid storages tanks to be equipped with Vapor Recovery. Similarly, the Petitioner cannot comply with Rule 1148.1(d)(8), which prohibits venting natural gas or produced gas into the atmosphere. Additionally, this short variance is to provide relief from Permit Condition No. H23.1 and South Coast AQMD Rule 1173(m)(1), which state that the owner or operator of a facility shall be in violation of this rule if Light Liquid and Gas/Vapor component leaks exceed the rule-specified limit, which may occur during the shut-in. Petitioner cannot comply with South Coast AQMD Rule 204 and Permit Conditions E57.1 and Section E(4), which require loading arms and equipment to be vented to vapor recovery system.

With no gas take-away capacity for active vapor recovery, VOC or methane emissions may be released to the atmosphere from the tanks normally under vapor recovery if pressures within the tanks and pipelines exceed the safety setpoints. Therefore, it is beyond Petitioner's reasonable control to comply with South Coast AQMD rules and permit conditions.

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

1. Petitioner plans to cease all oil and gas production effective April 28, 2025 and will remain shut in until SoCalGas finishes their planned maintenance, which is anticipated to be May 15, 2025. Not granting this petition could cause unreasonable and unavoidable harm to Petitioner in that Petitioner would be noncompliant with the South Coast AQMD Rules 203(b), 463(d)(3), 1148.1(d)(8), 1173(m)(1), and 3002(c)(1), and Permit Conditions.

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

1. Denial of the short variance would potentially subject the facility to a Notice of Violation or other punitive penalties that would not result in an air quality benefit because the

planned maintenance activities to be performed by SoCalGas are necessary and required and beyond the reasonable control of Termo.

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

1. The Petitioner plans to cease all oil and gas production effective April 28, 2025 and will remain shut in until SoCalGas finishes their planned maintenance, which is anticipated to be May 15, 2025.

e. During the period the variance is in effect, the applicant will reduce excess emissions to the maximum extent feasible.

1. Excess emissions will be mitigated by shutting down wells and closing casing gas valves. We will work to maintain correct pressure settings on tank pressure relief valves and hatches. Pressures will be monitored regularly by field staff and operations. However, without the gas takeaway capacity from SoCalGas, pressure could build to where a pressure relief device or tank hatch release, as designed for safety, would be inevitable. Once the pressure is reduced within the individual vessel, release will stop. Devices that have released may be monitored to ensure proper functionality. Excess VOC emissions are estimated to be 0.0647 lbs/day due to standing losses from the material stored in the tanks prior to shut down. The excess VOC emission calculation is provided as Exhibit 3 to the Stipulation for this case.

f. During the period the variance is in effect, the applicant will monitor or otherwise quantify emission levels from the source, if requested to do so by the South Coast AQMD, and report these emission levels to the South Coast AQMD pursuant to a schedule established by the South Coast AQMD.

1. Because there is capacity within the tank headspace to accept (“pack”) vapor that would otherwise go to vapor recovery, significant VOC emissions are not expected from transfers from storage tanks. In addition, no venting is expected from tank hatches since the tanks have available capacity to store returned vapors at pressures within the design specification of the hatch. If emissions do occur, it would be a result of the PRV’s activating on tanks that require pressure

relief for safety reasons. If this does occur, the system would vent until normal operating pressures are achieved, then all pressure relief valves would automatically be closed again, and no further emissions would occur. Petitioner will conduct weekly leak detection using a hydrocarbon monitor and follow US E.P.A. Method 21 on all potential fugitive emission components. Petitioner will track and record operated main gas line pressure between facilities and prior to the gas sales compressor as a measure of pressure management. Petitioner will keep records of such monitoring which can be made available to the South Coast AQMD upon request.

CONCLUSION AND ORDER

THEREFORE, good cause appearing, the Hearing Board orders as follows:

A. Petitioner is granted a short variance from South Coast AQMD Rules 203(b), 204, 463(d)(3), 1148.1(d)(8), and 1173(m)(1) and Permit Section D, Conditions E57.1, H 23.1, S13.1, and Section E(4) of Facility Permit No. 097081 for the period commencing April 28, 2025 and continuing through May 15, 2025.

B. The variance granted herein is subject to the following conditions:

1. Petitioner shall cease all crude oil/gas/water extraction/separation/production operations during those times when Petitioner's third-party gas takeaway or gas sales has been closed to Petitioner, or until such time as the oil/gas/water extraction/separation/production equipment are connected to a South Coast AQMD permitted vapor control system capable of handling all generated vapors. For the purposes of this condition, crude oil/gas/water extraction/separation/production operations do not include the transfer of liquids between tanks or to trucks with vapor balance to minimize system pressures and avoid releases to atmosphere to the maximum extent possible.

2. Petitioner shall conduct tank pressure monitoring as well as leak and odor surveillance daily, at all facilities under variance coverage at least once per day and shall keep records of such monitoring that shall be made available to South Coast AQMD upon request.

3. Petitioner shall conduct weekly leak detection using a hydrocarbon monitor and follow US E.P.A. Method 21 on all potential fugitive emission components. The first monitoring day shall be conducted within 7 days of granting of this variance.

4. Petitioner shall track and record operated main gas line pressure between facilities and prior to the gas sales compressor as a measure of pressure management. Records shall be made available to South Coast AQMD upon request.

5. Odor surveillance shall be conducted at minimum once daily between 1:00-6:00 p.m.

6. Petitioner shall calculate daily excess emission and pay the corresponding excess emission fees per Rule 303 by May 31, 2025.

7. Petitioner shall pay all applicable fees to the Clerk of the Board by May 31, 2025, or the variance shall be invalidated pursuant to Rule 303(k).

8. Petitioner shall notify the Clerk of the Board at clerkofboard@aqmd.gov, South Coast AQMD Legal Counsel Sheri Hanizavareh at shanizavareh@aqmd.gov, and South Coast AQMD Inspector Evan Landi at elandi@aqmd.gov when final compliance is achieved.

FOR THE BOARD: _____

DATED: _____