STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:	*	**Settlement Tracking No.**
	*	**SA-AE-06-0022**
BAYOU STEEL CORPORATION	*	
	*	**Enforcement Tracking No.**
AI # 3401	*	**AE-CN-05-0127**
	*	**AE-CN-05-0127A**
PROCEEDINGS UNDER THE LOUISIANA	*	
ENVIRONMENTAL QUALITY ACT	*	
LA. R.S. 30:2001, ET SEQ.	*	

SETTLEMENT

The following Settlement is hereby agreed to between Bayou Steel Corporation ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who owns and/or operates a steel mill located at 138 Louisiana Highway 3217 in or near Laplace, St. John the Baptist Parish, Louisiana ("the Facility"). The facility currently operates under Title V Permit No. 2580-00017-V0 issued on March 27, 2006.

II

On March 13, 2006, the Department issued to Respondent, a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-05-0127, which was based upon the following findings of fact:

According to the air permit application for the facility dated November 15, 1977, the facility's Primary Dust Control (Emission Point No. 1-77) would "...provide for carbon monoxide incineration, cooling, and high efficiency dust removal." Table 2: Emission Point Sources of the

application indicates that no carbon monoxide (CO) emissions would be emitted from this emission point. The Respondent submitted supplemental information to the Department on or about January 9, 1978. The Department issued Air Permit No. 885 on February 28, 1978, based on the Respondent's application. The permit stated that the Respondent will install a primary dust control system which will provide for carbon monoxide incineration and permitted no CO emissions from Emission Point No. 1-77.

III

A modification to the air permit, Air Permit No. 885-M-1, was issued to the facility on October 28, 1983. The modified permit again stated that the Respondent will install a primary dust control system which will provide for carbon monoxide incineration and permitted no CO emissions from Emission Point No. 1-77.

IV

In the facility's permit modification application dated March 9, 1994, the Emission Inventory Questionnaire for Emission Point No. 1-77 indicated that no CO emissions would be emitted from that emission point. The Department issued Air Permit No. 885 (M-2) for the facility's Electric Arc Furnace operations on May 5, 1995, based on the Respondent's application, which permitted no CO emissions from Emission Point No. 1-77.

V

On or about February 20, 2006, a file review of the Respondent's facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the review:

A. According to correspondence dated January 30, 2006, a CO incinerator had not been used to control carbon monoxide emissions from Emission Point No. 1-77. The Respondent's failure to install a primary dust control system

which provided for carbon monoxide incineration to control and limit emissions during the period encompassing startup of the facility through October 27, 1983, and therefore its failure to operate the facility in accordance with all terms and conditions of Air Permit No. 885, is a violation of LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act. The Respondent's failure to install a primary dust control system which provided for carbon monoxide incineration to control and limit emissions during the period encompassing October 28, 1983, through May 4, 1995, and therefore its failure to operate the facility in accordance with all terms and conditions of Air Permit No. 885-M-1, is a violation of LAC 33:III.501.C.4 and Section 2057(A)(2) of the Act.

B. According to Annual Emissions Statements (EISs) submitted for the facility, the Respondent allowed Emission Point No. 1-77 to emit unpermitted CO emissions as noted in the table below:

Year	Reported CO Emissions (Tons Per Year)	Permitted CO Emissions (Tons Per Year)
1996	521	0
1997	679	0
1998	682	0
1999	593	0
2000	593	0
2001	576	0
2002	599	0
2003	626	0
2004	642	0

According to General Condition II of Air Permit No. 885 (M-2), each of the Respondent's failures to operate the facility in accordance with all terms and conditions of Air Permit No. 885 (M-2) is a violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

VI

Due to the unpermitted CO emissions from Emission Point No. 1-77, the facility potentially needed a Prevention of Significant Deterioration (PSD) permit in order to obtain authorization to operate the facility as it was originally constructed.

