

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**SOUTHERN NATURAL GAS COMPANY
AI # 17664**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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* **Enforcement Tracking No.**
* **AE-CN-03-0421**
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SETTLEMENT

The following Settlement is hereby agreed to between Southern Natural Gas Company (“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 the Toca Compressor Station, a natural gas compressor station located on the right side of Louisiana Highway 46, approximately six miles south of the intersection with Louisiana Highway 39 in St. Bernard, St. Bernard Parish, Louisiana (“the Facility”).

II

On December 18, 2003, the Department issued a Consolidated Compliance Order and Notice of Potential Penalty, Enforcement No. AE-CN-03-0421, to Respondent, which was based upon the following findings of fact:

The facility operated under Title V Air Permit No. 2500-00019-V0 issued on August 13, 2001. The facility currently operates under Title V Air Permit No. 2500-00019-VI issued on April 30, 2004.

The Department conducted a meeting with representatives for the Respondent on June 30, 2003, to discuss findings of an ongoing facility review of potential noncompliance issues identified at the facility. During the meeting, the Department requested that the Respondent submit correspondence detailing the issues identified and to continue its review of noncompliance issues at the facility.

The Respondent submitted a letter dated July 1, 2003, to the Department as requested. In the letter, the Respondent explained potential noncompliance issues at the facility. The noncompliance issues identified in the letter included unpermitted emission sources not included in the current Title V Air Permit, various reporting requirements, and New Source Review (NSR) permitting requirements.

The Respondent submitted a letter dated September 23, 2003, to the Department stating that the review of noncompliance concerns identified at the facility had been completed. In the letter, the Respondent explained potential noncompliance issues at the facility in further detail. The noncompliance issues identified in the letter included unpermitted emission sources not included in the current Title V Air Permit, various reporting requirements, New Source Review (NSR) permitting requirements, and control requirements of crude oil and condensate pursuant to LAC 33:III.Chapter 21.

The Department conducted a meeting with representatives for the Respondent on October 6, 2003, to further discuss findings of the ongoing facility review of noncompliance

issues identified at the facility and to establish a timeline to bring the facility into compliance.

On October 15, 2003, the Respondent submitted a letter requesting interim emission limits for currently unpermitted emissions from various sources at the facility. The emission sources associated with the unpermitted emissions include tank truck loading of natural gas condensate, operation of the flare, and the storage and associated flashing of natural gas condensate in nine storage tanks.

On November 7, 2003, the Respondent submitted a letter to propose a compliance schedule to ensure future compliance with the issues identified in the review of noncompliance concerns identified at the facility.

On or about November 24, 2003, a file review of the Respondent's facility was performed to determine the degree of compliance with the Act and Air Quality Regulations.

While the Department's investigation is not yet complete, the following violations were noted during the course of the file review:

- A. As reported in the Respondent's letter dated July 1, 2003, Title V Air Permit No. 2500-00019-V0 lists zero emissions of VOCs, benzene, ethylbenzene, n-hexane, toluene, or xylene from the nine distillate storage tanks (Emission Points 009-001, 009-002, 009-003, 009-004, 009-005, 009-006, 009-007, 009-008, and 009-009). In addition, it was discovered that emissions resulting from tank truck loading had not been included as an emission source in the current Title V air permit. As reported in correspondence sent by the Respondent dated October 15, 2003, each of the nine distillate storage tanks has the potential to emit 8.93 tons per year of VOC which includes 0.215 tons per year of benzene, 0.040 tons per year of ethylbenzene, 0.868 tons per year of n-hexane, 0.219 tons per year of toluene, and 0.128 tons per year of xylenes. Additionally, the Respondent's correspondence dated October 15, 2003, states that the tank truck loading has the potential to emit 11.04 tons per year of VOC which includes 0.03 tons per year of benzene, 0.01 tons per year of ethylbenzene, 0.16 tons per year of n-hexane, 0.02 tons per year of toluene, and 0.01 tons per year of

xylenes. Therefore, the emissions from the nine distillate storage tanks and tank truck loading are unpermitted in the current Title V air permit. Each is a violation of LAC 33:III.501.C.2, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- B. The Respondent conducted a replacement project in 1997 consisting of replacing nine existing condensate/distillate tanks with nine new tanks, which according to the Respondent were of identical size and configuration. The nine tanks in existence prior to the 1997 replacement project were permitted under Air Permit No. 2500-00019-01 for 37.62 tons per year of VOC emissions. In the Respondent's request for a state permit amendment dated February 28, 1997, potential emissions from the nine tanks were reported to be 200.16 tons per year of VOC emissions. The potential increase in VOC emissions from the nine tanks exceeded 40 tons per year and triggered netting analysis. The resulting net emissions increase as a result of the replacement project exceeded 40 tons per year of VOC emissions. This increase in emissions exceeds the defined significance level as specified in LAC 33:III.509.B.*Significant*. The Respondent's failure to seek PSD review of the tank replacement project is a violation of LAC 33:III.509.I.1, LAC 33:III.509.J.3, LAC 33:III.509.R.1, and Section 2057(A)(2) of the Act.
- C. According to the Respondent, as a result of unexpected additional gas volumes handled at the facility in 1997 and 1998, actual flash gas emissions triggered applicability requirements of LAC 33:III.2104. The actual flash gas emissions in the 1997 and 1998 calendar years were 129.26 tons per year and 226.14 tons per year, respectively. Therefore, the Respondent was required to install a vapor recovery system to reduce flash gas emissions by a minimum of 95%, by no later than May 1, 1999, as required by LAC 33:III.2104.E. The Respondent's failure to install a vapor recovery system to reduce flash gas emissions by a minimum of 95%, by no later than May 1, 1999, is a violation of LAC 33:III.2104.C, LAC 33:III.2104.E and Sections 2057(A)(1) and 2057(A)(2) of the Act.

III

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

IV

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 SIXTY-SIX THOUSAND AND NO/100 DOLLARS (\$66,000.00) of which Six hundred sixty-six and 32/100 dollars (\$666.32) 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).

V

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order and Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and 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.

VI

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.

VII

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.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in St. Bernard 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.

IX

Payment is to be made within thirty (30) 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. Penalties are to be made payable to the Department of Environmental Quality and mailed 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.

X

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

XI

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

SOUTHERN NATURAL GAS COMPANY

BY: Daniel B. Martin
(Signature)

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Daniel B. Martin
(Printed or Typed)

TITLE: Sr. Vice President, Operations

THUS DONE AND SIGNED in duplicate original before me this 30th day of June, 2004, at Houston, Texas.



Becky L. Reed
NOTARY PUBLIC (ID # _____)

Becky L. Reed
(Printed or Typed)

STATE OF LOUISIANA
Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

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

THUS DONE AND SIGNED in duplicate original before me this 11th day of October, 2004, at Baton Rouge, Louisiana.

Christopher A. Rataliff
NOTARY PUBLIC (ID # 18675)

Christopher A. Rataliff
(Printed or Typed)

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



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

September 28, 2004

Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: AG Review of DEQ Settlement;
Southern Natural Gas Company
AE-CN-03-0421

Dear Secretary McDaniel:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By: 
CHARLES C. FOTI, JR.
Attorney General

CCF/mlc