

Bay Area Air Quality Management District,
939 Ellis Street, San Francisco, California 94109
415-771-6000

September 9, 2005

Mr. Joe Emmerichs
Vice President — General Manager
Pacific Steel Casting Company
1333 Second Street
Berkeley, CA 94710

Re: Pacific Steel Casting — Permits to Operate

Dear Mr. Emmerichs:

I am writing concerning the permits to operate three steel casting plants issued to Pacific Steel Casting (PSC) by the Bay Area Air Quality Management District (District).

Currently, you operate the three plants under District Permit Nos. 187 (Plant #1), 703 (Plant #2), and 1603 (Plant #3). Plant #2 and Plant #3, which are contiguous, also operate under a synthetic minor operating permit pursuant to District Rule 2-6-310. However, based on the District's review of Pacific Steel Casting's current operations, it appears the three plants must be treated as one facility subject to requirements of District Regulation 2, Rule 6, which implements the federal Title V operating permit program.

Multiple plants constitute a single Title V "major source" - and may be a "major facility" or "synthetic minor facility" under District Regulation 2, Rule 6 - if they are under the same ownership or control, they belong to the same industrial classification (based on the facilities' primary activity), and they are adjacent or contiguous to each other. PSC owns and controls Plants #1, #2, and #3 and produces steel castings at each of them. The District has determined that the three plants are adjacent or contiguous to each other.

Plants are contiguous if they are touching, especially along a border. Plants #2 and #3, which are separated by Second Street, are contiguous. See, e.g., Section 2.3 of "Questions and Answers on the Requirements of Operating Permits Program Regulations," United States Environmental Protection Agency (EPA), July 7, 1993. **(1)** Plant #1 is not contiguous to the other two plants, but it is adjacent to them pursuant to 40 C.F.R. sec. 70.2.

Plants are "adjacent" to each other if they lie near or adjoin each other. See e.g., Shorter Oxford English Dictionary, Fifth Edition, 2002. In other words, Plant #1 need not border the others to be adjacent to them. Whether Plant #1 is adjacent to the other two plants is a "case-by-case determination" based upon their proximity to each other and interrelatedness. 45 Fed. Reg. 52965 ("EPA is unable to say ... precisely how far apart

activities must be in order to be treated separately.") It is the "common sense notion" of a single facility that controls in this determination. Id.(4)

PSC operates its business out of its administrative office building, located at 1333 Second Street, Berkeley, and at its three foundries. The office building and Plant #3 are on the east side of the street. Plant #1, which faces the office building, is located on the west side of Second Street and is separated from Plant #2, approximately 210 feet away, by another industrial business, Berkeley Forge and Tool.

It is evident that the three plants are functionally interrelated and are sufficiently proximate that they operate together as a single steel foundry business. (5) PSC operates out of its administrative office, where it receives orders for steel goods and determines which plant fills the orders. PSC's general manager, plant operator, and environmental manager are responsible for and shuttle between the three plants. (6) Whether PSC casts steel components at one or another plant is a function of the size of the casting requested by a customer and the availability of a specific plant to fill an order. In fact, the proximity of the plants to each other enables integrated operation of the plants. (7)

The only significant difference between the steel casting plants is the range of cast sizes each plant can manufacture. (The size of the mold designates the type of binding material used in the mold.) Plant #2 produces castings from one ounce to 60 pounds; Plant #1 produces castings from one pound to 1500 pounds; Plant 43 produces castings up to 7,000 pounds. Indeed, PSC prides itself on the flexibility it provides customers, by offering "with our three plants[,] ... precision-made components from one ounce to 7,000 pounds." (8) The three plants would not be any more functionally integrated if they were directly contiguous to each other. PSC acknowledges that Plant #2 and Plant 43 share some operations and support each other, but has stated that Plant #1 does not support, and is not supported by, the other two plants. However, plants need not support each other to be treated as one facility. (9)

Because Plants #1, #2, and #3 are adjacent and/or contiguous and thus constitute a single facility for purposes of District Regulation 2, Rule 6, the District has determined that Pacific Steel Casting must submit an application to modify the synthetic minor operating permit to include Plant #1, in accordance with District Rule 2-6-422. It may be that the emissions calculations required pursuant to District Rule 2-6-422.4 cannot demonstrate that the potential to emit remains below the emissions thresholds for a "major facility" (District Rules 2-6-212, 2-6-237). In that event, Pacific Steel Casting must submit a major facility review permit application. The appropriate application, including all required documents, must be submitted by no later than December 31, 2005.

If you have any further questions concerning this matter, please contact Gregory Solomon at (415) 749-4715 or me at (415) 749-4653.

Sincerely,
Brian Bateman
Director of Engineering

1 See e.g., Letter to Iowa Air Quality Bureau, dated October 1, 2004, from JoAnn M. Heiman, Chief, Air Permitting and Compliance Branch, EPA, concerning the definition of "contiguous" under Part 63 (hazardous air pollutants), in which she confirms that two facilities separated by a public right of way are contiguous (66 Fed. Reg. 16324)

2 EPA has relied on the dictionary definitions of "adjacent" and "contiguous" in its inquiries of whether facilities are adjacent or contiguous and thus constitute one source. See e.g., letter dated May 21, 1998, Ref 8P2-A, to Utah Division of Air Quality from Richard Long, Director, Air Program, Region 8 EPA; Letter dated August 7, 1997 to Oregon Department of Environmental Quality from Joan Cabreza, Office of Air Quality, Region 10 EPA.

3 "A physical separation of property does not in itself constitute separate sources." Letter dated May 19, 1999 to Mecklenburg County Department of Environmental Protection, North Carolina from Winston A. Smith, Air, Pesticides and Toxics Management Division, EPA Region 4. "Use of documents not directly related to Title V is appropriate because the Title V definition of major source is an outgrowth of the definitions used for [prevention of significant deterioration] and nonattainment area new source review purposes." Id.

4 "The determination of whether two sources are adjacent is based on the 'common sense' notion of source, and whether the distance between two facilities is sufficiently small that it enables them to operate as a single source." Undated letter to Pennsylvania Department of Environmental Protection (PEP) re: Northeast Hub Partners, from Judith M. Katz, Director, Air Protection Division, EPA Region 8. See also, undated letter to Pennsylvania DEP from Kathleen Henry, Chief, Permits and Technical Assessment Branch, EPA Region 8, in response to December 9, 1998 Pennsylvania DFP letter to EPA, describing EPA's "common sense notion" of a plant.

5 See Footnote 4.

6 See, e.g., EPA Region 8 letter, Ref. 8P2-A (finding that "managers or other workers," such as "maintenance and repair crews, or security or administrative personnel," who "frequently shuttle back and forth to be involved actively" in the facilities, can demonstrate the facilities are a single source) and undated Kathleen Henry, EPA Region 8, letter.

7 In addition, selecting a new location primarily because of its proximity to the existing facility -to enable an integrated operation indicates the two facilities are one source. See, EPA Region 8 letter, Ref 8P2-A. In the instant matter, PSC expanded its operation at Plant #1, installed in the 1930s, by adding Plant #2 in the 1970s and Plant #3 in the 1980s.

8 Pacific Steel Casting website www.pacificsteel.com/info

9 See, eg., EPA Region 10 letter dated August 7, 1997 (finding that "[where two sources are on contiguous or adjacent properties, are under common ownership, and are within the same SIC code, there would be only one stationary source and there would be no need to assign the support facility to one source or the other").