VII

According to a letter from the Louisiana Department of Natural Resources to the U.S. Environmental Protection Agency (EPA) dated July 26, 1983, the Respondent obtained PSD Permit No. PSD-LA-66, issued on March 30, 1978, based on the potential of the facility to emit 103 tons of nitrogen oxides (NOx) emissions per year. The letter further explained that stack test data indicated that the facility's potential to emit was approximately 47 tons of NOx per year, rather than the previous 103 tons per year projection. In a letter dated November 23, 1983, to the Louisiana Department of Natural Resources, the EPA explained that "Since the Prevention of Significant Deterioration (PSD) regulations, as amended on August 7, 1980, do not apply to this facility, EPA determined that a PSD permit is no longer required and rescinded the permit."

VIII

According to Paragraph I of the Air Permit Briefing Sheet of Air Permit No. 885 (M-2), in reference to Air Permit No. 885-M-1, issued on October 28, 1983, "Nitrogen oxides (NOx) emissions form the facility's electric arc furnace (EAF) during melting and refining operations were not included in the referenced permit, as NOx was not recognized as a precursor to ozone formation at that time." Air Permit No. 885-M-1 indicated that the facility-wide NOx emissions were 47.03 tons per year. However, Paragraph III of the Air Permit Briefing Sheet of Air Permit No. 885 (M-2) indicates that the facility-wide NOx emissions prior to the issuance of Air Permit No. 885 (M-2) were 119.7 tons per year, as "...adjusted for inclusion of NOx emissions omitted in error from the M-1 modification of Permit No. 885." Due to these previously unaccounted for NOx emissions, the facility potentially needed a PSD permit in order to obtain authorization to operate the facility with such NOx emissions.

IX

On June 13, 2006, the Department issued to Respondent, an Amended Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-05-0127A, which deleted Paragraph V.A of the Findings of Fact portion of Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-05-0127.

X

The Respondent and the Department hereby agree that the Prevention of Significant Deterioration (PSD) evaluation ordered in Paragraph II of the Order portion of Compliance Orders and Notices of Potential Penalty (CONOPPs), Enforcement Tracking Nos. AE-CN-05-0127 and AE-CN-05-0127A, will be conducted according to the schedule required by Specific Requirement No. 88 for the Entire Facility (GRP001) of Title V Permit No. 2580-00017-V0 issued on March 27, 2006, rather than the schedule established in the CONOPPs. Specific Requirement No. 88 requires that the Respondent submit the results of the PSD evaluation to the Department within 180 days after permit issuance. (Furthermore, any new PSD deviations at the facility are subject to review and possible enforcement action by the Department.) This Settlement Agreement only addresses the violations listed in Paragraph V.B of CONOPPs, Enforcement Tracking Nos. AE-CN-05-0127 and AE-CN-05-0127A.

XI

In response to the Consolidated Compliance Order & Notice of Potential Penalty (CO/NOPP), Respondent made a timely request for a hearing.

XII

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

XIII

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of TWELVE THOUSAND AND NO/100 DOLLARS ($12,000.00), of which One Thousand One Hundred Sixty-Six and 65/100 Dollars ($1,166.65) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

XIV

The Department may consider the inspection report(s), the Consolidated Compliance Orders & Notice of Potential Penalties and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent. In any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history, but Respondent may present relevant mitigating and/or explanatory information for the Department's consideration.

XV

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

XVI

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

XVII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in St. John the Baptist Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XVIII

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XIX

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XX

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

BAYOU STEEL CORPORATION

BY: _____
(Signature)

Jerry M. Pitts
(Print)

TITLE: President & CEO

THUS DONE AND SIGNED in duplicate original before me this 29th day of January, 20 07, at St. John the Baptist Parish

MICHAEL E SOILEAU, JR. NOTARY PUBLIC ST JOHN THE BAPTIST PARISH, LA

_____
NOTARY PUBLIC (ID # 81887)

Michael E. Soileau, Jr.
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY
Mike D. McDaniel, Ph.D., Secretary

BY: _____
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 3rd day of May, 20 07, at Baton Rouge, Louisiana.

_____
NOTARY PUBLIC (ID # 20456)

Ted F. Bright, Jr.
(Print)

Approved: _____
Harold Leggett, Ph.D., Assistant Secretary